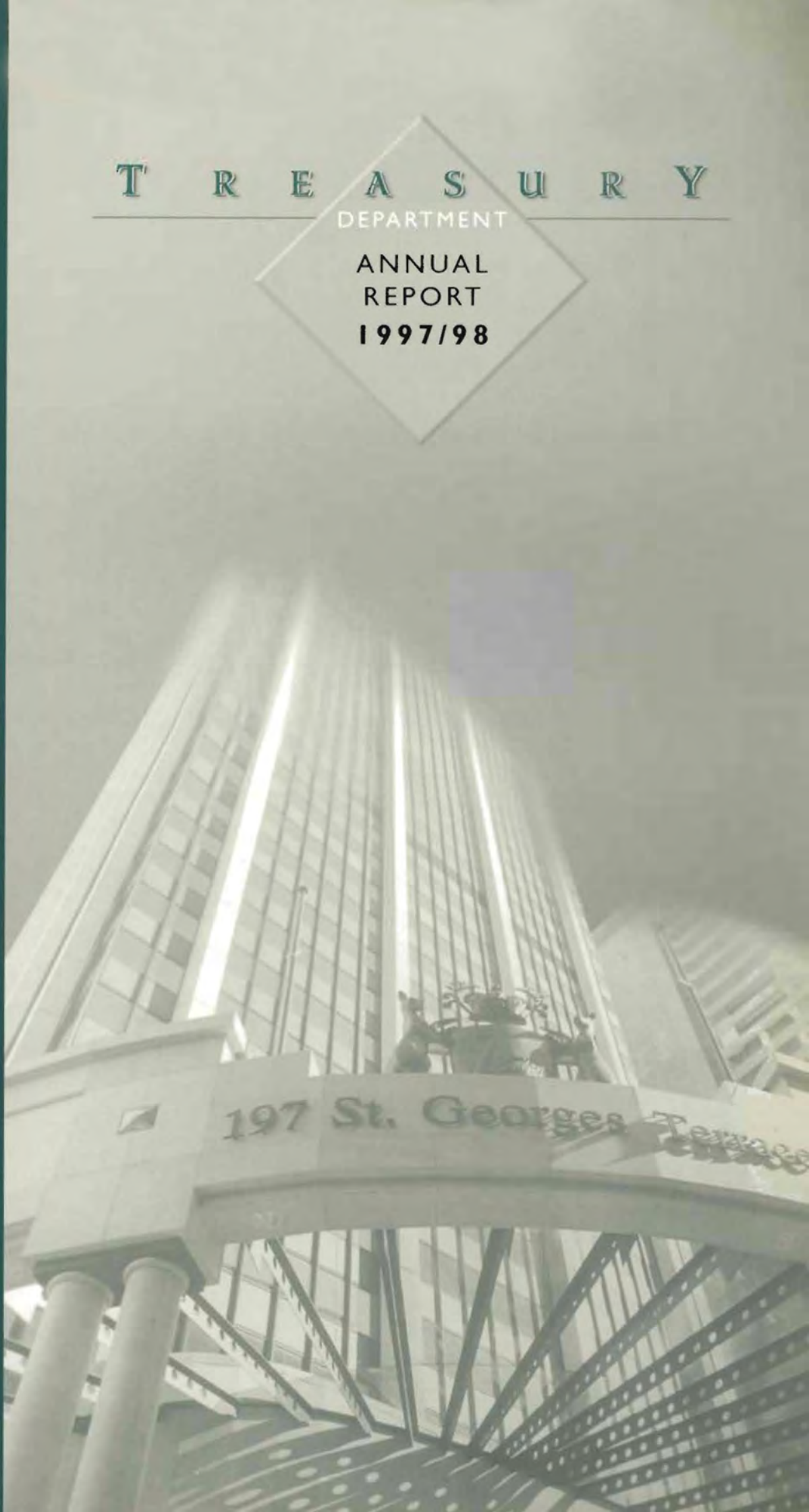


T R E A S U R Y

DEPARTMENT

ANNUAL
REPORT

1997/98



GOVERNMENT OF
WESTERN AUSTRALIA

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*To provide leadership in advancing the
State's economic and financial management.*

สำนักงาน
สมบัติห้องสมุดรัฐสภา

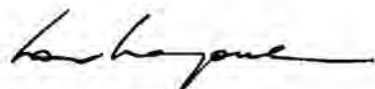
THE HON RICHARD COURT,
B. Comm., MLA

TREASURER OF
WESTERN AUSTRALIA

1997/98 ANNUAL REPORT

I have pleasure in presenting the Treasury Department's Annual Report for the year ended 30 June 1998, for your information and presentation to Parliament.

We have prepared this report in accordance with the requirements of sections 62 and 64 of the Financial Administration and Audit Act, section 31 of the Public Sector Management Act, and other relevant written laws.



J L Langouant

UNDER TREASURER



Contents

Overview	1	Financial Statements	47
1997/98 Highlights	2	Opinion of the Auditor General	48
Under Treasurer's Review	4	Certification	49
Special Feature – New State Budget Presentation	8	Financial Statements	50
Role of Treasury	10	Notes to the Financial Statements	57
Customer Focus	12	Trust Funds - Statements of Receipts and Payments	85
Report on Operations	15	Appendices	103
Organisational Structure	16	A – Legislation	104
Asset Financing	17	B – New Trust Fund Statements	106
Financial Management	18	C – Program Evaluations	108
Strategic	20	D – Publications	109
Economic	22	E – Ministerial Circulars	110
Government Property Office	24	F – Freedom of Information	111
Treasury Staff	26	G – Government Purchasing Charter	112
		H – Public Sector Standards/Conduct	113
		I – Electoral Act Disclosures	114
Performance Indicators	29		
Opinion of the Auditor General	30		
Certification	31		
Program Performance Assessment	32		
Financial Summary	41		
Treasury Financial Results	42		
Treasury Administered Items	44		



OVERVIEW

1997/98 Highlights

Under Treasurer's
Review

Special Feature –
New State Budget
Presentation

Role of Treasury

Customer Focus



197 St. Georges Terrace

1997/98 Highlights

Activities

Financial Management

Strategic

Advises on and manages the State's budget and financial framework.

Analyses State revenues and the economy. Provides information systems, and strategic and internal audit services to the Department.

Key Achievements

Produced the State Government's first accrual output based budget and widened the base for net appropriation arrangements.

Included an expanded range of performance measures for agency outputs in the budget documentation. Worked with agencies in implementing the new budget and reporting arrangements.

Prepared and introduced into Parliament the Government Financial Responsibility Bill, which provides a basis for prudently managing the State's finances.

Provided agencies with greater flexibility to manage cash resources by allowing them to operate trust and bank accounts, pay creditors electronically, and invest in long term securities.

Introduced a more cost effective and flexible accounting system for government.

Issued Consolidated Financial Statements for 1996/97 incorporating, for the first time, a formal audit opinion.

Developed an economic model to better evaluate policy options.

Analysed economic developments in Asia and their impact on the State.

Advised government how best to structure and implement the gold royalty.

Negotiated measures with the Commonwealth to protect the State's revenue base following the adverse High Court decision on excise arrangements.

Began a risk management exercise to identify, assess and manage risks to help Treasury meet its objectives.

Improved communication and research facilities through greater use of Intranet and Internet facilities, and the introduction of a new PABX and telephone policy.

Developed new human resources standards and a Code of Conduct for staff.

Implemented a more coordinated approach to training to maximise the value of our training dollar.

Economic

Provides economic advice and analysis on intergovernmental financial relations, government trading enterprises and competition policy.

Made a major submission to the Commonwealth Grants Commission aimed at maximising this State's share of federal grants.

Provided the Commonwealth with a detailed submission on tax reform and reform of Commonwealth/State financial relations.

Provided policy advice on many issues affecting a wide range of the State's trading enterprises and on their financial performance.

Clarified the approach agencies should adopt when determining output costs, conducting financial evaluations and pricing their outputs.

Worked with many agencies in implementing the National Competition Policy measures and submitted a comprehensive report to the National Competition Council on this State's progress with the policy.

Succeeded in securing the full \$56.8 million in competition payments in 1998/99.

Asset Financing

Provides advice on rationalising and financing assets. Participates in rationalising major assets.

Contributed to the highly successful Dampier-to-Bunbury gas pipeline sale.

Evaluated alternative financing for the metropolitan bus fleet.

Contributed to the Westrail privatisation scoping study.

Government Property Office

Provides whole of government property advice, policy and information. Coordinates and manages key redevelopment projects.

Developed and implemented ways to increase agency accountability for property assets, including office accommodation.

Continued the Property Disposal Program, which achieved sales of \$42 million.

Developed sound commercial management practices for government owned, multi-tenanted office buildings using outsourced property managers.

Continued redeveloping strategic properties under government ownership.

Under Treasurer's Review



John Langoulant

Under Treasurer

- ◆ *Achieved our targets*
- ◆ *Focused on staff development*
- ◆ *Moved to accrual output budgeting*
- ◆ *Accomplished the pipeline sale*
- ◆ *Met the State's National Competition Policy requirements*
- ◆ *Assessed our exposure to Asia*
- ◆ *Managed the challenges of Commonwealth/State financial relations*

I am extremely pleased to report that during 1997/98 Treasury made further major progress across a range of disparate areas, advancing our role as the leader in economic and financial management of the State's public sector.

Achieved Our Targets

Treasury faced some substantial challenges throughout the year, and our people pulled out all stops to achieve tangible outcomes with real benefits to the State. A number of these achievements are listed below.

Excellent progress was made with our new accrual output budgeting, resulting in more transparent financial reporting. Over time this will lead to improvements in resource allocation and asset management.

We are anticipating a positive outcome from our long and complex work with the Commonwealth Grants Commission when it reports in early 1999.

We also provided a comprehensive report to the National Competition Council about Western Australia's progress in implementing National Competition Policy. The report to Council in June 1998 contributed to Western Australia's success in securing its full competition policy payment for 1998/99.

Treasury played a significant role in the sale of the Dampier-to-Bunbury gas pipeline, which will stand as a major achievement in the context of State financial and economic management.

The transfer of the Government Property Office from the Ministry of the Premier and Cabinet to Treasury in March 1998 is expected to generate synergies in managing public sector assets.

Importantly the Department made long-term strategic planning a high priority. We have made strong progress with this in the last three years and developments recently will ensure we are well placed to set and achieve even more challenging targets.



Staff Development

Encouragingly, we have been able to attract and retain extremely high calibre staff. Through our staff we have been able to achieve the objectives we established a year ago. To ensure this continues, we are placing even greater emphasis on our graduate recruitment scheme in 1998/99.

The Department's operations changed substantially throughout the year. We now have a much stronger focus on making sure all employees have a greater say in planning their work, taking responsibility for their own professional development and for improving their work systems.

We have made training programs available to all our staff thus helping them develop and reinforce the knowledge and the skills they need to participate more fully in the constantly changing work environment.

During this reporting year we also sharpened our focus on risk management by looking more closely at the systems and processes we use to produce our results. We analysed and prioritised the issues, and trained our staff to constantly seek a better approach to doing business.

Accrual Output Budgeting

The 1998/99 budget, with its move to accrual output budgeting, rates as one of our best efforts in at least the last decade. We made these improvements largely because stakeholders told us that they needed to be better informed.

This move, together with related reforms, provides agencies with workplace incentives to raise their own revenues, change their asset bases to better suit their goals, and manage their own bank accounts. Effectively achieving this system has been an enormous challenge to our staff. However, the hard work has paid off especially for government agencies.

The budget papers were very well received by most economic commentators, but there were critics. The criticisms highlight the difficulties associated with introducing major changes to a product that has a very diverse customer base.

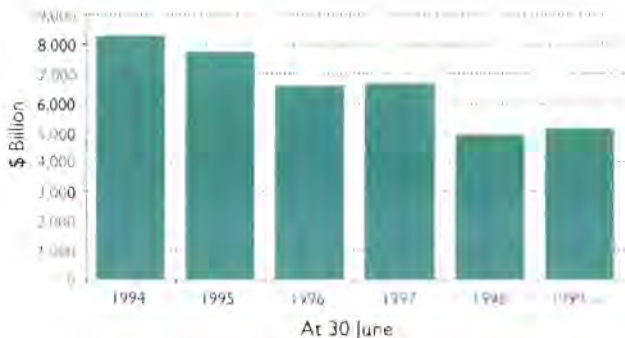
The overall budget picture remains difficult notwithstanding the State's strongly growing economy. This is in part due to the State's narrow revenue base and the economic growth which created the need for a substantially increased capital works program that featured so strongly in the budget.



Pipeline Sale

The significant role we played in helping sell the Dampier-to-Bunbury gas pipeline ranks as one of our premier achievements of the past few years. Realising a sale price of \$2.4 billion, when market estimates ranged between \$1.5 billion and \$2 billion, was an excellent outcome for the State. The sale proceeds were largely used to reduce debt. Treasury people put a colossal amount of work into the sale process and I congratulate them on their outstanding achievement.

Total Public Sector Net Debt



National Competition Policy

Treasury has responsibility for coordinating and driving the State's National Competition Policy effort, which contributed to the State's significant progress in 1997/98.

A range of National Competition Policy reviews were completed during the year. As a result Cabinet has now committed to the removal of restrictions on competition from many Acts, and the removal of the advantages and disadvantages of some government businesses competing with the private sector. We are also supporting National Competition Policy reviews and reform now underway in local government.

Western Australia has shown its commitment to competition in the gas market, by enacting legislation that commits the State to the national gas access code, and by developing a process to seek expressions of interest for a second pipeline.

There is still much to do to implement National Competition Policy, and only two and a half years in which to do it. With initial obligations met in 1996/97 and 1997/98, and payments made in full to Western Australia, we must now focus on the next set of obligations. These include continuing to implement free and fair trading in gas, reforms for a more efficient and sustainable water industry, reforms in road transport, and reviewing the State's legislation. It is also important to attend to the newly established exposure of government 'business' to the Trade Practices Act.

Our Exposure to Asia

There has been much discussion and speculation about the likely impact the Asian financial downturn will have on the Australian economy. In light of this Treasury decided to reduce Western Australia's economic growth forecast for 1998/99 by one percentage point, anticipating that the region's problems will reduce exports and investment spending.

There has been no shortage of commentators prepared to paint a gloomy picture. However, it remains true that, to date, there has only been a moderate impact on the Western Australian economy from Asia and forecast growth of five percent, after inflation, is in line with the economy's growth performance over the last 10 years.

Treasury has been concerned in trying to deal with analyses that lump Australia into the Asian region (suggesting our economy is over-exposed to the problems), and in dealing with a market which fails to recognise that the Asian downturn impacts differently on each State's economy. We maintain that Western Australia is better placed than other States to survive the flow-on effects of the downturn.

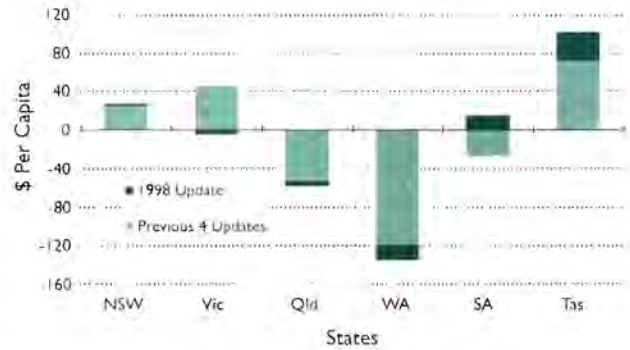
Commonwealth/State Relations

Commonwealth/State financial relations is one of the most enduring challenges facing the State. Tax reform, the protracted Medicare Agreement negotiations, and the limitations of the Commonwealth Grants Commission process have all proven to be major issues.

The lack of tax reform and associated reform of Commonwealth/State financial relations is an indictment on the Federation. The States are responsible for meeting the ever-increasing demand for services without access to adequate revenues, and this has created major difficulties. A case in point was the problems experienced during the year in reaching agreement on health funding. Western Australia, together with the other States and Territories, walked out of the Premiers' Conference in frustration at being denied sufficient funding. The Federal attitude to the States' financial difficulties goes to the core of the problem.

Meanwhile, Western Australia is placed under additional pressure as the Grants Commission process continues to reduce our share of Commonwealth funding. There are major defects in the way the Grants Commission operates. The revenues generated by Western Australia's economic growth are largely lost to the State through reductions in grants, with no recognition of the infrastructure costs borne by the State to support this growth. Government is forced to increase State taxes in response to the Commonwealth reducing State funds as a result of the Grants Commission process.

Impact of the Grants Commission's Annual Updates



It is up to Treasury to help find a way through the maze and this shapes as one of the most critical issues in the year ahead.

Conclusion

The international financial environment is changing rapidly and presents considerable challenges to the State. Treasury's contribution in these volatile times is to ensure the State's finances remain strong and that economic arrangements enhance the competitiveness of State industry.

I thank sincerely all Treasury staff for their efforts in 1997/98 and look forward to a successful 1998/99.

Special Feature – New State Budget Presentation

During the past few years Treasury has reviewed the way it approaches all aspects of its business processes and outcomes. We recognise that for government and its agencies to provide better services we needed to strategically review every aspect of the way we help them understand the budget and improve their ability to work within its parameters.

During 1997/98 we introduced several initiatives including a streamlined budget data collection system, greater flexibility for agencies to operate in the commercial marketplace, and a computerised system for better evaluating and planning for major capital works. The way was also paved for widening the base for net appropriation arrangements from 1 July 1998.

Another key achievement was the new way we presented the State's budget papers. Our objective has been to enhance the breadth and coverage of the budget documentation, to make it more meaningful and understandable to the major users.

Some of the first-time key initiatives were in presenting:

- ◆ consolidated Budget Statements of the Government of Western Australia;
- ◆ an expanded emphasis on the role of outputs, that is, the provision of goods and services; and
- ◆ output performance targets to achieve the government's desired community outcomes.

But in what ways are these different, and how do the changes impact on our stakeholders and the Western Australian public? For the first time our new consolidated Budget Statements present an operating statement, balance sheet and cash flow statement for the Government of Western Australia. Collectively, they present a much fuller picture of the State's finances and go well beyond the traditional focus on the projected



cash position of the Consolidated Fund provided in previous years.

We further improved our budget papers by publishing a four-year forecast on expected financials, starting from the 1998/99 budget year, and by presenting similar financial statements for each budget sector agency. The budget papers also give details of the goods and services (outputs) each agency provides and include output measurements and performance targets.

The new budget format highlights the four roles government can play in relation to its agencies. These are as the:

- ◆ purchaser of goods and services;
- ◆ provider of transfer payments, such as subsidies and grants, which agencies administer on the State's behalf;
- ◆ owner of agencies; and
- ◆ banker for agencies.

The new budget presentation is based on accrual accounting. This means that the financial effects are recorded at the time transactions occur, rather than when cash is received or paid. The accrual budget gives information on all elements of, and changes in, financial performance – for example, operating balance, assets, liabilities, equity, revenues and expenses – that cannot be obtained by accounting only for cash receipts and payments.

This widened focus is consistent with the private sector, where business owners and managers are concerned with the operating statement, balance sheet, and cashflow statement.

The Government of Western Australia can be regarded as something like a holding company, with a controlling equity interest in its 'subsidiaries', that is, government agencies. Enhancing our reporting mechanisms is not just an exercise in itself. It actually provides real benefits to the Western Australian community by providing a clearer picture of the government's performance and cost of goods and services provided by the public sector. By providing this strategic overview, our agencies can now operate under conditions similar to those in the commercial marketplace.

The new budget presentation includes an expanded range of measures relating to the quantity, quality, timeliness and cost of agency outputs to be funded from the budget. Now agencies are required to identify targets for each output measure and to report actual performance against the targets in their annual reports.

The new budget presentation has many advantages over previous years. These include:

- ◆ a comprehensive, forward-thinking strategy;
- ◆ consistency with Australian Accounting Standards;
- ◆ direct comparability between budgets and audited financial statements;
- ◆ highlighting non-cash expenses, liabilities and debts to assess the impact of this generation's consumption on the next;
- ◆ providing, for the first time, a forward financial assessment of government's assets and liabilities; and
- ◆ more familiar budgetary and accounting reports to anyone with financial or business experience.

Treasury is excited about the opportunities the new budget provides for agencies and other stakeholders.

Our goal for 1998/99 is to improve on our achievements to date. This includes implementing accrual appropriations to reflect full accrual costs in the price of government-purchased goods and services. It also involves:

- ◆ enhancing our computerised data and reporting systems;
- ◆ ensuring Treasury staff and client agencies are better skilled in managing their finances; and
- ◆ better informing government on how the new administrative arrangements are improving efficiencies in public service delivery.

Role of Treasury

Enabling Legislation

There are a number of Acts that govern our operations:

- ◆ the Treasury functions under the Public Sector Management Act for its general administration;
- ◆ the Constitution Act and the Constitution Acts Amendment Act provide the framework under which we operate; and
- ◆ the Financial Administration and Audit Act and associated Treasurer's Instructions provide the powers for Treasury officers to operate in government finance, control and accountability matters.

A list of the Acts administered by Treasury, which are the responsibility of the Treasurer, is shown in Appendix A.

Responsible Minister

The Hon. Richard Court, B.Comm., MLA, Premier, Treasurer, Minister for Public Sector Management, and Federal Affairs.

Mission

Our mission is to provide leadership in advancing the State's economic and financial management.

Our corporate objectives are to:

- ◆ ensure sustainability of the provision of public services;
- ◆ improve the accountability of public finances;
- ◆ establish a clear framework for financial relationships between government and agencies;
- ◆ improve the management of public assets;
- ◆ improve the competitiveness of the Western Australian economy; and
- ◆ develop the capabilities Treasury needs to deliver its services.

Treasury at a Glance

Treasury is structured into the following five areas:

Asset Financing

The Asset Financing Division:

- ◆ facilitates and advises on privatisation, rationalising major assets and arranging alternative asset financing for public sector services and activities; and
- ◆ monitors the way agencies manage various asset financing arrangements.

Financial Management

The Financial Management area advises on, and manages, the State's budget and financial framework. Specific services are to:

- ◆ advise government on the best way to allocate funds to achieve its desired outcomes;
- ◆ help agencies develop and manage their annual budgets on an accrual output basis;
- ◆ coordinate and monitor the State's revenue and expenditure forecasts;
- ◆ evaluate and coordinate new expenditure proposals;
- ◆ develop, promote and assist with the implementation of improved financial management practices;
- ◆ develop policy on the financial and accounting framework for government operations;
- ◆ advise agencies on legislative and accountability frameworks;
- ◆ maintain accounting information for the Treasurer's Accounts and report on these; and
- ◆ identify investment funds available in the Public Bank Account.



Strategic

The divisions within the Strategic area:

- ◆ analyse and advise government on State revenues, the economy and general financing matters;
- ◆ forecast economic trends;
- ◆ provide internal audit and risk management functions;
- ◆ provide information and corporate development support to the Department; and
- ◆ coordinate the strategic development of Treasury.

This area also coordinates a wide range of Departmental activities that, in combination, ensure we can effectively deliver services to our customers.

Economic

The Divisions within this area:

- ◆ advise on, and coordinate, intergovernmental financial issues, particularly relating to Commonwealth grants to the State;
- ◆ analyse and advise on the performance of, and strategic issues affecting, government trading enterprises (like Western Power and the Water Corporation);
- ◆ develop policies and guidelines for agencies to improve their competitiveness; and
- ◆ coordinate and drive the implementation of the National Competition Policy Agreements in Western Australia.

Government Property Office

The Government Property Office is the government's corporate real estate adviser. It helps government ensure the State's property is managed efficiently and effectively. The Office fulfils this role by providing the following services:

- ◆ whole of government property advice, policy and information;
- ◆ systems and coordination for agencies to manage and dispose of property assets;
- ◆ central management of government owned, multi-tenanted office buildings;
- ◆ office accommodation services, including management of lease negotiation and administration; and
- ◆ managing projects for the redevelopment of strategic government properties.

Customer Focus

Our Customers

Our major customers are:

- ◆ the Treasurer and the Minister for Finance;
- ◆ Parliament and Cabinet and its Committees; and
- ◆ the State's public sector agencies.

Our Customer Commitment

Treasury's vision is to achieve excellence in providing economic and financial management advice. What customers can therefore expect from us is a commitment to quality and responsive services. We do this by:

- ◆ ensuring that our advice is clear, well founded, timely and relevant;
- ◆ establishing clear points of contact for a coordinated and effective service;
- ◆ understanding our customers' needs and helping them understand our point of view;
- ◆ streamlining our requests for information from providers;
- ◆ consulting with our customers, when reviewing our practices and introducing improvements;
- ◆ seeking customer feedback and acting on it;
- ◆ responding to requests for advice and information within agreed time frames; and
- ◆ keeping our customers informed of the latest developments in economic and financial management policies and procedures.

Achieving Customer Focus

To gauge our customer effectiveness we conduct a Client/Stakeholder Survey each year. The survey results

provide a measure of Treasury's customer service effectiveness and give valuable feedback about areas where we can make improvements. The results of the survey for 1997/98 are outlined in this report's Program Performance Assessment section.

Communicating and Consulting

We continued to give a high priority to improving our communications with our customers during 1997/98. For example we:

- ◆ introduced a new PABX and telephone policy to better serve our customers;
- ◆ used the media to publicise that information on unclaimed monies was available on the Internet;
- ◆ consulted with government agencies and the private sector in developing and implementing State taxation and mining royalty policies, including the gold royalty;
- ◆ briefed government, opposition and minor party members on implementing State taxation and mining royalty proposals;
- ◆ actively participated in key capital investment projects including the Transform WA road transport program, and the Oakajee port and associated infrastructure development;
- ◆ undertook an extensive public relations exercise aimed at improving the annual Budget Statements' profile and communicating changes to the format of the 1998/99 budget papers;
- ◆ expanded the number of presentations by Treasury staff, and visited agencies more frequently. We also used consultative groups to enhance the information flow about the budget process and to help develop and implement financial management policies and practices;

- ◆ provided training to agencies on introducing a new data collection system for the 1998/99 budget, and released an updated version of *A User's Guide to the Consolidated Fund Budget Process*;
- ◆ published new guidelines clarifying the approach that agencies should adopt in determining output costs, conducting financial evaluations, and pricing their outputs;
- ◆ ensured agencies were well supported in conducting National Competition Policy reviews by providing a contact person for each agency to ensure open lines of communication;
- ◆ ensured interested parties had the opportunity to input on important and controversial issues relating to National Competition Policy; and
- ◆ commissioned an independent survey of Government Property Office customers to assess their satisfaction levels with the Office's services and approach. The results were positive.

Reducing Red Tape

To improve the efficiency of government we:

- ◆ introduced a new, streamlined data collection system enabling agencies to submit a single return to Treasury - rather than the multiple reports of recent years - incorporating information for the 1998/99 Budget Statements, whole of government reporting and government finance statistics;
- ◆ simplified the cash flow reporting required of agencies;
- ◆ coordinated, and helped to drive, National Competition Policy legislation reviews, many of which recommended removing unnecessary regulation, such as simplifying the approval process for non-industrial projects which have low level environmental impacts; and

- ◆ introduced a self evaluation system for agencies seeking new office space under 500 square metres. This removed the need for agencies to gain central approval, reduced the time taken to obtain office space, and established clear lines of agency accountability.

Responsiveness

To improve our customer responsiveness we:

- ◆ reviewed the *Overview of State Taxes* publication to identify possible improvements and to ensure it continued to meet customer's needs;
- ◆ made many of Treasury's publications, and the State budget papers, available on the Internet, allowing our customers to access these documents within hours of being published;
- ◆ established a consultancy service to help public sector agencies address specific capital investment issues and generally improve asset management practices; and
- ◆ helped agencies and local government to conduct National Competition Policy reviews by arranging meetings, conducting introductory and specialised workshops, and distributing guidelines and other information.

Your Say

We are constantly striving to improve our service and welcome your suggestions on how this can be achieved.

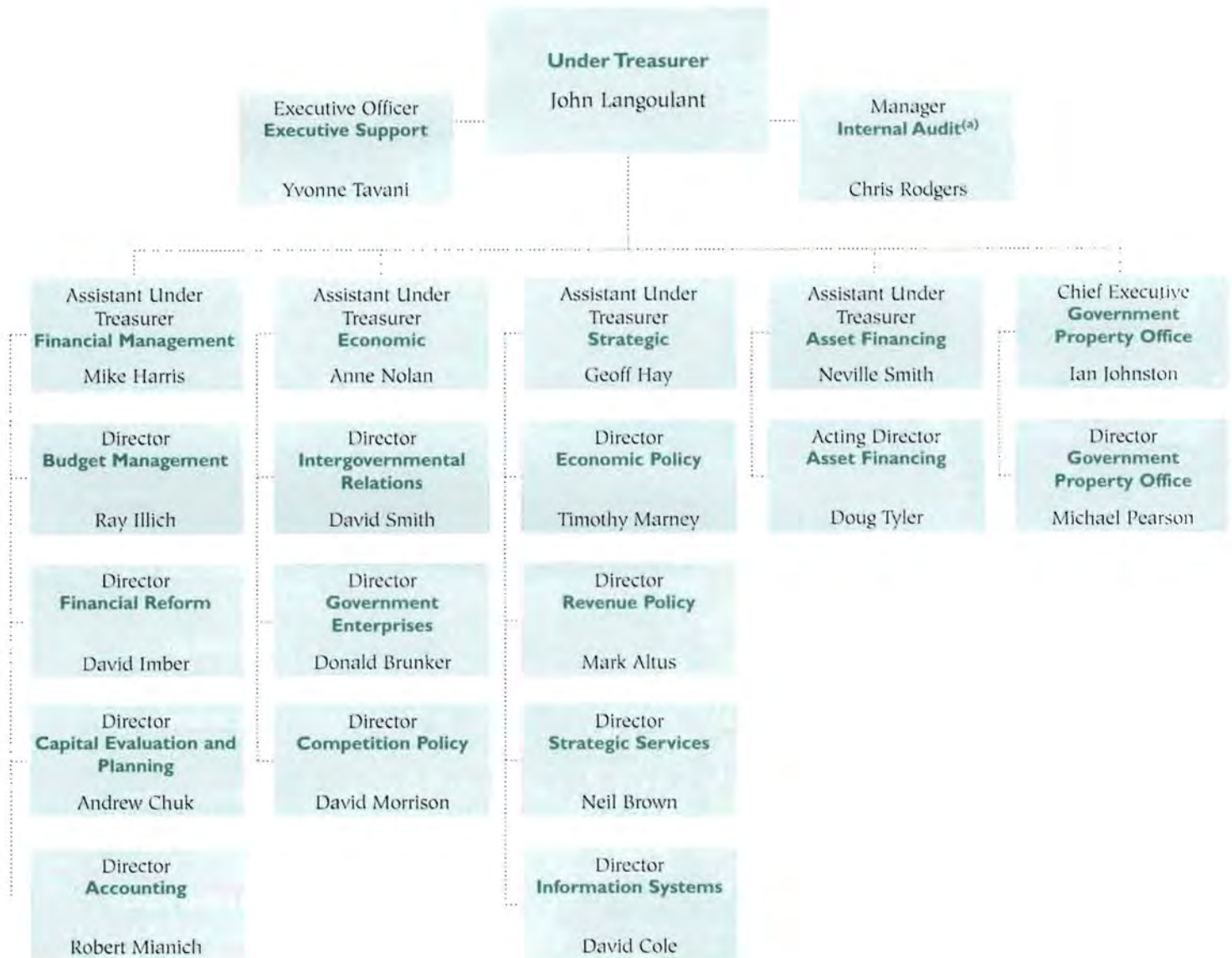
If you have any comments, or would like to discuss any of our services, please call us. Contact details are provided at the front of this report.

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REPORT ON
OPERATIONS



Organisational Structure



(a) Administratively reports to the Assistant Under Treasurer, Strategic.

Asset Financing



Neville Smith

Assistant Under Treasurer
Asset Financing

◆ *Asset Financing*

Highlights

During 1997/98 Asset Financing:

- ◆ **played a significant role in the sale of the Dampier-to-Bunbury natural gas pipeline to Epic Energy Australia.** This was the State's largest and most successful privatisation to date.

The \$2.4 billion price earned was well above market expectations of between \$1.5 billion and \$2 billion, and the sale proceeds will be used to reduce State liabilities and fund capital expenditures;



- ◆ **continued refinancing the existing, and financing the future, Transperth bus fleet** to achieve lower costs. Proceeds from the refinancing will be used to retire debt.

The financing will provide the funds to upgrade the quality of the Transperth bus fleet by buying air conditioned aluminium low floor buses. These buses will meet the government's plan to help people with disabilities gain easier access to public transport; and

- ◆ **contributed to the Westrail privatisation scoping study,** and raised issues government may need to consider in the partial privatisation of Westrail.

Outlook

Our key goals for 1998/99 are to:

- ◆ progress the sale of Westrail freight services;
- ◆ implement the decision on refinancing the metropolitan bus fleet; and
- ◆ identify, and where appropriate progress, further opportunities for privatisation, major asset rationalisation, and asset financing.

Financial Management



Mike Harris

Assistant Under Treasurer
Financial Management

- ◆ *Budget Management*
- ◆ *Financial Reform*
- ◆ *Capital Evaluation and Planning*
- ◆ *Accounting*

Highlights

The Financial Management area introduced a number of initiatives that demonstrate Western Australia's lead in managing government financial reform and presenting budgets in Australia. In particular we:

- ◆ **produced the State Government's first accrual, output based budget.** This included presenting a set of financial statements for the State Government, more in line with private sector reporting. Collectively these provide a full picture of the State's finances and go well beyond the traditional focus on the cash position. As a further innovation, we made a four year forecast on expected financials, starting from the 1998/99 budget year;
- ◆ **widened the base for net appropriation arrangements.** These arrangements mean that government agencies retain certain revenues for services under their control, thus providing incentives to improve cost recovery, rationalise non-cost-effective services and fund new activities without an extra burden on taxpayers;
- ◆ **included each agency's financial statements in the Budget for the first time,** and gave details of the goods and services (outputs) provided, including output measures and performance targets;
- ◆ **introduced the Government Financial Responsibility Bill into Parliament in April.** The Bill establishes a framework for government financial planning and reporting and provides an avenue for the public to scrutinise government's financial policy and performance;
- ◆ **initiated a new data collection system enabling agencies to submit a single return to Treasury.** In previous years Treasury branches required separate returns for information on the Budget Statements, reporting on the whole of government and government finance statistics;
- ◆ **developed a computerised system for capital evaluation, planning and reporting.** This allows the capital works component of the State's budget to be more comprehensively and responsively managed;
- ◆ **provided agencies with greater flexibility to manage their cash resources.** We achieved this by introducing 'desk top banking' in agencies, giving agencies access to pay creditors electronically, and by allowing them to operate trust and bank accounts and invest in long term securities;
- ◆ **replaced the existing Government Accounting System with the Treasurer's Accounts Bank System.**

The new system is better suited to the reducing usage of the system as agencies become responsible for their own accounting systems. It allows real-time inputs, and is more cost effective and flexible;

- ◆ **redesigned the Niemeyer Statement to include financial comment and analysis.** This is helping Parliamentarians and other users to better understand the performance of the main budget account;
- ◆ **issued Consolidated Financial Statements for 1996/97** incorporating, for the first time, a formal audit opinion; and
- ◆ **hosted the 1997 Australasian Treasury Officers Conference in November** and released a discussion paper *Issues in Accrual Output Budgeting*.



Outlook

Our key goals for 1998/99 are to:

- ◆ implement accrual appropriations reflecting full accrual costs in the price of government-purchased goods and services;
- ◆ introduce a capital user charge, which is a charge on the capital employed by public sector agencies. Government investment in agency assets is currently provided free of charge – introducing a return on this capital better reflects private sector practice;
- ◆ advise government about new administrative arrangements that can improve efficiencies in public sector service delivery;
- ◆ further develop our computerised data and reporting systems;
- ◆ finish developing a policy framework to make it easier to involve the private sector in providing assets traditionally provided by the State;
- ◆ further improve the financial management skills of staff in Treasury and its client agencies;
- ◆ facilitate a coordinated approach to reporting Fringe Benefits Tax;
- ◆ comprehensively revise the Financial Administration and Audit Act and Treasurer's Instructions to meet changing requirements; and
- ◆ provide regular reports on whole of government accrual financial statements.

Strategic



Geoff Hay
Assistant Under Treasurer
Strategic

- ◆ *Economic Policy*
- ◆ *Revenue Policy*
- ◆ *Strategic Services*
- ◆ *Information Systems*
- ◆ *Internal Audit*

Highlights

During 1997/98 the Strategic area:

- ◆ **developed a comprehensive modelling system to analyse economic policy options.** This provides a framework for consistently analysing economic development policy issues across government;
- ◆ **released a discussion paper to industry groups, financial institutions, government and the public analysing recent economic developments in Asia.** We understand the paper helped reduce private sector uncertainty on the implications of the Asian crisis for Western Australia;
- ◆ **provided advice to Ministers and Cabinet on the best way to structure and implement the gold royalty;**
- ◆ **negotiated, with the Commonwealth Government, ways to protect the State's revenue base.** This followed a High Court decision in August 1997 that forced the States to abandon their franchise fees on fuel, tobacco and alcohol. As a result, the Commonwealth increased its own taxes to match and reimburse the States for lost revenues previously generated by the State fees;
- ◆ **developed a database detailing social concessions delivered by government agencies in Western Australia.** Social concessions are the reduced charges given to low income groups for services such as transport and utilities.

The database reports provide a whole of government overview of the value of the concessions. The process meets the needs of the Auditor General;

International Economic Growth^(a)

	1997 (%)	1998(est.) (%)	1999(est.) (%)
Major trading partners	4.3	1.9	3.0
OECD major trading partners ^(b)	2.7	0.7	1.5
NE Asian major trading partners ^(c)	6.7	3.7	4.4
SE Asian major trading partners ^(d)	6.1	1.2	3.7
Western Australia ^(e)	6.5	5.0	5.0

(a) Real gross domestic product.

(b) Japan, South Korea, United States, United Kingdom and Germany.

(c) South Korea, China, Taiwan and Hong Kong.

(d) Singapore, Indonesia, Malaysia, Thailand and Philippines.

(e) Financial years 1997/98 to 1999/00.

- ◆ **made greater use of the Intranet for communicating within the Department, and used the Internet to more effectively research and communicate with customers.** A new telephone policy and PABX introduced at the end of 1997/98 will further help improve our customers' communication;



- ◆ **initiated a risk management exercise in Treasury** and established a Risk Management Reference Group to coordinate identifying, assessing and managing our major risks. We developed a risk management handbook, and have trained many staff in identifying risks and mapping the processes;
- ◆ **developed new human resource standards and a code of conduct for Treasury staff** (see Appendix H);
- ◆ **placed more emphasis on staff development** to equip us with the skills we need to meet our objectives. We also implemented a more coordinated approach to training so as to maximise the value of our training dollar; and
- ◆ **worked closely with the Department of Productivity and Labour Relations in developing and approving wage agreements for**

public sector agencies. This cooperative approach led to wage and productivity benefits for both employees across the public sector and government.

Outlook

Our key goals for 1998/99 are to:

- ◆ analyse major economic policy initiatives using the new modelling system. This will enable us to consistently and rigorously assess comparative policy options, and to best gauge the relative impacts of various policy alternatives;
- ◆ facilitate implementing reforms following the Wallis Inquiry into the financial system. A major aspect is transferring to the Commonwealth, regulation and supervision of building societies and credit unions so they can compete on an equal footing with banks;
- ◆ analyse world economic developments and the implications for Western Australia. Our major international trading partners' different growth phases will continue to impact variously and significantly on the State's economy;
- ◆ provide advice on the implications of the Commonwealth's tax reform package for State Government finances and key industry sectors;
- ◆ continue to research options for improving the equity, efficiency and adequacy of Western Australia's own source revenue system in light of national tax reform;
- ◆ implement the action plans formulated to address major risks to our key processes. Identify non-process risks and put plans into place to deal with these; and
- ◆ review and continue our long term strategic planning and budget process



Anne Nolan
Assistant Under Treasurer
Economic

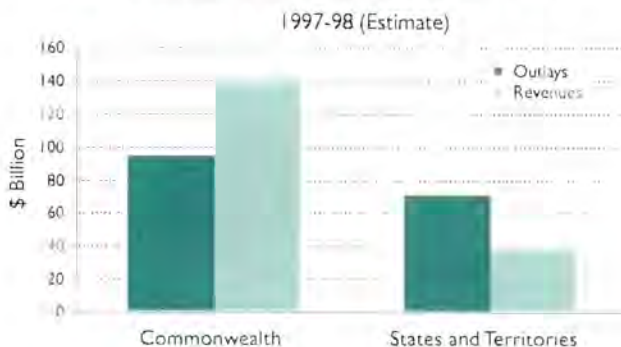
- ◆ *Competition Policy*
- ◆ *Government Enterprises*
- ◆ *Intergovernmental Relations*

Highlights

During 1997/98 the Economic area:

- ◆ **presented the State's case for a greater share of Commonwealth funding to the Commonwealth Grants Commission.** This included detailed submissions which examined Western Australia's expenditure needs and capacity to raise revenue;
- ◆ **helped prepare a detailed submission to the Commonwealth on national tax reform.** The submission was designed to highlight the States' role in achieving a more efficient tax system and improving the foundations of Commonwealth/State financial relations;

Vertical Fiscal Imbalance^(a)



(a) Adjusted for impact of High Court decision on franchise fees.

- ◆ **provided analysis and advice to the State Government on the inadequacies of the Commonwealth's initial health funding offer,** and provided alternative options for consideration;
- ◆ **provided advice to the Treasurer on government trading enterprises' business plans and performance reports.** This facilitated the Treasurer having input into government trading enterprises' strategic direction;
- ◆ **provided policy advice on a range of issues relating to government trading enterprises** including:
 - the government's corporatisation and commercialisation policies and their effectiveness;
 - taxation arrangements between the Commonwealth and the States; and
 - ways to deal with complaints against government trading enterprises. These concentrated on the fairness of their ability to compete on a level playing field with their private sector competitors;
- ◆ **provided a report to the National Competition Council about Western Australia's progress in implementing National Competition Policy.**

The Council assesses the extent to which States and Territories have met their National Competition Policy obligations and recommends whether they should be paid. The June 1998 report contributed to Western Australia receiving its full payment in 1998/99; and

- ◆ **provided policy advice on a range of competition policy matters** including:
 - access to essential infrastructure for rail, the electricity grid and gas pipelines to facilitate competition. Improved access will significantly benefit existing and future markets. However, it requires careful balancing between the need to encourage competition, through better access, while also providing sufficient incentive to invest in these infrastructure facilities;
 - a means to efficiently pass the many legislative amendments which will arise from reviewing National Competition Policy legislation reviews through Parliament. We anticipate the reviews will require many amendments to be passed before 31 December 2000. Our efficiency program will ensure we can meet this deadline;
 - advising the Cabinet Government Management Standing Committee on legislation reviews, competitive neutrality reviews and other matters relating to competition; and
 - monitoring and reporting on emerging risks in meeting National Competition Policy obligations. This is important, as failure to meet our obligations will put at risk the State's payment for National Competition Policy requirements.

Outlook

Our key goals for 1998/99 are to:

- ◆ make further submissions to the Commonwealth Grants Commission and participate in discussions regarding the 1999 Review. We will also advise government on the outcome of this process early next year;
- ◆ maintain our involvement with the tax reform process with a view to enabling States to have access to broader tax revenues;
- ◆ develop dividend policies and community service obligation policies (where agencies are required to provide a service at less than the full cost and be reimbursed by the government) for all government trading enterprises;
- ◆ advise government on, and help develop and implement, ways to improve government trading enterprises' effectiveness in fulfilling corporate obligations;
- ◆ work with agencies responsible for legislation and competitive neutrality reviews to achieve improvements in the quality and timeliness of those reviews;
- ◆ help government agencies understand their exposure to the Trade Practices Act; and
- ◆ implement omnibus legislation to efficiently meet the legislation reform requirements arising from legislation reviews.

Government Property Office



Ian Johnston
Chief Executive
Government Property Office

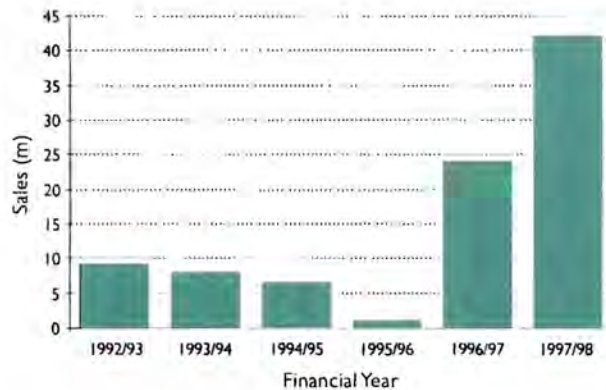
◆ *Government Property Office*

Highlights

During 1997/98 the Government Property Office:

- ◆ **continued to develop and implement ways to increase agency accountability for property assets.** Agencies are now fully aware of the costs associated with property and are using it more efficiently;
- ◆ **continued the Property Disposal Program** and achieved property sales of \$42 million, an increase of \$18 million on the previous year, and substantially above sales under the former Asset Management Program. Funds are used to repay debt or reinvest into new capital works, giving agencies the ability to convert capital tied up in under-used properties to areas of higher demand;
- ◆ **published *Guidelines for Managing Government Real Estate*** for agencies. This publication provides agencies with a guide to the efficient management of property assets and processes involved in disposal;
- ◆ **introduced self evaluation for office accommodation** to help agencies secure their own office space under 500 square metres to suit their own needs. Treasury maintains responsibility for larger office accommodation proposals;
- ◆ **administered 403 leases totalling 315,000 square metres with a gross annual rental value of \$60.1 million.**

Property Disposal Program^(a)



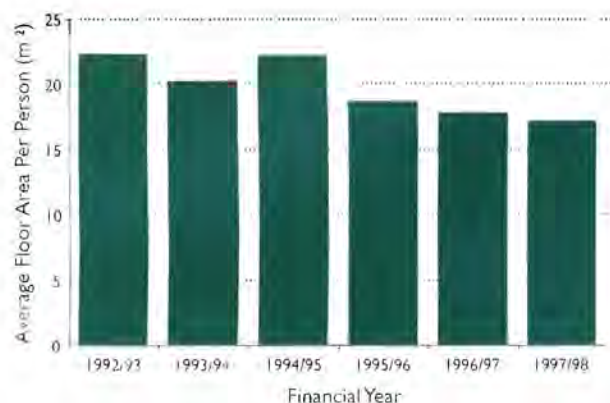
(a) Asset Management Program up to 1995/96 and Property Disposal Program thereafter.

A key goal is to minimise the amount of unused office space. In 1997/98 the amount of vacant office space was 0.71 percent of the total area leased, up from 0.52 percent in the previous year. The increase largely reflects the inclusion, for the first time, of additional space that is managed directly by agencies;

- ◆ **outsourced the property management of government owned, multi-tenanted office buildings.** Jones Lang Wootton was awarded this contract. The services include liaising with tenants, collecting rent, and providing strategic advice on improving the commercial performance of the portfolio;
- ◆ **reduced the floor area per person in new leases** to 17.1 square metres, down from 17.8 in 1996/97 and 18.7 in 1995/96.

This trend reflects the success of the recently introduced 17 square metre benchmark, and results in substantial rental savings to government;

Floor Area Occupied - New Leases



- ◆ **achieved value for money in lease negotiation** with new leases negotiated at nine percent, and lease renewals at six percent, below the Valuer General's estimates of their market value. Lease negotiators are engaged directly by agencies from a panel contract managed by Treasury; and
- ◆ **continued redeveloping strategic properties.** Plans are underway to convert the Midland Railway Workshop site to include Police operational support facilities, and to develop a maritime heritage precinct at Fremantle. Plans to redevelop Heathcote Hospital have been completed, and are well advanced for the Old Treasury Building.

Outlook

Our key goals for 1998/99 are to:

- ◆ increase agency awareness of the Property Disposal Program, reflected through increased sales;
- ◆ publish an *Office Accommodation Manual* to help agencies independently evaluate and manage office accommodation requirements; and
- ◆ complete key project milestones including developing public areas at Heathcote Hospital and commencing a new museum building at the Fremantle Waterfront.

Treasury Staff

Staffing

We employed 187 full time equivalent staff at 30 June 1998, compared with 167 a year earlier. The increase is the result of the Government Property Office being transferred to Treasury in March 1998.

Employee Development

A review of our Employee Development Scheme in late 1997 highlighted the need for a greater training effort and a more coordinated approach to training within the Department.

We made changes to make this happen. A training officer has been appointed to coordinate our training activities and to liaise with service providers to maximise the value of our training dollar. Greater emphasis is being placed on in-house training that is specifically tailored to our needs.

A particularly useful initiative has been establishing a training committee, comprising of representatives from each area of Treasury, to improve the flow of information about training needs and opportunities.

The greater focus on training resulted in more than two-thirds of our staff participating in formal training. The total number of training days was 578.5, markedly above the 98.5 of the previous year.

Type of Training

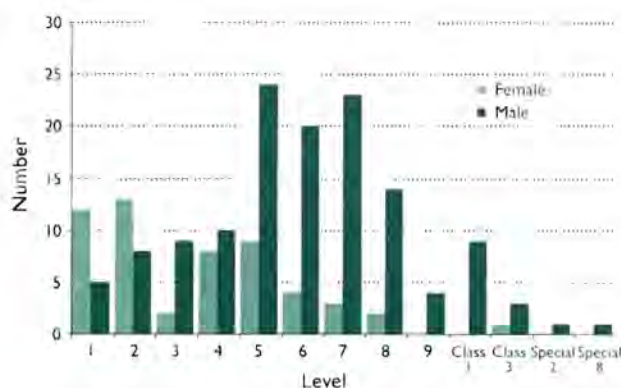
	Number of Officers	Number of Days
Professional development	96	394
Information technology	51	108
Career development	37	57
Other	18	19.5

Whereas information technology training had dominated our program in recent years, 1997/98 saw the focus shift to personal development. In particular, training in building effective teams, and process improvement, featured strongly during the year.

Women in Treasury

Women made up nearly 30 percent of Treasury's workforce at 30 June 1998. The following chart provides a comparative break-up of males to females on a classification basis.

Classification Profile



Encouragingly, the appointment of two women to Assistant Director positions during 1997/98 means there are now more women at management level than a year ago. Notwithstanding this, we are still concerned that our classification profile continues to show an under-representation of women at more senior levels.

Equal Opportunity

Treasury is an equal opportunity employer. The Department encourages and supports diversity in the workplace.

To this end, our staff developed a set of equal opportunity, harassment and grievance policies and procedures. These policies apply to everyone in the Department and can be accessed through the Department's Intranet.

Trained grievance officers are available to staff for counselling and for resolving disputes.

In addition, a number of Treasury staff received training in staff selection during the year. The training reinforced our equal opportunity policy in relation to recruitment and selection.

Public Sector Standards / Ethics

Treasury has policies and procedures in place which are in line with the guidelines issued by the Office of the Public Sector Standards Commissioner. See Appendix H for details.

Safety, Health and Welfare

The Department's performance in relation to the safety and health of employees is monitored in part through workers compensation and rehabilitation statistics. These show that there were no workers' compensation claims during 1997/98.

Workers Compensation Indicators

	1996/97	1997/98
Frequency rate ^(a)	3.00	Nil
Estimated cost of claims ^(b)	0.06	Nil
Premium rate percent ^(c)	0.43	0.68
Rehabilitation success rate ^(d)	na	na

- (a) Relates the number of lost time incidents, where one or more days were lost, to total hours worked.
- (b) Cost incurred per \$100 of the Department's annual payroll.
- (c) Premium is calculated as a proportion of the Department's annual payroll. Changes to the way in which premiums were calculated in 1997/98 means that the figures are not strictly comparable between years.
- (d) Treasury has no cases involving formal rehabilitation programs.
- na Denotes not applicable.

Employee Relations

Our approach to industrial relations remains one of equity and choice.

During 1997/98 our Joint Consultative Committee finalised a new Workplace Agreement for staff. The new Agreement provides the key outcome of greater flexibility for staff to better balance their work and family responsibilities. More than 90 percent of staff have opted to sign the Agreement, which is available in 38 and 40 hour options.

A new Enterprise Bargaining Agreement was also progressed during 1997/98. It largely mirrors the Workplace Agreement.

Disability Services

Treasury has little direct contact with the general public. Nevertheless, we seek to ensure that:

- ◆ our functions and services meet the needs of people with disabilities;
- ◆ access to buildings and facilities are improved. A refurbishment of our office accommodation has provided for wheelchair access to staff workstations;
- ◆ information on facilities and services is provided in formats that enhance the communication needs of people with disabilities;
- ◆ advice and services are delivered by staff who are aware of, and understand the needs of, people with disabilities; and
- ◆ opportunities are provided for people with disabilities to participate in public consultations, grievance mechanisms and decision making processes that are available to other members of the public.

During 1997/98, there were no approaches made from the public for services to be modified to meet the needs of persons with disabilities.

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PERFORMANCE
INDICATORS

Opinion of the Auditor
General

Certification

Program Performance
Assessment

Opinion of the Auditor General



Auditor General

To the Parliament of Western Australia

TREASURY DEPARTMENT PERFORMANCE INDICATORS FOR THE YEAR ENDED JUNE 30, 1998

Scope

I have audited the performance indicators of the Treasury Department for the year ended June 30, 1998 under the provisions of the Financial Administration and Audit Act 1985.

The Under Treasurer is responsible for developing and maintaining proper records and systems for preparing and presenting performance indicators. I have conducted an audit of the performance indicators in order to express an opinion on them to the Parliament as required by the Act.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, evidence supporting the amounts and other disclosures in the performance indicators, and assessing the relevance of the performance indicators to the program objectives and the appropriateness of the performance indicators in assisting users to assess the Department's performance. These procedures have been undertaken to form an opinion as to whether, in all material respects, the performance indicators are relevant and appropriate having regard to their purpose and fairly represent the indicated performance.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion, the performance indicators are relevant to the objectives of the Treasury Department. The indicators are appropriate for assisting users to assess the Department's performance and fairly represent the indicated performance for the year ended June 30, 1998.

A handwritten signature in black ink, appearing to read 'D D R Pearson'.

D D R PEARSON
AUDITOR GENERAL
October 9, 1998

Certification of Performance Indicators

Treasurer's Instruction 905

Financial Administration and Audit Act 1998

I hereby certify that the performance indicators are based on proper records and fairly represent the performance of the Treasury Department for the year ended 30 June 1998.



J L Langoulant
UNDER TREASURER

22 September 1998

Program Performance Assessment

Our Objective

Treasury aims to provide leadership in advancing the economic and financial management of the State. For Treasury, leadership is about providing a clear direction as well as guidance, support and encouragement to improve economic and financial management of the State.

How We Aim to Achieve Our Objective

We provide leadership in financial management by encouraging government [through our advice and the information systems we develop for decision making (eg output based budgeting and reporting)] to manage and allocate its finances in a way which enables it to meet its objectives and to provide quality services on an ongoing basis.

Our leadership is also reflected in the advice and framework we provide for government to report on its finances in a transparent way. The systems, advice, support and guidance we provide to agencies to enable them to implement financial reforms and to develop best practice financial management and reporting are another aspect of our leadership.

We show leadership in economic management by encouraging and promoting the development of a more competitive economy (which is essential for an internationally-oriented economy like Western Australia to continue to grow).

We do this by keeping government informed of the economic situation and trends (and their implications) by coordinating and promoting the implementation of competition policy in this State, and monitoring performance of trading enterprises (eg Western Power), to encourage competitive pricing of services such as power, gas, water, and transport.

The key directions we are promoting at present to improve economic and financial management are:

- ◆ Financial Management
 - provide sustainable public services (ie ensuring government has sufficient financial resources, and allocates them in such a way as to achieve its objectives and provide quality services on an ongoing basis);
 - improve accountability for public finances;
 - optimally manage public assets; and
- ◆ Economic Management
 - improve the competitiveness of the Western Australian economy.

Achieving Our Objective in 1997/98

The extent of our leadership in economic and financial management in 1997/98 is illustrated by the range and number of financial and economic reforms we initiated and implemented during the year. These are outlined in the Report on Operations.

However, the most important were:

- ◆ producing the State Government's first accrual, output based budget;
- ◆ paving the way for wider net appropriation arrangements to apply from 1 July 1998;
- ◆ introducing the Government Financial Responsibility Bill into Parliament in April;
- ◆ including each department's financial statements in the budget for the first time;
- ◆ initiating a new data collection system enabling agencies to meet our data requirements through a single return;
- ◆ providing agencies with greater flexibility to manage their cash resources;
- ◆ replacing the Government Accounting System with the Treasurer's Accounts Bank System;

- ◆ developing a comprehensive model to analyse economic policy options;
 - ◆ providing advice to Ministers on the best way to structure and implement the gold royalty;
 - ◆ negotiating, with the Commonwealth, ways to protect the State's revenue base;
 - ◆ developing a database detailing social concessions delivered by government agencies in this State;
 - ◆ providing advice to the government on the performance of government trading enterprises as well as on a range of policy issues affecting their commercial performance;
 - ◆ promoting the implementation of competition policy in Western Australia by providing policy advice to government, helping agencies to undertake competition policy reviews, and preparing a report to the National Competition Council about Western Australia's progress in implementing National Competition Policy; and
 - ◆ playing a significant role in the sale of the Dampier-to-Bunbury gas pipeline, the refinancing of the Transperth bus fleet and the Westrail privatisation scoping study.
- ◆ of the support, advice, and guidance we provided to agencies in implementing reforms;
 - ◆ of the new reporting frameworks in providing a clear picture of government finances; and
 - ◆ in providing government with economic advice, in promoting competition policy reforms, encouraging improved performance by trading enterprises and in encouraging better asset planning by agencies.

Treasury's performance indicators, and the structure of the presentation of the indicators, were revised during the year to better reflect the outputs specified in the 1997/98 budget papers, while maintaining some consistency with the 1996/97 indicators, and providing a transition to the likely 1998/99 performance indicators.

The questions asked of clients in the 1996/97 and 1997/98 surveys have been grouped so that the results are broadly comparable. However, as the questions asked in each survey were not exactly the same, care needs to be taken in comparing results between the two years.

A number of non-survey based indicators have also been included, where appropriate and relevant indicators are available, to help provide a fuller measurement of our performance.

Measuring Our Performance

Although the wide range of initiatives highlights our leadership in implementing financial and economic reform in 1997/98, we have quantified our performance mainly through a survey of our key clients and stakeholders.

The survey was designed to measure our leadership performance in 1997/98 by quantifying the effectiveness:

- ◆ of our advice to government through the 1998/99 budget process and in promoting better financial management and reporting;

The Client Survey

The client survey questionnaire was undertaken on our behalf by Insight Research. It was distributed to 261 clients/stakeholders in July 1998.

The survey questions were aimed at particular segments of our client market – Ministers, agencies, Parliamentarians and economic / financial commentators. Separate questionnaires were sent to each of these three segments with questions aimed specifically at each segment. Respondents were asked to rate Treasury's performance as very effective, effective, somewhat ineffective or very ineffective.

Responses were received from 134 of the survey population (a response rate of 53 percent) – including Ministers (2), Members of Parliament (25), agencies (103), and economic commentators (4).

The standard error for the survey was ± 6 percent (ie the numbers of respondents, who rated Treasury as effective/very effective can be considered accurate within ± 6 percent at the 95 percent confidence limit).

Our Effectiveness

Framework for Sustainable Provision of Public Services

Treasury aims to manage finances in a way that gives government the flexibility to respond to changing priorities and the assurance of continuity in revenue to fund agreed services (eg health, education, law and order).

We do this by providing policy advice to government on the management of its finances (including resource allocation), establishing a suitable budget and financial planning framework, and providing financial management support and advice to agencies.

As the budget is the government's financial plan for the year, the advice, the process, and monitoring we do as part of the budget, provide the best evidence of how good a framework we provided to enable the government to meet its priorities in 1997/98.

How effective we have been in doing this in 1997/98 has been measured mainly from responses from the client survey. The survey questions tested the effectiveness of our advice to government in helping them to prepare the 1998/99 budget, as well as of the advice and supporting systems we provided to agencies in helping them to prepare their contributions to the budget.

Some particular aspects examined in the survey were the effectiveness during the budget process:

- ◆ in advising government on:
 - strategies for the budget;
 - prioritising spending proposals;
 - developing and monitoring targets used to determine financial policy;
 - developing and communicating economic and other forecasts for budget planning;
 - assisting in the development and assessment of revenue policies (eg tax policy, royalties, Commonwealth grants); and
- ◆ of our systems in helping agencies:
 - exchange budget information;
 - organise their resources to meet budget milestones;
 - develop their forward estimates; and
 - develop their budget policies, objectives and forecasts.

We have also included an indicator of variation of actuals from estimates (to show how accurate our forecasts of revenue and expenditure have been and, hence, their usefulness in providing the government with a sound financial planning base for the year). Reduction in net debt as a proportion of gross state product has been included to indicate improvement in funds available to the government to spend on services rather than on debt servicing.

Effectiveness in Providing a Framework for Sustainable Provision of Public Services

	1997/98 (%)	1996/97 (%)
◆ Proportion of clients ^(a) who consider we provide advice for decision making that:		
– was clear and concise	68	81
– was relevant and timely	59	65
– was forward looking, identifying emerging issues	63	61
– identified potential options / alternatives	54	36
◆ Proportion of agencies ^(b) that consider the systems and support we offered were effective / very effective in helping them prepare for the budget	61	63
◆ Percentage variation in actual from budget:		
– total Consolidated Fund expenditure	+19	+0.9
– total Consolidated Fund revenue	+18 ^(c)	+0.9
◆ Net debt as a proportion of gross state product ^(d)	8.2	12.3

(a) Clients include Ministers, Parliamentarians, agencies and economic / financial commentators.

(b) This question was asked only of agencies.

(c) The extent of variation in 1997/98 mainly reflects the impact of the arrangements put in place by the Commonwealth and the States to protect the States' revenues following the 5 August 1997 High Court decision which effectively disallowed the States' franchise fees.

(d) Both the net debt and gross state product figures are the most recent Treasury estimates. Net debt as a proportion of gross state product is a standard ratio used primarily to allow meaningful comparisons between jurisdictions. The figures for the past five years have been 18.6% at 30 June 1994, 16.1% at 30 June 1995, 12.6% at 30 June 1996, 12.3% at 30 June 1997 and 8.3% at 30 June 1998. Net debt has also reduced over the past five years as follows – \$8,264 million at 30 June 1994, \$7,736 million at 30 June 1995, \$6,595 million at 30 June 1996, \$6,690 at 30 June 1997 and \$4,914 million at 30 June 1998 (all are exclusive of Western Australian Treasury Corporation debt in accordance with current Australian Bureau of Statistics reporting requirements).

Accountability for Public Sector Finances

To enable Parliament and the community to reach their own assessment of the state of public finances, we have been moving to provide as clear a picture as possible of the State's finances, the financial position of individual agencies and of the outputs provided by agencies.

For the 1998/99 budget, we moved further down this path with the State Government's first accrual output based budget and the inclusion in the budget of full financial statements for departments.

To measure our effectiveness in this area, therefore, clients were asked for their assessment of how well the new approach had helped them to:

- ◆ better judge the government's financial management and accountability;
- ◆ judge better whether outcomes are being met;
- ◆ assess the full cost of government agencies;
- ◆ assess the financial impact of the Western Australian public sector on the Western Australian economy; and

- ◆ assess the output performance and financial management of agencies.

Agencies were asked how well we had supported them:

- ◆ in moving to the new accrual output budgeting and new accrual accounting format; and
- ◆ to develop output measures and performance indicators in the new output based management approach.

Effectiveness in Improving Accountability for Public Sector Finances

	1997/98 (%)	1996/97 (%)
◆ Proportion of clients ^(a) who consider the new reporting / budgeting approach we developed had been effective / very effective at helping them to better judge the government's financial performance	54	68
◆ Proportion of agencies ^(b) who consider our support and systems were effective / very effective, during the 1998/99 budget, at helping them to prepare for the new accrual output budget	46	na

(a) Clients include Ministers, Parliamentarians, agencies and economic / financial commentators.

(b) This question was asked only of agencies.

na Denotes not applicable.

Optimal Management of Public Assets

Improving the management of public assets is a particular focus at present of the government's financial management strategy.

To achieve this we are helping to progress commercialisation of government trading enterprises and advising government on their performance to facilitate more efficient provision of their services at reasonable prices and an appropriate return to the State. We are also developing frameworks to support asset planning and to manage and facilitate privatisation.

We have measured our performance in this area by client assessment of how effective we have been with these activities and by the return on investment of the public bank account (as the higher the return on cash investments, the more funds are available to the government to spend on services).

Effectiveness in Improving Public Asset Management

	1997/98 (%)	1996/97 (%)
◆ Proportion of agencies ^(a) that consider we were effective / very effective at providing the framework and advice to support effective asset planning and management	65	49
◆ Average return on investment of Public Bank Account as a ratio of the Cash Management Trust benchmark rate (+/- percentage points) ^(b)	1.17	1.06

(a) Clients include Ministers and agencies. This indicator is based on low response rates (the standard error is $\pm 25\%$).

(b)	1993/94	1994/95	1995/96	1996/97	1997/98
Treasury earning rate (%)	4.85	6.69	7.61	6.93	5.18
Cash Management Trust benchmark rate (%)	3.73	5.29	6.31	6.55	4.94

Over the year, amounts ranging up to 25 percent of the available funds were invested in a long-term pool (maturities 0-5 years) with the remainder invested in a short-term pool (maturities up to one year). Treasury earned 5.18 percent on the short term pool over the twelve months to 31 May 1998 compared to the Cash Management Trust benchmark return [a composite of the published returns of three leading cash management trusts plus 100 basis points (one percent) to convert the published cash management trust results from a retail to a wholesale return] of 4.94 percent – this is the comparison used as the key indicator. Earnings on the long-term pool are benchmarked for performance against the SBC Warburg Australia 0-5 year Semi Government Bond Index. Treasury earned 9.02 percent on the long term pool over the twelve months to 31 May 1998, the same as the SBC Index return for the same period.

Promotion of a Competitive Economy

We have been working to improve the competitiveness of the Western Australian economy by coordinating and facilitating implementation of the National Competition Policy in this State, advising government on economic matters and trends, and promoting a more efficient tax base for the State.

Our performance in this area is measured by our client's assessment of how effective we have been in advising on the economy, in helping to implement National Competition Policy, and in progressing National Competition Policy reviews.

Effectiveness in Promoting a Competitive Economy

	1997/98 (%)	1996/97 (%)
◆ Proportion of clients ^(a) who consider we have been effective/very effective at providing economic advice to government and in progressing National Competition Policy	74	72
◆ Government Management Committee acceptance of our advice on National Competition Policy reviews	100	100
◆ Proportion of National Competition Policy reviews due which were completed by 30 June ^(b)		
– legislation reviews	32	Nil
– competitive neutrality review	37	Nil
◆ Proportion of scheduled National Competition Policy payment received/approved ^(b)	100	100

(a) Clients include Ministers, Parliamentarians, agencies and economic/financial commentators. This indicator is based on low response rates (the standard error is $\pm 12\%$).

(b) Under the National Competition Policy arrangements, each State is required to undertake reviews of legislation (to determine the impact on competition) and of agencies (to determine competitive neutrality with the private sector) – on the basis of review schedules agreed between the State and the National Competition Council. The reviews are undertaken by agencies with guidance from Treasury and are considered by the [State] Government Management Committee. A report on the reviews is provided to the National Competition Council each year, and the payment of additional Commonwealth grants to each State (eg for Western Australia, \$20.9 million in competition payments and additional Financial Assistance Grants of \$17.8 million for 1997/98) are contingent on the degree of progress against the agreed schedules.

Efficiency Indicators

The efficiency indicators have been designed to measure the unit cost of our services (ie policy advice, systems, and / or policy implementation services) to:

- ◆ provide a framework for sustainable provision of public services;
- ◆ improve accountability for public sector finances;
- ◆ better manage public assets; and
- ◆ promote a competitive economy.

The allocation of costs between policy advice, systems, and policy implementation services was based on estimates for 1997/98 derived from a survey of all areas of Treasury.

For measurement purposes, *Policy Advice* is defined as recorded policy advice provided to a Minister or to Cabinet (eg Cabinet submissions, Cabinet comments, minutes of meetings, or ministerial correspondence).

Systems are defined as the provision of broad systems and systems advice to government and agencies (eg the Budget Management system, Capital Planning system, Government Finance Statistics system, and the Government Property Office's property rent collection system), as well as systems designed to provide better information and advice and to manage services better.

Implementation Services are defined as services provided to implement, and to enable implementation of, government policies (eg reports to enable implementation, presentations, consultancies and project management).

Costs have been expressed as a proportion of what was considered to be an appropriate base/s in terms of what the costs related to. For example, the cost of policy advice for the framework for the sustainable provision of public services is expressed as a proportion of Consolidated Fund expenditure as this particular area relates specifically to the Consolidated Fund. Similarly, costs associated with the management of public assets have been expressed as a proportion of the total public sector asset value as this is indicative of the focus of this area.

Efficiency Indicators

1997/98
(%)

Framework for sustainable provision of public services

◆ Cost of policy advice per \$1,000 of Consolidated Fund expenditure	0.40
◆ Cost of systems per \$1,000 of Consolidated Fund expenditure	0.14
◆ Cost of implementation services per \$1,000 of Consolidated Fund expenditure	0.18

Accountability for public sector finances

◆ Cost of implementation services per \$1,000 of Consolidated Fund expenditure	0.77
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Optimal management of public assets

◆ Cost of policy advice per \$1,000 of total public sector asset value ^(a)	0.03
◆ Cost of systems per \$1,000 of total public sector asset value ^(a)	0.004
◆ Cost of implementation services per \$1,000 of total public sector asset value ^(a)	0.03

Promotion of a competitive economy

◆ Cost of policy advice per \$1,000 of total public sector outlays ^(b)	0.25
◆ Cost of Implementation services	
– per \$1,000 of total public sector outlays ^(b)	0.14
– per government trading enterprise serviced ^(c)	29,370

(a) The asset value used was for the total public sector as per the 1996/97 Consolidated Financial Statements. A value for 1997/98 is not yet available.

(b) Uses public sector outlays on a government finance statistics basis (as reported by the Australian Bureau of Statistics in its "Government Financial Estimates: Australia", publication 5501.0).

(c) The number of government trading enterprises' services is 35 (ie the total number of public trading enterprises as defined by the Australian Bureau of Statistics for its government finance statistics).

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FINANCIAL
SUMMARY



Treasury
Financial Results

Treasury
Administered
Items

Treasury Financial Results

Key Points

- ◆ The transfer of the Government Property Office from the Ministry of the Premier and Cabinet to Treasury on 1 March, 1998 – with its portfolio of government-owned buildings and rental revenues – had a significant impact on our 1997/98 financial results (particularly in our asset value, depreciation and revenue).
- ◆ The net cost of providing our services only rose by about 4 percent to \$18.8 million in 1997/98.

Discussion and Analysis

Government Property Office Transfer

Absorbing the Government Property Office into Treasury, had a substantial impact on our financial position.

The impact was felt mainly through incorporating the government-owned land and buildings controlled by the Office (with a combined book value of around \$75 million) into our asset base, with a consequent increase in non-current assets and depreciation. This was accompanied by a net revenue item in the operating account of \$75.8 million to reflect the total assets transferred to us. The land and buildings have been revalued by \$15.0 million giving rise to an asset revaluation reserve.

Net Cost of Services

The transfer of the Government Property Office also increased our operating revenues as a result of the rents received from the government-owned buildings. Nevertheless, overall the transfer of the Government Property Office to Treasury had only a small impact on our net cost of services. Expenses increased by approximately \$2.1 million whilst revenue increased by \$1.0 million, resulting in a \$1.1 million increase in our net cost of services to \$18.4 million (before abnormal items).

Salaries (the main component of operating expenses) rose by 13.6% to \$10.6 million in 1997/98 mainly as a result of the inclusion of the Government Property Office for part of the year.

Depreciation also rose substantially, – almost doubling to \$1.3 million – mainly as a consequence of including for the first time, the government building portfolio as well as the completion of the refurbishment of our office accommodation.

Operating revenues almost doubled to \$2.1 million, reflecting the inclusion, for the first time, of rent from government owned buildings. The increase was offset by a one-off refund of rent paid of \$1.1 million in the previous year.

Financial Position

Our total equity (ie excess of assets over liabilities) increased by \$89.7 million to \$92.0 million, primarily because of absorbing the Government Property Office's building assets – with total assets increasing sharply to \$95.6 million from \$5.7 million the previous year.

Current assets (ie cash and other assets expected to be converted into cash within one year) fell to \$2.8 million from \$3.5 million in 1996/97. This reflected a reduction in the amount of cash carried over at year end, offset by accounts receivable of \$1.1 million relating to the Government Property Office.

Liabilities remained at a similar level to the previous year.

Treasury Financial Highlights

	1997/98 \$ m	1996/97 \$ m	1995/96 \$ m
Net cost of services	18.8	18.1	17.5
Operating expenses	20.6	18.5	17.6
Operating revenues	2.1	1.1	0.1
Revenues from government (after adjustment)	17.7	20.8	17.3
Revenue from restructuring	75.8	na	na
Total assets	95.6	5.7	2.5
Current assets	2.8	3.5	0.3
Non-current assets	92.8	2.2	2.2
Total liabilities	3.6	3.3	2.8
Current liabilities	2.5	2.4	1.8
Non-current liabilities	1.1	1.0	1.0
Equity	92.0	2.3	(0.3)

na Denotes not applicable.

Treasury Administered Items

Treasury also administers a range of transactions on behalf of government.

The expenditures include community service obligations and equity contributions paid to government trading enterprises, various subsidies and grants to both government and private sector agencies, refunds and subsidies associated with the Section 90 High Court Case, payments relating to superannuation, and interest and capital payments on the government's debt.

The receipts include mainly payments to government for tax equivalents, dividends, surpluses and recoveries of loan expenses and superannuation charges by government trading enterprises. They also include

Commonwealth grants to the State as well as proceeds of asset sales. For example, a major item in 1997/98 was the proceeds from the sale of the Dampier-to-Bunbury gas pipeline (cash receipt of \$986 million).

Administered expenses rose by 59 percent to \$2.5 billion principally as a result of the retirement of debt following the sale of the pipeline.

The sale also caused a steep increase in administered revenues from \$3.0 billion in 1996/97 to \$4.8 billion in the reporting year. However, even when the pipeline proceeds are excluded, revenues rose by one-fifth to \$3.6 billion, reflecting the receipt of safety net funds from the Commonwealth following the loss of the State's franchise fees as a result of the section 90 High Court Case.

Administered Items – Financial Highlights

	1997/98 \$ m	1996/97 \$ m	1995/96 \$ m
Expenses	2,450.5	1,539.4	1,309.0
Revenues	4,766.2	3,020.9	2,860.9
Total assets	1,757.2	1,768.1	2,106.4
Current assets	1,285.1	1,184.5	1,168.8
Non-current assets	472.1	583.6	937.6
Total liabilities	1,218.7	2,123.7	2,261.7
Current liabilities [§]	109.2	396.1	271.2
Non-current liabilities	1,109.5	1,727.6	1,990.5

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FINANCIAL
STATEMENTS



Opinion of the Auditor General



Auditor General

To the Parliament of Western Australia

TREASURY DEPARTMENT FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1998

Scope

I have audited the accounts and financial statements of the Treasury Department for the year ended June 30, 1998 under the provisions of the Financial Administration and Audit Act 1985.

The Under Treasurer is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Under Treasurer.


My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised by the Department to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with applicable Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Treasurer's Instructions.

The audit opinion expressed below has been formed on the above basis.

Audit Opinion

In my opinion,

- (i) the controls exercised by the Treasury Department provide reasonable assurance that the receipt, expenditure and investment of moneys and the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the Operating Statement, Statement of Financial Position, Statement of Cash Flows, Program Schedules and Summary of Consolidated Fund Appropriations and Revenue Estimates and the Notes to and forming part of the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions, the transactions for the year ended June 30, 1998 and the financial position at that date.


D D R PEARSON
AUDITOR GENERAL
October 9, 1998

4th Floor Dumas House 2 Havelock Street West Perth, 6005 Western Australia Tel: 222 7500 Fax: 322 5664

Certification

The accompanying financial statements of the Treasury Department have been prepared in compliance with the provisions of the Financial Administration and Audit Act 1985 from proper accounts and records to present fairly the financial transactions for the year ending 30 June 1998 and the financial position as at 30 June 1998.

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



ACCOUNTABLE OFFICER



PRINCIPAL ACCOUNTING OFFICER

22 September 1998

Treasury Department Operating Statement

for the year ended 30 June 1998

	Note	1997/98 (\$'000)	1996/97 (\$'000)
COST OF SERVICES			
Operating expenses			
Salaries	4	10,626	9,357
Superannuation		1,136	1,478
Depreciation	5	1,341	694
Administration expenses	6	5,502	5,258
Accommodation expenses	7	1,951	1,698
Net loss on disposal of non-current assets	8	3	
TOTAL COST OF SERVICES		20,559	18,485
Operating revenues			
User charges and fees	9	2,138	1,123
Net profit on disposal of non-current assets	10		8
		2,138	1,131
NET COST OF SERVICES BEFORE ABNORMAL ITEM		18,421	17,354
ABNORMAL ITEM	11	415	805
NET COST OF SERVICES AFTER ABNORMAL ITEM		18,836	18,159
REVENUES FROM GOVERNMENT			
Appropriations drawn	12	17,332	19,983
Receipts paid into Consolidated Fund	13	(52)	(1,142)
Resources received free of charge	14	796	495
Liabilities assumed by the Treasurer	15	1,136	1,478
TOTAL REVENUES FROM GOVERNMENT		19,212	20,814
ADJUSTMENT OF APPROPRIATION			
Adjustment of appropriation for Building Better Cities Program	16	1,554	
CHANGE IN NET ASSETS BEFORE RESTRUCTURING		(1,178)	2,655
NET REVENUE FROM RESTRUCTURING			
Transfer of Government Property Office from Ministry of the Premier and Cabinet	17	75,805	
CHANGE IN NET ASSETS AFTER RESTRUCTURING		74,627	2,655

Treasury Department Statement of Financial Position

as at 30 June 1998

	Note	1997/98 (\$'000)	1996/97 (\$'000)
CURRENT ASSETS			
Cash and amounts in suspense	18	1,594	3,472
Prepayments		124	26
Accounts receivable	19	1,083	
Total Current Assets		2,801	3,498
NON-CURRENT ASSETS			
Property, furniture, fittings, equipment and software	20	92,762	2,187
TOTAL ASSETS		95,563	5,685
CURRENT LIABILITIES			
Accounts payable	21	184	316
Accrued salaries	22	118	66
Employee entitlements	23	2,193	1,977
Amount due to the Treasurer	24		20
Total Current Liabilities		2,495	2,379
NON-CURRENT LIABILITIES			
Employee entitlements	23	1,056	957
Total Liabilities		3,551	3,336
EQUITY			
Accumulated surplus	25	76,976	2,349
Asset revaluation reserve		15,036	
Total Equity		92,012	2,349
TOTAL LIABILITIES AND EQUITY		95,563	5,685

Treasury Department Statement of Cash Flows

for the year ended 30 June 1998

	Note	1997/98 (\$'000) Inflows (Outflows)	1996/97 (\$'000) Inflows (Outflows)
CASH FLOWS FROM GOVERNMENT			
Receipts from recurrent appropriations		13,968	16,275
Receipts from capital appropriations		3,364	3,708
Adjustment of appropriation for Building Better Cities Program		(1,554)	
Receipts paid into Consolidated Fund		(52)	(1,142)
Transfer to Ministry of the Premier and Cabinet – Minister's Office		(51)	
NET CASH PROVIDED BY GOVERNMENT		15,675	18,841
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Salaries		(10,258)	(9,135)
Administration		(4,817)	(4,327)
Accommodation		(2,070)	(1,696)
Receipts			
User charges and fees		2,048	1,123
NET CASH (USED IN) / FROM OPERATING ACTIVITIES	26	(15,097)	(14,035)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of non-current assets		(2,460)	(1,461)
Receipts from the sale of non-current assets		24	19
NET CASH (USED IN) / FROM INVESTING ACTIVITIES		(2,436)	(1,442)
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount (paid to) / received from Treasurer		(20)	19
NET INCREASE / (DECREASE) IN CASH HELD		(1,878)	3,383
Cash at the beginning of the reporting period		3,472	89
CASH AT THE END OF THE REPORTING PERIOD		1,594	3,472

Summary of Consolidated Fund Appropriations and Revenue Estimates

for the year ended 30 June 1998

	Note	1997/98			1996/97		
		Estimate \$'000	Actual \$'000	Variation \$'000	Estimate \$'000	Actual \$'000	Variation \$'000
Items 13 – 18							
Amount required for recurrent services for the year per Budget Statements Appropriation (Consolidated Fund) Act (No.4)		370,615	289,466	(81,149)	16,421	16,118	(303)
Section 25 transfer for recurrent services		125,000	93,579	(31,421)			
Section 25A transfer for recurrent services		1,039	1,039				
Amount Authorised by Other Statutes		(1,559)	(1,559)				
Salaries and Allowances Act 1975		160	190	30	151	157	6
		495,255	382,715	(112,540)	16,572	16,275	(297)
Less retained revenue – section 23A Financial Administration and Audit Act	30	2,763	2,763				
Amount provided for recurrent services for the year		492,492	379,952	(112,540)			
Items 126 – 134							
Amount required for Capital Services for the year per Budget Statements		9,627	255,814	246,187	2,284	3,708	1,424
Section 25 transfer for capital services		2,522	2,522				
Amount provided for capital services		12,149	258,336	246,187	2,284	3,708	1,424
GRAND TOTAL		504,641	638,288	133,647	18,856	19,983	1,127
Details of Expenditure							
RECURRENT – Minister's Office					115	98	(17)
PROGRAMS							
Economic and Financial Management							
Sub-Program Details :							
Financial Management		9,121	8,893	(228)	9,881	9,262	(619)
Strategic Services		3,579	4,028	449	4,354	3,972	(382)
Economic		2,496	2,217	(279)	1,948	1,784	(164)
Asset Financing		422	384	(38)	274	229	(45)
Government Property Office		1,083	1,063	(20)			
		16,701	16,585	(116)	16,572	15,345	(1,227)
Net change in amount carried over at beginning / end of financial year			(597)	(597)			
Amount transferred to operating account (unexpended appropriation)						931	931
		16,701	15,988	(713)	16,572	16,276	(296)

Summary of Consolidated Fund Appropriations and Revenue Estimates

for the year ended 30 June 1998 – continued

Note	1997/98			1996/97			
	Estimate \$'000	Actual \$'000	Variation \$'000	Estimate \$'000	Actual \$'000	Variation \$'000	
CAPITAL							
Capital Expenditure	3,487	3,153	(334)	2,284	1,267	(1,017)	
Net change in amount carried over at beginning/end of financial year		211	211				
Amount transferred to operating account (unexpended appropriation)					886	886	
	3,487	3,364	(123)	2,284	2,153	(131)	
Amount transferred to operating trust account in respect of the Building Better Cities Program. This item was not in Treasury Estimates for 1996/97.					1,554	1,554	
Less retained revenue	20,188	19,352	(836)	18,856	19,983	1,127	
	30	2,763	2,020	(743)			
Appropriations per operating statement	17,425	17,332	(93)	18,856	19,983	1,127	
ADMINISTERED							
Administered payments made from Treasury's bank account	487,216	611,077	123,861				
Net change in amount carried over at beginning / end of financial year		9,879	9,879				
Appropriations for administered items	487,216	620,956	133,740				
Total of appropriations drawn by Treasury	504,641	638,288	133,647	18,856	19,983	1,127	
Administered payments not made from Treasury's bank account							
Miscellaneous services				384,023	329,999	(54,024)	
Authorised by other statutes:							
Loan Acts	199,398	196,449	(2,949)	217,901	223,714	5,813	
Other statutes	307,547	342,021	34,474	286,365	330,452	44,087	
Financing transactions	69,800	860,556	790,756	194,536	134,877	(59,659)	
	576,745	1,399,026	822,281	1,082,825	1,019,042	(63,783)	
GRAND TOTAL OF APPROPRIATIONS	1,081,386	2,037,314	955,928	1,101,681	1,039,025	(62,656)	
Details of Revenue Estimates:							
Revenues disclosed as Operating Revenues		52	52		1,131	1,131	
Administered revenues	35	2,622,892	4,087,102	1,464,210	2,591,519	2,545,772	(45,747)
TOTAL REVENUE ESTIMATES		2,622,892	4,087,154	1,464,262	2,591,519	2,546,903	(44,616)

Treasury Department Program Schedule of Expenses and Revenues

for the year ended 30 June 1998

Program	Economic and Financial					
	Management		Corporate Services		Total	
	1997/98 \$'000	1996/97 \$'000	1997/98 \$'000	1996/97 \$'000	1997/98 \$'000	1996/97 \$'000
Operating expenses						
Salaries	10,219	8,865	407	492	10,626	9,357
Superannuation	1,099	1,422	37	56	1,136	1,478
Depreciation	1,293	664	48	30	1,341	694
Administration expenses	4,066	3,872	1,436	1,386	5,502	5,258
Accommodation expenses	1,898	1,651	53	47	1,951	1,698
Net loss on disposal of non-current assets	17				17	
Abnormal items	415	781		24	415	805
TOTAL OPERATING EXPENSES	19,007	17,255	1,981	2,035	20,988	19,290
Operating revenues						
User charges and fees	2,105		33	1,123	2,138	1,123
Profit on sale of non-current assets		8	14		14	8
	2,105	8	47	1,123	2,152	1,131
TOTAL	16,902	17,247	1,934	912	18,836	18,159
Reallocated to programs	1,934	912	(1,934)	(912)		
NET COST OF SERVICES	18,836	18,159			18,836	18,159
Revenues from Government						
Appropriations drawn	17,332	19,983			17,332	19,983
Receipts paid into Consolidated Fund	(52)	(1,142)			(52)	(1,142)
Resources received free of charge	796	495			796	495
Liabilities assumed by the Treasurer	1,136	1,478			1,136	1,478
TOTAL REVENUES FROM GOVERNMENT	19,212	20,814			19,212	20,814
ADJUSTMENT OF APPROPRIATION						
Adjustment of appropriation for Building Better Cities Program	1,554				1,554	
CHANGE IN NET ASSETS BEFORE RESTRUCTURING	(1,178)				(1,178)	
NET REVENUE FROM RESTRUCTURING	75,805				75,805	
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	74,627	2,655			74,627	2,655

Treasury Department Program Schedule of Assets and Liabilities

as at 30 June 1998

Program	Economic and Financial					
	Management		Corporate Services		Total	
	1997/98 \$'000	1996/97 \$'000	1997/98 \$'000	1996/97 \$'000	1997/98 \$'000	1996/97 \$'000
Assets						
Current						
Cash and amounts in suspense			1,594	3,472	1,594	3,472
Prepayments	4	5	120	21	124	26
Accounts receivable	1,083				1,083	
Non-current						
Land and buildings, furniture, equipment and software	90,408	995	2,354	1,192	92,762	2,187
TOTAL ASSETS	91,495	1,000	4,068	4,685	95,563	5,685
Liabilities						
Current						
Accounts payable	18	299	166	17	184	316
Accrued salaries	115	60	3	6	118	66
Employee entitlements	2,056	1,809	137	168	2,193	1,977
Amount due to the Treasurer		1		19		20
Non-current						
Employee entitlements	1,015	917	41	40	1,056	957
TOTAL LIABILITIES	3,204	3,086	347	250	3,551	3,336
TOTALS	88,291	(2,086)	3,721	4,435	92,012	2,349
Reallocated to programs	3,721	4,435	(3,721)	(4,435)		
Net Assets	92,012	2,349			92,012	2,349

Notes to the Financial Statements

1. Departmental mission and funding

The Department's mission is to provide leadership in advancing the State's economic and financial management.

The Department is predominantly funded by Parliamentary appropriation. The financial statements encompass all funds through which the Department controls resources to carry out its functions. In the process of reporting on the Department as a single entity, all intra-entity transactions and balances have been eliminated.

2. Significant accounting policies

(a) General statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Urgent Issues Group Consensus Views as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary the application, disclosure, format and wording. The Financial Administration and Audit Act and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards and UIG Consensus Views. The modifications are intended to fulfil the requirements of general application to the public sector together with the need for greater disclosure and also to satisfy accountability requirements.

If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable, the resulting financial effect, are disclosed in individual notes to these financial statements.

(b) Basis of accounting

The financial statements have been prepared in accordance with Australian Accounting Standard AAS 29 as modified by Treasurer's Instruction 1101A. The only modification giving rise to a material or significant financial effect is explained below.

The totals of user charges and fees and proceeds from the sale of assets controlled by the Department are included as operating revenues, notwithstanding that some of the amounts were required to be paid directly into the Consolidated Fund and were not controlled by the Department, in the sense of being retained by the Department through a net appropriation or otherwise. Inclusion of these amounts in operating revenues discloses a more accurate cost of services than would otherwise be disclosed. If the provisions of AAS29 had been followed and only user charges and fees retained by the department (under a net appropriation determination) had been treated as operating revenues, the net cost of services would have been reported as \$18,869,000.

The statements have been prepared on the accrual basis of accounting using the historical cost convention with the exception that land and buildings are stated at valuation.

Administered assets, liabilities, expenses, revenues and cash flows are those which are not integral to the Department in carrying out its functions and are disclosed in separate schedules as a note to the financial statements. They are items which Government requires the Department to administer on its behalf. The assets do not render any service potential or future economic benefits to the Department, the liabilities do not require the future sacrifice of service potential or future economic benefits of the Department and the expenses and revenues are not attributable to the Department.

The amounts reported for administered assets, liabilities, expenses and revenues are calculated in accordance with applicable Australian Accounting Standards. Other than explanations of variances from budget and previous year results, no further disclosures are made in respect of administered items.

Notes to the Financial Statements

continued

(c) Appropriations

Appropriations in the nature of revenue, whether recurrent or capital, are recognised as revenues 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 into the Department's bank account.

(d) Depreciation of non-current assets

All non-current assets having limited useful lives are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential.

Depreciation is provided on the straight line basis, using rates which are reviewed annually. Useful lives for each class of depreciable asset are:

Buildings	40 years
Furniture and equipment	5 to 10 years
Computer equipment	3 years
Computing software	4 years
Office fitout	10 years

(e) Employee entitlements

Annual and long service leave

These entitlements are calculated at current remuneration rates. A liability for long service leave is recognised after an officer has completed four years of service as such officers are likely to complete the qualifying period. An actuarial assessment of long service leave was carried out at 30 June 1996 and it was determined that the actuarial assessment of the liability was not materially different from the liability reported. This method of measurement of the liability is consistent with the requirements of Australian Accounting Standard AAS 30 "Accounting for Employee Entitlements".

Superannuation

Some members of staff contribute to the Superannuation and Family Benefits Act Scheme, a pension scheme now closed to new members, or the Gold State Superannuation Scheme (formerly the Government Employees Superannuation Act Scheme), a lump sum benefit scheme now also closed to new members, both of which are defined benefit schemes.

Staff who do not contribute to either scheme are non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. The employer's portion of liability under all these schemes is assumed by the Treasurer.

The superannuation expense is comprised of the following elements:

- ◆ change in the unfunded employer's liability in respect of current employees who are members of the Superannuation and Family Benefits Act Scheme and current employees who accrued a benefit on transfer from that Scheme to the Gold State Superannuation Scheme;

Notes to the Financial Statements

continued

- ◆ notional employer contributions which would have been paid to the Gold State Superannuation Scheme if the Department had made concurrent employer contributions to that Scheme; and
- ◆ notional employer contributions which would have been paid to the West State Superannuation Scheme if the Department had made concurrent employer contributions to that Scheme.

The superannuation expense does not include payment of pensions to retirees as this does not constitute part of the cost of services provided by the Department in the current year.

(f) Accrued salaries suspense account, accounts receivable, accounts payable, accrued salaries and amount due to the Treasurer

Accrued salaries suspense account consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur in that year instead of the normal 26. No interest is received on this account.

Accounts receivable are recognised at the amounts receivable as they are due for settlement on a contractual schedule, no more than 30 days from the date of recognition. Collectability is reviewed on a frequent basis and the total outstanding is expected to be collected.

Accounts Payable, including accruals not yet billed, are recognised when the Department becomes obliged to make future payments as a result of a purchase of assets or services. Accounts Payable are generally settled within 30 days.

Accrued salaries represents the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year does not coincide with the end of the financial year.

The amount due to the Treasurer is in respect of a Treasurer's Advance, approval of which is renewed for each financial year. The amount is repayable within a maximum period of one year. No interest is charged on this advance.

3. Programs of the Department

The Consolidated Fund Budget for 1997/98 was framed in terms of programs, consequently financial reporting for the year is also analysed in terms of programs.

At 30 June 1998 the Department had one program. This program and its objectives were:

Economic and Financial Management

The objective of this program is to provide leadership in advancing the economic and financial management of the State.

Corporate services support to the Department is provided by the Office of State Administration, a division of the Ministry of The Premier and Cabinet. These services are now provided at no direct cost to the Department. The estimated cost of these services is included in these financial statements as services received free of charge. The corporate services of Executive, Internal Audit and Administration are maintained by Treasury to support the agency's programs.

Notes to the Financial Statements

continued

The Government Property Office was transferred to Treasury from the Ministry of the Premier and Cabinet with effect from 1 March 1998. It became part of the above program. Details of revenues and expenses of the Government Property Office are given below:

	1997/98 (\$'000)	1996/97 (\$'000)
Expenses recognised by the Ministry of the Premier and Cabinet	4,227	
Expenses recognised by Treasury	3,108	
Total expenses	7,335	
Revenues recognised by the Ministry of the Premier and Cabinet	4,371	
Revenues recognised by Treasury	2,105	
Total revenues	6,476	
4. Salaries		
Salaries	10,297	9,168
Change in annual and long service leave entitlements	329	189
	10,626	9,357
5. Depreciation		
Buildings	418	
Furniture and equipment	39	35
Computer equipment	442	396
Computing software	245	220
Office fitout	197	43
	1,341	694
6. Administration expenses		
Expenses directly incurred by the Department	4,707	4,764
Resources received free of charge (see note 14)	795	494
	5,502	5,258
7. Accommodation expenses		
Expenses directly incurred by the Department	1,950	1,697
Resources received free of charge (see note 14)	1	1
	1,951	1,698

Notes to the Financial Statements

continued

	1997/98 (\$'000)	1996/97 (\$'000)
8. Net loss on disposal of non-current assets		
Furniture and equipment	(10)	
Computer equipment	13	
	3	
Gross proceeds on disposal of non-current assets	24	
9. User charges and fees		
Contributions by senior officers to the Executive Motor Vehicle Scheme	22	19
Rebates and reimbursements	11	1,102
Rentals from Government owned multi-tenanted buildings (subject of net appropriation determination – see note 30)	2,105	
Recoups for services		2
	2,138	1,123
A Property Manager has been appointed to collect rentals on behalf of Treasury, make disbursements of expenses incurred and remit the balance to Treasury on a regular basis. The total of rents collectable and expenses incurred is as follows:		
Gross rentals receivable	4,003	
Expenses incurred	1,898	
Total remittable to Treasury	2,105	
10. Net profit on disposal of non-current assets		
Office equipment		3
Computer equipment		5
		8
Gross proceeds on disposal of non-current assets		19
11. Abnormal Item		
Goodwill purchased and compensation paid on acquisition of leasehold premises	415	
Minor items of equipment valued at \$1,000 or less previously capitalised now expensed		805
	415	805

Notes to the Financial Statements

continued

	1997/98 (\$'000)	1996/97 (\$'000)
12. Appropriations drawn		
Consolidated Fund		
Recurrent	13,968	16,275
Capital	3,364	3,708
	17,332	19,983
13. Receipts paid into Consolidated Fund		
User charges and fees	(28)	(1,123)
Receipts from sale of non-current assets	(24)	(19)
	(52)	(1,142)
14. Resources received free of charge		
Administration expenses	795	494
Accommodation expenses	1	1
	796	495
Resources received free of charge have been determined on the basis of the following estimates provided by agencies:		
Office of the Auditor General		
– audit services	120	120
Valuer General		
– valuation services	117	3
State Supply Commission		
– maintenance of accreditation process	2	
Government Property Office		
– property management services	1	
Department of Contract and Management Services		
– contract services	8	
Department of Land Administration		
– title searches	3	1
Ministry of The Premier and Cabinet		
– corporate services	545	371
	796	495

The above costs have been included in expenses for the year in order to disclose an accurate cost of services.

Notes to the Financial Statements

continued

	1997/98 (\$'000)	1996/97 (\$'000)
15. Liabilities assumed by the Treasurer		
Superannuation	1,136	1,478
16. Adjustment of appropriation for Building Better Cities Program		
<p>In 1996/97 Treasury, in respect of the Building Better Cities Program, received an appropriation of \$1,554,000. The cash from this appropriation was deposited into Treasury's bank account on 30 June 1997 and was reflected in the balance of cash on hand at that date. Treasury in fact administers the Building Better Cities Program and the appropriation and cash balance should therefore have been included in the schedules of administered transactions rather than the financial statements. The adjustment, in accordance with Australian Accounting Standards, gives effect to this change in the current year.</p>		
	1,554	
17. Net revenue from restructuring		
<p>The Government Property Office was transferred to Treasury from the Ministry of the Premier and Cabinet with effect from 1 March 1998 and became part of Treasury's program. Treasury transferred responsibility for the Minister's Office to the Ministry of the Premier and Cabinet with effect from 1 July 1997.</p> <p>Assets acquired and relinquished as a result of this restructuring are listed below:</p>		
Land carried at valuation by the Ministry of the Premier and Cabinet recognised at carrying value	23,600	
Buildings carried at valuation by the Ministry of the Premier and Cabinet recognised at carrying value	35,139	
Office equipment and software carried at valuation by the Ministry of the Premier and Cabinet recognised at carrying value	117	
Land carried at no cost by the Ministry of the Premier and Cabinet recognised at valuation	6,070	
Buildings carried at no cost by the Ministry of the Premier and Cabinet recognised at valuation	9,945	
Accounts receivable	993	
Cash and office equipment transferred to the Ministry of the Premier and Cabinet in respect of the Minister's Office	(59)	
	75,805	

Notes to the Financial Statements

continued

	1997/98 (\$'000)	1996/97 (\$'000)
18. Cash and amounts in suspense		
Operating trust account	1,431	3,372
Accrued salaries suspense account	162	99
Cash on hand	1	1
	1,594	3,472

This is the first financial year in which the department has operated through an individual operating bank account. Amounts appropriated are deposited into the account and any revenues that are the subject of net appropriation determinations are also deposited into the account. Revenues not subject to net appropriation determinations are deposited into the Government of Western Australia Bank Account and credited to the Consolidated Fund. All payments of the Department are made from the operating account.

In previous years the Department has operated directly from the Consolidated Fund.

19 Accounts receivable

Amounts owed by Property Manager in respect of :

Rents owed by tenants	84
Cash not yet remitted	999

1,083

The carrying amount of accounts receivable approximates the net fair value

20. Property, furniture, fittings, equipment and software

Leasehold premises

At cost	435
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Land

At valuation at September 1996	4,500
At valuation at February 1998	33,705

38,205

Buildings

At valuation at September 1996	1,500
At valuation at February 1998	50,085

Accumulated depreciation	(417)
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51,168

Notes to the Financial Statements

continued

	1997/98 (\$'000)	1996/97 (\$'000)
Furniture and equipment		
At cost	228	216
Accumulated depreciation	(114)	(74)
	114	142
Computer equipment		
At cost	1,705	1,320
Accumulated depreciation	(1,040)	(628)
	665	692
Computer software		
At cost	1,074	932
Accumulated amortisation	(984)	(661)
	90	271
Office fitout		
At cost	2,325	1,125
Accumulated depreciation	(240)	(43)
	2,085	1,082
Total		
At cost and valuation	95,557	3,593
Accumulated depreciation	(2,795)	(1,406)
	92,762	2,187

Land and buildings were taken over from the Ministry of the Premier and Cabinet at 1 March 1998. They have been valued at market valuations given by the Valuer General. It is policy to revalue land and buildings on a regular basis not exceeding three years between valuations.

21. Accounts payable

Amounts payable for goods and services received	184	316
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The carrying amount of accounts payable approximates their net fair values.

Notes to the Financial Statements

continued

	1997/98 (\$'000)	1996/97 (\$'000)
22. Accrued salaries		
Amounts owing for the working days between the end of the last pay period for the financial year and 30 June.		
1998 – 3 working days	118	
1997 – 2 working days		66
23. Employee entitlements		
Current liabilities		
Liability for annual leave	1,140	1,071
Liability for long service leave	1,053	906
	2,193	1,977
Non-current liabilities		
Liability for long service leave	1,056	957
	3,249	2,934
24. Amount due to the Treasurer		
Amounts advanced		20
The carrying amount of the Treasurer's Advance is equivalent to the net fair value.		
25. Equity		
Equity represents the residual interest in the net assets of the Department. The Government holds the equity interest in the Department on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.		
Accumulated surplus		
Balance at the beginning of the year	2,349	(306)
Change in net assets resulting from operations	74,627	2,655
Balance at the end of the year	76,976	2,349
Asset revaluation reserve		
Balance at the beginning of the year		
Revaluations during the year	15,036	
Balance at the end of the year	15,036	
Revaluations recognised during the year are in respect of land and buildings only.		

Notes to the Financial Statements

continued

	1997/98 (\$'000)	1996/97 (\$'000)
26. Reconciliation of net cash used in operating activities to net cost of services		
For the purposes of the Statement of Cash Flows, 'cash' has been deemed to include cash on hand and amounts in suspense.		
Net cash (used in) / from operating activities	(15,097)	(14,035)
Increase / (decrease) in accounts receivable	90	
(Increase) / decrease in accrued salaries	(53)	(34)
(Increase) / decrease in liability for employee entitlements	(315)	(189)
(Increase) / decrease in accounts payable	132	(265)
Profit / (loss) on disposal of assets	(3)	8
Depreciation and amortisation	(1,341)	(694)
Goodwill and compensation	(415)	
Minor assets written off		(805)
Increase / (decrease) in prepayments	98	(172)
Resources received free of charge	(796)	(495)
Liabilities assumed by the Treasurer	(1,136)	(1,478)
Net cost of services (operating statement)	<u>(18,836)</u>	<u>(18,159)</u>
27. Resources provided free of charge		
During the year the following resources were provided to other agencies free of charge for functions outside the normal operations of the Department:		
Ministry of the Premier and Cabinet		50
Management and support services provided to EXIM Corporation, Western Australian Development Corporation and W A Government Holdings Ltd	28	55
	<u>28</u>	<u>105</u>

All the above expenses form part of Treasury's net cost of services.

Notes to the Financial Statements

continued

	1997/98 (\$'000)	1996/97 (\$'000)
28. Leases		
During the financial year Treasury leased motor vehicles from the State Supply Commission under operating leases. These leases are non-cancellable leases in terms of Australian Accounting Standard AAS17 "Accounting for Leases".		
The total of rental expense included in the net cost of services for the year is:	80	62
Lease commitments for the next two years are:		
Payable no later than one year	80	62
Payable later than one, not later than two years	80	62
During the financial year, as part of salary sacrifice facilities for staff, Treasury entered into a number of novated leases. Under the terms of these leases no residual liability rests with Treasury and Treasury's only obligation is to make the stated payments whilst the staff members are currently employed at Treasury.		
Payments made in respect of novated leases during the year are:	25	

29. Remuneration and Retirement Benefits of Senior Officers

Remuneration

The number of Senior Officers whose total of fees, salaries and other benefits received, or due and receivable, for the financial year, who fall within the following bands is:

\$	1997/98	1996/97
20,001 – 30,000	1	
30,001 – 40,000	1	
50,001 – 60,000	1	
60,001 – 70,000		3
70,001 – 80,000	1	2
80,001 – 90,000		2
90,001 – 100,000	6	4
100,001 – 110,000	6	2
120,001 – 130,000	1	1
160,001 – 170,000		1
250,001 – 260,000	1	

The Total Remuneration of Senior Officers is:

1,800 1,391

The Senior Officer in the 250,001 to 260,000 bracket is the Under Treasurer. The increase in salary paid to the Under Treasurer is due to a payout of accumulated leave in addition to a normal increase awarded by the Salaries and Allowances Tribunal.

Notes to the Financial Statements

continued

	1997/98 (\$'000)	1996/97 (\$'000)
Retirement benefits		
The following amounts in respect of retirement benefits for senior officers were paid or became payable for the financial year:		
Redundancy payment		141
Notional contributions to Gold State Superannuation Scheme and West State Superannuation Scheme	137	96
	<u>137</u>	<u>237</u>

1 Senior officer is a member of the Superannuation and Family Benefits Act Scheme (1996/97 – 1).

30. Net Appropriation

The Government Property Office was transferred from the Ministry of the Premier and Cabinet to Treasury with effect from 1 March 1998. A net appropriation determination (in terms of section 23A of the Financial Administration and Audit Act) was obtained in respect of surplus rental income generated from Government owned multi-tenanted buildings controlled by the Government Property Office. This permitted the revenue to be paid into Treasury's operating account instead of the Consolidated Fund.

Details of that determination are as follows:

Estimated revenue	2,763
Actual revenue	<u>2,105</u>
Amount deposited to Treasury operating account	<u>2,020</u>
Amount deposited to Consolidated Fund	<u>Nil</u>

Notes to the Financial Statements

continued

31. Explanatory Statement

Significant variations between actual revenue and expenditure and estimates in 1997/98 and actual revenue and expenditure in 1996/97 and actual revenue and expenditure in 1997/98, all stated on a cash basis as disclosed in the Summary of Appropriations, are summarised below. A significant variation in this schedule is taken to mean one that is in excess of 10% of the principal figure or \$100,000, whichever is the greater. In respect of any item for which there is not a significant variation, no explanation is given.

Item	Estimate \$'000	1997/98		1996/97 \$'000	Actual	
		Actual \$'000	Variation \$'000		1997/98 \$'000	Variation \$'000
Recurrent						
Minister's Office				98		(98)
Financial Management	9,121	8,893	(228)	9,262	8,893	(369)
Strategic Services	3,579	4,028	449	3,972	4,028	56
Economic	2,496	2,217	(279)	1,784	2,217	433
Asset Financing	422	384	(38)	229	384	155
Government Property	1,083	1,063	(20)		1,063	1,063
	16,701	16,585	(116)	15,345	16,585	1,240
Capital	3,487	3,153	(334)	1,268	3,153	1,885
	20,188	19,738	(450)	16,613	19,738	3,125

Explanations of the significant variations are as follows:

Minister's Office

Actual / estimate

No variation

Current / previous year actual

Responsibility for the Minister's Office was transferred to the Ministry of the Premier and Cabinet from 1 July 1997.

Strategic Services

Actual / estimate

Division has expanded to a greater extent than anticipated due to increased demand on services provided.

Current / previous year actual

No significant variation.

Economic

Actual / estimate

Staff numbers did not reach the substantial increase estimated for the year.

Current / previous year actual

Mainly due to staff numbers being higher than in the previous year due to increased demand on services provided.

Asset Financing

Actual / estimate

No significant variation.

Current / previous year actual

Mainly due to staff numbers being higher than in the previous year due to increased demand on services provided.

Notes to the Financial Statements

continued

Government Property Office

Actual / estimate

No significant variation

Current / previous year actual

This Office was transferred to Treasury during the current financial year.

Capital

Actual / estimate

No significant variation

Current / previous year actual

Increase due to capital expenditure by the Government Property Office.

Supplementary Funding

During the year supplementary funding was approved for the amount authorised by the Salaries and Allowances Act 1975. The amount authorised and spent was \$30,000. The reason being that insufficient allowance had been made in the Consolidated Fund Estimates under this heading.

32. Additional Financial Instruments Disclosures

Interest rate risk exposure

The Department's exposure to interest rate risk is nil as the relevant financial instruments, consisting of cash and amounts in suspense, accounts receivable, accounts payable, accrued salaries and employee entitlements are all non interest bearing.

Credit risk exposure

Accounts receivable is the only financial instrument in which there is credit risk exposure. The credit risk is represented by the carrying amount.

33. Capital Commitments

Commitments for capital expenditure at 30 June 1998 were \$25,000 (1997 – \$787,000) in respect of Office Fitout.

34. Supplementary Information

Losses of public moneys and/or other property through theft or default

1997/98
(\$'000)

1996/97
(\$'000)

Nil Nil

Public and other property, revenue and debts due to the State written off in accordance with section 45 of the Financial Administration and Audit Act by:

– the Accountable Officer

Nil Nil

– the Minister

Nil Nil

– Executive Council

Nil Nil

Nil Nil

Analysis of Amounts Written Off:

– Irrecoverable amount

Nil Nil

– Assets written off

Nil Nil

Nil Nil

Gifts of Public Property

Nil Nil

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Notes to the Financial Statements

continued

	1997/98 (\$'000)	1996/97 (\$'000)
ADMINISTERED ASSETS AND LIABILITIES		
ADMINISTERED CURRENT ASSETS		
Cash resources and investments in respect of Public Bank Account	1,079,680	1,081,883
Proceeds from Sale of Gas Pipeline receivable	140,000	
Amounts receivable in respect of rental transfer payments	3,013	
Recoverable advances	14,198	57,240
Outstanding Treasurer's Advances	23,756	20,313
Interest receivable	17,578	17,855
Debt Retirement Reserve	1,419	275
Other revenues receivable	5,483	6,930
Total Administered Current Assets	1,285,127	1,184,496
ADMINISTERED NON-CURRENT ASSETS		
Recoverable advances	421,957	583,462
Proceeds from Sale of Gas Pipeline receivable	50,000	
Amount owed by Rural Adjustment and Finance Corporation of Western Australia	140	136
Total Administered Non-Current Assets	472,097	583,598
TOTAL ADMINISTERED ASSETS	1,757,224	1,768,094
All administered transactions relate to Treasury's program "Economic and Financial Management"		
ADMINISTERED CURRENT LIABILITIES		
Public Bank Account overdrawn	16,406	108,369
Treasurer's Advance accounts in credit		246
Treasurer's Advance in respect of rental transfer payments	3,000	
Interest payable to Participating Trust Funds	2,232	3,425
Payments owing under Superannuation Acts	7,588	15,870
Other liabilities	13	
Loan liability under Loan Acts	34,798	207,372
Interest and guarantee fees payable on loan liability under Loan Acts	34,506	60,442
Loan Liability under Other Acts		350
Unfunded liabilities in the Government Insurance Fund	10,700	
Total Administered Current Liabilities	109,243	396,074
ADMINISTERED NON-CURRENT LIABILITIES		
Loan liability under Loan Acts	1,109,477	1,718,072
Loan Liability under Other Acts		9,536
Total Administered Non-Current Liabilities	1,109,477	1,727,608
TOTAL ADMINISTERED LIABILITIES	1,218,720	2,123,682
All administered transactions relate to Treasury's program "Economic and Financial Management"		

Notes to the Financial Statements

continued

Explanatory Statement for Administered Items

Significant variations between actual revenue and expenditure and estimates in 1997/98 and actual revenue and expenditure in 1996/97 and actual revenue and expenditure in 1997/98, all stated on a cash basis as disclosed in the Summary of Appropriations, are summarised below. A significant variation in this schedule is taken to mean one which is in excess of 10% of the principal figure or \$100,000, whichever is the greater. In respect of any item for which there is not a significant variation, no explanation is given.

Payments included in Treasury's Consolidated Fund Estimates

	Estimate	1997/98 Actual	Variation	1996/97	Actual 1997/98	Variation
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Grants to charitable and other Public Bodies	8,250	1,773	(6,477)	2,637	1,773	(864)
Payments to statutory authorities						
Electricity Corporation	30,300	31,424	1,124	29,200	31,424	2,224
Water Corporation	180,297	180,317	20	182,253	180,317	(1,936)
Western Australian Government						
Railways Commission (Westrail)	71,401	27,468	(43,933)	16,436	27,468	11,032
Rural Housing Authority	200	225	25	192	225	33
Western Australian Land Authority	1,150	2,034	884	891	2,034	1,143
Albany Port Authority	531	1,223	692	413	1,223	810
Bunbury Port Authority	1,560	142	(1,418)	7	142	135
Dampier Port Authority	451	633	182	12	633	621
Esperance Port Authority	1,320	1,620	300	12	1,620	1,608
Fremantle Port Authority	2,858	4,298	1,440		4,298	4,298
Geraldton Port Authority	456	1,613	1,157	19	1,613	1,594
Port Hedland Port Authority	1,036	1,443	407	12	1,443	1,431
Insurance Commission of Western Australia (formerly SGIC)	450		(450)			
Other				9,951		(9,951)
Subsidies and concessions	13,281	13,066	(215)	37,704	13,066	(24,638)
Other State services	48,675	6,219	(42,456)	16,446	6,219	(10,227)
Subsidies to fuel companies on diesel fuel	106,000	79,454	(26,546)		79,454	79,454
Subsidies to liquor merchants and producers	6,000	1,951	(4,049)		1,951	1,951
Refunds of pre-paid liquor franchise fees	13,000	12,174	(826)		12,174	12,174
Contribution to State Development Fund		244,000	244,000		244,000	244,000
	487,216	611,077	123,861	296,185	611,077	314,892
Add: items included with Treasury for 1996/97 but not in 1997/98:						
Payments to local authorities				219		
Payments for capital expenditure				33,595		
	487,216	611,077	123,861	329,999	611,077	314,892

Notes to the Financial Statements

continued

Explanations of the significant variations are as follows:

Grants to Charitable and other Public Bodies

Actual / estimate

Funds were not advanced as anticipated due to a revised payment schedule being implemented for the Commonwealth's contribution.

Current / previous year actual

Items amounting to \$1.4m in 1996/97 have been devolved to other agencies and therefore are not reported by Treasury in the current year.

Water Corporation

Actual / estimate

No significant variation.

Current / previous year actual

Community service obligation payments reduced as costs incurred by the Corporation in providing these services and benefits were lower than anticipated.

Westrail

Actual / estimate

Shortfall due to lower land sales reimbursements to Westrail as land sales were slower than expected.

Current / previous year actual

Land sales reimbursements to Westrail increased in line with land sales.

Western Australian Land Authority

Actual / estimate

Costs incurred by the Authority on urban redevelopments and environmental projects undertaken on a non commercial basis on behalf of the State were higher than expected.

Current / previous year actual

Additional costs were incurred by the Authority on urban redevelopments and environmental projects undertaken on a non commercial basis on behalf of the State.

Port Authorities other than Bunbury

Actual / estimate

Equity injections to these Ports were higher than anticipated as a consequence of increased income tax equivalent receipts.

Current / previous year actual

The increases are due to higher equity injection payments to the Ports as a consequence of increased income tax equivalent receipts.

Notes to the Financial Statements

continued

Bunbury Port Authority

Actual / estimate

Equity injections to the Port were lower than anticipated as a consequence of lower income tax equivalent receipts

Current / previous year actual

The increase is due to higher equity injection payments to the Port as a consequence of increased income tax equivalent receipts.

State Government Insurance Commission

Actual / estimate

An equity injection was not made to the Commission.

Current / previous year actual

No variation.

Subsidies and Concessions

Actual / estimate

No significant variations.

Current / previous year actual

Decrease partially due to payment of \$5.8m shortfall in previous year.

Items amounting to \$18.4m in 1996/97 have been devolved to other agencies and therefore are not reported by Treasury in the current year.

Other State Services

Actual / estimate

Act of Grace payments were lower than anticipated.

The estimates included an amount of \$420,000 for bank accounts debits tax. Treasury ceased making payments on behalf of agencies at 1 July 1997 and the amount of this tax payable by Treasury was consequently substantially reduced.

Global provisions totalling \$43.5m were budgeted for contributions to the superannuation scheme, Government restructuring, insurance premium adjustments and salary and wage increases. \$1.6m in respect of salary increases was transferred to other agencies and no requirement was identified against the other items.

Current / previous year actual

Act of Grace payments in 1996/97 included a number of payments to retired Police Officers and other significant amounts approved by Cabinet which were not repeated in the current year.

Comments as above refer to bank accounts debits tax.

Items amounting to \$10.7m in 1996/97 have been devolved to other agencies and therefore are not reported by Treasury in the current year.

Notes to the Financial Statements

continued

Subsidies to fuel companies, subsidies to liquor merchants and refunds of pre-paid liquor franchise fees

Actual / estimate

These items arose when safety net revenues from the Commonwealth replaced franchise fees on tobacco, fuel and liquor, following the High Court decision that State franchise fees were unconstitutional. The variations to estimates reflect the actual payments required against those anticipated following the decision.

Current / previous year actual

None of these items arose in the previous year.

Contribution to State Development Fund

Actual / estimate

An unscheduled contribution of \$244m was made from the proceeds of the gas pipeline.

Current / previous year actual

No contribution was made in the previous year.

Payments not included in Treasury's Consolidated Fund Estimates and charged to Consolidated Fund.

	1997/98			Actual		
	Estimate	Actual	Variation	1996/97	1997/98	Variation
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Loan Acts						
Financial Agreement Act 1995						
– Interest	50,008	50,008		54,785	50,008	(4,777)
Loan (Financial Agreement) Act 1991						
– Interest	64,429	64,141	(288)	68,672	64,141	(4,531)
– Loan guarantee fees	1,439	1,470	31	1,428	1,470	42
Western Australian Treasury Corporation Act 1986						
– Interest	81,927	79,274	(2,653)	97,064	79,274	(17,790)
– Loan guarantee fees	1,595	1,556	(39)	1,765	1,556	(209)
	199,398	196,449	(2,949)	223,714	196,449	(27,265)
Other Statutes						
Fire Brigades Act 1942						
– Contribution to Permanent Establishment	7,791	7,781	(10)	7,562	7,781	219
– Volunteer Fire Brigades	6,438	6,438		5,932	6,438	506
Government Employees Superannuation Act 1987	79,188	137,586	58,398	101,600	137,586	35,986
Parliamentary Superannuation Act 1970	5,805	2,790	(3,015)	12,336	2,790	(9,546)
Superannuation and Family Benefits Act 1938	208,019	187,224	(20,795)	202,640	187,224	(15,416)
Unclaimed Money Act 1990	250	147	(103)	332	147	(185)
Gold Corporation Act 1987	56	55	(1)	50	55	5
	307,547	342,021	34,474	330,452	342,021	11,569

Notes to the Financial Statements

continued

	1997/98			Actual		
	Estimate \$'000	Actual \$'000	Variation \$'000	1996/97 \$'000	1997/98 \$'000	Variation \$'000
Loan Acts – Capital						
Financial Agreement Act 1995						
– Sinking fund	10,275	11,765	1,490	10,395	11,765	1,370
Loan (Financial Agreement) Act 1991						
– Capital repayments	27,281	706,048	678,767	25,291	706,048	680,757
Western Australian Treasury Corporation Act 1986						
– Capital repayments	32,244	73,590	41,346	91,544	73,590	(17,954)
Net premium on unscheduled retirement of debt		69,153	69,153	7,647	69,153	61,506
	69,800	860,556	790,756	134,877	860,556	725,679
Total	576,745	1,399,026	822,281	689,043	1,399,026	709,983

Explanations of the significant variations are as follows:

Western Australian Treasury Corporation Act 1986 – interest

Actual / estimate

No significant variation.

Current / previous year actual

Decrease largely reflects the impact of accelerated capital repayments.

Western Australian Treasury Corporation Act 1986 – loan guarantee fees

Actual / estimate

No significant variation.

Current / previous year actual

Decrease reflects the overall decrease in debt outstanding, as a result of scheduled and accelerated capital repayments.

Government Employees Superannuation Act 1987

Actual / estimate

Excess is attributed to more retirements and more roll-over payments than anticipated being made where preserved deferred benefits have been transferred to alternative funds when employing authorities have been privatised.

Current / previous year actual

As above.

Notes to the Financial Statements

continued

Parliamentary Superannuation Act 1970

Actual / estimate

Savings reflect a lower than anticipated number of retirements and pensions were not subject to indexation during 1997/98.

Current / previous year actual

Decrease due to the completion of the 34th Parliament in 1996/97 when a substantial number of members retired.

Financial Agreement Act 1995 – sinking fund

Actual / estimate

Additional debt repayments were made from the sinking fund during the year rather than from borrowings, which required an additional contribution to the fund.

Current / previous year actual

As above.

Loan (Financial Agreement) Act 1991 – capital repayments

Actual / estimate

Unscheduled capital repayments of \$679.2m were made in 1997/98 from proceeds of sale of the gas pipeline.

Current / previous year actual

As above.

Western Australian Treasury Corporation Act 1986 – capital repayments

Actual / estimate

Excess due to accelerated capital repayments during the year.

Current / previous year actual

Substantial additional repayments were made in 1996/97 by the Water Corporation and the principal repayments schedule was revised downwards in 1997/98.

Net premium on unscheduled retirement of debt

Actual / estimate

Part proceeds from the sale of the gas pipeline were used to make unscheduled repayments of debt, giving rise to a premium on early repayment.

Current / previous year actual

Greater unscheduled repayments were made in the current year than in the previous year.

Notes to the Financial Statements

continued

Receipts credited to Consolidated Fund

	1997/98			1996/97 \$'000	Actual	
	Estimate \$'000	Actual \$'000	Variation \$'000		1997/98 \$'000	Variation \$'000
Departmental Revenue						
Tax equivalent receipts	237,771	160,446	(77,325)	130,888	160,446	29,558
Business undertakings – dividends, surpluses and other	224,166	286,571	62,405	268,315	286,571	18,256
Proceeds from sale of gas pipeline		986,000	986,000		986,000	986,000
Loan guarantee charge	14,400	13,431	(969)	13,002	13,431	429
Recoveries –						
Superannuation	61,200	53,422	(7,778)	57,601	53,422	(4,179)
Debt charges – interest	64,644	48,809	(15,835)	67,806	48,809	(18,997)
Public Bank Account interest earned (formerly Revenue Equalization)	39,400	25,671	(13,729)	96,830	25,671	(71,159)
Other	2,104	24,518	22,414	14,330	24,518	10,188
Commonwealth (recurrent)						
General revenue	1,887,966	2,241,071	353,105	1,546,653	2,241,071	694,418
Specific purpose	26,905	26,438	(467)	32,900	26,438	(6,462)
Commonwealth (Capital)						
General purpose				2,642		(2,642)
Asset Sales						
Motor vehicles	3,456	6,714	3,258	120,310	6,714	(113,596)
Other	390		(390)			
Loan repayments						
Recoveries	25,008	25,539	531	25,271	25,539	268
Other	33,092	185,730	152,638	167,803	185,730	17,927
State Development Fund	2,390	2,742	352	1,421	2,742	1,321
	<u>2,622,892</u>	<u>4,087,102</u>	<u>1,464,210</u>	<u>2,545,772</u>	<u>4,087,102</u>	<u>1,541,330</u>

Explanations of the significant variations are as follows:

Tax equivalent receipts

Actual / estimate

The decrease primarily reflects reduced income tax equivalent receipts from the Water Corporation (\$32.6m), resulting from a tax ruling that held the Corporation not liable for income tax equivalent payments on water services billed by the Water Authority, and from Westrail (\$20.2m), which incurred a tax loss.

Current / previous year actual

Increase due mainly to higher income tax equivalent payments by Alinta Gas (\$10m) and by the Water Corporation (\$24.3m). This was partially offset by lower payments by Western Power (\$16.9m). In addition, the seven port authorities and two water boards commenced tax equivalent payments during the current year.

Notes to the Financial Statements

continued

Business undertakings – dividends, surpluses and other

Actual / estimate

There were higher than anticipated dividend payments from the Water Corporation (\$33.5m) and Westrail (\$23m). The higher dividend from Westrail ensures Consolidated Fund neutrality for the unfunded superannuation liability take up by the Government under the "Right Track" program.

Current / previous year actual

No significant variation.

Proceeds from sale of gas pipeline

Actual / estimate

There was no estimate for receipt of part proceeds from the sale of the gas pipeline of \$986m.

Current / previous year actual

Receipt of part proceeds from the sale of the gas pipeline.

Recoveries – superannuation

Actual / estimate

Under recovery as Treasury ceased recouping pension expenditure from the Agricultural Protection Board, and the Mt. Henry Hospital. There were also no consumer price index increases in the current year.

Current / previous year actual

Decrease as above.

Recoveries – debt charges – interest

Actual / estimate

Reduction due to accelerated loan repayments by the Water Corporation and Westrail.

Current / previous year actual

Reduction due to accelerated loan repayments as above and reduction in interest rates.

Public Bank Account interest earned

Actual / estimate

Interest earnings down by \$22.7m primarily due to lower than anticipated pool of funds earning interest in the Consolidated Fund. This was partially offset by \$9m in interest from the temporary investment of the proceeds from the sale of the gas pipeline.

Current / previous year actual

The previous year figure included \$57.4m accumulated interest carried forward from prior years. The combination of a reduced pool of funds and lower interest rates reduced current year earnings by \$13.7m.

Other

Actual / estimate

Additional collections resulted from the unscheduled payment by Mt Henry Hospital of its outstanding pension liability (\$5.7m) and settlement of legal actions resulting from the collapse of Rothwells Merchant Bank (\$15.5m).

Current / previous year actual

As above.

Notes to the Financial Statements

continued

Commonwealth (recurrent) – general revenue

Actual / estimate

Commonwealth safety net revenues replaced franchise fees on tobacco, fuel and liquor following the High Court decision that State franchise fees were unconstitutional.

Current / previous year actual

As above.

Commonwealth (recurrent) – specific purpose

Actual / estimate

No significant variation.

Current / previous year actual

The decrease reflects a \$5.1m reduction in Gas Project assistance due to a lower than expected gross domestic product inflator.

Commonwealth (capital) – general purpose

Actual / estimate

No variation.

Current / previous year actual

Reduction reflects cessation of the Better Cities Specific Purpose Program.

Asset sales – motor vehicles

Actual / estimate

Surplus reflects higher than anticipated proceeds of sale of motor vehicles which were not included in the sale of FleetWest.

Current / previous year actual

During the previous year the FleetWest fleet of vehicles was sold.

Loan repayments – other

Actual / estimate

Excess is primarily due to the accelerated loan repayment received from the Water Corporation.

Current / previous year actual

The increase is primarily due to the accelerated loan repayments received from Westrail and the Water Corporation in the current year.

State Development Fund

Actual / estimate

No significant variation.

Current / previous year actual

Increased revenue permitted an increase in payments for education facilities in the current year.

Notes to the Financial Statements

continued

Supplementary Funding

During the year supplementary funding was approved under various Items in the Consolidated Fund Estimates. The amounts approved and expended are given in the table that follows. The amount for the Government Insurance Fund was expended in July 1998.

Item Number	Description	Amount Approved \$'000	Amount Expended \$'000
14	Electricity Corporation	1,124	1,124
15	Water Corporation of Western Australia	19	19
17	Rural Housing Authority	25	25
18	Western Australian Land Authority	1,800	884
	Provision for unfunded liabilities in the Government Insurance Fund	10,700	
127	Albany Port Authority	969	692
129	Dampier port Authority	249	182
130	Esperance port Authority	380	300
131	Fremantle Port Authority	1,942	1,440
132	Geraldton Port Authority	1,334	1,157
133	Port Hedland Port Authority	764	407
	Contribution to the State Development Fund	244,000	244,000

The reasons for this supplementary funding are as follows:

Items 14 to 16 and 18

These items are in respect of community service obligations. The amounts in the Consolidated Fund Estimates were based on estimated figures and were insufficient to meet these obligations.

Item 17

The enabling legislation for the Rural Housing Association does not allow it to use its funds to meet administration expenses. The budget was formulated on the assumption that legislation to allow this would be created by 1 July 1998 but this did not occur and funds had to be provided.

Provision for unfunded liabilities in the Government Insurance Fund

No amount was included in the Consolidated Fund Estimates and it has been provided to meet the impact of the emerging liabilities of the Government Insurance Fund. Treasury assumed the administrative responsibility for the unfunded liabilities following the introduction of RiskCover arrangements at 1 July 1998 and the subsequent liquidation of the Fund.

Items 127 to 133

The Government has undertaken to return the tax equivalent payments made by the Port Authorities in the form of equity injection. The amounts in the Consolidated Fund Estimates were based on estimated tax equivalent payments and were insufficient to meet these obligations.

Contribution to State Development Fund

This contribution was made from proceeds from the sale of the gas pipeline. The contribution was made to permit proceeds from the sale to be applied towards infrastructure development and other capital works in 1998/99 and the out years.

Notes to the Financial Statements

continued

36. Trust Accounts

Details of Trust Accounts, for which Treasury is responsible, are disclosed in schedules that follow and form part of the Notes to the Financial Statements.

Account: Aboriginal Advance Capital Account

Purpose: To hold funds received from the Commonwealth for assistance to Aboriginals for health, education, social support, community management and training projects, pending transfer to departments and authorities participating in the program.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	7,156,042	7,386,026
Receipts: Commonwealth Advances	Nil	2,500,177
	7,156,042	9,886,203
Payments: Transfers to grantees	4,218,253	2,730,161
Closing Balance as at 30 June ⁽¹⁾	2,937,789	7,156,042

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Account: Aboriginal Advance Recurrent Account

Purpose: To hold funds received from the Commonwealth for assistance to Aboriginals for health, education, social support, community management and training projects, pending transfer to departments and authorities participating in the program.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	1,518,139	1,238,497
Receipts: Commonwealth Advances	11,392,573	10,907,548
	12,910,712	12,146,045
Payments: Transfers to:		
Operational Trust Funds: ⁽¹⁾		
(Commonwealth) – Aboriginal Advancement Program		
– Education	8,595,237	7,763,842
– Western Australian Department of Training	3,853,116	2,601,789
Departmental Revenue – Education Services	325,000	Nil
Transfer of incorrect posting from 1995/96	Nil	1,600
Secondary Education Authority Trust Account	Nil	260,675
	12,773,353	10,627,906
Closing Balance as at 30 June ⁽²⁾	137,359	1,518,139

(1) These amounts were transferred to the agency's trust accounts prior to being transferred to Consolidated Fund Revenue.

(2) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Notes to the Financial Statements

continued

Account: Aboriginal Employment and Career Development Program Account

Purpose: To hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs, for the purpose of meeting expenditure incurred in respect of Aboriginal public sector employment programs.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	Nil	Nil
Receipts: Commonwealth Recoups	23,375	152,986
	23,375	152,986
Payments: Transfers to Consolidated Fund – Revenue (Commonwealth) – Treasury	23,375	59,353
Transfers to Trust Fund Accounts / Payments to Grantees	Nil	93,633
	23,375	152,986
Closing Balance as at 30 June	Nil	Nil

Account: Accrued Salaries

Purpose: To hold funds in accordance with section 27(2) of the Financial Administration and Audit (FA&A) Act.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	30,653,472	19,639,077
Receipts: Accrued Salaries	5,156,158	11,132,395
	35,809,630	30,771,472
Payments: Refunds to various agencies	9,964	118,000
Closing Balance as at 30 June"	35,799,666	30,653,472

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Notes to the Financial Statements

continued

Account: BankWest Pension Trust

Purpose: To hold funds received from BankWest in satisfaction of its liabilities under the Superannuation and Family Benefits Act and other receipts

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	27,000,000	27,000,000
Receipts: Interest received	2,759,792	2,752,470
	29,759,792	29,752,470
Payments: Transfer to Consolidated Fund	2,759,792	2,752,470
Closing Balance as at 30 June ⁽¹⁾	27,000,000	27,000,000

(1) The balance of the Account is invested with the Treasury Corporation of Victoria.

Account: Co-operative Societies Liquidation Account

Purpose: To hold funds received from liquidators of Co-operative and Provident Societies being unclaimed members' distributions of wound-up Co-operative and Provident Societies, pursuant to section 46(1) of the Co-operative and Provident Societies Act and section 427(1) of the Companies (Western Australia) Code.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	Nil	20,532
Receipts:	Nil	Nil
	Nil	20,532
Payments:	Nil	20,532
Closing Balance as at 30 June ⁽¹⁾	Nil	Nil

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Notes to the Financial Statements

continued

Account: Compensation – Corporate Affairs Functions

Purpose: To hold funds received from the Commonwealth being compensation for the takeover by the Australian Securities Commission of various functions of the Corporate Affairs Department pending transfer to Consolidated Fund.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	Nil	Nil
Receipts: Commonwealth Advances	Nil	13,124,761
	Nil	13,124,761
Payments: Transfers to Consolidated Fund – Revenue (Commonwealth) – Treasury	Nil	13,124,761
Closing Balance as at 30 June	Nil	Nil

Account: Dairy Adjustment Program Account

Purpose: To hold funds received by the State, pursuant to the Commonwealth – State Dairy Adjustment Program Agreement of 1 September 1976.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	159,909	158,776
Receipts: Loan Principal and Interest Repayment	2,268	1,133
	162,177	159,909
Payments:	Nil	Nil
Closing Balance as at 30 June ⁽¹⁾	162,177	159,909

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Notes to the Financial Statements

continued

Account: Departmental Receipts in Suspense – Treasury

Purpose: To hold funds pending identification of the purpose for which these moneys were received pursuant to Section 9(2)(c)(iv) of the Financial Administration and Audit Act.

	1997/98	1996/97
	\$	\$
Opening Balance as at 1 July	203,529	Nil
Receipts: Miscellaneous unallocated receipts	27,715,432	105,597,689
Funds received from Reserve Bank for EDIPost cheques cancelled	27,653	Nil
Agency Retained Revenue incorrectly banked to Government of WA bank account	43,645,011	Nil
Bank deposits not allocated by agencies	171,800	Nil
European Office	42,335	29,023
	<hr/> 71,805,760	<hr/> 105,626,712
Payments: Miscellaneous unallocated receipts transferred to correct account	27,918,961	105,394,160
Allocation of funds for EDIPost cheques cancelled	27,653	Nil
Incorrectly banked Retained Revenue refunded to depositing agencies	43,645,011	Nil
Bank deposits allocated or refunded to collecting agency	171,800	Nil
European Office	42,335	29,023
	<hr/> 71,805,760	<hr/> 105,423,183
Closing Balance as at 30 June"	Nil	203,529

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Account: Gas Project Assistance Account

Purpose: To hold funds received from the Commonwealth, being the Commonwealth's share of royalties payable to the Gas Corporation pursuant to the Petroleum (Submerged Lands) Amendment Act, pending transfer to the Treasury's Commonwealth Revenue Account.

	1997/98	1996/97
	\$	\$
Opening Balance as at 1 July	Nil	Nil
Receipts: Commonwealth Advances	2,369,370	19,282,616
	<hr/> 2,369,370	<hr/> 19,282,616
Payments: Transfers to Consolidated Fund Revenue – Commonwealth – Treasury	2,369,370	19,282,616
Closing Balance as at 30 June	Nil	Nil

Notes to the Financial Statements

continued

Account: Graylands Teachers College Scholarship Trust Account

Purpose: To hold funds on behalf of the Trustees of the Graylands Teachers College Scholarship Trust pursuant to the Objects and Purposes of the Trust's Constitution and Rules.

	1997/98	1996/97
	\$	\$
Opening Balance as at 1 July	61,030	60,479
Receipts: Interest on Investments	3566	3,921
	64,596	64,400
Payments: Advertising	130	120
Scholarship Awards	1,500	3,250
	1,630	3,370
Closing Balance as at 30 June ⁽¹⁾	62,966	61,030

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Account: Independent Schools – General Building Grants

Purpose: To hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for capital grants to independent schools in accordance with provisions of the State Grants (Schools Assistance) Act pending payment to independent schools.

	1997/98	1996/97
	\$	\$
Opening Balance as at 1 July	Nil	Nil
Receipts: Commonwealth Advances	7,581,788	10,112,941
	7,581,788	10,112,941
Payments: Grants to Independent Schools	7,581,788	10,112,941
Closing Balance as at 30 June ⁽¹⁾	Nil	Nil

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Notes to the Financial Statements

continued

Account: Independent Schools – Recurrent Grants Schools Assistance Acts

Purpose: To hold funds from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent grants to independent schools in accordance with the provisions of the State Grants (Schools Assistance) Act pending payment to independent schools.

	1997/98	1996/97
	\$	\$
Opening Balance as at 1 July	Nil	Nil
Receipts:	203,442,247	176,394,227
	<u>203,442,247</u>	<u>176,394,227</u>
Payments:	203,442,247	176,394,227
Closing Balance as at 30 June ⁽¹⁾	<u>Nil</u>	<u>Nil</u>

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Account: Local Authorities – Tax Sharing Entitlements Account

Purpose: To hold funds received from the Commonwealth pursuant to the Local Government (Financial Assistance) Grants Act pending payment to Local Authorities.

	1997/98	1996/97
	\$	\$
Opening Balance as at 1 July	49	50
Receipts: Commonwealth Advances	172,043,208	138,164,544
	<u>172,043,257</u>	<u>138,164,594</u>
Payments: Grants to Local Authorities	172,043,219	138,164,545
Closing Balance as at 30 June ⁽¹⁾	<u>38</u>	<u>49</u>

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Notes to the Financial Statements

continued

Account: Local Authorities – Shire Councils Loans Sinking Fund

Purpose: To hold sinking fund contributions by shire councils, required to be paid to the Treasurer in accordance with section 615 of the Local Government Act, for the purpose of redeeming loans borrowed by shire councils for which a sinking fund is required to be established.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	438,986	406,241
Receipts: Interest on investments	26,200	27,105
Sinking Fund contributions	5,640	5,640
	470,826	438,986
Payments: Loan Redemptions	Nil	Nil
Closing Balance as at 30 June ⁽¹⁾	470,826	438,986

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Account: Mortgage Moneys Under Transfer of Land Act

Purpose: To hold funds paid to the Treasurer in accordance with section 126 of the Transfer of Land Act.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	14,991	14,991
Receipts:	Nil	Nil
	14,991	14,991
Payments:	Nil	Nil
Closing Balance as at 30 June ⁽¹⁾	14,991	14,991

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Notes to the Financial Statements

continued

Account: Motor Vehicle Loans – Fees

Purpose: To hold moneys received from persons completing motor vehicle loan applications to meet necessary fees on completion of loan arrangements.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	41	41
Receipts: Motor Vehicle Loans Fees	Nil	42
	41	83
Payments: Motor Vehicle Loan Fees (Stamp Duty and Bill of Sale)	Nil	42
Closing Balance as at 30 June ⁽¹⁾	41	41

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Account: Natural Disaster Loan Repayments Account

Purpose: To hold funds received by the State pursuant to the Commonwealth and State Natural Disaster Relief Arrangements or State Natural Disaster Relief Program.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	2,331,766	6,736,435
Receipts: Repayment of:		
– Principal	13,435	402,931
– Interest	4,565	592,391
	18,000	995,322
	2,349,766	7,731,757
Payments: Consolidated Fund:		
– Principal	Nil	5,000,000
– Interest	Nil	319,859
Rural Adjustment and Finance Corporation of Western Australia		
– Administration Expenses	52,243	80,132
	52,243	5,399,991
Closing Balance as at 30 June ⁽¹⁾	2,297,523	2,331,766

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Notes to the Financial Statements

continued

Account: Non-Government Schools – Other Recurrent Grants

Purpose: To hold funds received from the Commonwealth Department of Employment, Education, Training and Youth Affairs for recurrent grants to non – government schools in accordance with the State Grants (Schools Assistance) Act pending payment to non-government schools.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	Nil	148,915
Receipts: Commonwealth Advances	11,209,251	7,811,218
	<u>11,209,251</u>	<u>7,960,133</u>
Payments: Recurrent Grants paid to Non-Government Schools	11,209,251	7,960,133
Closing Balance as at 30 June ⁽¹⁾	<u>Nil</u>	<u>Nil</u>

⁽¹⁾ The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Account: Petroleum Subsidy Scheme Account

Purpose: To hold funds received from the Commonwealth pursuant to the Petroleum Products Subsidy Act, for subsidising shipping costs of approved fuel distributors, pending payment to approved grantees.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	107,132	28,327
Receipts: Commonwealth Advances	107,951	264,879
	<u>215,083</u>	<u>293,206</u>
Payments: Cash payments to Grantees	169,526	186,074
Closing Balance as at 30 June ⁽¹⁾	<u>45,557</u>	<u>107,132</u>

⁽¹⁾ The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Notes to the Financial Statements

continued

Account: Public Bank Account Interest Earned Account

Purpose: To hold funds in accordance with section 9(2)(d) of the Financial Administration and Audit Act.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	3,000,000	111,196,635
Receipts: Interest Received ⁽¹⁾	63,346,817	82,397,931
	<u>66,346,817</u>	<u>193,594,566</u>
Payments: Interest paid to Participating Trust Fund Accounts ⁽²⁾	37,834,030	39,915,956
Prior and Current Year Adjustments ⁽³⁾	256,174	74,199
Other Charges ⁽⁴⁾	55,173	7,529
Transfer to Consolidated Fund ⁽⁵⁾	25,670,767	150,596,882
	<u>63,816,144</u>	<u>190,594,566</u>
Closing Balance as at 30 June ⁽⁶⁾ & ⁽⁷⁾	<u>2,530,673</u>	<u>3,000,000</u>

(1) In accordance section 39^(a) of the Financial Administration and Audit Act.

(2) In accordance with section 39^(a) and the Treasurer's determinations pursuant to sections 39^(a) and ^(b) of the Financial Administration and Audit Act.

(3) Includes payments of interest and adjustments in respect of prior-year earnings not previously identified and refunds of overpaid interest for the current year:

	1997/98 \$	1996/97 \$
Prior year:		
Art Gallery Investment Reserve Trust Fund	Nil	18,505
State Housing Commission Trust Fund	Nil	6,962
Vocational Education & Training Trust Fund	121,914	Nil
	<u>121,914</u>	<u>25,467</u>
Current year:		
ABN Amro Australia Ltd	Nil	79
Credit Suisse	Nil	19
Lloyds Bank NZA Ltd	Nil	63
WA Treasury Corporation	134,260	48,571
	<u>134,260</u>	<u>48,732</u>
	<u>256,174</u>	<u>74,199</u>

(4) Bank charges and interest on overdrafts.

(5) In accordance with section 29B(2) of the Financial Administration and Audit Act.

(6) In accordance with section 29B(3) of the Financial Administration and Audit Act.

(7) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Notes to the Financial Statements

continued

Account: Redemption of Financial Agreement Debt Account

Purpose: - To hold funds received for the purpose of redeeming loans raised by the Commonwealth on behalf of the State under the Financial Agreement with the authority of Loan Acts.

	1997/98	1996/97
	\$	\$
Opening Balance as at 1 July	Nil	Nil
Receipts: State Loan Raisings	95,860,353	3,196,955
	95,860,353	3,196,955
Payments: Supplementary Contributions to Debt Retirement Reserve Trust Account	95,860,353	3,196,955
Closing Balance as at 30 June	Nil	Nil

Account: Remittances Clearing Account – Commissioner of Taxation

Purpose: To hold funds received from departments and statutory authorities for the payment of moneys to the Australian Taxation Office in accordance with the: Income Tax Assessment Act 1986 and the Fringe Benefits Tax Assessment Act 1986.

	1997/98	1996/97
	\$	\$
Opening Balance as at 1 July	Nil	Nil
Receipts: Fringe Benefits Tax	14,495,409	12,354,448
	14,495,409	12,354,448
Payments: Payments to Australian Taxation Office	14,432,277	12,274,052
Refunds to Departments ⁽¹⁾	63,132	80,396
	14,495,409	12,354,448
Closing Balance as at 30 June ⁽²⁾	Nil	Nil

(1) Refunds of overpaid fringe benefits tax paid by Departments to Treasury.

(2) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Notes to the Financial Statements

continued

Account: Royal Commission into Aboriginal Deaths in Custody (RCIADIC) Recommendations Program

Purpose: To hold funds received from the Commonwealth to upgrade or expand infrastructure and services in order to overcome the problems experienced by Aboriginal and Torres Strait Islander people whilst in custody.

	1997/98	1996/97
	\$	\$
Opening Balance as at 1 July	13,092	221,956
Receipts: Commonwealth Advances	Nil	321,393
	13,092	543,349
Payments: Transfers to:		
Consolidated Fund Revenue (Commonwealth) :		
– Department of Sport and Recreation	Nil	Nil
Department of Sport and Recreation (Retained Revenue)	Nil	308,301
Ministry of Justice – Research and Special Project Trust Fund	Nil	50,000
Refund to Commonwealth	Nil	171,956
	Nil	530,257
Closing Balance 30 June ⁽¹⁾	13,092	13,092

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Notes to the Financial Statements

continued

Account: Scholarships – Charles Baskett (Muresk College)

Purpose: To hold and invest moneys bequested to the Government of Western Australia by Charles Baskett to be applied for any of the Agricultural Colleges carried on under supervision of the Government.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	10,364	9,719
Receipts: Interest on investments	610	645
	10,974	10,364
Payments:	Nil	Nil
Closing Balance as at 30 June ⁽¹⁾	10,974	10,364

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Account: Scholarships – N.F. Poynton (Muresk College)

Purpose: To hold and invest moneys donated to the Government of Western Australia by Mrs N.F. Poynton for the benefit of Muresk Agricultural College.

	1997/98 \$	1996/97 \$
Opening Balance as at 1 July	20,688	19,400
Receipts: Interest on investments	1,228	1,288
	21,916	20,688
Payments:	Nil	Nil
Closing Balance as at 30 June ⁽¹⁾	21,916	20,688

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Notes to the Financial Statements

continued

Account: State Development Fund

Purpose: To hold funds for the purpose of assisting the development of industry within the State and the provision of infrastructure associated with specific developments in accordance with special agreements and/or government approval.

	1997/98	1996/97
	\$	\$
Opening Balance as at 1 July	2,272,306	3,094,268
Receipts: Contributions for Education Facilities by-		
Land Developers	561,259	303,813
Local Government Authorities	1,424,535	50,000
Parents and Citizens Committees	129,328	Nil
Tertiary and Other Educational Institutions	1,198,156	244,938
Other Government Agencies	31,400	Nil
Part proceeds from the sale of the Dampier to Bunbury Natural Gas Pipeline	244,000,000	Nil
Total Funds	249,616,984	3,693,019
Payments: Education Facilities	2,742,291	1,420,713
Total Payments	2,742,291	1,420,713
Closing Balance as at 30 June ⁽¹⁾	246,874,693	2,272,306

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Account: Statutory Authorities Investment Account

Purpose: To hold funds received from statutory authorities for investment purposes as provided by section 40(4) of the Financial Administration and Audit Act.

	1997/98	1996/97
	\$	\$
Opening Balance as at 1 July	Nil	Nil
Receipts: Funds Transferred for Investment	21,251,232	Nil
	21,251,232	Nil
Payments:	Nil	Nil
Closing Balance as at 30 June ⁽¹⁾	21,251,232	Nil

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Notes to the Financial Statements

continued

Account: Sundry Creditors

Purpose: To hold, on behalf of departments and statutory authorities, returned, uncollected and stale cheques and cash orders, unclaimed salaries and wages and other unclaimed money.

	1997/98	1996/97
	\$	\$
Opening Balance as at 1 July	2,794,920	3,111,477
Receipts: Sundry	4,101	519,962
	2,799,021	3,631,439
Payments: Payments to claimants	34,702	77,351
Transfer to Consolidated Fund – Revenue – (Departmental) – Treasury	499,353	759,168
	534,055	836,519
Closing Balance as at 30 June ⁽¹⁾	2,264,966	2,794,920

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Account: Transfers To Suspense

Purpose: To hold funds, pursuant to section 27(1) of the Financial Administration and Audit Act, to meet any relevant end of year commitment in respect of land, plant and equipment approved under Treasurer's Instruction 323 and for other contractual commitments approved under section 27.

	1997/98	1996/97
	\$	\$
Opening Balance as at 1 July	Nil	Nil
Receipts:	Nil	Nil
	Nil	Nil
Payments:	Nil	Nil
Closing Balance as at 30 June ⁽¹⁾	Nil	Nil

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

Notes to the Financial Statements

continued

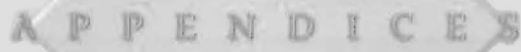
Account: Unclaimed Moneys – Prepaid

Purpose: To hold moneys paid into Treasury by holders of unclaimed money prior to the date prescribed in the Unclaimed Money Act 1990 or the Unclaimed Money Regulations.

	1997/98	1996/97
	\$	\$
Opening Balance as at 1 July	2,000,870	610,362
Receipts: Prepaid Unclaimed Moneys	837,972	1,699,178
	<u>2,838,842</u>	<u>2,309,540</u>
Payments: Refund to Holders of Unclaimed Money	537	33,547
Refund to Owners of Unclaimed Money	29,813	129,667
Transfer to Consolidated Fund – Revenue (Departmental) – Treasury	270,345	145,456
	<u>300,695</u>	<u>308,670</u>
Closing Balance as at 30 June ⁽¹⁾	<u>2,538,147</u>	<u>2,000,870</u>

(1) The balance of the Account forms part of the Government of Western Australia Bank Account at the Reserve Bank.

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APPENDICES

- 
- A Legislation
 - B New Trust Fund Statements
 - C Project Evaluations
 - D Publications
 - E Ministerial Circulars
 - F Freedom of Information
 - G Government Purchasing Charter
 - H Public Sector Standards / Conduct
 - I Electoral Act Disclosures

Appendix A: Legislation

Statute	Purpose
Anzac Day Act 1960	Recognises Anzac Day as a public holiday and establishes the Anzac Day Trust Fund.
Appropriation (Consolidated Fund) Acts (Nos. 1, 2, 3 and 4)	Annual Acts authorising the government to disburse funds from the Consolidated Fund and appropriate payments made under the authority of the Treasurer's Advance Authorization Act.
Bank of South Australia (Merger with Advance Bank) Act 1996	To facilitate the merger of the Bank of South Australia and Advance Bank. Following a merger there is only one banking licence. The Act provides the mechanism for bringing all accounts into the one licensed entity.
Competition Policy Reform (Taxing) Act 1996	To provide for the application of financial penalties for breaches of Part IV of the Trade Practices Act.
Competition Policy Reform (Western Australia) Act 1996	To apply the competitive conduct provisions of Part IV of the Trade Practices Act as laws of Western Australia.
Financial Administration and Audit Act 1985	To provide for the administration and audit of the public finances of the State and certain State agencies; provide for annual reporting by departments and statutory authorities; authorise and regulate the investment of certain public moneys; and provide for the office and functions of the Auditor General.
Financial Agreement Act 1995	To approve an agreement between the Commonwealth and the States relating to financial relations between the parties.
Judges' Salaries and Pensions Act 1950	To authorise the payment of specified salaries and pensions to judges of the Supreme Court and to make payment to their families.

Statute**Purpose**

Limitation Act 1935

Provides a limited time period for commencing actions and suits.

Loan Act

An annual Act to authorise the borrowing of a specified sum for public purposes.

Public Authorities Contributions Act 1974

Requires certain Public Authorities to make contributions to the Consolidated Fund.

R & I Holdings Act 1990

To provide for a body called R & I Holdings and for it to be wound up when it has completed its functions.

State Enterprises (Commonwealth Tax Equivalents) Act 1996

To require State enterprises to pay to the Consolidated Fund amounts equivalent to income and sales tax from which they are exempt under Commonwealth law.

State Trading Concerns Act 1916

To regulate the establishment, carrying on and management of trading concerns by the State Government, and to authorise departments to engage in certain revenue generating activities.

Treasurer's Advance Authorization Act

An annual Act to authorise the Treasurer to make certain payments and advances, and to specify a limit for the payments and advances that may be authorised from the account.

Unclaimed Money Act 1990

To provide for the advertisement of unclaimed money and for the payment of that money into and out of the Consolidated Fund.

Westpac Banking Corporation (Merger with Challenge Bank) Act 1996

To facilitate the merger of the Westpac and Challenge banks. Following a merger there is only one banking licence. The Act provides the mechanism for bringing all accounts into the one licensed entity.

Appendix B: New Trust Fund Statements

Two new trust funds were established at Treasury during 1997/98, the details for which appear below.

Statutory Authorities Investment Account

Name	An account called the 'Statutory Authorities Investment Account' shall be maintained as an account of the Trust Fund at Treasury.
Purpose	To hold funds received from statutory authorities for investment purposes as provided by section 40 (4) of the Financial Administration and Audit Act.
Receipts	Such funds as are received from statutory authorities for the purpose of the Account and, interest earned on the funds invested where authorised by the Treasurer shall be credited to the Account.
Payments	The funds in the Account shall be transferred to the respective statutory authorities as entitled.
Administration of Account	The Account shall be administered by the Under Treasurer in accordance with the Financial Administration and Audit Act, Financial Administration Regulations and the Treasurer's Instructions.
Accounting Records	There shall be maintained by the Under Treasurer a detailed record of transactions processed through the Account, together with such other accounting records and procedures as are prescribed in the accounting manual.
Financial Statement	The Under Treasurer shall cause to be prepared such financial statements together with such other supplementary information as are required to be prepared by departments in accordance with the requirements of the Financial Administration and Audit Act and Treasurer's Instructions.
Investment of Funds	Moneys standing to the credit of the Account may be invested in accordance with section 38 of the Financial Administration and Audit Act.
Disposal of Funds on Cessation	Any balance standing to the credit of the Account upon cessation of operations shall be paid to those statutory authorities as entitled.

Trust statement approved 25 March 1998.

State Development Fund Account

Name	An account called the 'State Development Fund Account' shall be maintained as an account of the Trust Fund at Treasury.
Purpose	To hold funds for the purpose of assisting the development of industry within the State and providing for specific capital works in accordance with special agreements and/or governmental approval.
Receipts	<p>Such moneys as are received by Treasury being:</p> <ul style="list-style-type: none">(i) appropriated by Parliament or under the authority of section 28 of the Financial Administration and Audit Act and a Treasurer's Advance Authorization Act for the purpose; and(ii) contributed by the private sector for infrastructure associated with specific developments and/or related to specific agreements <p>shall be placed to the credit of the account.</p>
Payments	<p>Funds standing to the credit of the Account shall be applied:</p> <ul style="list-style-type: none">(i) to finance specific undertakings for which money was contributed or appropriated;(ii) to refund money paid in excess of expenditure on finalisation of a project;(iii) to projects, either State or Local Government promoted, in keeping with the purpose of the contribution or appropriation, subject to approval by the Treasurer or incorporation in the Consolidated Fund; and <p>to be transferred to the Consolidated Fund as approved by the Treasurer.</p>
Administration of Account	The Account shall be administered by the Under Treasurer in accordance with the Financial Administration and Audit Act, Financial Administration Regulations and the Treasurer's Instructions.
Accounting Records	There shall be maintained by the Under Treasurer a detailed record of transactions processed through the Account, together with such other accounting records and procedures as are prescribed in the accounting manual.
Financial Statement	The Under Treasurer shall cause to be prepared such financial statements together with such other supplementary information as are required to be prepared by departments in accordance with the requirements of the Financial Administration and Audit Act and Treasurer's Instructions.

Appendix C: Program Evaluations

Activity: Reviewed a representative sample of agencies for which Treasury lodges a consolidated Fringe Benefits Tax return with the Australian Taxation Office.

Key Result: Identified a need to improve agencies' understanding of the requirements of the Fringe Benefits Tax system.

Key Action: Arranged for agencies to have access to professional assistance, advice and training in Fringe Benefits Tax.

Activity: Surveyed customers on the usefulness of the *Overview of State Taxes* publication.

Key Result: 80 percent of survey respondents considered the publication 'very useful' for reference, research and interstate comparisons. All supported continued publication.

Key Action: Continue to enhance and publish the document.

Activity: Review of the Property Disposal Program.

Key Result: The *Property Disposal Program* booklet was revised and a new edition published.

Key Action: Key stakeholders were surveyed and consulted on the efficiency and effectiveness of the Program and associated publications.

Activity: Review of centralised evaluation and procurement of office accommodation.

Key Result: Introduced devolved processes.

Key Action: After consulting with key stakeholders, we introduced a streamlined process for devolving evaluation and procurement of office accommodation for projects not exceeding 500 square metres.

Activity: Reviewed the annual budget formulation process.

Key Result: Identified a need for improving the collection system for the 1998/99 Budget Statements to progress the presentation of information on a full accrual output basis.

Key Action: We developed a system in-house which included the following detail for each agency in the Budget Statements: an operating statement, statement of financial position, statement of cashflow, output accrual and cash financial data, and output performance measures.

Appendix D: Publications

Treasury produced a number of publications in 1997/98, a list of which is provided below.

Financial Management

Register of Unclaimed Moneys
Financial Administration and Audit Act
Financial Administration Regulations
Treasurer's Instructions
Treasurer's Annual and Quarterly Statements
Analytical Information in Support of the Treasurer's Annual Statements
Government of Western Australia Consolidated Financial Statements Year ended 30 June 1997
Bi-annual reports to the Australian Loan Council
1996/97 Summary of Consolidated Fund Transactions
1998/99 Budget Speech – Budget Paper No. 1
1998/99 Budget Statements – Vols 1 and 2 - Budget Paper No. 2
1998/99 Economic and Fiscal Overview - Budget Paper No. 3
1998/99 Budget Overview
New State Budget Presentation – Booklet and CD
Issues in Accrual Output Budgeting
Treasury News

Government Property Office

Guidelines for Managing Government Real Estate

Economic

National Competition Policy Reporting Requirements for Local Government^(a)
Competitive Neutrality and Local Government^(b)
Revenue Sharing or Tax Base Sharing?
National Tax Reform and Reform of Commonwealth / State Financial Relations
Revitalising the Federation. The Case for Reform
National Tax Reform and Commonwealth / State Tax Arrangements
Commonwealth Grants Commission 1999 Review (newsletter)
Rejoinder Submission to the Commonwealth Grants Commission

Strategic

Quarterly Economic Summary and regular summaries of major economic statistics
Economic Developments in East Asia: Implications for the Western Australian Economy
Overview of State Taxes
Review of State Government Social Concessions (newsletter)
Treasury Annual Report
Our Commitment to Customer Service
Treasury Information Statement
Treasury Code of Conduct
Inside Treasury

(a) & (b) Produced jointly with the Department of Local Government, Western Australian Municipal Association and the Institute of Municipal Management.

Appendix E: Ministerial Circulars

A **Circular to Ministers** entitled *Expenditure Review Steering Committees and Expenditure Review Teams* was issued on 6 November 1997.

The circular announced the implementation of an expenditure review structure to promote a more strategic and long term approach to underlying causes of funding shortfalls.

Circular to Ministers No. 15/97 was issued on 11 November 1997. Its title was *Draft Consolidated Fund Estimates for the period 1998/99 to 2001/02, and Projected Outlook for 1997/98*.

The circular advised Ministers of the draft forward estimates allocations and the information required for the budget bilateral meetings with the Premier.

Circular to Ministers No. 1/98 was issued on 2 February 1998. Its title was *Legislation Review Program under National Competition Policy*.

The circular indicated the need for national competition policy reviews to be conducted in a balanced way and for interested parties to be given the opportunity to input into reviews. The circular also noted that upcoming reviews would be advertised in the 'West Australian' newspaper and sought the cooperation of Ministers in ensuring no slippage in the timetable for completing reviews.

Circular to Ministers No. 2/98 was issued on 9 March 1998. Its title was *1998/99 Budget and Forward Estimates for the period 1999/2000 to 2001/02*.

The circular advised Ministers of the expenditure budget allocations, the new mandatory net appropriation arrangements, and several key dates for the provision of information to Treasury for the preparation of the Budget Papers.

Circular to Ministers No. 5/98 was issued on 2 June 1998. Its title was *Budget Targets for 1998/99 and 1999/2000*.

The circular identified three targets which Ministers and Chief Executive Officers were required to meet, namely:

- ◆ a 10 percent reduction in leave liability;
- ◆ the identification of savings equivalent to five percent of 1998/99 discretionary expenditure, to be applied to new services in 1999/2000; and
- ◆ a one percent incentive for agencies that operate within their 1998/99 budget allocations.

Circular to Ministers No. 8/98 was issued on 12 June 1998. The circular advised that, as the 1999/2000 budget would operate on a full accrual basis, the principal accounting officer in each public sector agency should hold an accounting qualification and be a member of a professional accounting body.

Appendix F: Freedom of Information

General Information

The Freedom of Information Act requires agencies to publish an annual information statement in a manner approved by the Attorney General. The Attorney General has approved the publication of the statement either as a stand alone document or in agencies' annual reports. While we have chosen to publish a separate information statement, some general information is outlined below.

Formal Application

Where possible, information we hold will be made available on an informal basis and at no charge. Refer to Appendix D for information on our publications.

Where a decision to grant access on this basis is refused, individuals have the right to make a formal application under the Freedom of Information Act.

A formal application for information must be:

- ◆ in writing;
- ◆ accompanied by a \$30 application fee, unless the information relates to a personal matter which is free of charge. An additional charge may apply if the application involves substantial search and processing time.

The fee is reduced by 25 percent for pensioners and financially disadvantaged persons; and

- ◆ addressed to:

Treasury FOI Coordinator
c/- Ministry of Premier and Cabinet
197 St George's Terrace
PERTH WA 6000

Before lodging a formal application we suggest you discuss the matter with the Coordinator who can be contacted by telephoning (08) 9222 9409.

Under the Freedom of Information Act, we are required to respond to applications for information within 45 days of receipt.

Access to Information

The Act encourages open government through the release of documents and information. However, it contains provisions allowing agencies to refuse to deal with applications, or to refuse access to documents, on a range of grounds. Where we refuse access to documents, in part or in full, we will notify the applicant of the reasons for our decision.

Applicants have the right of appeal and may ask us to reconsider a decision to refuse access. Further appeal rights to the Information Commissioner are also available. The Freedom of Information Coordinator will be pleased to explain your rights in these circumstances.

Where access is granted to inspect documents or receive copies of documents, we will contact the applicant to arrange mutually convenient viewing or distribution arrangements.

1997/98 Applications

We received eight applications for information under the Freedom of Information Act in 1997/98.

The applications covered a range of issues including the gold royalty, rates and charges and the St Johns Wood land development.

Of the eight applications:

- ◆ we dealt with four within the allotted 45 days. Delays in transferring the applications to Treasury to action, and the need to obtain third party approvals were factors contributing to the delays in dealing with the other applications;
- ◆ full access to information was granted in respect of three of the applications, with edited access allowed for four and access refused for one application; and
- ◆ \$120 was received in applications fees and a further \$120 in charges.

Appendix G: Government Purchasing Charter

Under the State Supply Commission Act, Treasury is required to report on its progress in implementing the Government Purchasing Charter.

The Charter outlines a range of commitments from Government to its suppliers and sets out a number of requirements to be met by Chief Executive Officers of government agencies.

Treasury purchasing (including of information technology hardware and the engagement of consultants) has:

- ◆ maximised value for money in the expenditure of public funds, wherever possible;
- ◆ had regard to the industry development potential of government purchasing;
- ◆ been undertaken by staff trained in the purchasing function; and
- ◆ created an open and competitive environment for government business.

The Ministry of Premier and Cabinet also undertakes purchasing on our behalf. The Ministry has advised that it has complied with the Charter when purchasing on our behalf.

Appendix H: Public Sector Standards/Conduct

Under the provisions of the Public Sector Management Act Treasury is required to report annually on the extent to which it has complied with the public sector standards and ethics.

Public Sector Standards

We have policies and procedures in place that are consistent with the guidelines for public sector standards that have been issued by the Office of the Public Sector Standards Commissioner.

During 1997/98 we were active in developing new human resource standards and procedures for grievance resolution, temporary deployment (acting) and performance management. This brings to nine the number of human resource standards and procedures in the Department. The other standards cover:

- ◆ recruitment, selection and appointment;
- ◆ discipline;
- ◆ transfer;
- ◆ secondment;
- ◆ redeployment; and
- ◆ termination.

Treasury staff were consulted in the initial development of the standards and the standards are available for viewing by all staff through our intranet facility.

During 1997/98 a number of Treasury staff received training in staff selection, based on Treasury's recruitment, selection and appointment standards and procedures.

Public sector staff were surveyed by the Office of the Public Sector Standards Commissioner in late 1997 to assess their knowledge and perceptions on a range of issues including human resource management. Encouragingly, the survey results showed that Treasury staff had a high awareness of the human resource standards and responded more positively than the public sector as a whole on 11 of the 12 questions dealing with human resource management.

We received one application claiming a breach of the Recruitment, Selection and Appointment standard during 1997/98. The breach was investigated by an independent reviewer whose recommendation was acted upon and the matter resolved quickly.

Code of Conduct

Treasury staff developed a Code of Conduct in 1997/98.

It draws from the principles of justice, respect for persons and responsible care, as embodied in the Western Australian Public Sector Code of Ethics. The Code of Conduct provides a guide for our officers in understanding their rights and obligations, including the ethical behaviours and values expected of them in their day to day work.

It also serves as a public demonstration by the Department and its officers of a commitment to professional integrity and accountability when conducting Treasury business.

The Code of Conduct applies to all of our officers, including those contracted or seconded to the Department.

Because the Code of Conduct was developed using a highly participative and consultative approach there is a good level of awareness about it amongst staff. All officers have a copy of the Code of Conduct and it is also available for viewing on the Department's Intranet facility.

The results of the survey by the Office of the Public Sector Standards Commissioner show that Treasury staff had a higher awareness of the Code of Ethics than the public sector in general. Also, the responses of our staff to questions about ethical behaviour and ethical issues were more positive than for the public sector generally.



I L Langoulant
UNDER TREASURER

Appendix I: Electoral Act Disclosures

Under the Electoral Act Treasury is required to disclose any expenditures it makes to:

- ◆ advertising agencies,
- ◆ market research organisations;
- ◆ polling organisations;
- ◆ direct mail organisations; and
- ◆ media advertising organisations.

For the year ended 30 June 1998, the only disclosable expenditure we incurred was in relation to advertising, where we spent an amount of \$26,253 comprising:

- ◆ \$4,828 for the advertising of unclaimed moneys; and
- ◆ \$21,425 for the advertising of staff vacancies.

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