

# Certification of Financial Statements Independent Audit Opinion

For the year ended 30 June 2018

The accompanying financial statements of the Department of Finance have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2018 and the financial position as at 30 June 2018.

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



Stephanie Black  
Acting Director General  
20 August 2018



Dominick Geraghty  
Chief Finance Officer  
20 August 2018



Auditor General

## INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

### DEPARTMENT OF FINANCE

#### Report on the Financial Statements

#### Opinion

I have audited the financial statements of the Department of Finance which comprise the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information, including Administered transactions and balances.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Department of Finance for the year ended 30 June 2018 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

#### Basis for Opinion

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

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

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

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

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

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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# Independent Audit Opinion (continued)

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

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

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

## Report on Controls

### Opinion

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

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

In my opinion, in all material respects, the controls exercised by the Department of Finance are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2018.

### The Director General's Responsibilities

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

### Auditor General's Responsibilities

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

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

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

### Limitations of Controls

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

### Report on the Key Performance Indicators

#### Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Department of Finance for the year ended 30 June 2018. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Department of Finance are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2018.

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

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

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

### Auditor General's Responsibility

As required by the Auditor General Act 2006, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

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

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

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

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

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

This auditor's report relates to the financial statements and key performance indicators of the Department of Finance for the year ended 30 June 2018 included on the Department's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
20 August 2018

# Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Employee benefits expense	<a href="#">7</a>	115,372	114,499
Supplies and services	<a href="#">8</a>	1,107,809	971,330
Depreciation and amortisation expense	<a href="#">9</a>	66,007	71,513
Finance costs	<a href="#">10</a>	7,780	8,615
Accommodation expenses	<a href="#">11</a>	40,562	42,236
Grants and subsidies	<a href="#">12</a>	578	754
Loss on disposal of non-current assets	<a href="#">15</a>	17	10
Other expenses	<a href="#">13</a>	39,707	34,021
<b>Total cost of services</b>		<b>1,377,832</b>	<b>1,242,978</b>

<b>Income</b>			
<i>Revenue</i>			
	<a href="#">14</a>		
User charges and fees		1,176,982	1,058,030
Commonwealth grants and contributions		7,085	3,492
Interest revenue		298	473
Other revenue		6,566	10,615
<b>Total revenue</b>		<b>1,190,931</b>	<b>1,072,610</b>
<i>Gains</i>			
Gain on disposal of non-current assets	<a href="#">15</a>	2,179	631
<b>Total gains</b>		<b>2,179</b>	<b>631</b>
<b>Total income other than income from State Government</b>		<b>1,193,110</b>	<b>1,073,241</b>
<b>NET COST OF SERVICES</b>		<b>(184,722)</b>	<b>(169,737)</b>

	Note	2018 \$000	2017 \$000
<b>Income from State Government</b>			
	<a href="#">17</a>		
Service appropriations		150,900	167,150
Services received free of charge		13,511	13,303
Royalties for Regions Fund		106	125
<b>Total income from State Government</b>		<b>164,517</b>	<b>180,578</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>(20,205)</b>	<b>10,841</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(20,205)</b>	<b>10,841</b>

See also 'Schedule of Income and Expenses by Service' on Page [40](#).

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# Statement of Financial Position

As at 30 June 2018

	Note	2018 \$000	2017 \$000
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents	<a href="#">18</a>	75,890	70,618
Restricted cash and cash equivalents	<a href="#">19</a>	1,001	3,171
Receivables	<a href="#">20</a>	132,386	176,431
Finance lease receivables	<a href="#">21</a>	409	494
Amounts receivable for services	<a href="#">22</a>	779	2,250
Other current assets	<a href="#">23</a>	29,347	29,254
<b>Total current assets</b>		<b>239,812</b>	<b>282,218</b>
<i>Non-current assets</i>			
Restricted cash and cash equivalents	<a href="#">19</a>	734	398
Receivables	<a href="#">20</a>	535	1,948
Finance lease receivables	<a href="#">21</a>	248	597
Amounts receivable for services	<a href="#">22</a>	523,084	461,896
Property, plant, equipment and vehicles	<a href="#">24</a>	687,094	720,374
Intangible assets	<a href="#">26</a>	34,463	31,805
Other non-current assets	<a href="#">23</a>	4,307	6,440
<b>Total non-current assets</b>		<b>1,250,465</b>	<b>1,223,458</b>
<b>TOTAL ASSETS</b>		<b>1,490,277</b>	<b>1,505,676</b>

	Note	2018 \$000	2017 \$000
<b>Liabilities</b>			
<i>Current liabilities</i>			
Payables	<a href="#">28</a>	112,770	115,613
Borrowings	<a href="#">29</a>	23,913	24,040
Provisions	<a href="#">30</a>	26,212	27,916
Lease incentives	<a href="#">31</a>	16,771	13,604
Other current liabilities	<a href="#">32</a>	23,058	24,055
<b>Total current liabilities</b>		<b>202,724</b>	<b>205,228</b>
<i>Non-current liabilities</i>			
Borrowings	<a href="#">29</a>	56,005	77,776
Provisions	<a href="#">30</a>	5,352	6,360
Lease incentives	<a href="#">31</a>	131,249	101,251
<b>Total non-current liabilities</b>		<b>192,606</b>	<b>185,387</b>
<b>TOTAL LIABILITIES</b>		<b>395,330</b>	<b>390,615</b>
<b>NET ASSETS</b>		<b>1,094,947</b>	<b>1,115,061</b>
<b>Equity</b> <a href="#">33</a>			
Contributed equity		1,056,019	1,055,928
Accumulated surplus/(deficit)		38,928	59,133
<b>TOTAL EQUITY</b>		<b>1,094,947</b>	<b>1,115,061</b>

See also 'Schedule of Assets and Liabilities by Service' on Page [42](#).

The Statement of Financial Position should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

For the year ended 30 June 2018

	Note	Contributed Equity \$000	Accumulated surplus/(deficit) \$000	Total Equity \$000
	<a href="#">33</a>			
<b>Balance at 1 July 2016</b>		<b>1,026,944</b>	<b>48,292</b>	<b>1,075,236</b>
Surplus/(deficit)		-	10,841	10,841
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	10,841	10,841
Transactions with owners in their capacity as owners:				
Capital appropriations		28,763	-	28,763
Contributions by owners		245	-	245
Distributions to owners		(24)	-	(24)
Total		28,984	-	28,984
<b>Balance at 30 June 2017</b>		<b>1,055,928</b>	<b>59,133</b>	<b>1,115,061</b>
<b>Balance at 1 July 2017</b>		1,055,928	59,133	1,115,061
Surplus/(deficit)		-	(20,205)	(20,205)
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	(20,205)	(20,205)
Transactions with owners in their capacity as owners:				
Capital appropriations		14,902	-	14,902
Contributions by owners		232	-	232
Distributions to owners		(15,043)	-	(15,043)
Total		91	-	91
<b>Balance at 30 June 2018</b>		<b>1,056,019</b>	<b>38,928</b>	<b>1,094,947</b>

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

# Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 \$000	2017 \$000
<b>Cash Flows from State Government</b>			
Service appropriations		89,857	113,948
Capital appropriations		14,902	28,763
Funding from Treasury Administered		200	-
Holding account drawdowns		1,326	770
Royalties for Regions Fund		106	125
Regional Infrastructure and Headworks Fund		(421)	245
Non-retained revenue distributed to owner		-	(24)
<b>Net cash provided by State Government</b>		<b>105,970</b>	<b>143,827</b>
Utilised as follows:			
<b>Cash Flows from Operating Activities</b>			
<i>Payments</i>			
Employee benefits		(117,949)	(113,736)
<b>Supplies and services</b>		<b>(1,136,777)</b>	<b>(944,694)</b>
Finance costs		(6,604)	(7,359)
Accommodation		(40,438)	(40,804)
Grants and subsidies		(574)	(754)
GST payments on purchases		(134,697)	(112,146)
GST payments to taxation authority		(6,032)	(6,136)
Other payments		(2,632)	(4,945)
<i>Receipts</i>			
User charges and fees		1,216,232	1,011,354
Commonwealth grants and contributions		5,575	3,337
Interest received		361	382
GST receipts on sales		132,352	109,127
GST receipts from taxation authority		7,700	7,491
Other receipts		15,343	6,859
<b>Net cash provided by/(used in) operating activities</b>	<u>34</u>	<b>(68,140)</b>	<b>(92,024)</b>

	Note	2018 \$000	2017 \$000
<b>Cash Flows from Investing Activities</b>			
<i>Payments</i>			
<b>Purchase of non-current physical assets</b>		<b>(122,972)</b>	<b>(148,153)</b>
<i>Receipts</i>			
Proceeds from sale of non-current physical assets		39,016	71,559
Receipts from lease incentives		41,544	27,762
<b>Net cash provided by/(used in) investing activities</b>		<b>(42,412)</b>	<b>(48,832)</b>
<b>Cash Flows from Financing Activities</b>			
<i>Payments</i>			
Repayment of borrowings		(23,115)	(30,689)
<i>Receipts</i>			
Proceeds from borrowings		-	2,923
Finance leases receipts		500	753
<b>Net cash provided by/(used in) financing activities</b>		<b>(22,615)</b>	<b>(27,014)</b>
Net increase/(decrease) in cash and cash equivalents		(27,197)	(24,043)
Cash balance transferred to the Department of Treasury		(28)	-
Cash balance transferred from the Department of Treasury		32,705	-
Cash balance transferred to the Department of Local Government, Sport and Cultural Industries		(2,042)	-
Cash and cash equivalents at the beginning of the period		74,187	98,230
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>34</u>	<b>77,625</b>	<b>74,187</b>

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

# Schedule of Income and Expenses by Service

For the year ended 30 June 2018

	Service 1		Service 2		Service 3		Service 4		Service 5		Service 6		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>COST OF SERVICES</b>														
<i>Expenses</i>														
Employee benefits expense	34,685	31,335	23,349	21,439	3,110	3,937	50,556	47,914	3,672	-	-	9,874	115,372	114,499
Supplies and services	19,741	17,621	9,913	8,970	2,647	2,309	898,055	937,751	177,453	-	-	4,679	1,107,809	971,330
Depreciation and amortisation expense	3,416	2,984	39,247	42,866	211	453	23,054	25,085	79	-	-	125	66,007	71,513
Finance costs	-	-	938	1,928	-	-	6,842	6,687	-	-	-	-	7,780	8,615
Accommodation expenses	4,091	4,641	1,984	2,060	380	405	33,525	34,276	582	-	-	854	40,562	42,236
Grants and subsidies	1	-	441	363	1	-	135	5	-	-	-	386	578	754
Loss on disposal of non-current assets	-	-	-	-	-	-	17	10	-	-	-	-	17	10
Other expenses	351	404	210	368	218	250	38,874	32,913	54	-	-	86	39,707	34,021
<b>Total cost of services</b>	<b>62,285</b>	<b>56,985</b>	<b>76,082</b>	<b>77,994</b>	<b>6,567</b>	<b>7,354</b>	<b>1,051,058</b>	<b>1,084,641</b>	<b>181,840</b>	<b>-</b>	<b>-</b>	<b>16,004</b>	<b>1,377,832</b>	<b>1,242,978</b>
<i>Income</i>														
User charges and fees	2,663	2,719	62,770	68,398	-	-	934,711	986,913	176,838	-	-	-	1,176,982	1,058,030
Commonwealth grants and contributions	92	62	-	-	-	-	6,993	3,430	-	-	-	-	7,085	3,492
Interest revenue	-	-	298	473	-	-	-	-	-	-	-	-	298	473
Other revenue	277	210	2,012	2,257	735	596	3,499	7,453	43	-	-	100	6,566	10,615
Gain on disposal of non-current assets	-	-	2,179	631	-	-	-	-	-	-	-	-	2,179	631
<b>Total income other than income from State Government</b>	<b>3,032</b>	<b>2,991</b>	<b>67,259</b>	<b>71,759</b>	<b>735</b>	<b>596</b>	<b>945,203</b>	<b>997,796</b>	<b>176,881</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>1,193,110</b>	<b>1,073,241</b>
<b>NET COST OF SERVICES</b>	<b>(59,253)</b>	<b>(53,994)</b>	<b>(8,823)</b>	<b>(6,235)</b>	<b>(5,832)</b>	<b>(6,758)</b>	<b>(105,855)</b>	<b>(86,845)</b>	<b>(4,959)</b>	<b>-</b>	<b>-</b>	<b>(15,904)</b>	<b>(184,722)</b>	<b>(169,737)</b>

# Schedule of Income and Expenses by Service

For the year ended 30 June 2018

	Service 1		Service 2		Service 3		Service 4		Service 5		Service 6		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<b>INCOME FROM STATE GOVERNMENT</b>														
Service appropriations	45,018	42,372	27,519	30,781	6,162	6,150	67,367	69,129	4,834	-	-	18,718	150,900	167,150
Resources received free of charge	12,742	12,321	50	21	6	20	542	616	171	-	-	326	13,511	13,303
Royalties for Regions Fund	-	-	-	-	-	-	106	125	-	-	-	-	106	125
<b>Total income from State Government</b>	<b>57,760</b>	<b>54,693</b>	<b>27,569</b>	<b>30,802</b>	<b>6,168</b>	<b>6,169</b>	<b>68,015</b>	<b>69,870</b>	<b>5,005</b>	<b>-</b>	<b>-</b>	<b>19,044</b>	<b>164,517</b>	<b>180,578</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>	<b>(1,493)</b>	<b>700</b>	<b>18,746</b>	<b>24,568</b>	<b>336</b>	<b>(589)</b>	<b>(37,840)</b>	<b>(16,976)</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>3,140</b>	<b>(20,205)</b>	<b>10,841</b>

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

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

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

**Service 3: Corporate services to client agencies**

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

**Service 5: Leads the planning and delivery of new government buildings<sup>(a)</sup>**

**Service 6: Development and implementation of energy policy and economic reform, assessment of proposed policy changes and the impact on regulatory functions<sup>(b)</sup>**

(a) Strategic Projects (excluding Asset Sales) was transferred from the Department of Treasury on 1 July 2017 and hence comparatives for 2017 are not available.

(b) Public Utilities Office and Economic Reform were transferred to the Department of Treasury on 1 July 2017.



# Schedule of Assets and Liabilities by Service

As at 30 June 2018

	Service 1		Service 2		Service 3		Service 4		Service 5		Service 6		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<i>Assets</i>														
Current assets	29,462	24,253	31,581	38,781	-	-	172,145	213,944	6,624	-	-	5,240	239,812	282,218
Non-current assets	171,313	140,658	341,173	321,133	-	-	720,847	738,180	17,132	-	-	23,487	1,250,465	1,223,458
<b>Total assets</b>	<b>200,775</b>	<b>164,911</b>	<b>372,754</b>	<b>359,914</b>	<b>-</b>	<b>-</b>	<b>892,992</b>	<b>952,124</b>	<b>23,756</b>	<b>-</b>	<b>-</b>	<b>28,727</b>	<b>1,490,277</b>	<b>1,505,676</b>
<i>Liabilities</i>														
Current liabilities	13,376	2,972	34,697	43,428	-	-	140,563	154,247	14,088	-	-	4,581	202,724	205,228
Non-current liabilities	1,783	2,126	7,603	30,427	-	-	182,952	152,197	268	-	-	637	192,606	185,387
<b>Total liabilities</b>	<b>15,159</b>	<b>5,098</b>	<b>42,300</b>	<b>73,855</b>	<b>-</b>	<b>-</b>	<b>323,515</b>	<b>306,444</b>	<b>14,356</b>	<b>-</b>	<b>-</b>	<b>5,218</b>	<b>395,330</b>	<b>390,615</b>
<b>NET ASSETS</b>	<b>185,616</b>	<b>159,813</b>	<b>330,454</b>	<b>286,059</b>	<b>-</b>	<b>-</b>	<b>569,477</b>	<b>645,680</b>	<b>9,400</b>	<b>-</b>	<b>-</b>	<b>23,509</b>	<b>1,094,947</b>	<b>1,115,061</b>

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

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

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

**Service 3: Corporate services to client agencies**

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

**Service 5: Leads the planning and delivery of new government buildings<sup>(a)</sup>**

**Service 6: Development and implementation of energy policy and economic reform, assessment of proposed policy changes and the impact on regulatory functions<sup>(b)</sup>**

(a) Strategic Projects (excluding Asset Sales) was transferred from the Department of Treasury on 1 July 2017 and hence comparatives for 2017 are not available.

(b) Public Utilities Office and Economic Reform were transferred to the Department of Treasury on 1 July 2017.

# Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2018

	2018 Estimate \$000	2018 Actual \$000	Variance \$000	2018 Actual \$000	2017 Actual \$000	Variance \$000
<i>Delivery of services</i>						
Item 73 net amount appropriated to deliver services	150,906	149,299	(1,607)	149,299	165,525	(16,226)
Amount authorised by other statutes:						
- <i>Salaries and Allowances Act 1975</i>	1,601	1,601	-	1,601	1,625	(24)
<b>Total appropriations provided to deliver services</b>	<b>152,507</b>	<b>150,900</b>	<b>(1,607)</b>	<b>150,900</b>	<b>167,150</b>	<b>(16,250)</b>
<i>Capital</i>						
Item 123 Capital appropriations	15,932	14,902	(1,030)	14,902	28,763	(13,861)
<b>Total capital appropriations provided to deliver services</b>	<b>15,932</b>	<b>14,902</b>	<b>(1,030)</b>	<b>14,902</b>	<b>28,763</b>	<b>(13,861)</b>
<i>Administered Transactions</i>						
Community service obligation payments						
Item 74 Amount provided for Administered Grants, Subsidies and Other Transfer Payments	185,070	160,994	(24,076)	160,994	164,281	(3,287)
Amount authorised by other statutes						
<i>First Home Owner Grant Act 2000</i>	74,612	91,171	16,559	91,171	72,765	18,406
<b>Total administered transactions</b>	<b>259,682</b>	<b>252,165</b>	<b>(7,517)</b>	<b>252,165</b>	<b>237,046</b>	<b>15,119</b>
<b>GRAND TOTAL</b>	<b>428,121</b>	<b>417,967</b>	<b>(10,154)</b>	<b>417,967</b>	<b>432,959</b>	<b>(14,992)</b>

# Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2018

	2018 Estimate \$000	2018 Actual \$000	Variance \$000	2018 Actual \$000	2017 Actual \$000	Variance \$000
<i>Details of expenses by service</i>						
Revenue assessment and collection, and grants and subsidies administration	62,257	62,285	28	62,285	56,985	5,300
Development and management of Common Use Contract Arrangements, State Fleet leasing and disposal and providing facilitation service for agency specific contracts	83,966	76,082	(7,884)	76,082	77,994	(1,912)
Corporate services to client agencies	7,643	6,567	(1,076)	6,567	7,354	(787)
Leads the planning, delivery, management and maintenance of government buildings, projects and office accommodation	1,095,634	1,051,058	(44,576)	1,051,058	1,084,641	(33,583)
Leads the planning and delivery of new government buildings <sup>(a)</sup>	185,695	181,840	(3,855)	181,840	-	181,840
Development and implementation of energy policy and economic reform, assessment of proposed policy changes and the impact on regulatory functions <sup>(b)</sup>	-	-	-	-	16,004	(16,004)
<b>Total cost of services</b>	<b>1,435,195</b>	<b>1,377,832</b>	<b>(57,363)</b>	<b>1,377,832</b>	<b>1,242,978</b>	<b>134,854</b>
<i>Less total income</i>	<i>(1,283,873)</i>	<i>(1,193,110)</i>	<i>90,763</i>	<i>(1,193,110)</i>	<i>(1,073,241)</i>	<i>(119,869)</i>
<b>Net cost of services</b>	<b>151,322</b>	<b>184,722</b>	<b>33,400</b>	<b>184,722</b>	<b>169,737</b>	<b>14,985</b>
Adjustments	1,185	(33,822)	(35,007)	(33,822)	(2,587)	(31,235)
<b>Total appropriations provided to deliver services</b>	<b>152,507</b>	<b>150,900</b>	<b>(1,607)</b>	<b>150,900</b>	<b>167,150</b>	<b>(16,250)</b>

(a) Strategic Projects (excluding Asset Sales) was transferred from the Department of Treasury on 1 July 2017 and hence comparatives for 2017 are not available.

(b) Public Utilities Office and Economic Reform were transferred to the Department of Treasury on 1 July 2017.

<i>Capital expenditure</i>						
Purchase of non-current assets	164,892	122,972	(41,920)	122,972	148,153	(25,181)
Repayment of borrowings	17,983	23,115	5,132	23,115	30,689	(7,574)
Adjustments for other funding sources	(166,943)	(131,185)	35,758	(131,185)	(150,079)	18,894
<b>Capital appropriations</b>	<b>15,932</b>	<b>14,902</b>	<b>(1,030)</b>	<b>14,902</b>	<b>28,763</b>	<b>(13,861)</b>

# Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2018

	2018 Estimate \$000	2018 Actual \$000	Variance \$000	2018 Actual \$000	2017 Actual \$000	Variance \$000
<b>DETAILS OF ADMINISTERED INCOME ESTIMATES</b>						
<i>Taxation</i>						
Insurance Duty	644,951	625,564	(19,387)	625,564	641,372	(15,808)
Land Tax	843,916	842,502	(1,414)	842,502	873,746	(31,244)
Metropolitan Region Improvement Tax	94,572	93,317	(1,255)	93,317	95,959	(2,642)
Payroll Tax	3,223,117	3,284,154	61,037	3,284,154	3,255,594	28,560
Racing and Wagering Western Australia Tax	46,083	41,468	(4,615)	41,468	40,045	1,423
Transfer Duty	1,296,689	1,226,205	(70,484)	1,226,205	1,356,805	(130,600)
Landholder Duty	201,000	234,496	33,496	234,496	151,014	83,482
Vehicle Licence Duty	347,572	354,663	7,091	354,663	344,133	10,530
Other duties	1	8	7	8	17	(9)
Commonwealth Mirror Taxes	41,657	40,635	(1,022)	40,635	40,660	(25)
<b>Total taxation</b>	<b>6,739,558</b>	<b>6,743,012</b>	<b>3,454</b>	<b>6,743,012</b>	<b>6,799,345</b>	<b>(56,333)</b>
<i>Other revenue</i>						
Office lease rental revenue	41,240	41,448	208	41,448	40,086	1,362
Other income	64,136	64,035	(101)	64,035	63,549	486
<b>Total other revenue</b>	<b>105,376</b>	<b>105,483</b>	<b>107</b>	<b>105,483</b>	<b>103,635</b>	<b>1,848</b>
<i>Appropriations</i>						
First Home Owner Grant Act 2000	74,612	91,171	16,559	91,171	72,765	18,406
Administered grants and transfer payments	185,070	160,994	(24,076)	160,994	164,281	(3,287)
<b>Total appropriations</b>	<b>259,682</b>	<b>252,165</b>	<b>(7,517)</b>	<b>252,165</b>	<b>237,046</b>	<b>15,119</b>
<b>TOTAL ADMINISTERED INCOME ESTIMATES</b>	<b>7,104,616</b>	<b>7,100,660</b>	<b>(3,956)</b>	<b>7,100,660</b>	<b>7,140,026</b>	<b>(39,366)</b>

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Note 44 'Explanatory statement' and Note 46 'Explanatory statement for Administered Items' provide details of any significant variations between estimates and actual results for 2018 and between the actual results for 2018 and 2017.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 1. Australian Accounting Standards

### General

The Department's financial statements for the year ended 30 June 2018 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). These annual financial statements were authorised for issue by the Department's Director General on 20 August 2018.

The Department has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

### Early adoption of standards

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements* or by an exemption from TI 1101. There has been no early adoption of any other Australian Accounting Standards that have been issued or amended (but not operative) by the Department for the annual reporting period ended 30 June 2018.

## Note 2. Summary of significant accounting policies

### (a) General statement

The Department is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the Treasurer's Instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

### (b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for land and buildings which have been measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000).

Note 4 'Judgements made by management in applying accounting policies' discloses judgements that have been made in the process of applying the Department's accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 5 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

# Notes to the Financial Statements

For the year ended 30 June 2018

## (c) Reporting entity

The reporting entity is the Department of Finance.

### *Mission*

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

### *Services*

The Department provides the following services:

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

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

*Service 3: Corporate services to client agencies*

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

*Service 5: Leads the planning and delivery of new government buildings*

The Department administers assets, liabilities, income and expenses on behalf of the Government which are not controlled by, nor integral to the function of the Department. These administered balances and transactions are not recognised in the principal financial statements of the Department but schedules are prepared using the same basis as the financial statements and are presented at Note 51 'Disclosure of administered income and expenses by service' and Note 52 'Administered assets and liabilities'.

## (d) Contributed equity

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

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

## (e) Income

### *Revenue recognition*

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

### *Sale of goods*

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

### *Provision of services*

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

### *Vehicle fleet lease rentals*

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

# Notes to the Financial Statements

For the year ended 30 June 2018

## *Vehicle bailment revenues*

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

## *Interest*

Revenue is recognised as the interest accrues.

## *Revenue recognition - administered*

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

## *Service appropriations*

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

## *Net appropriation determination*

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Department.

In accordance with the most recent determination, as quantified in the 2017-18 Budget Statements, the Department retained \$1,193 million in 2018 (\$1,073 million in 2017) from the following:

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

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

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

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably

determined and the services would be purchased if not donated.

Royalties for Regions funds are recognised as revenue at fair value in the period in which the Department obtains control over the funds. The Department obtains control of the funds at the time the funds are deposited into the Department's bank account.

## *Gains*

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

## **(f) Borrowing costs**

Borrowing costs are expensed when incurred.

## **(g) Property, plant and equipment**

### *Capitalisation/expensing of assets*

Items of property, plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

# Notes to the Financial Statements

For the year ended 30 June 2018

## *Initial recognition and measurement*

Property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal cost, the cost is the fair value at the date of acquisition.

## *Subsequent measurement*

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of land and buildings and historical cost for all other property, plant and equipment. Land and buildings are carried at fair value less accumulated depreciation (buildings only) and accumulated impairment losses. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

In the absence of market-based evidence, fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, that is, the current replacement cost. Where the fair value of buildings is determined on the current replacement cost basis, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset. Fair value for restricted use land is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

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

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

See also Note 24 'Property, plant, equipment and vehicles' for further information on revaluations.

## *De-recognition*

Upon disposal or de-recognition of an item of property, plant and equipment, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.

## *Asset revaluation surplus*

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets on a class of assets basis.

## *Depreciation*

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.



# Notes to the Financial Statements

For the year ended 30 June 2018

State Fleet motor vehicles are leased to other agencies mainly as operating leases. Taking into account the residual values, the vehicles are depreciated on a straight line basis over the term of the vehicle lease.

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

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

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

(b) Useful life of motor vehicles extended by a year to 6 years as a result of updates to State Fleet vehicle policy.

Land is not depreciated.

## (h) Intangible assets

### *Capitalisation/expensing of assets*

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

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

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

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets controlled by the Department have a finite useful life and zero residual value.

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

Licences	up to 10 years
Software <sup>(a)</sup>	3 to 13 years

(a) Software that is not integral to the operation of any related hardware.

### *Licences*

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

### *Computer software*

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

## (i) Impairment of assets

Property, plant and equipment, and intangible assets are tested for any indication of impairment at the end of each reporting period.

# Notes to the Financial Statements

For the year ended 30 June 2018

Where there is an indication of impairment, the recoverable amount is estimated.

Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As the Department is a not-for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and current replacement cost.

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

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at the end of each reporting period irrespective of whether there is any indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to current replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

See Note 27 'Impairment of assets' for the outcome of impairment reviews and testing.

## **(j) Non-current assets (or disposal groups) classified as held for sale**

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

## **(k) Leases**

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

The assets are disclosed as plant, equipment and vehicles under lease, and are depreciated over the period during which the Department is expected to benefit from their use. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability, according to the interest rate implicit in the lease.

The Department has entered into an operating lease arrangement for the rent of the office building where the lessor effectively retains the entire risks and benefits incidental to ownership of the items held under the operating lease.

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

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

# Notes to the Financial Statements

For the year ended 30 June 2018

## (l) Financial instruments

In addition to cash, the Department has two categories of financial instruments:

- ✦ Receivables; and
- ✦ Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- ✦ Financial assets
  - Cash and cash equivalents
  - Restricted cash and cash equivalents
  - Receivables
  - Finance lease receivables
  - Amounts receivable for services.
- ✦ Financial liabilities
  - Payables
  - Western Australian Treasury Corporation (WATC) borrowings
  - Heritage Maintenance borrowings
  - Amounts due to the Treasurer.

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

## (m) Cash and cash equivalents

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

## (n) Accrued salaries

Accrued salaries (see Note 28 'Payables') represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Department considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (see Note 19 'Restricted cash and cash equivalents') consists of amounts paid annually, from departmental appropriations for salaries expense,

into a suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

## (o) Amounts receivable for services (holding account)

The Department receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (holding account receivable). The accrued amount receivable is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

## (p) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (that is, impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Department will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

# Notes to the Financial Statements

For the year ended 30 June 2018

## (q) Payables

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

## (r) Borrowings

All loans payable are initially recognised at fair value, being the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method (see also Note 2(l) 'Financial instruments' and Note 29 'Borrowings').

## (s) Amounts due to the Treasurer

The amount due to the Treasurer is in respect of a Treasurer's advance. Initial recognition and measurement, and subsequent measurement are at the amount repayable. Although there is no interest charged, the amount repayable is equivalent to fair value as the period of the borrowing is for less than 12 months with the effect of discounting not being material.

## (t) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result

of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period (see also Note 30 'Provisions').

### *Provisions - employee benefits*

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

### *Annual leave*

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of

the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### *Long service leave*

Long service leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

# Notes to the Financial Statements

For the year ended 30 June 2018

Unconditional long service leave provisions are classified as current liabilities as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

#### *Deferred leave*

The provision for deferred leave relates to Public Service employees who have entered into an agreement to self-fund an additional 12 months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. This liability is measured on the same basis as annual leave. Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

#### *Purchased leave*

The provision for purchased leave relates to Public Service employees who have entered into an agreement to self-fund up to an additional 10 weeks leave per calendar year.

The provision recognises the value of salary set aside for employees and is measured at the undiscounted amounts expected to be paid when the liabilities are settled.

#### *Superannuation*

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

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS).

From 30 March 2012, existing members of the WSS or GESBS and new employees have been able to choose their preferred superannuation fund provider. The Department makes contributions to GESB or other fund providers on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish the Department's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

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

The Department has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Department to the GESB.

# Notes to the Financial Statements

For the year ended 30 June 2018

The GESB makes all benefit payments in respect of the Pension Scheme and GSS, and is recouped from the Treasurer for the employer's share.

See also Note 2(u) 'Superannuation expense'.

## *Provisions - other*

### *Employment on-costs*

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Department's 'Employee benefits expense'. The related liability is included in 'Employment on- costs provision'.

### *Remediation costs*

A provision is recognised where the Department has a legal or constructive obligation to undertake remediation work. Estimates are based on the present value of expected future cash outflows.

### **(u) Superannuation expense**

Superannuation expense is recognised in the profit or loss of the Statement of Comprehensive Income and comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESB, or other superannuation funds.

The employer contribution paid to the GESB in respect of the GSS is paid back into the Consolidated Account by the GESB.

### **(v) Assets and services received free of charge or for nominal cost**

Assets or services received free of charge or for nominal cost that the Department would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

### **(w) Construction work in progress**

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billing exceeds the aggregate costs incurred plus profits less losses, the net amounts are presented under Note 28 'Payables'.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the Department's construction activities in general.

### **(x) Lease incentives**

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

## Note 3. Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current reporting period.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 4. Judgements made by management in applying accounting policies

The preparation of financial statements requires management to make judgements about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Department evaluates these judgements regularly.

### Operating lease commitments

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

## Note 5. Key sources of estimation uncertainty

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

### Waste disposal site

An environmental analysis to provide a quantifiable estimate of the amount required to rehabilitate the Mt Walton East intractable waste disposal site was obtained for the 2017-18 financial year. Calculations performed in assessing the restoration costs provision incorporate a number of key estimates. Calculation of the provision will be conducted annually and adjusted using the most up-to-date information available.

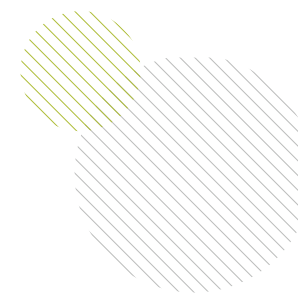
## Long service leave

Several estimations and assumptions used in calculating the Department's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amounts of the long service leave provision.

## Note 6. Disclosure of changes in accounting policy and estimates

### Voluntary changes in accounting policy

There are no voluntary changes in accounting policies during the reporting period.



# Notes to the Financial Statements

For the year ended 30 June 2018

## Future impact of Australian Accounting Standards not yet operative

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

## Operative for reporting periods beginning on/after 1 Jan 2018

### AASB 9

#### *Financial Instruments*

This Standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*, introducing a number of changes to accounting treatments.

The Department has assessed that recognition of expected credit losses will increase the amount of impairment losses recognised as 'Other expenses' in the Statement of Comprehensive Income by \$13,970, and thus does not have an adverse impact on the agency's Surplus/(Deficit) for the period.

### AASB 2010-7

*Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*  
[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Int 2, 5, 10, 12, 19 & 127]

This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.

The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. [Other than the exposures to AASB 9 noted above, the Department is only insignificantly impacted by the application of the Standard.]

### AASB 2014-1

*Amendments to Australian Accounting Standards*  
Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. [These changes have no impact as Appendix E has been superseded and the Department was not permitted to early adopt AASB 9.]

### AASB 2014-5

*Amendments to Australian Accounting Standards arising from AASB 15*

This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. [The Department has not yet determined the application or the potential impact of the Standard.]

### AASB 2014-7

*Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). [The Department has not yet determined the application or the potential impact of the Standard.]



# Notes to the Financial Statements

For the year ended 30 June 2018

## **AASB 2015-8**

*Amendments to Australian Accounting Standards – Effective Date of AASB 15*

The Standard amends the mandatory application date of AASB 15 to 1 January 2018 (instead of 1 January 2017). It also defers the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this Standard.

## **AASB 2016-3**

*Amendments to Australian Accounting Standards – Clarifications to AASB 15*

This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and provides further transitional provisions to AASB 15. *[The Department has not yet determined the application or the potential impact when the deferred AASB 15 becomes effective from 1 January 2019.]*

## **AASB 2016-7**

*Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*

This Standard defers, for not-for-profit entities, the mandatory application date of AASB 15 to 1 January 2019, and the consequential amendments that were originally set out in AASB 2014-5. There is no financial impact arising from this standard.

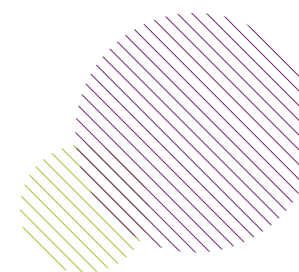
## **Operative for reporting periods beginning on/after 1 Jan 2019**

## **AASB 15**

*Revenue from Contracts with Customers*

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

*[The Department's income is principally derived from appropriations which will be measured under AASB 1058 and will be unaffected by this change. However, the agency has not yet determined the potential impact of the Standard on 'User charges and fees' and 'Sales' revenue. In broad terms, it is anticipated that the terms and conditions attached to these revenues will defer revenue recognition until the agency has discharged its performance obligations.]*



# Notes to the Financial Statements

For the year ended 30 June 2018



## AASB 16

### Leases

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

*[Whilst the impact of AASB 16 has not yet been quantified, the Department currently has commitments for \$88,231,000 worth of non-cancellable operating leases which will mostly be brought onto the Statement of Financial Position. Interest and amortisation expense will increase and rental expense will decrease.]*

## AASB 1058

### Income of Not-for-Profit Entities

This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers.

Timing of income recognition is dependent on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an agency. *[The Department anticipates that the application will not materially impact appropriation or untied grant revenues.]*

## AASB 1059

### Service Concession Arrangements: Grantors

This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector agency by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided. *[The Department has not identified any public private partnerships within scope of the Standard.]*

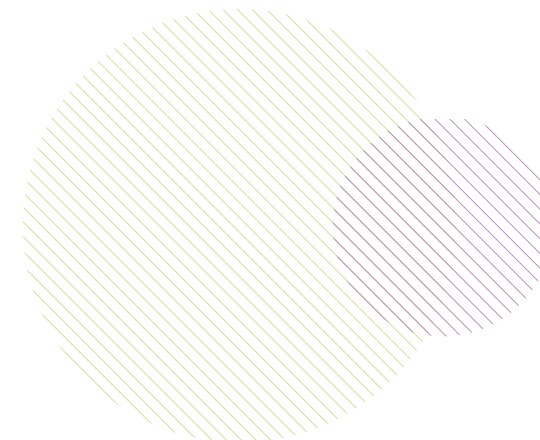
## AASB 2016-8

### Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities

This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.

## Changes in accounting estimates

There have been no changes in accounting estimates during the year.



# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 7. Employee benefits expense

	2018 \$000	2017 \$000
Wages and salaries	79,211	82,671
Superannuation <sup>(a)</sup>	10,525	10,684
Long service leave <sup>(b)</sup>	3,226	3,714
Annual leave <sup>(b)</sup>	13,885	14,875
Severance payments <sup>(c)</sup>	6,708	513
Other related expenses	1,817	2,042
	<b>115,372</b>	<b>114,499</b>

(a) Includes West State, Gold State, GESB and other eligible funds.

(b) Includes a superannuation contribution component.

(c) The total severance gross payout for 2018 was \$8,603,722, with \$1,895,713 related to leave entitlements (Refer to Note 30).

The employment on-costs liability is included at Note 30 'Provisions'.

## Note 8. Supplies and services

	2018 \$000	2017 \$000
Managed contracts	1,051,904	915,823
Communications	2,406	2,575
Consultants and contractors	44,630	44,156
Consumables	469	480
Repairs and maintenance	1,164	860
Travel	324	364
Legal costs	1,369	1,809
Other <sup>(a)</sup>	5,543	5,263
	<b>1,107,809</b>	<b>971,330</b>

(a) During the period the Department paid \$852,692 (2017: \$1,609,557) for insurance to the Insurance Commission of Western Australia.

## Note 9. Depreciation and amortisation expense

	2018 \$000	2017 \$000
<i>Depreciation</i>		
Office fitout	11,774	12,540
Computer equipment	366	498
Vehicles	38,159	41,622
Buildings	3,342	3,747
Leasehold improvements	7,940	8,065
Office equipment	59	54
<b>Total depreciation</b>	<b>61,640</b>	<b>66,526</b>
<i>Amortisation</i>		
Computer software	4,367	4,261
Licence	-	726
<b>Total amortisation</b>	<b>4,367</b>	<b>4,987</b>
<b>Total depreciation and amortisation</b>	<b>66,007</b>	<b>71,513</b>

## Note 10. Finance costs

	2018 \$000	2017 \$000
Western Australian Treasury Corporation - interest on borrowings	938	1,928
Interest on Heritage Maintenance payments	6,842	6,687
	<b>7,780</b>	<b>8,615</b>

'Finance costs' include interest on borrowings from the Western Australian Treasury Corporation and interest on long term borrowings.

## Note 11. Accommodation expenses

	2018 \$000	2017 \$000
Repairs and maintenance buildings	28,693	29,130
Cleaning and security	2,753	3,011
Lease rentals	9,116	10,095
	<b>40,562</b>	<b>42,236</b>

## Note 12. Grants and subsidies

	2018 \$000	2017 \$000
Grants - recurrent	578	754
Grants - capital	-	-
	<b>578</b>	<b>754</b>

## Note 13. Other expenses

	2018 \$000	2017 \$000
Minor equipment	587	1,325
Employment on-costs <sup>(a)</sup>	18	127
Audit fees	378	395
Revaluation decrements	38,465	32,024
Other	259	150
	<b>39,707</b>	<b>34,021</b>

(a) Includes workers' compensation insurance. The on-costs liability associated with the recognition of annual and long service leave liability is included at Note 30 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs. See also Note 7 'Employee benefits expense'.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 14. Income

	2018 \$000	2017 \$000
<i>User charges and fees</i>		
Sales	285	338
Rents for Government office accommodation	267,780	272,847
Managed building works	814,655	680,361
Vehicle fleet lease rental	53,070	59,638
Other	41,192	44,846
	<b>1,176,982</b>	<b>1,058,030</b>
<i>Commonwealth grants and contributions</i>		
Commonwealth grants and contributions	7,085	3,492
	<b>7,085</b>	<b>3,492</b>
<i>Interest revenue</i>		
Interest revenue	298	473
	<b>298</b>	<b>473</b>
<i>Other revenue</i>		
Recoups	2,152	2,446
Government vehicle schemes (GVS-SOVS)	96	103
Other	4,318	8,066
	<b>6,566</b>	<b>10,615</b>
	<b>1,190,931</b>	<b>1,072,610</b>

## Note 15. Net gain on disposal of non-current assets

	2018 \$000	2017 \$000
<b>Gain on disposal of non-current assets</b>		
<i>Net proceeds from disposal of non-current assets</i>		
Motor vehicles	38,994	71,581
<i>Carrying amount of non-current assets disposed</i>		
Motor vehicles	36,815	70,950
	<b>2,179</b>	<b>631</b>
<b>Loss on disposal of non-current assets</b>		
<i>Carrying amount of non-current assets disposed</i>		
Building	17	10
	<b>17</b>	<b>10</b>
<b>Net gain/(loss) on disposal of non-current assets</b>	<b>2,162</b>	<b>621</b>

## Note 16. Other gains

There were no gains on the revaluation of land and buildings for the year.

## Note 17. Income from State Government

	2018 \$000	2017 \$000
Appropriations received during the period:		
Service appropriations <sup>(a)</sup>	150,900	167,150
	150,900	167,150
Services received free of charge from other State Government agencies during the period:		
Department of the Attorney General <sup>(b)</sup>	-	1,580
Department of Justice <sup>(b)</sup>	1,747	-
Landgate	11,604	11,539
Department of Treasury	134	140
Department of the Premier and Cabinet	24	44
Department of Primary Industries and Regional Development	2	-
	13,511	13,303
Royalties for Regions Fund:		
Regional Infrastructure and Headworks Account <sup>(c)</sup>	106	125
	106	125
	<b>164,517</b>	<b>180,578</b>

(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the budgeted depreciation expense for the year and any agreed increase in leave liabilities during the year.

(b) Department of the Attorney General and Department of Corrective Services merged on 1 July 2017 to become Department of Justice due to machinery of government changes.

(c) State Government Royalties for Regions funds are used to fund district allowance payments for eligible regional public sector employees.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 18. Cash and cash equivalents

	2018 \$000	2017 \$000
<i>Current</i>		
Cash at bank	75,888	70,616
Cash on hand	2	2
	<b>75,890</b>	<b>70,618</b>

## Note 19. Restricted cash and cash equivalents

	2018 \$000	2017 \$000
<i>Current</i>		
Indian Ocean Territories Trust Fund	1,001	644
Royalties for Regions	-	486
Sunset Reserve Account	-	2,041
	<b>1,001</b>	<b>3,171</b>
<i>Non-current</i>		
Accrued salaries suspense account <sup>(a)</sup>	734	398
	<b>734</b>	<b>398</b>

(a) Funds held in the suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year.

## Note 20. Receivables

	2018 \$000	2017 \$000
<i>Current</i>		
Receivables	58,142	74,784
Accrued revenue	7,220	6,990
GST receivable	1,993	-
Interest receivable	61	124
Trust account <sup>(a)</sup>	1,849	6,203
Underbillings <sup>(b)</sup>	63,121	88,330
<b>Total current</b>	<b>132,386</b>	<b>176,431</b>
<i>Non-current</i>		
Receivables	535	1,948
<b>Total non-current</b>	<b>535</b>	<b>1,948</b>

(a) Relates to funds held in trust by the Department's corporate property manager for management of rental services and incidental costs relating to Western Australia Government's occupation of Gordon Stephenson House. \$92,738 of funds managed by Jones Lang Lasalle was transferred to the Department of Local Government, Sport and Cultural Industries (DLGSCI) as the DLGSCI assumed responsibility for the Sunset Heritage Precinct on 1 April 2018.

(b) Contract costs incurred but not yet billed to clients.

The Department does not hold any collateral as security or other credit enhancements relating to receivables.

## Note 21. Finance lease receivables

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

### Finance lease receivables

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

	2018 \$000	2017 \$000
Gross investment in finance lease contracts	686	1,154
Less: Unearned finance income	(29)	(63)
Net investment in finance lease contracts	657	1,091
Less: Unguaranteed residual values of the finance leases at the balance date	-	-
Present value of the future minimum lease payment receivables	<b>657</b>	<b>1,091</b>
Accumulated allowances for unallocated minimum lease payment receivables	-	-

# Notes to the Financial Statements

For the year ended 30 June 2018

As at balance date, the gross investment and present value of receivables relating to the future minimum lease payments under non-cancellable finance lease arrangements were distributed as follows:

	2018 \$000	2017 \$000
<i>Current</i>		
Not later than 1 year	409	494
<i>Non-current</i>		
Later than 1 year and not later than 5 years	219	597
Later than 5 years	29	-
	248	597
	<b>657</b>	<b>1,091</b>

## Note 22. Amounts receivable for services (Holding Account)

	2018 \$000	2017 \$000
Current	779	2,250
Non-current	523,084	461,896
	<b>523,863</b>	<b>464,146</b>

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

## Note 23. Other assets

	2018 \$000	2017 \$000
<i>Current</i>		
Prepayments	23,980	24,606
Other	5,367	4,648
	<b>29,347</b>	<b>29,254</b>
<i>Non-current</i>		
Prepayments	182	373
Other	4,125	6,067
	<b>4,307</b>	<b>6,440</b>

## Note 24. Property, plant, equipment and vehicles

	2018 \$000	2017 \$000
<i>Land</i>		
At fair value <sup>(a)</sup>	131,229	140,410
	131,229	140,410
<i>Buildings</i>		
At fair value <sup>(a)</sup>	126,512	141,624
Accumulated depreciation	(2,382)	(3,552)
	124,130	138,072
<i>Leasehold improvements</i>		
At cost	119,710	107,102
Accumulated depreciation	(37,259)	(29,320)
	82,451	77,782

	2018 \$000	2017 \$000
<i>Office equipment</i>		
At cost	376	338
Accumulated depreciation	(214)	(167)
	162	171
<i>Computer equipment</i>		
At cost	5,851	5,838
Accumulated depreciation	(5,472)	(5,086)
	379	752
<i>Office fitout</i>		
At cost	177,112	182,671
Accumulated depreciation	(78,487)	(67,730)
	98,625	114,941
<i>Motor vehicles</i>		
At cost	335,501	343,094
Accumulated depreciation	(100,035)	(109,736)
	235,466	233,358
<i>Works in progress</i>		
At cost	14,652	14,888
	14,652	14,888
<b>Total</b>		
At fair value/cost	910,943	935,965
Accumulated depreciation	(223,849)	(215,591)
	<b>687,094</b>	<b>720,374</b>

(a) Land and buildings were revalued as at 1 July 2017 by the Western Australian Land Information Authority (Valuations and Property Analytics). The valuations were performed during the year ended 30 June 2018 and recognised at 30 June 2018. In undertaking the revaluation, fair value was determined by reference to market values for land: \$54,185,000 (2017: \$59,076,000) and buildings: \$89,315,000 (2017: \$94,147,000). For the remaining balance, fair value of buildings was determined on the basis of current replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land). Information on fair value measurement is provided in Note 25 'Fair value measurement'.

# Notes to the Financial Statements

For the year ended 30 June 2018

Reconciliations of the carrying amounts of property, plant, equipment and vehicles at the beginning and end of the reporting period are set out in the table below.

2018	Land \$000	Buildings \$000	Leasehold Improvements \$000	Office Equipment \$000	Computer Equipment \$000	Office fitout \$000	Motor vehicles \$000	Work in progress \$000	Total \$000
Carrying amount at start of period	140,410	138,072	77,782	171	752	114,941	233,358	14,888	<b>720,374</b>
Additions	-	-	-	41	-	-	77,145	39,245	<b>116,431</b>
Transfers <sup>(a)</sup>	(765)	19,466	12,608	9	(7)	(4,542)	(64)	(39,481)	<b>(12,776)</b>
Other disposals	-	(17)	-	-	-	-	(36,814)	-	<b>(36,831)</b>
Revaluations	(8,416)	(30,049)	-	-	-	-	-	-	<b>(38,465)</b>
Depreciation	-	(3,342)	(7,939)	(59)	(366)	(11,774)	(38,159)	-	<b>(61,639)</b>
<b>Carrying amount at end of period</b>	<b>131,229</b>	<b>124,130</b>	<b>82,451</b>	<b>162</b>	<b>379</b>	<b>98,625</b>	<b>235,466</b>	<b>14,652</b>	<b>687,094</b>

2017	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Carrying amount at start of period	151,512	162,742	25,784	124	1,280	60,728	261,604	104,963	<b>768,737</b>
Additions	-	-	-	-	80	-	84,370	36,741	<b>121,191</b>
Transfers <sup>(b)</sup>	-	-	60,064	111	(111)	66,753	(44)	(126,816)	<b>(44)</b>
Other disposals	-	-	-	(10)	-	-	(70,950)	-	<b>(70,960)</b>
Revaluations	(11,102)	(20,922)	-	-	-	-	-	-	<b>(32,024)</b>
Depreciation	-	(3,747)	(8,066)	(54)	(497)	(12,540)	(41,622)	-	<b>(66,526)</b>
<b>Carrying amount at end of period</b>	<b>140,410</b>	<b>138,072</b>	<b>77,782</b>	<b>171</b>	<b>752</b>	<b>114,941</b>	<b>233,358</b>	<b>14,888</b>	<b>720,374</b>

(a) Work in Progress was transferred to Leasehold Improvements for \$12,607,845 and to office fitout for \$976,128 and to Building for \$25,897,030. Sunset Heritage Land, Building and Fitout were transferred to Department of Local Government, Sport and Cultural Industries for \$285,000, \$6,432,266 and \$5,362,209 respectively. Burswood Stadium Land was transferred to Western Australian Sports Centre Trust for \$480,000. 26 items of Office Fitout (Network Equipment) have been transferred to Department of Transport for \$155,246. During the financial year, three items of Office Equipment were transferred from Department of Treasury for \$10,339. The Department also transferred two items of Office Equipment to Department of Treasury for \$9,405. One Computing Equipment was transferred from Department of Treasury for \$1,124. One Computing Equipment was reclassified to Office Equipment for \$8,274. During the year, one vehicle was transferred to finance lease for the Department of Health (\$64,000).

(b) Work in progress was transferred to Leasehold Improvements for \$60,063,525 and to office fitout for \$66,751,752. During the year one vehicle was transferred to finance lease for Department of Education (\$44,000).

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 25. Fair value measurements

Assets measured at fair value:	Level 1	Level 2	Level 3	Fair value At end of period
2018	\$000	\$000	\$000	\$000
Land (Note 24)	-	54,185	77,044	131,229
Buildings (Note 24)	-	89,315	34,815	124,130
	-	<b>143,500</b>	<b>111,859</b>	<b>255,359</b>

2017	\$000	\$000	\$000	\$000
Land (Note 24)	-	59,076	81,334	140,410
Buildings (Note 24)	-	94,147	43,925	138,072
	-	<b>153,223</b>	<b>125,259</b>	<b>278,482</b>

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

### Valuation techniques to derive Level 2 fair values

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

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

### Fair value measurements using significant unobservable inputs (Level 3)

2018	Land \$000	Buildings \$000
Fair value at start of period	81,334	43,925
Additions	-	25,897
Transfers	(765)	(6,432)
Revaluation increments/(decrements) recognised in Profit or Loss	(3,525)	(28,002)
Revaluation increments/(decrements) recognised in Other Comprehensive Income	-	-
Depreciation expense	-	(573)
<b>Fair value at end of period</b>	<b>77,044</b>	<b>34,815</b>
Total losses for the period included in profit or loss, under 'Revaluation decrements'	3,525	28,002

2017	Land \$000	Buildings \$000
Fair value at start of period	91,917	55,301
Additions	-	-
Transfers	-	-
Revaluation increments/(decrements) recognised in Profit or Loss	(10,583)	(10,699)
Revaluation increments/(decrements) recognised in Other Comprehensive Income	-	-
Depreciation expense	-	(677)
<b>Fair value at end of period</b>	<b>81,334</b>	<b>43,925</b>
Total losses for the period included in profit or loss, under 'Revaluation decrements'	10,583	10,699



# Notes to the Financial Statements

For the year ended 30 June 2018

## Valuation processes

There were no changes in valuation techniques during the period.

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

### *Land (Level 3 fair values)*

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

### *Buildings (Level 3 fair values)*

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

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

## Basis of Valuation

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

## Amendments to AASB 136

Mandatory application of AASB 2016-4 *Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities* has no financial impact for the Department as the Department is classified as not-for-profit and regularly revalues specialised infrastructure property, plant and equipment assets. Therefore, fair value of the recoverable amount of such assets is expected to be materially the same as fair value.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 26. Intangible assets

	2018 \$000	2017 \$000
<i>Licences</i>		
At cost	13,782	13,782
Accumulated amortisation	(13,782)	(13,782)
	-	-
<i>Computer software</i>		
At cost	188,831	182,645
Accumulated amortisation	(166,250)	(161,883)
	<b>22,581</b>	<b>20,762</b>
<i>Work in progress</i>		
At cost	11,882	11,043
	<b>11,882</b>	<b>11,043</b>
<b>Total</b>		
At cost	214,495	207,470
Accumulated amortisation	(180,032)	(175,665)
	<b>34,463</b>	<b>31,805</b>

Reconciliations of the carrying amounts of intangibles at the beginning and end of the reporting period are set out in the table below.

	Licences \$000	Computer software \$000	Work in progress \$000	Total \$000
<b>2018</b>				
Carrying amount at start of period	-	20,762	11,043	<b>31,805</b>
Additions	-	239	6,786	<b>7,025</b>
Transfers to computer software and licence	-	5,947	(5,947)	-
Amortisation expense	-	(4,367)	-	<b>(4,367)</b>
<b>Carrying amount at end of period</b>	<b>-</b>	<b>22,581</b>	<b>11,882</b>	<b>34,463</b>
<b>2017</b>				
Carrying amount at start of period	725	22,306	6,485	<b>29,516</b>
Additions	-	1,127	6,148	<b>7,275</b>
Transfers to computer software and licence	-	1,590	(1,590)	-
Amortisation expense	(725)	(4,261)	-	<b>(4,986)</b>
<b>Carrying amount at end of period</b>	<b>-</b>	<b>20,762</b>	<b>11,043</b>	<b>31,805</b>

## Note 27. Impairment of assets

There were no indications of impairment to property, plant, equipment, motor vehicles or intangible assets at 30 June 2018.

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

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 28. Payables

	2018 \$000	2017 \$000
<i>Current</i>		
Trade payables	2,103	2,772
GST payable	-	2,266
Accrued salaries	440	812
Accrued expenses	56,098	65,770
Interest - Western Australian Treasury Corporation (WATC)	40	82
Other	241	93
Overbillings <sup>(a)</sup>	53,848	43,818
	<b>112,770</b>	<b>115,613</b>

(a) Billings to clients less contract costs incurred.

## Note 29. Borrowings

	2018 \$000	2017 \$000
<i>Current</i>		
WATC - Western Australian Treasury Corporation	18,078	18,416
Heritage Maintenance Payments	5,835	5,624
	<b>23,913</b>	<b>24,040</b>
<i>Non-current</i>		
WATC - Western Australian Treasury Corporation	6,277	29,055
Heritage Maintenance Payments	49,728	48,721
	<b>56,005</b>	<b>77,776</b>

## Note 30. Provisions

	2018 \$000	2017 \$000
<i>Current</i>		
Employee benefits provision		
Annual leave <sup>(a)</sup>	8,876	10,063
Long service leave <sup>(b)</sup>	17,015	17,447
Deferred salary scheme <sup>(e)</sup>	228	245
Purchased leave	46	111
	26,165	27,866
Other provisions		
Employment on-costs <sup>(c)</sup>	47	50
	47	50
	<b>26,212</b>	<b>27,916</b>
<i>Non-current</i>		
Employee benefits provision		
Long service leave <sup>(b)</sup>	4,809	5,825
	4,809	5,825
Other provisions		
Employment on-costs <sup>(c)</sup>	9	11
Restoration costs <sup>(d)</sup>	534	524
	543	535
	<b>5,352</b>	<b>6,360</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

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

	2018 \$000	2017 \$000
Within 12 months of the end of the reporting period	6,496	7,519
More than 12 months after the reporting period	2,380	2,544
	<b>8,876</b>	<b>10,063</b>

(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:

	2018 \$000	2017 \$000
Within 12 months of the end of the reporting period	6,782	7,048
More than 12 months after the reporting period	15,042	16,224
	<b>21,824</b>	<b>23,272</b>

(c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed in Note 13 'Other expenses'.

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

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

	2018 \$000	2017 \$000
Within 12 months of the end of the reporting period	108	129
More than 12 months after the reporting period	120	116
	<b>228</b>	<b>245</b>

## Movements in other provisions

	2018 \$000	2017 \$000
<i>Remediation costs provisions</i>		
Carrying amount at start of period	525	517
Additional provisions recognised	9	8
Payments/other sacrifices of economic benefits	-	-
<b>Carrying amount at end of period</b>	<b>534</b>	<b>525</b>
<i>Employment on-cost provision</i>		
Carrying amount at start of period	61	62
Additional provisions recognised	11	25
Payments/other sacrifices of economic benefits	(16)	(26)
<b>Carrying amount at end of period</b>	<b>56</b>	<b>61</b>

## Note 31. Lease incentives

	2018 \$000	2017 \$000
<i>Current</i>		
Lease incentives	16,771	13,604
	<b>16,771</b>	<b>13,064</b>
<i>Non-current</i>		
Lease incentives	131,249	101,251
	<b>131,249</b>	<b>101,251</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 32. Other liabilities

	2018 \$000	2017 \$000
<i>Current</i>		
Unearned revenue	23,058	24,055
	<b>23,058</b>	<b>24,055</b>

## Note 33. Equity

The Western Australian Government holds the equity interest in the Department on behalf of the community. Equity represents the residual interest in the net assets of the Department.

### Contributed equity

	2018 \$000	2017 \$000
Balance at start of period	1,055,928	1,026,944
<i>Contributions by owners</i>		
Capital appropriations	14,902	28,763
<i>Other contributions by owners</i>		
Transfer of Strategic Projects (excluding Asset Sales) from Department of Treasury	32	-
Funding from Treasury Administered	200	-
Regional Infrastructure and Headworks Fund	-	245
<b>Total contributions by owners</b>	<b>232</b>	<b>245</b>

### Contributed equity

	2018 \$000	2017 \$000
<i>Distributions to owners</i>		
Return Regional Infrastructure and Headworks Fund to the Department of Treasury	(421)	-
Transfer of Fremantle Prison to State Heritage Office	-	(24)
Transfer of Public Utilities Office and Economic Reform to the Department of Treasury	(37)	-
Transfer Optus Stadium land to VenuesWest	(480)	-
Transfer of the Sunset Heritage Precinct to the Department of Local Government, Sport and Cultural Industries	(14,105)	-
<b>Total distributions to owners</b>	<b>(15,043)</b>	<b>(24)</b>
<b>Balance at end of period</b>	<b>1,056,019</b>	<b>1,055,928</b>

### Accumulated surplus

	2018 \$000	2017 \$000
Balance at start of period	59,133	48,292
Result for the period	(20,205)	10,841
<b>Balance at end of period</b>	<b>38,928</b>	<b>59,133</b>
<b>Total equity at end of period</b>	<b>1,094,947</b>	<b>1,115,061</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 34. Notes to the Statement of Cash Flows

### Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2018 \$000	2017 \$000
Cash and cash equivalents <sup>(a)</sup>	75,890	70,618
Restricted cash and cash equivalents <sup>(b)</sup>	1,735	3,569
	<b>77,625</b>	<b>74,187</b>

(a) See also Note 18 'Cash and cash equivalents'.

(b) See also Note 19 'Restricted cash and cash equivalents'.

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

	2018 \$000	2017 \$000
Net cost of services	(184,722)	(169,737)
<i>Non-cash items</i>		
Depreciation and amortisation expense (Note 9)	66,007	71,513
Services received free of charge (Note 17)	13,511	13,303
Loss on revaluation increment (Note 13)	38,465	32,024
Gain on disposal of property, plant, equipment and vehicles (Note 15)	(2,162)	(622)

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

	2018 \$000	2017 \$000
<i>(Increase)/decrease in assets</i>		
Current receivables <sup>(a)</sup>	45,791	(52,667)
Other current assets	64	(91)
<i>Increase/(decrease) in liabilities</i>		
Current payables <sup>(a)</sup>	(41,434)	14,508
Accrued salaries	(7)	375
Unearned revenues	(385)	654
Employee benefits	(2,591)	380
Net GST receipts/(payments) <sup>(b)</sup>	1,668	1,355
Change in GST in receivables/payables <sup>(c)</sup>	(2,345)	(3,019)
<b>Net cash provided by/(used in) operating activities</b>	<b>(68,140)</b>	<b>(92,024)</b>

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

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

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

The mandatory application of AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107* imposed disclosure impacts only. The Department is not exposed to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 35. Services provided free of charge

	2018 \$000	2017 \$000
During the year the following services were provided to other agencies free of charge for functions outside the normal operations of the Department:		
Department of the Premier and Cabinet	3,295	3,607
Department of the Attorney General <sup>(a)</sup>	-	1,865
Department of Transport	645	671
Department of Planning <sup>(b)</sup>	-	628
Department of Commerce <sup>(c)</sup>	-	539
Department of Aboriginal Affairs <sup>(b)</sup>	-	482
Department of Culture and the Arts <sup>(d)</sup>	-	465
Office of the Auditor General	408	457
Disability Services Commission <sup>(e)</sup>	-	427
Department for Child Protection and Family Support <sup>(e)</sup>	-	370
Department of Training & Workforce Development	376	359
Public Sector Commission	453	353
Department of Local Government & Communities <sup>(d)</sup>	-	351
Western Australia Police	376	342
Department of Treasury	423	341
Department of Corrective Services <sup>(a)</sup>	-	332
The Ombudsman	281	315
Department of Health	334	313
Department of Justice <sup>(a)</sup>	2,218	-
Department of Planning, Lands and Heritage <sup>(b)</sup>	1,460	-
Department of Communities <sup>(e)</sup>	1,588	-

	2018 \$000	2017 \$000
Department of Primary Industries and Regional Development <sup>(f)</sup>	829	-
Department of Mines, Industry Regulation and Safety <sup>(c)</sup>	620	-
Department of Local Government, Sports and Cultural Industries <sup>(d)</sup>	736	-
Other Agencies <sup>(g)</sup>	1,547	2,997
	<b>15,589</b>	<b>15,214</b>

(a) Department of the Attorney General and Department of Corrective Services merged on 1 July 2017 to become Department of Justice due to Machinery of Government changes.

(b) Department of Planning, Department of Lands, Department of Aboriginal Affairs and State Heritage Office merged on 1 July 2017 to become Department of Planning, Lands and Heritage due to Machinery of Government changes.

(c) Department of Commerce and Department of Mines and Petroleum merged on 1 July 2017 to become Department of Mines, Industry Regulation and Safety due to Machinery of Government changes.

(d) Department of Local Government and Communities, Department of Culture and the Arts, Department of Racing, Gaming and Liquor and Department of Sport and Recreation merged on 1 July 2017 to become Department of Local Government, Sport and Cultural Industries due to Machinery of Government changes.

(e) Department of Child Protection and Family Support, Department of Housing, Disability Services Commission and Department of Local Government and Communities merged on 1 July 2017 to become Department of Communities due to Machinery of Government changes.

(f) Department of Agriculture and Food, Department of Regional Development, Department of Fisheries and Regional Development Commissions merged on 1 July 2017 to become Department of Primary Industries and Regional Development due to Machinery of Government changes.

(g) Includes 29 Agencies in 2018 and 50 Agencies in 2017.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 36. Commitments

### Non-cancellable operating lease commitments

	2018 \$000	2017 \$000
Commitments for minimum lease payments are payable as follows:		
Within 1 year	7,895	9,367
Later than 1 year and not later than 5 years	30,061	34,464
Later than 5 years	50,275	29,908
	<b>88,231</b>	<b>73,739</b>

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

### Capital expenditure commitments

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

	2018 \$000	2017 \$000
Within 1 year	23,897	41,511
Later than 1 year and not later than 5 years	100	589
	<b>23,997</b>	<b>42,100</b>

### Other expenditure commitments

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

	2018 \$000	2017 \$000
Within 1 year	10,515	10,054
Later than 1 year and not later than 5 years	-	-
	<b>10,515</b>	<b>10,054</b>

### Other operating lease receivables

Reflects State Fleet operating lease receivables for vehicles owned by the Department. As at balance date, the future minimum lease payments under non-cancellable operating lease arrangements were distributed as follows:

	2018 \$000	2017 \$000
Within 1 year	43,439	40,980
Later than 1 year and not later than 5 years	70,957	54,407
Later than 5 years	1,442	581
	<b>115,838</b>	<b>95,968</b>



# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 37. Contingent liabilities and contingent assets

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

The Department is undertaking a review of its building portfolio to identify any potential risk associated with combustible aluminium composite cladding. The costs associated with any potential remedial work required cannot be reliably estimated until the review has been completed.

### *Contaminated Sites Act 2003*

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

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

The second site has been classified as contaminated – restricted use. For this site, a restoration cost provision has been recognised to rehabilitate it to a standard suitable for future land use.

## Note 38. Related bodies and affiliated bodies

The Department has no related bodies or affiliated bodies.

## Note 39. Events occurring after the end of the reporting period

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

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 40. Financial instruments

### (a) Financial risk management objectives and policies

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

#### *Credit risk*

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

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at Note 40(c) 'Financial instrument disclosures' and Note 20 'Receivables'.

Credit risk associated with the Department's financial assets is minimal because the main receivable is the amount receivable for services (holding account). For receivables other than government, the Department trades only with recognised, creditworthy third parties. The Department has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Department's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

#### *Liquidity risk*

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

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

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

The Department has a facility agreement in place with the Western Australian Treasury Corporation (WATC) to borrow up to \$250,000,000 to meet State Fleet contractual requirements, purchase vehicles and provide working capital. As at 30 June 2018 \$24,355,364 was drawn against the facility.

#### *Market risk*

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

# Notes to the Financial Statements

For the year ended 30 June 2018

All borrowings are due to the WATC and are repayable at fixed rates with varying maturities. Other than as detailed in the interest rate sensitivity analysis table at Note 40(c), the Department is not exposed to interest rate risk because the majority of cash and cash equivalents and restricted cash are non-interest bearing and it has no borrowings other than the Treasurer's advance (non-interest bearing), WATC borrowings and finance leases (fixed interest rate).

## (b) Categories of financial instruments

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are as follows:

	2018 \$000	2017 \$000
<i>Financial assets</i>		
Cash and cash equivalents	75,890	70,618
Restricted cash and cash equivalents	1,735	3,569
Receivables <sup>(a)</sup>	130,929	178,379
Finance lease receivables	657	1,091
Amounts receivable for services	523,863	464,146
	<b>733,074</b>	<b>717,803</b>
<i>Financial liabilities</i>		
Payables <sup>(b)</sup>	112,770	113,347
WATC borrowings	24,355	47,471
Heritage Maintenance Payments	55,563	54,345
	<b>192,688</b>	<b>215,163</b>

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

(b) The amount of payables excludes GST payable to the ATO (statutory payable).

# Notes to the Financial Statements

For the year ended 30 June 2018

## (c) Financial instrument disclosures

### Credit risk

The following table discloses the Department's maximum exposure to credit risk, interest rate exposures and the ageing analysis of financial assets. The Department's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Department.

The Department does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.

### Ageing analysis of financial assets

	Not past due and not impaired		Past due but not impaired					Impaired financial assets \$000
	Carrying Amount \$000	\$000	Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000	
<b>2018</b>								
Cash and cash equivalents	75,890	75,890	-	-	-	-	-	-
Restricted cash and cash equivalents	1,735	1,735	-	-	-	-	-	-
Receivables <sup>(a)</sup>	130,929	123,336	5,808	1,257	501	27	-	-
Finance lease receivables	657	639	18	-	-	-	-	-
Amounts receivable for services	523,863	523,863	-	-	-	-	-	-
	<b>733,074</b>	<b>725,463</b>	<b>5,826</b>	<b>1,257</b>	<b>501</b>	<b>27</b>	-	-
<b>2017</b>								
Cash and cash equivalents	70,618	70,618	-	-	-	-	-	-
Restricted cash and cash equivalents	3,569	3,569	-	-	-	-	-	-
Receivables <sup>(a)</sup>	178,379	172,696	2,618	15	67	2,983	-	-
Finance lease receivables	1,091	1,069	22	-	-	-	-	-
Amounts receivable for services	464,146	464,146	-	-	-	-	-	-
	<b>717,803</b>	<b>712,098</b>	<b>2,640</b>	<b>15</b>	<b>67</b>	<b>2,983</b>	-	-

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

# Notes to the Financial Statements

For the year ended 30 June 2018

## Liquidity risk and interest rate exposure

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

### 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	
<b>2018</b>												
<i>Financial assets</i>												
Cash and cash equivalents	1.96	75,890	-	11,960	63,930	75,890	75,890	-	-	-	-	-
Restricted cash and cash equivalents	-	1,735	-	-	1,735	1,735	-	-	946	55	734	-
Receivables <sup>(a)</sup>	-	130,929	-	-	130,929	130,929	128,981	-	1,413	535	-	-
Finance lease receivables	3.64	657	657	-	-	686	19	95	314	227	31	-
Amounts receivable for services	-	523,863	-	-	523,863	523,863	-	-	779	3,270	519,814	-
		<b>733,074</b>	<b>657</b>	<b>11,960</b>	<b>720,457</b>	<b>733,103</b>	<b>204,890</b>	<b>95</b>	<b>3,452</b>	<b>4,087</b>	<b>520,579</b>	
<i>Financial liabilities</i>												
Payables <sup>(b)</sup>	-	112,770	-	-	112,770	112,770	112,765	5	-	-	-	-
WATC borrowings	2.34	24,355	24,355	-	-	24,788	1,613	2,634	15,075	5,466	-	-
Heritage Maintenance Payments	12.46	55,563	55,563	-	-	190,897	482	963	4,390	25,612	159,450	-
		<b>192,688</b>	<b>79,918</b>	<b>-</b>	<b>112,770</b>	<b>328,455</b>	<b>114,860</b>	<b>3,602</b>	<b>19,465</b>	<b>31,078</b>	<b>159,450</b>	

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

(b) The amount of payables excludes GST payable to the ATO (statutory payable).

# Notes to the Financial Statements

For the year ended 30 June 2018

## 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	
<b>2017</b>												
<i>Financial Assets</i>												
Cash and cash equivalents	1.98	70,618	-	21,678	48,940	70,618	70,618	-	-	-	-	-
Restricted cash and cash equivalents	-	3,569	-	-	3,569	3,569	-	-	-	3,171	398	-
Receivables <sup>(a)</sup>	-	178,379	-	-	178,379	178,379	175,018	-	1,413	1,948	-	-
Finance lease receivables <sup>(c)</sup>	4.52	1,091	1,091	-	-	1,153	24	120	390	619	-	-
Amounts receivable for services	-	464,146	-	-	464,146	464,146	-	-	2,250	4,699	457,197	-
		<b>717,803</b>	<b>1,091</b>	<b>21,678</b>	<b>695,034</b>	<b>717,865</b>	<b>245,660</b>	<b>120</b>	<b>4,053</b>	<b>10,437</b>	<b>457,595</b>	
<i>Financial Liabilities</i>												
Payables <sup>(b)</sup>	-	113,347	-	-	113,347	113,347	113,293	17	37	-	-	-
WATC borrowings <sup>(c)</sup>	2.52	47,471	47,471	-	-	48,871	2,678	3,370	18,036	24,787	-	-
Heritage Maintenance Payments <sup>(c)</sup>	12.46	54,345	54,345	-	-	196,520	464	929	4,231	24,686	166,210	-
		<b>215,163</b>	<b>101,816</b>	<b>-</b>	<b>113,347</b>	<b>358,738</b>	<b>116,434</b>	<b>4,316</b>	<b>22,305</b>	<b>49,473</b>	<b>166,210</b>	

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

(b) The amount of payables excludes GST payable to the ATO (statutory payable).

(c) The maturity analysis section includes interest and principal cash flows.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Interest rate sensitivity analysis

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

2018	Carrying amount \$000	-100 basis points		+100 basis points	
		Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
<i>Financial Assets</i>					
Cash and cash equivalents	11,960	(120)	(120)	120	120
<b>Total increase/(decrease)</b>	<b>11,960</b>	<b>(120)</b>	<b>(120)</b>	<b>120</b>	<b>120</b>

2017	Carrying amount \$000	-100 basis points		+100 basis points	
		Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
<i>Financial Assets</i>					
Cash and cash equivalents	21,678	(217)	(217)	217	217
<b>Total increase/(decrease)</b>	<b>21,678</b>	<b>(217)</b>	<b>(217)</b>	<b>217</b>	<b>217</b>

## Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

## Note 41. Remuneration of auditor

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

	2018 \$000	2017 \$000
Auditing the accounts, controls, financial statements and key performance indicators	384	376

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 42. Compensation of Key Management Personnel

The Department has determined that key management personnel include Ministers and senior officers of the Department. However, the Department is not obligated to compensate Ministers and therefore disclosures in relation to Minister's compensation may be found in the *Annual Report on State Finances*.

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

Compensation Band (\$)	2018	2017
120,001 - 130,000	1	-
140,001 - 150,000	1	-
160,001 - 170,000	1	-
200,001 - 210,000	1	-
210,001 - 220,000	1	2
240,001 - 250,000	1	-
290,001 - 300,000	-	2
300,001 - 310,000	1	-
360,001 - 370,000	1	-
400,001 - 410,000	1	3

	2018 \$000	2017 \$000
Short term employee benefits	1,725	1,775
Post employment benefits	239	228
Other long term benefits	213	239
Termination benefits	-	-
<b>Total compensation of senior officers</b>	<b>2,177</b>	<b>2,242</b>



# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 43. Related Party Transactions

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

Related parties of the Department include:

- ✦ all Ministers and their close family members, and their controlled or jointly controlled entities;
- ✦ all senior officers and their close family members, and their controlled or jointly controlled entities;
- ✦ other departments and statutory authorities, including their related bodies, that are included in the whole of government consolidated financial statements;
- ✦ associates and joint ventures of an entity that are included in the whole-of-government consolidated financial statements; and
- ✦ the Government Employees Superannuation Board (GESB).

### Significant transactions with Government related entities

Significant transactions include:

- ✦ Managed building works revenue for the planning, delivery, management and maintenance of government buildings (*Note 14*);
- ✦ Vehicle fleet lease rental revenue from vehicle leasing arrangements (*Note 14*);
- ✦ Rental income for government office accommodation (*Note 14*);
- ✦ Provide vehicle finance leases (*Note 21*);
- ✦ Remuneration for services provided by the Auditor General (*Note 41*);

- ✦ Provide accommodation leasing services and fitouts free of charge (*Note 35*);
- ✦ Loan facility from the Western Australian Treasury Corporation (*Note 29*);
- ✦ Services received free of charge from Department of Justice, Landgate, Department of Treasury and Department of the Premier and Cabinet (*Note 17*);
- ✦ Service appropriations (*Note 17*);
- ✦ Insurance payments to the Insurance Commission of Western Australia (*Note 8*);
- ✦ Capital appropriations (*Note 33*);
- ✦ Transfer Optus Stadium land to VenuesWest (*Notes 24 and 33*);
- ✦ Transfer Strategic Projects (excluding Asset Sales) from Department of Treasury (*Notes 24 and 33*);
- ✦ Transfer Public Utilities Office and Economic Reform to Department of Treasury (*Notes 24 and 33*); and
- ✦ Transfer Sunset Heritage Precinct to the Department of Local Government, Sport and Cultural Industries (*Notes 24 and 33*)

### Material transactions with other related parties:

During the year, the Department paid \$9,495,737 in employee superannuation contributions to the Government Employees Superannuation Board.

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

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 44. Explanatory Statement

All variances between estimates (original budget) and actual results for 2018, and between the actual results for 2018 and 2017 are shown below.

Narrative are provided for key variations selected from observed major variances, which are generally greater than:

- ✦ 5% and \$24.86 million for the Statements of Comprehensive Income and Cash Flows; and
- ✦ 5% and \$25.00 million for the Statement of Financial Position.

### Statement of Comprehensive Income (Controlled Operations)

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
Employee benefits expense		135,421	115,372	114,499	(20,049)	873
Supplies and services	<u>1</u>	1,175,927	1,107,809	971,330	(68,118)	136,479
Depreciation and amortisation expense		82,634	66,007	71,513	(16,627)	(5,506)
Finance costs		7,655	7,780	8,615	125	(835)
Accommodation expenses		26,644	40,562	42,236	13,918	(1,674)
Grants and subsidies		1,073	578	754	(495)	(176)
Loss on disposal of non-current assets		-	17	10	17	7
Other expenses	<u>2</u>	5,841	39,707	34,021	33,866	5,686
<b>Total cost of services</b>		<b>1,435,195</b>	<b>1,377,832</b>	<b>1,242,978</b>	<b>(57,363)</b>	<b>134,854</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<b>Income</b>						
<i>Revenue</i>						
User charges and fees	3	1,272,747	1,176,982	1,058,030	(95,765)	118,952
Commonwealth grants and contributions		1,425	7,085	3,492	5,660	3,593
Interest revenue		156	298	473	142	(175)
Other revenue		9,545	6,566	10,615	(2,979)	(4,049)
<b>Total revenue</b>		<b>1,283,873</b>	<b>1,190,931</b>	<b>1,072,610</b>	<b>(92,942)</b>	<b>118,321</b>
<i>Gains</i>						
Gain on disposal of non-current assets		-	2,179	631	2,179	1,548
<b>Total gains</b>		<b>-</b>	<b>2,179</b>	<b>631</b>	<b>2,179</b>	<b>1,548</b>
<b>Total income other than income from State Government</b>		<b>1,283,873</b>	<b>1,193,110</b>	<b>1,073,241</b>	<b>(90,763)</b>	<b>119,869</b>
<b>NET COST OF SERVICES</b>		<b>(151,322)</b>	<b>(184,722)</b>	<b>(169,737)</b>	<b>(33,400)</b>	<b>(14,985)</b>
<b>Income from State Government</b>						
Service appropriations		152,507	150,900	167,150	(1,607)	(16,250)
Services received free of charge		14,646	13,511	13,303	(1,135)	208
Royalties for Regions Fund		125	106	125	(19)	(19)
<b>Total income from State Government</b>		<b>167,278</b>	<b>164,517</b>	<b>180,578</b>	<b>(2,761)</b>	<b>(16,061)</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>15,956</b>	<b>(20,205)</b>	<b>10,841</b>	<b>(36,161)</b>	<b>(31,046)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>15,956</b>	<b>(20,205)</b>	<b>10,841</b>	<b>(36,161)</b>	<b>(31,046)</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

## Major Estimate and Actual (2018) Variance Narratives

1. The 2018 actual reflects a lower than budgeted result in Capital Works expenditure managed by Building Management and Works on behalf of Government agencies due to slower than expected economic conditions.
2. The 2018 actual includes the write down of the Department's land and building assets as a result of the annual valuation process.
3. A reduction in Capital Works expenditure managed on behalf of Government agencies resulted in lower recoveries in 2018.

## Major Actual (2018) and Comparative (2017) Variance Narratives

1. The higher expenditure in 2018 reflects an increased demand for agency services primarily relating to Capital projects managed on behalf of other agencies along with the Strategic Project works transferred from the Department of Treasury.
3. The increase in 2018 is as a result of a higher recovery of costs in line with the increased Capital Works expenditure managed on behalf of other Government agencies along with the Strategic Project works transferred from the Department of Treasury.

## Statement of Financial Position (Controlled Operations)

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<b>ASSETS</b>						
<i>Current assets</i>						
Cash and cash equivalents		127,198	75,890	70,618	(51,308)	5,272
Restricted cash and cash equivalents		6,531	1,001	3,171	(5,530)	(2,170)
Receivables		180,577	132,386	176,431	(48,191)	(44,045)
Finance lease receivables		533	409	494	(124)	(85)
Amounts receivable for services		1,487	779	2,250	(708)	(1,471)
Other current assets		25,245	29,347	29,254	4,102	93
<b>Total current assets</b>		<b>341,571</b>	<b>239,812</b>	<b>282,218</b>	<b>(101,759)</b>	<b>(42,406)</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

Note 44. Explanatory statement (cont.)

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<i>Non-current assets</i>						
Restricted cash and cash equivalents		170	734	398	564	336
Receivables		-	535	1,948	535	(1,413)
Finance lease receivables		2,508	248	597	(2,260)	(349)
Amounts receivable for services	<u>1</u>	521,375	523,084	461,896	1,709	61,188
Property, plant, equipment and vehicles	<u>2</u>	738,380	687,094	720,374	(51,286)	(33,280)
Intangible assets		22,115	34,463	31,805	12,348	2,658
Other non-current assets		5,736	4,307	6,440	(1,429)	(2,133)
<b>Total non-current assets</b>		<b>1,290,284</b>	<b>1,250,465</b>	<b>1,223,458</b>	<b>(39,819)</b>	<b>27,007</b>
<b>TOTAL ASSETS</b>		<b>1,631,855</b>	<b>1,490,277</b>	<b>1,505,676</b>	<b>(141,578)</b>	<b>(15,399)</b>
<b>LIABILITIES</b>						
<i>Current liabilities</i>						
Payables		198,299	112,770	115,613	(85,529)	(2,843)
Borrowings		27,342	23,913	24,040	(3,429)	(127)
Provisions		28,981	26,212	27,916	(2,769)	(1,704)
Lease incentives		9,834	16,771	13,604	6,937	3,167
Other current liabilities		26,996	23,058	24,055	(3,938)	(997)
<b>Total current liabilities</b>		<b>291,452</b>	<b>202,724</b>	<b>205,228</b>	<b>(88,728)</b>	<b>(2,504)</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<i>Non-current liabilities</i>						
Borrowings		61,255	56,005	77,776	(5,250)	(21,771)
Provisions		5,926	5,352	6,360	(574)	(1,008)
Lease incentives	3	88,849	131,249	101,251	42,400	29,998
<b>Total non-current liabilities</b>		<b>156,030</b>	<b>192,606</b>	<b>185,387</b>	<b>36,576</b>	<b>7,219</b>
<b>TOTAL LIABILITIES</b>		<b>447,482</b>	<b>395,330</b>	<b>390,615</b>	<b>(52,152)</b>	<b>4,715</b>
<b>NET ASSETS</b>						
		<b>1,184,373</b>	<b>1,094,947</b>	<b>1,115,061</b>	<b>(89,426)</b>	<b>(20,114)</b>
<b>EQUITY</b>						
Contributed equity		1,136,736	1,056,019	1,055,928	(80,717)	91
Accumulated surplus/(deficit)		47,637	38,928	59,133	(8,709)	(20,205)
<b>TOTAL EQUITY</b>		<b>1,184,373</b>	<b>1,094,947</b>	<b>1,115,061</b>	<b>(89,426)</b>	<b>(20,114)</b>

### Major Estimate and Actual (2018) Variance Narratives

- The variance to estimate is due to a decrease in the value of land and buildings as a result of the annual revaluation process and reductions in fleet purchases as a result of the State Fleet reforms.
- Lease incentives have increased as a result of favourable leasing conditions negotiated on behalf of government.

### Major Actual (2018) and Comparative (2017) Variance Narratives

- The higher 2018 actual is mainly due to the increasing depreciating provisions for additional State-owned assets related to capital works program undertaken by the Department.
- Lease incentives in 2018 increased as a result of favourable leasing conditions negotiated on behalf of government.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 44. Explanatory statement (cont.)

### Statement of Cash Flows (Controlled Operations)

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<b>CASH FLOWS FROM STATE GOVERNMENT</b>						
Service appropriations		91,291	89,857	113,948	(1,434)	(24,091)
Capital appropriations		15,932	14,902	28,763	(1,030)	(13,861)
Funding from Treasury administered		1,200	200	-	(1,000)	200
Holding account drawdowns		2,250	1,326	770	(924)	556
Royalties for Regions Fund		125	106	125	(19)	(19)
Regional Infrastructure and Headworks Fund		-	(421)	245	(421)	(666)
Non-retained revenue distributed to owner		-	-	(24)	-	24
<b>Net cash provided by State Government</b>		<b>110,798</b>	<b>105,970</b>	<b>143,827</b>	<b>(4,828)</b>	<b>(37,857)</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
<i>Payments</i>						
Employee benefits		(135,346)	(117,949)	(113,736)	17,397	(4,213)
Supplies and services	<u>1</u>	(1,147,690)	(1,136,777)	(944,694)	10,913	(192,083)
Finance costs		(7,692)	(6,604)	(7,359)	1,088	755
Accommodation		(26,646)	(40,438)	(40,804)	(13,792)	366
Grants and subsidies		(1,073)	(574)	(754)	499	180
GST payments on purchases		(148,067)	(134,697)	(112,146)	13,370	(22,551)
GST payments to taxation authority		(3,204)	(6,032)	(6,136)	(2,828)	104
Other payments		(337)	(2,632)	(4,945)	(2,295)	2,313
<i>Receipts</i>						
User charges and fees	<u>2</u>	1,294,815	1,216,232	1,011,354	(78,583)	204,878
Commonwealth grants and contributions		1,425	5,575	3,337	4,150	2,238
Interest received		152	361	382	209	(21)
GST receipts on sales		139,711	132,352	109,127	(7,359)	23,225
GST receipts from taxation authority		12,310	7,700	7,491	(4,610)	209
Other receipts		17,335	15,343	6,859	(1,992)	8,484
<b>Net cash provided by/(used in) operating activities</b>		<b>(4,307)</b>	<b>(68,140)</b>	<b>(92,024)</b>	<b>(63,833)</b>	<b>23,884</b>



# Notes to the Financial Statements

For the year ended 30 June 2018

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<i>Payments</i>						
Purchase of non-current physical assets	<u>3</u>	(164,892)	(122,972)	(148,153)	41,920	25,181
<i>Receipts</i>						
Proceeds from sale of non-current physical assets	<u>4</u>	53,911	39,016	71,559	(14,895)	(32,543)
Receipts from lease incentives		40,695	41,544	27,762	849	13,782
<b>Net cash provided by/(used in) investing activities</b>		<b>(70,286)</b>	<b>(42,412)</b>	<b>(48,832)</b>	<b>27,874</b>	<b>6,420</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<i>Payments</i>						
Repayment of borrowings		(17,983)	(23,115)	(30,689)	(5,132)	7,574
<i>Receipts</i>						
Proceeds from borrowings		6,000	-	2,923	(6,000)	(2,923)
Finance leases receipts		5,143	500	753	(4,643)	(253)
<b>Net cash provided by/(used in) financing activities</b>		<b>(6,840)</b>	<b>(22,615)</b>	<b>(27,014)</b>	<b>(15,775)</b>	<b>4,399</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
Net increase/(decrease) in cash and cash equivalents		29,365	(27,197)	(24,043)	(56,562)	(3,154)
Cash balance transferred to the Department of Treasury		868	(28)	-	(896)	(28)
Cash balance transferred from the Department of Treasury	5	-	32,705	-	32,705	32,705
Cash balance transferred to the Department of Local Government, Sport and Cultural Industries		-	(2,042)	-	(2,042)	(2,042)
Cash and cash equivalents at the beginning of the period		103,666	74,187	98,230	(29,479)	(24,043)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>133,899</b>	<b>77,625</b>	<b>74,187</b>	<b>(56,274)</b>	<b>3,438</b>

## Major Estimate and Actual (2018) Variance Narratives

2. A reduction in Capital Works expenditure managed on behalf of government agencies resulted in lower recoveries in 2018.
3. Lower expenditure than budget is the result of lower vehicle purchases due to State Fleet reforms and lower than anticipated expenditure on lease incentive funded assets.
5. Monies transferred as a result of Machinery of Government changes.

## Major Actual (2018) and Comparative (2017) Variance Narratives

1. The higher expenditure in 2018 reflects an increased demand for agency services primarily relating to Capital projects managed on behalf of other agencies.
2. The increase in 2018 is as a result of a higher recovery of costs in line with the increased Capital Works expenditure managed on behalf of other government agencies.
3. Lower expenditure is the result of lower vehicle purchases due to State Fleet reforms and lower than anticipated expenditure on lease incentive funded assets.
4. The higher actual in 2017 compared to 2018 is as a result of the exit of Water Corporation from the State Fleet leasing arrangements resulting in the sale of the vehicles to the Water Corporation.
5. Monies transferred as a result of Machinery of Government changes.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 45. Special purpose accounts - controlled

	2018 \$000	2017 \$000
<i>Sunset Reserve Account</i>		
The purpose of the account is to record receipts in respect of leasings, proceeds from the disposal of the excised land, amounts appropriated by Parliament, and payments incurred in the conservation and management of Sunset Reserve.		
Balance at the start of period	2,076	7,270
Receipts	308	274
Payments	(2,384)	(5,468)
<b>Balance at the end of period</b>	<b>-</b>	<b>2,076</b>

Refer also to Note 19 'Restricted cash' and Note 20 'Receivables'.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 46. Explanatory statement for Administered Items - Income and Expenses

All variances between estimates (original budget) and actual results for 2018, and between the actual results for 2018 and 2017 are shown below. Narratives are provided for key major variances, which are generally greater than 5% and \$25 million.

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<b>INCOME FROM ADMINISTERED ITEMS</b>						
<b>INCOME</b>						
Taxation						
Insurance Duty		644,951	625,564	641,372	(19,387)	(15,808)
Land Tax		843,916	842,502	873,746	(1,414)	(31,244)
Payroll Tax		3,223,117	3,284,154	3,255,594	61,037	28,560
Transfer Duty	<u>1</u>	1,296,689	1,226,205	1,356,805	(70,484)	(130,600)
Vehicle Licence Duty		347,572	354,663	344,133	7,091	10,530
Other income <sup>(a)</sup>	<u>2</u>	383,313	409,924	327,695	26,611	82,229
Other revenue						
Other revenue		41,240	41,448	40,086	208	1,362
Appropriations						
<i>First Home Owners Grant Act 2000</i>		74,612	91,171	72,765	16,559	18,406
Administered Grants and Transfer Payments <sup>(b)</sup>		185,070	160,994	164,281	(24,076)	(3,287)
Collections raised on behalf of other agencies		64,136	64,035	63,549	(101)	486
<b>Total Administered Income</b>		<b>7,104,616</b>	<b>7,100,660</b>	<b>7,140,026</b>	<b>(3,956)</b>	<b>(39,366)</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

	Variance Note	Estimate 2018 \$000	Actual 2018 \$000	Actual 2017 \$000	Variance between estimate and actual \$000	Variance between actual results for 2018 and 2017 \$000
<b>EXPENSES</b>						
Grants and subsidies						
Administered Grants, Subsidies and Other Transfer Payments <sup>(b)</sup>		185,070	160,994	164,281	(24,076)	(3,287)
First Home Owners Scheme		74,612	91,171	72,765	16,559	18,406
Other expenses		6,780,798	6,743,647	6,712,652	(37,151)	30,995
Collections transferred to other agencies		64,136	64,035	63,549	(101)	486
<b>Total Administered Expenses</b>		<b>7,104,616</b>	<b>7,059,847</b>	<b>7,013,247</b>	<b>(44,769)</b>	<b>46,600</b>

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

(b) Subsidies and Other Transfer Payments includes Pensioner concessions for Local Government and Water rates and Refund of Past Years Revenue. 2017 actuals include \$5.5 million under the First Home Owners Grant Boost scheme announced 27 December 2016 and funded by Item 70: Amount provided for Administered Grants, Subsidies and Other Transfer Payments.

## Major Estimate and Actual (2018) Variance Narratives

1. Transfer duty collections were \$70.5 million lower when compared to the 2018 estimate. This was primarily due to weaker than expected activity in the residential market and reflects a range of factors, including a tightening of residential lending standards and modest out-of-cycle increases in residential mortgage rates.
2. Revenue from 'other taxes' was \$26.6 million higher than the 2018 estimate, primarily due to higher than forecast Landholder Duty collections reflecting that the overall value of large one-off landholder transactions was higher than forecast.

## Major Actual (2018) and Comparative (2017) Variance Narratives

1. Transfer duty collections declined by \$130.6 million in 2018 relative to 2017, reflecting weaker collections from residential property transactions and following an unusually large commercial Transfer Duty transaction in May 2017. The number and/or value of these high value commercial transactions tend to be infrequent and volatile within and between years.
2. Other tax income increased by \$82.2 million compared to the prior year largely due to higher Landholder Duty collections. The number and/or value of these high value commercial transactions tend to be infrequent and volatile within and between years.

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 47. Supplementary financial information

### (a) Write-offs

During the financial year \$11.869 million was written off by the Department under the authority of:

	2018 \$000	2017 \$000
The accountable authority	4,733	7,135
The Minister	3,048	4,500
Executive Council	4,088	7,904
	<b>11,869</b>	<b>19,539</b>

### (b) Write-offs by category

	2018 \$000	2017 \$000
Public assets	646	1,504
Debts due to the State	11,223	18,035
	<b>11,869</b>	<b>19,539</b>

### (c) Act of grace payments

	2018 \$000	2017 \$000
Act of grace payments	-	-
	<b>-</b>	<b>-</b>

## Note 48. Service delivery arrangements Indian Ocean Territories

	2018 \$000	2017 \$000
<b>Revenue</b>	5,575	3,337
Commonwealth receipts	<b>5,575</b>	<b>3,337</b>
<b>Expenditure</b>		
Consultants and contractors	1,640	969
Administration and other costs	3,507	1,689
Payroll Tax and business franchise	28	30
Duties	-	1
Land Tax	1	2
Compliance	42	12
	<b>5,218</b>	<b>2,703</b>
Surplus/(deficit) for the period	<b>357</b>	<b>634</b>
Balance brought forward	<b>644</b>	<b>10</b>
<b>Balance carried forward</b>	<b>1,001</b>	<b>644</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

## Note 49. Special Purpose Accounts - administered

Special purpose account Section 10 of the *Financial Management Act 2006*

	2018 \$000	2017 \$000
<i>Departmental Receipts in Suspense – State Revenue</i> <i>The purpose of the special purpose account is to hold funds pending identification of the purpose of which those monies were received or identification of where those monies are to be credited or paid.</i>		
Balance at the start of period	1	1
Receipts	-	3
Payments	-	(3)
<b>Balance at the end of period</b>	<b>1</b>	<b>1</b>
<i>Indian Ocean Territories</i> <i>The purpose of the special account is to hold taxation collections pending transfer to the Commonwealth of Australia in accordance with the Service Level Agreement entered into with the Commonwealth.</i>		
Balance at the start of period	1,335	383
Receipts	4,306	5,065
Payments	(5,213)	(4,112)
<b>Balance at the end of period</b>	<b>428</b>	<b>1,335</b>

## Note 50. Administered income and expenses

	2018 \$000	2017 \$000
<i>Income</i>		
Taxation	6,743,012	6,799,345
Other revenue	41,448	40,086
Appropriations	252,165	237,046
Collections raised on behalf of other agencies	64,035	63,549
<b>Total Administered revenues</b>	<b>7,100,660</b>	<b>7,140,026</b>
<i>Expenses</i>		
Grants, subsidies and transfers	252,165	237,046
Other expenses	6,743,647	6,712,652
Collections transferred to other agencies	64,035	63,549
<b>Total Administered expenses</b>	<b>7,059,847</b>	<b>7,013,247</b>

# Notes to the Financial Statements

For the year ended 30 June 2018

Note 51. Disclosure of administered income and expenses by service

Revenue Assessment and Collection, and Grants and Subsidies Administration	2018 \$000	2017 \$000
<b>COST OF SERVICES</b>		
<i>Income</i>		
Taxation	6,743,012	6,799,345
Other revenue	41,448	40,086
Appropriations	252,165	237,046
Collections raised on behalf of other agencies	64,035	63,549
<b>Total Administered Income</b>	<b>7,100,660</b>	<b>7,140,026</b>
<i>Expenses</i>		
Grants, subsidies and transfers	252,165	237,046
Other expenses	6,743,647	6,712,652
Collections transferred to other agencies	64,035	63,549
<b>Total Administered Expenses</b>	<b>7,059,847</b>	<b>7,013,247</b>

Note 52. Administered assets and liabilities

	2018 \$000	2017 \$000
<i>Current Assets</i>		
Taxation Receivable	707,919	667,048
Other Debtors	38,597	39,847
Other Current Assets	20,057	19,536
<b>Total Administered Current Assets</b>	<b>766,573</b>	<b>726,431</b>
<i>Non-Current Assets</i>		
Other Receivables	51,300	51,300
<b>Total Administered Non-Current Assets</b>	<b>51,300</b>	<b>51,300</b>
<b>Total Administered Assets</b>	<b>817,873</b>	<b>777,731</b>
<i>Current Liabilities</i>		
Other Payables	58,653	59,384
<b>Total Administered Current Liabilities</b>	<b>58,653</b>	<b>59,384</b>
<b>TOTAL ADMINISTERED LIABILITIES</b>	<b>58,653</b>	<b>59,384</b>