

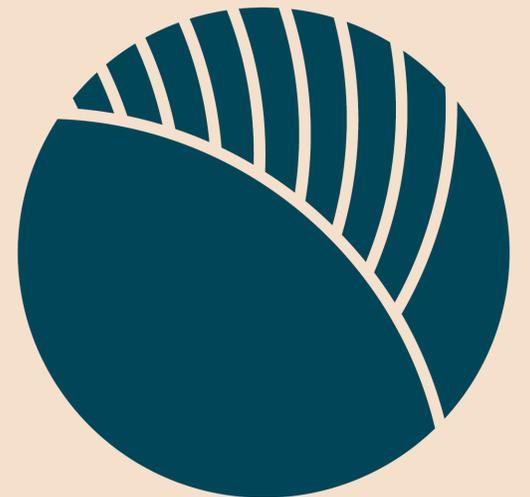


Government of **Western Australia**  
Department of Treasury



# CHIEF FINANCE OFFICERS' FORUM

Wednesday, 6<sup>th</sup> December 2023





Government of Western Australia  
Department of Treasury

# Economic and Fiscal Outlook

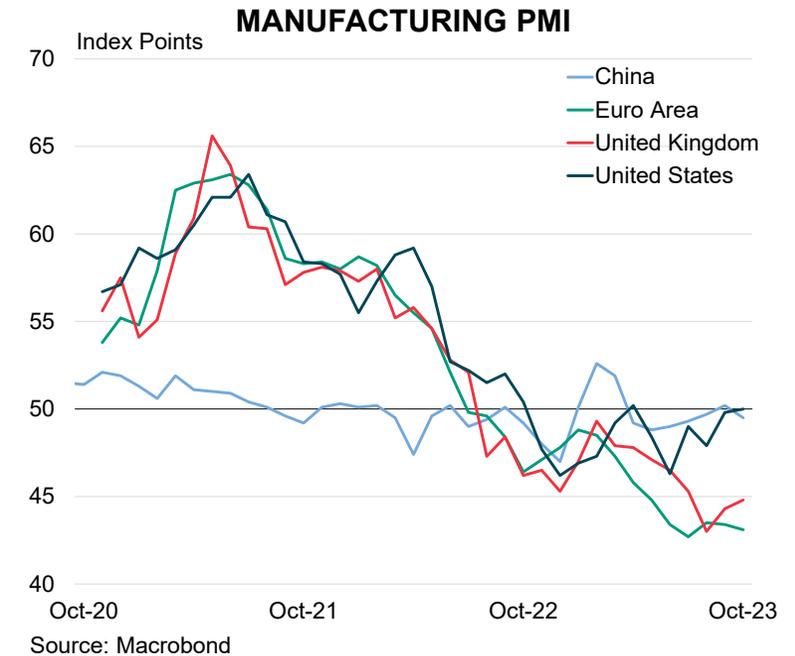
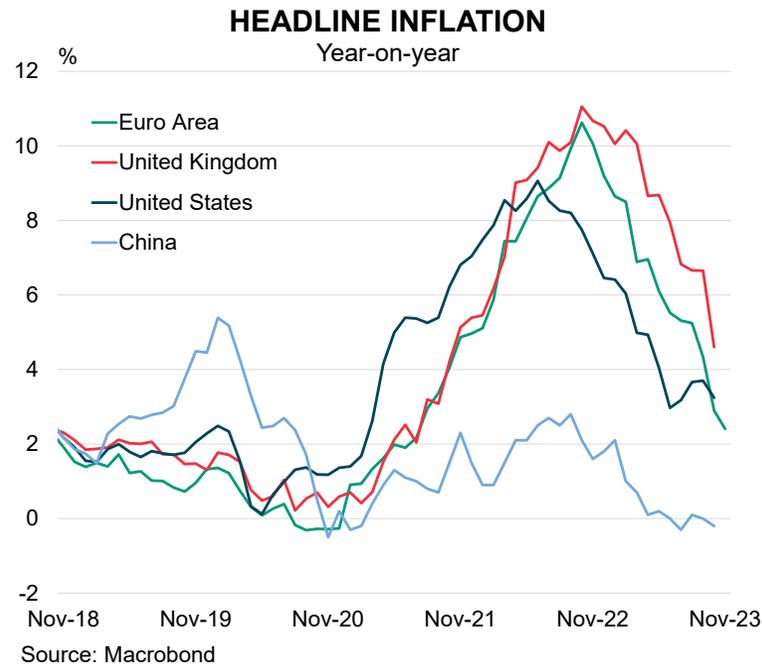
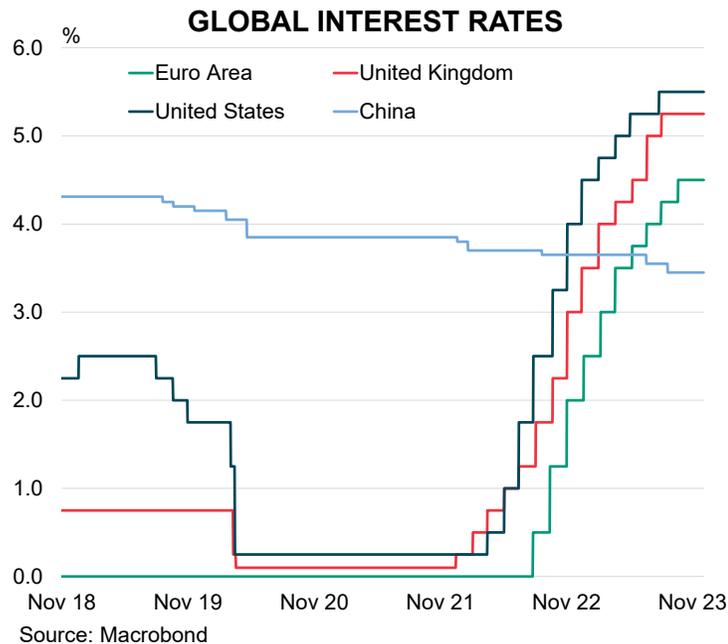
CFO Forum, December 2023



Michael Court, Deputy Under Treasurer

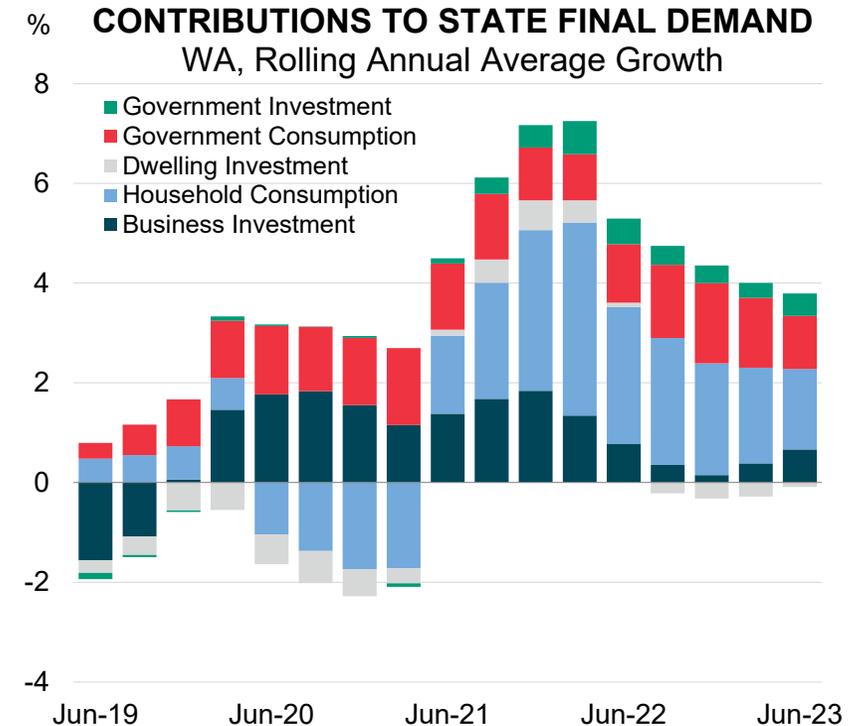
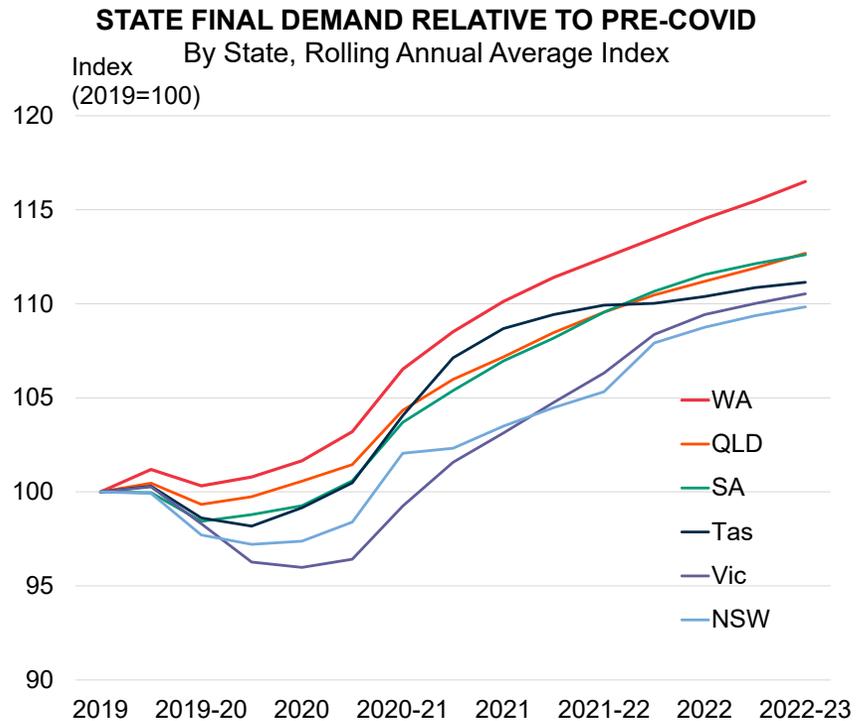
# Global economy

- Elevated interest rates across advanced economies have contributed to falls in inflation, but also appear to be dampening economic activity, particularly in the manufacturing sector
- China has been lowering interest rates to boost economic activity



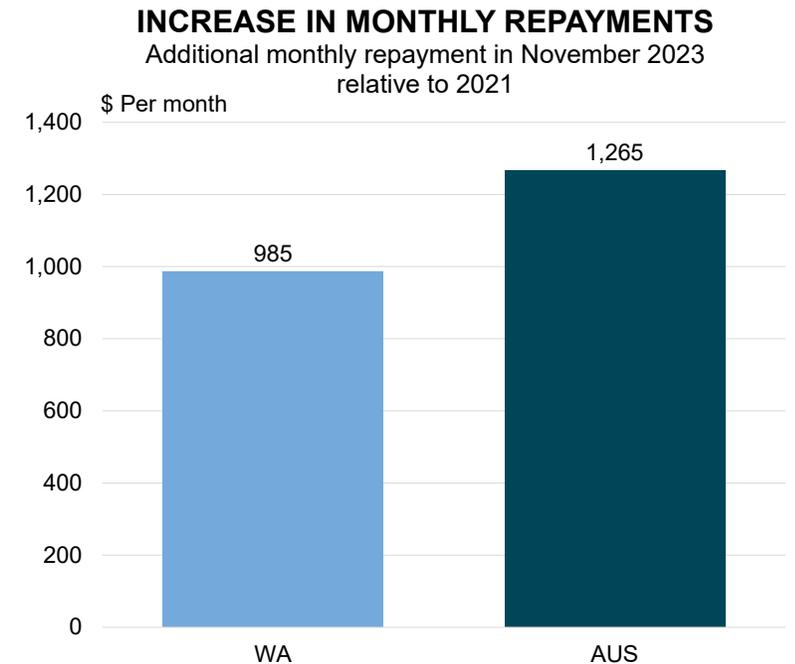
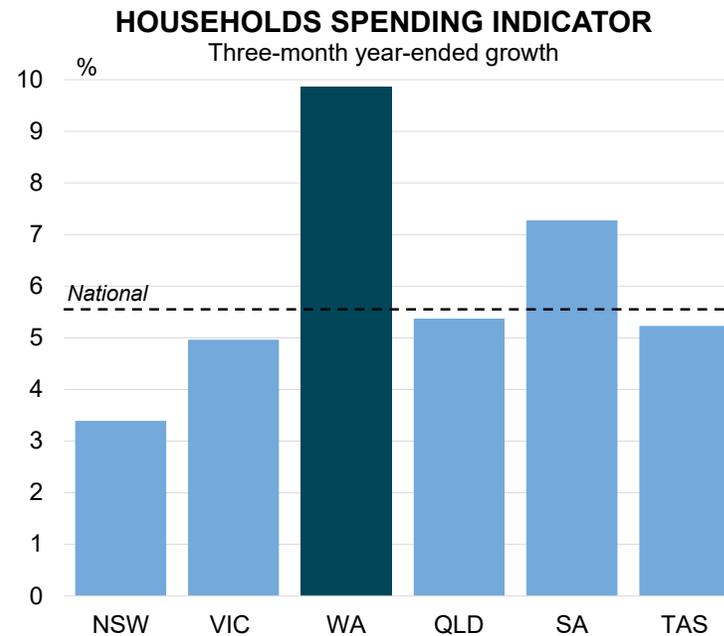
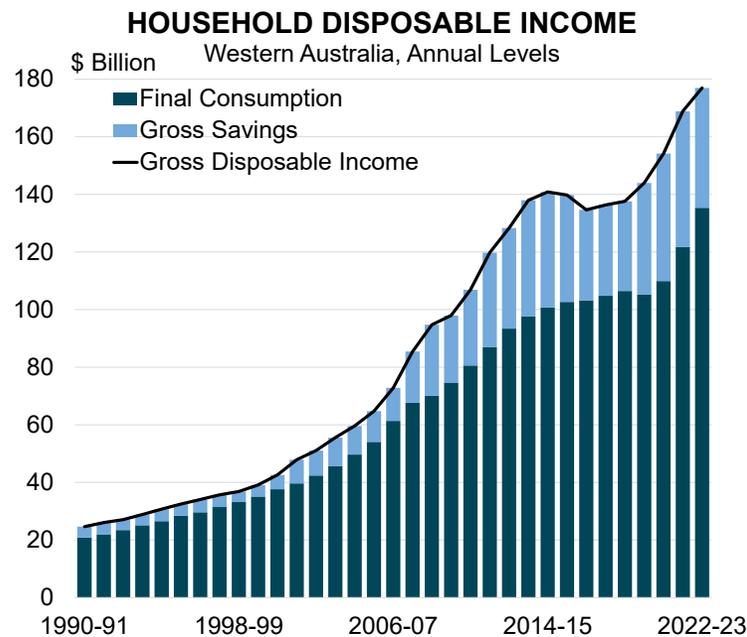
# WA economy remains strong and resilient

- WA economy grew by 3.5% in 2022-23 – the strongest rate of growth in nine years. Outpaced national growth of 3% in 2022-23
- Domestic economy grew by a stronger than expected 3.8% in 2022-23 – underpinned by solid growth in household consumption, business investment, and Government investment



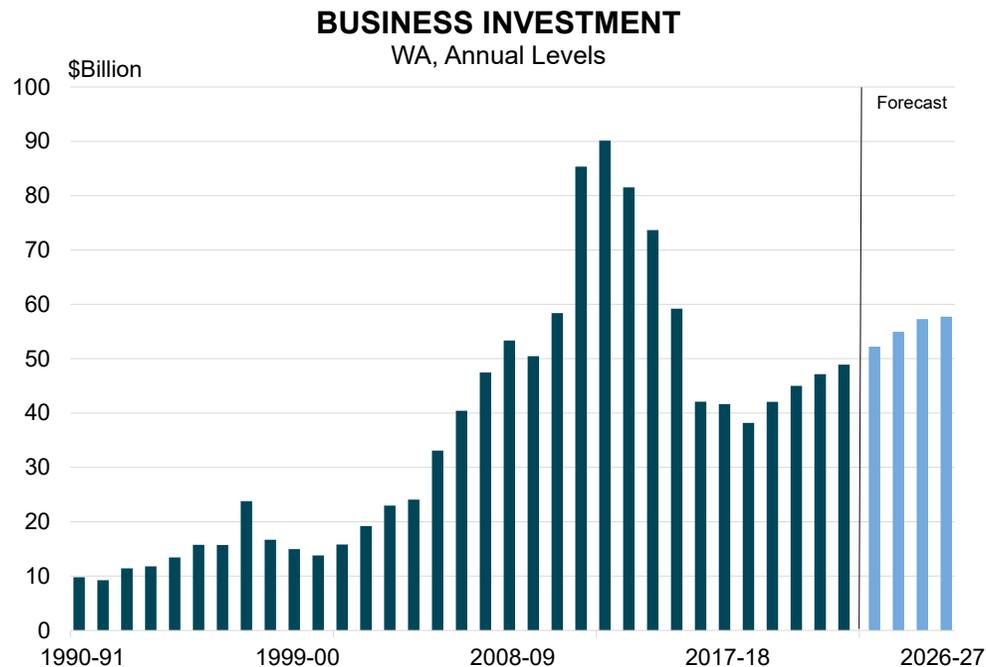
# Household consumption

- Spending has remained elevated in 2023 to date with retail sales at record levels, supported by strong incomes and savings built up during the pandemic
- However, cost of living pressures and higher interest rates have weighed on spending – in line with large increases in monthly mortgage repayments – and volumes of spending have stabilised off at high levels



# Business investment

- Activity has been slightly constrained by labour shortages, cost pressures and delays in sourcing materials with the latter improving in recent months, given an easing in supply-chain disruptions
- Over the coming years, growth is expected to be supported by a solid pipeline of work in the resources sector (across commodities), and decarbonisation spending



Select Final Investment Decisions			
Company	Project	Product	Value (\$m)
Perdaman Chemicals and Fertilisers	Burrup Urea Plant	Urea	6,400
CBH Group	Network Infrastructure and Assets	Agriculture	4,000
Mineral Resources	Onslow Iron	Iron Ore	3,000
Rio Tinto/Baowu	Western Range	Iron Ore	3,000
Albemarle	Kemerton Lithium Hydroxide Plant Expansion	Lithium Hydroxide	1,750
Oz Minerals	West Musgrave Project	Copper-Nickel	1,700
Northern Star Resources	Superpit Mill Expansion	Gold	1,500
Neoen	Collie Battery - Stage 1	Renewable Energy	675
Rio Tinto	Desalination Plant	Water Infrastructure	600
Green Square DC	Data Centre	Infrastructure	600
Pilbara Minerals	P1000 Lithium Project	Spodumene Concentrate	560
Woodside	Julimar Brunello Phase 3	LNG	500
Lynas	Mt Weld Mine Expansion	Rare Earth Minerals	500
Sheffield Resources/ Yansteel	Thunderbird Mineral Sands	Minerals	484
<b>Total</b>			<b>25,269</b>
<b>Total including other smaller projects</b>			<b>26,967</b>

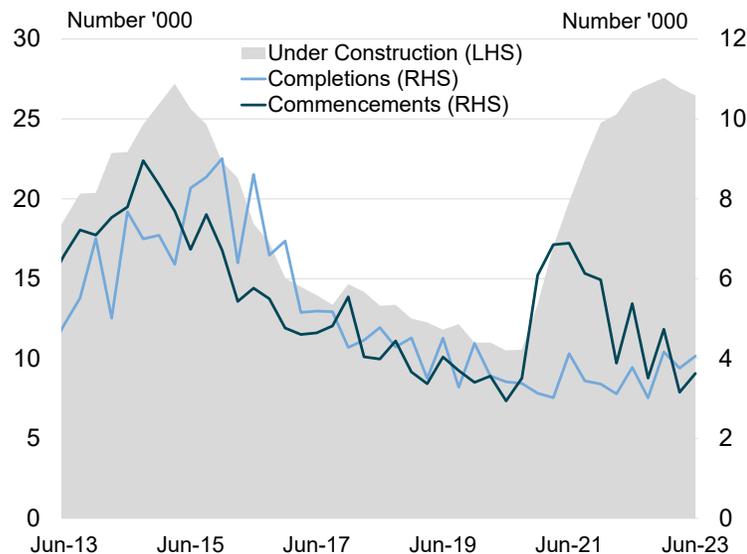
Source: Department of Treasury

Note all project values cited are based on publicly available information

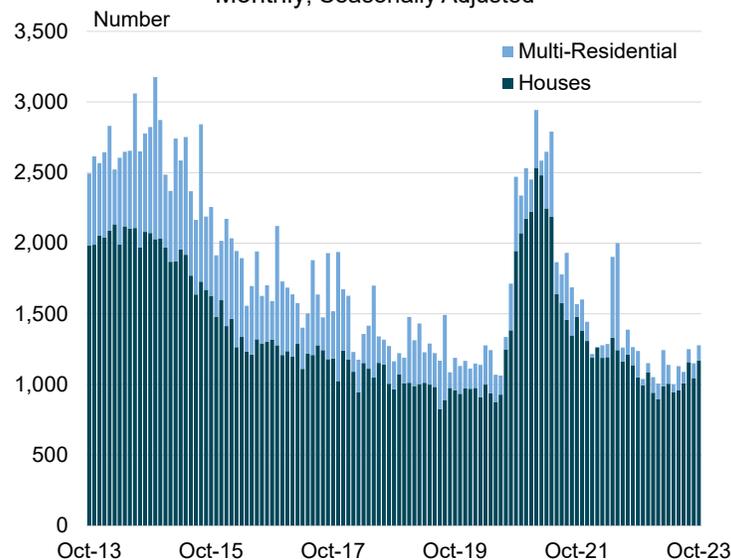
# Dwelling investment

- Labour and material shortages have resulted in a large volume of outstanding work in the pipeline, which is expected to support activity in 2023-24 and 2024-25
- Building approvals and finance for construction data suggest demand for new dwelling investment is returning, supported by strong population growth, including in the first-home owner age cohorts

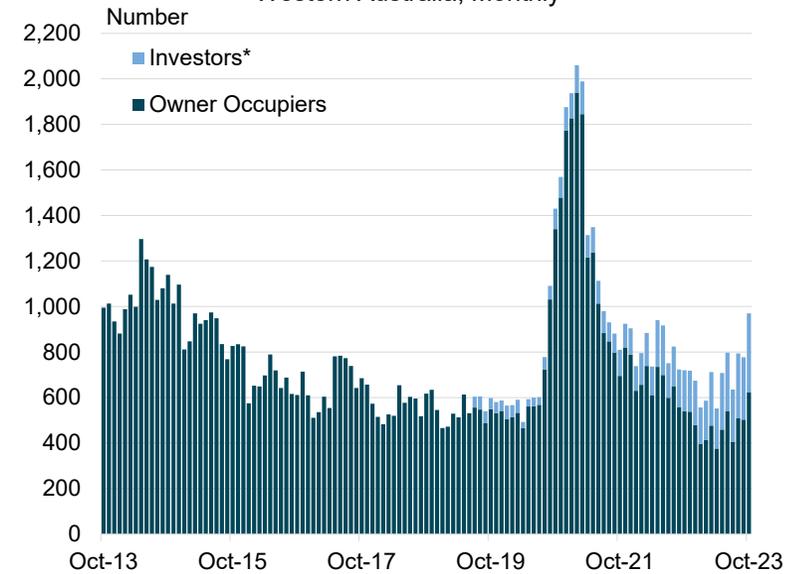
**BUILDING ACTIVITY**  
Western Australia



**TOTAL BUILDING APPROVALS**  
Monthly, Seasonally Adjusted



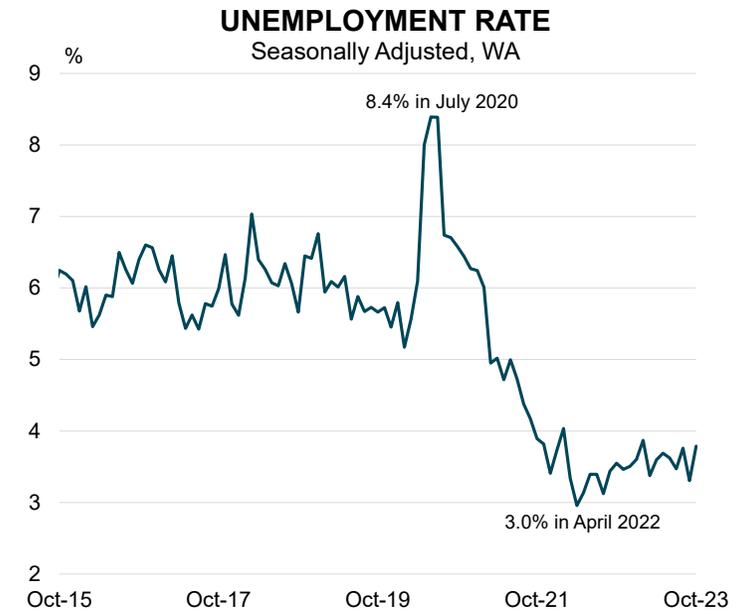
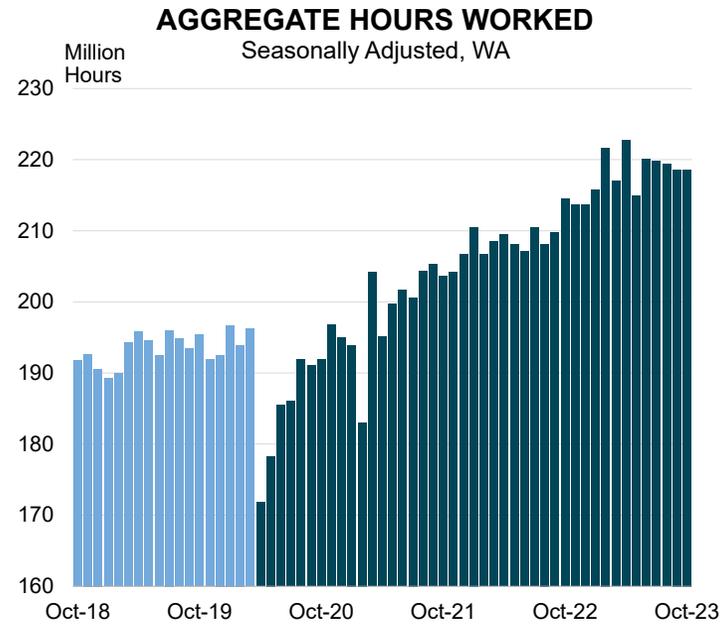
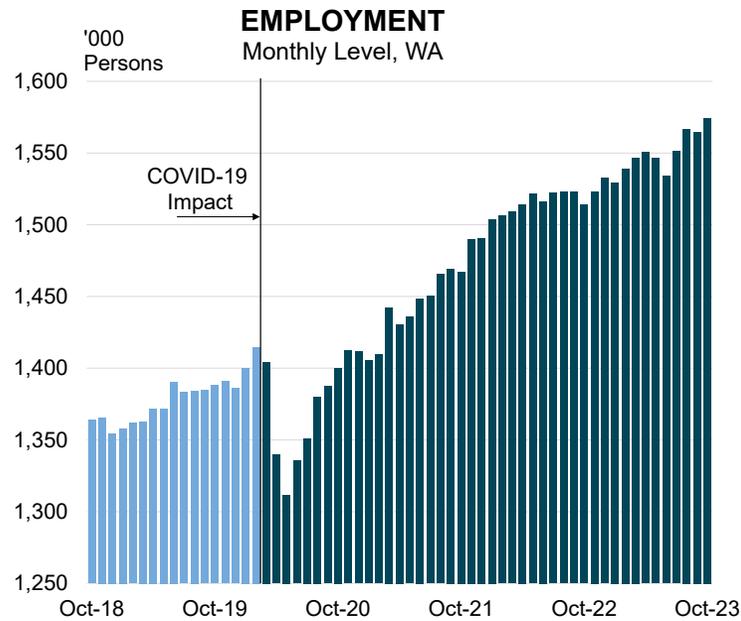
**FINANCE COMMITMENTS, CONSTRUCTION**  
Western Australia, Monthly



\*Numbers of investor loan commitments are available only from July 2019.

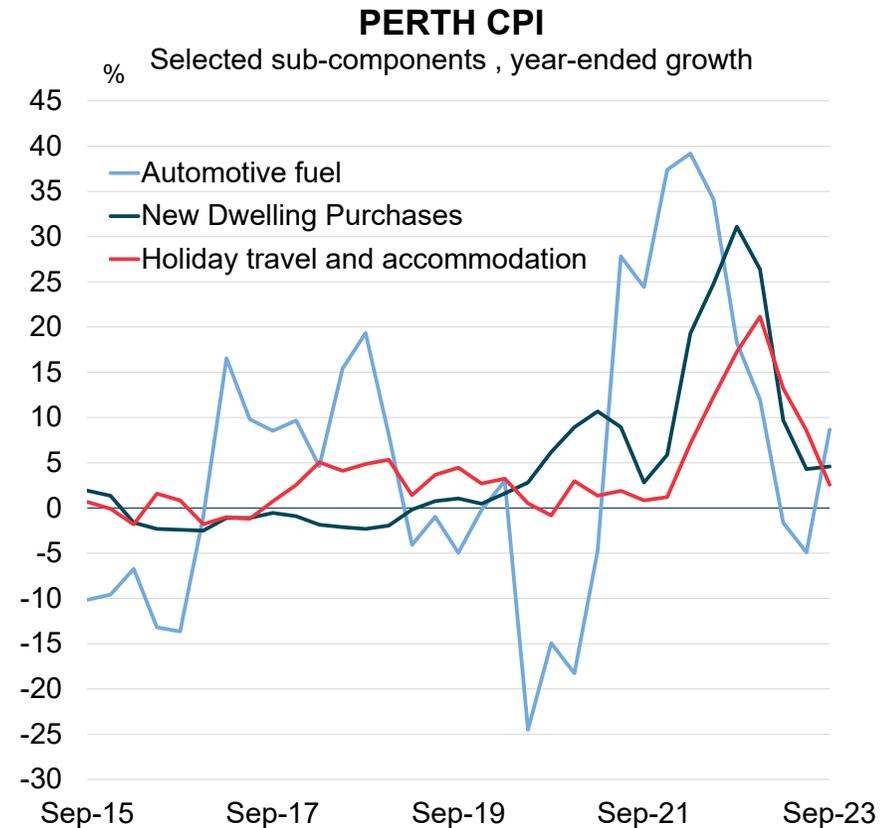
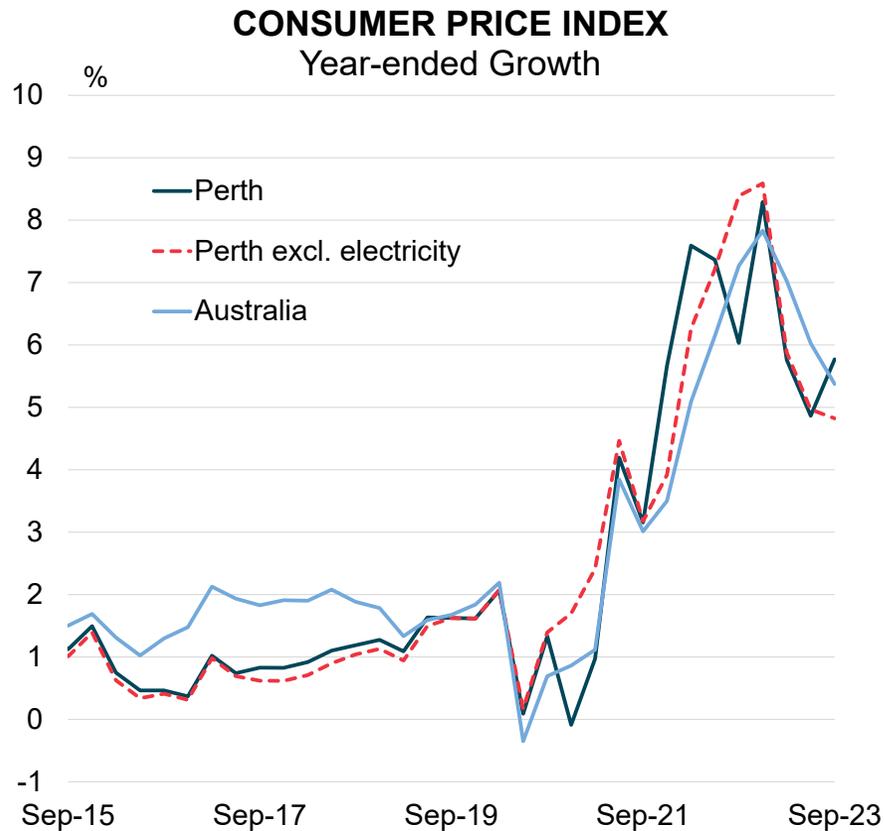
# Labour market

- Stronger population growth on the back of a strong influx of students post pandemic has flowed through to the labour market outcomes



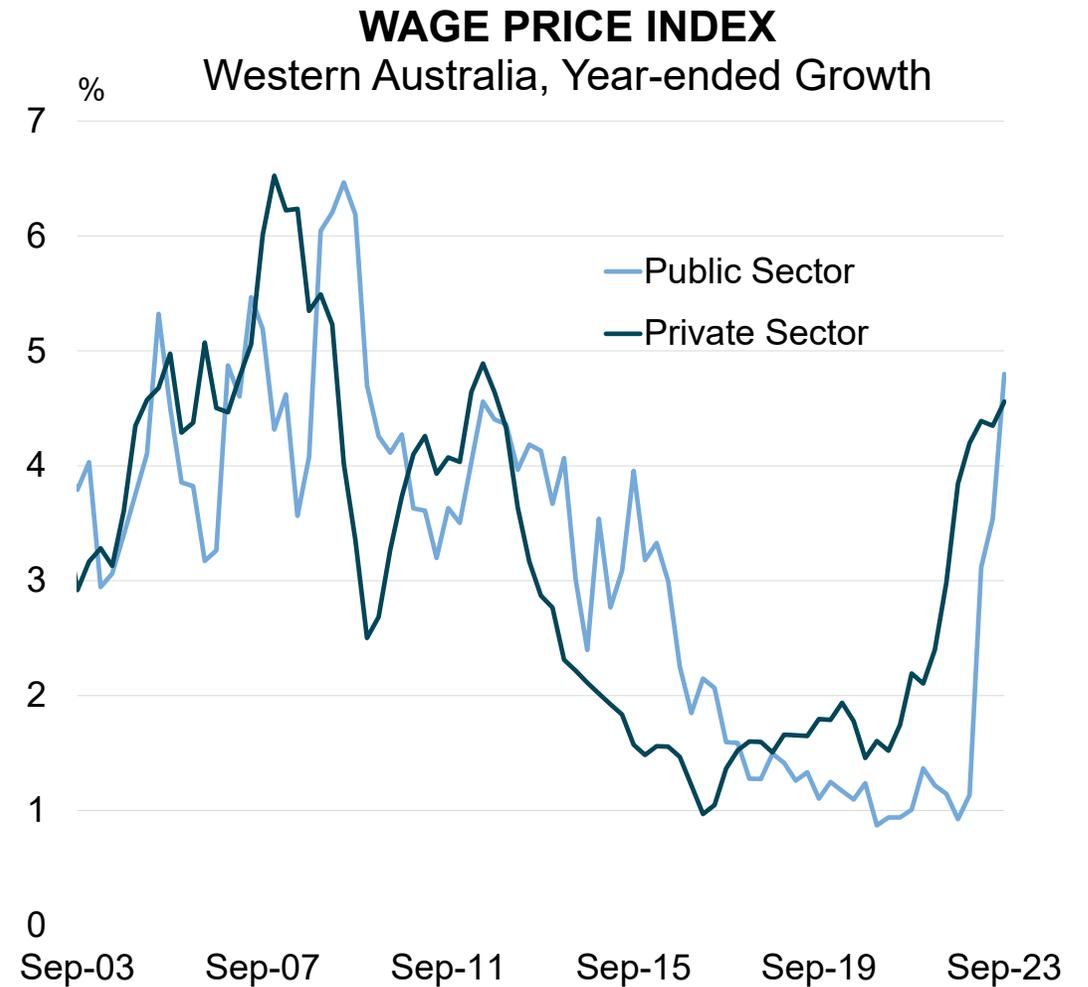
# Inflation

- Inflation in Perth has slowed sharply to become the lowest in the country, and is forecast to ease further in 2024 before returning to the RBA's target band in 2025



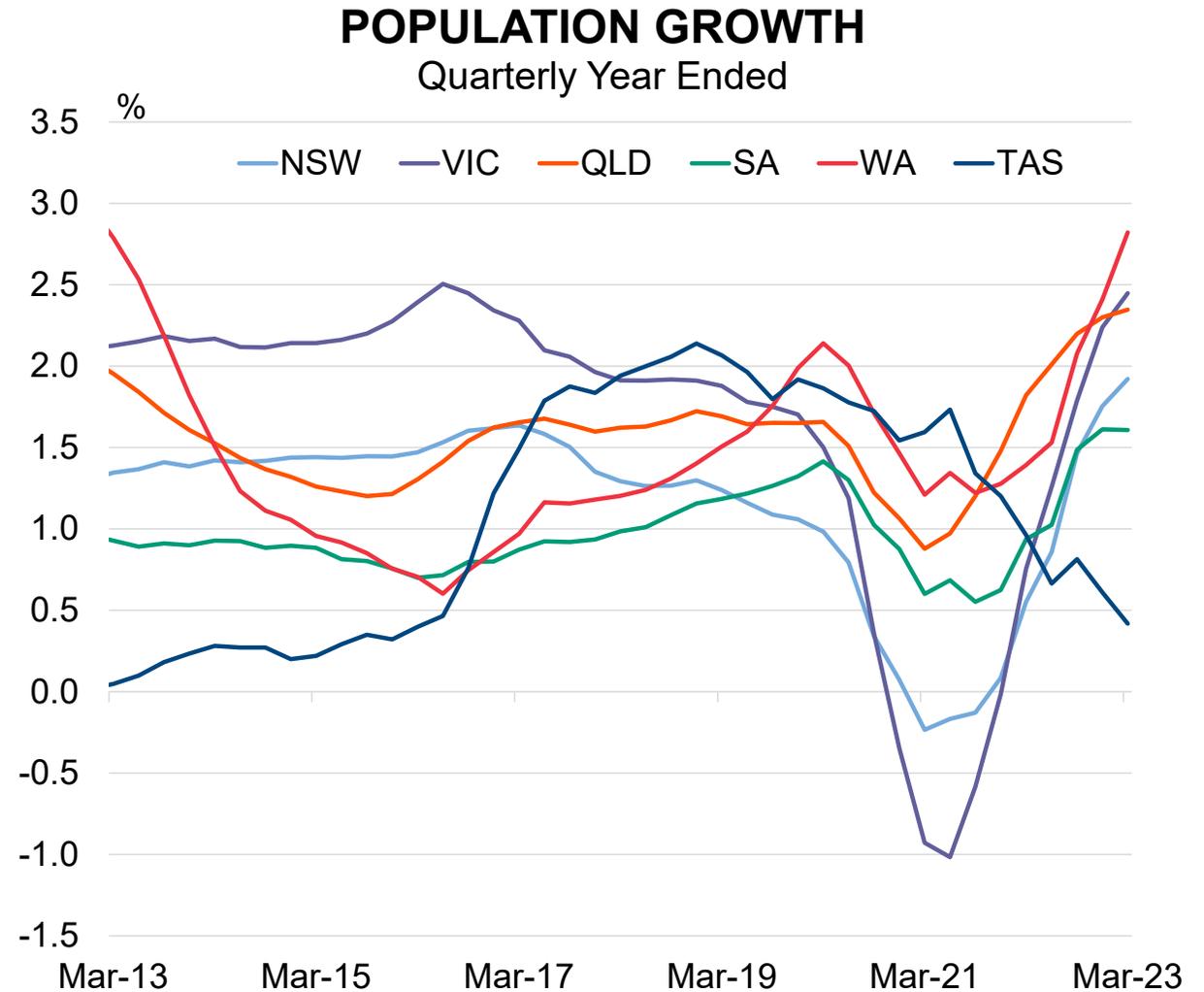
# Wage growth

- WA's Wage Price Index grew 4.6% in year-ended terms in September 2023, the highest since June 2012
- Growth in public sector wages exceeded private wages for the first time since December 2017



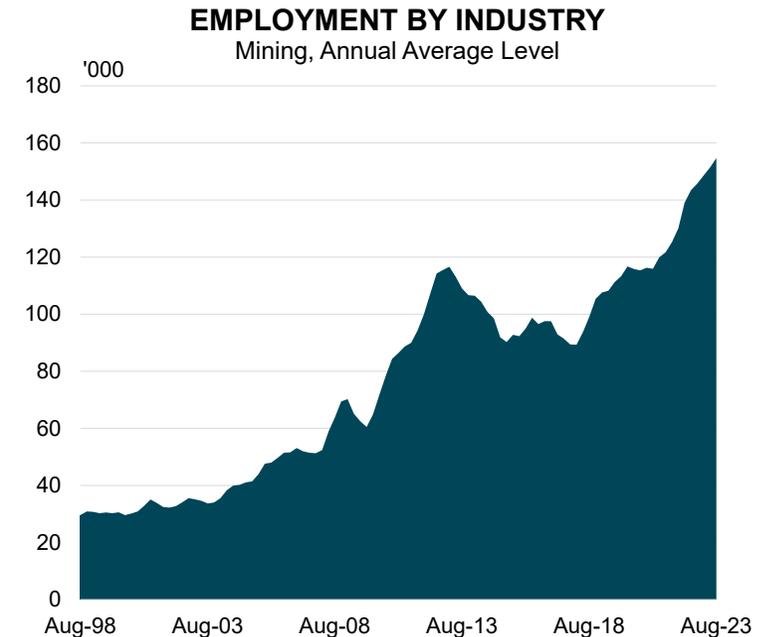
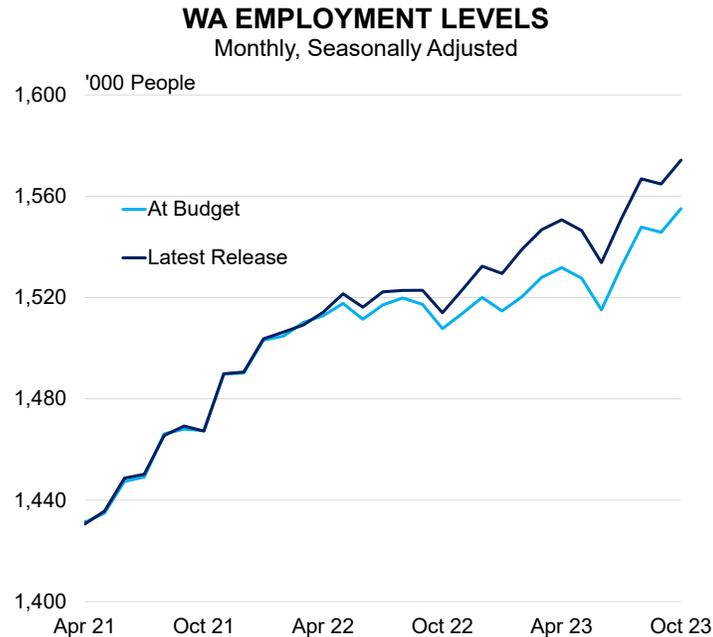
# Population growth

- Western Australia leads population growth across all States, driven by strong overseas and interstate migration



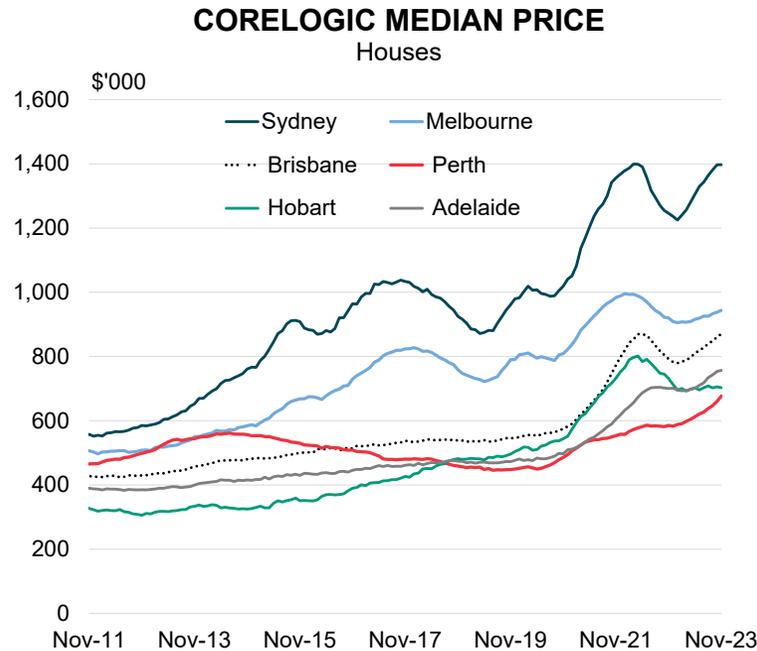
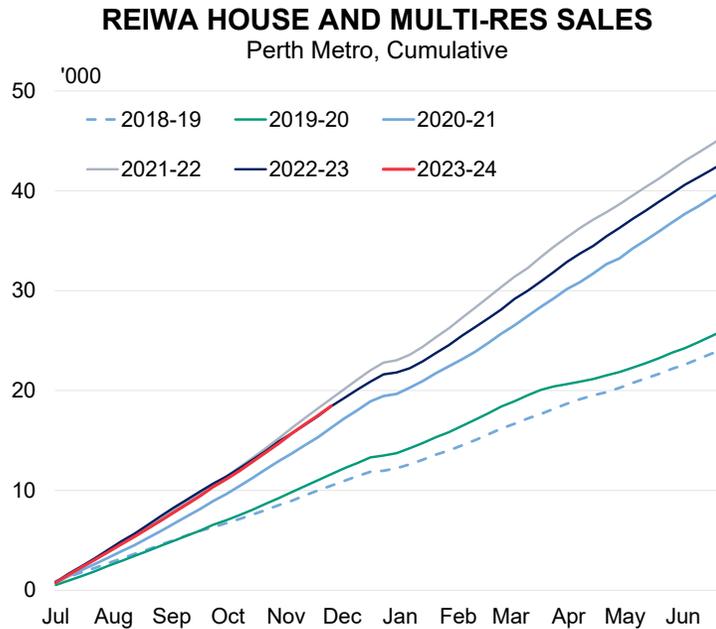
# General government revenue – Payroll tax

- The resilience of the economy, and in particular a strong resources sector, has boosted payroll tax collections in 2023-24 to date
- This present upside risk to payroll tax forecasts relative to 2023-24 Budget projections



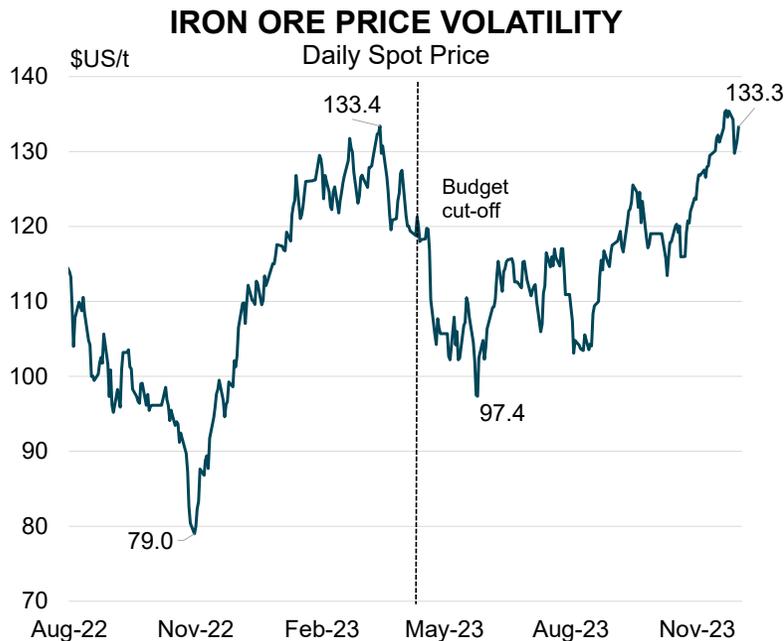
# General government revenue – Transfer duty

- Transfer duty collections stronger than expected in the year to date, reflecting elevated level of sales, including strong investor demand from eastern States

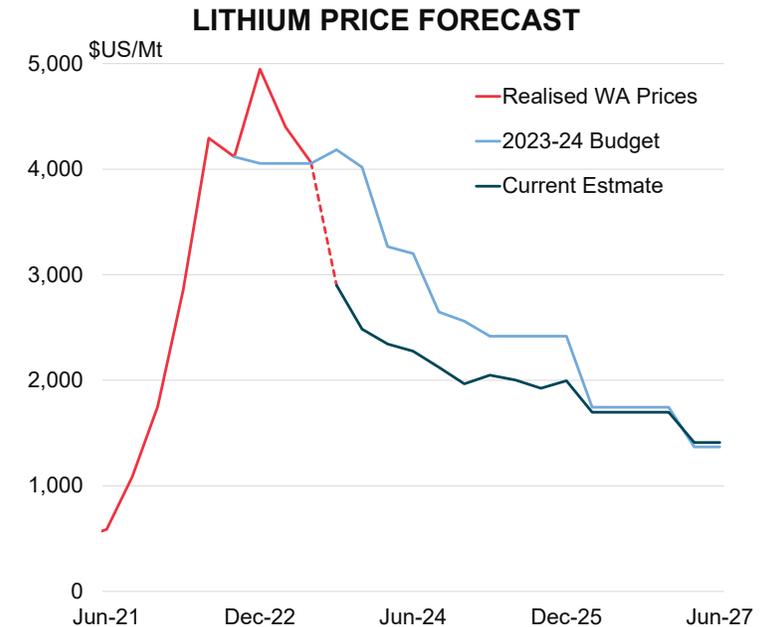
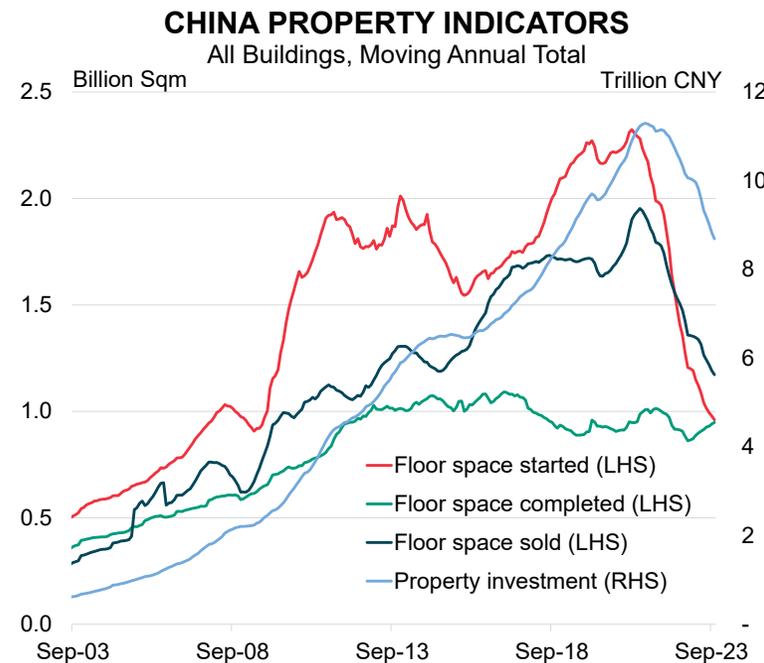


# General government revenue – Royalties

- Iron ore prices remain elevated, supported by relatively robust Chinese steel production, while lithium prices have declined from record levels as the market becomes more balanced with increasing supply
- However, there is a downside risk to Chinese demand, particularly from the property market downturn

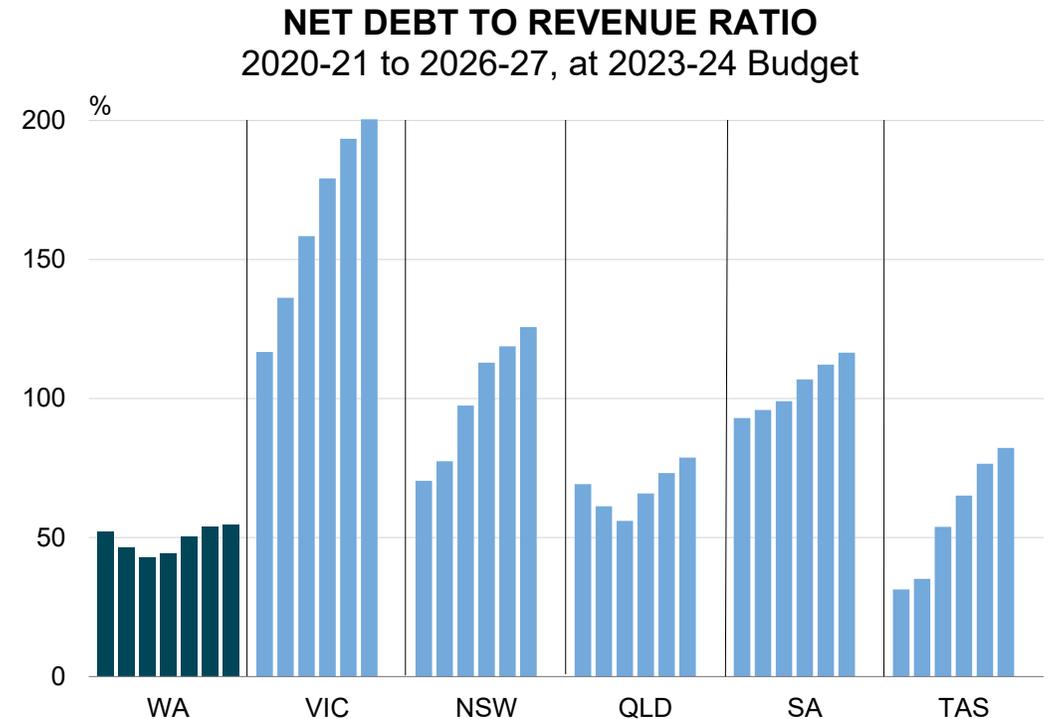
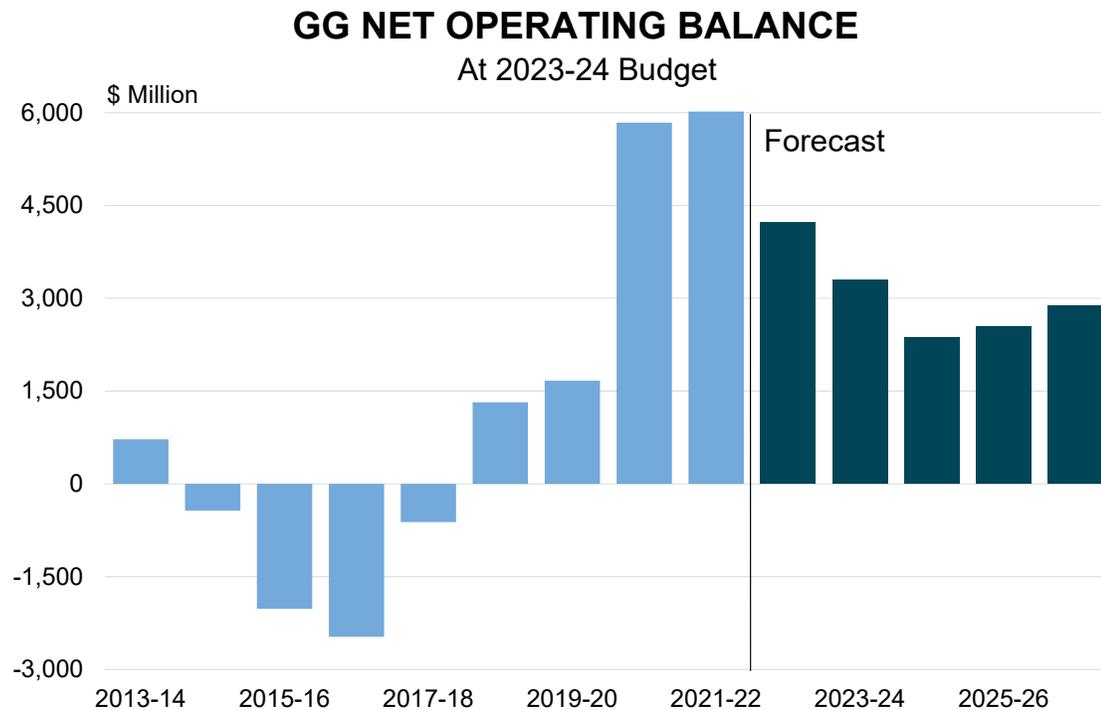


Source: Argus Media



# State finances

- Operating surpluses continuing to be used as an important non-debt source of infrastructure funding
- Western Australia is the only state or territory with AAA/Aaa credit ratings from both major ratings agencies



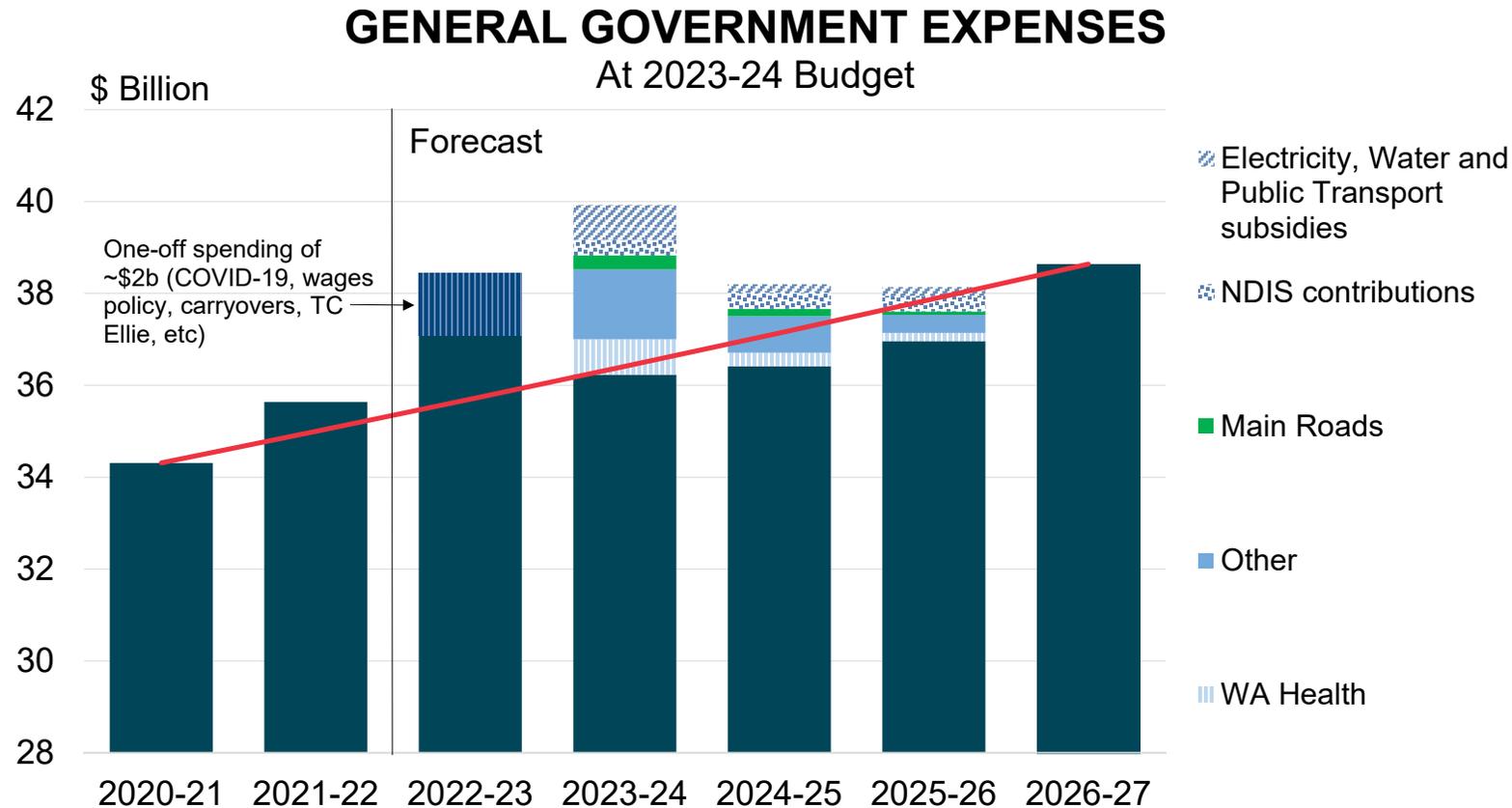
# Growth in capital and recurrent expenditure

Significant new and additional expenditure booked in recent years, including (but not limited to):

- METRONET
- Economic diversification
- Regulatory approvals
- Tourism
- Decarbonisation
- Alkimos desalination plant
- Westport
- Health infrastructure and services
- Social housing
- Out-of-home care
- Prevention of FDV
- Stolen wages settlement
- Indigenous Land Use Agreements
- Plan for our Parks

# General government expense growth

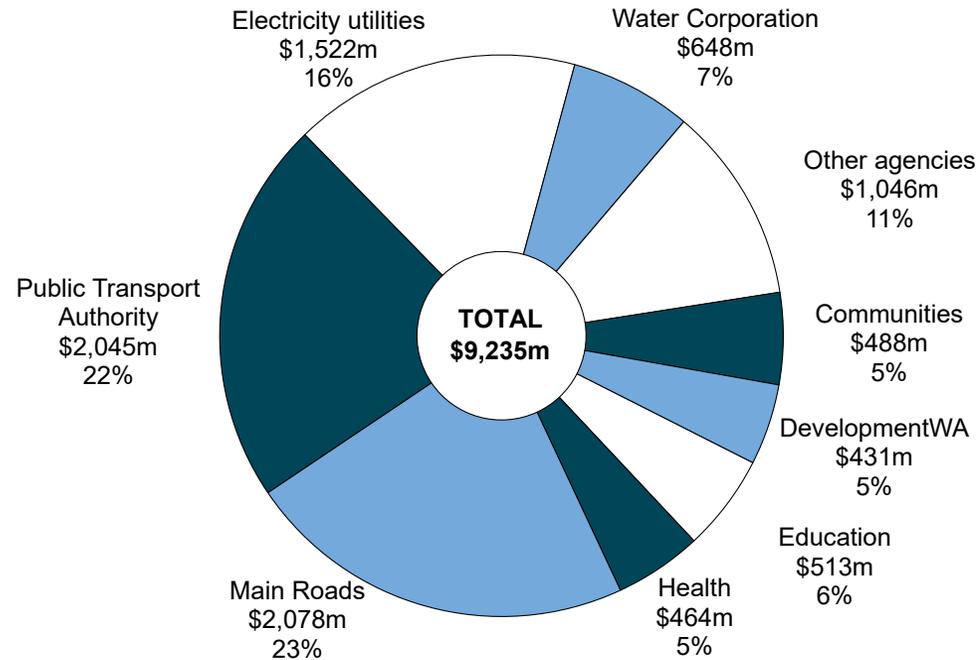
- Between 2021-22 and 2022-23, GG expenses increased by 8% (or \$2.8b)
- Forward estimates based on assumption that one-off expenditure and COVID support 'washes out'



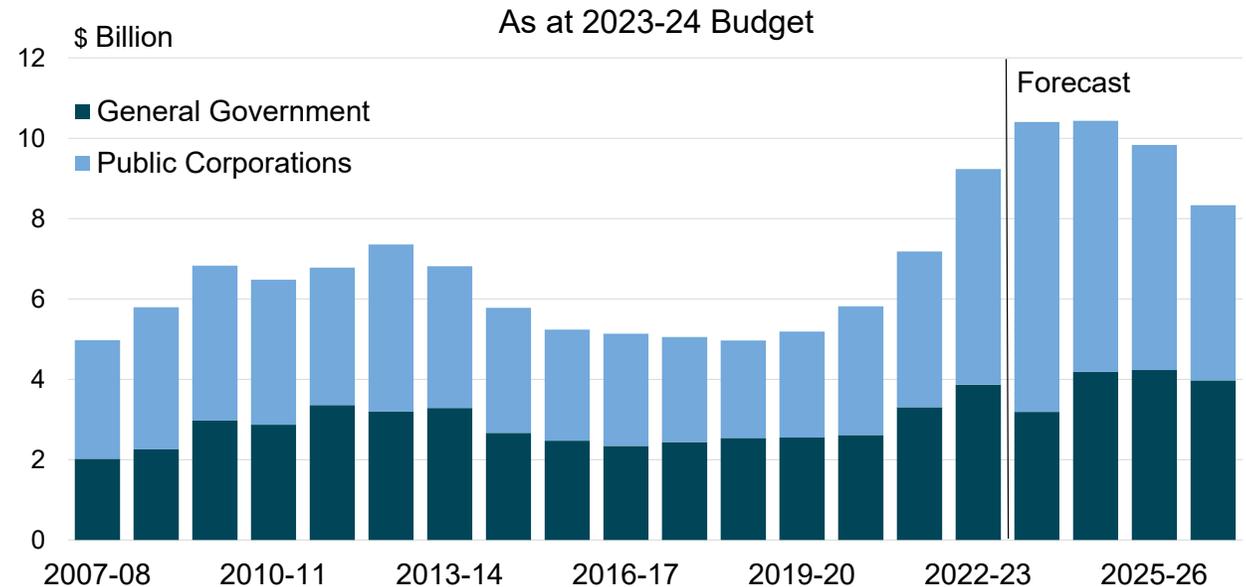
# Asset Investment Program

- Record \$9.2b investment recorded in 2022-23 – up nearly 30% on 2021-22
- Significant step up over next four years as projects move to delivery phase
- \$39b forecast across next four years at Budget, with further increases at MYR

## 2022-23 ACTUAL EXPENDITURE



## TOTAL PUBLIC SECTOR ASSET INVESTMENT



# 2024-25 Budget Process



ATTACHMENT 1

### KEY 2024-25 BUDGET SUBMISSION PROCESSES

#### SUBMISSION CRITERIA AND PROCESSES

The Treasurer will meet with Ministers to discuss Budget submissions during late January 2024 in order to identify the priority initiatives that will be considered by the Expenditure Review Committee (ERC) during the Budget process. Treasury will only undertake detailed analysis of Ministers' submissions if they are agreed by the Premier and/or Treasurer to be Government priorities. All other proposals will not be analysed by Treasury nor considered by ERC.

#### Treasurer's Delegated Authority (TDA)

Following the receipt of your Minister's submission, Treasury will identify those submissions that are routine parameter adjustments that are considered unavoidable and non-contentious and where there is agreement by Treasury with the Minister's submission.<sup>1</sup> These items will be considered under the TDA process.

#### Cost and Demand Models

Agency cost and demand models will be addressed in the Treasury bilateral paper. Agencies with cost and demand models will need to provide timely data to enable an update to models. This will include:

- current cost centre and/or Outcome Based Model (OBM) structures;
- 2022-23 General Ledger Actuals; and
- updated FTE information.

#### Asset Maintenance Fund (AMF)

AMF submissions will be collated and then assessed by the AMF Steering Committee and submitted to the Treasurer and Minister for Finance for consideration prior to being listed on an ERC agenda. See **Attachment 2** for more information.

#### Investment Program (AIP) Cost Escalation

Submissions seeking additional funding for cost escalation on existing AIP projects will be considered by ERC on a case-by-case basis. Consideration will be given to the project phase (i.e. planning, tender and delivery) and escalation marked against the relevant building cost index.

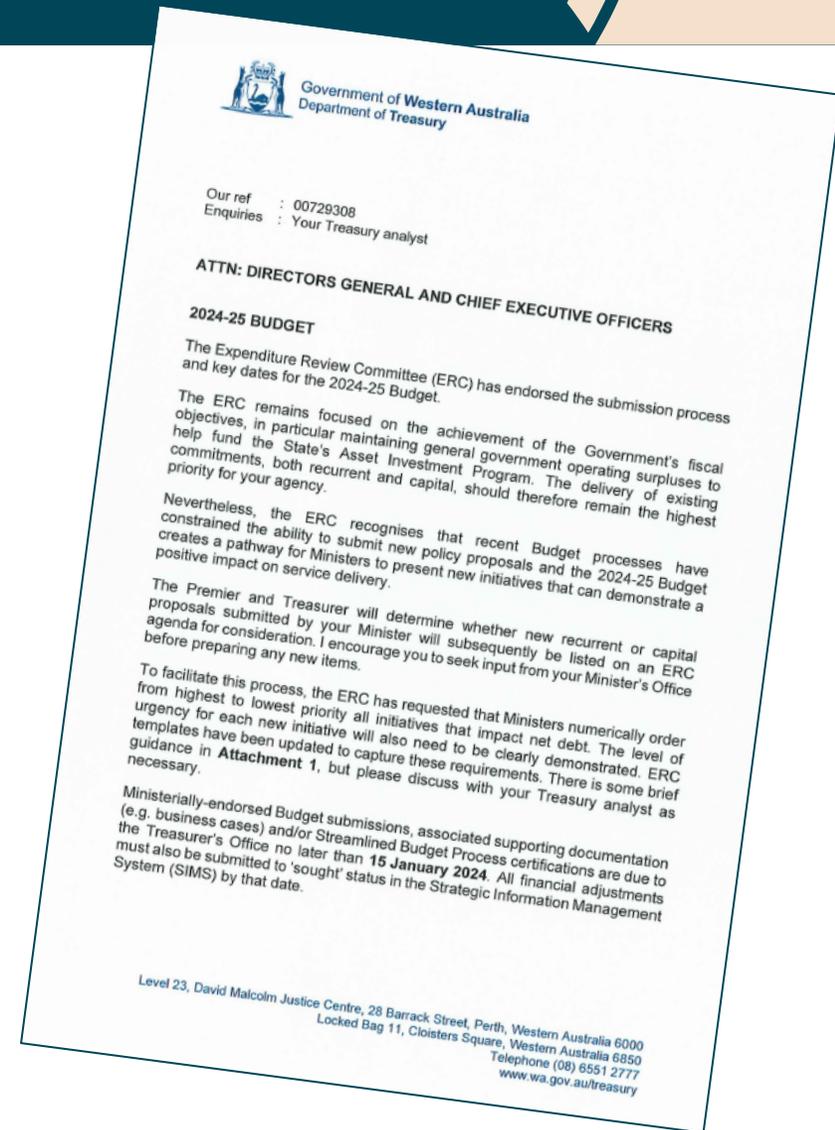
These submissions will be those that do not increase net debt or are non-cash items, as well as timing, pricing and alignment updates:

- updates to approved recurrent programs;
- updates to approved AIP projects;
- updates to household and departmental Tariffs, Fees & Charges;
- alignment of Commonwealth funding commitments; and
- updated 2023-24 Royalties for Regions cashflows.

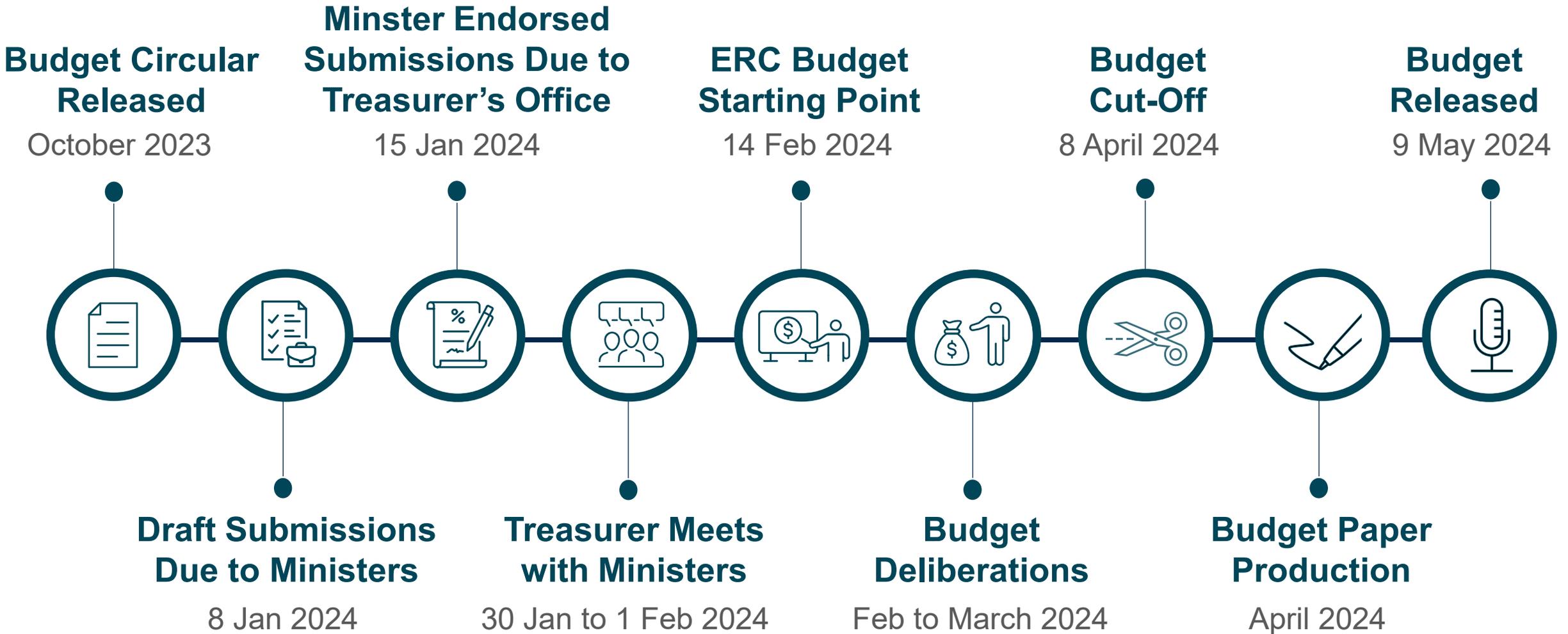
Page 1 of 8

# 2024-25 Budget – Overview

- Agencies will have received the 2024-25 Budget Circular and attachments
- Agencies are to submit Budget submissions to their Minister by 8 January 2024 for approval
- New to this Budget process are:
  - **Treasurer/Minister meetings** – to be held in late January to determine whether submissions will be listed on an ERC agenda for consideration
  - **Contents Page**  
*Prioritisation* – Ministers must numerically order from highest to lowest priority all initiatives  
*Urgency* – will need to be clearly demonstrated



# 2024-25 Budget process – Timetable



# ERC submission – Template

- The ERC Handbook has been updated to include a new ERC submission template
- Template needs to be completed for each initiative – consolidation all impacts signed by CFO, DG and Minister
- Overarching cover page
- ERC Submission changes include:
  - Summary of submissions and contents pages;
  - Contents page to priority order and justify urgency of submissions;
  - Agency delivery performance; and
  - Aboriginal expenditure.

**ERC SUBMISSION TEMPLATE**

MINISTER FOR **PORTFOLIO**

SUBMITS TO

**TREASURER AND CHAIR, EXPENDITURE REVIEW COMMITTEE**

*Please provide the following information for each initiative submitted:*

<b>Title:</b>															
<b>Agency Name:</b>															
<b>Portfolio:</b>															
<b>Priority:</b>	<i>Item X of X (this should relate to the table of contents priority numbering)</i>														
<b>Type of Submission:</b>	<table border="0"><tr><td><input type="checkbox"/> New Recurrent</td><td><input type="checkbox"/> Carryover (Recurrent)</td></tr><tr><td><input type="checkbox"/> New Capital</td><td><input type="checkbox"/> Carryover (Capital)</td></tr><tr><td><input type="checkbox"/> Election Commitment</td><td><input type="checkbox"/> Recurrent Cost Pressure</td></tr><tr><td><input type="checkbox"/> Cabinet/ERC Report Back</td><td><input type="checkbox"/> Capital Cost Pressure</td></tr><tr><td><input type="checkbox"/> Digital Capability Fund</td><td><input type="checkbox"/> Other Parameter</td></tr><tr><td><input type="checkbox"/> Asset Maintenance Fund</td><td><input type="checkbox"/> Other (Please list)</td></tr><tr><td><input type="checkbox"/> Aboriginal Expenditure</td><td></td></tr></table>	<input type="checkbox"/> New Recurrent	<input type="checkbox"/> Carryover (Recurrent)	<input type="checkbox"/> New Capital	<input type="checkbox"/> Carryover (Capital)	<input type="checkbox"/> Election Commitment	<input type="checkbox"/> Recurrent Cost Pressure	<input type="checkbox"/> Cabinet/ERC Report Back	<input type="checkbox"/> Capital Cost Pressure	<input type="checkbox"/> Digital Capability Fund	<input type="checkbox"/> Other Parameter	<input type="checkbox"/> Asset Maintenance Fund	<input type="checkbox"/> Other (Please list)	<input type="checkbox"/> Aboriginal Expenditure	
<input type="checkbox"/> New Recurrent	<input type="checkbox"/> Carryover (Recurrent)														
<input type="checkbox"/> New Capital	<input type="checkbox"/> Carryover (Capital)														
<input type="checkbox"/> Election Commitment	<input type="checkbox"/> Recurrent Cost Pressure														
<input type="checkbox"/> Cabinet/ERC Report Back	<input type="checkbox"/> Capital Cost Pressure														
<input type="checkbox"/> Digital Capability Fund	<input type="checkbox"/> Other Parameter														
<input type="checkbox"/> Asset Maintenance Fund	<input type="checkbox"/> Other (Please list)														
<input type="checkbox"/> Aboriginal Expenditure															
<b>SIMS Adjustment IDs:</b>															

**URGENCY**  
*The level of urgency needs to be clearly demonstrated.*

**AGENCY DELIVERY PERFORMANCE**  
*Summary of the agency's view on its capacity to deliver on existing commitments, [e.g. on track/delayed and cost pressures, etc.] related to the project. In addition address your agency's recent history (between current and prior financial year) of recurrent or capital carryovers (noting unaddressed carryovers may demonstrate to ERC a failure to deliver existing commitments). Please highlight election commitments that are included in your summarised carryover information.*

**ELECTION COMMITMENTS**  
Does this submission concern the implementation of a 2021 election commitment?

<input type="checkbox"/> Yes <i>[which election commitment? Provide the title of the election commitment.]</i>
<input type="checkbox"/> No

# ERC submission – Contents page

- Level of urgency for each new initiative needs to be **clearly demonstrated**
- It is critical that agencies work with their respective Treasury Analyst during this process
- There is short turnaround times prior to Ministerial meetings

**AGENCY SUBMISSION CONTENTS PAGE**  
*DN: Please complete the following table. If more than one initiative is being put forward for consideration, please list these in order of priority.*

Priority Order #	Submission Type <sup>(a)</sup>	Issue Title	Brief Description	Justification of Urgency	Net Debt Impact across the Forward Estimates (\$'000)	p Nu
1	Choose an item.					
2	Choose an item.					
3	Choose an item.					
4	Choose an item.					
5	Choose an item.					
6	Choose an item.					
7	Choose an item.					
8	Choose an item.					
9	Choose an item.					
10	Choose an item.					
11	Choose an item.					
12	Choose an item.					
13	Choose an item.					
14	Choose an item.					
15	Choose an item.					
16	Choose an item.					
17	Choose an item.					
18	Choose an item.					
19	Choose an item.					
20	Choose an item.					

(a) Use the built-in dropdown list to indicate the type of submission. If more than one type applies, please manually type these in using the list as a guide. Note that this should match the boxes ticked Submission Template.

# Budget Paper 2 – Significant Issues

- **Significant Issues** section must be linked to initiatives detailed in the **Spending Changes** table
  - Spending decisions should be in response to an identified issue or Government election commitment
- Further information will be included in the *Guidelines to the 2024-25 Budget Papers* which will be sent out later in the Budget process

## Significant Issues Impacting the Agency

1. The small business sector in Western Australia comprises 97% of all businesses, with almost 235,000 GST-registered businesses, and thousands more that are not captured in the Australian Bureau of Statistics data. In Western Australia the small business sector employs more than 460,000 people and generates in excess of \$54 billion in gross value added to the Western Australian economy. The Corporation plays an important role in ensuring that the voices and requirements of Western Australian Small and Medium Enterprises (SMEs) are understood and considered by government agencies and industry groups.
2. The delivery of business advisory and skill development services assists business owners to improve their business acumen and resilience. While 75% of small businesses in Western Australia are located in the metropolitan area, the Corporation provides services across all of Western Australia. Through the Business Outreach Program, the Corporation provides important on-the-ground business advisory services to SMEs in ways that best suit the needs of their local small business communities and expertise.

## Spending Changes

Recurrent spending changes, other than cashflow timing changes and non-discretionary accounting adjustments, impacting on the Corporation's Income Statement since presentation of the 2022-23 Budget to Parliament on 12 May 2022, are outlined below:

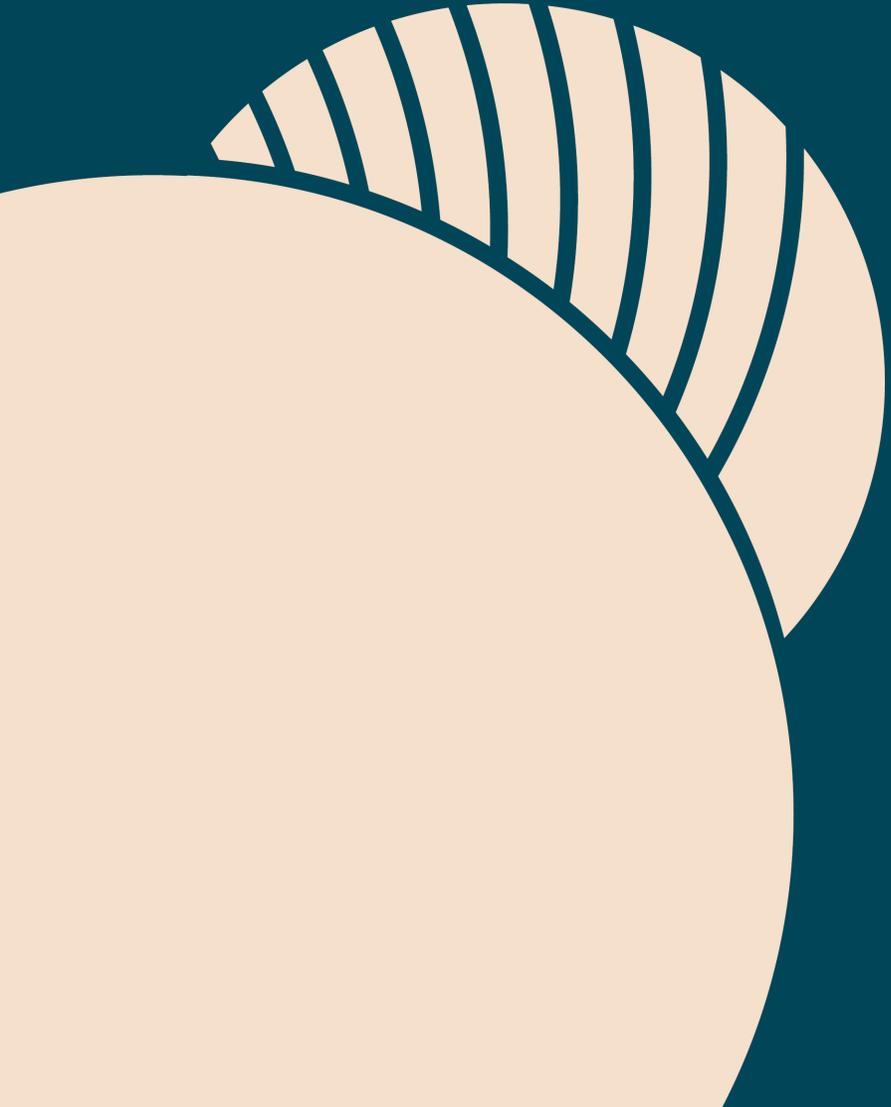
	2022-23 Estimated Actual \$'000	2023-24 Budget Year \$'000	2024-25 Outyear \$'000	2025-26 Outyear \$'000	2026-27 Outyear \$'000
<b>New Initiatives</b>					
Digital Capability Fund - ServiceWA for Business .....	-	523	531	-	-
Government Grant Management Solution .....	-	677	-	-	-
<b>Other</b>					
COVID-19 Grants Administration .....	1,429	-	-	-	-
Public Sector Wages Policy .....	400	345	458	573	229
Salaries and Allowances Tribunal .....	21	21	27	34	36
State Fleet Policy and Procurement Initiatives .....	3	3	2	3	3

# BTM (SIMS) Upgrade Project



# BTM (SIMS) upgrade project

- Project scope is to upgrade the Budget Tracking Module (BTM) in SIMS to a newer platform offering faster adjustment submission process within SIMS
- Development of new base adjustment screens is completed, with these demonstrated in an agency showcase seeking feedback yesterday
- **Next Steps**
  - Improvements to increase productivity will be added based on agency feedback
  - Agency users 'play sessions' in February for further feedback
- To get involved email the [sims.helpdesk@treasury.wa.gov.au](mailto:sims.helpdesk@treasury.wa.gov.au) using subject line *BTM Upgrade*
- Target implementation date for *Release 1* is August 2024



**Thank you**

# Financial Audit Results – State Sector 2022-23

Grant Robinson

Assistant Auditor General Financial Audit



Office of the Auditor General  
Serving the Public Interest

# Draft Audit Results State Entities 2022-23

**EMBARGOED**

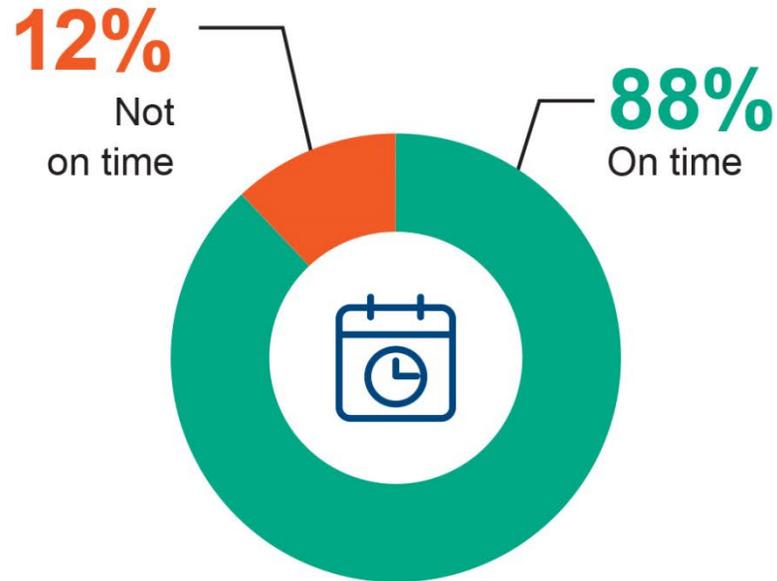


# Draft Audit Results State Entities 2022-23

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

# 2022-23 financial audits at a glance

## Auditing State government



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



**130** State government entities



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



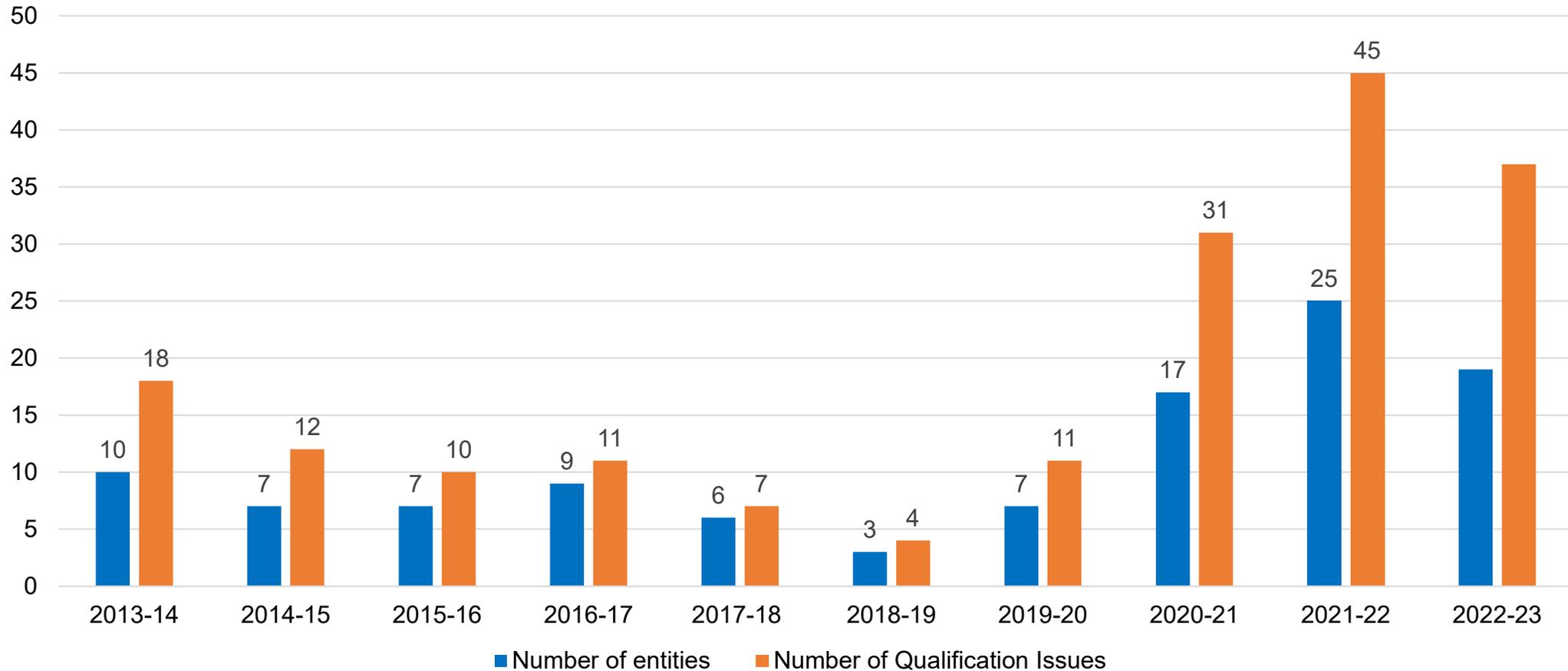
Fewer qualifications matters



across fewer entities for 2022-23



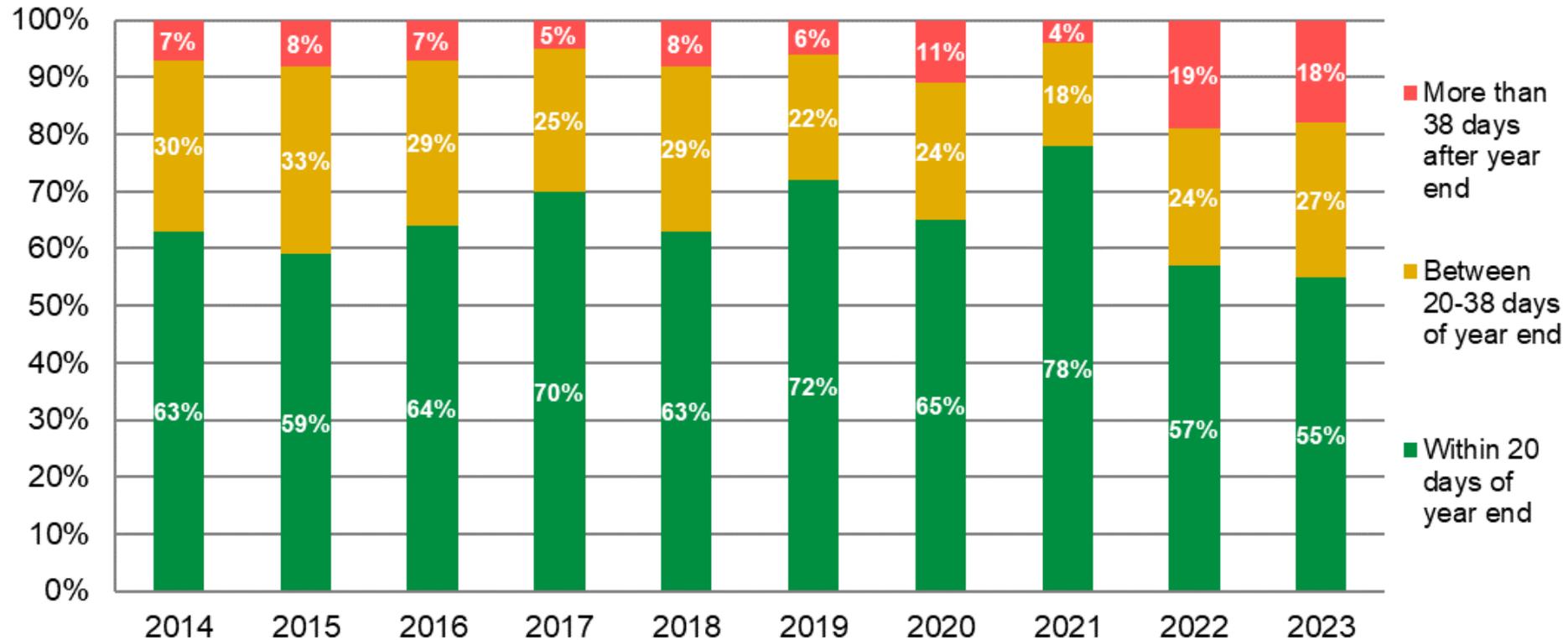
# Qualifications for 2022-23



# Other disclosures in the financial statements

- Matters of significance
  - exemption from the Under Treasurer for reporting certain KPI's
- Emphasis of Matter paragraphs. Some examples:
  - restatements for prior period errors
  - impairments, subsequent events etc.

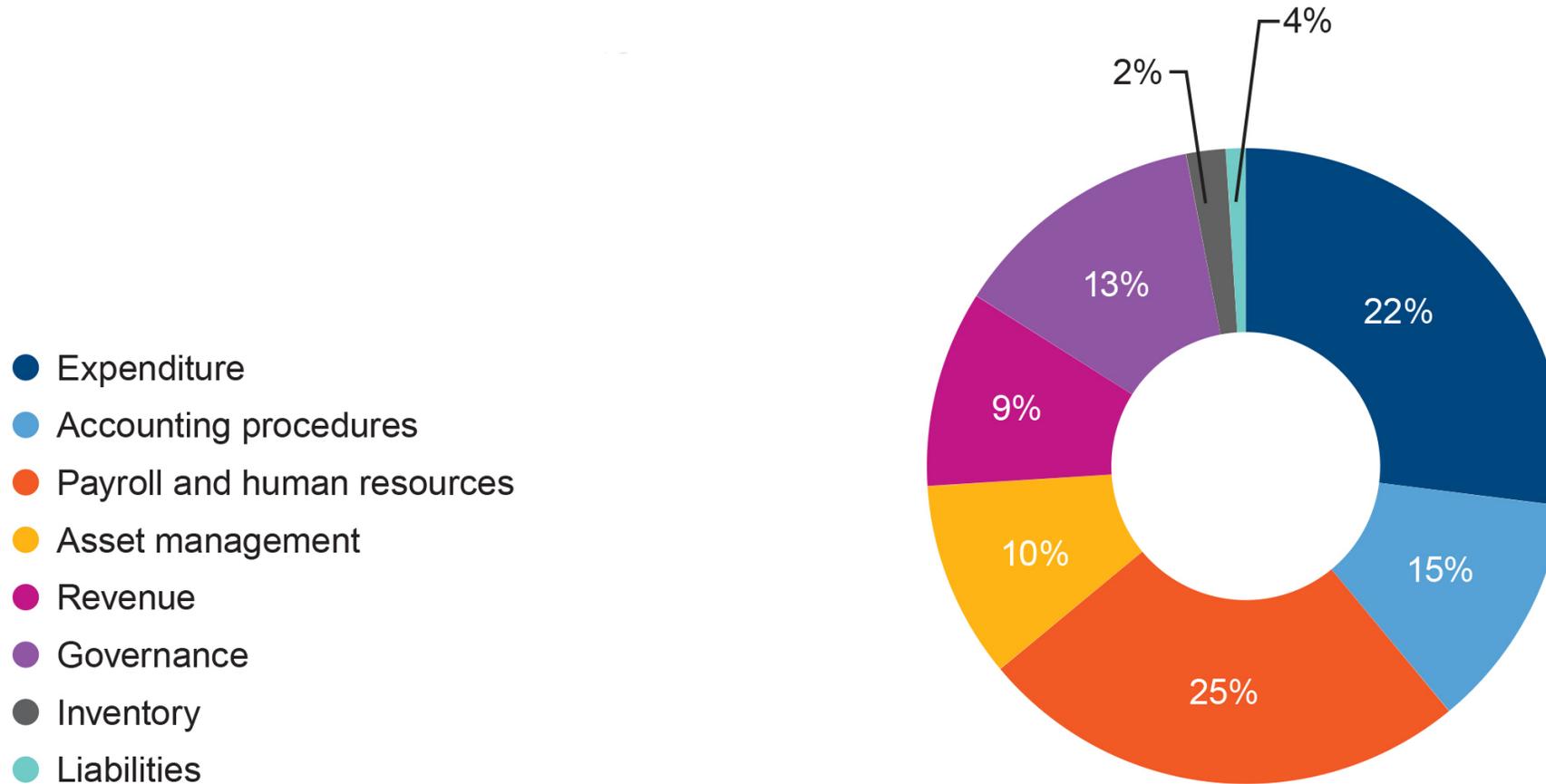
# Audit readiness and timeliness



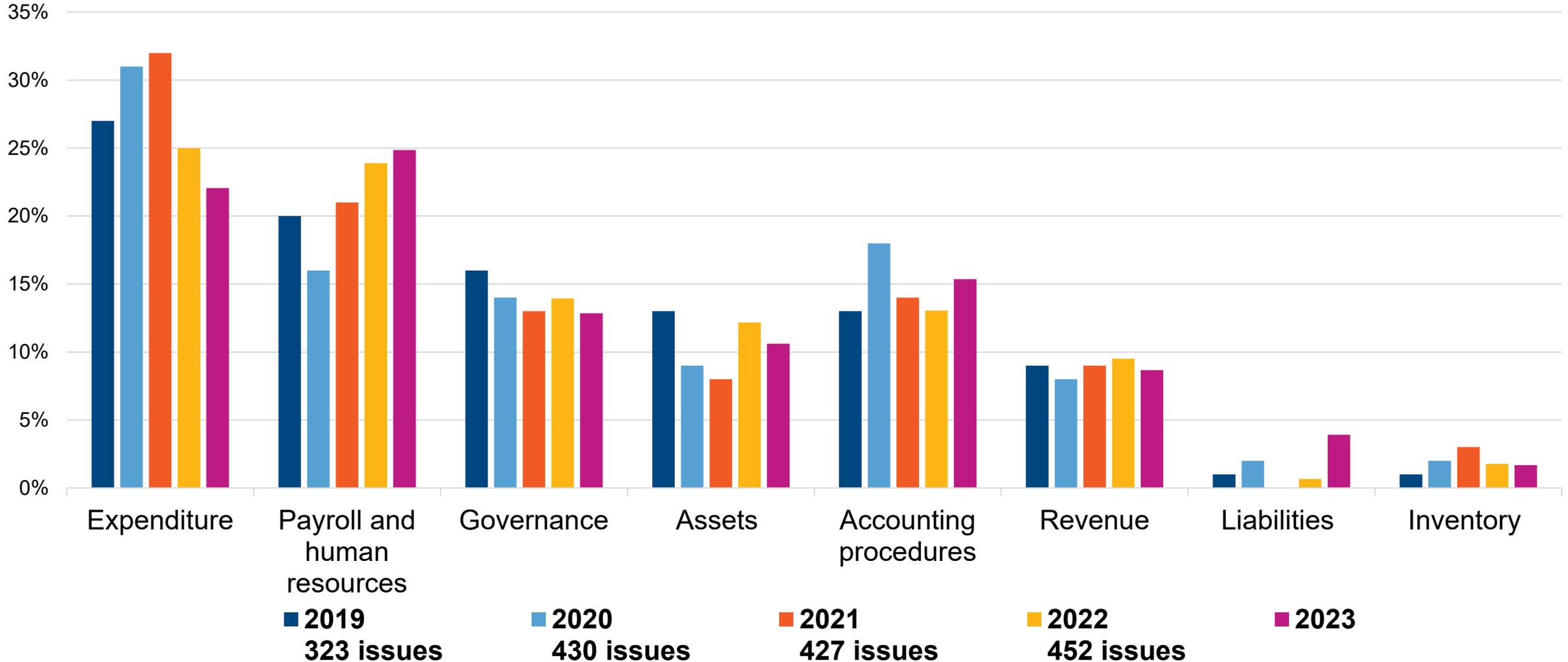
# Errors identified by OAG

Value	Adjusted Number 2021-22	Nominal value	Unadjusted Number 2021-22	Nominal value
Less than \$250,000	42	\$2,959,397	32	\$3,200,616
\$250,000 to \$500,000	11	\$4,000,023	14	\$5,063,431
\$500,000 to \$1 million	14	\$9,949,536	17	\$13,084,206
\$1 million to \$5 million	42	\$102,037,081	25	\$65,602,478
\$5 million to \$15 million	18	\$161,055,022	10	\$95,131,000
\$15 million to \$30 million	3	\$52,176,068	2	\$42,506,000
\$30 million to \$50 million	2	\$65,033,000	2	\$90,333,000
\$50 million and greater	5	\$1,449,664,000	3	\$619,700,000
<b>Total number and value of differences</b>	<b>137</b>	<b>\$1,846,874,127</b>	<b>105</b>	<b>\$934,620,731</b>

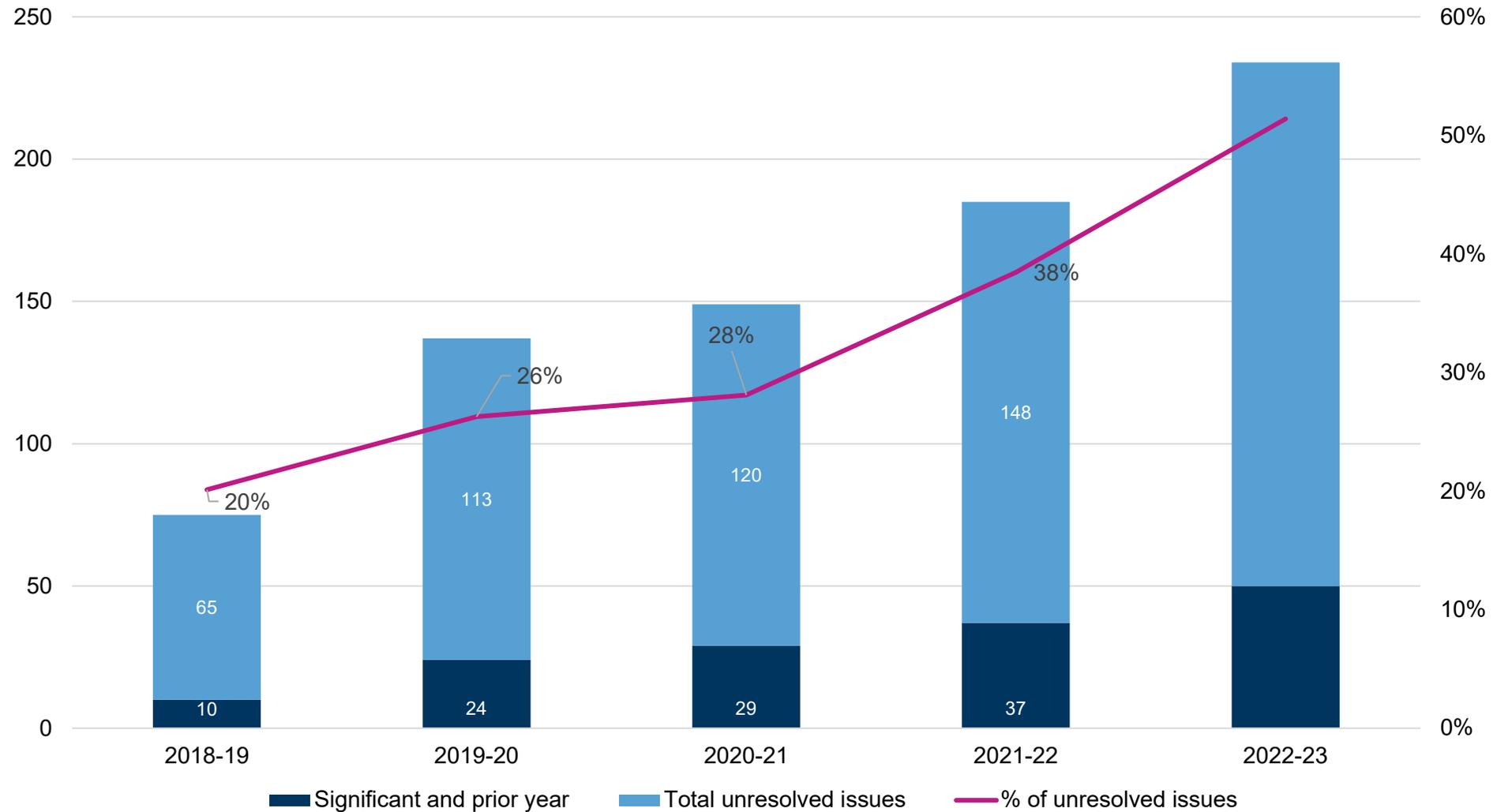
# Financial and management controls



# Financial and management controls



# Unresolved financial management control findings



# Information Systems Audit





# ASA 315 update

Applicable for financial reporting periods commencing on or after 15 December 2021.

## IT environment



Applications



Operating system



Network



Databases

# General Computer Controls methodology

## Updates to understanding entity's IT environment

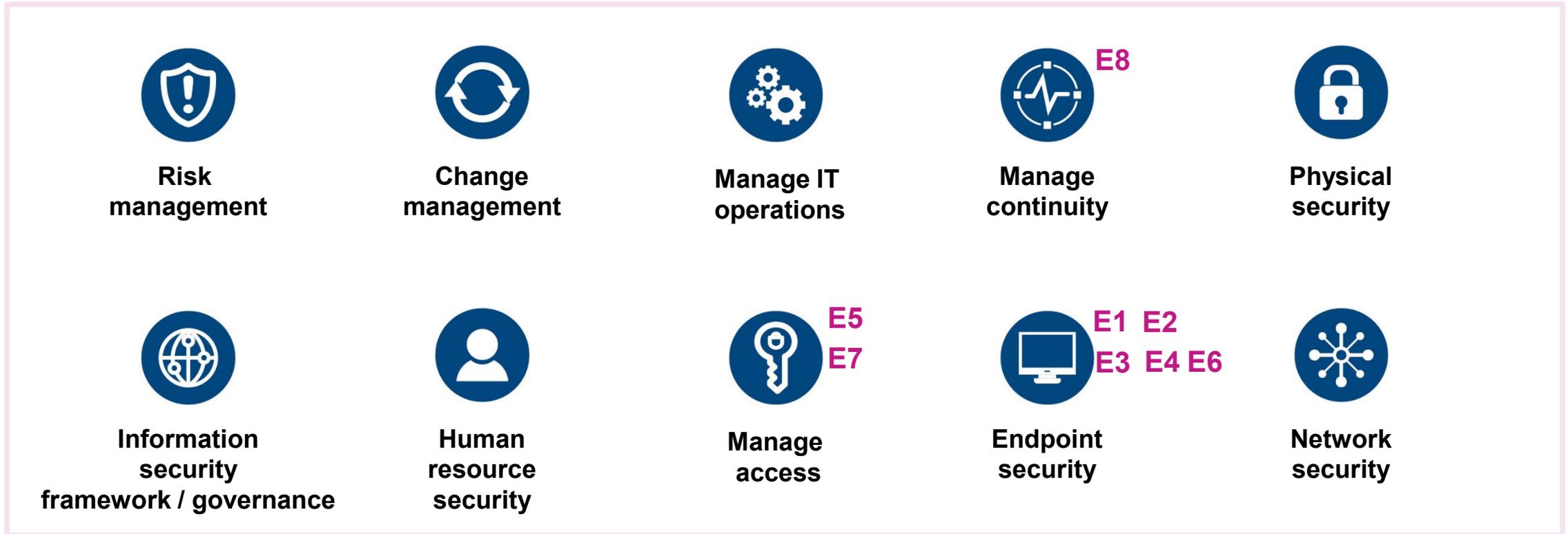
## Increased focus on cloud vendor assurance activities undertaken by entities

- SOC 1 Type 2 is most relevant to financial statement audits as it is designed to address IT General Controls objectives.
- Relevant Complementary User Entity Controls (CUECs) defined in the report to ensure these have been implemented by the audited entity and are operating effectively.

## Updates to Capability Maturity Model (CMM)

- Increased number of categories
- COBIT 2019, 5, 4.1 hybrid
- Nomenclature aligned with COBIT and ISA 315 control categories

# Audit focus areas for process maturity



Essential **Eight controls** help with maturity, governance is key

# Current trends in the sector

## Generally, well managed areas



**Physical security**



**Manage IT operations**



**Change management**



**Risk management**

## Areas requiring improvement



**Information security Framework / Governance**



**Human resource security**



**Manage access**



**Endpoint security**

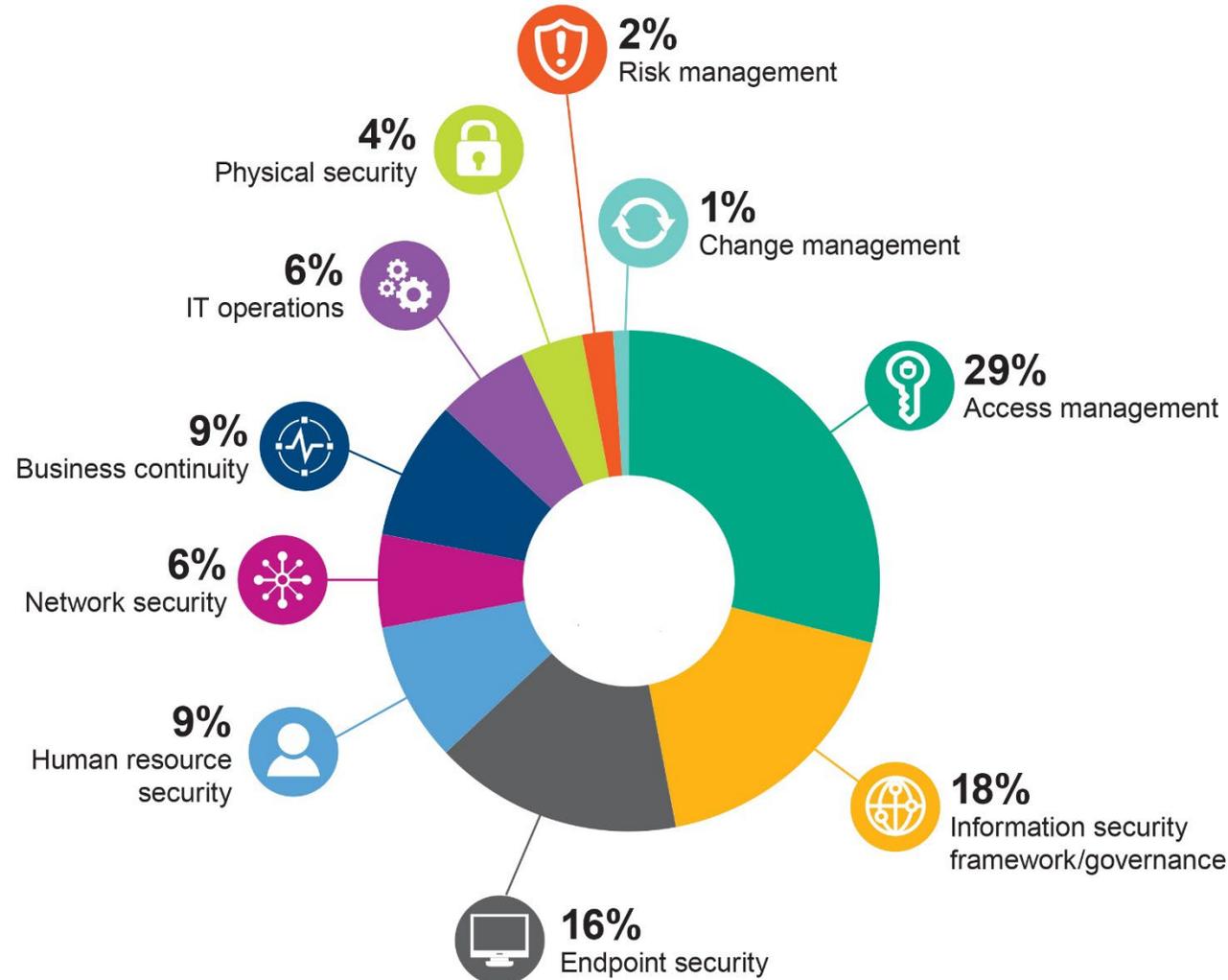


**Network security**



**Manage continuity**

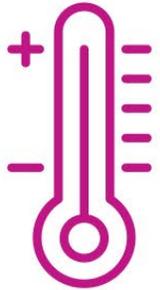
# Information system controls



# So what?

- When weaknesses in information systems controls are combined with significant deficiencies in financial and management controls, such as expenditure and payroll, [and remain unresolved by entities] a gateway to fraud and misappropriation is opened.
- An effective control environment provides assurance that an entity is achieving its objectives
- Address findings promptly
- Most telling:
  - Limited bandwidth
  - Strong foundations in financial management and governance are essential to support long-term confidence in our public institutions.

# Financial reporting, accountability and audit matters



Climate  
change  
related risk



Bank  
reconciliations



Combustible  
cladding



GTE reforms

# Thoughts on the way forward

- Need to continue 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
- Keep the momentum going
- OAG role
  - season and self reflection, continuous improvement
  - enhance interactions/communications and efficiency
  - issue further guidance and supporting resources to the sector

# General information/updates

- Audit methodology and tool
- New engagement letter
- Tenders

# Questions?





Government of Western Australia  
Department of Treasury

# Financial Reporting Update

**Mark Hort**  
**Principal Financial Advisor**  
**Financial Policy and Operations**



# Financial Administration Bookcase (FAB)

Amendment #92, 10 November 2023

- Treasurer's instructions
- Model Annual Reports
- Opportunity Cost of Capital



Coming: Principle-based  
Treasurer's instructions



# Financial Reporting

## December 2023 and Beyond

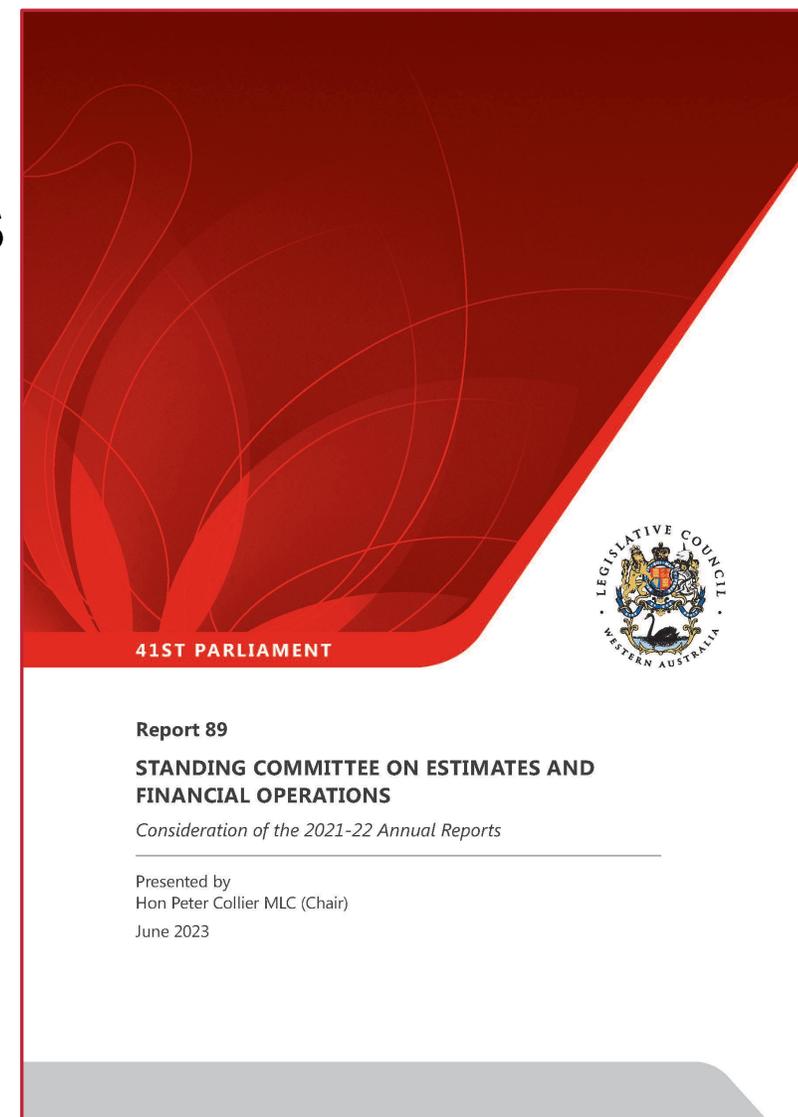
- Sitting Dates (19<sup>th</sup> - 21<sup>st</sup> March)
- Presentation of 27th Pay
- Standing Committee on Estimates and Financial Operations
- Accounting Standard Timelines
- Fair Value Measurement
- AASB Climate Documentation (Financial Statement implications)



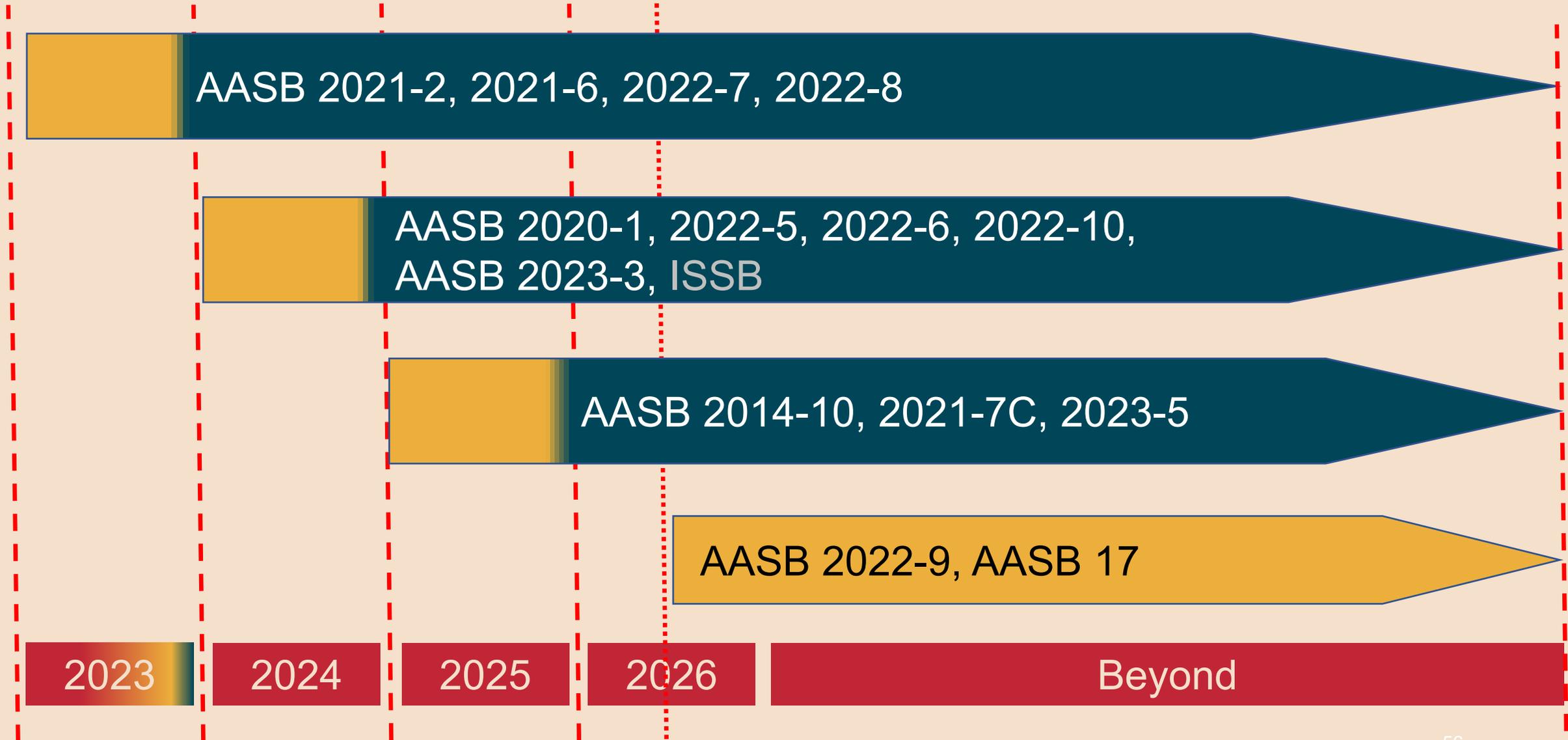
# Financial Reporting

## Standing Committee Recommendations

- Explanatory Statements (TI 945)
- Summary of Consolidated Account Appropriations (AASB 1058:39)
- Tabling Errata (LA Standing Order 156)
- Statement of Compliance (TI 902)
- KPI Target (met/unmet)?



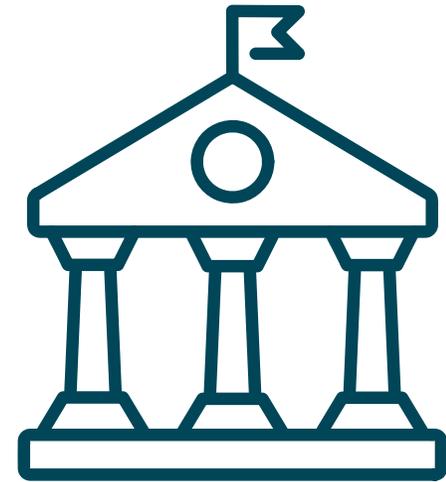
# Accounting Standard Timelines



# Financial Reporting

## Fair Value - cost basis proxy amendments

- Applies to December 2024 reporting
- HBU
- Professional and Project Fees
  - *“an entity shall use its own assumptions ... in developing unobservable inputs”*
  - *“need not undertake exhaustive efforts to obtain information about market participant assumptions”*
  - *“adjust those assumptions to the extent that reasonably available information indicates that other market participants would use different data”.*
- Quantity surveyor expertise differs from valuer’s expertise



# Reporting

## AASB Climate Documentation

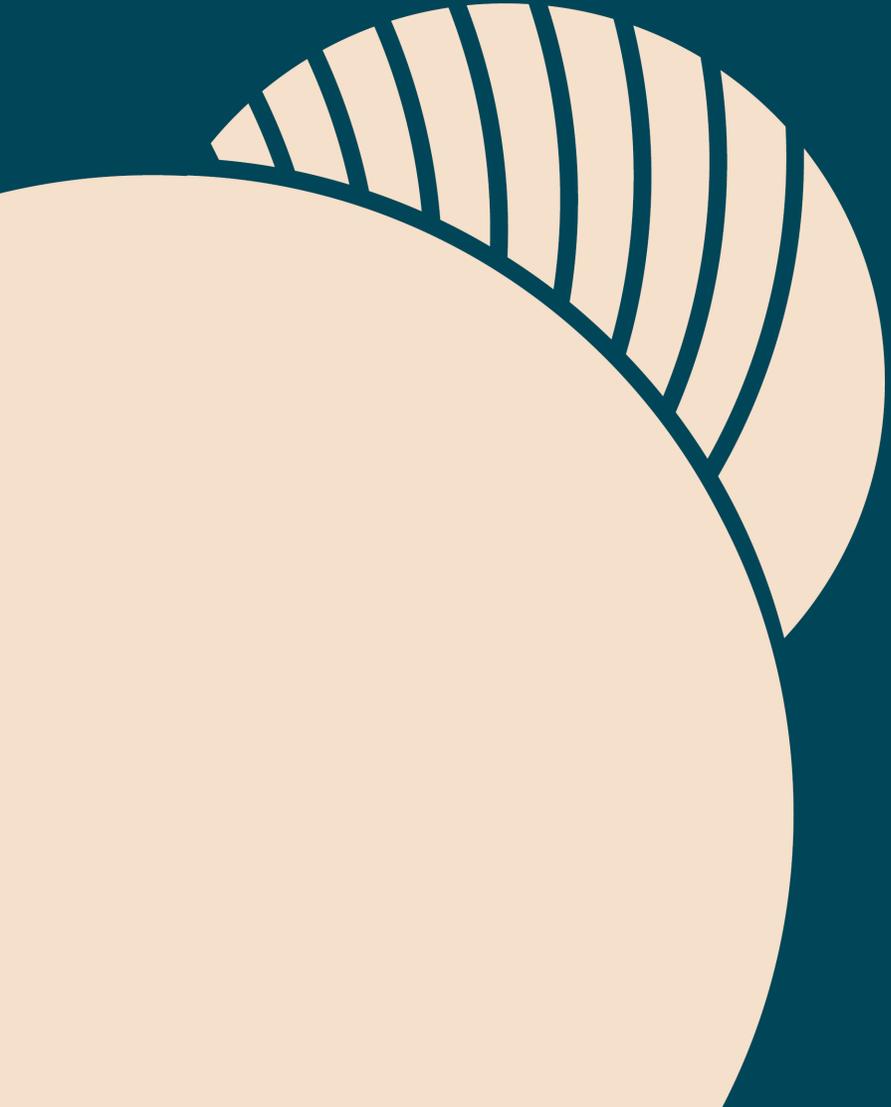
### Extended External Reporting

- Exposure Draft SR1 Australian Sustainability Reporting Standards



### Financial Reporting

- Project insights: sustainability-related financial reporting standards June 2022
- Position: Extended External Reporting March 2022
- AASB and AUASB: Consistent reporting of sustainability-related information December 2021
- Joint AASB, AUASB, FRC: Extended External Reporting and Assurance November 2021
- Climate related Risk and Financial Statements: Implications October 2019



Thank you



Government of Western Australia  
Department of Treasury

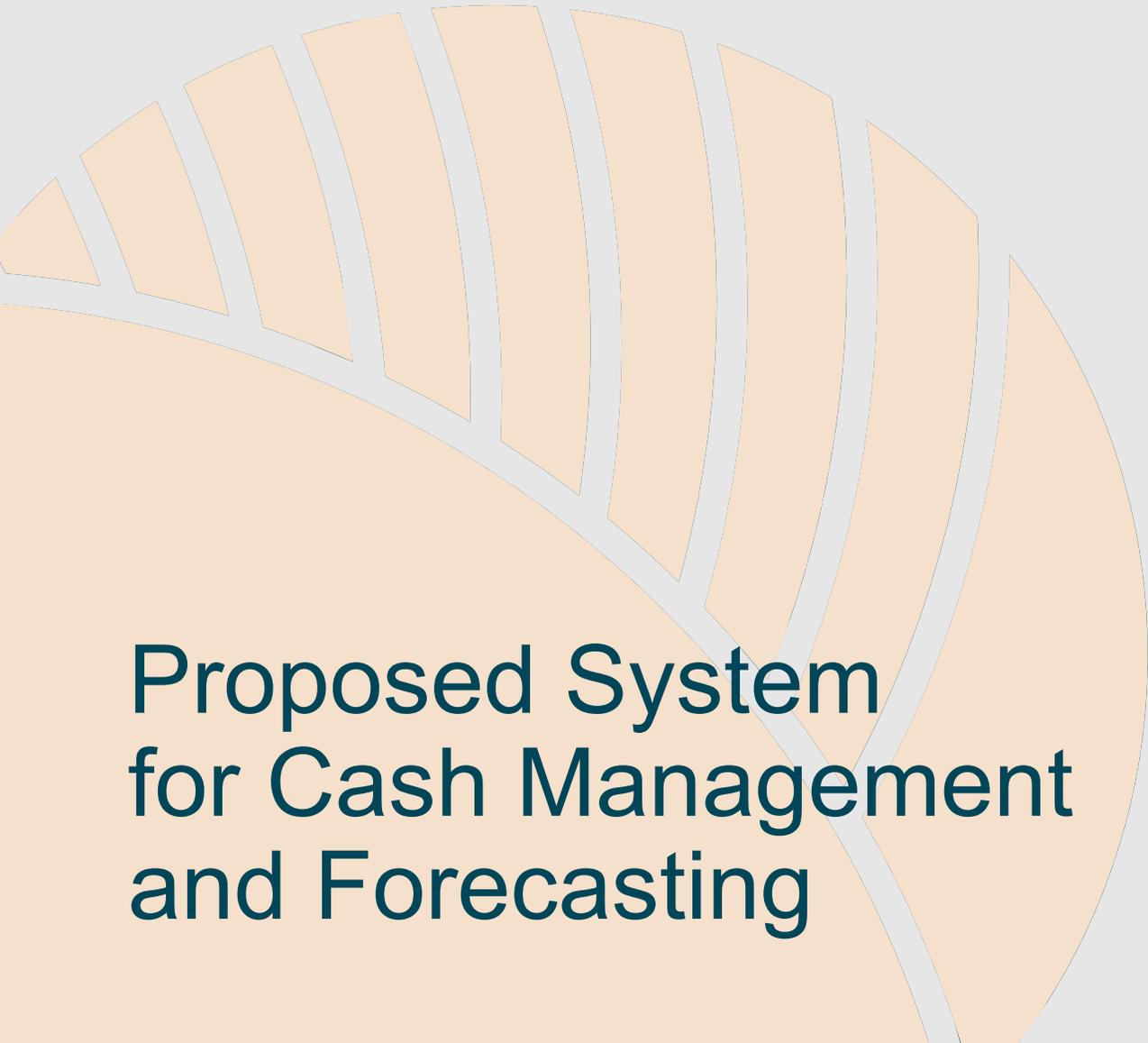
# Projects Update Panel Discussion

**Brendan Davies**  
**Assistant Director, Financial Policy**  
**Department of Treasury**



# Project Updates and Panel Discussion

- 
1. **Proposed System for Cash Management and Forecasting**
  2. **Climate Risk Framework**
  3. **Financial Management Continuous Capability**



# Proposed System for Cash Management and Forecasting

# Cash Management and Forecasting System

The Western Australian Government sector almost exclusively uses Microsoft Excel for cash management and cash flow forecasting

## ‘Best practice’ is to use a system

- Advantages:
  - **Reduces Risk** – removing risk of Excel formulae errors, adding an audit trail and reducing key person risk
  - **Improves Outcomes** – with dashboards, reports, alerts and predictive technology to assist with effective decision making
- Treasury is in the early stages of investigating a cash management system for potential use by the sector
- A system that cash managers will use (helpful rather than an imposition)
- Informal discussions have been held with some of agencies for input and feedback
- If the system progresses, Treasury may roll out progressively from 2024-25



# Climate Risk Framework

# Recap – The Climate Risk Framework

- Reported at the May 2023 CFO Forum:
  - Climate reporting yet to be mandatory for the Public Sector
  - The call for Climate risk assessment and reporting was increasing
  - Global climate reporting standards were still evolving
  - Treasury and DWER developing a Climate Risk Framework
  - Climate risk reporting to be phased in at a whole of government level
  - Initial 2 year pilot phase commencing in July 23, involving:
    - Treasury (lead agency) with DWER (technical expertise)
    - 8 participating agencies (comprising departments and GTEs)
    - OAG in an observer capacity

# Developments: reporting standards and requirements

- Climate reporting still not mandatory for the Public Sector, however:
  - Demand for climate reporting is increasing
  - WA Public Sector has committed to reporting on climate risk:
  - Australia Federal Treasury proposal June 23 - mandatory climate reporting (targeted groups)
  - International sustainability standards (ISSB) released June 23
  - Australian (AASB) draft sustainability/climate disclosure standard issued for comment October 23 – for profit sector focus
  - IASB initiated a project to assess the impact of climate risk on an entity's financial statements (some way off)

# Update on the Climate Risk Pilot

## **Progress to date:**

- Pilot Group meetings and workshops
- Developed First draft reporting requirements based on ISSB scoped for public sector
- Surveys (governance arrangements, feedback on draft guidance, etc.)

## **Ongoing:**

- Develop guidance and templates to support reporting requirements (Treasury)
- Develop guidance for risk assessment (DWER)
- Adapt guidance to Australian standards once finalised
- Trialling reporting requirements within the 2 year pilot phase
- Findings to inform an approach for disclosures at a whole of Government level

# Climate Risk and year-end disclosures

- Increase in queries around the need for climate risk disclosures
- Some agencies are starting to disclose climate risk in financial statements
- Issues with auditing climate related disclosures
- Agencies should NOT include climate disclosures in financial statements or KPIs subject to audit unless required by Australian accounting standards
- Agencies can include climate-related disclosures in their Annual Report (outside of financial statements) but disclosures must be substantiated
- In the interim agencies are encouraged to develop their capability
  - DWER Interim *Climate Risk Management Guide*
  - Attend the DWER climate risk capability build workshops being conducted by DWER

# Climate Risk Framework – Other Updates

- WA Climate Bill 2023 introduced to Parliament – 30 November 2023
  - to support the reduction of greenhouse gas emissions attributable to Western Australia; and
  - to provide for Western Australia’s greenhouse gas emissions reduction targets;
- DWER Emissions Framework – to be released soon
  - supports achieving government net zero targets
  - Agencies are required to develop an Emissions Profile by 2024/25 and an Emissions Reduction Plan by 2025/26



# Financial Management Continuous Capability

# Recap: Financial Management Capability Improvement

- A clear need for financial management capability improvement due to:
  - varying capability across the public sector
  - overly prescriptive financial framework
  - inconsistency in CFO salaries, roles, influence and responsibilities
- Recommendations for improvement (broadly):
  - rebalancing the application of the current financial management framework towards a principles-based approach
  - Strengthening the influence of CFOs and enabling them to function as strategic decision makers
- Treasury and the Public Sector to develop a plan to implement the recommendations, which would follow a phased approach over 18 months

# Progress since the last CFO forum

- The Under Treasurer invited agency Chief Finance Officers to participate in a reference group that would provide input into Framework Reform and other aspects of the Capability Project.
- CFO Reference Group kicked off (17 agencies represented)
- Development, discussion and approval of:
  - New (principles-based) Financial Management Framework
  - Financial management principles
  - Foundational rules
  - Reduction in number Treasurer's instructions to just ten
  - New format for Treasurer's instructions and guidance documents
- Analysis and remapping of all black letter provisions in the TIs by Treasury
- Development of a training program by the Public Sector Commission

# The CFO Reference Group

- Department of Treasury (Chair)
- Department of Biodiversity, Conservation and Attraction
- Department of Education
- Department of Transport
- Department of Water and Environmental Regulation
- Department of Jobs Tourism and Industry
- Department of Mine, Industry Regulation and Safety
- Department of Planning Lands and Heritage
- Department of Primary Industries and Regional Development
- Main Roads
- Mental Health Commission
- North Regional TAFE
- Public Transport Authority
- Office of the Director of Public Prosecutions for Western Australia
- Office of the Ombudsman
- Office of the Auditor General
  - CFO capacity, and
  - Technical observer capacity
- WA Treasury Corporation

# Overarching Financial Principles for WA

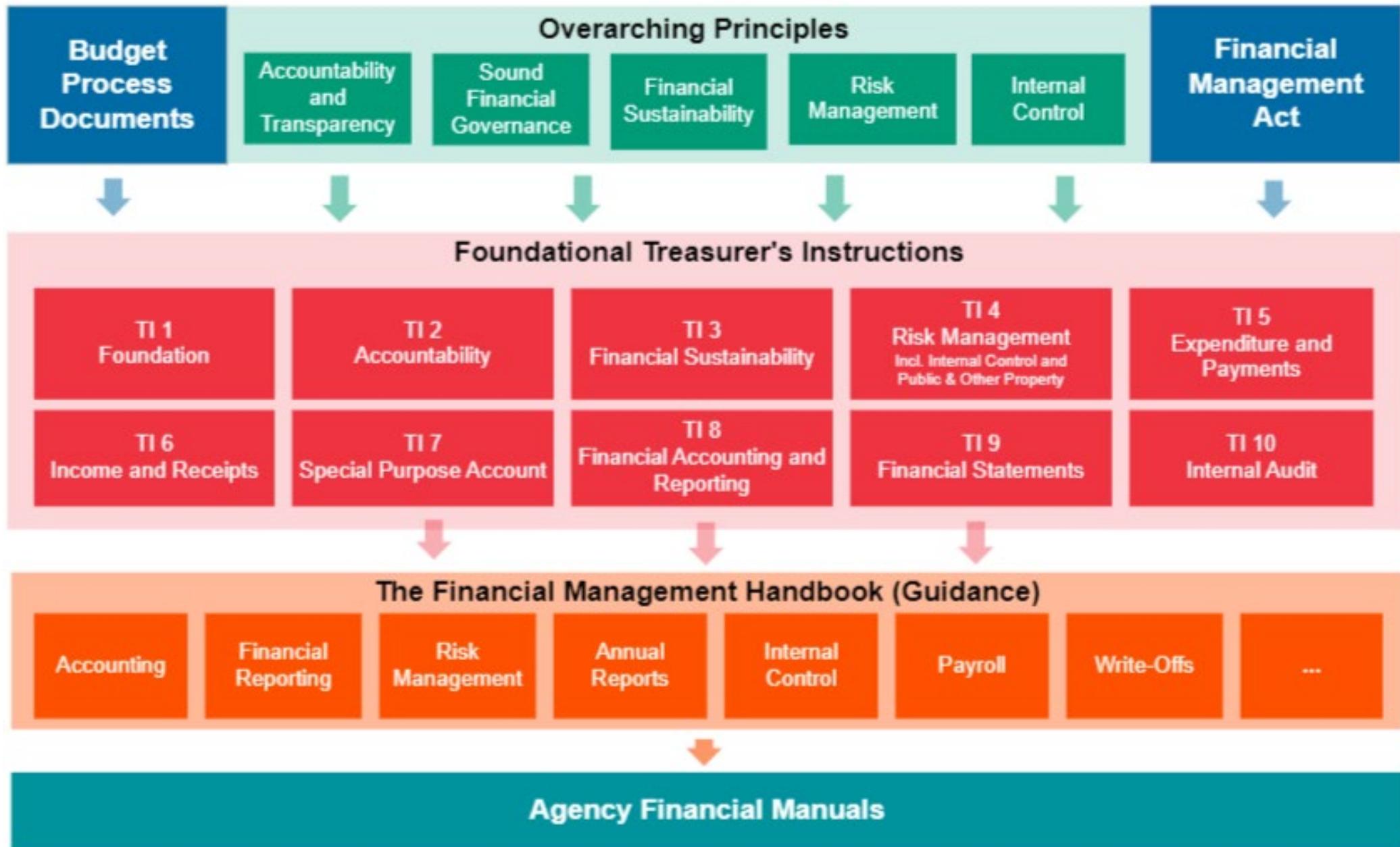
1. Accountability and Transparency
2. Sound Financial Governance
3. Financial Sustainability
4. Risk Management
5. Internal Control

The principles have been approved by the Treasurer

# Principles, TIs and guidance applied by other jurisdictions

## Accounting Principles

	Accountability	Governance	Internal Controls	Risk Management	Resource Management	Transparency	Treasurer's Instructions	Guidance documents
South Australia			✓	✓		✓	29 Treasurer's instructions	Guidelines on 2 Treasurer's instructions only
Queensland	✓	✓	✓				6 Volumes - Financial Accountability Handbook	
New South Wales	✓				✓	✓	16 Treasurer's Directions	45 Treasury Policy and Guidelines
Tasmania	✓				✓	✓	21 Financial Controls, 4 Financial Reporting, 2 Budget	Better Practice Guidelines – 17 areas of interest
Victoria	✓	✓			✓	✓	10 Standing Directions Instructions	22 Standing Directions Instructions
Commonwealth	✓	✓		✓		✓	11 Accountable Authority Instructions	16 Guidance documents, 3 position papers on Accounting Standards
Western Australia	✓	✓	✓	✓	✓	✓	10 Foundational Treasurer's Instructions	Proposed Financial Management Handbook(Guidance)



# Instructions and Guidance Documents – Reform and Transition

- Issues with existing Tis and guidance
  - Overly prescriptive
  - Inconsistent structure
  - Missing and inconsistent definitions
  - Information is scattered and often duplicated
  - Advice can be unclear and sometimes outdated
- Considerations around design and transition
  - Stakeholder familiarisation around existing TIs
  - Extensive reference to existing TIs in other documents
  - OAG concern transition occurring midway through a financial year

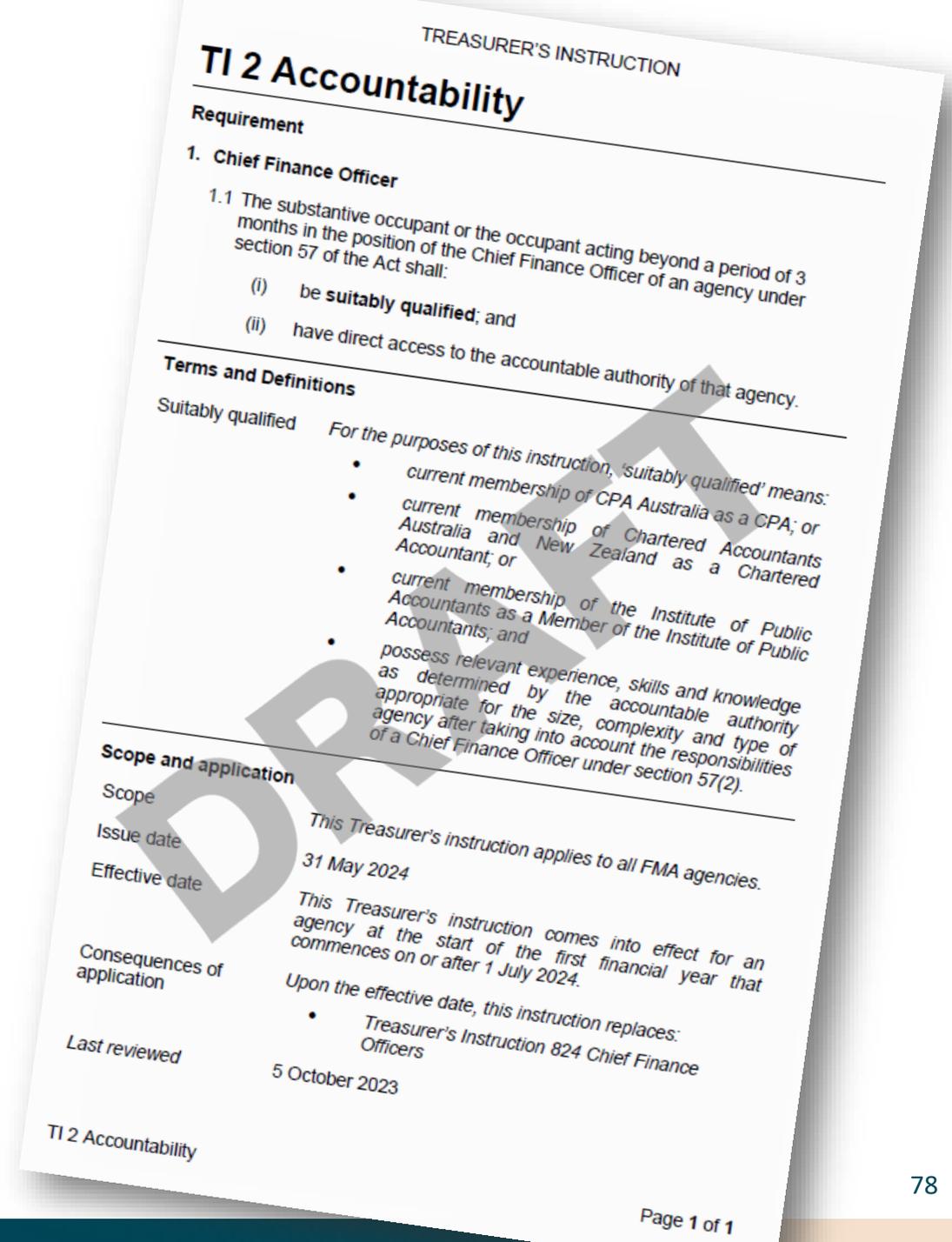
# Sample Foundational TI

## ■ Consistent Layout:

- Clear and consistent grouping, to allow user easy access to the information.
- Bold lettering to link the **Requirements** to the **Terms and Definitions**
- **Scope and Application** to indicate transition from the original instruction (or instructions).

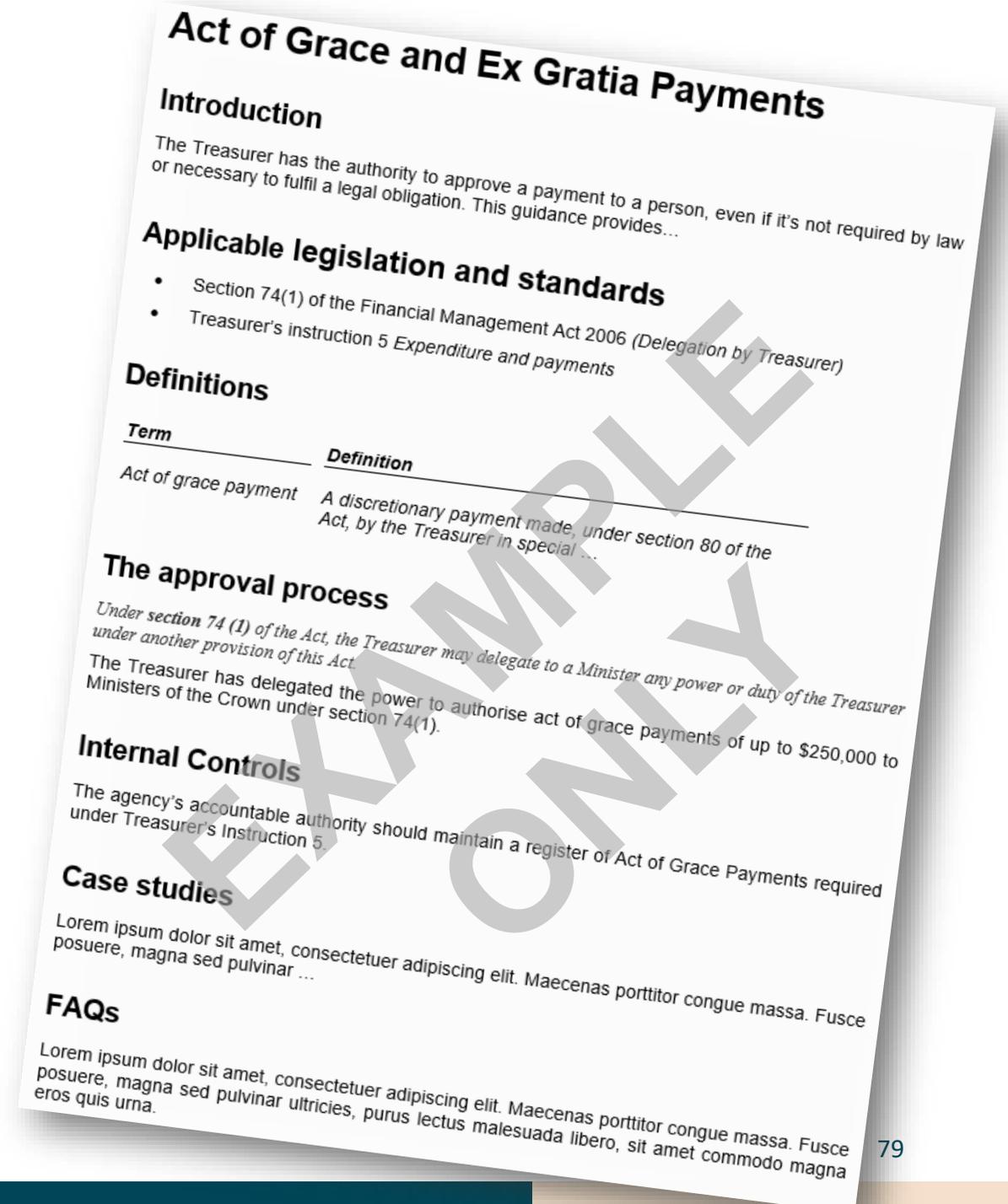
## ■ Example of amendments

- Language updated - more concise, less prescriptive.
- Minor change to the definition of Suitably Qualified to be more in line with professional body requirements
- Remaining parts of the original instruction either moved to guidance or deleted.



# Sample Guidance

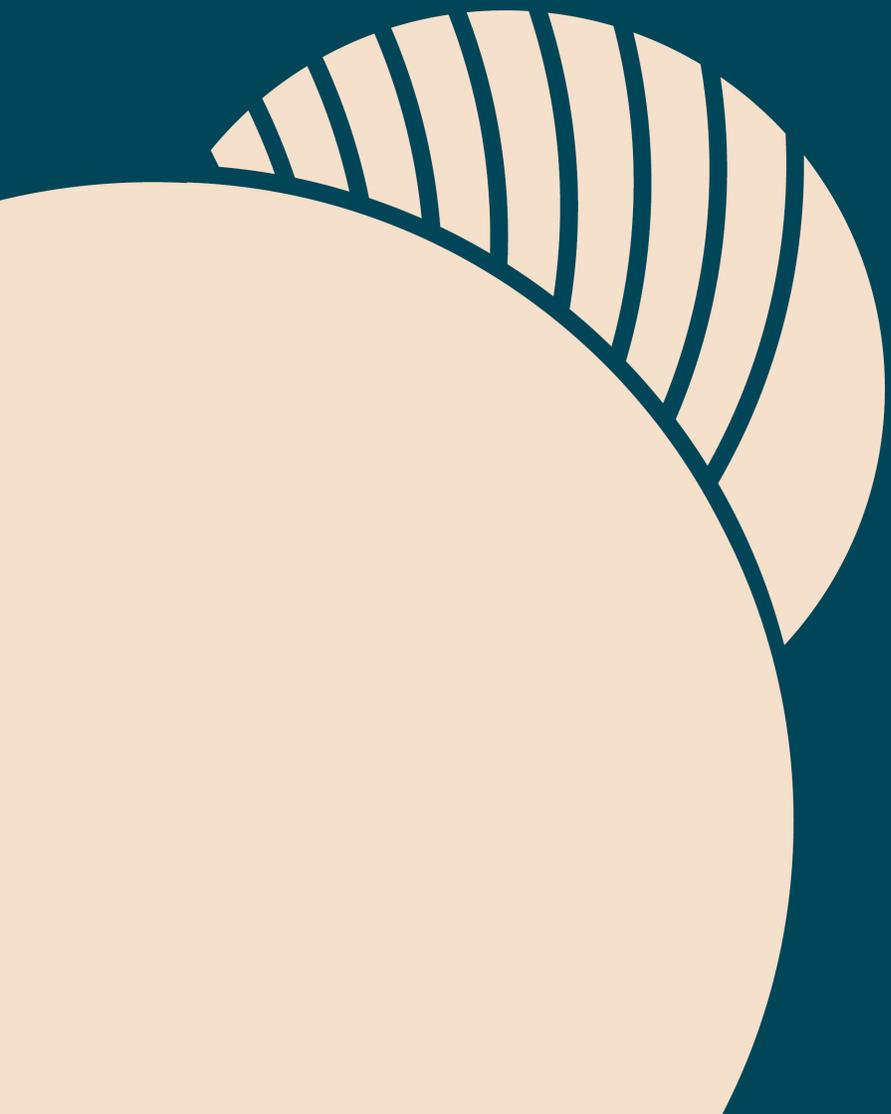
- Financial Management Handbook (the QLD approach)
- Accompanies the Treasurer's instructions
- Everything concerning a topic in one chapter
- Variety in content, consistency in structure
- Links topic to principles, Tis and Standards
  - Legislation
  - Treasurer's instructions
  - Accounting standards
- Consistent terminology
- Flags when judgement is required
- Agency case studies
- FAQs



# Next steps

- Further consultation with the CFO Reference Group
- Finalisation of Treasurer's instructions and guidance
- Seek approval for the new Treasurer's instructions
- Publication and distribution
- Communication and Education
  - Written
  - Workshops
  - CFO Forum
- New Treasurer's instructions take effect from 1 July 2024

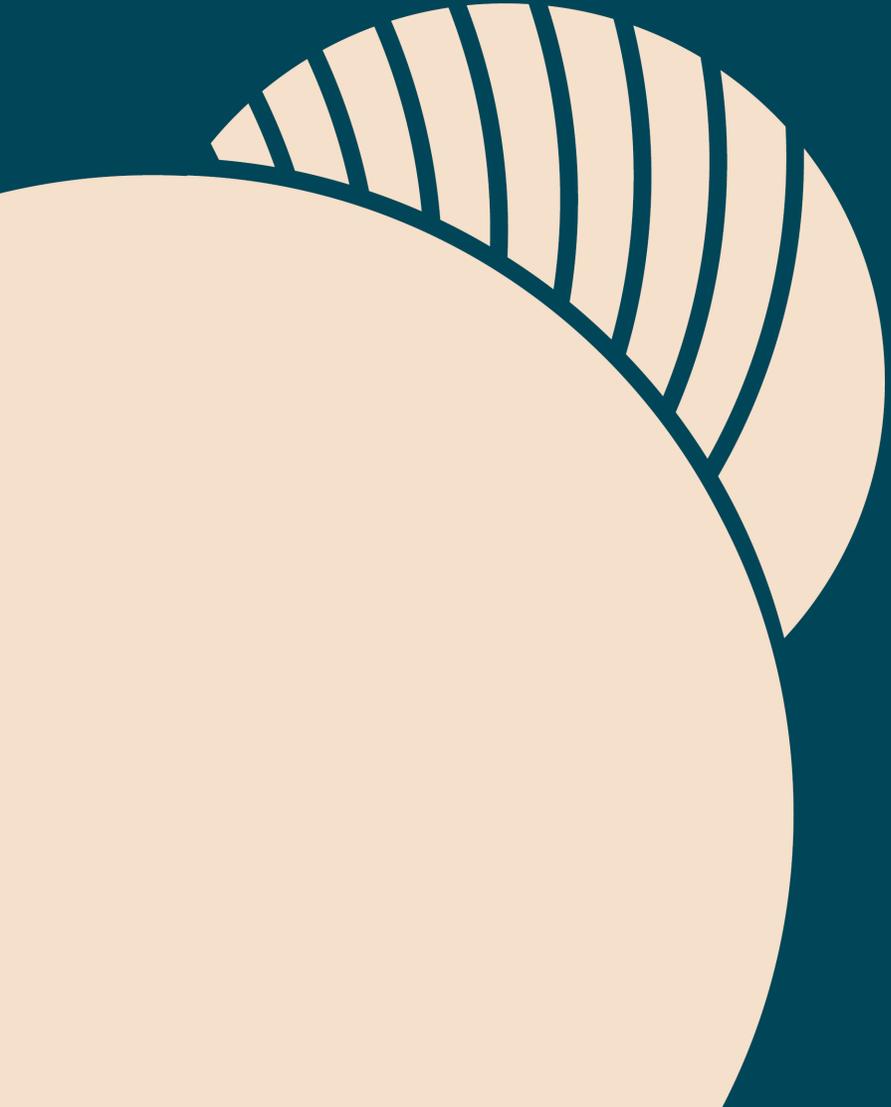
# Panel Discussion



**Pauline Burton**  
**Director, Financial Policy and Operations**  
**Department of Treasury**

**Brendan Davies**  
**Assistant Director, Financial Policy**  
**Department of Treasury**

**Ryan Kennedy**  
**Principal Financial Advisor**  
**Department of Treasury**



Thank you