



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

Financial Administration Bookcase Update No.86

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Key Updates

01 Treasurer's instructions

02 Accounting Policy
Guidelines

03 Model Annual Reports

04 Other Updates



Treasurer's instructions (TI) update

- ▶ TI 104C Annual Reporting 2019-20 Exemption
- ▶ TI 308 Payment of Records
- ▶ TI 319 Act of Grace Payments
- ▶ TI 410 Records of assets
- ▶ TI 807 Write-offs
- ▶ TI 820 Register of Contracts
- ▶ TI 822 Borrowings
- ▶ TI 903 Agency Annual Reports
- ▶ TI 945 Explanatory Statement
- ▶ TI 953 Publication and Presentation of Annual Estimates

TREASURER'S INSTRUCTIONS (TI)

UPDATE

104C Annual Reporting 2019-20 Exemption

New instruction that includes reduced reporting requirements that aims to assist agencies in the preparation of their 2019-20 annual reporting.

807 Write-offs

This instruction has been updated entirely to provide clarity on the process for public property write-offs under Section 48 of the *Financial Management Act 2006*.

820 Register of Contracts

New paragraph (6) has been added to allow agencies to record alternative information in their register of contracts. Agencies will need to record reasons for including alternative information in their financial management manual.

822 Borrowings

This instruction has been amended to exclude lease liabilities and service concession financial liabilities from the definition of 'borrow funds' for the purpose of establishing an approved borrowing level.

903 Agency Annual Reports

This instructions has been updated to clarify financial reporting requirements for agencies, in particular the removal of the publication of annual estimates in agency annual reports.

945 Explanatory Statement

Amendment to the major variance definition under paragraph (2) to simplify budgetary reporting requirements under AASB 1055 *Budgetary Reporting*.

953 Publication and Presentation of Annual Estimates

Paragraph (5) of this instruction has been amended to require agencies to publish annual estimates on their website as soon as practicable.

Accounting Policy Guideline (APG)

- ▶ APG 6 Leases

Removal of accounting treatment for Government Office Accommodation (GOA) which includes the Minister for Works (MfW) owned portfolio of properties.

- ▶ APG 5 Revenue and Income

Coming soon in the next FAB update.

Model Annual Reports

Tier 1 reporting

- ▶ Additional reporting and disclosure requirements under:
 - AASB 16
 - AASB 15
 - AASB 1058
- ▶ In line with TI updates

Tier 2 reporting

- ▶ Consistent with TI updates and Tier 1 reporting model

COVID-19 impacts

- ▶ Agency Performance section of annual report to disclose significant operational impacts

Example disclosure – AASB 15 – Statement of Comprehensive Income

<i>TI 1102(7)(ii)</i>	Revenue and Income			
AASB 15 113(a)	User charges and fees	4.2	18,497	14,997
AASB 15 113(a)	Sales	4.3	14,267	12,970
<i>TI 1102(7)(ii)(b)</i>	Commonwealth grants	<u>4.4</u>	1,100	1,000
<i>AASB 101.82(a)</i>	Interest revenue		-	-
<i>AASB 101.85</i>	Other revenue	<u>3.1(a)</u>	2,000	-
	Total revenue		35,864	28,967

Example disclosure – AASB 15 – Statement of Financial Position

<i>AASB 101.60,69</i>	LIABILITIES			
<i>AASB 101.54(k)</i>	Current Liabilities			
AASB 15 105	Payables	<u>6.4</u>	2,787	2,040
	Contract liabilities	6.5	895	-
	Grant liabilities	6.6	980	-

Example disclosure – AASB 15

Reference

4.2 User charges and fees

	2020 (\$000)	2019 (\$000)
AASB 118.35(b) User charges and fees		-
AASB 15.114, B89 - IT Training	18,100	14,382
- IT Support	397	615
	18,497	14,997

AASB 118.20, 26, 35 Until 30 June 2019, revenue was recognised and measured at the fair value of consideration received or receivable.

AASB 15.119, 124 & 125 From 1 July 2019, revenue is recognised at the transaction price when the Agency transfers control of the services to customers. Revenue is recognised for the major activities as follows:

Revenue is recognised at a point-in-time for IT training *[insert description of the nature of the services that the Agency has promised to transfer]*. The performance obligations for these user fees and charges are satisfied when services have been provided *[Disclose the significant judgements made in evaluating when a customer obtains control of the services]*.

Revenue is recognised over-time for IT support *[insert description of the nature of the services that the Agency has promised to transfer]*. The Agency typically satisfies its performance obligations in relation to these user fees and charges when *[disclose the methods used to recognise revenue which may include the description of the output methods or input methods used and how these methods are applied]*.

Example disclosure – AASB 15

Reference

4.3 Sale of Goods

AASB 101.82(a), 103

AASB 15.114

Sales:

- IT booklets
- IT equipments

AASB 102.36(d)

Cost of Sales:

Opening Inventory
Purchases

AASB 102.36(b)

Closing Inventory

AASB 102.36(d)

Cost of Goods Sold

	2020 (\$000)	2019 (\$000)
		12,970
	2,435	
	11,832	
	14,267	12,970
	(16,375)	(11,300)
	(4,518)	(7,775)
	(20,893)	(19,075)
	15,333	15,375
	(5,560)	(3,700)
	8,707	9,270

AASB15.119

From 1 July 2019, revenue is recognised at the transaction price when the Agency transfers control of the goods to customers. That is generally when the goods are transferred. *[Disclose any obligations for returns, refunds and warranties.]*

Example disclosure – AASB 15

Reference

6.5 Contract liabilities

AASB 15.116

Current

Non-current

Total Contract liabilities

	2020 (\$000)	2019 (\$000)
Current	895	-
Non-current	-	-
Total Contract liabilities	895	-

AASB 15.117,
118,120

The Agency's contract liabilities relate to IT supports yet to be performed at the end of the reporting period. Typically, a contract payment is received upfront for 12 months of continuing support services

AASB
101.Aus138.6

6.5.1 Movement in contract liabilities

Reconciliation of changes in contract liabilities

Opening balance

Additions

Revenue recognised in the reporting period.

Balance at end of period

	2020 (\$000)	2019 (\$000)
Opening balance	397	-
Additions	895	-
Revenue recognised in the reporting period.	(397)	-
Balance at end of period	895	-

The Agency expects to satisfy the performance obligations at the end of the reporting period within the next 12 months.

Example disclosure – AASB 1058

Reference
AASB 1058.39-41

Summary of consolidated account appropriations For the year ended 30 June 2020

	2020 Budget Estimate (\$000)	2020 Suppl Funding (\$000)	2020 Revised Budget (\$000)	2020 Actual (\$000)	2020 Variance (\$000)
Delivery of Services					
Item X Net amount appropriated to deliver services	802,950	-	802,950	803,646	696
Section 25 Transfer of service appropriation	-	-	-	-	-
Amount Authorised by Other Statutes					
- <i>Salaries and Allowances Act 1975</i>	150	-	150	200	50
Total appropriations provided to deliver services	803,100	-	803,100	803,846	746
Capital					
Item Y Capital appropriations	11,000	-	11,000	12,000	1,000
Administered Transactions					
Item XX Administered grants, subsidies and other transfer payments	1,085	-	1,085	1,085	-
Item YY Administered capital appropriations	-	-	-	-	-
Total administered transactions	1,085	-	1,085	1,085	-
GRAND TOTAL	815,185	-	815,185	816,931	1,746

No supplementary income was received by the agency.

Example disclosure – AASB 1058

Reference

4. Our funding sources

How we obtain our funding

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

	Notes	2020 (\$000)	2019 (\$000)
<i>AASB 1058.26(c)</i>	Income from State Government	805,441	715,151
<i>AASB 15.113(a)</i>	User charges and fees	18,497	14,997
<i>AASB 15.113(a)</i>	Sale of Goods	14,267	12,970
<i>AASB 1058.26(a)</i>	Commonwealth grants	1,100	1,000
<i>AASB 5.30</i>	Gains/(Loss) on disposal	1,237	5,670

Example disclosure – AASB 1058

<i>Reference</i>	4.1 Income from State Government	2020	2019
		(\$000)	(\$000)
<i>AASB 1058.10</i>	Appropriation received during the period: Service appropriation	803,846	713,701
		803,846	713,701
	Liabilities assumed by other State government agencies during the period: [Detail]	-	-
	Total liabilities assumed	-	-
	Assets transferred from/(to) other State government agencies during the period: Inventories	-	-
	Total assets transferred	-	-
<i>AASB 1058.22</i>	Services received free of charge from other State government agencies during the period: Information Technology Commission	1,000	1,000
	Finance - Building and Management Works	595	450
	Total services received	1,595	1,450
	Royalties for Regions Fund: Regional Infrastructure and Headworks Account	-	-
	Regional Community Services Account	-	-
	Total Royalties for Regions Fund	-	-
	Total income from State Government	805,441	715,151

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

Example disclosure – AASB 1058

Reference	4.4 Commonwealth grants	2020 (\$000)	2019 (\$000)
AASB 1058.26	National Partnership Payments		
AASB 1058.10	- Current grants	50	30
AASB 1058.16	- Capital grants	1,050	970
		1,100	1,000

	Until 30 June 2019
AASB 1004.12, 20	Income from Commonwealth grants is recognised at fair value when the grant is receivable.
	From 1 July 2019
AASB 1058.10	Current grants are recognised as income when the grants are receivable.
AASB 1058.16, 36	Capital grants are recognised as income when the Agency achieves milestones specified in the grant agreement. <i>[Disclose the significant judgements made in evaluating when the Agency has satisfied its obligations]</i>

Example disclosure – AASB 1058

AASB 1058.16

6.6 Grant liabilities		2020	2019
		(\$000)	(\$000)
Current		980	-
Non-current		2,610	-
Total Grant liabilities		3,590	-

The Agency's grant liabilities relate to capital grants received for a research and development project on software development for public sector accounting. Income is recognised when the Agency achieves milestones specified in the grant agreement.

AASB 101.Aus138.6

6.6.1 Movement in grant liabilities		2020	2019
		(\$000)	(\$000)
Reconciliation of changes in grant liabilities			
Opening balance		4,640	-
Additions		-	-
Income recognised in the reporting period.		(1,050)	-
Balance at end of period		3,590	-

AASB 1058.33(a)

6.6.2 Expected settlement of grant liabilities		2020	2019
		(\$000)	(\$000)
Income recognition			
1 year		980	-
1 to 5 years		2,610	-
Over 5 years		-	-
		3,590	-

AASB 16 – Example Disclosures – Statement of Comprehensive Income

	COST OF SERVICES	
	Expenses	
TI 1102(7)(i) AASB 101.99, 102	Employee benefits expenses	3.1(a) 669,757 599,002
AASB 101.99, 102	Supplies and services	3.3 60,980 56,345
AASB 101.99, 102 AASB 138.118(d)	Depreciation and amortisation expenses	36,341 33,820
AASB 101.99, 102	Finance costs	619 547
AASB 101.99, 102	Accommodation expenses	3.3 6,963 6,330
AASB 101.99, 102	Grants and subsidies	3.2 9,801 8,910
AASB 101.98(c)	Loss on disposal of non-current assets	- -
TI 1102(7)(i)(d)	Cost of Sales	4.3 5,560 3,700
AASB 101.99, 102	Other expenses	3.3 12,059 12,782
	Total cost of services	802,080 721,436

AASB 16 – Example Disclosures – Statement of Financial Performance

AASB 101.60, 66	Non-Current Assets		AASB 101.60, 69	LIABILITIES		
AASB 101.55	Restricted cash and cash equivalents	7.5 2,670	AASB 101.54(k)	Current Liabilities		
AASB 101.55	Amounts receivable for services	6.2 75,774	AASB 15.105	Payables	6.4 2,787	2,040
AASB 101.54(a)	Infrastructure, property, plant and equipment	5.1 1,369,572	AASB 101.54(m)	Contract liabilities	6.5 895	-
TI 1102(7)(c)	Right-of-use assets	24,598	TI 1102(7)(c)	Grant liabilities	6.6 980	-
AASB 101.54(c)	Intangible assets	5.3 614	AASB 101.54(m)	Borrowings	7.1 -	650
AASB 101.55	Other non-current assets	6.3 -	AASB 101.54(m)	Lease liabilities	6,562	-
	Total Non-Current Assets	1,473,228	AASB 101.54(l)	Amounts due to the Treasurer	6.7 2,400	7,970
	TOTAL ASSETS	1,524,635	AASB 101.54(l)	Employee related provisions	3.1(b) 20,095	14,057
			AASB 101.54(l)	Other provisions	6.8 62	45
			AASB 101.55	Other current liabilities	6.9 -	-
				Total Current Liabilities	33,781	24,762
			AASB 101.60, 69	Non-Current Liabilities		
			AASB 101.54(m)	Grant liabilities	2,610	-
			TI 1102(7)(c)	Borrowings	7.1 -	2,220
			AASB 101.54(l)	Lease liabilities	17,296	-
			AASB 101.54(l)	Employee related provisions	3.1(b) 9,275	908
			AASB 101.54(l)	Other provisions	6.8 550	525
				Total Non-Current Liabilities	29,731	3,653
				TOTAL LIABILITIES	63,512	28,415

AASB 16 – Example Disclosures

5.1 Infrastructure, property, plant and equipment (cont)

Year ended 30 June 2020	Land (\$000)	Buildings (\$000)	Buildings under construction (\$000)	Plant, equipment and vehicles (\$000)	Office equipment (\$000)	Infrastructure (\$000)	Works of art (\$000)	Total (\$000)
At 30 June 2019								
Open net carrying amount	97,910	438,710	96,090	15,200	706	601,077	150	1,249,843
Adjustment for change in accounting policy – AASB 16(a)				(2,851)				(2,851)
Restated opening carrying amount	97,910	438,710	96,090	12,349	706	601,077	150	1,246,992
1 July 2019								
Gross carrying amount	97,910	494,164	96,090	23,751	800	624,079	150	1,338,944
Accumulated depreciation	-	(55,454)	-	(11,402)	(94)	(23,002)	-	(89,952)
Accumulated impairment loss	-	-	-	-	-	-	-	-
Carrying amount at start of period	97,910	438,710	96,090	12,349	706	601,077	150	1,246,992
Additions	-	22,400	20,000	16,327	-	-	-	58,727
Transfers(b)	-	-	-	(3,370)	-	-	-	(3,370)
Disposals	-	-	-	-	-	-	-	-
Revaluation increments/(decrements)	15,000	45,000	-	-	-	40,000	-	100,000
Impairment losses(c)	-	-	-	-	-	-	-	-
Impairment losses reversed(c)	-	-	-	-	-	-	-	-
Depreciation	-	(17,939)	-	(8,091)	(160)	(8,587)	-	(32,777)
Classified as held for sale	-	-	-	-	-	-	-	-
Carrying amount at 30 June 2020	112,910	488,171	116,090	19,215	546	632,490	150	1,369,572
Gross carrying amount	112,910	581,564	116,090	36,708	800	664,079	150	1,492,301
Accumulated depreciation	-	(73,393)	-	(17,493)	(254)	(31,589)	-	(122,729)
Accumulated impairment loss	-	-	-	-	-	-	-	-

AASB 16 – Example Disclosures

AASB 16.53 5.2 Right-of-use assets

Year ended 30 June 2020	Land (\$000)	Buildings (\$000)	Plant, equipment and vehicles (\$000)	Office equipment (\$000)	Concessionary leases (\$000)	Total (\$000)
At 30 June 2019						
Open net carrying amount	-	-	-	-	-	-
Recognition of right-of-use assets on initial application of AASB 16	-	24,375	2,851	-	-	27,226
Restated opening carrying amount	-	24,375	2,851	-	-	27,226
1 July 2019						
Gross carrying amount	-	24,375	3,605	-	-	27,980
Accumulated depreciation	-	-	(754)	-	-	(754)
Accumulated impairment loss	-	-	-	-	-	-
Carrying amount at start of period	-	24,375	2,851	-	-	27,226
Additions	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Impairment losses reversed	-	-	-	-	-	-
Depreciation	-	(1,907)	(721)	-	-	(2,628)
Carrying amount at 30 June 2020	-	22,468	2,130	-	-	24,598
Gross carrying amount	-	24,375	3,605	-	-	27,980
Accumulated depreciation	-	(1,907)	(1,475)	-	-	(3,382)
Accumulated impairment loss	-	-	-	-	-	-

AASB 16 – Example Disclosures

Initial recognition

AASB 16.24

Right-of-use assets are measured at cost including the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs, including dismantling and removing the underlying asset

AASB 16.53

The following amounts relating to leases have been recognised in the statement of comprehensive income

AASB 16.53(a)

Depreciation expense of right-of-use assets

	2020 (\$000)	2019 (\$000)
Depreciation expense of right-of-use assets	2,628	-
Lease interest expense	371	-
Expenses relating to variable lease payments not included in lease liabilities	237	-
Short-term leases	-	-
Low-value leases	122	-
Gains or losses arising from sale and leaseback transactions	-	-
Total amount recognised in the statement of comprehensive income	3,358	-

AASB 16.53(b)

Lease interest expense

AASB 16.53(e)

Expenses relating to variable lease payments not included in lease liabilities

AASB 16.53(c)

Short-term leases

AASB 16.53(d)

Low-value leases

AASB 16.53(f)

Gains or losses arising from sale and leaseback transactions

Total amount recognised in the statement of comprehensive income

AASB 16.32

This includes all leased assets other than investment property ROU assets, which are measured in accordance with AASB 140 'Investment Property'.

TI 916(7)

The agency has elected not to recognise right-of-use assets and lease liabilities for short-term leases (with a lease term of 12 months or less) and low value leases (with an underlying value of \$5,000 or less). Lease payments associated with these leases are expensed over a straight-line basis over the lease term.

Subsequent Measurement

AASB 16.29

The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.

AASB 16.53(g)

The total cash outflow for leases in 2020 was \$6,765,000.

AASB 16.53(h)

The Agency's leasing activities and how these are accounted for:

AASB 16.59(a)

The Agency has leases for vehicles, office and residential accommodations.

The agency has also entered into a Memorandum of Understanding Agreements (MOU) with the Department of Finance for the leasing of office accommodation. These are not recognised under AASB 16 and are accounted for as an expense as incurred.

Up to 30 June 2019, the Agency classified lease as either finance leases or operating leases. From 1 July 2019, the Agency recognises leases as right-of-use assets and associated lease liabilities in the Statement of Financial Position.

Depreciation and impairment of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

AASB 16.33

If ownership of the leased asset transfers to the Agency at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

AASB 136.10(a)

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in note [4.1.1](#)

AASB 16 – Example Disclosures

<i>Reference</i>	7.2 Lease liabilities														
AASB 16.53			<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right;">2020 (\$000)</th> <th style="text-align: right;">2019 (\$000)</th> </tr> </thead> <tbody> <tr> <td>Current</td> <td style="text-align: right;">6,562</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Non-current</td> <td style="text-align: right;">17,296</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Total lease liabilities</td> <td style="text-align: right;">23,858</td> <td style="text-align: right;">-</td> </tr> </tbody> </table>		2020 (\$000)	2019 (\$000)	Current	6,562	-	Non-current	17,296	-	Total lease liabilities	23,858	-
	2020 (\$000)	2019 (\$000)													
Current	6,562	-													
Non-current	17,296	-													
Total lease liabilities	23,858	-													
AASB 16.26	<p>The Agency measures lease liability, at the commencement date, at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Agency uses the incremental borrowing rate provided by Western Australia Treasury Corporation.</p>														
AASB 16.27	<p>Lease payments included by the Agency as part of the present value calculation of lease liability include:</p> <ul style="list-style-type: none"> • Fixed payments (including in-substance fixed payments), less any lease incentives receivable; • Variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date; • Amounts expected to be payable by the lessee under residual value guarantees; • The exercise price of purchase options (where these are reasonably certain to be exercised); • Payments for penalties for terminating a lease, where the lease term reflects the agency exercising an option to terminate the lease. 														
AASB 16.37, 38(b)	<p>The interest on the lease liability is recognised in profit or loss over the lease term <u>so as to</u> produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.</p>														
AASB 16.27E	<p>Extension or termination options are only included in the lease term by the Agency if the lease is reasonably certain to be extended (or not terminated).</p>														
AASB 16.38(b)	<p>Variable lease payments, not included in the measurement of lease liability that are <u>dependant</u> on sales are recognised by the Agency in profit or loss in the period in which the condition that triggers those payment occurs</p>														

AASB 16 – Example Disclosures

Reference

7.4 Finance costs

	Notes	2020 (\$000)	2019 (\$000)
Finance costs			
AASB 137.60 Unwinding of discounts applied to provisions		88	77
AASB 16.57(b) Lease interest expense		371	350
AASB 7.20(b) Interest expense		160	120
Finance costs expensed		619	547

AASB 7.39, B11,
B11C-F
AASB 16.58

(d) Liquidity risk and interest rate exposure

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

Interest rate exposure and maturity analysis of financial assets and financial liabilities											
	Weighted average effective interest rate %	Carrying amount (\$000)	Interest rate exposure			Nominal amount (\$000)	Maturity dates				
			Fixed interest rate (\$000)	Variable interest rate (\$000)	Non-interest bearing (\$000)		Up to 1 month (\$000)	1-3 months (\$000)	3 months to 1 year (\$000)	1-5 years (\$000)	More than 5 years (\$000)
2020											
Financial assets											
Cash and cash equivalents	7.5	8,308	-	-	8,308	8,308	8,308	-	-	-	
Restricted cash and cash equivalents	7.5	3,650	-	-	3,650	3,650	300	260	480	2,610	
Receivables ^(a)	-	8,676	-	-	8,676	8,676	8,676	-	-	-	
Amounts receivable for services	-	90,013	-	-	90,013	90,013	-	9,017	5,222	39,863	
		110,647	-	-	110,647	110,647	17,284	9,217	5,702	42,533	
Financial liabilities											
Payables	-	2,787	-	-	2,787	2,787	2,787	-	-	-	
Contract liabilities	-	895	-	-	895	895	895	-	-	-	
Grant liabilities	-	3,590	-	-	3,590	3,590	300	200	480	2,610	
Lease liabilities^(b)	7.2	23,858	23,858	-	-	23,858	-	1,150	5,412	12,140	
Amounts due to the Treasurer	-	2,450	-	-	2,450	2,450	240	960	1,200	-	
		33,580	23,858	-	9,722	33,580	4,222	2,310	7,092	14,750	
										5,156	

AASB 16 – Example Disclosures

2.1(a) Employee benefits expenses

	2020 (\$000)	2019 (\$000)
Employee benefits	636,757	569,002
Termination benefits	-	-
Superannuation – defined contribution plans	33,000	30,000
Total employee benefits expenses	669,757	599,002
Add: AASB 16 Non-monetary benefits	5,000	-
Less: Employee Contributions	(2,000)	-
Net employee benefits	672,757	599,002



TI 1103
Guidelines
TI 916(8)

Guidance – Non – monetary benefits provided to employees

Agency that provides employee benefits in the form of non-monetary benefits, and the employees' right to those benefits do not accrue in proportion to their periods of service and do not accumulate. The Agency recognises the cost incurred in providing the benefits on a gross basis in the period the benefits are taken by employees. Employee contributions towards these benefits are recognised as income to the Agency.

For non-monetary benefits provided to employees that are subject to leases capitalisation in the Statement of Financial Position, the total cost of providing these benefits is interest and depreciation expenses recognised in accordance with AASB 16 'Leases'. A notional reconciliation will be required to enable the employee benefits expenses note to the financial statements to show the total cost of employee benefits incurred by the Agency and the net benefits provided to employees. Refer to Treasurer's instruction 916 'Leases' for further advice on accounting for leases.

The employee benefits expenses note to the financial statements should show both the total cost of employee benefits incurred by the agency (employer) and the net benefits provided to employees:

<i>Employee benefits expense (recognised under AASB 16)</i>	<i>\$230</i>
<i>Less: Employee contributions</i>	<i>(\$160)</i>
<i>Net benefits provided to employees</i>	<i>\$70</i>

Initial application of accounting standards

- ▶ AASB 15, 1058 and 16 all require disclosures to align with the initial application of accounting standards.
- ▶ Model financial statements prepared on the basis of both AASB 101 and the applicable accounting standards.
- ▶ Note 9.2 outlines these detailed disclosures.

Other Updates

- ▶ Valuation for 2019-20 financial reporting
- ▶ Tabling of annual reports
- ▶ AASB update
- ▶ Financial Management Awareness Training

Thank you

FABEnquiries@treasury.wa.gov.au



Office of the Auditor General Western Australia

2020 ANNUAL FINANCIAL AUDITS

Don Cunninghame
AAG Financial Audit

Patrick Arulsingham
A/AAG Technical Audit Support

Excellence in auditing for the benefit of Western Australians

Agenda

- Impact of COVID-19 on audits
- ARSF is the priority
- Major audits need to be completed to enable ARSF reporting
- OAG focus areas
- New accounting standards – OAG observations to date
- Recent focus audits completed

Delays due to COVID-19

- Some agencies asked us to delay planning and interim audit work
- For many others, we audited remotely, with some audit staff at the OAG offices, and some working from home. This generally resulted in a mix of time savings, and additional time required on each audit
- So there is some catching up to do
- Also, we will need to verify some of the evidence sent to us, when we return to agency premises

Timeline

- OAG is aiming to complete the approx. 40 agencies material for the ARSF in time for the ARSF to be tabled as planned
- If other agencies are ready for audit as usual, we also intend to complete their audits
- We have heard that some agencies propose to apply for late tabling. If they are material for the ARSF, all material parts of their statements will still need to be audited by mid September, so that the ARSF can be signed off.

OAG focus areas

- Controls – Period up to end of February and Period from March to June
- Testing controls over stimulus packages, and transactions
- Where a Tier 1 entity elects to report Tier 2, the entity audit team will be required to audit any additional schedules that Treasury requires for the ARSF
- If the UT has provided any exemptions for KPIs, please provide this to OAG as early as possible

New accounting standards – audit findings on TAFEs and universities

- Generally went smoothly
- Some contract registers were not complete or fully accurate
- Checking lease assessments against last year's operating lease commitments note
- Consideration of all revenue streams
- Early consideration of changes to disclosures and accounting policy notes

Recent Focus Area Audits completed

Apart from reporting the results of the annual financial audits, we have recently tabled reports on:

- Controls over purchasing cards
- Control of funds held for specific purposes
- Contract extensions and variations in local government

Another report on management of grant processes is nearing completion.

Questions ?

Copies of the Auditor General's reports can be found at:

www.audit.wa.gov.au



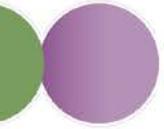
Government of **Western Australia**
Department of **Finance**

Faster Payment Supporting Small Businesses

Kat Abbott

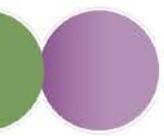
Procurement Policy and Governance

4 June 2020



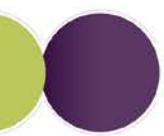
Overview – Faster Payments

- The Treasurer has announced that Government will be speeding up payments to its suppliers
- COAG commitment and COVID-19 economic recovery
- Boosts cash flow for all of the State's suppliers
- The Department of Finance has led the policy development, and also early implementation for Finance's payments



Background

- December 2018 – COAG Commitment
to move towards paying 80 to 100 per cent of invoices under \$1 million to small businesses within 20 calendar days, by a date to be nominated by WA
- April 2019 – Finance formed an interagency working group including DPC, Treasury and SBDC, to oversee implementation, and flagged this work with CFOs in May
- November 2019 – A sample of agencies were invited to provide feedback to inform policy development
- March 2020 – COVID-19 pandemic accelerates implementation
- May 2020 – Implementation via revised Treasurer's Instruction 323



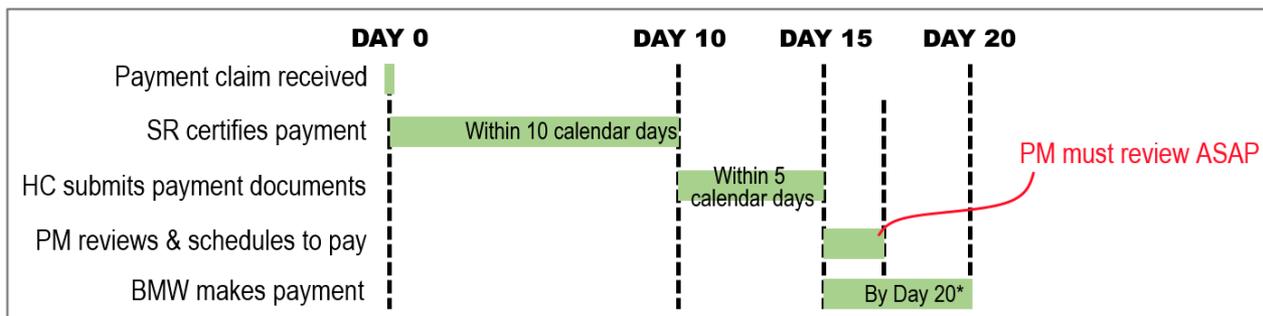
Treasurer's Instruction 323 - *Timely Payment of Accounts*

- 1) Subject to paragraphs (2) and (3), all payments shall be made within 30 calendar days of the receipt of a correctly rendered invoice, or within 30 calendar days of the provision of goods or services (whichever is the later)
- 2) From 1 October 2020, all payments under \$1 million for goods or services shall be made within 20 calendar days of the receipt of a correctly rendered invoice, or within 20 calendar days of the provision of goods or services (whichever is the later)
- 3) From 1 April 2021, all payments under \$1 million for works or construction shall be made within 20 calendar days of the receipt of a correctly rendered invoice

FINANCE'S IMPLEMENTATION

- Finance implemented faster payment terms from:
 - 1 May 2020 for goods and services
 - 18 May 2020 for works
- Simple, practical approach
 - Pay all invoices immediately once approved
 - Move to daily payment run
- Practice changes for works invoices under \$1m, to shorten payment certification and scheduling timeframes

FOR CONTRACTS ON 20 DAY PAYMENT TERMS:



**payment within 20 Days requires payment documents to be submitted correctly by Day 15. Any errors or omissions in documentation will require Contractor to resubmit and may delay payment.*



NEXT STEPS AND WHO TO CONTACT

- 1 October 2020 – Goods and Services
- 1 April 2021 – Works and Construction
- Early implementation is encouraged by the Treasurer
- Finance queries – Kat Abbott
kathryn.abbott@finance.wa.gov.au
- Treasury queries – FABEnquiries@treasury.wa.gov.au



WESTERN AUSTRALIAN
TREASURY CORPORATION

Discontinuation of London Interbank Offered Rate (LIBOR) Benchmark and transition to Risk Free Rate (RFR) Benchmarks

Presentation to Public Sector CFOs

June 2020

Discontinuation of LIBOR & Transition to RFRs - Agenda

- What is LIBOR?
- Why is the transition away from LIBOR important?
- What is the driver behind the transition?
- When will LIBOR be discontinued?
- What alternative benchmarks are being developed?
- What are the issues with alternative Benchmarks
- What is Australia's exposure?
- What is happening with BBSW?
- Next Steps?
- Questions

Discontinuation of LIBOR & Transition to RFRs

What is LIBOR?

- The London Interbank Offered Rate (LIBOR) is a **benchmark** interest rate at which major global banks are willing lend to one another in the international interbank market for short-term loans.

How is LIBOR calculated?

- On a daily basis a panel of London banks provide **indicative rates** at which they would lend funds in **5 currencies** across a range of tenors
- Responses are collated, outliers removed, with the remaining responses being averaged.

Who Administers LIBOR?

- The average rates are then published as **LIBOR** rates
- Currently administered by **Intercontinental Exchange Benchmark Administration** (2017)
- Whilst LIBOR is a benchmark which is regulated and administered in the UK it is used globally
- Any discontinuation of LIBOR will therefore have a global impact.

Discontinuation of LIBOR & Transition to RFRs

Why is the transition away from LIBOR Important?

- LIBOR is the reference interest rate benchmark for more than **US\$350 trillion** of loans and derivatives exposures:
 - It underpins **millions of contracts** ranging from complex derivatives to residential mortgages and corporate loans throughout the world
 - It is also entrenched in adjacent processes such as risk, valuation and accounting
 - It is used in **non-financial contracts** for items such as late payment clauses
 - It is used as a performance benchmark for measuring investment returns

Discontinuation of LIBOR & Transition to RFRs

“Since the financial crisis, Libor really has become the rate at which banks don’t lend to each other.” Mark Carney, Governor, Bank of England, May 2018

What is the driver behind the transition?

- There has been a significant decline in volumes in the interbank unsecured funding markets over the last decade
- Global regulators are concerned that without sufficient actual transaction volumes, LIBOR submissions rely on expert judgement; this heightens the risk of benchmark manipulation, which has occurred
- It is not just the regulators that are concerned. Panel banks have expressed discomfort about providing submissions “based on judgements with little actual borrowing activity against which to validate their judgements”
- As a result, the Financial Conduct Authority has “spent a lot of time persuading panel banks to continue submitting to LIBOR”.

Due to the declining volumes, global regulators have deemed that LIBOR is no longer “fit for purpose” for the critical role it plays

Discontinuation of LIBOR & Transition to RFRs

When will LIBOR be discontinued?

- The discontinuation of IBORs was crystallised in July 2017 when the UK's Financial Conduct Authority advised that by the end of 2021 it would no longer seek to compel or persuade panel banks to submit quotes for LIBOR
- Target date for LIBOR discontinuation is from the **end of 2021**
- Reliance on LIBOR can no longer be assured beyond this date

“The discontinuation of LIBOR should not be considered a remote probability 'black swan' event. Firms should treat it as something that will happen and which they must be prepared for.” Andrew Bailey, Chief Executive, Financial Conduct Authority (FCA), July 2018

Discontinuation of LIBOR & Transition to RFRs

What alternatives are being developed?

- Regulators and Central Banks have encouraged working groups to form and solve issues arising from establishing and transitioning to alternative benchmarks
- Working groups have been established in each of the five LIBOR currencies with responsibility for developing alternative RFRs
- The preference of Regulators and Central Banks has been towards Risk Free Rate (RFR) benchmarks

“A risk-free rate would help accomplish two goals. First, it would reduce the dependence on any individual benchmark. Second, it would allow counterparties to select benchmarks that might more closely match the exposures they want, enabling them to better meet the needs of some derivatives markets.” Lynn Patterson,

Deputy Governor, Bank of Canada, June 2018

Discontinuation of LIBOR & Transition to RFRs

Jurisdiction					
Current rate	USD Libor	GBP Libor	CHF Libor	JPY Libor	Euribor / EONIA
Discontinuation date	31 Dec 2021				
Alternative rate	Secured Overnight Financing Rate (SOFR)	Reformed Sterling Overnight Index Average (SONIA)	Swiss Average Rate Overnight (SARON)	Tokyo Overnight Average Rate (TONAR)	Euro Short Term Rate (ESTER)
Alternative rate type	Overnight repo collateralised by US treasury securities	Unsecured overnight wholesale Sterling deposits	Overnight interbank Swiss Franc repo	Unsecured overnight Yen	Unsecured overnight Euro wholesale deposits
Secured	Yes	No	Yes	No	No
Alternative rate administrator	Federal Reserve Bank of New York	Bank of England	SIX Exchange	Bank of Japan	European Central Bank
Alternative rate publication	03 Apr 2018	23 Apr 2018	25 Aug 2009	01 Nov 1997	October 2019

Discontinuation of LIBOR & Transition to RFRs

What are the issues with alternative Benchmarks?

- LIBORs are a credit adjusted benchmark. RFRs are not. Credit spreads will need to be determined
- Liquidity in RFRs is critical for them to be robust benchmarks. At present liquidity is an issue in certain RFRs
- LIBORs are forward looking reference rates, i.e. the interest amount payable/receivable in the future is known. RFRs are backward looking and therefore interest payable/receivable is not known in advance
- LIBORs are a term benchmark reference rate, e.g. 3mths, 6mths. Current RFRs are an overnight rate. Market participants desire a term benchmark reference rate. Term RFRs are being developed
- Regulators' preference is for the transition to RFRs be market driven. Therefore divergent market approaches may occur which increases the risk of transition
- The timing of transition may be different for each jurisdiction

Discontinuation of LIBOR & Transition to RFRs

What is Australia's Exposure?

- Approximately \$7 trillion worth of contracts are exposed to LIBOR in Australia
- In May 2019 ASIC wrote to major Australian Financial Institutions concerning their preparedness for the end of LIBOR
- Whilst the vast majority of exposure to LIBOR is with Australian Financial Institutions, Australian Corporates will potentially have LIBOR exposures, particularly those with off-shore operations
- It is prudent for all firms to **investigate, identify and assess their exposure** to LIBOR and put in place strategies to transition away from LIBOR with **minimum disruption**

‘We encourage all firms that may have exposure to LIBOR to assess the extent of their use of LIBOR and to take timely action to plan for a world in which LIBOR is no longer available.’ ASIC Commissioner

Cathie Armour 9 May 2019

Discontinuation of LIBOR & Transition to RFRs

“In Australia, we have taken a ‘multiple rate approach’. The credit-based benchmark BBSW (the Bank Bill Swap Rate) has been strengthened and coexists alongside the cash rate, which is the RFR for the Australian dollar.” RBA

Deputy Governor Guy Debelle 11 April 2019

What is happening with BBSW?

- The RBA believes BBSW will remain a robust benchmark and is currently supported by sufficient transaction volumes
- However, the RBA has also advised not to take BBSW for granted as volumes have been declining, however, no indication has been given that BBSW will cease to be a benchmark
- The alternative RFR to BBSW for the Australian Dollar is the cash rate (AONIA)
- Australian regulators do however expect some migration away from BBSW to AONIA upon the discontinuation of LIBOR. AONIA linked bonds have already been issued in Australia

The RBA envisages both benchmarks, (BBSW & AONIA), will continue to operate in Australia post discontinuation of LIBOR

Discontinuation of LIBOR & Transition to RFRs

What are the Transition Options?

1. RFR Transition – Change your legacy LIBOR transactions to RFRs
2. Modernise Fall-back Provisions – Amend agreements to incorporate fallback language for both legacy and new transactions under the contract
3. Modernise contracts and then transition to RFRs

Discontinuation of LIBOR & Transition to RFRs

Next Steps

1. Public Sector CFOs note the discontinuation of LIBOR and develop a transition strategy that, among other things, seeks to:
 - Identify contracts, if any, that have an exposure to LIBOR
 - For those contracts that have an exposure to LIBOR, quantify the exposure
 - Engage with the counterparty to your LIBOR exposed contracts to discuss their transition strategy
 - Require all new contracts executed with a LIBOR Benchmark exposure and with a maturity date greater than 31 December 2021 to incorporate consistent fall-back provisions
 - Consider including improved fall-back provisions for all benchmarks not just LIBOR, e.g. BBSW in existing and new contracts
2. WATC will provide regular updates as to the progress of the transition from LIBOR to RFR Benchmarks

IBOR Transition to RFRs – Questions

Should you have any questions please email WATC @:

watc@watc.wa.gov.au

Thank you