



# Financial Statements

Certification of Financial  
Statements

Independent Auditor's Report

Disclosures and Legal Compliance  
– Financial Statements



Auditor General

# Certification of financial statements

**For the reporting period ended 30 June 2019**

The accompanying financial statements of the Department of Finance have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2019 and the financial position as at 30 June 2019.

At the date of signing we are not aware of any circumstances which would render the particulars included within the financial statements misleading or inaccurate.

**Dominick Geraghty**  
Chief Finance Officer  
23 August 2019

**Jodi Cant**  
Director General  
23 August 2019

## INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

DEPARTMENT OF FINANCE

Report on the Financial Statements

### Opinion

I have audited the financial statements of the Department of Finance which comprise the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information, including Administered transactions and balances.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Department of Finance for the year ended 30 June 2019 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

### Basis for Opinion

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

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

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

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

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

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.





Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

## Report on Controls

### Opinion

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

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

In my opinion, in all material respects, the controls exercised by the Department of Finance are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2019.

### The Director General's Responsibilities

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

### Auditor General's Responsibilities

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

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

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

### Limitations of Controls

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

## Report on the Key Performance Indicators

### Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Department of Finance for the year ended 30 June 2019. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Department of Finance are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2019.

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

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

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





### Auditor General's Responsibility

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the Department's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

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

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

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

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

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

This auditor's report relates to the financial statements and key performance indicators of the Department of Finance for the year ended 30 June 2019 included on the Department's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.

CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
23 August 2019

# Disclosures and legal compliance

## — Financial statements



Statement of Comprehensive Income  
For the year ended 30 June 2019

	Notes	2019 (\$000)	2018 (\$000)
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expense	<a href="#">3.1(a)</a>	104,839	115,304
Supplies and services	<a href="#">3.4</a>	1,039,189	1,107,809
Depreciation and amortisation expense	<a href="#">5.1, 5.2</a>	68,159	66,007
Finance costs	<a href="#">7.4</a>	7,362	7,780
Accommodation expenses	<a href="#">3.4</a>	46,230	40,562
Grants and subsidies	<a href="#">3.2</a>	528	578
Loss on disposal of non-current assets	<a href="#">3.3</a>	444	17
Other expenses	<a href="#">3.4</a>	1,082	39,775
<b>Total expenses</b>		<b>1,267,833</b>	<b>1,377,832</b>
<b>Income</b>			
<i>Revenue</i>			
User charges and fees	<a href="#">4.2</a>	1,109,482	1,176,982
Commonwealth grants and contributions	<a href="#">4.3</a>	6,596	7,085
Interest revenue	<a href="#">7.3</a>	310	298
Other revenue	<a href="#">4.4</a>	4,486	6,566
<b>Total revenue</b>		<b>1,120,874</b>	<b>1,190,931</b>
<i>Gains</i>			
Gain on disposal of non-current assets	<a href="#">4.5</a>	1,859	2,179
Gain from revaluation	<a href="#">4.5</a>	12,465	-
<b>Total gains</b>		<b>14,324</b>	<b>2,179</b>
<b>Total income other than income from State Government</b>		<b>1,135,198</b>	<b>1,193,110</b>
<b>NET COST OF SERVICES</b>		<b>132,635</b>	<b>184,722</b>
<b>Income from State Government</b>			
Service appropriation	<a href="#">4.1</a>	154,400	150,900
Services received free of charge	<a href="#">4.1</a>	13,512	13,511
Royalties for Regions Fund	<a href="#">4.1</a>	91	106
<b>Total income from State Government</b>		<b>168,003</b>	<b>164,517</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>35,368</b>	<b>(20,205)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>			
		<b>35,368</b>	<b>(20,205)</b>

See also the '[Schedule of Income and Expenses by Service](#)'.  
The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position  
As at 30 June 2019

	Notes	2019 (\$000)	2018 (\$000)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	<a href="#">7.5</a>	82,395	75,890
Restricted cash and cash equivalents	<a href="#">7.5</a>	22	1,001
Receivables	<a href="#">6.1</a>	114,528	132,386
Finance lease receivables	<a href="#">7.2</a>	225	409
Amounts receivable for services	<a href="#">6.2</a>	806	779
Other current assets	<a href="#">6.3</a>	29,483	29,347
<b>Total Current Assets</b>		<b>227,459</b>	<b>239,812</b>
<b>Non-Current Assets</b>			
Restricted cash and cash equivalents	<a href="#">7.5</a>	1,076	734
Receivables	<a href="#">6.1</a>	-	535
Finance lease receivables	<a href="#">7.2</a>	303	248
Amounts receivable for services	<a href="#">6.2</a>	583,439	523,084
Property, plant, equipment and vehicles	<a href="#">5.1</a>	691,918	687,094
Intangible assets	<a href="#">5.2</a>	36,488	34,463
Other non-current assets	<a href="#">6.3</a>	7,124	4,307
<b>Total Non-Current Assets</b>		<b>1,320,348</b>	<b>1,250,465</b>
<b>TOTAL ASSETS</b>		<b>1,547,807</b>	<b>1,490,277</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	<a href="#">6.4</a>	94,226	112,770
Borrowings	<a href="#">7.1</a>	11,487	23,913
Employee related provisions	<a href="#">3.1(b)</a>	25,738	26,212
Lease incentives	<a href="#">6.7</a>	17,186	16,771
Other current liabilities	<a href="#">6.6</a>	24,412	23,058
<b>Total Current Liabilities</b>		<b>173,049</b>	<b>202,724</b>
<b>Non-Current Liabilities</b>			
Borrowings	<a href="#">7.1</a>	50,664	56,005
Employee related provisions	<a href="#">3.1(b)</a>	4,953	4,818
Other provisions	<a href="#">6.5</a>	544	534
Lease incentives	<a href="#">6.7</a>	176,266	131,249
<b>Total Non-Current Liabilities</b>		<b>232,427</b>	<b>192,606</b>
<b>TOTAL LIABILITIES</b>		<b>405,476</b>	<b>395,330</b>
<b>NET ASSETS</b>			
		<b>1,142,331</b>	<b>1,094,947</b>
<b>EQUITY</b>			
Contributed equity	<a href="#">9.10</a>	1,068,039	1,056,019
Accumulated surplus/(deficit)		74,292	38,928
<b>TOTAL EQUITY</b>		<b>1,142,331</b>	<b>1,094,947</b>

See also the '[Schedule of Assets and Liabilities by Service](#)'.  
The Statement of Financial Position should be read in conjunction with the accompanying notes.





Statement of Changes in Equity  
For the year ended 30 June 2019

	Notes	Contributed equity (\$000)	Accumulated surplus/ (deficit) (\$000)	Total equity (\$000)
Balance at 1 July 2017		1,055,928	59,133	1,115,061
Surplus/(Deficit)		-	(20,205)	(20,205)
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	(20,205)	(20,205)
Transactions with owners in their capacity as owners:	9.10			
Capital appropriations		14,902	-	14,902
Other contributions by owners		232	-	232
Distributions to owners		(15,043)	-	(15,043)
Total		91	-	91
Balance at 30 June 2018		1,056,019	38,928	1,094,947
Balance at 1 July 2018		1,056,019	38,928	1,094,947
Changes in accounting policy		-	(4)	(4)
Restated balance at 1 July 2018		1,056,019	38,924	1,094,943
Surplus/(Deficit)		-	35,368	35,368
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	35,368	35,368
Transactions with owners in their capacity as owners:	9.10			
Capital appropriations		11,820	-	11,820
Other contributions by owners		200	-	200
Distributions to owners		-	-	-
Total		12,020	-	12,020
Balance at 30 June 2019		1,068,039	74,292	1,142,331

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

Statement of Cash Flows  
For the year ended 30 June 2019

	Notes	2019 (\$000)	2018 (\$000)
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		93,239	89,857
Capital appropriations		11,820	14,902
Funding from Treasury Administered		200	200
Holding account drawdowns		779	1,326
Royalties for Regions Fund		90	106
Regional Infrastructure and Headworks Fund		-	(421)
Net cash provided by State Government		106,128	105,970
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(105,098)	(117,949)
Supplies and services		(1,033,285)	(1,136,777)
Finance costs		(6,237)	(6,604)
Accommodation		(46,926)	(40,438)
Grants and subsidies		(521)	(574)
GST payments on purchases		(121,256)	(134,697)
GST payments to taxation authority		(6,759)	(6,032)
Other payments		(4,056)	(2,632)
Receipts			
User charges and fees		1,106,235	1,216,232
Commonwealth grants and contributions		8,280	5,575
Interest received		319	361
GST receipts on sales		121,593	132,352
GST receipts from taxation authority		6,178	7,700
Other receipts		6,395	15,343
Net cash provided by/(used in) operating activities	7.5	(75,138)	(68,140)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current assets		(92,774)	(122,972)
Receipts			
Proceeds from sale of non-current assets		30,379	39,016
Receipts from lease incentives		55,757	41,544
Net cash provided by/(used in) investing activities		(6,638)	(42,412)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments			
Repayment of borrowings		(18,922)	(23,115)
Receipts			
Proceeds from borrowings		-	-
Finance leases receipts		438	500
Net cash provided by/(used in) financing activities		(18,484)	(22,615)
Net increase/(decrease) in cash and cash equivalents		5,868	(27,197)
Cash balance transferred to the Department of Treasury		-	(28)
Cash balance transferred from the Department of Treasury		-	32,705
Cash balance transferred to the Department of Local Government, Sport and Cultural Industries		-	(2,042)
Cash and cash equivalents at the beginning of the period		77,625	74,187
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7.5	83,493	77,625

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



Summary of consolidated account appropriations and income estimates  
For the year ended 30 June 2019

	2019 Estimate (\$000)	2019 Actual (\$000)	Variance (\$000)	2019 Actual (\$000)	2018 Actual (\$000)	Variance (\$000)
<u>Delivery of Services</u>						
Item 38 Net amount appropriated to deliver services	151,149	152,799	1,650	152,799	149,299	3,500
Amount Authorised by Other Statutes: - <i>Salaries and Allowances Act 1975</i>	1,601	1,601	-	1,601	1,601	-
<b>Total appropriations provided to deliver services</b>	<b>152,750</b>	<b>154,400</b>	<b>1,650</b>	<b>154,400</b>	<b>150,900</b>	<b>3,500</b>
<u>Capital</u>						
Item 107 Capital appropriations	11,820	11,820	-	11,820	14,902	(3,082)
<u>Administered Transactions</u>						
Community service obligation payments:						
Item 39 Amount provided for Administered grants, subsidies and other transfer payments	176,426	150,761	(25,665)	150,761	160,994	(10,233)
Amount Authorised by Other Statutes: <i>First Home Owner Grant Act 2000</i>	76,200	56,540	(19,660)	56,540	91,171	(34,631)
<b>Total administered transactions</b>	<b>252,626</b>	<b>207,301</b>	<b>(45,325)</b>	<b>207,301</b>	<b>252,165</b>	<b>(44,864)</b>
<b>GRAND TOTAL</b>	<b>417,196</b>	<b>373,521</b>	<b>(43,675)</b>	<b>373,521</b>	<b>417,967</b>	<b>(44,446)</b>
<u>Details of Expenses by Service</u>						
Revenue Assessment and Collection and Grants and Subsidies Administration	64,607	60,062	(4,545)	60,062	62,285	(2,223)
Development and Management of Common Use Contract Arrangements, State Fleet Leasing and Disposal, and Providing Facilitation Service for Agency Specific Contracts	78,347	79,806	1,459	79,806	76,082	3,724
Corporate Services to Client Agencies	6,220	6,364	144	6,364	6,567	(203)
Leads the Planning, Delivery, Management and Maintenance of Government Buildings, Projects and Office Accommodation	1,056,575	972,171	(84,404)	972,171	1,051,058	(78,887)
Leads the Planning and Delivery of Major Government Building Projects	224,524	149,430	(75,094)	149,430	181,840	(32,410)
Total Cost of Services	1,430,273	1,267,833	(162,440)	1,267,833	1,377,832	(109,999)
Less Total Income	(1,270,585)	(1,135,198)	135,387	(1,135,198)	(1,193,110)	57,912
Net Cost of Services	159,688	132,635	(27,053)	132,635	184,722	(52,087)
Adjustments	(6,938)	21,765	28,703	21,765	(33,822)	55,587
<b>Total appropriations provided to deliver services</b>	<b>152,750</b>	<b>154,400</b>	<b>1,650</b>	<b>154,400</b>	<b>150,900</b>	<b>3,500</b>

Summary of consolidated account appropriations and income estimates  
For the year ended 30 June 2019

	2019 Estimate (\$000)	2019 Actual (\$000)	Variance (\$000)	2019 Actual (\$000)	2018 Actual (\$000)	Variance (\$000)
<u>Capital Expenditure</u>						
Purchase of non-current assets	117,521	92,774	(24,747)	92,774	122,972	(30,198)
Repayment of borrowings	18,400	18,922	522	18,922	23,115	(4,193)
Adjustments for other funding sources	(124,101)	(99,876)	24,225	(99,876)	(131,185)	31,309
<b>Capital appropriations</b>	<b>11,820</b>	<b>11,820</b>	<b>-</b>	<b>11,820</b>	<b>14,902</b>	<b>(3,082)</b>
<u>Details of Administered Income Estimates</u>						
Taxation:						
Insurance Duty	644,945	644,832	(113)	644,832	625,564	19,268
Land Tax	800,236	808,097	7,861	808,097	842,502	(34,405)
Metropolitan Region Improvement Tax	84,649	89,686	5,037	89,686	93,317	(3,631)
Payroll Tax	3,454,195	3,567,449	113,254	3,567,449	3,284,154	283,295
Racing and Wagering Western Australian Tax	64,110	55,014	(9,096)	55,014	41,468	13,546
Transfer Duty	1,330,744	1,100,813	(229,931)	1,100,813	1,226,205	(125,392)
Landholder Duty	101,000	33,375	(67,625)	33,375	234,496	(201,121)
Vehicle Licence Duty	360,191	363,603	3,412	363,603	354,663	8,940
Other duties	1	8	7	8	8	-
Commonwealth Mirror Taxes	44,364	44,151	(213)	44,151	40,635	3,516
<b>Total taxation</b>	<b>6,884,435</b>	<b>6,707,028</b>	<b>(177,407)</b>	<b>6,707,028</b>	<b>6,743,012</b>	<b>(35,984)</b>
Other revenue:						
Office lease rental revenue	39,700	39,776	76	39,776	41,448	(1,672)
Other income	64,441	64,355	(86)	64,355	64,035	320
<b>Total other revenue</b>	<b>104,141</b>	<b>104,131</b>	<b>(10)</b>	<b>104,131</b>	<b>105,483</b>	<b>(1,352)</b>
Appropriations:						
<i>First Home Owner Grant Act 2000</i>	76,200	56,540	(19,660)	56,540	91,171	(34,631)
Administered grants and transfer payments	176,426	150,761	(25,665)	150,761	160,994	(10,233)
<b>Total appropriations</b>	<b>252,626</b>	<b>207,301</b>	<b>(45,325)</b>	<b>207,301</b>	<b>252,165</b>	<b>(44,864)</b>
<b>TOTAL ADMINISTERED INCOME ESTIMATES</b>	<b>7,241,202</b>	<b>7,018,460</b>	<b>(222,742)</b>	<b>7,018,460</b>	<b>7,100,660</b>	<b>(82,200)</b>

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation. [Note 10.2](#) 'Disclosure of administered income and expenses by service' and [Note 10.4](#) 'Explanatory statement for administered items – income and expenses' provide details of any significant variations between estimates and actual results for 2019 and between actual results for 2019 and 2018.

# Notes to the financial statements

## 1. Basis of preparation

The Department of Finance is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The Department is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities have been included in the ‘Overview’ which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Department’s Director General on 23 August 2019.

### Statement of Compliance

These general purpose financial statements are prepared in accordance with:

- 1) The *Financial Management Act 2006* (FMA)
- 2) The Treasurer’s Instructions (the Instructions or TI)
- 3) Australian Accounting Standards (AAS) including applicable interpretations
- 4) Where appropriate, those AAS paragraphs applicable for not-for-profit entities have been applied.

The *Financial Management Act 2006* and the Treasurer’s Instructions (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

### Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$’000).

### Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

### Contributed equity

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

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

## 2. Department outputs

### How the Department operates

This section includes information regarding the nature of funding the Department receives and how this funding is utilised to achieve the Department’s objectives. This note also provides the distinction between controlled funding and administered funding:

	Notes
Department objectives	<a href="#">2.1</a>
Schedule of Income and Expenses by Service	<a href="#">2.2</a>
Schedule of Assets and Liability by Service	<a href="#">2.3</a>

### 2.1 Department objectives

#### Mission

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

#### Services

The Department provides the following services:

- Service 1: Revenue Assessment and Collection, and Grants and Subsidies Administration*
- Service 2: Development and Management of Common Use Contract Arrangements, State Fleet Leasing and Disposal, and Providing Facilitation Service for Agency Specific Contracts*
- Service 3: Corporate Services to Client Agencies*
- Service 4: Leads the Planning, Delivery, Management and Maintenance of Government Buildings, Projects and Office Accommodation*
- Service 5: Leads the Planning and Delivery of Major Government Building Projects*

The Department administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to, the function of the Department. These administered balances and transactions are not recognised in the principal financial statements of the Department but schedules are prepared using the same basis as the financial statements and are presented at [Note 10.2](#) ‘Disclosure of administered income and expenses by service’ and [Note 10.3](#) ‘Administered assets and liabilities’.





2.2 Schedule of income and expenses by service

For the year ended 30 June 2019

COST OF SERVICES

Expenses

	Service 1		Service 2		Service 3		Service 4		Service 5		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Employee benefits expense/	33,413	34,658	22,973	23,326	2,938	3,110	42,701	50,540	2,814	3,670	104,839	115,304
Supplies and services	18,254	19,741	14,850	9,913	2,718	2,647	857,254	898,055	146,113	177,453	1,039,189	1,107,809
Depreciation and amortisation expense	4,373	3,416	39,135	39,247	123	211	24,446	23,054	82	79	68,159	66,007
Finance costs	-	-	372	938	-	-	6,990	6,842	-	-	7,362	7,780
Accommodation expenses	3,602	4,091	1,796	1,984	444	380	40,034	33,525	354	582	46,230	40,562
Grants and subsidies	1	1	410	441	1	1	116	135	-	-	528	578
Loss on disposal of non-current assets	194	-	59	-	77	-	102	17	12	-	444	17
Other expenses	225	378	211	233	63	218	528	38,890	55	56	1,082	39,775
Total cost of services	60,062	62,285	79,806	76,082	6,364	6,567	972,171	1,051,058	149,430	181,840	1,267,833	1,377,832

Income

User charges and fees	3,216	2,663	59,772	62,770	-	-	901,289	934,711	145,205	176,838	1,109,482	1,176,982
Commonwealth grants and contributions	94	92	-	-	-	-	6,502	6,993	-	-	6,596	7,085
Interest revenue	-	-	310	298	-	-	-	-	-	-	310	298
Other revenue	718	277	2,432	2,012	345	735	970	3,499	21	43	4,486	6,566
Gain on disposal of non-current assets	-	-	1,859	2,179	-	-	-	-	-	-	1,859	2,179
Gain from revaluation	-	-	-	-	-	-	12,465	-	-	-	12,465	-
Total income other than income from State Government	4,028	3,032	64,373	67,259	345	735	921,226	945,203	145,226	176,881	1,135,198	1,193,110
NET COST OF SERVICES	56,034	59,253	15,433	8,823	6,019	5,832	50,945	105,855	4,204	4,959	132,635	184,722

INCOME FROM STATE GOVT

Service appropriation	46,660	45,018	34,841	27,519	6,019	6,162	62,492	67,367	4,388	4,834	154,400	150,900
Services received free of charge	12,725	12,742	60	50	-	6	436	542	291	171	13,512	13,511
Royalties for Regions Fund	-	-	-	-	-	-	91	106	-	-	91	106
Total income from State Government	59,385	57,760	34,901	27,569	6,019	6,168	63,019	68,015	4,679	5,005	168,003	164,517
SURPLUS/(DEFICIT) FOR THE PERIOD	3,351	(1,493)	19,468	18,746	-	336	12,074	(37,840)	475	46	35,368	(20,205)

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

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

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

Service 3: Corporate services to client agencies

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

Service 5: Leads the planning and delivery of major government building projects

2.3 Schedule of assets and liabilities by service

As at 30 June 2019

	Service 1		Service 2		Service 3		Service 4		Service 5		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Assets												
Current assets	30,491	29,462	33,669	31,581	-	-	155,370	172,145	7,929	6,624	227,459	239,812
Non-current assets	186,788	171,313	352,943	341,173	-	-	763,471	720,847	17,146	17,132	1,320,348	1,250,465
Total assets	217,279	200,775	386,612	372,754	-	-	918,841	892,992	25,075	23,756	1,547,807	1,490,277
Liabilities												
Current liabilities	10,395	13,376	18,996	34,697	-	-	123,151	140,563	20,507	14,088	173,049	202,724
Non-current liabilities	1,874	1,783	1,281	7,603	-	-	229,008	182,952	264	268	232,427	192,606
Total liabilities	12,269	15,159	20,277	42,300	-	-	352,159	323,515	20,771	14,356	405,476	395,330
NET ASSETS	205,010	185,616	366,335	330,454	-	-	566,682	569,477	4,304	9,400	1,142,331	1,094,947

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

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

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

Service 3: Corporate services to client agencies

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

Service 5: Leads the planning and delivery of major government building projects



### 3. Use of our funding

#### Expenses incurred in the delivery of services

This section provides additional information about how the Department’s funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Department in achieving its objectives and the relevant notes are:

	Notes	2019 (\$000)	2018 (\$000)
Employee benefits expenses	<a href="#">3.1(a)</a>	104,839	115,304
Employee related provisions	<a href="#">3.1(b)</a>	30,691	31,030
Grants and subsidies	<a href="#">3.2</a>	528	578
Loss on disposal of non-current assets	<a href="#">3.3</a>	444	17
Other expenditure	<a href="#">3.4</a>	1,086,501	1,188,146

#### 3.1(a) Employee benefits expense

	2019 (\$000)	2018 (\$000)
Wages and salaries <sup>(a)</sup>	94,845	98,071
Termination benefits <sup>(b)</sup>	104	6,708
Superannuation – defined contribution plans <sup>(c)</sup>	9,890	10,525
<b>Total employee benefits expenses</b>	<b>104,839</b>	<b>115,304</b>

(a) Adjusted 2018 Wages and salaries, Long service leave, Annual leave and Other related expenses as Wages and Salaries. 2018 Wages and salaries adjusted by \$68,000 to recognise Doubtful debts expense for 2017-18.

(b) The total termination benefits gross payout for 2019 was \$136,263, with \$31,847 related to leave entitlements (Refer to [Note 3.1\(b\)](#)).

(c) Defined contribution plans include West State Superannuation Scheme (WSS), Gold State Superannuation Scheme (GSS), Government Employees Superannuation Board Schemes (GESBs) and other eligible funds.

**Wages and salaries:** Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, and leave entitlements.

**Termination benefits:** Payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Department is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

**Superannuation:** The amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs, or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of the GSS is paid back into the Consolidated Account by the GESB.

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

The Department does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. The Liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Department to the GESB.

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

#### 3.1(b) Employee related provisions

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

	2019 (\$000)	2018 (\$000)
<b>Current</b>		
<u>Employee-benefits provisions</u>		
Annual leave <sup>(a)</sup>	9,644	8,876
Long service leave <sup>(b)</sup>	15,848	17,015
Deferred salary scheme <sup>(c)</sup>	163	228
Purchased leave	36	46
	<b>25,691</b>	<b>26,165</b>
<u>Other provisions</u>		
Employment on-costs <sup>(d)</sup>	47	47
<b>Total current employee related provisions</b>	<b>25,738</b>	<b>26,212</b>
<b>Non-current</b>		
<u>Employee-benefits provisions</u>		
Long service leave <sup>(b)</sup>	4,944	4,809
<u>Other provisions</u>		
Employment on-costs <sup>(d)</sup>	9	9
<b>Total non-current employee related provisions</b>	<b>4,953</b>	<b>4,818</b>
<b>Total employee related provisions</b>	<b>30,691</b>	<b>31,030</b>

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

	2019 (\$000)	2018 (\$000)
Within 12 months of the end of the reporting period	6,595	6,496
More than 12 months after the end of the reporting period	3,085	2,380
	<b>9,680</b>	<b>8,876</b>

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

(b) **Long service leave liabilities:** Unconditional long service leave provisions are classified as current liabilities as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

	2019 (\$000)	2018 (\$000)
Within 12 months of the end of the reporting period	6,126	6,782
More than 12 months after the end of the reporting period	14,666	15,042
	<b>20,792</b>	<b>21,824</b>





The provision for long service leave are calculated at present value as the Department does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(c) **Deferred salary scheme liabilities:** Classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:

	2019 (\$000)	2018 (\$000)
Within 12 months of the end of the reporting period	84	108
More than 12 months after the end of the reporting period	79	120
	<b>163</b>	<b>228</b>

(d) **Employment on-costs:** The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses, [Note 3.4](#) (apart from the unwinding of the discount (finance cost))' and are not included as part of the Department's 'employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

	2019 (\$000)	2018 (\$000)
<b>Employment on-costs provision</b>		
Carrying amount at start of period	56	61
Additional/(reversals of) provisions recognised	9	11
Payments/other sacrifices of economic benefits	(9)	(16)
<b>Carrying amount at end of period</b>	<b>56</b>	<b>56</b>

#### Key sources of estimation uncertainty – long service leave

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

Several estimates and assumptions are used in calculating the Department's long service leave provision. These include:

- Expected future salary rates
- Discount rates
- Employee retention rates; and
- Expected future payments

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

#### 3.2 Grants and subsidies

##### Recurrent

Sponsorship

Subsidy

Community and social services

##### Total grants and subsidies

	2019 (\$000)	2018 (\$000)
	8	9
	111	129
	409	440
	<b>528</b>	<b>578</b>

Transactions in which the Department provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'Grant expenses'. Grants can either be operating or capital in nature.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

#### 3.3 Loss on disposal of non-current assets

Building

Computer equipment

Office fitout

Computer software

##### Total loss on disposal of non-current assets

	2019 (\$000)	2018 (\$000)
	-	17
	213	-
	105	-
	126	-
	<b>444</b>	<b>17</b>



3.4 Other expenditure

Supplies and services

Managed contracts
Communications
Consultants and contractors
Consumables
Repairs and maintenance
Travel
Legal costs
Other <sup>(a)</sup>

Total supplies and services expenses

(a) During the period the Department paid \$828,499 (2018: \$852,692) for insurance to the Insurance Commission of Western Australia.

Accommodation expenses

Repairs and maintenance buildings
Cleaning and security
Lease rentals

Total accommodation expenses

Other

Minor equipment
Expected credit losses expense <sup>(b)</sup>
Doubtful debts expense <sup>(c)</sup>
Employment on-costs <sup>(d)</sup>
Audit fees
Revaluation decrements
Miscellaneous <sup>(c)</sup>

Total other expenses

Total other expenditure

(b) Expected credit losses were not required to be measured in 2017-18.  
(c) \$71,000 of Doubtful debts expense was recognised in FY 2017-18 with corresponding adjustments against Employee benefits expense (\$68,000) and Miscellaneous (\$3,000).  
(d) Includes workers' compensation insurance. The on-costs liability associated with the recognition of annual and long service leave liability is included in [Note 3.1\(b\)](#) 'Employee related provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs. See also [Note 3.1\(a\)](#) 'Employee benefits expense'.

**Supplies and services:** Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

**Accommodation expenses:** Operating lease payments are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

Repairs, maintenance, cleaning and security costs are recognised as expenses as incurred.

**Other:** Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

**Minor equipment** relates to purchases of equipment less than \$5,000 in value.

**Expected credit losses expense** is recognised from 2018-19 as the movement in the allowance for expected credit losses. The allowance for expected credit losses of trade receivables is measured at the lifetime expected credit losses at each reporting date. The Department has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Please refer to [note 6.1.1](#) 'Movement in the allowance for impairment of trade receivables'.

**Employee on-cost** includes workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liabilities is included at [Note 3.1\(b\)](#) Employee related provisions. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

**Audit fees** are expenses paid to the Office of the Auditor General for audit services.

**Revaluation decrements** relates to the decline in fair value of the Department's land and buildings.

**Miscellaneous** is predominately for various expenses incurred to meet the Department's operational needs.



## 4. Our funding sources

### How we obtain our funding

This section provides additional information about how the Department obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Department and the relevant notes are:

	Notes	2019 (\$000)	2018 (\$000)
Income from State Government	<a href="#">4.1</a>	168,003	164,517
User charges and fees	<a href="#">4.2</a>	1,109,482	1,176,982
Commonwealth grants and contributions	<a href="#">4.3</a>	6,596	7,085
Other revenue	<a href="#">4.4</a>	4,486	6,566
Gains	<a href="#">4.5</a>	14,324	2,179

#### 4.1 Income from State Government

Appropriation received during the period:

Service appropriation<sup>(a)</sup>

**Total appropriation received**

Services received free of charge from other State government agencies during the period<sup>(b)</sup>:

Department of Justice

Landgate

Department of Treasury

Department of the Premier and Cabinet

Department of Primary Industries and Regional Development

**Total services received**

Royalties for Regions Fund:

Regional Infrastructure and Headworks Account<sup>(c)</sup>

**Total Royalties for Regions Funds**

**Total income from State Government**

(a) Service Appropriations are recognised as revenues at fair value in the period in which the Department gains control of the appropriated funds. The Department gains control of appropriated funds at the time those funds are deposited in the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.  
Service appropriations fund the net cost of services delivered (as set out in [note 2.2](#)). Appropriation revenue comprises the following:  
– Cash component; and  
– A receivable (asset).  
The receivable (holding account - [note 6.2](#)) comprises the following  
– The budgeted depreciation expense for the year; and  
– Any agreed increase in leave liabilities during the year.

(b) Services received free of charge or for nominal cost that the Department would otherwise purchase if not donated, are recognised as income at the fair value of the services where they can be reliably measured. A corresponding expense is recognised for services received.

(c) The Regional Infrastructure and Headworks Account is a sub-fund within the over-arching 'Royalties for Regions Fund'. The funds are used to fund district allowance payments for eligible regional public sector employees and are recognised as revenue when the Department gains control on receipt of the funds.

#### 4.2 User charges and fees

	2019 (\$000)	2018 (\$000)
Sales	529	285
Rents for Government office accommodation	271,563	267,780
Managed building works	747,371	814,655
Vehicle fleet lease rental	51,885	53,070
Other	38,134	41,192
	<b>1,109,482</b>	<b>1,176,982</b>

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

##### *Sale of goods*

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

##### *Rents for Government office accommodation*

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

##### *Provision of services*

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

##### *Vehicle fleet lease rentals*

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

##### *Vehicle bailment revenues*

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

#### Net appropriation determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Department. In accordance with the most recent determination, as quantified in the 2018-19 Budget Statements, the Department retained \$1,135 million in 2019 (\$1,193 million in 2018) from the following:

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

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

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

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.



4.3 Commonwealth grants and contributions

	2019 (\$000)	2018 (\$000)
Capital grant	1,580	3,311
Recurrent grant	5,016	3,774
	6,596	7,085

Besides Commonwealth funding for undertaking agreed maintenance and outgoings for buildings on Christmas and Cocos Keeling islands, the Department also receives funds to administer taxes on Indian Ocean Territories.

For non-reciprocal grants, the Department recognises revenue when the grant is receivable at its fair value as and when its fair value can be reliably measured.

Contributions of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

4.4 Other revenue

	2019 (\$000)	2018 (\$000)
Recoups	2,536	2,152
Government vehicle schemes	75	96
Other <sup>(a)</sup>	1,875	4,318
	4,486	6,566

(a) Relates mainly to refunds from suppliers and recovery of corporate services provided to other agencies.

4.5 Gains

	2019 (\$000)	2018 (\$000)
<u>Net proceeds from disposal of non-current assets</u>		
Motor vehicles	30,356	38,994
<u>Carrying amount of non-current assets disposed</u>		
Motor vehicles	28,497	36,815
<b>Net gain/(loss)</b>	<b>1,859</b>	<b>2,179</b>
Revaluation gain	12,465	-
<b>Total other income</b>	<b>14,324</b>	<b>2,179</b>

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

Gains and losses on the disposal of non-current assets are presented by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Gains and losses are recognised in the statement of comprehensive income (from the proceeds of sale).

5. Key assets

Assets the Department utilises for economic benefit or service potential

This section includes information regarding the key assets the Department utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets.

	Notes	2019 (\$000)	2018 (\$000)
Property, plant, equipment and vehicles	5.1	691,918	687,094
Intangibles	5.2	36,488	34,463
<b>Total key assets</b>		<b>728,406</b>	<b>721,557</b>



	Land (\$000)	Buildings (\$000)	Leasehold improvements (\$000)	Office equipment (\$000)	Computer equipment (\$000)	Office fitout (\$000)	Motor vehicles (\$000)	Work in progress (\$000)	Total (\$000)
Year ended 30 June 2018									
1 July 2017									
Gross carrying amounts	140,410	141,624	107,102	338	5,838	182,671	343,094	14,888	935,965
Accumulated depreciation	-	(3,552)	(29,320)	(167)	(5,086)	(67,730)	(109,736)	-	(215,591)
Accumulated impairment loss	-	-	-	-	-	-	-	-	-
Carrying amount at start of period	140,410	138,072	77,782	171	752	114,941	233,358	14,888	720,374
Additions	-	-	-	41	-	-	77,145	39,245	116,431
Transfers <sup>(a)</sup>	(765)	19,466	12,608	9	(7)	(4,542)	(64)	(39,481)	(12,776)
Other disposals	-	(17)	-	-	-	-	(36,814)	-	(36,831)
Revaluations	(8,416)	(30,049)	-	-	-	-	-	-	(38,465)
Depreciation	-	(3,342)	(7,939)	(59)	(366)	(11,774)	(38,159)	-	(61,639)
Carrying amount at 30 June 2018	131,229	124,130	82,451	162	379	98,625	235,466	14,652	687,094

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

Year ended 30 June 2019

1 July 2018									
Gross carrying amounts	131,229	126,512	119,710	376	5,851	177,112	335,501	14,652	910,943
Accumulated depreciation	-	(2,382)	(37,259)	(214)	(5,472)	(78,487)	(100,035)	-	(223,849)
Accumulated impairment loss	-	-	-	-	-	-	-	-	-
Carrying amount at start of period	131,229	124,130	82,451	162	379	98,625	235,466	14,652	687,094
Additions	-	-	-	-	-	11	60,780	23,038	83,829
Transfers <sup>(a)</sup>	-	753	30,881	(3)	(19)	3,664	(330)	(35,323)	(377)
Other disposals	-	-	-	-	(213)	(104)	(28,497)	-	(28,814)
Revaluations	5,965	6,500	-	-	-	-	-	-	12,465
Depreciation	-	(3,179)	(9,850)	(53)	(131)	(11,396)	(37,670)	-	(62,279)
Carrying amount at 30 June 2019	137,194	128,204	103,482	106	16	90,800	229,749	2,367	691,918
Gross carrying amount	137,194	131,231	150,591	339	2,993	180,466	329,697	2,367	934,878
Accumulated depreciation	-	(3,027)	(47,109)	(233)	(2,977)	(89,666)	(99,948)	-	(242,960)
Accumulated impairment loss	-	-	-	-	-	-	-	-	-

(a) Work in Progress was transferred to Leasehold Improvements for \$30,881,435 and to Office Fitout for \$3,689,140 and to Buildings for \$752,872. During the financial year, two items of Office Fitout (Network Equipment) have been transferred to Department of the Premier and Cabinet for \$11,721. Two items of Office Equipment have been transferred to Department of Treasury for \$2,582. Six items of Computer Equipment have been transferred to North Metropolitan Tafe for \$19,339. Two items of Office Fitout (Network Equipment) have been transferred to South Metropolitan Tafe for \$12,558.

Initial recognition

Items of property, plant and equipment, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is valued at its fair value at the date of acquisition. Items of property, plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Assets transferred as part of a machinery of government change are transferred at their fair value.

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

The initial cost for a non-financial physical asset under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent measurement

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of:

– land; and

– buildings

Land is carried at fair value.

Buildings are carried at fair value less accumulated depreciation and accumulated impairment losses.

All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

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

Land and buildings were revalued as at 1 July 2018 by the Western Australian Land Information Authority (Valuations and Property Analytics). The valuations were performed during the year ended 30 June 2019 and recognised at 30 June 2019. In undertaking the revaluation, fair value was determined by reference to market values for land: \$59,057,000 (2018: \$54,185,000) and buildings: \$92,130,000 (2018: \$89,315,000). For the remaining balance, fair value of buildings was determined on the basis of current replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).

Revaluation model:

- (a) Fair value where market-based evidence is available:  
The fair value of land and buildings is determined on the basis of current market values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.
- (b) Fair value in the absence of market-based evidence:  
Buildings are specialised or where land is restricted: Fair value of land and buildings is determined on the basis of existing use.

Existing use buildings: Fair value is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Where the fair value of buildings is determined on the current replacement cost basis, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset.

Restricted use land: Fair value is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

**Significant assumptions and judgements:** The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.





### 5.1.1 Depreciation and impairment

#### Charge for the period

	2019 (\$000)	2018 (\$000)
Depreciation		
Office fitout	11,396	11,774
Computer equipment	131	366
Vehicles	37,670	38,159
Buildings	3,179	3,342
Leasehold improvements	9,850	7,939
Office equipment	53	59
<b>Total depreciation for the period</b>	<b>62,279</b>	<b>61,639</b>

As at 30 June 2019 there were no indications of impairment to property, plant, equipment and vehicles.

All surplus assets at 30 June 2019 have either been classified as assets held for sale or have been written-off.

Please refer to [note 5.2](#) for guidance in relation to the impairment assessment that has been performed for intangible assets.

#### Finite useful lives

All property, plant, equipment and vehicles having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. The exceptions to this rule include assets held for sale, land and investment properties.

Depreciation is calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Estimated useful lives for each class of depreciable assets are in the table below:

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

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments are made where appropriate.

Office fitout and leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

Land which is considered to have an indefinite life, is not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

#### Impairment

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit or loss.

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

As the Department is a not-for-profit agency, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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

### 5.2 Intangible assets

	Licences (\$000)	Computer Software (\$000)	Work in Progress (\$000)	Total (\$000)
<b>Year ended 30 June 2018</b>				
<b>1 July 2017</b>				
Gross carrying amount	13,782	182,645	11,043	207,470
Accumulated amortisation	(13,782)	(161,883)	-	(175,665)
<b>Carrying amount at start of period</b>	<b>-</b>	<b>20,762</b>	<b>11,043</b>	<b>31,805</b>
Additions	-	239	6,786	7,025
Transfers to computer software and licence	-	5,947	(5,947)	-
Amortisation expense	-	(4,367)	-	(4,367)
<b>Carrying amount at 30 June 2018</b>	<b>-</b>	<b>22,581</b>	<b>11,882</b>	<b>34,463</b>

	Licences (\$000)	Computer Software (\$000)	Work in Progress (\$000)	Total (\$000)
<b>Year ended 30 June 2019</b>				
<b>1 July 2018</b>				
Gross carrying amount	13,782	188,831	11,882	214,495
Accumulated amortisation	(13,782)	(166,250)	-	(180,032)
<b>Carrying amount at start of period</b>	<b>-</b>	<b>22,581</b>	<b>11,882</b>	<b>34,463</b>
Additions	-	-	8,031	8,031
Transfers to computer software and licence	-	11,010	(11,010)	-
Other disposal	-	(126)	-	(126)
Amortisation expense	-	(5,880)	-	(5,880)
<b>Carrying amount at 30 June 2019</b>	<b>-</b>	<b>27,585</b>	<b>8,903</b>	<b>36,488</b>





Initial recognition

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more that comply with the recognition criteria as per AASB 138.57 (as noted below), are capitalised.

Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

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

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) an intention to complete the intangible asset, and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) the intangible asset will generate probable future economic benefit;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Costs incurred in the research phase of a project are immediately expensed.

Subsequent measurement

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

5.2.1 Amortisation and impairment

Charge for the period

	2019 (\$000)	2018 (\$000)
Computer software	5,880	4,367
Total amortisation for the period	5,880	4,367

As at 30 June 2019 there were no indications of impairment to intangible assets.

The Department held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

Amortisation of finite life intangible assets is calculated on a straight line basis at rates that allocate the asset’s value over its estimated useful life. All intangible assets controlled by the Department have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

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

Intangible asset	Useful life: years
Computer software <sup>(a)</sup>	3 to 13 years
Licences	up to 10 years

<sup>(a)</sup> Software that is not integral to the operation of related hardware.

Computer software

Software that is an integral part of the related hardware is recognised as part of the tangible asset. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

Licences

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

Impairment of intangible assets

Intangible assets with finite useful lives are tested for impairment annually or when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in [note 5.1.1](#).

6. Other assets and liabilities

This section sets out those assets and liabilities that arose from the Department’s controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations.

	Notes	2019 (\$000)	2018 (\$000)
Receivables	<a href="#">6.1</a>	114,528	132,921
Amounts receivable for services (Holding Account)	<a href="#">6.2</a>	584,245	523,863
Other assets	<a href="#">6.3</a>	36,607	33,654
Payables	<a href="#">6.4</a>	94,226	112,770
Other provisions	<a href="#">6.5</a>	544	534
Other liabilities	<a href="#">6.6</a>	24,412	23,058
Lease incentives	<a href="#">6.7</a>	193,452	148,020

6.1 Receivables

		2019 (\$000)	2018 (\$000)
Trade receivables <sup>(a)</sup>	<a href="#">6.1.1</a>	59,679	56,729
Allowance for impairment of trade receivables <sup>(a)</sup>		(8)	-
Miscellaneous receivable <sup>(a)</sup>		535	1,413
Accrued revenue		7,815	7,220
GST receivable		2,570	1,993
Interest receivable		53	61
Trust account <sup>(b)</sup>		3,557	1,849
Underbillings <sup>(c)</sup>		40,327	63,121
Total current		114,528	132,386
Non-current			
Miscellaneous receivable <sup>(d)</sup>		-	535
Total non-current		-	535
Total receivables		114,528	132,921

- (a) Adjusted 2018 Receivables as Trade receivables, Allowance for impairment of trade receivables and Miscellaneous receivable to meet AASB 9 *Financial Instruments* disclosures.
- (b) Relates to funds held in trust by the Department’s corporate property manager for management of rental services and incidental costs relating to Western Australia Government’s occupation of Gordon Stephenson House.
- (c) Contract costs incurred but not yet billed to clients.
- (d) Adjusted 2018 Receivables as Miscellaneous receivable for consistency with footnote (a).

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (that is impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.



### 6.1.1 Movement in the allowance for impairment of trade receivables

	2019 (\$000)	2018 (\$000)
<b>Reconciliation of changes in the allowance for impairment of trade receivables</b>		
Balance at start of period	-	-
Remeasurement under AASB 9	4	-
Restated balance at start of period	4	-
Doubtful debts expense	-	71
Expected credit losses expense	10	-
Amounts written off during the period	(6)	(71)
<b>Balance at end of period</b>	<b>8</b>	<b>-</b>

The maximum exposure to credit risk at the end of the reporting period for trade receivables is the carrying amount of the asset inclusive of any allowance for impairment as shown in the table at [Note 8.1\(c\)](#) 'Credit risk exposure'.

The Department does not hold any collateral as security or other credit enhancements for trade receivables.

### 6.2 Amounts receivable for services (Holding Account)

	2019 (\$000)	2018 (\$000)
Current	806	779
Non-current	583,439	523,084
<b>Balance at end of period</b>	<b>584,245</b>	<b>523,863</b>

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

Amounts receivable for services are not considered to be impaired (that is there is no expected credit loss of the holding accounts).

### 6.3 Other assets

	2019 (\$000)	2018 (\$000)
<u>Current</u>		
Prepayments	26,322	23,980
Other <sup>(a)</sup>	3,161	5,367
<b>Total current</b>	<b>29,483</b>	<b>29,347</b>
<u>Non-current</u>		
Prepayments	325	182
Other <sup>(a)</sup>	6,799	4,125
<b>Total non-current</b>	<b>7,124</b>	<b>4,307</b>
<b>Balance at end of period</b>	<b>36,607</b>	<b>33,654</b>

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

(a) Relates mainly to lease incentives.

### 6.4 Payables

	2019 (\$000)	2018 (\$000)
<u>Current</u>		
Trade payables	1,027	2,103
Accrued salaries	350	440
Accrued expenses	62,894	56,098
Interest – Western Australian Treasury Corporation (WATC)	9	40
Other	193	241
Overbillings <sup>(a)</sup>	29,753	53,848
<b>Total current</b>	<b>94,226</b>	<b>112,770</b>
<b>Balance at end of period</b>	<b>94,226</b>	<b>112,770</b>

(a) Billings to clients less contract costs incurred.

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

Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight after the reporting period. The Department considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (See restricted cash disclosure in [Note 7.5.1](#) 'Reconciliation of cash') consists of amounts paid annually, from agency appropriations for salaries expense, into a Treasury suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

The Department does not have any amount due to the Treasurer.

### 6.5 Other provisions

Notes	2019 (\$000)	2018 (\$000)
<u>Non-current</u>		
Restoration costs <sup>(a)</sup>	544	534
<b>Total non-current</b>	<b>544</b>	<b>534</b>
<b>Balance at end of period</b>	<b>544</b>	<b>534</b>

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

#### 6.5.1 Provision for restoration

The Department has a legal or constructive obligation to decommission the Mt Walton East Intractable Waste Disposal Facility and restore the site for future land use.

A provision for restoration is recognised when:

- there is a present obligation as a result of intractable waste disposal activities undertaken;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount of the provision can be measured reliably.

The estimated future obligations include the costs of decommissioning and rehabilitating the site to a standard suitable for future land use. An environmental analysis to provide a quantifiable estimate of the amount required to rehabilitate the Mt Walton East intractable waste disposal site was obtained for the 2018-19 financial year. Calculations performed in assessing the restoration costs provisions incorporates a number of key estimates. Calculation of the provision will be conducted annually and adjusted using the most up-to-date information available. Please see [note 8.2](#) 'Contingent assets and liabilities'.





6.5.2 Movements in provision

Movements in provision during the period, are set out below

Restoration costs provision

Carrying amount at start of period

Additional/(reversals of) provisions recognised

Carrying amount at end of period

2019 (\$000)	2018 (\$000)
534	525
10	9
544	534

6.6 Other liabilities

Current

Unearned revenue

Total current

Balance at end of period

2019 (\$000)	2018 (\$000)
24,412	23,058
24,412	23,058
24,412	23,058

6.7 Lease incentives

Current

Lease incentives<sup>(a)</sup>

Total current

2019 (\$000)	2018 (\$000)
17,186	16,771
17,186	16,771

Non-current

Lease incentives<sup>(a)</sup>

Total non-current

Balance at end of period

2019 (\$000)	2018 (\$000)
176,266	131,249
176,266	131,249
193,452	148,020

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

7. Financing

This section sets out the material balances and disclosures associated with the financing and cashflows of the Department.

	Notes
Borrowings	7.1
Finance lease receivables	7.2
Interest revenue	7.3
Finance costs	7.4
Cash and cash equivalents	7.5
Reconciliation of cash	7.5.1
Reconciliation of net cost of services to net cash flows provided by/ (used in) operating activities	7.5.2
Commitments	7.6
Non-cancellable operating lease commitments	7.6.1
Capital commitments	7.6.2
Other expenditure commitments	7.6.3

7.1 Borrowings

Current

Western Australian Treasury Corporation

Heritage Maintenance Payments

Total current

Non-current

Western Australian Treasury Corporation

Heritage Maintenance Payments

Total non-current

Balance at end of period

2019 (\$000)	2018 (\$000)
5,433	18,078
6,054	5,835
11,487	23,913
-	6,277
50,664	49,728
50,664	56,005
62,151	79,918

All loans payable are initially recognised at fair value, being the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method.

7.2 Finance lease receivables

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

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



	2019 (\$000)	2018 (\$000)
Gross investment in finance lease contracts	556	686
Less: Unearned finance income	(28)	(29)
Net investment in finance lease contracts	528	657
Less: Unguaranteed residual values of the finance leases at the balance date	-	-
Present value of the future minimum lease payment receivables	<b>528</b>	<b>657</b>
Accumulated allowances for unallocated minimum lease payment receivables	-	-
As at balance date, the gross investment and present value of receivables relating to the future minimum lease payments under non-cancellable finance lease arrangements were distributed as follows:		
Within 1 year	225	409
Later than 1 year and not later than 5 years	257	219
Later than 5 years	46	29
<b>Present value of finance lease receivables</b>	<b>528</b>	<b>657</b>
Included in the financial statements as:		
Current	225	409
Non-current	303	248
<b>TOTAL</b>	<b>528</b>	<b>657</b>

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

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability, according to the interest rate implicit in the lease.

### 7.3 Interest revenue

	2019 (\$000)	2018 (\$000)
Interest revenue	310	298

Revenue is recognised as the interest accrues.

### 7.4 Finance costs

	2019 (\$000)	2018 (\$000)
<b>Finance costs</b>		
Western Australian Treasury Corporation – interest on borrowings	372	938
Interest on Heritage Maintenance payments	6,990	6,842
<b>Finance costs expensed</b>	<b>7,362</b>	<b>7,780</b>

‘Finance costs’ includes interest on borrowings from the Western Australian Treasury Corporation and interest on long term borrowings. These costs are expensed when incurred.

## 7.5 Cash and cash equivalents

### 7.5.1 Reconciliation of cash

	Notes	2019 (\$000)	2018 (\$000)
Cash at bank		82,393	75,888
Cash on hand		2	2
Restricted cash and cash equivalents	<a href="#">8.1(b)</a>		
– Indian Ocean Territories Trust Fund <sup>(a)</sup>		22	1,001
– Accrued salaries suspense account <sup>(b)</sup>		1,076	734
<b>Balance at end of period</b>		<b>83,493</b>	<b>77,625</b>

(a) Funds held predominantly for undertaking agreed maintenance and outgoings for buildings on Christmas and Cocos Keeling islands.

(b) Funds held in the suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year. This account is classified as non current for 10 out of 11 years.

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

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

	Notes	2019 (\$000)	2018 (\$000)
Net cost of services		(132,635)	(184,722)
<b>Non-cash items</b>			
Depreciation and amortisation expense	<a href="#">5.1</a> <a href="#">5.2</a>	68,159	66,007
Expected credit losses expense	<a href="#">3.4</a>	10	-
Services received free of charge	<a href="#">4.1</a>	13,512	13,511
Doubtful debts expense <sup>(a)</sup>	<a href="#">3.4</a>	-	71
Loss on revaluation decrement	<a href="#">3.4</a>	-	38,465
Gain from revaluation increment	<a href="#">4.5</a>	(12,465)	-
Net gain on disposal of property, plant, equipment and vehicles	<a href="#">3.3</a> , <a href="#">4.5</a>	(1,415)	(2,162)
<b>(Increase)/decrease in assets</b>			
Current receivables <sup>(b)</sup>		(1,441)	45,791
Other current assets		9	64
<b>Increase/(decrease) in liabilities</b>			
Current payables <sup>(a)(b)</sup>		(8,265)	(41,437)
Accrued salaries		(19)	(7)
Unearned revenues		-	(385)
Employee benefits <sup>(a)</sup>		(345)	(2,659)
Net GST receipts/(payments) <sup>(c)</sup>		(581)	1,668
Change in GST in receivables/payables <sup>(d)</sup>		338	(2,345)
<b>Net cash provided by/(used in) operating activities</b>		<b>(75,138)</b>	<b>(68,140)</b>

(a) \$71,000 of Doubtful debts expense was recognised in FY 2017-18 with corresponding adjustments against Employee benefits (\$68,000) and Current payables (\$3,000).

(b) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(c) This is the net GST paid/received i.e. cash transactions

(d) This reverses out the GST in receivables and payables.





7.6 Commitments

7.6.1 Non-cancellable operating lease commitments

Commitments for minimum lease payments are payable as follows:

- Within 1 year
- Later than 1 year and not later than 5 years
- Later than 5 years

2019 (\$000)	2018 (\$000)
9,490	7,895
25,458	30,061
38,067	50,275
73,015	88,231

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

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

7.6.2 Capital commitments

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

- Within 1 year
- Later than 1 year and not later than 5 years

2019 (\$000)	2018 (\$000)
26,426	26,287
-	110
26,426	26,397

The totals presented for capital commitments are GST inclusive. The amounts for 2018 have been adjusted to reflect this.

7.6.3 Other expenditure commitments

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

- Within 1 year

2019 (\$000)	2018 (\$000)
12,316	11,567
12,316	11,567

The totals presented for other expenditure commitments are GST inclusive. The amount for 2018 has been adjusted to reflect this.

Judgements made by management in applying accounting policies – operating lease commitments

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

8. Risks and Contingencies

This note sets out the key risk management policies and measurement techniques of the Department.

	Notes
Financial risk management	8.1
Contingent assets and liabilities	8.2
Fair value measurements	8.3

8.1 Financial risk management

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

(a) Summary of risks and risk management

Credit risk

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

Credit risk associated with the Department’s financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than Government, the Department trades only with recognised, creditworthy third parties. The Department has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Department’s exposure to bad debts is minimal. Debt will be written-off against the allowance account when it is improbable or uneconomical to recover the debt. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity risk

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

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

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

The Department has a facility agreement in place with the Western Australian Treasury Corporation (WATC) to borrow up to \$250,000,000 to meet State Fleet contractual requirements, purchase vehicles and provide working capital. As at 30 June 2019 \$5,432,897 was drawn against the facility.

Market risk

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

All borrowings are due to the WATC and are repayable at fixed rates with varying maturities. Other than as detailed in the interest rate sensitivity analysis table at Note 8.1(e), the Department is not exposed to interest rate risk because the majority of cash and cash equivalents and restricted cash are non-interest bearing and it has no borrowings other than the Treasurer’s advance (non-interest bearing), WATC borrowings and finance leases (fixed interest rate).

(b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2019 (\$000)	2018 (\$000)
<u>Financial assets</u>		
Cash and cash equivalents	82,395	75,890
Restricted cash and cash equivalents	1,098	1,735
Receivables <sup>(a)</sup>	111,958	130,929
Finance lease receivables	528	657
Financial assets at amortised cost - amounts receivable for services	584,245	523,863
	<b>780,224</b>	<b>733,074</b>
<u>Financial liabilities</u>		
Payables <sup>(b)</sup>	94,226	112,770
Financial assets at amortised cost - Western Australian Treasury Corporation borrowings	5,433	24,355
Financial assets at amortised cost - Heritage Maintenance Payments	56,718	55,563
	<b>156,377</b>	<b>192,688</b>

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

(c) Credit risk exposure

The following table details the credit risk exposure on the Department's trade receivables using a provision matrix

	Days past due					
	Total (\$000)	Current (\$000)	<30 days (\$000)	31-60 days (\$000)	61-90 days (\$000)	>91 days (\$000)
<b>30 June 2019</b>						
Expected credit loss rate		0%	0%	0%	0%	1.88%
Estimated total gross carrying amount at default	<b>59,679</b>	53,209	3,808	1,100	1,113	449
Expected credit losses	<b>(8)</b>	-	-	-	-	(8)
<b>1 July 2018 (Remeasurement)</b>						
Expected credit loss rate		0%	0%	0%	0%	0.81%
Estimated total gross carrying amount at default	<b>56,729</b>	49,083	5,860	1,244	14	528
Expected credit losses	<b>(4)</b>	-	-	-	-	(4)

(d) Liquidity risk and Interest rate exposure

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

	Weighted average effective interest rate	Interest rate exposure					Maturity dates				
		Interest rate exposure					Maturity dates				
		Carrying amount (\$000)	Fixed interest rate (\$000)	Variable interest rate (\$000)	Non-interest bearing (\$000)	Nominal amount (\$000)	Up to 1 month (\$000)	1-3 months (\$000)	3 months to 1 year (\$000)	1-5 years (\$000)	More than 5 years (\$000)
<b>2019</b>											
<u>Financial assets</u>											
Cash and cash equivalents	2.22	82,395	-	13,466	68,929	82,395	82,395	-	-	-	-
Restricted cash and cash equivalents	-	1,098	-	-	1,098	1,098	-	22	-	-	1,076
Receivables <sup>(a)</sup>	-	111,958	-	-	111,958	111,958	111,423	-	535	-	-
Finance lease receivables	2.63	528	528	-	-	556	17	72	147	273	47
Amounts receivable for services		584,245	-	-	584,245	584,245	-	-	806	3,293	580,146
		<b>780,224</b>	<b>528</b>	<b>13,466</b>	<b>766,230</b>	<b>780,252</b>	<b>193,835</b>	<b>94</b>	<b>1,488</b>	<b>3,566</b>	<b>581,269</b>
<u>Financial liabilities</u>											
Payables <sup>(b)</sup>	-	94,226	-	-	94,226	94,226	94,226	-	-	-	-
WATC borrowings	2.23	5,433	5,433	-	-	5,462	1,650	1,539	2,273	-	-
Heritage Maintenance Payments	12.46	56,718	56,718	-	-	185,062	500	1,000	4,554	26,573	152,435
		<b>156,377</b>	<b>62,151</b>	<b>-</b>	<b>94,226</b>	<b>284,750</b>	<b>96,376</b>	<b>2,539</b>	<b>6,827</b>	<b>26,573</b>	<b>152,435</b>
<b>2018</b>											
<u>Financial assets</u>											
Cash and cash equivalents	1.96	75,890	-	11,960	63,930	75,890	75,890	-	-	-	-
Restricted cash and cash equivalents	-	1,735	-	-	1,735	1,735	-	-	946	55	734
Receivables <sup>(a)</sup>	-	130,929	-	-	130,929	130,929	128,981	-	1,413	535	-
Finance lease receivables	3.64	657	657	-	-	686	19	95	314	227	31
Amounts receivable for services	-	523,863	-	-	523,863	523,863	-	-	779	3,270	519,814
		<b>733,074</b>	<b>657</b>	<b>11,960</b>	<b>720,457</b>	<b>733,103</b>	<b>204,890</b>	<b>95</b>	<b>3,452</b>	<b>4,087</b>	<b>520,579</b>
<u>Financial liabilities</u>											
Payables <sup>(b)</sup>	-	112,770	-	-	112,770	112,770	112,765	5	-	-	-
WATC borrowings	2.34	24,355	24,355	-	-	24,788	1,613	2,634	15,075	5,466	-
Heritage Maintenance Payments	12.46	55,563	55,563	-	-	190,897	482	963	4,390	25,612	159,450
		<b>192,688</b>	<b>79,918</b>	<b>-</b>	<b>112,770</b>	<b>328,455</b>	<b>114,860</b>	<b>3,602</b>	<b>19,465</b>	<b>31,078</b>	<b>159,450</b>

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







(e) Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Department’s financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	-100 basis points			+100 basis points	
	Carrying amount (\$000)	Surplus (\$000)	Equity (\$000)	Surplus (\$000)	Equity (\$000)
2019					
Financial assets					
Cash and cash equivalents	13,466	(135)	(135)	135	135
Total increase/(decrease)		(135)	(135)	135	135
2018					
Financial assets					
Cash and cash equivalents	11,960	(120)	(120)	120	120
Total increase/(decrease)		(120)	(120)	120	120

8.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate.

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

Contaminated sites

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

The Department has reported two suspected contaminated sites to DWER. The first site has been classified as possibly contaminated-investigation required. The Department is unable to assess the likely outcome of the classification process and accordingly it is not practicable to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows. Whilst there is no possibility of reimbursement of any future expenses that may be incurred in the remediation of these sites, the Department may apply for funding from the Contaminated Sites Management Account to undertake further investigative work or to meet remediation costs that may be required.

The second site has been classified as *contaminated – restricted use*. For this site, a restoration cost provision has been recognised to rehabilitate it to a standard suitable for future land use. Please see [note 6.5](#) ‘Other provisions’.

8.3 Fair value measurements

Assets measured at fair value:	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Fair value at end of period (\$000)
2019				
Land (Note <a href="#">5.1</a> )	-	59,057	78,137	137,194
Buildings (Note <a href="#">5.1</a> )	-	92,130	36,074	128,204
	-	151,187	114,211	265,398
Assets measured at fair value:	Level 1 (\$000)	Level 2 (\$000)	Level 3 (\$000)	Fair value at end of period (\$000)
2018				
Land (Note <a href="#">5.1</a> )	-	54,185	77,044	131,229
Buildings (Note <a href="#">5.1</a> )	-	89,315	34,815	124,130
	-	143,500	111,859	255,359

There were no transfers between Levels 1, 2 or 3 during the current and previous periods.

Valuation techniques to derive Level 2 fair values

Level 2 fair values Land and Buildings (office accommodation) are derived using the market approach. Market evidence of sales prices of comparable land and buildings (office accommodation) in close proximity is used to determine price per square metre.

Non-current assets held for sale have been written down to fair value less costs to sell. Fair value has been determined by reference to market evidence of sales prices of comparable assets.

	Land (\$000)	Buildings (\$000)
2019		
Fair value at start of period	77,044	34,815
Additions	-	753
Transfers	-	-
Revaluation increments/(decrements) recognised in Profit or Loss	1,093	978
Revaluation increments/(decrements) recognised in Other Comprehensive Income	-	-
Depreciation expense	-	(472)
Fair value at end of period	78,137	36,074
Total gain for the period included in profit or loss, under ‘Other gains’	1,093	978
2018		
Fair value at start of period	81,334	43,925
Additions	-	25,897
Transfers	(765)	(6,432)
Revaluation increments/(decrements) recognised in Profit or Loss	(3,525)	(28,002)
Revaluation increments/(decrements) recognised in Other Comprehensive Income	-	-
Depreciation expense	-	(573)
Fair value at end of period	77,044	34,815
Total losses for the period included in profit or loss, under ‘Other expenses’	3,525	28,002

Valuation processes

There were no changes in valuation techniques during the period.

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for sale as Treasurer’s instructions require valuations of land and buildings to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

Land (Level 3 fair values)

Fair value for restricted use land is based on comparison with market evidence for land with low level utility (high restricted use land). The relevant comparators of land with low level utility is selected by the Western Australian Land Information Authority (Valuations and Property Analytics) and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.

Buildings (Level 3 fair values)

Fair value for existing use specialised buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Current replacement cost is generally determined by reference to the market observable replacement cost of a substitute asset of comparable utility and the gross project size specifications, adjusted for obsolescence. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence.

Valuation using current replacement cost utilises the significant Level 3 input, consumed economic benefit/ obsolescence of asset which is estimated by the Western Australian Land Information Authority (Valuations and Property Analytics). The fair value measurement is sensitive to the estimate of consumption/obsolescence, with higher values of the estimate correlating with lower estimated fair values of buildings.

Basis of valuation

In the absence of market-based evidence, due to the specialised nature of some non-financial assets, these assets are valued at Level 3 of the fair value hierarchy on an existing use basis. The existing use basis recognises that restrictions or limitations have been placed on their use and disposal when they are not determined to be surplus to requirements. These restrictions are imposed by virtue of the assets being held to deliver a specific community service.

9. Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	Notes
Events occurring after the end of the reporting period	<a href="#">9.1</a>
Initial application of Australian Accounting Standards	<a href="#">9.2</a>
Future impact of Australian Accounting Standards issued not yet operative	<a href="#">9.3</a>
Key management personnel	<a href="#">9.4</a>
Related party transactions	<a href="#">9.5</a>
Related and affiliated bodies	<a href="#">9.6</a>
Special purpose accounts - controlled	<a href="#">9.7</a>
Remuneration of auditors	<a href="#">9.8</a>
Non-current assets classified as assets held for sale	<a href="#">9.9</a>
Equity	<a href="#">9.10</a>
Supplementary financial information	<a href="#">9.11</a>
Service delivery arrangements Indian Ocean Territories	<a href="#">9.12</a>
Explanatory statement (Controlled Operations)	<a href="#">9.13</a>
Explanatory statement - Statement of Comprehensive Income Variances	<a href="#">9.13.1</a>
Explanatory statement - Statement of Financial Position Variances	<a href="#">9.13.2</a>
Explanatory statement - Statement of Cash Flows Variances	<a href="#">9.13.3</a>

9.1 Events occurring after the end of the reporting period

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

9.2 Initial application of Australian Accounting Standards

AASB 9 *Financial instruments* replaces AASB 139 *Financial instruments: Recognition and Measurements* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Department applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Department has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in Accumulated surplus/(deficit).

The effect of adopting AASB 9 as at 1 July 2018 was, as follows:

	Adjustments	1-Jul-18 (\$000)
<b>Assets</b>		
Trade receivables	(a), (b)	(4)
<b>Total Assets</b>		<b>(4)</b>
<b>Total adjustments on Equity</b>		
Accumulated surplus/(deficit)	(a), (b)	(4)
		<b>(4)</b>







The nature of these adjustments are described below:

(a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Department’s business model for managing the assets; and whether the assets’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding.

The assessment of the Department’s business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances at the time of initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the Department. The following are the changes in the classification of the Department’s financial assets:

- *Trade receivables* classified as Receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Financial assets at amortised cost beginning 1 July 2018.
- The Department did not designate any financial assets as at fair value through P/L.

In summary, upon the adoption of AASB 9, the Department had the following reclassifications as at 1 July 2018:

		AASB 9 category		
		Amortised cost (\$000)	Fair value through OCI (\$000)	Fair value through P/L (\$000)
AASB 139 category	(\$000)			
Receivables				
Trade receivables*	56,729	56,725	-	-
Financial assets at amortised cost				
- amounts receivable for services	523,863	523,863		
		580,588	-	-

\* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Department’s accounting for impairment losses for financial assets by replacing AASB 139’s incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Department to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

Upon adoption of AASB 9, the Department recognised an additional impairment on the Department’s Trade receivables of \$4,289 which resulted in a decrease in Accumulated surplus/(deficit) of \$4,289 as at 1 July 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined in accordance with AASB 9:

	Impairment under AASB 139 as at 30 June 2018 (\$000)	Remeasurement (\$000)	ECL under AASB 9 as at 1 July 2018 (\$000)
Receivables under AASB 139/			
Financial assets at amortised cost under AASB 9	-	4	4
	-	4	4

9.3 Future impact of Australian Accounting Standards not yet operative

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

		Operative for reporting periods beginning on/after
AASB 15 Nature of Change		1 Jan 2019
Impact		
Transition		
AASB 16 Nature of Change		1 Jan 2019
Impact		

*Revenue from Contracts with Customers*

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

The Department’s income is primarily derived from appropriations which will be measured under AASB 1058, and thus will not be materially affected by this change. Although the recognition of ‘user charges and fees’ and ‘sales’ revenues will be deferred until the Department has discharged its performance obligations, these revenues are expected to be fully recognised at year-end and no contract liability will exist.

The Department will adopt the modified retrospective approach on transition to AASB 15. No comparative information will be restated under this approach, and the Department will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.

*Leases*

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

The recognition of additional assets and liabilities, mainly from operating leases, will increase the Department’s total assets by \$1,731,747 and total liabilities by \$1,731,747. Impact on equity on 1 July 2019 is nil. In addition, interest and depreciation expenses will increase, offset by a decrease in rental expense for the year ending 30 June 2020 and beyond.

The above assessment is based on the following accounting policy positions:

- Option 2 of the modified retrospective approach on transition; the ‘low value asset’ threshold set at AUD \$5,000 (unless GROH, GOA or State Fleet);
- For leases classified as ‘short term’ (12 months or less), these are not recognised under AASB 16 (unless GROH, GOA or State Fleet);
- Land, buildings and investment property ROU assets are measured under the fair value model, subsequent to initial recognition; and
- Discount rates are sourced from WA Treasury Corporation (WATC).



		Operative for reporting periods beginning on/after			Operative for reporting periods beginning on/after
Transition	The Department will adopt the modified retrospective approach on transition to AASB 16. No comparative information will be restated under this approach, and the Department will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.		AASB 2016-8	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	1 Jan 2019
			Nature of Change	This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.	
AASB 1058	<i>Income of Not-for-Profit Entities</i>	1 Jan 2019			
Nature of Change	This Standard clarifies and simplifies the income recognition requirements that apply to not for profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by the Department.		AASB 2018-4	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors</i>	1 Jan 2019
			Nature of Change	This Standard amends AASB 15 to add requirements and authoritative implementation guidance for application by not-for-profit public sector licensors to transactions involving the issue of licences. There is no financial impact as the Department does not issue licences.	
Impact	AASB 1058 will have no impact on appropriations and recurrent grants received by the Department – they will continue to be recognised as income when funds are deposited in the bank account or credited to the holding account. The Department has determined that no revenue from capital grants will be deferred into future reporting periods. Hence there will be no equity impact on 1 July 2019.		AASB 2018-5	<i>Amendments to Australian Accounting Standards – Deferral of AASB 1059</i>	1 Jan 2019
			Nature of Change	This Standard amends the mandatory effective date of AASB 1059 so that AASB 1059 is required to be applied for annual reporting periods beginning on or after 1 January 2020 instead of 1 January 2019. There is no financial impact.	
Transition	The Department will adopt the modified retrospective approach on transition to AASB 1058. No comparative information will be restated under this approach, and the Department will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.		AASB 2018-7	<i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 Jan 2020
			Nature of Change	This Standard clarifies the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. There is no financial impact.	
AASB 1059	<i>Service Concession Arrangements: Grantors</i>	1 Jan 2020			
Nature of Change	This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector Department by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided.		AASB 2018-8	<i>Amendments to Australian Accounting Standards – Right-of-Use Assets of Not- for-Profit Entities</i>	1 Jan 2019
			Nature of Change	This Standard provides a temporary option for not for profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives.	
			Impact	The Department will elect to apply the option to measure right-of-use assets under peppercorn leases at cost (which is generally about \$1). As a result, the inancial impact of this Standard is not material.	
Impact	The Department does not manage any public private partnership that is within the scope of the Standard.				



#### 9.4 Key management personnel

The Department has determined key management personnel to include cabinet ministers and senior officers of the Department. The Department does not incur expenditures to compensate Ministers and those disclosures may be found in the Annual Report on State Finances.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the Department for the reporting period are presented within the following bands:

Compensation band (\$)	2019	2018
90,001 - 100,000	1	-
120,001 - 130,000	-	1
140,001 - 150,000	-	1
160,001 - 170,000	-	1
190,001 - 200,000	1	-
200,001 - 210,000	1	1
210,001 - 220,000	-	1
240,001 - 250,000	-	1
280,001 - 290,000	2	-
300,001 - 310,000	-	1
360,001 - 370,000	1	1
400,001 - 410,000	-	1
680,001 - 690,000	1	-

  

	2019 (\$000)	2018 (\$000)
Short-term employee benefits	1,463	1,725
Post employment benefits	155	239
Other long term benefits	502	213
Termination benefits	-	-
<b>Total compensation of senior officers</b>	<b>2,120</b>	<b>2,177</b>

Total compensation includes the superannuation expense incurred by the Department in respect of senior officers.

#### 9.5 Related party transactions

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

Related parties of the Department include:

- all cabinet ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly owned public sector entities);
- associates and joint ventures of a wholly owned public sector entity; and
- the Government Employees Superannuation Board (GESB).

#### Significant transactions with Government-related entities

In conducting its activities, the Department is required to transact with the State and entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies. Such transactions include:

- Managed building works revenue for the planning, delivery, management and maintenance of government buildings ([Note 4.2](#));
- Vehicle fleet lease rental revenue from vehicle leasing arrangements ([Note 4.2](#));
- Rental income for government office accommodation ([Note 4.2](#));
- Provide vehicle finance leases ([Note 7.2](#));
- Remuneration for services provided by the Auditor General ([Note 9.8](#));
- Provide corporate services, accommodation leasing services and fitouts free of charge ([Note 9.14](#));
- Loan facility from the Western Australian Treasury Corporation ([Note 7.1](#));
- Services received free of charge from Department of Justice, Landgate, Department of Treasury and Department of Primary Industries and Regional Development ([Note 4.1](#));
- Service appropriations ([Note 4.1](#));
- Insurance payments to the Insurance Commission of Western Australia ([Note 3.4](#)); and
- Capital appropriations ([Note 9.10](#));

#### Material transactions with other related parties

During the year, the Department paid \$8,897,120 in employee superannuation contributions to the Government Employees Superannuation Board.

Outside of normal citizen type transactions with the Department, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

#### 9.6 Related and affiliated bodies

The Department has no related bodies or affiliated bodies.

#### 9.7 Special purpose accounts – controlled

*Sunset Reserve Account*

The purpose of the account is to record receipts in respect of leasings, proceeds from the disposal of the excised land, amounts appropriated by Parliament, and payments incurred in the conservation and management of Sunset Reserve.

	2019 (\$000)	2018 (\$000)
Balance at start of period	-	2,076
Receipts	-	308
Payments	-	(2,384)
<b>Balance at end of period</b>	<b>-</b>	<b>-</b>

#### 9.8 Remuneration of auditors

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

	2019 (\$000)	2018 (\$000)
Auditing the accounts, financial statements, controls, and key performance indicators	394	384





### 9.9 Non-current assets classified as assets held for sale

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

### 9.10 Equity

#### Contributed equity

Balance at start of period

*Contributions by owners*

Capital appropriation

*Other contributions by owners*

Transfer of Strategic Projects (excluding Asset Sales)  
from Department of Treasury

Funding from Treasury Administered

**Total contributions by owners**

*Distribution to owners*

Return Regional Infrastructure and Headworks Fund  
to the Department of Treasury

Transfer of Public Utilities Office and Economic Reform  
to the Department of Treasury

Transfer of the Sunset Heritage Precinct to the Department of Local  
Government, Sport and Cultural Industries

Transfer Optus Stadium land to VenuesWest

**Total distributions to owners**

**Balance at end of period**

	2019 (\$000)	2018 (\$000)
Balance at start of period	1,056,019	1,055,928
Capital appropriation	11,820	14,902
Transfer of Strategic Projects (excluding Asset Sales) from Department of Treasury	-	32
Funding from Treasury Administered	200	200
<b>Total contributions by owners</b>	<b>12,020</b>	<b>15,134</b>
Return Regional Infrastructure and Headworks Fund to the Department of Treasury	-	(421)
Transfer of Public Utilities Office and Economic Reform to the Department of Treasury	-	(37)
Transfer of the Sunset Heritage Precinct to the Department of Local Government, Sport and Cultural Industries	-	(14,105)
Transfer Optus Stadium land to VenuesWest	-	(480)
<b>Total distributions to owners</b>	<b>-</b>	<b>(15,043)</b>
<b>Balance at end of period</b>	<b>1,068,039</b>	<b>1,056,019</b>

### 9.11 Supplementary financial information

#### (a) Write-offs

During the year, \$10.834 million (2018: \$11.869 million) was written off by the Department under the authority of:

The accountable authority  
The Minister  
Executive Council

	2019 (\$000)	2018 (\$000)
The accountable authority	6,248	4,733
The Minister	1,655	3,048
Executive Council	2,931	4,088
<b>Total</b>	<b>10,834</b>	<b>11,869</b>

#### (b) Write-offs by category

Public assets  
Debts due to the State

	2019 (\$000)	2018 (\$000)
Public assets	1,661	646
Debts due to the State	9,173	11,223
<b>Total</b>	<b>10,834</b>	<b>11,869</b>

### 9.12 Service delivery arrangements Indian Ocean Territories

#### Revenue

Commonwealth receipts

#### Expenditure

Consultants and contractors

Administration and other costs

Payroll Tax and business franchise

Duties

Land Tax

Compliance

Surplus/(deficit) for the period

Balance brought forward

**Balance carried forward**

	2019 (\$000)	2018 (\$000)
Commonwealth receipts	8,279	5,575
<b>Total</b>	<b>8,279</b>	<b>5,575</b>
Consultants and contractors	8,678	1,640
Administration and other costs	491	3,507
Payroll Tax and business franchise	34	28
Duties	1	-
Land Tax	3	1
Compliance	51	42
<b>Total</b>	<b>9,258</b>	<b>5,218</b>
Surplus/(deficit) for the period	(979)	357
Balance brought forward	1,001	644
<b>Balance carried forward</b>	<b>22</b>	<b>1,001</b>

### 9.13 Explanatory statement (Controlled Operations)

All variances between estimates (original budget) and actual results for 2019, and between the actual results for 2019 and 2018 are shown below. Narratives are provided for key major variances, which are generally greater than:

– 5% and \$25 million for the Statements of Comprehensive Income and Cash Flows; and

– 5% and \$25 million for the Statement of Financial Position

**9.13.1 Statement of Comprehensive Income Variances**

	Variance note	Estimate 2019 (\$000)	Actual 2019 (\$000)	Actual 2018 (\$000)	Variance between estimate and actual (\$000)	Variance between actual results for 2019 and 2018 (\$000)
<u>Expenses</u>						
Employee benefits expense		116,998	104,839	115,304	(12,159)	(10,465)
Supplies and services	1	1,177,545	1,039,189	1,107,809	(138,356)	(68,620)
Depreciation and amortisation expense		77,583	68,159	66,007	(9,424)	2,152
Finance costs		7,490	7,362	7,780	(128)	(418)
Accommodation expenses		41,788	46,230	40,562	4,442	5,668
Grants and subsidies		2,323	528	578	(1,795)	(50)
Loss on disposal of non-current assets		-	444	17	444	427
Other expenses	2	6,546	1,082	39,775	(5,464)	(38,693)
<b>Total cost of services</b>		<b>1,430,273</b>	<b>1,267,833</b>	<b>1,377,832</b>	<b>(162,440)</b>	<b>(109,999)</b>
<u>Income</u>						
<u>Revenue</u>						
User charges and fees	3	1,257,015	1,109,482	1,176,982	(147,533)	(67,500)
Commonwealth grants and contributions		3,595	6,596	7,085	3,001	(489)
Interest revenue		195	310	298	115	12
Other revenue		8,780	4,486	6,566	(4,294)	(2,080)
<b>Total revenue</b>		<b>1,269,585</b>	<b>1,120,874</b>	<b>1,190,931</b>	<b>(148,711)</b>	<b>(70,057)</b>
<u>Gains</u>						
Gain on disposal of non-current assets		1,000	1,859	2,179	859	(320)
Gain from revaluation		-	12,465	-	12,465	12,465
<b>Total gains</b>		<b>1,000</b>	<b>14,324</b>	<b>2,179</b>	<b>13,324</b>	<b>12,145</b>
<b>Total income other than income from State Government</b>		<b>1,270,585</b>	<b>1,135,198</b>	<b>1,193,110</b>	<b>(135,387)</b>	<b>(57,912)</b>
<b>NET COST OF SERVICES</b>		<b>159,688</b>	<b>132,635</b>	<b>184,722</b>	<b>(27,053)</b>	<b>(52,087)</b>
<b>INCOME FROM STATE GOVERNMENT</b>						
Service appropriation		152,750	154,400	150,900	1,650	3,500
Services received free of charge		14,676	13,512	13,511	(1,164)	1
Royalties for Regions Fund		125	91	106	(34)	(15)
<b>Total income from State Government</b>		<b>167,551</b>	<b>168,003</b>	<b>164,517</b>	<b>452</b>	<b>3,486</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>7,863</b>	<b>35,368</b>	<b>(20,205)</b>	<b>27,505</b>	<b>55,573</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>						
		<b>7,863</b>	<b>35,368</b>	<b>(20,205)</b>	<b>27,505</b>	<b>55,573</b>

**Major Estimate and Actual (2019) Variance Narratives**

- 1 The 2019 actual is lower than the estimated result because of reduced Capital Works expenditure managed by Building Management and Works and Strategic Projects on behalf of Government agencies.
- 3 Lower recovery of costs in 2019 is reflective of the reduction in Capital Works expenditure managed on behalf of Government agencies.

**Major Actual (2019) and Comparative (2018) Variance Narratives**

- 1 The lower expenditure in 2019 reflects the reduction in demand for services primarily relating to Capital Works projects managed on behalf of other agencies.
- 2 The 2018 actual included one-off amounts relating to the downwards revaluation of the Department's land and building assets as a result of the annual valuation process.
- 3 The reduction in 2019 reflects a lower recovery of costs in line with the associated reduction of Capital Works expenditure managed on behalf of other Government agencies.

**9.13.2 Statement of Financial Position Variances**

	Variance note	Estimate 2019 (\$000)	Actual 2019 (\$000)	Actual 2018 (\$000)	Variance between estimate and actual (\$000)	Variance between actual results for 2019 and 2018 (\$000)
<u>Assets</u>						
<u>Current Assets</u>						
Cash and cash equivalents		147,072	82,395	75,890	(64,677)	6,505
Restricted cash and cash equivalents		1,889	22	1,001	(1,867)	(979)
Receivables		149,982	114,528	132,386	(35,454)	(17,858)
Finance lease receivables		294	225	409	(69)	(184)
Amounts receivable for services		806	806	779	-	27
Other current assets		24,606	29,483	29,347	4,877	136
<b>Total Current Assets</b>		<b>324,649</b>	<b>227,459</b>	<b>239,812</b>	<b>(97,190)</b>	<b>(12,353)</b>
<u>Non-Current Assets</u>						
Restricted cash and cash equivalents		168	1,076	734	908	342
Receivables		2,320	-	535	(2,320)	(535)
Finance lease receivables		2,041	303	248	(1,738)	55
Amounts receivable for services	1	583,832	583,439	523,084	(393)	60,355
Property, plant, equipment and vehicles	2	740,041	691,918	687,094	(48,123)	4,824
Intangible assets		31,345	36,488	34,463	5,143	2,025
Other non-current assets		6,068	7,124	4,307	1,056	2,817
<b>Total Non-Current Assets</b>		<b>1,365,815</b>	<b>1,320,348</b>	<b>1,250,465</b>	<b>(45,467)</b>	<b>69,883</b>
<b>TOTAL ASSETS</b>		<b>1,690,464</b>	<b>1,547,807</b>	<b>1,490,277</b>	<b>(142,657)</b>	<b>57,530</b>
<u>Liabilities</u>						
<u>Current Liabilities</u>						
Payables		243,273	94,226	112,770	(149,047)	(18,544)
Borrowings		27,567	11,487	23,913	(16,080)	(12,426)
Employee related provisions <sup>(a)</sup>		27,638	25,738	26,212	(1,900)	(474)
Lease incentives		14,658	17,186	16,771	2,528	415
Other current liabilities		-	24,412	23,058	24,412	1,354
<b>Total Current Liabilities</b>		<b>313,136</b>	<b>173,049</b>	<b>202,724</b>	<b>(140,087)</b>	<b>(29,675)</b>
<u>Non-Current Liabilities</u>						
Borrowings		50,866	50,664	56,005	(202)	(5,341)
Employee related provisions <sup>(b)</sup>		4,875	4,953	4,818	78	135
Other provisions <sup>(b)</sup>		535	544	534	9	10
Lease incentives	3	117,394	176,266	131,249	58,872	45,017
<b>Total Non-Current Liabilities</b>		<b>173,670</b>	<b>232,427</b>	<b>192,606</b>	<b>58,757</b>	<b>39,821</b>
<b>TOTAL LIABILITIES</b>		<b>486,806</b>	<b>405,476</b>	<b>395,330</b>	<b>(81,330)</b>	<b>10,146</b>
<b>NET ASSETS</b>		<b>1,203,658</b>	<b>1,142,331</b>	<b>1,094,947</b>	<b>(61,327)</b>	<b>47,384</b>
<u>Equity</u>						
Contributed equity		1,126,540	1,068,039	1,056,019	(58,501)	12,020
Accumulated surplus/(deficit)		77,118	74,292	38,928	(2,826)	35,364
<b>TOTAL EQUITY</b>		<b>1,203,658</b>	<b>1,142,331</b>	<b>1,094,947</b>	<b>(61,327)</b>	<b>47,384</b>

**Major Estimate and Actual (2019) Variance Narratives**

2 The variance to estimate is due to the lower value of land and buildings as a result of the annual revaluation process and reductions in fleet purchases due to the whole-of-government State Fleet reform.

3 Lease incentives have increased as a result of favourable leasing conditions negotiated on behalf of Government.

**Major Actual (2019) and Comparative (2018) Variance Narratives**

1 The increase in 2019 relates to the drawdown for the asset replacement provision and is reflective of the requirements of the Capital Works program.

3 Lease incentives have increased as a result of favourable leasing conditions negotiated on behalf of Government.

**9.13.3 Statement of Cash Flows Variances**

	Variance note	Estimate 2019 (\$000)	Actual 2019 (\$000)	Actual 2018 (\$000)	Variance between estimate and actual (\$000)	Variance between actual results for 2019 and 2018 (\$000)
<u>CASH FLOWS FROM STATE GOVERNMENT</u>						
Service appropriation		91,243	93,239	89,857	1,996	3,382
Capital appropriations		17,020	11,820	14,902	(5,200)	(3,082)
Funding from Treasury Administered		-	200	200	200	-
Holding account drawdowns		779	779	1,326	-	(547)
Royalties for Regions Fund		125	90	106	(35)	(16)
Regional Infrastructure and Headworks Fund		-	-	(421)	-	421
<b>Net cash provided by State Government</b>		<b>109,167</b>	<b>106,128</b>	<b>105,970</b>	<b>(3,039)</b>	<b>158</b>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>						
<u>Payments</u>						
Employee benefits		(116,927)	(105,098)	(117,949)	11,829	12,851
Supplies and services		(1,150,078)	(1,033,285)	(1,136,777)	116,793	103,492
Finance costs		(7,490)	(6,237)	(6,604)	1,253	367
Accommodation		(42,626)	(46,926)	(40,438)	(4,300)	(6,488)
Grants and subsidies		(2,323)	(521)	(574)	1,802	53
GST payments on purchases		(145,714)	(121,256)	(134,697)	24,458	13,441
GST payments to taxation authority		(3,234)	(6,759)	(6,032)	(3,525)	(727)
Other payments		(399)	(4,056)	(2,632)	(3,657)	(1,424)
<u>Receipts</u>						
User charges and fees		1,257,062	1,106,235	1,216,232	(150,827)	(109,997)
Commonwealth grants and contributions		3,595	8,280	5,575	4,685	2,705
Interest received		191	319	361	128	(42)
GST receipts on sales		137,180	121,593	132,352	(15,587)	(10,759)
GST receipts from taxation authority		12,374	6,178	7,700	(6,196)	(1,522)
Other receipts		16,591	6,395	15,343	(10,196)	(8,948)
<b>Net cash provided by/(used in) operating activities</b>		<b>(41,798)</b>	<b>(75,138)</b>	<b>(68,140)</b>	<b>(33,340)</b>	<b>(6,998)</b>



**9.13.3 Statement of Cash Flows Variances (continued)**

	Variance note	Estimate 2019 (\$000)	Actual 2019 (\$000)	Actual 2018 (\$000)	Variance between estimate and actual (\$000)	Variance between actual results for 2019 and 2018 (\$000)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>						
<i>Payments</i>						
Purchase of non-current assets	1	(117,521)	(92,774)	(122,972)	24,747	30,198
<i>Receipts</i>						
Proceeds from sale of non-current assets		51,264	30,379	39,016	(20,885)	(8,637)
Receipts from lease incentives	2	19,224	55,757	41,544	36,533	14,213
<b>Net cash provided by/(used in) investing activities</b>		<b>(47,033)</b>	<b>(6,638)</b>	<b>(42,412)</b>	<b>40,395</b>	<b>35,774</b>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>						
<i>Payments</i>						
Repayment of borrowings		(18,400)	(18,922)	(23,115)	(522)	4,193
<i>Receipts</i>						
Proceeds from borrowings		6,000	-	-	(6,000)	-
Finance leases receipts		5,143	438	500	(4,705)	(62)
<b>Net cash provided by/(used in) financing activities</b>		<b>(7,257)</b>	<b>(18,484)</b>	<b>(22,615)</b>	<b>(11,227)</b>	<b>4,131</b>
Net increase/(decrease) in cash and cash equivalents		13,079	5,868	(27,197)	(7,211)	33,065
Cash balance transferred to the Department of Treasury		-	-	(28)	-	28
Cash balance transferred from the Department of Treasury	3	-	-	32,705	-	(32,705)
Cash balance transferred to the Department of Local Government, Sport and Cultural Industries		-	-	(2,042)	-	2,042
Cash and cash equivalents at the beginning of the period		136,050	77,625	74,187	(58,425)	3,438
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>149,129</b>	<b>83,493</b>	<b>77,625</b>	<b>(65,636)</b>	<b>5,868</b>

**Major Estimate and Actual (2019) Variance Narratives**

- 1 Lower expenditure than budget is the result of lower vehicle purchases due to State Fleet reforms and lower than anticipated expenditure on Lease Incentive funded assets.
- 2 Lease incentives received are higher than budget as a result of favourable leasing conditions negotiated on behalf of Government.

**Major Actual (2019) and Comparative (2018) Variance Narratives**

- 1 Lower expenditure in 2019 is the result of lower vehicle purchases due to State Fleet reforms and lower than anticipated expenditure on Lease Incentive funded assets.
- 3 Monies transferred as a result of Machinery of Government changes.

**9.14 Services provided free of charge**

During the year the following services were provided to other agencies free of charge for functions outside the normal operations of the Department:

	2019 (\$000)	2018 (\$000)
Department of the Premier and Cabinet	3,126	3,295
Department of Transport	679	645
Office of the Auditor General	406	408
Department of Training & Workforce Development	338	376
Public Sector Commission	671	453
Western Australia Police	489	376
Department of Treasury <sup>(a)</sup>	5,998	6,188
The Ombudsman	280	281
Department of Health	458	334
Department of Justice	2,236	2,218
Department of Planning, Lands and Heritage	1,239	1,460
Department of Communities	1,924	1,588
Department of Primary Industries and Regional Development	690	829
Department of Mines, Industry Regulation and Safety	607	620
Department of Local Government, Sports and Cultural Industries	560	736
Other Agencies <sup>(b)</sup>	1,442	1,547
	<b>21,143</b>	<b>21,354</b>

(a) Adjusted 2018 amount by \$5,765,000 to reflect corporate services provided free of charge.

(b) Includes 28 agencies in both 2018 and 2019.

## 10. Administered disclosures

This section sets out all of the statutory disclosures regarding the financial performance of the Department.

	Notes
Special purpose accounts – administered	<a href="#">10.1</a>
Disclosure of administered income and expenses by service	<a href="#">10.2</a>
Administered assets and liabilities	<a href="#">10.3</a>
Explanatory statement for Administered items – Income and Expenses	<a href="#">10.4</a>

### 10.1 Special purpose accounts – administered

	2019 (\$000)	2018 (\$000)
<i>Departmental Receipts in Suspense – State Revenue</i>		
<i>The purpose of the special purpose account is to hold funds pending identification of the purpose of which those monies were received or identification of where those monies are to be credited or paid.</i>		
Balance at the start of period	1	1
Receipts	-	-
Payments	-	-
<b>Balance at the end of period</b>	<b>1</b>	<b>1</b>
<i>Indian Ocean Territories</i>		
<i>The purpose of the special account is to hold taxation collections pending transfer to the Commonwealth of Australia in accordance with the Service Level Agreement entered into with the Commonwealth.</i>		
Balance at the start of period	428	1,335
Receipts	3,032	4,306
Payments	(3,256)	(5,213)
<b>Balance at the end of period</b>	<b>204</b>	<b>428</b>

### 10.2 Disclosure of administered income and expenses by service

	2019 (\$000)	2018 (\$000)
<i>Revenue Assessment and Collection, and Grants and Subsidies Administration</i>		
<b>COST OF SERVICES</b>		
<i>Income<sup>(a)</sup></i>		
Taxation	6,707,028	6,743,012
Other revenue	39,776	41,448
Appropriations	207,302	252,165
Collections raised on behalf of other agencies	64,355	64,035
<b>Total Administered Income</b>	<b>7,018,461</b>	<b>7,100,660</b>
<i>Expenses</i>		
Grants, subsidies and transfers	207,302	252,165
Other expenses	7,007,237	6,743,647
Collections transferred to other agencies	64,355	64,035
<b>Total Administered Expenses</b>	<b>7,278,894</b>	<b>7,059,847</b>

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

### 10.3 Administered assets and liabilities

<u>Current Assets</u>
Taxation receivable
Other debtors
Other current assets
<b>Total Administered Current Assets</b>
<u>Non-Current Assets</u>
Other receivables
<b>Total Administered Non-Current Assets</b>
<b>Total Administered Assets</b>
<u>Current Liabilities</u>
Other payables
<b>Total Administered Current Liabilities</b>
<b>Total Administered Liabilities</b>

2019 (\$000)	2018 (\$000)
447,520	707,919
38,575	38,597
19,729	20,057
<b>505,824</b>	<b>766,573</b>
51,300	51,300
<b>51,300</b>	<b>51,300</b>
<b>557,124</b>	<b>817,873</b>
58,304	58,653
<b>58,304</b>	<b>58,653</b>
<b>58,304</b>	<b>58,653</b>



#### 10.4 Explanatory statement for Administered Items – Income and Expenses

##### For the year ended 30 June 2019

All variances between estimates (original budget) and actual results for 2019, and between the actual results for 2019 and 2018 are shown below. Narratives are provided for key major variances, which are generally greater than 5% and \$25 million.

	Variance note	Estimate 2019 (\$000)	Actual 2019 (\$000)	Actual 2018 (\$000)	Variance between estimate and actual (\$000)	Variance between actual results for 2019 and 2018 (\$000)
<b>INCOME FROM ADMINISTERED ITEMS</b>						
<u>Income</u>						
Taxation						
Insurance duty		644,945	644,832	625,564	(113)	19,268
Land tax		800,236	808,097	842,502	7,861	(34,405)
Payroll tax	1	3,454,195	3,567,449	3,284,154	113,254	283,295
Transfer duty	2	1,330,744	1,100,813	1,226,205	(229,931)	(125,392)
Landholder duty	3	101,000	33,375	234,496	(67,625)	(201,121)
Vehicle licence duty		360,191	363,603	354,663	3,412	8,940
Other income <sup>(a)</sup>		193,124	188,859	175,428	(4,265)	13,431
Other revenue						
Other revenue		39,700	39,776	41,448	76	(1,672)
Appropriations						
First Home Owners Grant Act 2000	4	76,200	56,540	91,171	(19,660)	(34,631)
Administered grants and transfer payments <sup>(b)</sup>	5	176,426	150,761	160,994	(25,665)	(10,233)
Collections raised on behalf of other agencies						
		64,441	64,355	64,035	(86)	320
<b>Total administered income</b>		<b>7,241,202</b>	<b>7,018,460</b>	<b>7,100,660</b>	<b>(222,742)</b>	<b>(82,200)</b>
<u>Expenses</u>						
Grants and subsidies						
Administered grants, subsidies and other transfer payments <sup>(b)</sup>	5	176,426	150,761	160,994	(25,665)	(10,233)
First Home Owners Scheme	4	76,200	56,540	91,171	(19,660)	(34,631)
Other expenses		7,093,527	7,007,237	6,743,647	(86,290)	263,590
Collections transferred to other agencies						
		64,441	64,355	64,035	(86)	320
<b>Total administered expenses</b>		<b>7,410,594</b>	<b>7,278,893</b>	<b>7,059,847</b>	<b>(131,701)</b>	<b>219,046</b>

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

(b) Subsidies and Other Transfer Payments includes Pensioner concessions for Local Government and Water rates and Refund of Past Years Revenue.

##### Major Estimate and Actual (2019) Variance Narratives

- Transfer Duty was \$230 million lower when compared to the 2019 estimate. This is primarily reflecting weaker than anticipated demand in the housing market in part due to a tightening in residential lending criteria over the course of the 2018-19 financial year.
- Landholder duty collections were \$67.6 million lower in 2019, primarily reflecting fewer than anticipated high value commercial landholder transactions. The number and/or value of these high value commercial transactions tend to be infrequent and volatile within and between years.
- Administered grants, subsidies and other transfer payments were \$25.7 million lower than estimated at the time of the 2018-19 budget, mainly reflecting lower than expected refunds of past years' revenue (down \$17.4 million) and local government rates rebates for pensioners and seniors (down \$7.4 million). Lower refunds from past years' revenue was primarily in the area of transfer duty and payroll tax refunds.

##### Major Actual (2019) and Comparative (2018) Variance Narratives

- Payroll tax collections were \$283 million higher in 2019 than in 2018 due to the impact of the temporary payroll tax scale change implemented on 1 July 2018 and growth in collections amongst the larger tax paying industries, including mining.
- Transfer duty was \$125 million lower in 2019 when compared to 2018, primarily reflecting weaker demand in the housing market, in part due to a tightening in residential bank lending criteria over the course of the 2018-19 financial year.
- Landholder duty collections decreased in 2019 compared to 2018, primarily due to a fewer number of high value commercial landholder transactions. The number and/or value of these high value commercial transactions tend to be infrequent and volatile within and between years.
- The lower value of first home owners grants paid in 2019 primarily reflects weaker demand in the overall housing market, including first home buyers compared with 2018. This is in part due to a tightening in residential lending criteria by banks over the course of the 2018-19 financial year.