



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

# CHIEF FINANCE OFFICERS' FORUM

**18 MAY 2023**





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

# Welcome and Introduction

Pauline Burton  
Acting Director  
Financial Policy and Operations



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

# 2023-24 Budget Update

## CFO Forum

18 May 2023

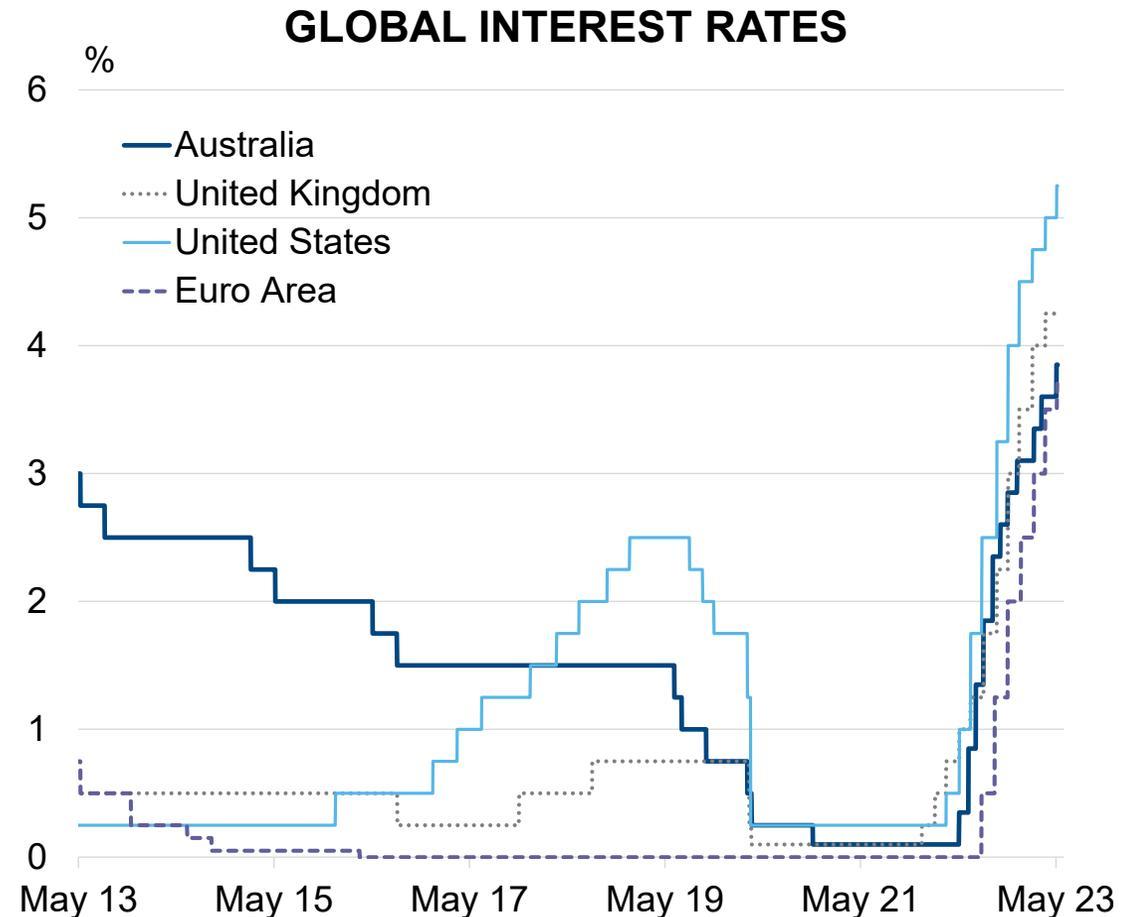
Michael Court, Deputy Under Treasurer

# Overview

- ▶ State economy remains strong despite global economic headwinds
- ▶ Economic growth in 2022-23 strongest in nine years, and record employment in Western Australia
- ▶ Net debt to fall to \$27.9 billion at 30 June 2023, with operating surpluses maintained over the forward estimates
- ▶ 2023-24 Budget includes significant investments on a range of priority initiatives
  - ▷ \$715 million cost of living package
  - ▷ \$2.7 billion additional investment in health and mental health
  - ▷ \$750 million to boost housing supply and address homelessness
  - ▷ \$3 billion for climate action and decarbonisation
- ▶ Record \$39 billion investment in infrastructure

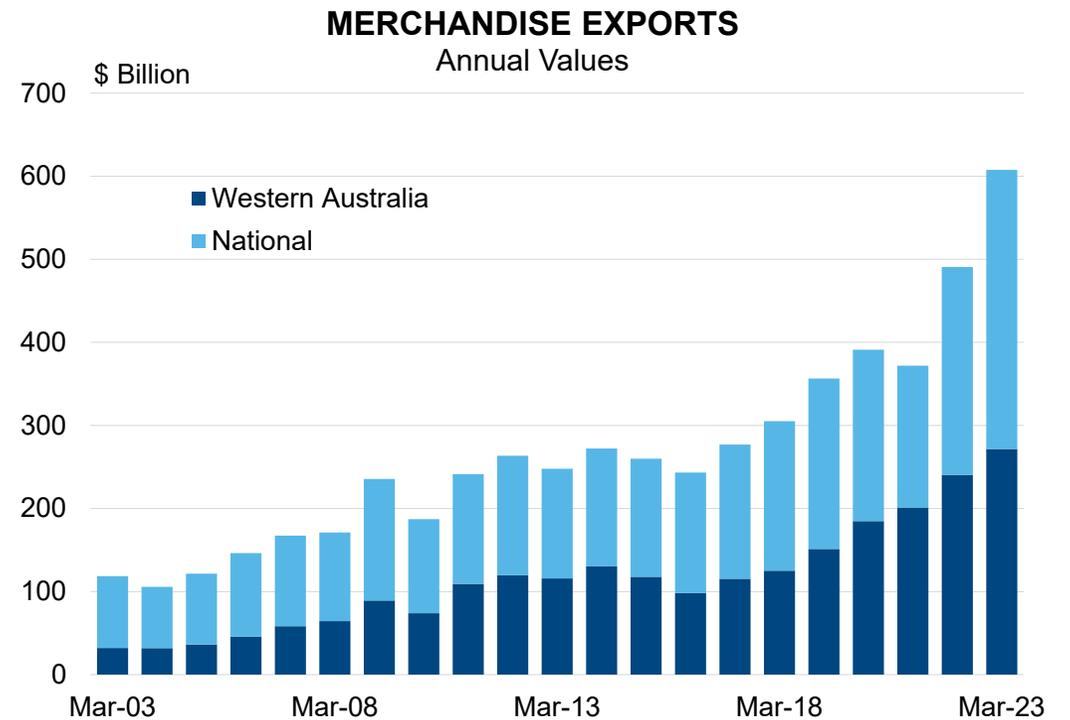
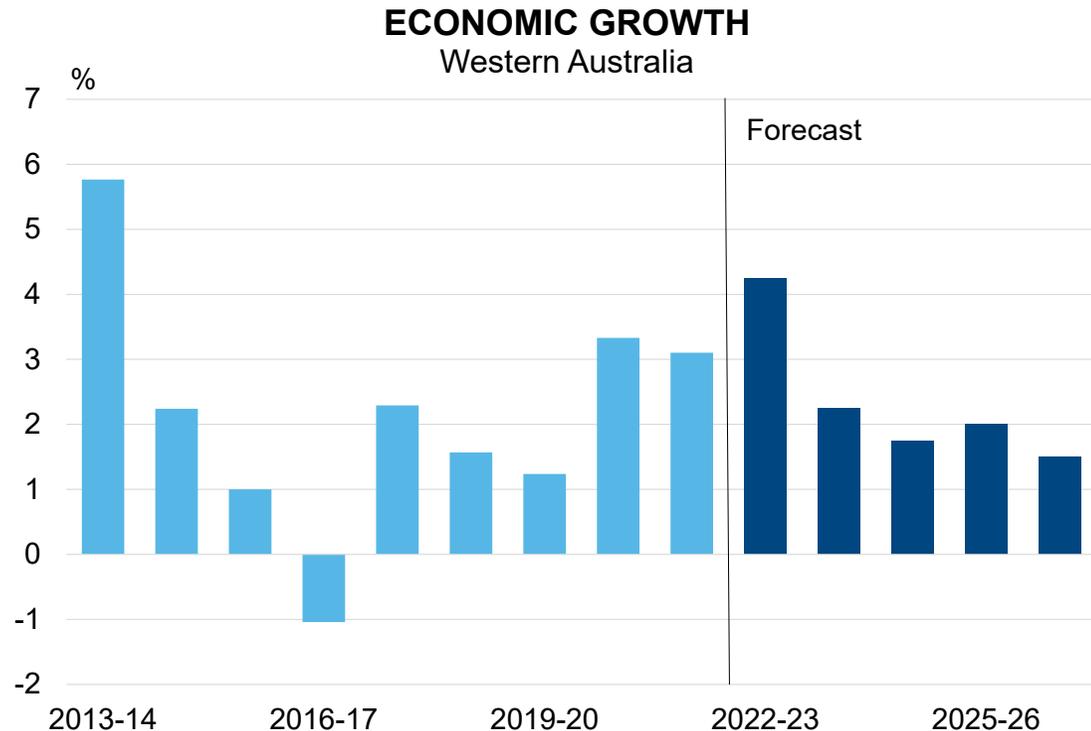
# Global economic outlook

- ▶ Positive signs for the global economic outlook at the end of 2022
- ▶ However, global risks have increased and remain tilted towards the downside due to:
  - ▷ the difficulties of controlling core inflation;
  - ▷ how economies react to higher interest rates;
  - ▷ the continuing effects of Russia's invasion of Ukraine; and
  - ▷ recent instability in the global financial sector



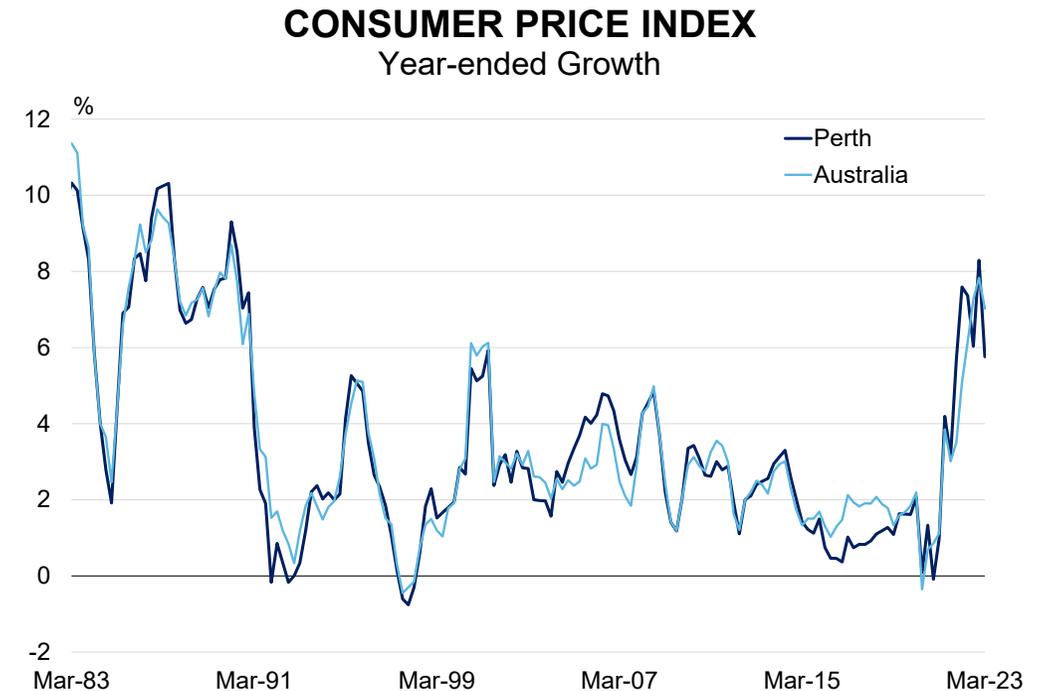
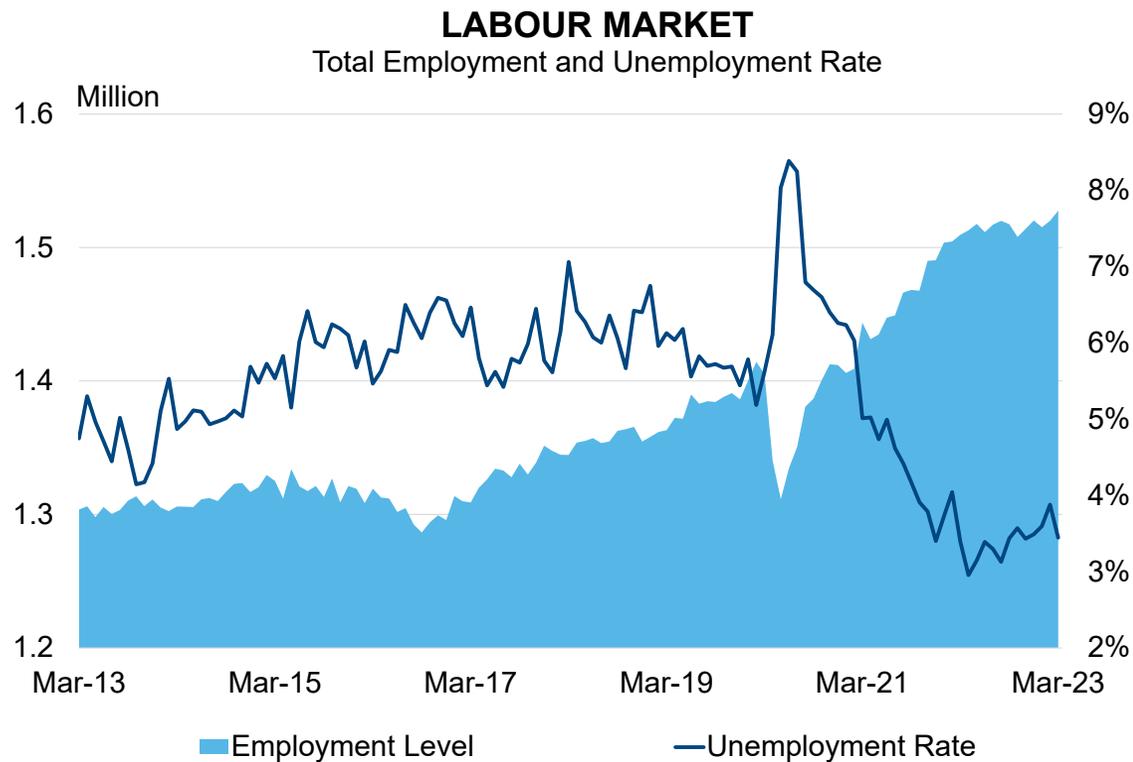
# WA economic growth

- ▶ Despite economic headwinds, strongest growth in Gross State Product in nine years forecast in 2022-23 at 4.25%
- ▶ Strong growth supported by merchandise exports including iron ore, LNG, lithium, wheat and canola



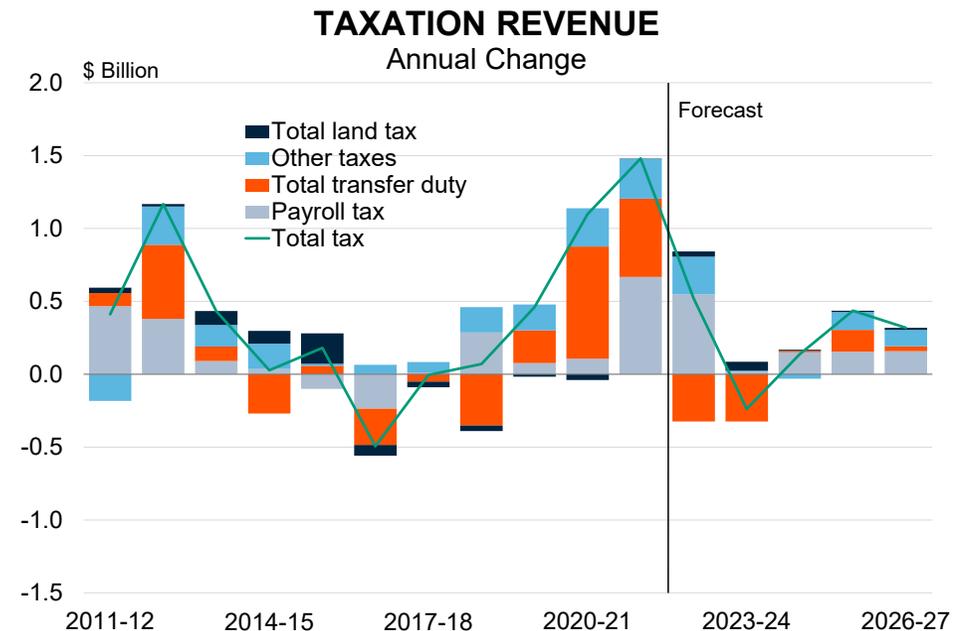
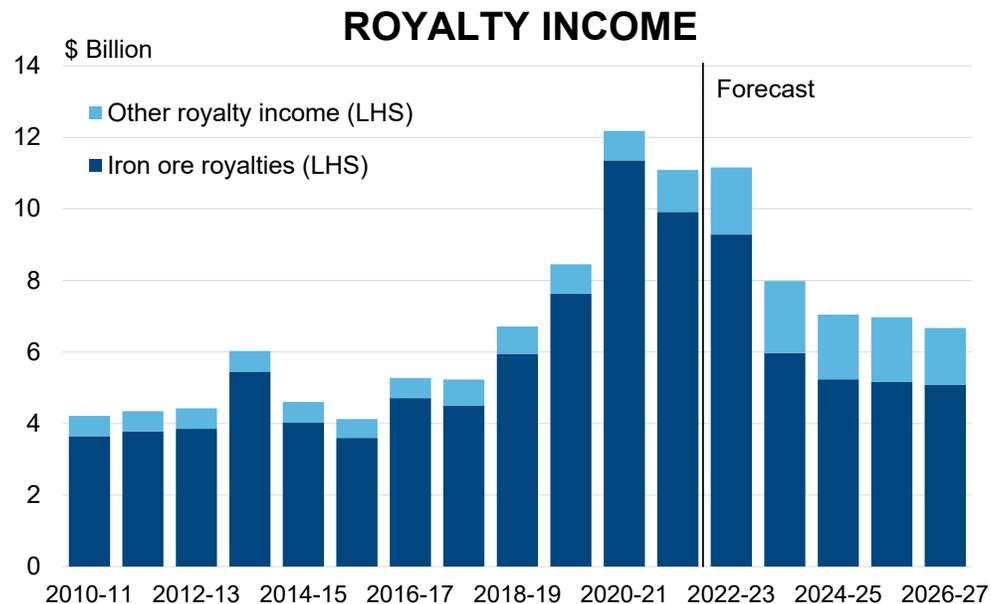
# Labour market and inflation

- ▶ Record 1.53 million Western Australians employed. Women in full-time employment has grown by more than 10% over the past 12 months
- ▶ Inflation appears to have peaked in the December 2022 quarter



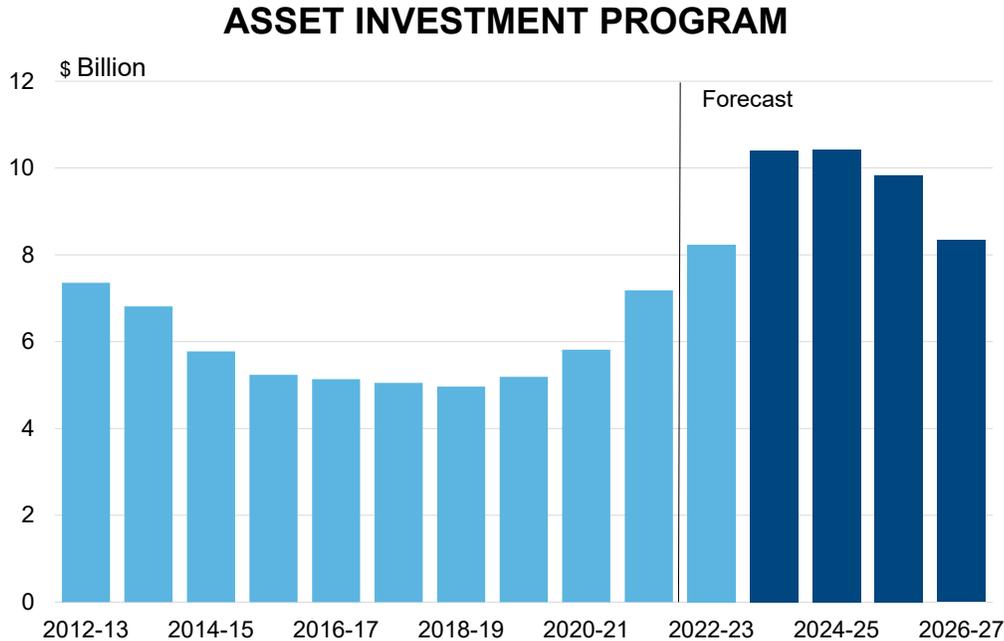
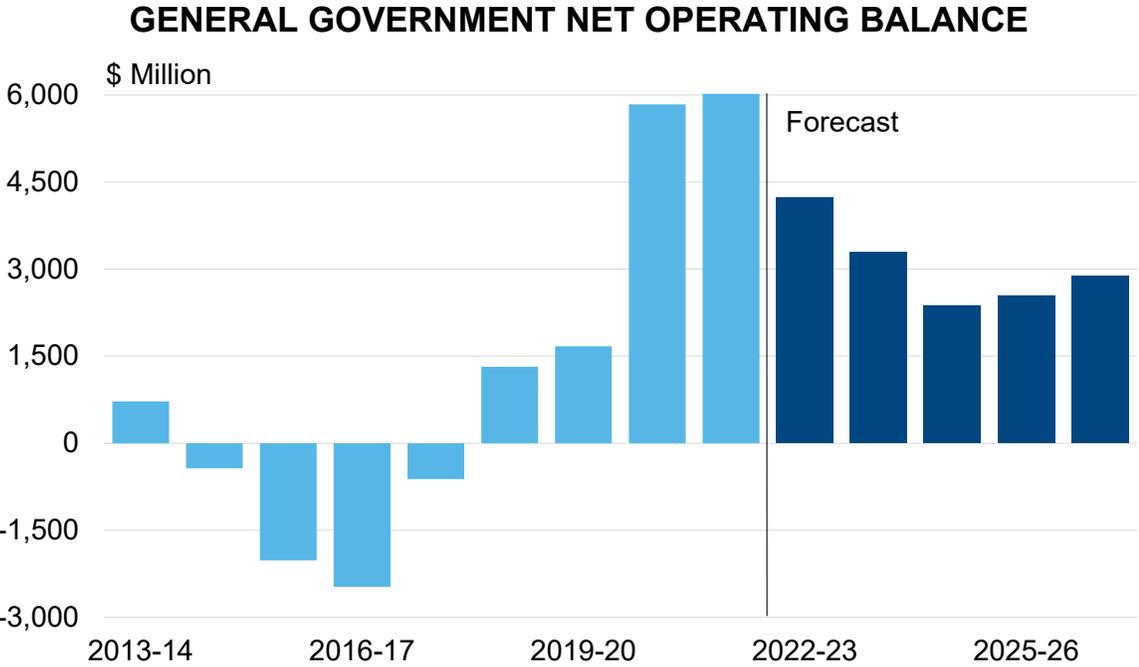
# General government revenue

- ▶ General government revenue forecast to grow by just 0.3% in 2023-24, and then marginally decline over the outyears. Mainly reflects:
  - ▷ forecast decline in royalty income as a result of conservative assumptions;
  - ▷ moderation in forecast growth in taxation revenue, in line with the domestic economy; and
  - ▷ decline in Commonwealth infrastructure funding as major projects (e.g. METRONET) are completed



# Net operating balance and infrastructure investment

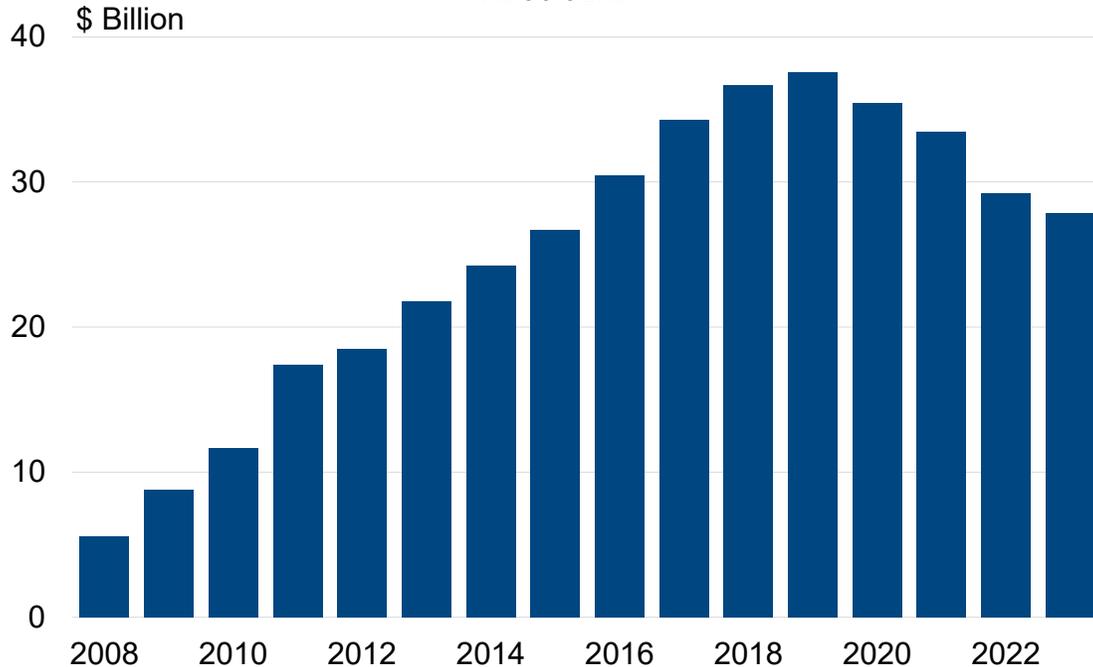
- ▶ \$4.2 billion expected surplus for 2022-23, \$3.3 billion operating surplus expected in 2023-24, with surpluses over the forward estimates
- ▶ Operating surpluses represent a critical non-debt source of funding for the record \$39 billion of infrastructure investment over the next four years



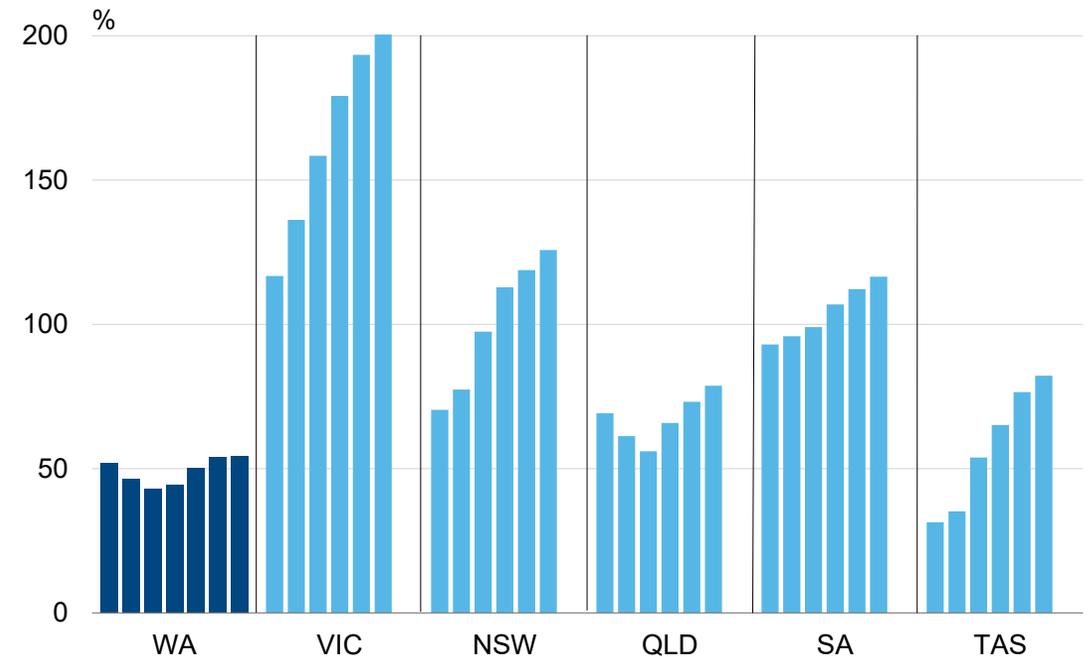
# Net Debt

- ▶ Net debt expected to decline for a fourth consecutive year to \$27.9 billion at 30 June 2023
- ▶ Forecast increases over the forward estimates remain affordable
- ▶ Net debt profile remains favourable compared with other States, and supports our AAA credit rating

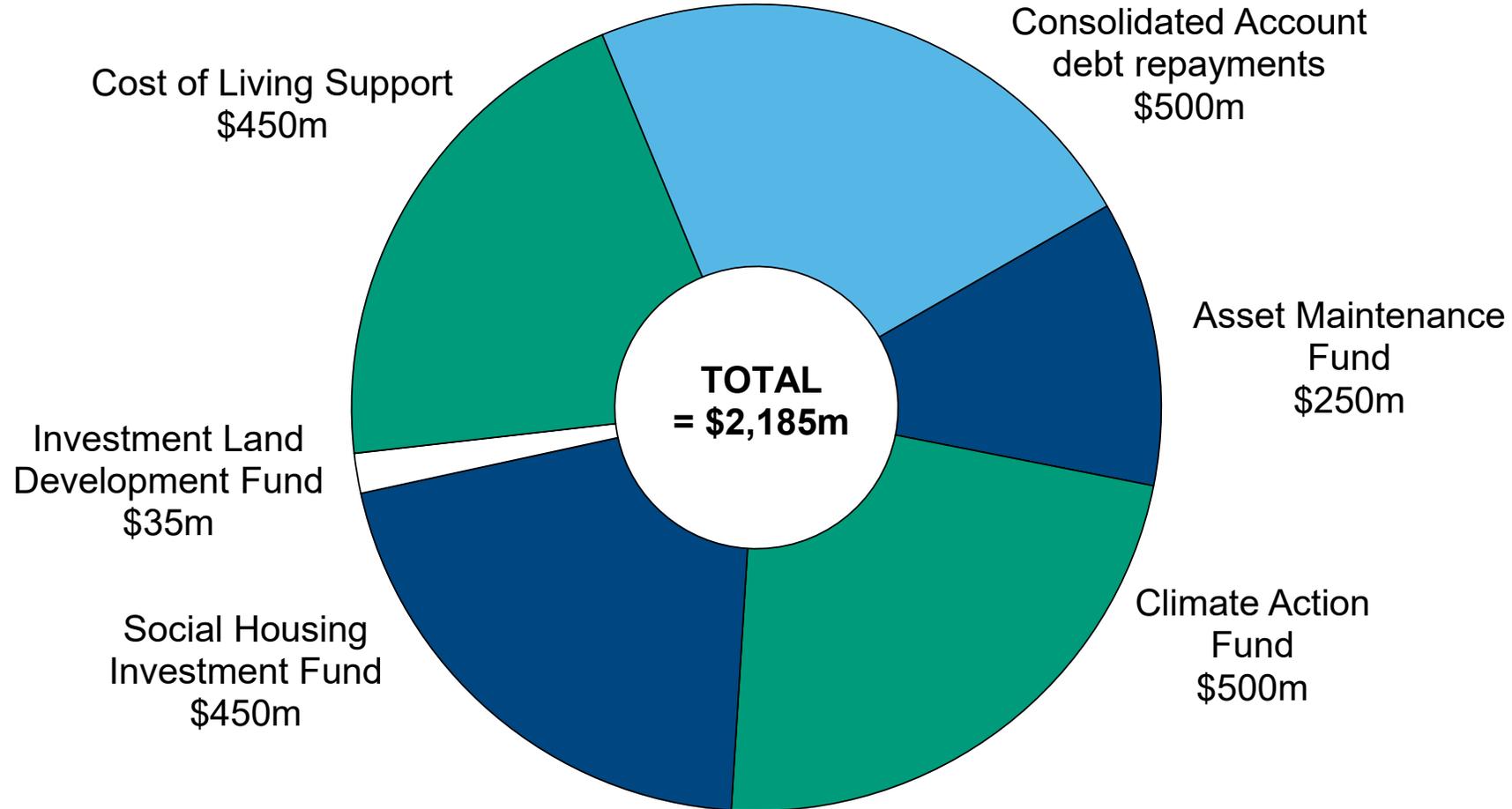
**TOTAL PUBLIC SECTOR NET DEBT**  
At 30 June



**NET DEBT TO REVENUE RATIO**  
2020-21 to 2026-27



# Application of increase in 2022-23 operating surplus



# 2023-24 Budget: Major initiatives and investment

- ▶ \$3 billion for further action on climate change and decarbonisation
- ▶ \$2.7 billion additional spend for health and mental health
- ▶ \$1.5 billion for services to support vulnerable communities
- ▶ \$965 million investment in education and training
- ▶ \$750 million package for housing
- ▶ \$715 million cost of living support package
- ▶ \$463 million in initiatives and infrastructure to support economic diversification



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

# Financial Management Continuous Capability Improvement

Michael Court  
Deputy Under Treasurer

# A need for financial management continuous capability improvement

- ▶ Growing trend in audit qualifications for Western Australia's (WA) public sector agencies
- ▶ In response, the Department of Treasury and the Public Sector Commission (PSC) have undertaken a study to:
  - ▷ review the current state of financial management capability
  - ▷ evaluate the extent of variability of financial management concerns across the public sector and determine the key root causes of these issues
  - ▷ establish principles upon which to base a future state
  - ▷ identify a framework for continuous improvement and make recommendations for a continuous financial management capability improvement program

# Key findings - current state assessment

- ▶ The current state analysis identified the following findings:
  - ▷ inadequate internal and ICT controls
  - ▷ unresolved audit issues carried forward each year
  - ▷ financial framework is robust but overly prescriptive
  - ▷ financial management capability varies considerably across the public sector
  - ▷ CFO comparison highlighted an inconsistency between salary, roles and responsibilities

# Principles upon which to base a future state

Continuous improvement across three broad themes:

1. Rebalancing the application of the current financial management framework towards a principles-based approach
2. Enabling CFOs to function as strategic decision makers
3. Strengthening the role and status of CFOs

# Recommendations – Theme 1

- ▶ Establishing overarching key principles in Treasurer's Instructions
- ▶ Developing a clear hierarchy of supporting rules and guidance
- ▶ Increase the role and scope of agency financial management manuals
- ▶ Accountable authorities to provide annual declarations that the financial management manual is 'fit for purpose'
- ▶ Refreshing all existing guidance and policies
- ▶ Ongoing review of agency financial management manuals

## Recommendations – Theme 2

- ▶ The roles and responsibilities of accountable officers to be clearly articulated within the new framework
- ▶ CFO's role as a financial subject matter expert to be recognised
- ▶ Strong financial acumen be a key consideration for appointment of the tier 2 executive responsible for financial matters
- ▶ Financial management KPIs be incorporated within CFO's performance plans
- ▶ Mandatory financial management awareness training for all finance and senior staff

# Recommendations – Theme 3

- ▶ CFO remuneration and classification to reflect responsibilities
- ▶ The strategic role of the CFO be reflected in standard role and responsibility descriptions
- ▶ The CFO application process to be standardised and simplified.
- ▶ Skilled employees be identified to build capability across middle management level staff
- ▶ Re-establish the CFO Leadership Pathway Program as a targeted capability build for CFOs and future leaders
- ▶ Undertake leadership mapping for executive staff to understand the new CFO role

# Next Steps

- ▶ The Treasurer to consider and endorse the recommendations
- ▶ Treasury and PSC to develop an implementation plan to progress the approved recommendations
- ▶ Phased approach over 18 months:
  - ▷ Agency consultation
  - ▷ Development of key principles, TIs and guidance as the core tenant of the financial management framework
  - ▷ Increasing the role and scope of agency financial management manuals
  - ▷ Consideration of longer-term strategies
  - ▷ Strengthening the role and status of the CFO



# Thanks

**Any questions?**



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

# Agency Financial Reporting Update

Mark Hort  
Senior Financial Advisor  
Financial Policy and Operations

# Overview

Financial Administration  
Bookcase



Valuations

Reporting



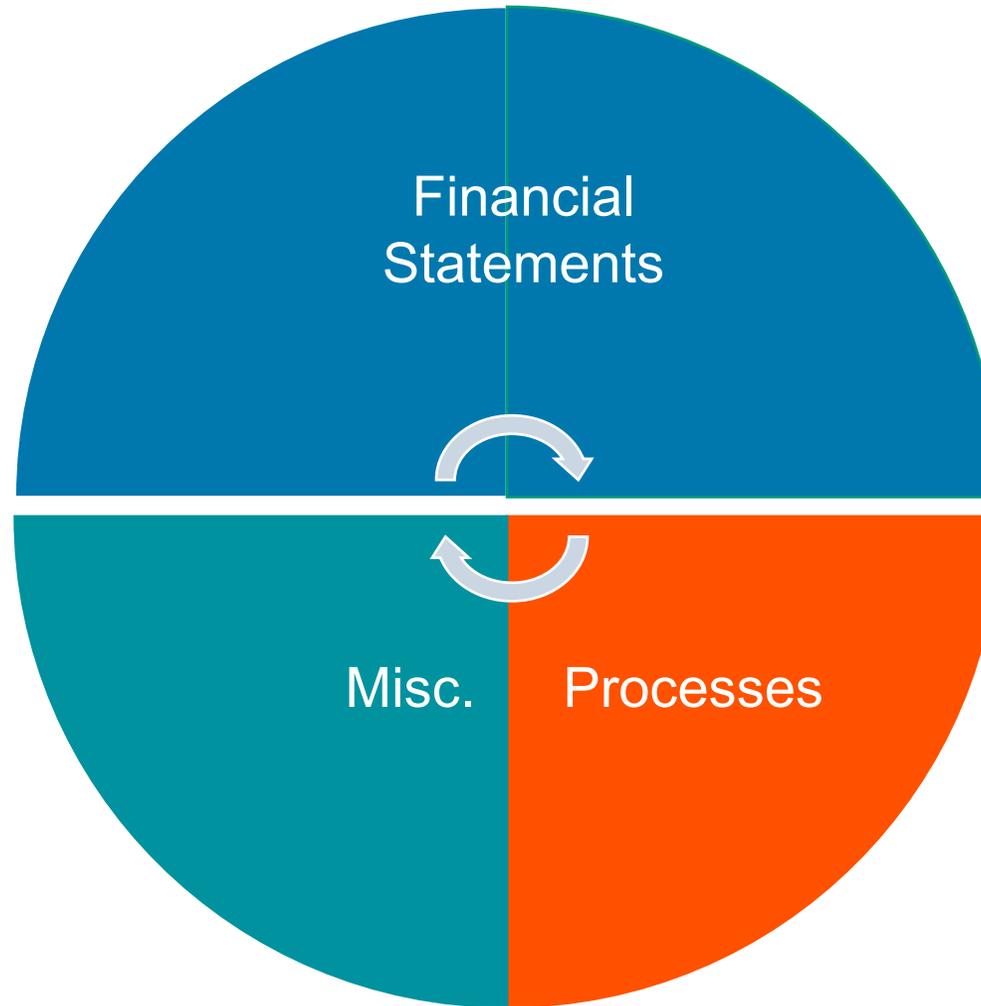
In The Works



# FAB (Treasurer's instructions)

General Information in  
Financial Statements  
(952)  
Reporting Exemption  
(104C)

Authorisations (107)  
~~Duplicate Claims (309)#~~



Application of  
Accounting  
Standards Changes  
(1106)

Guarantees and  
Indemnities (821)

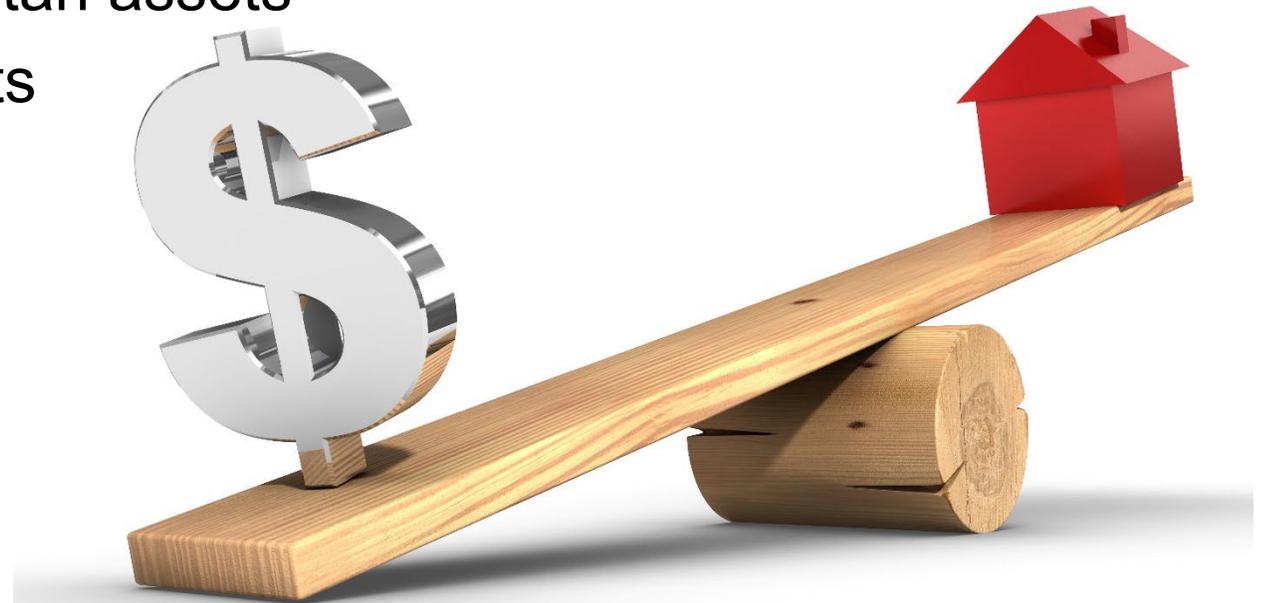
# FAB (Revision)

- ▶ Amendment #88
  - ▷ Publishing Estimates
- ▶ CFO designation
  - ▷ Section 57(1)(b)
- ▶ Special Purpose Accounts (SPA) review.



# Valuations

- ▶ Recommend adopting revaluations as at 1 July 2022
- ▶ Land, Buildings and Construction index movements 2021-2022
  - ▷ material for Regional and Metropolitan assets
  - ▷ current use and market value assets
- ▶ Improvements data
- ▶ Market data time lags



# Reporting (Dates)

## ▶ State Finance Dates

- ▷ Tues 25 July 2023, SIMS Data Due
- ▷ Fri 18 August, Agency/Audit Initiated adjustment deadline
- ▷ Thur 31 August, Material Audit adjustment deadline
- ▷ Fri 29 September, Tabling of ARSF
- ▷ Mon 16 October, September SIMS submission



SIMS Data Issues: [financial.reporting@treasury.wa.gov.au](mailto:financial.reporting@treasury.wa.gov.au)

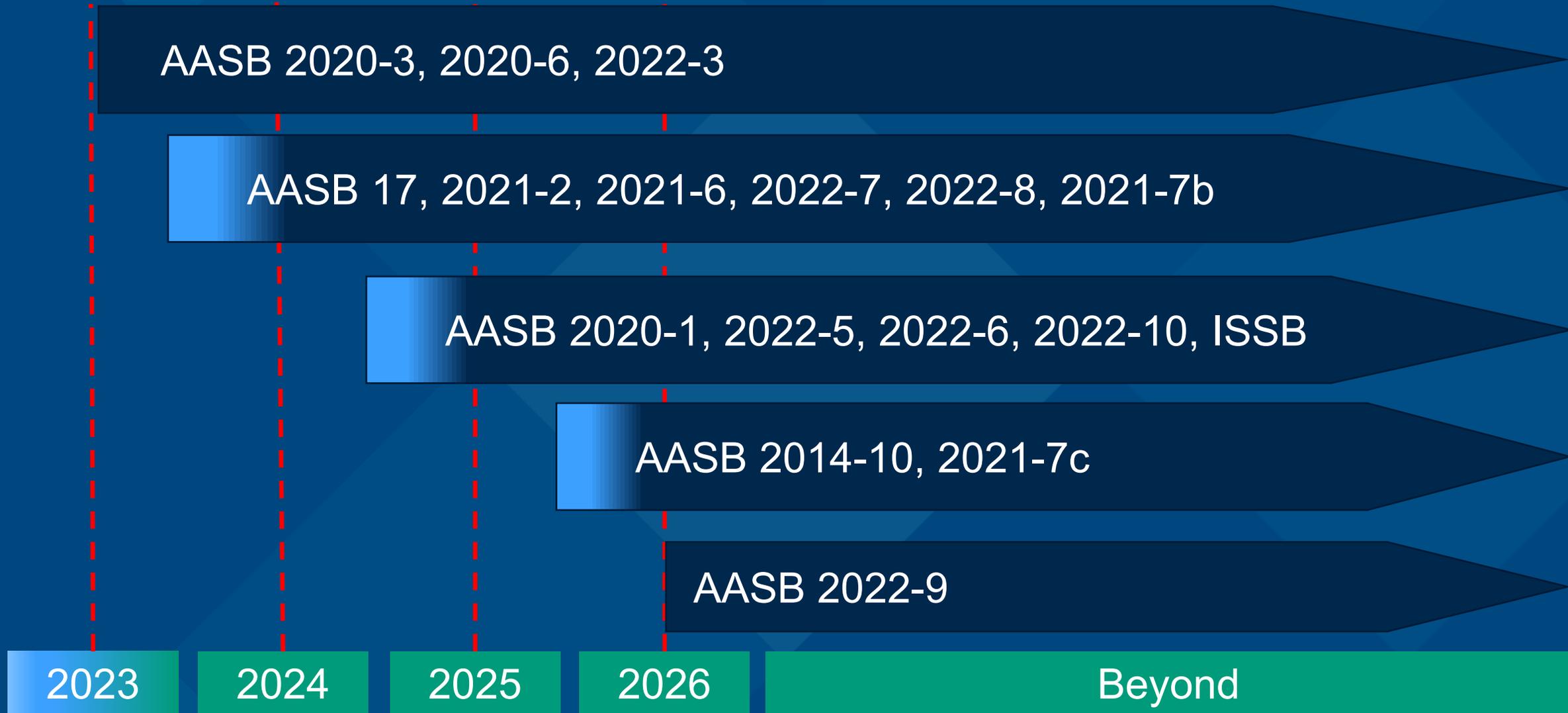
SIMS System Issues: [Sims.Helpdesk@treasury.wa.gov.au](mailto:Sims.Helpdesk@treasury.wa.gov.au)

## ▶ Annual Reports

- ▷ Thur 21 September 2023, Last sitting date

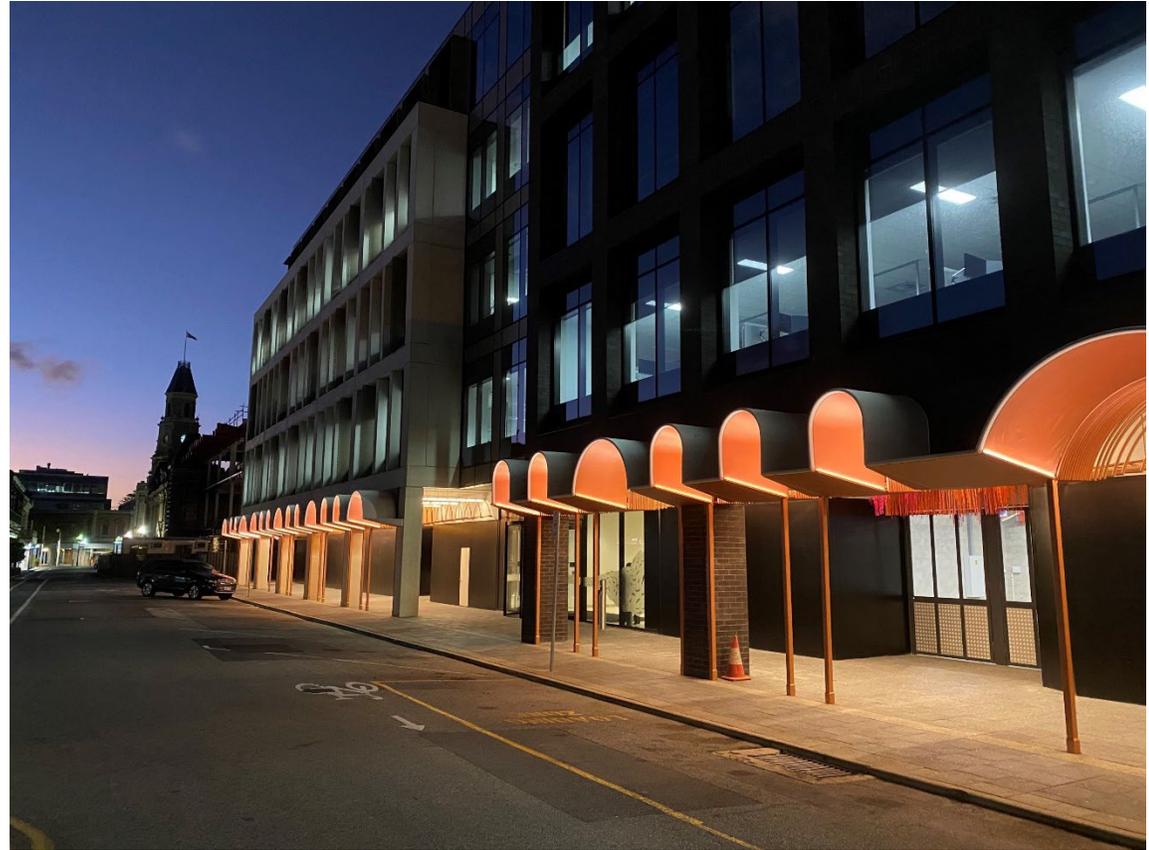


# Reporting (Accounting Standards)



# Reporting (Common Queries)

- ▶ Write Offs
- ▶ Act of Grace
- ▶ Equity Contributions
- ▶ Agency Policy Positions



# In The Works (Cybersecurity)

- ▷ APAC region cyberattacks up 168% from May 2020 to May 2021.
- ▷ Breaches mostly initiated by stolen or compromised employee credentials.
- ▷ malicious links or attachments can get into workflows easily.

## ► Stress Points

- ▷ SaaS
- ▷ Intelligent Devices (IoT)
- ▷ Remote Working
- ▷ Increasing number of attacks
- ▷ Data location
- ▷ Human Element

## Resources

- <https://www.wa.gov.au/government/document-collections/cyber-security-awareness-toolkit>
- <https://audit.wa.gov.au/resources/better-practice-guidance/>
- <https://www.publicaccountant.com.au/features/the-10-question-cybersecurity-self-assessment>

# In The Works

## ▶ Fair Value

- ▷ Professional costs

## ▶ IASB

- ▷ Impairment Post Implementation Review
- ▷ Subsidiaries without Public Accountability: Disclosures

## ▶ IIA:

- ▷ Whitepaper: Data Analytics Techniques for Internal Audit (April 2023)
- ▷ Factsheet: Reperformance in the Assurance Process



# Thanks



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

# WA Climate Risk Reporting

Brendan Davies (Manager Financial Policy)

# Climate Risk Reporting and the WA Public Sector

- ▶ Increased demand for climate risk disclosures
- ▶ Global climate reporting standards still evolving
- ▶ Climate Reporting is yet to be made mandatory
- ▶ DWER and Treasury are developing a Climate Risk Framework (CRF) to help the WA public sector assess, manage and report its climate related risks
- ▶ Developed over a two-year period
- ▶ Public whole-of-government reporting after completion of the CRF

# Evolving Climate Reporting Standards

- ▶ Taskforce on Climate-related Financial Disclosures (TCFD)
- ▶ International Sustainability Standards Board (ISSB)
  - ▷ standards due June 2023
  - ▷ international
  - ▷ private sector focus
- ▶ Australian Accounting Standards Board (AASB)
  - ▷ practice statement on climate-related risk disclosures (released 2019)
  - ▷ considering separate sustainability standards (late 2023)
- ▶ International Accounting Standards Board (IASB)
  - ▷ project to consider effect of climate risk on financial statements (announced 2023)

# Climate Risk Framework (CRF) – Current Situation

- ▶ Climate risk assessment varies considerably across the sector
- ▶ In February 2022, released an interim Climate Risk Management Guide
- ▶ DWER and Treasury now developing the CRF
  - ▷ CRF will build on the interim guide
  - ▷ based on TCFD framework but adapted to the WA public sector
  - ▷ adaptable to evolving reporting standards (ISSB and AASB)
  - ▷ tiered approach (agencies with material climate risks)
  - ▷ staged implementation for reporting
  - ▷ initial 2 year pilot phase commencing July 2023
  - ▷ whole-of-government public disclosures will follow (qualitative initially)

# The Pilot Program

- ▶ Assist pilot agencies through first pass risk assessment
- ▶ Develop guidance on and work with agencies detailed assessments
- ▶ Inform non-participating agencies of developments
- ▶ Monitor development of climate reporting standards, guidance and consultations
- ▶ Develop guidance on disclosures
- ▶ Guidance in place for broader Public Sector application

# The Participating Pilot Agencies

- ▶ Cross section of public sector entities
- ▶ All have material exposures to climate risk
- ▶ Most (but not all) have commenced climate-related risk assessments

- Synergy
- Western Power
- Horizon Power
- Water Corporation
- Pilbara Ports Authority
- Department of Education
- WA Health
- Department of Primary Industries and Regional Development

# Suggested steps for CFOs

- ▶ Familiarise yourself with current climate risk guidance
  - ▷ IFRS – International Sustainability Standards Board (ISSB)
  - ▷ Task Force on Climate-related Disclosures (TCFD)
  - ▷ AASB climate-related risks
  - ▷ Managing climate risk in the public sector | Western Australian Government ([www.wa.gov.au](http://www.wa.gov.au))
- ▶ Engage your agency's risk teams
- ▶ Monitor developing guidance

# Thanks

**Any questions?**



# 2023 Annual Financial Audits

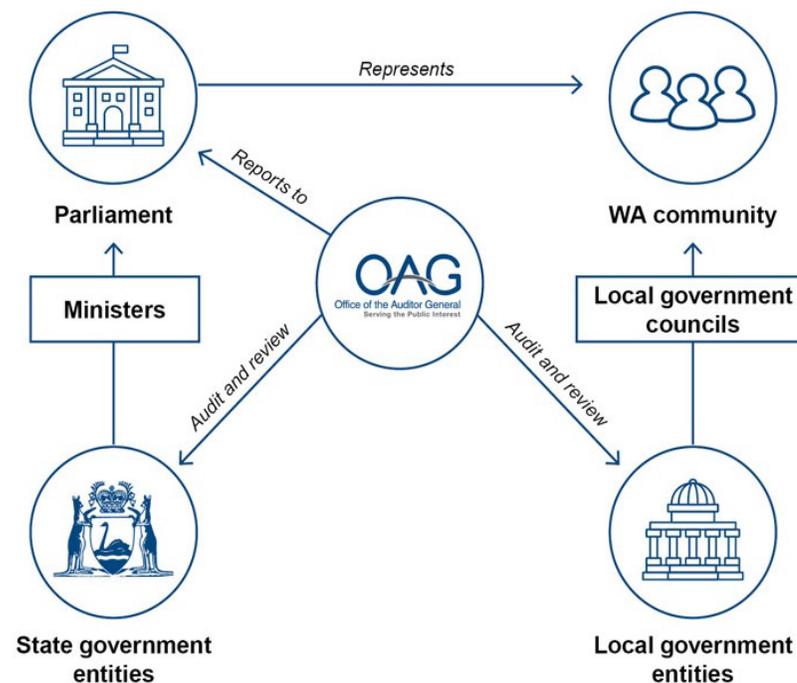
Grant Robinson  
Assistant Auditor General  
Financial Audit

# Agenda

- Role of the Auditor General
- Our Audit approach
- State Government - 2022
- Information Systems Audit 2022 – State Sector
- Recommendations for being audit ready
- Audit Readiness Tool Introduction
- Key focus for CFOs
- Thoughts on the way forward
- Thank you and questions

# Role of the Auditor General

- Independent and impartial
- Historic and evolving
- Provide information to Parliament
- Public sector accountability
- Serving the public interest



# Our audit approach

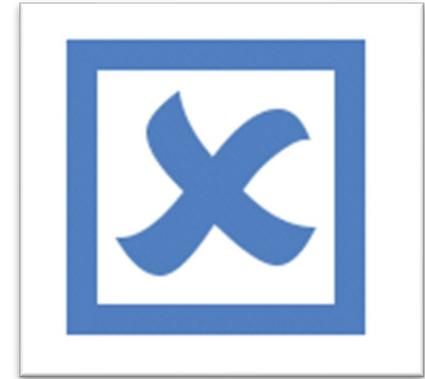


## Key principles that guide our audit work:

approached in a fair and constructive way  
conducted and reported in an impartial manner  
matters of significance arising from audits are reported to Parliament  
our auditors demonstrate the highest standards of ethical and personal behaviour  
conducted in accordance with auditing standards

# What we *don't* do

- An audit is not a “guarantee”
- Don’t assess policy
- Don’t look for fraud or other criminal matters
- Don’t investigate complaints about individuals



# Types of audits

- Annual financial audits
- Performance audits
- Focus area audits
- Information systems audits
- Forensic audits
- Opinions on ministerial notifications



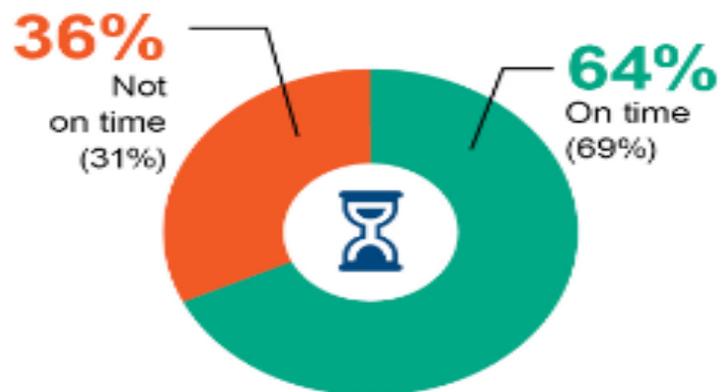
# Messaging to the sector

- Core business
- Consequential thinking
- Consider all risks
- Delays in access to key people, systems, information may delay audit opinion
- OAG Resourcing constraints



# State government – 2022

## Auditing State government



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



**132** State government entities



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



**45** qualifications matters (35)



across **25** entities for 2021-22 (21)

Highest number recorded by our Office



General government sector realised a **\$6 billion** surplus



We audited **\$132 billion** of total public sector net assets



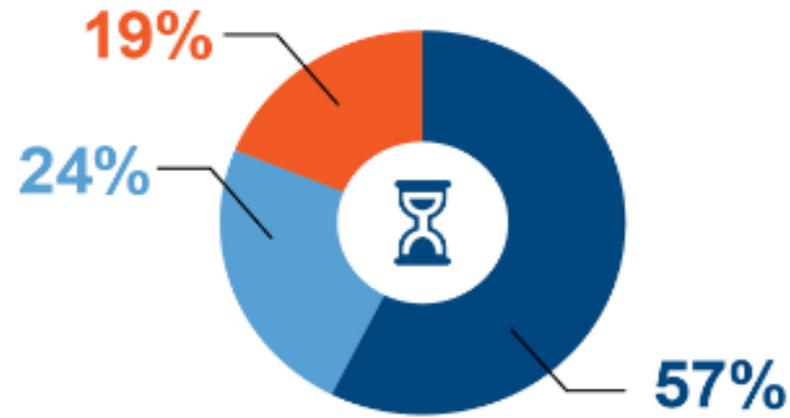
# State government – 2022

## Timeliness of financial statements

- On or before 20 days after year end
- 20-38 days after year end
- More than 38 days after year end

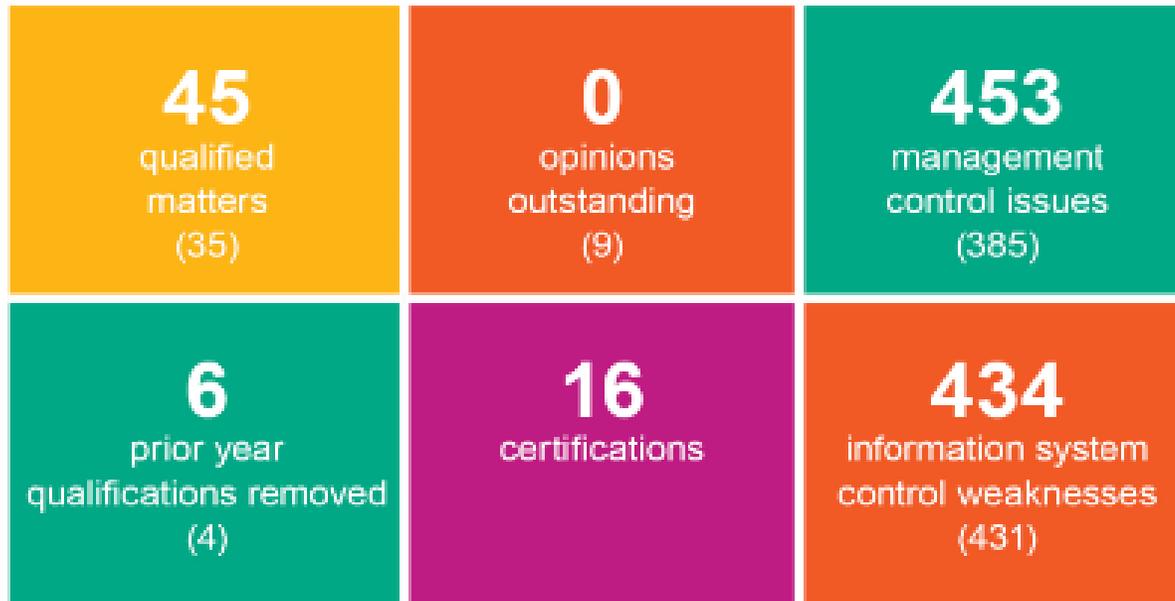


We congratulate the entities we rated as best practice for 2021-22



# State government – 2022

## Audit results

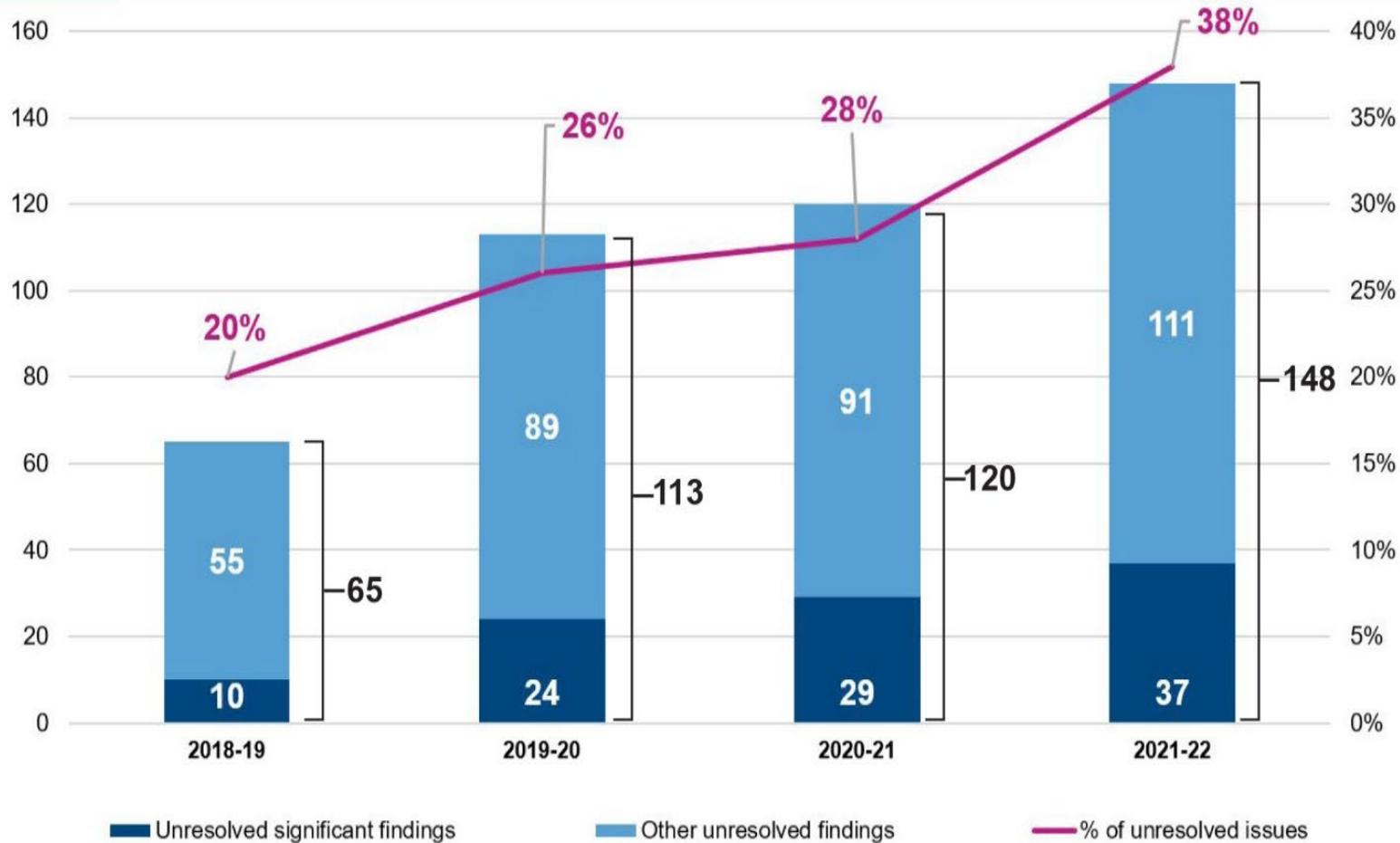


**\$** **\$1.7 billion**  
adjusted errors  
(\$1.2 billion)

**\$** **\$932 million**  
unadjusted errors  
(\$918 million)

**✓** There were  
**43 entities**  
which had no  
audit errors (42)

# Unresolved financial management control findings



# Information systems audit 2022 – State Sector

**61** entities' general computer control findings are included in this report



**39** audits included capability maturity assessments.



**10** control categories assessed in the updated capability maturity model



**15<sup>th</sup>** year reporting on the results of State government entities' general computer controls



# Information systems audit 2022 – State Sector



**Information security  
framework**



**Human resource  
security**



**Access  
management**



**Endpoint  
security**



**Network  
security**



**Risk  
management**



**Business  
continuity**



**Change  
management**



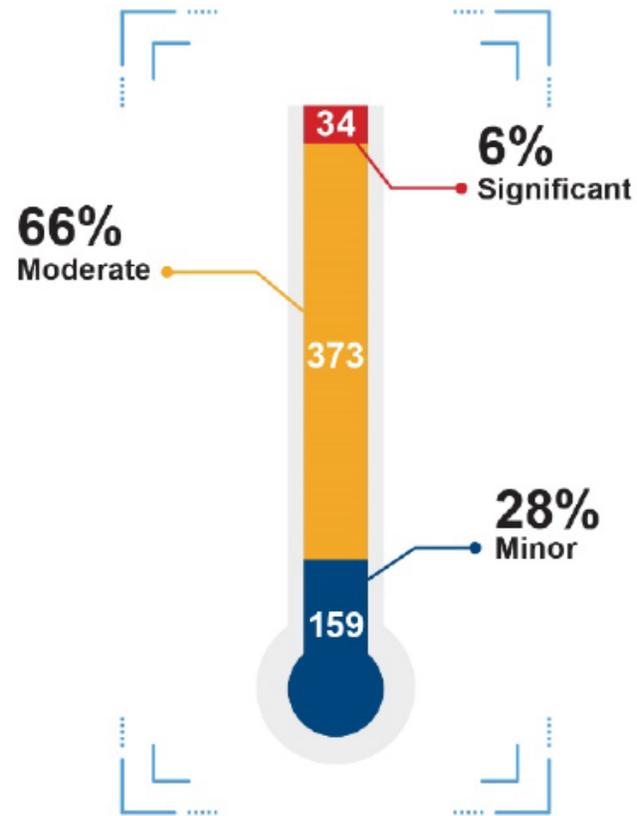
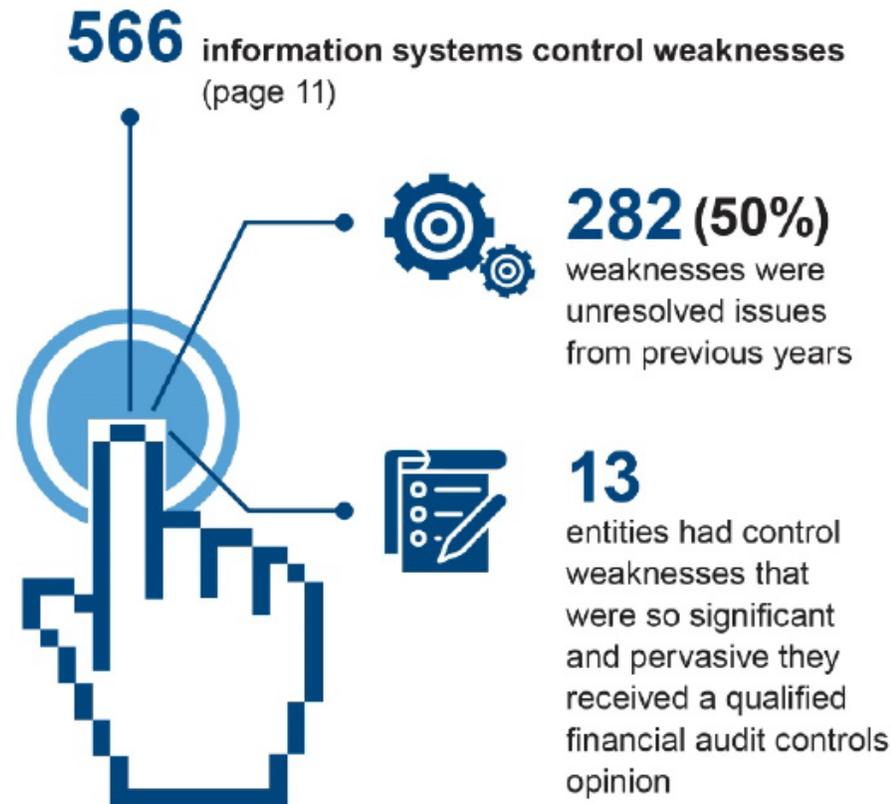
**IT operations**



**Physical  
security**

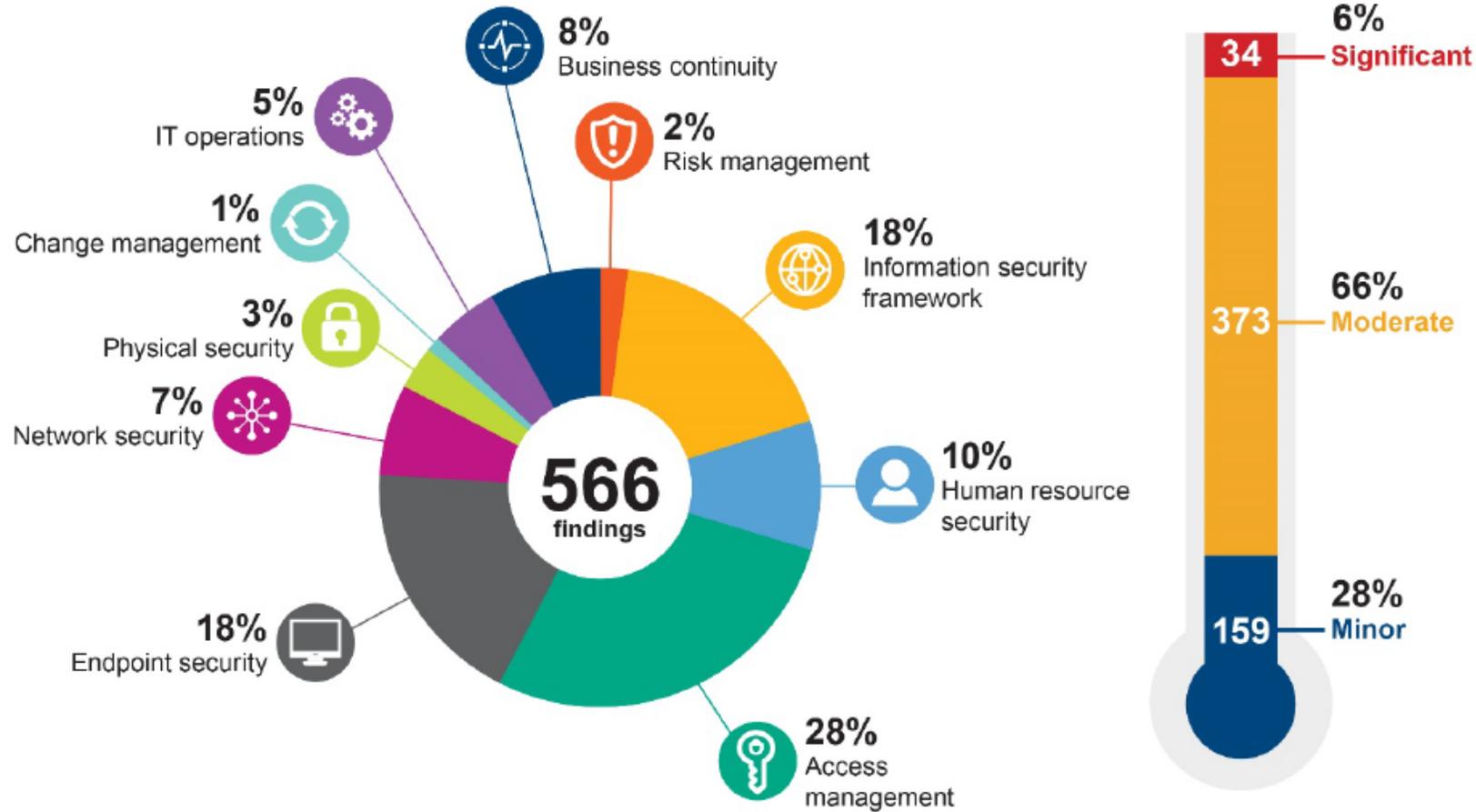
# Information systems audit 2022 – State Sector

## Audit results

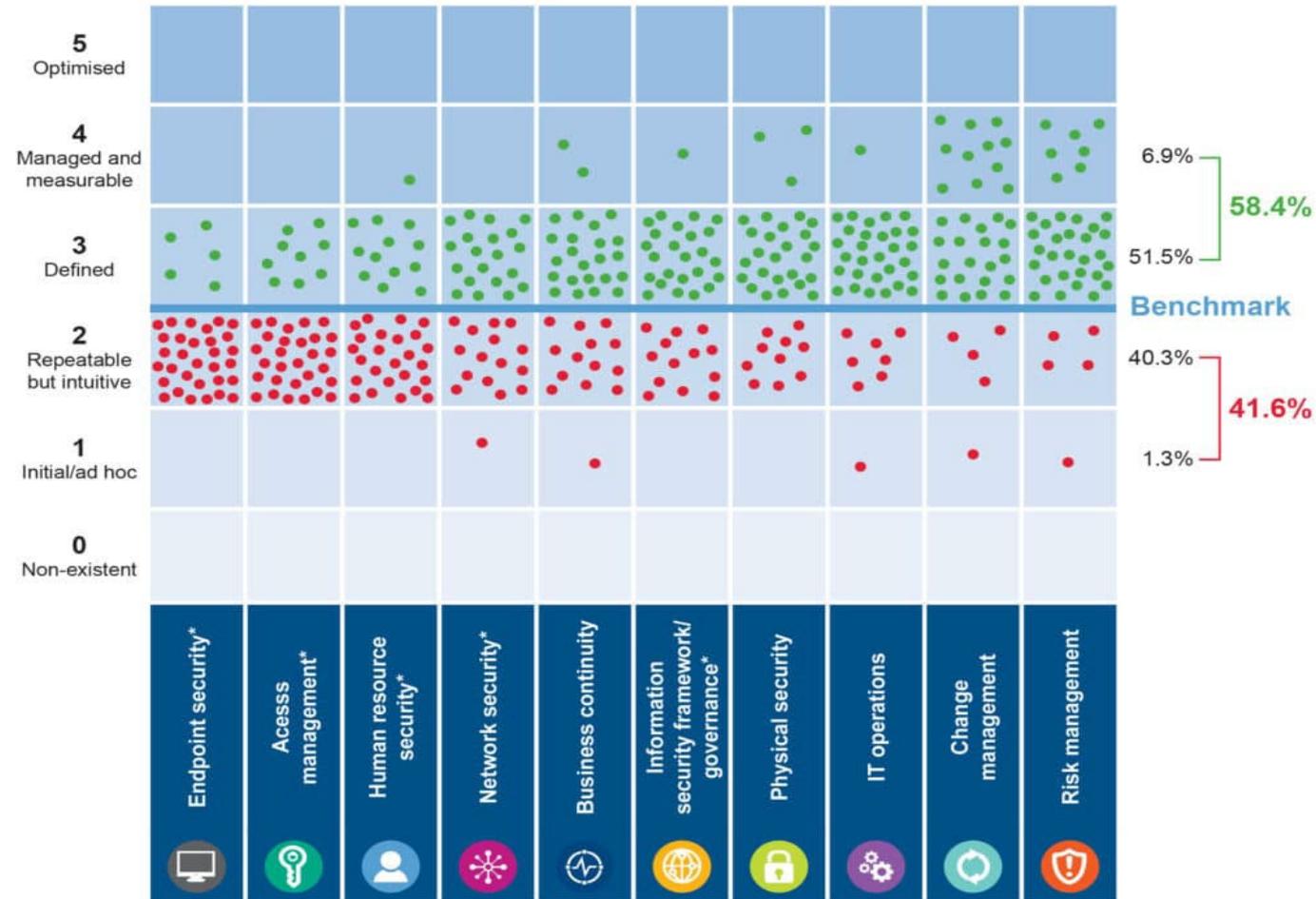


# What we found – general computer controls

In 2021-22, we alerted 61 entities to 566 information system weaknesses: 34 were rated significant, 373 moderate and 159 minor.



# What we found – capability assessments



# Recommendations for being audit ready

1. Review annual report processes
2. Accounts/KPI's signoff
3. Maintain the integrity of the control environment
4. Better Practice Guides

# Compliance and better practice

We recommend aiming for better practice, not just minimum compliance

The screenshot shows the OAG website navigation menu. The 'Reports and publications' dropdown menu is open, and the 'Better practice guidance' option is highlighted with a red circle. Below the menu, the 'Better practice guidance' page is visible, featuring a sidebar with links to 'Audit reports', 'Annual reports', 'Corporate publications', 'Media statements', and 'Better practice guidance'. The main content area includes a heading 'Better practice guidance' and a list of practical guidance items.

## Appendix 1: Better practice principles

The following table shows control principles on which our audit focused. They cover a number of key supplier master file practices and controls, and are not intended as an exhaustive list.

Supplier master files framework	Focus area	What we expected to see:
Creation / amendments of master files	Policies and procedures	<ul style="list-style-type: none"> <li>Policies and procedures include comprehensive guidance for employees to effectively manage supplier master files.</li> <li>Policies and procedures are regularly reviewed and updated.</li> </ul>
	Access to master files	<ul style="list-style-type: none"> <li>Entities regularly review employees' access to create or amend supplier master files to reduce the risk of unauthorised changes.</li> </ul>
	Creation	<ul style="list-style-type: none"> <li>Staff consistently apply naming conventions for supplier records, to avoid suppliers being registered under multiple names.</li> <li>All key information is input at the time of creating a new supplier record.</li> </ul>
	Amendments	<ul style="list-style-type: none"> <li>Documentary evidence is maintained to support the changes in master files.</li> <li>Employee validates changes to supplier details with the supplier (i.e. via phone or formally by writing).</li> </ul>
	Segregation of duties	<ul style="list-style-type: none"> <li>Additions or amendments to supplier master files are independently reviewed.</li> <li>Appropriate segregation of duties is established between employees amending the master files and employees approving payments to suppliers.</li> </ul>
	Recordkeeping	<ul style="list-style-type: none"> <li>Documentation is retained for all additions and amendments to supplier master files including reasons for amending the supplier details.</li> </ul>
Management of master files	Conflict of interest	<ul style="list-style-type: none"> <li>Employees declare any actual, potential or perceived conflict of interest.</li> <li>Declarations are retained, assessed and conflicts of interest are appropriately addressed.</li> <li>Employees with conflicts of interest abstain from the procurement process or managing records of the suppliers they are related to.</li> </ul>
	Review	<ul style="list-style-type: none"> <li>Management undertakes formal and periodic review of master files to identify incomplete, incorrect, duplicate or redundant supplier records.</li> <li>Weaknesses identified are communicated to the relevant stakeholders and remediating actions are promptly undertaken.</li> <li>The outcome of the review is presented to the audit committee.</li> </ul>

# Audit readiness tool introduction

Financial audits – key challenges and issues:

- Audit costs
- Delays in finalising audits
- Poor entity audit file submissions
- Audit resource constraints
- Capacity and capability constraints at entity level
- Lack of understanding of the auditor's role and responsibilities and expectations



# Entity financial audit file – online resource

Online resource aims to:

- assist entities prepare for the audits in advance
- reduce interaction with the auditors and audit queries
- assist in earlier completion of audits
- provide easy to use tools (e.g. multi choice questionnaires)
- reduce audit time and costs
- effectively manage processes that interact with financial statement audits (e.g. general computer controls audit)
- answer frequently asked questions

# Entity financial audit file – key features

Key features include:

- brief video presentations
- specific information requests and questionnaires that are user friendly
- easy to use templates and checklists
- example prepared by client listings made available in advance
- online guidance aims to answer why the information is required and why it is asked every year or not asked previously
- feedback section included to ensure tool is continuously improved and remains fit for purpose.

# Simple steps for entities to follow

1 Have a discussion with your auditor

2 Read through the website

3 Compile the information needed

4 Send it to your auditor

# Key focus for CFOs



**Be proactive with previous year's findings – use Tool 7**



**When qualified, this raises your risk profile – use Tool 1**



**Audit preparedness**

- Review findings from previous year
- Identify changes in accounting standards
- Review existing accounting policies and methodologies
- Supporting documentation (audit file)
- Ensure adequate staff will be available
- Develop a timeline and assign responsibilities



**OAG engagement**

# Thoughts on the way forward

Need to build and improve capacity and capability within entities' finance teams

Support to resolve outstanding issues and qualifications

Entities take ownership/responsibility for addressing findings

## OAG role

- season self reflection, continuous improvement
- enhance interactions/communications and efficiency
- issue further guidance and supporting resources to the sector

# HAPPY EOFY!!



Copies of the Auditor  
General's



Reports and Better  
Practice Guides



can be found at:



[www.audit.wa.gov.au](http://www.audit.wa.gov.au)



We also welcome  
feedback via our annual  
survey or at any time via  
[info@audit.wa.gov.au](mailto:info@audit.wa.gov.au)

# Thank you and Questions



Office of the Auditor General  
Serving the Public Interest



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

**Close**

Pauline Burton  
Acting Director  
Financial Policy and Operations

# Thanks