Australian Government

The Treasury

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Treasury Annual Report 2016-17

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2016-17

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Australian Government

The Treasury

The Hon Scott Morrison MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

I present the annual report of the Treasury for the year ended 30 June 2017.

This report has been prepared in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The guidelines approved on behalf of the Parliament by the Joint Committee of the Public Accounts and Audit provide that a copy of the annual report is to be laid before each house of the Parliament on or before 31 October.

The report includes the Treasury's audited financial statements, prepared under section 42 of the PGPA Act.

In addition, as required by the Commonwealth Fraud Control Framework, I certify that I am satisfied that the Treasury has in place appropriate fraud control mechanisms that meet the Treasury's need and that comply with the guidance applying in 2016-17.

Yours sincerely

John A. Fraser
Secretary
12 October 2017

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Introduction and guide to the report

The Treasury Annual Report 2016-17 outlines performance against outcomes, program and performance information contained in the *Portfolio Budget Statements 2016-17* and *Portfolio Additional Estimates Statements 2016-17.*

This report includes the reporting requirements and financial accounts for the Australian Government Actuary. The financial accounts for the Foreign Investment Review Board and Takeovers Panel are also included in this report, along with limited performance reporting. More comprehensive performance reporting may be found in their respective annual reports.

01 Includes a summary of significant issues and developments during 2016-17, and an overview of the Treasury's performance. The Departmental Overview in part 01 details the Treasury's role, functions, senior management structure, organisational structure and portfolio structure.

02 Provides an analysis of performance against the Treasury's policy outcome and program.

03 Reports on management and accountability issues as required under the annual report guidelines.

04 Presents the audited financial statements of the Treasury as required under the annual report guidelines.

05 Includes other information as required under the annual report guidelines. This report concludes with a glossary, a list of abbreviations and acronyms and an index of the report.

Other sources of information

The Treasury releases information on its activities through publications, press releases, speeches, reports and the annual report. Copies of all the Treasury's publications are available on its website: www.treasury.gov.au.

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01
Departmental overview

Secretary's review

John A. Fraser
Secretary

Treasury continues to take strides towards being a more outward-looking organisation. We are well-known for delivering the Budget which shapes all Australian Government services. However, as reflected in this report, our responsibilities cover the waterfront of policy — and the way we operate is evolving.

We operate as one of the smallest central policy agencies. This puts a premium on us having the capability to ensure that we are able to deliver the high quality advice and services the Government expects of us.

In the past year, Treasury supported the Government with economic analysis and authoritative policy advice on issues such as superannuation, banking, housing affordability and business taxation. We also monitor global economic conditions to make sure Australia is well-placed to respond to emerging trends — including by drawing on our international posts in major cities around the world.

Treasury has a focus on supporting sustained growth in the Australian economy. On this front, we are implementing changes flowing from the Financial System Inquiry, as well as regulation and tax reforms.

Treasury should be an engine room for policy ideas and advocacy within the Government and drive debate on major reforms. To this end, we have established a new Structural Reform Group headed by a Deputy Secretary, Meghan Quinn, to undertake deeper analysis on the challenges and opportunities facing our industries, cities and regions.

We have continued to develop and expand our presence in our Sydney and Melbourne offices. Not only has this allowed us to increase our direct stakeholder engagement, it also continues to provide a new pathway to recruit skills and experience in the department.

We have also established a small office in Perth. Having a presence in Western Australia means we can foster closer ties with local stakeholders and attract talent from the private sector. This is part of our focus on broadening our horizons. We need to engage widely with different industries and regions to gauge better how the economy is running.

Finally, it was another busy year for the Foreign Investment Review Board (FIRB) in assessing high levels of applications and advising the Treasurer on sensitive proposals. In a new development, the Government established a Critical Infrastructure Centre within the Attorney-General's Department to advise on the national security risks to Australia's critical infrastructure with an initial focus on water, ports, electricity and telecommunications sectors. The Centre's advice will complement existing FIRB processes in scrutinising foreign involvement in these important assets.

I present this report on behalf of Treasury staff — a relatively small but dynamic group. Treasury continues to provide some of the best opportunities in the public service, including through our graduate program, where interest continues to grow, as well as secondments and international postings.

We are committed to making Treasury a more rounded place to work. We are also working to put in place a new, modernised Performance Development System, designed to continue support and drive employee engagement and our high performance culture. The strength of Treasury leadership and our commitment to innovation has shown through in positive results in the 2017 APS Employee Census.

This report provides some outstanding examples of our performance. It also shows that Treasury has an eye to the future in strengthening our capabilities and adapting our processes to ensure we continue to deliver for the Australian public.

John A. Fraser
Secretary

Departmental overview

Purpose

As the pre-eminent economic adviser, Treasury provides the Australian Government with policy advice and sound analysis to support sustained growth in the economy.

Treasury's purpose is to promote fiscal sustainability; increase productivity; and secure the benefits of global economic integration.

Outcome responsibility

The Treasury *Portfolio Budget Statements 2016-17* outcome is summarised as:

> *Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations.*

To achieve this outcome, the Treasury comprises of six specific groups, being the:

1. Macroeconomic Group
2. Fiscal Group
3. Revenue Group
4. Markets Group
5. Corporate Group
6. Structural Reform Group.

Figure 1: Treasury Group senior management as at 30 June 2017

Secretary: John Fraser	
MACROECONOMIC GROUP	Deputy Secretary: Nigel Ray Macroeconomic Conditions Division – Division Head: Warren Tease Macroeconomic Modelling and Policy Division – Division Head: Michael Kouparitsas International Policy and Engagement Division – Division Head: Sue Vroombout Overseas operations Washington: Hector Thompson OECD (Paris): Russ Campbell London: Sam Reinhardt Tokyo: Brenton Goldsworthy Beijing: David Woods Jakarta: Shaun Anthony New Delhi: Ash Bell Papua New Guinea: Aiden Storer A/g Indonesia: Bede Moore A/g
FISCAL GROUP	Deputy Secretary: Michael Brennan Chief Adviser: Jim Hagan Budget Policy Division – Division Head: Matt Flavel Commonwealth State Relations – Division Head: Jonathan Rollings Social Policy Division – Division Head: Vicki Wilkinson Retirement Income Policy Division – Division Head: Jenny Wilkinson
REVENUE GROUP	Deputy Secretary: Maryanne Mrakovcic Chief Adviser: Rob Jeremenko Corporate and International Tax Division – Division Head: Rob Raether Individuals and Indirect Tax Division – Division Head: Marisa Purvis-Smith Law Design Practice – Division Head: Tom Reid Tax Analysis Division – Division Head: Matt Brine Tax Framework Division – Division Head: Graeme Davis A/g Board of Taxation Secretariat – Chief Executive Officer: Karen Payne
MARKETS GROUP	Deputy Secretary: John Lonsdale Australian Government Actuary – Manager: Guy Thorburn Foreign Investment Division – Division Head: Roger Brake Financial System Division – Division Head: Diane Brown Small Business and Consumer Division – Division Head: Patrick Boneham Australian Small Business and Family Enterprise Ombudsman – Ombudsman: Kate Carnell Takeovers Panel – Director: Allan Bulman
CORPORATE GROUP	Chief Operating Officer: Peter Robinson Business Services Division – Division Head: Eamonn Rooney Financial and Procurement Division – Division Head: Robert Twomey People and Organisation Strategy Division – Division Head: Phoebe Burgess Parliamentary and Legal Services Division – Division Head: Kathleen O'Kane A/g Communications Division – Division Head: Shannon Kenna A/g
STRUCTURAL REFORM GROUP	Deputy Secretary: Meghan Quinn Chief Adviser: Paul McCullough Chief Adviser: Hamish McDonald

Figure 2: Treasury outcome and program structure as at 30 June 2017

Outcome 1: Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations.

Treasury groups include specialist divisions that are responsible to deliver identified programs to achieve its outcome.

Program 1.1: Department of the Treasury	
Macroeconomic Group	Macroeconomic Conditions Division Macroeconomic Modelling and Policy Division International Policy and Engagement Division
Fiscal Group	Budget Policy Division Commonwealth-State Relations Division Social Policy Division Retirement Income Policy Division
Revenue Group	Corporate and International Tax Division Individuals and Indirect Tax Division Law Design Practice Tax Analysis Division Tax Framework Division Board of Taxation Secretariat
Markets Group	Australian Government Actuary Foreign Investment Division Financial System Division Small Business and consumer Division Australian Small Business and Family Enterprise Ombudsman Takeovers Panel
Corporate Group	Business Services Division Financial and Procurement Division People and Organisation Strategy Division Parliamentary and Legal Services Division Communications Division
Structural Reform Group	

Program 1.2: Payments to international financial institutions
Macroeconomic Group: International Policy and Engagement Division
Program 1.3: Support for markets and business
Markets Group: Financial System Division
Program 1.4: General revenue assistance
Fiscal Group: Commonwealth-State Relations Division
Program 1.5: Assistance to the states for healthcare services
Fiscal Group: Commonwealth-State Relations Division
Program 1.6: Assistance to the states for skills and workforce development
Fiscal Group: Commonwealth-State Relations Division
Program 1.7: Assistance to the states for disability services
Fiscal Group: Commonwealth-State Relations Division
Program 1.8: Assistant to states for affordable housing
Fiscal Group: Commonwealth-State Relations Division
Program 1.9: National partnership payments to the states
Fiscal Group: Commonwealth-State Relations Division

Financial Performance

The Treasury has a sound financial position, with sufficient cash reserves to fund its debts as and when they fall due. After adjusting for depreciation and amortisation and changes in asset revaluation reserves, the Treasury reported an operating surplus of $3.3 million in 2016-17, which was driven by underspends by boards/panels and one-off activities. This compares with an operating deficit of $2.9 million in 2015-16 after adjusting for depreciation and amortisation and changes in asset revaluation reserves. The Treasury's administered expenses in 2016-17 were $94.5 billion, compared with $88.0 billion in 2015-16.

The Treasury received an unqualified audit report on the 2016-17 financial statements from the Australian National Audit Office. These statements are in part 04 on pages 53-120.

Figure 3: Treasury portfolio outcome and program structure

Portfolio Minister – Treasurer The Hon Scott Morrison MP **Minister for Revenue and Financial Services** The Hon Kelly O'Dwyer MP **Minister for Small Business** The Hon Michael McCormack MP **Assistant Minister to the Treasurer** The Hon Michael Sukkar MP
Department of the Treasury Secretary, Mr John Fraser Outcome 1: Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations. Program 1.1: Department of the Treasury Program 1.2: Payments to International Financial Institutions Program 1.3: Support for Markets and business Program 1.4 General revenue assistance Program 1.5: Assistance to the states for healthcare services Program 1.6: Assistance to the states for skills and workforce development Program 1.7: Assistance to the states for disability services Program 1.8 Assistant to states for affordable housing Program 1.9 National partnership payments to the states
Australian Bureau of Statistics Statistician, Mr David W Kalisch Outcome 1: Informed decisions, research and discussion within governments and the community by leading the collection, analysis and provision of high-quality, objective and relevant statistical information. Program 1.1: Australian Bureau of Statistics
Australian Competition and Consumer Commission Chairman, Mr Rod Sims Outcome 1: Lawful competition, consumer protection, and regulated national infrastructure markets and services through regulation, including enforcement, education, price monitoring and determining the terms of access to infrastructure services. Program 1.1: Australian Competition and Consumer Commission Program 1.2: Australian Energy Regulator

Figure 3: Treasury portfolio outcome and program structure (continued)

Australian Office of Financial Management

Chief Executive Officer, Mr Robert Nicholl

Outcome 1: The advancement of macroeconomic growth and stability, and the effective operation of financial markets, through issuing debt, investing in financial assets and managing debt, investments and cash for the Australian Government.

Program 1.1: Australian Office of Financial Management

Australian Prudential Regulation Authority

Chairman, Mr Wayne Byres

Outcome 1: Enhanced public confidence in Australia's financial institutions through a framework of prudential regulation that balances financial safety and efficiency, competition, contestability and competitive neutrality.

Program 1.1: Australian Prudential Regulation Authority

Australian Securities and Investments Commission

Chairman, Mr Greg Medcraft

Outcome 1: To allow markets to allocate capital efficiently to fund the real economy by promoting investor and financial consumer trust and confidence, facilitating fair, orderly and transparent markets and delivering efficient and accessible registration.

Program 1.1: Australian Securities and Investments Commission

Program 1.2: *Banking Act 1959*, *Life Insurance Act 1995*, unclaimed monies and special accounts

Australian Taxation Office

Commissioner, Mr Chris Jordan AO

Outcome 1: Confidence in the administration of aspects of Australia's taxation and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law.

Program 1.1: Australian Taxation Office

Program 1.2: Tax Practitioners Board

Program 1.3: Australian Business Register

Program 1.4: Australian Valuation Office

Program 1.5: Australian Charities and Not-for-profit Commission

Program 1.6: Australian Screen Production Incentive

Program 1.7: Cleaner Fuels Grant Scheme

Program 1.8: Conservation Tillage Refundable Tax Offset

Program 1.9: Exploration Development Incentive

Program 1.10: Fuel Tax Credits Scheme

Program 1.11: National Rental Affordability Scheme

Program 1.12: Product Stewardship for Oil

Program 1.13: Research and Development Tax Incentive

Program 1.14: Seafarer Tax Offset

Program 1.15: Baby Bonus Tax Offsets

Program 1.16: Education Tax Refund

Program 1.17: First Home Saver Accounts

Program 1.18: Low Income Earner Superannuation Contribution

Program 1.19: Private Health Insurance Rebate

Program 1.20: Superannuation Co-contribution Scheme

Program 1.21: Superannuation Guarantee Scheme

Program 1.22: Targeted assistance through the taxation system

Program 1.23: Interest on Overpayments and Early Payments of Tax

Program 1.24: Bad and Doubtful Debts and Remissions

Figure 3: Treasury portfolio outcome and program structure (continued)

Commonwealth Grants Commission Secretary, Mr Michael Willcock Outcome 1: Informed Government decisions on fiscal equalisation between the states and territories through advice and recommendations on the distribution of GST revenue and health care grants. Program 1.1: Commonwealth Grants Commission
Inspector-General of Taxation Inspector-General, Mr Ali Noroozi Outcome 1: Improved tax administration through community consultation, review and independent advice to Government. Program 1.1: Inspector-General of Taxation
National Competition Council President, Ms Julie-Anne Schafer Outcome 1: Competition in markets that are dependent on access to nationally significant monopoly infrastructure, through recommendations and decisions promoting the efficient operation of, use of and investment in infrastructure Program 1.1: National Competition Council
Office of the Auditing and Assurance Standards Board Chairman, Ms Merran Kelsall Outcome 1: The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements. Program 1.1: Auditing and Assurance Standards Board
Office of the Australian Accounting Standards Board Chairman, Ms Kris Peach Outcome 1: The formulation and making of external reporting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions. Program 1.1: Australian Accounting Standards Board
Productivity Commission Chairman, Mr Peter Harris Outcome 1: Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective. Program 1.1: Productivity Commission
Royal Australian Mint Chief Executive Officer, Mr Ross MacDiarmid Outcome 1: The coinage needs of the Australian economy, collectors and foreign countries are met through the manufacture and sale of circulating coins, collector coins and other minted like products. Program 1.1: Royal Australian Mint

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Report on performance

Introductory statement

I, as the Accountable Authority of the Department of the Treasury present the 2016-17 financial year annual performance statement as required under s39(1)(a) of the *Public Governance Performance and Accountability Act 2013* (PGPA Act).

The annual performance statement details the work the Treasury delivered for the Australian Government and the Australian people over the last year, set out by purpose. In my opinion the annual performance statement accurately presents the Treasury's performance, is based on properly maintained records and complies with s39(2) of the PGPA Act.

John A. Fraser
Secretary

Treasury's purposes

Treasury's purposes, as set out in the *Treasury Corporate Plan 2016-17* are detailed below.

Promoting fiscal sustainability

The Australian Government's fiscal strategy is designed to maintain the ongoing economic prosperity and welfare of the people of Australia as mandated by the *Charter of Budget Honesty Act 1998* (the Charter). The Treasury will assist the Australian Government's Treasury Ministers to discharge their responsibilities under the Charter.

Increasing productivity and workforce participation

Productivity and participation are important drivers of Australia's economic growth. The Treasury will advise on policies designed to improve productivity and workforce participation including in relation to: taxation; the economy; the financial system; foreign investment, competition and broader structural policy; social policy, small business; supporting innovation; and international economic policy. As always, policy reform will often have differential impacts on community and industry sectors.

Securing the benefits of global economic integration

The Treasury seeks to secure the benefits of global economic integration. The Treasury will continue to balance opportunities and risks in relation to trade and investment flows through our understanding of Australia's place in a complex global economic context.

The Treasury's ongoing program of international engagement is central in building capacity in Australia's region, assisting in monitoring international developments and promoting regional and global macroeconomic stability.

Performance results by purpose

Promoting fiscal sustainability

The Treasury assisted the Government in implementing its fiscal strategy by managing budget processes and advising on the overall budget strategy and priorities. Consistent with the fiscal strategy and supported by economic, tax and fiscal modelling, the budget continued to be projected to return to surplus in 2020-21 in all budget reports. Reports released in 2016-17 include the 2017-18 Budget, the 2016-17 Mid-Year Economic and Fiscal Outlook and the 2015-16 Final Budget Outcome, which the Treasury produced in accordance with the Treasurer's obligations under the Charter.

Fiscal sustainability is affected by pressures on the Government's revenue base. The Treasury provided advice to the Government on Australia's tax and superannuation systems, and delivered an extensive legislative program of changes in 2016-17, including the superannuation reform package announced in the 2016-17 Budget.

The Treasury advised the Government on economic and social policies in education, employment, immigration, families, health, ageing, disability, indigenous and justice issues, defence and national security, transport infrastructure, industry policy, environment, energy and resources, agriculture, communications and regional policy. This informed the Government's decisions on the economic and social policy reforms announced in the 2017-18 Budget.

The Government's economic and social reforms were facilitated by ongoing financial support payments to state and territory governments that the Treasury made in accordance with the Intergovernmental Agreement on Federal Financial Relations.

Promoting fiscal sustainability

Performance criteria	Performance target	Results
Corporate Plan 2016-17 The fiscal estimates contained in the Budget are based on economic forecasts and projections as well as estimates of the impact of Government spending and revenue measures. Changes to the economic forecasts and projections underlying the estimates — for example, inflation, profits, wages growth, population and unemployment — will affect forecasts for receipts and payments. Assessing whether fiscal policy was based on sound fiscal management will be subjective and dependent on the best information available at the time.	**Corporate Plan 2016-17** The performance of the Treasury in meeting the requirements of the Charter will be measured by the timely production of regular fiscal reports including the Budget, Mid-Year Economic and Fiscal Outlook and the Final Budget Outcome.	All required reports were publicly released and tabled in Parliament in accordance with the Charter of Budget Honesty Act 1998. The 2015-16 Final Budget Outcome was released on 30 September 2016; which outlined the final fiscal position of the Government in the 2015-16 financial year. The 2016-17 Mid-Year Economic and Fiscal Outlook was released on 19 December 2016; the 2017-18 Budget was released on 9 May 2017. These documents provided updates on the fiscal outlook. The Treasury worked with the Department of Finance and other government departments and agencies to ensure the fiscal and economic updates were based on reliable and up-to-date information at the time of publication. The 2017-18 Pre-Budget Submissions consultation process allowed individuals, businesses and community groups to make submissions on their views regarding priorities for the 2017-18 Budget; 255 submissions were received. Published material to inform policy debates included: • Publication of a discussion paper on the development of a framework for Comprehensive Income Products for Retirement and accompanying factsheet and a range of factsheets that explained the 2016-17 Budget Superannuation Reform Package. • Numerous opportunities for submissions and consultation from stakeholders and the community on a range of tax-related topics, such as Treasury Law Amendment (Enterprise Incentive) Bill 2016: improving employee share schemes; increasing tax administrative penalties for significant global entities; introducing a Diverted Profits Tax; Non-resident withholding taxes for Collective Investment Vehicles; Taxation of Stapled Structures; wine equalisation tax rebate; and GST on Low Value Imported Goods.

Promoting fiscal sustainability

Performance criteria	Performance target	Results
PBS Program 1.1 Coordinating the preparation of the Australian Government Budget and other documents	**PBS Program 1.1** Documents are produced in accordance with timeframes and other requirements of the Charter of Budget Honesty Act 1998	• Several research papers including: – A review of economic modelling at the Treasury – Forecasting household consumption – Modelling exports – A labour market conditions index. – Foreign Investment and Residential Price Growth – Modelling Australia's Exports of Non-commodity Goods and Services – Uncertainty and Macroeconomic Policy (published in the Australian Economic Review, Volume 50, issue 1, March 2017). Treasury staff members published papers through the Treasury Research Institute on the Tax Expenditures Statement and the development of a long-term dynamic microsimulation model of Australia's retirement income system.
Corporate Plan 2016-17 The Treasury will ensure that financial assistance to state and territory governments is made in accordance with written agreements that clearly articulate measurable policy objectives. **PBS Program 1.1 to 1.9** Payments to the states and territories are made with regard to the arrangements specified in the Intergovernmental Agreement on Federal Financial Relations (IGAFFR) and the relevant agreements where applicable.	**Corporate Plan 2016-17** The Treasury will ensure that payments of financial assistance to state and territory governments are, in all cases, timely and accurate having regard to the terms of relevant agreements. **PBS Program 1.1 to 1.9** The Treasury will make timely and accurate payments to the states and territories that reflect the requirements, the amounts and timeframes set out in the IGAFFR and the relevant agreements where applicable. The Commonwealth Treasury will provide advice to states and territories on the components of each payment prior to each payment being made. The Treasury will provide GST revenue data to the states and territories on a monthly, quarterly and annual basis, and will maintain a schedule of estimates of annual net GST receipts, in accordance with the requirements of the IGAFFR.	The Treasury made regular payments to the states on the 7th and 21st of each month (or the next business day), as well as an extraordinary payment on 29 June, in accordance with the IGAFFR and other agreements between the Commonwealth and the states. The payments covered by Programs 1.4 to 1.9 are: payments of General Revenue Assistance; National Health Reform Payments; Skills and Workforce Development National Specific Purpose Payments; Disability Services National Specific Purpose Payments; Affordable Housing National Specific Purpose Payments; and National Partnership Payments. With one exception, payments were made in accordance with the terms and conditions of the relevant Commonwealth-State agreements. In 2016-17, the Treasury made a payment for which the Agreement had not been signed by the relevant Minister. The issue was an isolated, non-systemic occurrence and was rectified. As required by the IGAFFR, the Treasury provided advice to the states on the components of each payment before it was made. Treasury also met its obligation to provide GST revenue data to the states on a monthly basis and maintains a schedule of estimates of annual net GST receipts

Promoting fiscal sustainability

Performance criteria	Performance target	Results
PBS Program 1.1 Coordinating the government's legislative program for tax and superannuation, financial system, corporations, competition and consumer legislation in accordance with the Government's priorities	**PBS Program 1.1** All bills, regulations and supporting documents are produced in accordance with the relevant legislative requirements and guidance, including timeframes.	The Treasury supported the Government to deliver its extensive legislative program in accordance with the relevant requirements and guidance, including timeframes. This included introduction of 52 bills containing 69 measures into the 45th Parliament; and 22 regulations containing 33 measures have been made at Federal Executive Council meetings. Key measures include reducing the tax rate for companies with a turnover less than $50 million and enacting a Diverted Profits Tax. Superannuation reform was a key Government priority and in that respect the Treasury oversaw a number of bills and regulations in 2016-17 to give effect to the Government's superannuation reform package. In the Spring 2016 Parliamentary sittings, Treasury managed the Treasury Laws Amendment (Fair and Sustainable Superannuation) Bill 2016 which contained measures relating to the transfer balance cap, concessional and non-concessional contributions, the low income tax offset, innovative income streams and other matters. Associated regulations were also finalised. In the Autumn 2017 Parliamentary sittings, Treasury managed the Treasury Laws Amendment (2017 Measures No 2) Bill 2017 containing further measures relating to the superannuation reform package. The Treasury Laws Amendment (2017 Measures No. 1) Regulations 2017, providing standards for innovative income stream products and amendments to capped defined benefit schemes were also finalised.
Corporate Plan 2016-17 Provision of advice to Government on tax and superannuation policies as well as the delivery of an extensive legislative program consistent with the Government's policy objectives.	**Corporate Plan 2016-17** Our delivery of the Government's legislative program will be measured against relevant legislative requirements and guidance, including timeframes.	

Promoting fiscal sustainability

Performance criteria	Performance target	Results
PBS Program 1.1 Fit-for-purpose economic and tax modelling	**PBS Program 1.1** Outcomes are consistent with forecasts, allowing for unforeseeable events	As published in the 2017-18 Budget, total taxation receipts were expected to grow by 4.2 per cent in 2016-17, compared to estimated growth of 5.0 per cent in the 2016-17 Budget. The difference in revenue estimates largely reflects compositional changes in nominal non-farm GDP growth between 2015-16 and 2016-17 and the impact of these changes on different heads of revenue. The error is also affected by the timing of tax receipts. The Treasury continued to invest in modelling capability and model development to ensure it is fit for purpose. This included development of an overlapping generations (OLG) model; a dynamic stochastic general equilibrium (DSGE) model; and a microsimulation model for retirement incomes and refresh its participation and indirect tax modelling capability. The Treasury also liaised with both academics and private sector modellers to peer review modelling capabilities.
PBS Program 1.3 Payments of claims arising from the Housing Loans Insurance Company Limited old book and assistance under the HIH Claims Support Scheme are made according to agreed schedules	**PBS Program 1.3** Payments of claims arising from the Housing Loans Insurance Company Limited old book and assistance under the HIH Claims Support Scheme are accurately determined and are made according to agreed schedules	There were no payments made in 2016-17. The Treasury continued to provide administration of debt recovery activities.
Corporate Plan 2016-17 Advice provided by the Treasury will be based on an objective and thorough understanding of the issue(s) and from a whole-of-government perspective.	**Corporate Plan 2016-17** The degree of Ministerial satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms. The degree of Ministerial satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback.	Treasury provides a range of timely briefing materials, costings and analysis to Ministers and the Government. Advice was prepared in consultation with relevant departments to inform a whole-of-government perspective. The Treasury received regular, positive, formal and informal feedback from ministerial offices regarding the quality of advice and briefs to the government. Senior Treasury officials met regularly with Ministers to seek feedback about overall performance and embed continuous improvement.

Increasing productivity and workforce participation

Productivity growth remains critical to improving economic growth and living standards in Australia.

Australia's productivity performance in recent years is in line with our longer-term averages. In the five years to 2016-17, labour productivity in the whole economy has grown at an average annual rate of 1.5 per cent. This compares to an average annual rate of 1.2 per cent over the past 15 years and 1.6 per cent over the past 30 years. With the mining investment boom now in the output phase, productivity growth is expected to continue to be relatively strong in the short to medium term, particularly as excess labour leaves the sector. However, there remains a longer-term need to boost productivity to support living standards given the lower terms of trade and the ageing of the Australian population.

The labour force participation rate has improved compared to 12 months ago. After declining over much of 2016, the labour force participation rate increased to 65.0 per cent in June 2017. The increase in labour force participation in 2017 has occurred alongside improving labour market conditions and reasonably strong employment growth. Improving labour market conditions may have encouraged some people to return to the labour force.

During 2016-17, the Treasury continued work on a range of initiatives to enhance productivity and workforce participation and ensure well-functioning markets, including in relation to the financial system, small business, foreign investment, competition, broader structural reform policy, and supporting innovation.

In early 2017, Treasury created a Structural Reform Group to lead our policy advice on policies to support growth and improvements to Australian living standards, with a focus on boosting productivity through microeconomic and structural reform. The creation of the Group allows Treasury to approach structural reform issues from an integrated, holistic perspective.

Financial System

The Treasury led implementation of key responses to the Financial System Inquiry and other financial sector reforms. This reform agenda has required significant legislative and regulatory change with a view to improving the overall productivity, stability, accountability of the financial sector, as well as directly addressing areas of concern in relation to consumer outcomes and lack of competition. A well-functioning financial system that is resilient and provides services of value to households and the real economy is an important contributor towards economic productivity, facilitating investment, saving, consumption and risk mitigation choices and providing a payments system infrastructure.

Notably, as part of the 2017-18 Budget the Government announced a comprehensive package of reforms to improve accountability and competition in the banking sector to ensure it delivers the outcomes expected by the community. One element of this package was the major bank levy which has now passed Parliament. The Treasury also made significant progress implementing other financial sector reform priorities including the Government response to the Financial System Inquiry. In addition, Treasury made progress on the Government's FinTech agenda to help stimulate technological innovation so that financial markets and systems can become more productive, efficient and consumer-focussed.

Small business and consumers

The Treasury also worked to increase productivity and workforce participation by supporting small business and consumers. Small businesses play an important role in the Australian economy, making up 99 per cent of all businesses and accounting for around half of all employment. In addition, consumer protections are a key element of efficient markets by reducing information asymmetries, sending signals to suppliers and driving competition between firms. Activities in 2016-17 included reviews of the Australian Small Business and Family Enterprise Ombudsman, Australian Consumer Law and the Australian Small Business Advisory Services Program to enhance their effectiveness. The Treasury also advised on a range of cross-government initiatives which affect small business such as the proposed privatisation of the Australian Securities and Investments Commission (ASIC) registry and measures to improve the interactions between government and firms. The Australian Small Business and Family Enterprise Ombudsman also highlighted a number of issues of national importance to small business, conducting inquiries into small business banking and loans, payment times and practices and the former Road Safety Remuneration Tribunal's Payment Order. These activities were focused on creating an environment which supports small business boosting productivity across the economy and facilitating workforce participation.

Foreign Investment

Foreign investment underpins increased productivity in the economy through, amongst other things, increasing the supply of capital. In 2015-16, the Government responded to heightened community sensitivity over certain types of foreign investment by introducing reforms to strengthen the integrity of the foreign investment framework. While the reforms provided stronger enforcement of the rules, a better resourced system and clearer rules for foreign investors, there was some increase in the regulatory burden. To respond to this and further bed down the new system, the Government decided (in the context of the 2017-18 Budget) to introduce some streamlining measures, amending the commercial fee framework to improve transparency and consistency and improving the treatment of low risk commercial transactions to enable the system to operate more efficiently. The Government also reintroduced limits on the sale of new developments to foreign investors and introduced an annual residential vacancy charge as part of its plan to reduce pressure on housing affordability.

Competition policy and regulatory reform

Competition policy reform is important to achieving the productivity improvements necessary for higher incomes and jobs growth. Making markets more competitive maximises Australia's capacity to adjust rapidly to changing circumstances, arising from both global and domestic sources. Strong competition encourages innovation, growth in productivity and average income levels, and ultimately the number and quality of Australian jobs. In 2016-17 the Treasury developed legislation to implement significant parts of the Government's response to the Competition Policy Review, including misuse of market power, cartel conduct, merger authorisations and access to significant infrastructure.

Treasury also contributed significantly to the Government's regulatory reform agenda. Reducing regulatory burdens in the economy can reduce costs for business and free up resources for investment in more productive activities. In the first year of a three-year Regulatory System Renewal program, Treasury progressed a number of regulatory reform measures identified through mechanisms such as the Competition Policy Review and the Financial System Inquiry. In 2016-17, the Treasury portfolio reduced annual regulatory compliance costs by $197.6 million.

Other work

The Treasury also worked with the Government to commission the Productivity Commission to conduct an inquiry into Australia's productivity performance, which is expected to report by September 2017. The intent is to undertake a similar inquiry every five years to ensure an ongoing focus on productivity. Energy issues were prominent in 2016-17 and the Treasury provided advice to Government on energy reliability, affordability and sustainability. Treasury officials collaborated with Canadian government officials to jointly develop the paper *Pathways to Growth – fostering the conditions for a competitive economy*. The paper is a discussion starter, does not reflect the views of the Government, and is publicly available from the Treasury Research Institute website. Treasury has also developed a paper examining Australian and international experiences of structural change, highlighting factors that influence the ability of regions, firms and individuals to adjust effectively and take advantage of new opportunities. The paper *Experiences of Structural Change* is available from the Treasury Research Institute website.

The Treasury continued to support the work of the Takeovers Panel in ensuring efficient, competitive and informed markets for corporate control. The Australian Government Actuary also provided actuarial and related policy advice primarily to Australian Government departments and agencies, to assist them to quantify risks and make informed decisions.

Increasing productivity and workforce participation

Performance criteria	Performance target	Results
Corporate Plan 2016-17 *Financial System Inquiry* The Treasury will provide advice and policy support aimed at promoting a resilient, efficient and innovative financial system that meets the needs of consumers.	**Corporate Plan 2016-17** Performance will be assessed based on the delivery of timely and well-informed advice and on progress in implementing the Government's policy priorities.	In its response to the recommendations of the Financial System Inquiry, the Government announced 48 measures of which 18 are completed or part thereof. The Treasury has commenced work on all but three measures. In 2016-17, legislation was passed on a number of measures including crowd-sourced equity funding for public companies, addressing the remuneration practices of the life insurance advice sector and raising the competency of financial advisers by establishing the Financial Adviser Standards and Ethics Authority (FASEA) and legislation was introduced to improve corporate insolvency law. The Treasury also supported the Australian Prudential Regulation Authority in its work to ensure that bank capital levels are unquestionably strong. The Treasury supported the Government to reconstitute the Financial Sector Advisory Council with refreshed terms of reference that includes providing advice on the performance of the financial regulators and it met for the first time in 2016-17. The Government also tasked the Productivity Commission to review competition in the financial system.
Corporate Plan 2016-17 *Competition Policy Review* The Treasury will provide advice and policy support aimed at promoting competitive and efficient markets that work in the long-term interests of consumers.	**Corporate Plan 2016-17** Performance will be assessed based on the delivery of timely and well-informed advice regarding the implementation of the Competition Policy Review and the Government's policy priorities.	The Treasury facilitated the introduction of the Competition and Consumer Amendment (Misuse of Market Power) Bill 2016 into the Parliament on 1 December 2016, and the Competition and Consumer Amendment (Competition Policy Review) Bill 2017 to Parliament on 20 March 2017. Both bills await further debate. Treasury continued to provide timely advice to support the passage of the bills through parliament, consistent with the Government's required timeframes. In December 2016, the Treasury assisted the Government to develop and sign an Intergovernmental Agreement on Competition and Productivity-enhancing Reforms with five states and territories. Treasury established a Competitive Neutrality Review Secretariat to review the Commonwealth's Competitive Neutrality Policy. The Competitive Neutrality Review released a discussion paper and undertook public consultation over March and April 2017.

Increasing productivity and workforce participation

Performance criteria	Performance target	Results
Corporate Plan 2016-17 *Foreign investment* The Treasury will aim to facilitate foreign investment to support economic growth, while ensuring that national interest concerns are appropriately addressed. **PBS Program 1.1** Assessing foreign investment proposals	**Corporate Plan 2016-17** Performance will be assessed using the key performance indicators that have been developed under the Regulator Performance Framework for the Foreign Investment Review Board. **PBS Program 1.1** Number of proposals assessed	The Regulator Performance Framework stakeholder survey and regular stakeholder feedback is used to assess performance under the key performance indicators. Formal survey results will be published on the Foreign Investment Review Board website by the end of 2017. Informal stakeholder feedback was positive. In 2016-17 the Treasury held more than 260 stakeholder information sessions and engagements with key industry representatives, domestic and international government bodies. Preliminary 2016-17 figures indicate the Treasury considered more than 1,300 applications for foreign investment. Approximately 30 of these had a proposed investment value of $1 billion or more. Final figures will be reported in the 2016-17 Foreign Investment Review Board Annual Report. The majority of non-complex cases are processed within the 30 day statutory period.

Increasing productivity and workforce participation

Performance criteria	Performance target	Results
Corporate Plan 2016-17 *Regulatory Reform* The Treasury will aim to ensure that decisions are made on the basis of a considered assessment of their regulatory impact, that the regulatory burden in the portfolio is reduced and that portfolio regulators administer regulation in a proportionate way.	**Corporate Plan 2016-17** Performance will be assessed by: • the level of compliance with regulation impact analysis requirements for measures announced during each reporting period; • the portfolio's contributions to the Government's red tape reduction target and agenda for productivity-enhancing regulatory reforms; and • portfolio regulators' compliance with their annual Regulator Performance Framework obligations.	In 2016-17, all nine Treasury regulation impact statements (RISs) were rated as 'compliant'. In addition, the Prime Minister granted an exemption from RIS requirements for the creation of a sugar industry code, on the grounds of urgency. Treasury is required to complete a post-implementation review of the framework within two years of its implementation. In September 2013, the Government set a target of reducing ongoing red tape costs by $1 billion every year. In 2016-17, the Treasury portfolio contributed a net reduction of $197.6 million towards this target. The Treasury continues to progress productivity enhancing regulatory reforms through its implementation of the Government's regulatory reform agenda.
PBS Program 1.1 Progressing the implementation of the Government's deregulation agenda, particularly by reducing red tape	**PBS Program 1.1** Reductions in red tape are consistent with the Government's target	In the 2016-17 Budget, the Treasury received $5.6 million over three years for a Regulatory System Renewal program — a coordinated approach to regulatory reform delivered through a rolling series of reviews of regulatory frameworks. Nine Treasury agencies and functions are subject to the Regulator Performance Framework (RPF). Agencies were required to self-assess their performance against the RPF metrics, validate their views with stakeholders and report to Ministers by 31 December 2016. All nine Treasury bodies fulfilled the requirements of the RPF and reported to Ministers on schedule. All nine RPF reports have now been made public.
Corporate Plan 2016-17 *Australian Consumer Law Review* The Treasury will lead the conduct of the Review and the development of a report to Commonwealth, State and Territory consumer affairs ministers by March 2017.	**Corporate Plan 2016-17** Performance will be assessed on the timely delivery of a report that makes findings and identifies options to improve the efficiency and effectiveness of the Australian Consumer Law.	Treasury provided Commonwealth, State and Territory Consumer Affairs Ministers with the final report on the Review of the Australian Consumer Law on 31 March 2017. The report contained 32 proposals to improve the effectiveness of the Australian Consumer Law. Commonwealth and State Consumer Ministers considered the ACL Review Report on 31 August 2017. The Minister's response can be found at **https://cdn.tspace.gov.au/uploads/sites/86/2017/08/CAF_Communique_August_2017.pdf**

Increasing productivity and workforce participation

Performance criteria	Performance target	Results
Corporate Plan 2016-17 *Small Business* The Treasury will provide advice on policy settings to support a competitive and efficient small business sector.	**Corporate Plan 2016-17** Performance will be assessed based on the delivery of timely and well-informed advice and broad consultation with stakeholders.	The Treasury developed a comprehensive stakeholder engagement strategy in 2016-17, in relation to small business and consumer stakeholders. This strategy enhanced the quality of advice on policy processes designed to support a competitive and efficient small business sector. For example, consultation occurred with small businesses in various states, peak bodies and other APS agencies to identify issues relevant to small business. It also conducted international engagement on small business issues through the Organisation for Economic Co-operation and Development (OECD) and the Asia-Pacific Economic Cooperation (APEC). The Treasury received verbal feedback from Ministers, including on the reviews of the Australian Small Business Advisory Services Program; the Australian Small Business and Family Enterprise Ombudsman; the Australian Securities and Investments Commission's registry and initiatives to simplify business interaction with Government.
Corporate Plan 2016-17 *Australian Small Business Advisory Services (ASBAS)* The Treasury will aim to ensure that not-for-profit small business service providers deliver high-quality, affordable services to small businesses. **PBS Program 1.3** Appropriate assistance provided to enterprising people through the ASBAS program Number of clients accessing Australian Small Business Advisory Services and the Australian Small Business and Family Enterprise Ombudsman's Information Line	**Corporate Plan 2016-17** Performance will be assessed by the level of appropriate assistance provided to enterprising people through the ASBAS program. For 2016-17, there is a target of providing 25,000 additional services to enterprising people through the ASBAS program. **PBS Program 1.3** 25,000 additional services provided to enterprising people through the ASBAS program (2015-16 and 2016-17). 20,000 additional services provided to enterprising people through the ASBAS program (2017-18) 26,700 clients accessing the Small Business Support Line. This program terminated on 30 June 2016.	In 2016-17 the ASBAS program delivered 25,851 additional services to enterprising people. 1877 clients accessed the Australian Small Business and Family Enterprise Ombudsman's Information Line in 2016-17. The Small Business Support Line terminated on 30 June 2016.

Securing the benefits of global economic integration

The Treasury has supported and strengthened economic policy relationships across a broad range of multilateral organisations and countries in order to secure the benefits of global economic integration for Australians. The relationships built and information gathered are used to balance opportunities and risks in relation to trade and investment flows, and to maintain our position of influence. The Treasury's program of international engagement has contributed to capacity in Australia's region, the depth and breadth of information available to Government and policy makers, and regional and global macroeconomic stability.

The Treasury monitors the global economic environment closely. It works closely with other countries bilaterally, in international forums and through international financial institutions (IFIs) such as the International Monetary Fund (IMF) and World Bank to monitor economic trends and manage risks as they emerge. It advises the Government on conditions such as commodity prices, inflation, monetary and fiscal policy trends, the global financial safety net, financial market resilience, economic transitions and demographic challenges, and assesses how changes may affect the domestic economy. In progressing Australia's economic interests in the international arena, we seek solutions that make sense for Australia and for the broader global economy.

The Treasury manages Australia's bilateral and multilateral economic relationships through its relationships with other countries, connections in multilateral forums such as the G20 and APEC, its relationships with the international financial institutions, strong links with the academic and think tank community and international staff postings in key markets providing reporting that is an essential input into our advice to the Government.

Through Treasury's efforts, the Government has been well positioned to advance Australia's economic interests in the G20. With Australia's support, the G20 has prioritised boosting global growth, ensuring a safe and efficient global financial system, and supporting the integrity of the international tax system. Australia holds a position of influence in all of these streams of work, and they all carry benefits for Australia domestically as well as the global economy. Treasury contributed to the improvement of the global infrastructure investment climate through its support for the Global Infrastructure Hub (the Hub) the 2016-17 outputs of which included an online interactive risk allocation tool, and a key report on how Multilateral Development Banks (MDBs) can better attract private sector funding.

Treasury has actively engaged in the region, working to bring alignment between the G20 and APEC agendas, providing support to Papua New Guinea (PNG) in hosting APEC in 2018, actively engaging in the Pacific Finance and Economics Ministers' Meeting in Fiji, and supporting an exchange of Treasury officers with PNG and Indonesia. We participated in policy dialogues with the European Commission, Korea, India, Indonesia, and PNG.

The Treasury engages closely with the IFIs as key elements of the international financial architecture to ensure they are effective in supporting growth, stability and economic development. This year, Australia has advocated for closer cooperation between the IMF and regional financing arrangements, reform to IMF quota and governance arrangements, the continued evolution of the IMF's lending toolkit, and constructive engagement between the IFIs, the G20 and the Hub. Treasury has supported Australia's full engagement at the Spring and Annual meetings of the IFIs, and supported our Executive Directors enabling them to influence key policy issues within the institutions. Through Treasury and Treasury Ministers, Australia strongly supported the renewal of two key components of the IMF's lending resources. This will both strengthen the IMF's financial base, and enhance Australia's influence at the IMF. We have been progressing domestic approval processes to ensure we can meet our obligations under these lending agreements. Treasury successfully pressed the importance of better use of capital with the Multilateral Development Banks, and supported the G20 in prioritising these actions. Treasury has had a major role in shaping the policies of the new Asian Infrastructure Investment Bank (AIIB), most notably in relation to the Energy Sector Strategy, establishing a technology neutral approach to operational decisions. Through Australia's engagement with the AIIB, Treasury has worked to strengthen China's growing engagement with multilateralism.

Securing the benefits of global economic integration

Performance criteria	Performance target	Results
Corporate Plan 2016-17 Through bilateral relationships, involvement in multilateral fora and relationships with IFIs, including MDBs, the Treasury will contribute to shaping outcomes that further Australia's economic and strategic interests.	**Corporate Plan 2016-17** Stakeholder surveys, including of other Government departments, other countries, IFIs, MDBs.	Key achievements illustrating the Treasury's effectiveness in shaping international relationships in 2016-17 included: • Secondment of Treasury officials to Germany and Argentina to assist with their G20 Presidencies and Indonesian and PNG officials to Treasury. • Timely and effective advice to Treasury Ministers on the economic implications of key events including Brexit, the US elections, and economic developments in China; • Establishment of a dedicated Trade Policy Unit, providing strategic advice on the implications of global economic developments for trade and trade policy; • Dialogues with key countries and institutions including the European Commission, Korea, India, Indonesia, and PNG strengthened and deepened Australia's economic relationships. • Providing a strong voice supporting free trade and rules based international order at the G20, and multilateral forums; • Significant role in shaping AIIB's Energy Sector Strategy, to encompass responsible use of fossil fuels; • Treasury support for the IMF's South Asia Training and Technical Assistance Centre (focussing on capacity and macroeconomic policy) saw the Centre open its doors in February 2017;

Securing the benefits of global economic integration

Performance criteria	Performance target	Results
		• Successful conclusion of the IMF Article IV consultation with Australia; • Through the G20 and direct relationships with the MDBs, helped to embed and extend expectations that the MDBs would use their funds more effectively. • Treasury provided support for visits to Australia of both AIIB Vice President Wuryanto, in February 2017, and President Jin in April 2017, facilitating high level engagement with the Treasurer, other Ministers and relevant stakeholders on the role of the AIIB. A range of feedback mechanisms, including consultations with infrastructure stakeholders on the policy directions of the Asian Infrastructure Investment Bank, reviews of international engagements and direct feedback from Ministers' offices and IFI constituency offices indicate that Treasury is effective in meetings its international engagement goals.
Corporate Plan 2016-17 and PBS Program 1.2 Payments to international financial institutions are made accurately and in good time with due regard to minimising cost and risk for Australia.	**Corporate Plan 2016-17** The target is 100 per cent of transactions are timely and accurate. **PBS Program 1.2** Financial transactions are timely and accurate	All payments were on time and were accurate.
PBS Program 1.1 Supporting G20 initiatives to drive global growth and enhance regional engagement with key trading partners	**PBS Program 1.1** Involvement with the G20 Finance Ministers' and Central Bank Governors' meetings	Treasury maintained active engagement in the G20 and with senior ministerial attendance at all G20 Finance Ministers and Central Bank Governors meetings during 2016-17. Over the course of 2016-17 Treasury officials attended 15 working group meetings to support the Chinese and German G20 Presidencies. The Treasury also assisted the Treasurer and the Minister for Finance (attending on behalf of the Treasurer) at five G20 ministerial meetings in advancing Australia's economic interests.
PBS Program 1.3 Payments to the Hub are made in accordance with the grant agreement	**PBS Program 1.3** Payments to the Hub are made according to the grant agreement	Payments to the Hub were made in a timely manner consistent with the grant agreement.

All purposes and Organisational Capability

The following performance results relate to all three of the Treasury's purposes and organisational-wide capability.

All purposes and Organisational Capability

Performance criteria	Performance target	Results
PBS Program 1.1 Providing high-quality, timely, accurate and evidence-based advice and briefs to the Government	Advice provided by the Treasury will be based on an objective and thorough understanding of the issue(s) and from a whole-of-government perspective. Advice meets the Government's needs in administering its responsibilities and making and implementing decisions. Advice is based on objective and through understanding of the issues and a whole-of-government perspective. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms.	The Treasury provided a range of high-quality and timely briefing materials to Ministers and the Government on a range issues; and worked to ensure that advice met the needs of the Government. 2880 formal ministerial submissions and briefings were provided over the course of 2016-17. Treasury's capacity to provide robust and meaningful advice was strengthened by our ongoing focus on stakeholder engagement. Treasury receives regular positive feedback from Ministers (formal and informal) on the quality and timeliness of its advice and analysis. Senior Treasury officials met regularly with Ministers to seek feedback about overall performance. In the fiscal sustainability context, advice was provided in areas such as housing; tax; business investment; labour force participation rate; interest rates; the global productivity slowdown; macroprudential regulation and the financial system; the full range of macroeconomic indicators, the economic outlook, risks to the outlook and other key policy issues. Fiscal reports including the Budget, Mid-Year Economic and Fiscal Outlook and the Final Budget Outcome were publicly released and tabled in Parliament in accordance with the *Charter of Budget Honesty Act 1998*; and 741 costings were completed and included in advice to Ministers. The Treasury worked with the Department of Finance and other government agencies to ensure the fiscal and economic updates were based on reliable and up-to-date information at the time of publication and costings were from a whole-of-government perspective. Treasury provided advice on a wide range of issues related to improving productivity and participation. Underpinning the quality of this advice, Treasury adopted a more systematic approach to improve prioritisation and resource allocation across the policy and legislative agenda. This allowed Treasury to offer advice in a timely way at the relevant points in the policy cycle.

All purposes and Organisational Capability

Performance criteria	Performance target	Results
		In the securing the benefits of global economic integration context, Treasury met very high standards in ensuring the briefing needs of Ministers participating in international events were met. Feedback indicated that Ministers were impressed by the level, quality and timeliness of briefing provided. Treasury dedicates time and resources internally to robust policy discussions to continue to build our capability and provide fresh policy thinking and advice.
PBS Program 1.1 and Corporate Plan Publishing reports and other information that stimulate and inform Government and public debate through robust analysis, modelling and research	Number of publications published on the website and extent of online readership.	In the 2016-17 period, Treasury published 35 publications to the Treasury website, and a further 10 papers published on the Treasury Research Institute website. A total of 98 consultations were published to the website for public response during this same period. The Budget website included 11 publications as part of the Budget 2017-18 papers. These releases included a range of promotion through the Treasury website subscriber email and Treasury social media channels.
PBS Program 1.1 Strengthening the Treasury's links with the private sector, non-government organisations, academia and other policy focused institutions over the period	The number of secondments undertaken each year with the private sector, non-government organisations, academia and other policy focused institutions by the Canberra, Sydney and Melbourne offices of the Treasury.	Treasury strengthened its secondment programs with both the public and private sectors, including academic and other policy focused institutions. As at 30 June 2017, there were 39 secondments into the Treasury; 32 government and 7 non-government. Thirty one employees of the Treasury were seconded out to 20 government, four non-government and eight international organisations. These secondments strengthened the Treasury's links with various organisations while providing new development opportunities for staff. The Treasury currently has secondees at the Grattan Institute, Business Council of Australia, New Zealand Treasury, Reserve Bank of Australia, BHP Singapore and OECD in Paris.

All purposes and Organisational Capability

Performance criteria	Performance target	Results
	The extent of contact established and maintained by the Canberra, Sydney and Melbourne offices of the Treasury with the private sector, non-government organisations, academia and other policy-focussed institutions, including through formal policy consultations.	Treasury worked in various ways to broaden and strengthen relationships with the private sector, non-government organisations, consumer groups, academia and other policy focused institutions. The Sydney and Melbourne offices improved engagement with the business community and established meaningful networks; influencing policy formulation and consultation processes. Engagement was undertaken with regional and local communities, including Bendigo and Jabiru to see firsthand the economic potential of regional Australia. In 2017 a Perth office is being established to further strengthen our engagement. Staff from across the Treasury undertook secondments and global postings in key economic regions to increase the quality of engagement with stakeholders, inform key policy issues and the development of legislation. In 2016-17 strategies were implemented to improve information flows between Australian-based staff and international posts, for example through joint post reports and regular email updates on current events. Treasury continued its strong focus on conducting formal consultation processes and engaging in working groups and consultation forums. New platforms were trialled to improve the effectiveness of consultation, for example a crowdsourcing platform was used during consultation on the Australian Consumer Law Review and the Ramsay Review. Other examples of consultation included consultation on the superannuation reform package; the framework for Comprehensive Income Products for Retirement; affordable housing and social impact investing; impediments to non-mining business investment in Australia; reform of financial benchmarks; a review of the Australian National Contact Point for the OECD Guidelines for Multinational Enterprises; and the legislative framework for cost recovery of ASIC. Consultation also occurred with the IFIs, including three visits by the IMF and multiple visits from the World Bank and Asian Development Bank.

All purposes and Organisational Capability

Performance criteria	Performance target	Results
	The extent of contact established and maintained by the Canberra, Sydney and Melbourne offices of the Treasury with the private sector, non-government organisations, academia and other policy-focussed institutions, including through formal policy consultations.	Treasury staff attended various whole-of-government forums; conferences, meetings and events to strengthen stakeholder engagement. For example, attendance at a business roundtable with former Speaker of the US House of Representatives; meetings with the American and UK chambers of commerce; and attendance at OECD working group meetings. Treasury hosted conferences and workshops on topics such as economic trends in the global economy; using macroeconometric models for forecasting; productivity insights and firm level analysis; fiscal policy; and macroeconomic uncertainty. Treasury co-hosted a conference with DFAT and the IMF on international investment, which included attendees from business, academia and government from across the Asian region. Senior Treasury staff participated in visits arranged through Treasury's overseas posts to meet with overseas government, central bank officials and private-sector economists to discuss the regional and world economies. Regular stakeholder engagement continued, for example with business, financial market economists, commodity analysts and other state and commonwealth government bodies to discuss developments in the economy, markets, the outlook and particular macroeconomic issues including financial market dynamics. Engagement with academics was undertaken to improve our forecasting, modelling and analysis capabilities, including using an expert panel and consultants from a range of universities. Treasury staff also participated in industry-organised tours of advanced manufacturers to gather insights on structural change. In 2016-17 the Treasury recruited a communication specialist to develop and embed a whole-of-Treasury strategy for managing contacts and relationships with external stakeholders across all divisions and offices; and consider how we can better train and equip staff to engage with the broader community as part of our work. Various business areas developed formal stakeholder engagement strategies and online forums to identify and commit to opportunities to connect with new stakeholders and to improve the quality of our engagement.

All purposes and Organisational Capability

Performance criteria	Performance target	Results
PBS Program 1.1 Maintaining and building our organisational capability PBS	Evaluating Treasury's Workforce Plan annually and effectively delivering in its four key focus areas: Talent Sourcing; Development; Mobility; and Inclusivity. Rigorous analysis of the annual employee census results including benchmarking of results against previous years and similar agencies with a particular focus on employee engagement	Treasury's workforce planning focus in 2016-17 was on streamlining talent sourcing and mobility; and building capability based on organisational need. Secondment and expressions of interest processes were redesigned resulting in improved efficiency and outcomes, and appropriately managed risk. A review into the performance management system commenced, with a focus on improving real-time feedback and future development needs. A diversity calendar of events was developed and diversity champions were appointed, demonstrating commitment to diversity and inclusiveness across the Department. The Progressing Women initiative continued with active working groups embedded across all Treasury business groups. Employee census results indicated the Treasury continues to improve in job, team, supervisor and agency engagement from previous years and compared with policy agencies and the APS as a whole. Based on the Say, Stay, Strive model, Treasury achieved an 85 per cent engagement score, 11 percentage points higher than the APS average. Refer also part 03 *Management of human resources*.

The case studies below demonstrate how Treasury responded to emerging government priorities in addition to the planned activities in the 2016-17 Portfolio Budget Statement and Corporate Plan 2016-17.

Implementing the Critical Infrastructure Centre

Following several high profile foreign investment cases in late 2015 and 2016, key government agencies including the Treasury recognised that existing processes for identifying and managing national security risks to critical infrastructure could be improved.

Changes in the threat environment and state privatisation of critical assets also triggered increased scrutiny of foreign investment in these assets.

The Treasury was a key driving force behind the establishment of a whole-of-government process in 2015-16, which included the establishment of the Foreign Involvement Taskforce (led by the Attorney-General's Department), to assess foreign involvement risks to critical infrastructure, including through foreign ownership and make recommendations to Government about whether current processes and frameworks were adequate to manage these risks.

A key recommendation to Government made in 2016-17 was to establish a Critical Infrastructure Centre (CIC) to facilitate more coordinated and strategic advice to Government on foreign involvement risks to critical infrastructure, including by delivering more joined-up and comprehensive advice on national security implications to support foreign investment decision making.

During the 2016-17 year, the CIC was established within the Attorney-General's Department, with representation from a number of Government Departments and Agencies. The Treasury continues to work closely with the Attorney-General's Department to ensure that the CIC proactively manages national security risks as they arise. The Treasury provided an officer to work within the CIC and act as a link to the Foreign Investment Division.

The key function of the CIC is to identify proactively our highest risk assets and implement strategies to manage national security risks to critical infrastructure assets. Where an asset is subject to a foreign investment application advice from the CIC is provided to the Foreign Investment Division in the Treasury, including recommendations about conditions that may be imposed on prospective foreign owners of critical infrastructure assets. This information is then reflected by Treasury in its advice to the Treasurer on foreign investment proposals.

The development of the CIC demonstrates the Treasury's ability to coordinate resources to implement emerging Government priorities; and to work closely with APS agencies to implement collaborative and whole-of-government strategies and infrastructure.

CASE STUDY

Supporting the Government's housing affordability plan

In the 2017-18 Budget, released in May 2017, the Government announced a suite of tax, superannuation, foreign investment, housing and homelessness reforms as part of their comprehensive plan to help address housing affordability.

The key policy announcements included the First Home Super Saver Scheme, tax incentives to encourage investment in affordable housing, a new National Housing and Homelessness Agreement (NHHA) and the establishment of a National Housing Finance and Investment Corporation (NHFIC) that will operate an affordable housing bond aggregator and a $1 billion National Housing Infrastructure Facility.

The Treasury responded to the Government by assisting in the development of the housing affordability plan, which contributes to the Treasury's overarching purpose of increasing productivity and workforce participation. Housing is a driver of social and economic participation and promotes and improves employment, education and health outcomes.

The Treasury increased the Department's resources dedicated to housing in order to advise on the development of the plan, as well as commence work to implement the individual measures, including:

- Contributing to analysis and whole-of-government advice to the Ministerial Committee on Housing, to develop several of the key policies included in the housing affordability plan.
- Co-ordinating efforts across Treasury, the Department of Finance, the Department of Defence and the Department of Prime Minister and Cabinet to finalise advice, costings and budget documentation for the Government's Reducing Pressure on Housing Affordability Plan 2017-18 Budget announcement;
- Co-authoring two reports of the cross-jurisdictional Affordable Housing Working Group. The first report was released in November 2016 following receipt of over 70 public submissions, with further work undertaken on a second report to be released in late-2017; and
- Establishment of an Affordable Housing Implementation Taskforce, guided by an expert panel which included the Secretary to the Treasury. The Taskforce worked towards the finalisation of a blueprint for the affordable housing bond aggregator functions of the NHFIC to be provided to the Heads of Treasuries in late-2017 (the Treasury will be responsible for establishing the NHFIC by 1 July 2018).

The Treasury will continue to lead engagement with the states and territories, through the Council on Federal Financial Relations, to implement the housing policies announced in the Budget that require the involvement and support of all levels of government. Notably this includes the establishment of the NHHA and reforms to strengthen regulation of community housing providers.

03 Management and performance

Corporate governance

The Treasury strengthened its corporate governance structures in 2016-17. The structures and the processes underpinning them:

- maintain effective oversight of the planned activities set out in the Treasury Corporate Plan 2016-17 and 2016-17 Portfolio Budget Statements;
- are fit for purpose and responsive to emerging priorities and risks; and
- ensure the Treasury's administrative and financial management arrangements comply with statutory and policy requirements.

Governance committees

Executive Committee

The Executive Committee (EC) is the Treasury's senior leadership group, providing decision making support to the Secretary and setting the Treasury's strategic direction. The EC, as at 30 June 2017, comprised the Secretary, Deputy Secretaries and the Chief Operating Officer. See part 01 *Departmental Overview* for Treasury's senior leadership group.

Audit Committee

The Audit Committee provides independent assurance and advice to the Secretary on the department's performance and financial reporting, systems of risk oversight, risk management and internal control; in accordance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 17 of the PGPA Rule.

During the 2016-17 financial year, the Audit Committee reviewed all internal and external audits relating to the Treasury and followed guidance issued by the Department of Finance.

A Financial Statements Sub Committee operates as a sub-committee to the Audit Committee to discuss financial compliance matters in detail.

Health and Safety Committee

The Health and Safety Committee (HSC) assists the Secretary in carrying out statutory obligations in the *Work Health and Safety Act 2011*. The HSC facilitates cooperation between Treasury management and employees to develop and review health and safety policies, procedures and initiatives and manage health and safety risks in the workplace.

Workplace Relations Committee

The Workplace Relations Committee (WRC) is the Treasury's peak staff consultation body, convened in accordance with the *Treasury Enterprise Agreement 2015-18*. The WRC undertakes consultation with Treasury staff on issues affecting their working environment and terms and conditions of employment.

Inclusive Workplace Committee

The Inclusive Workplace Committee retains strategic oversight of Treasury's diversity and inclusivity initiatives including the Progressing Women initiative (PWi).

Fraud prevention and control

The Treasury's Fraud Control Plan accords with the Commonwealth Fraud Control Policy Framework. The Fraud Control Plan is informed by a Fraud Risk Assessment conducted by independent auditors; and has within it appropriate mechanisms which meet the specific needs of Treasury relating to preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud.

During 2016-17 measures were taken to educate staff around fraud risks and processes; and to identify and manage fraud. This included mandatory security awareness training. Towards the end of 2016-17, the Treasury engaged internal auditors to conduct a new Fraud Risk Assessment which will be used to inform a review of the Fraud Control Plan.

The Treasury reports fraud information annually to the Treasurer and to the Australian Institute of Criminology.

Internal Audit arrangements

Internal audit provides independent advice and assurance to the Secretary (through the Audit Committee) on the effectiveness of the Treasury's governance and financial controls. Internal audit services were provided by KPMG to 12 October 2016 and following a procurement process, EY was appointed to the role from 13 October 2016.

Internal audit prepares and delivers an annual Internal Audit Plan, developed in consultation with the Executive Committee, key departmental stakeholders and the Audit Committee; and approved by the Secretary. The plan assists management to deliver on strategic outcomes and priorities set out in the Treasury Corporate Plan 2016-17 and 2016-17 Portfolio Budget Statements, manage inherent and emerging risks and support continuous business improvement.

In 2016-17, internal audit delivered performance, compliance and IT audits with a focus on cloud computing readiness, risk management and culture, strategic business planning, shared services implementation, governance and management of mobile devices and financial system integration.

Ethical standards

The Treasury has policies and procedures in place to ensure appropriate ethical standards, including the APS Code of Conduct and Values, are upheld in accordance with the with the *Public Service Act 1999*.

The Treasury provided input into the annual APS State of the Service Report, in accordance with section 44 of the *Public Service Act 1999*.

SES remuneration

SES remuneration is determined under section 24(1) of the *Public Service Act 1999*. Further information is provided at part 03 *Management of Human Resources* section.

Significant non-compliance issues with relevant finance laws

No significant issues of non-compliance were reported to the responsible Minister as part of the Treasury's internal compliance reporting process for 2016-17.

External scrutiny

Functional and Efficiency Review

As part of the Government's 'Efficiency through Contestability' program, Treasury was subject to a Functional and Efficiency Review in 2016-17. The Review, overseen by Dr Mike Vertigan and supported by Ernst and Young, was completed in November 2016.

The Government responded to the Review in the 2017-18 Budget. Treasury considered the Review in the context of broader organisational changes underway.

External Audit

The Australian National Audit Office (ANAO) performed the role of external auditor to the Treasury by conducting financial statement and performance audits. During 2016-17 the Treasury was not subject to any significant developments stemming from external performance audits.

ANAO performance audit reports relevant to the Treasury in 2016-17 were:

- Audit Report No. 6 — Corporate Planning in the Australian Public Sector (published 31 August 2016).
- Audit Report No. 15 — Meeting Revenue Commitments from Compliance Measures (published 12 September 2016).
- Audit Report No. 22 — Government Advertising: March 2013 to June 2015 (published 19 October 2016).
- Audit Report No. 26 — Prudential Regulation of Superannuation Entities (published 23 November 2016).
- Audit Report No. 50 — Child Support Collection Arrangements between the Australian Taxation Office and the Department of Human Services (published 15 May 2017).
- Audit Report No. 52 — Managing Underperformance in the Australian Public Service (published 23 May 2017).

Management of human resources

Overview

The People and Organisational Strategy Division, part of the Corporate Services Group, has primary responsibility for the Treasury's people framework. Through a suite of strategies and cultural initiatives that drive capability and performance, the division supports the Treasury to continue to deliver compelling and influential policy advice and services.

Key outcomes

- Establishment and capability sourcing for Treasury's Structural Reform Group;
- Redesign and streamlining of Secondment and Expression of Interest processes;
- Implementation of a new two-year graduate program;
- Initiation of a review into Treasury's Performance Management System;
- Development of a Diversity calendar and the appointment of diversity champions; and
- Publication of Treasury's Gender Equality Action Plan.

Workforce strategies

In 2016-17, workforce strategies focused on four key areas: talent sourcing, development, mobility and inclusivity. Key deliverables included the redesign of the secondments and expressions of interest processes which resulted in significant operational efficiencies. A review of the performance management system was undertaken with a focus on improving real-time performance, whilst recognising the system should have an equal focus on future development needs of our people. Treasury also developed a diversity calendar of events and appointed a number of diversity champions, consistent with its demonstrated commitment to diversity and inclusiveness across the Department.

Performance management systems

The Treasury is committed to the ongoing development of staff performance and achievement. In 2016-17, the Treasury commenced a review into performance management system and, as a result, the Department is on track to implement a new system in 2017. The objectives of the system in optimising performance include:

- continuously improve organisational performance to enable the Department to achieve its planned outcomes and priorities;
- providing a framework to improve individual and organisational performance, as well as supporting development and career planning;
- providing an approach to ensure regular real-time and meaningful feedback and recognise and reward sustained high performance; and
- providing mechanisms for managing declines in performance and underperformance.

APS staff levels 2-6 are formally assessed biannually with Executive Level (EL) staff having one formal appraisal each year. The APS Integrated Leadership System provides the behavioural framework for assessing performance.

Senior Executive Service officers (SES) are assessed against the Senior Executive Leadership Capability Framework. SES performance discussions occur once each year and include career potential assessment based on three criteria of ability, aspiration and engagement.

Workplace Relations

Treasury APS and EL officers' remuneration and employment conditions are determined under the *Treasury Enterprise Agreement 2015–2018*. The enterprise agreement operates in conjunction with Commonwealth legislation and the Treasury's policies and guidelines to define the terms and conditions of employment for staff. The agreement's nominal expiry date is 31 July 2018.

Strategic Talent Sourcing

The Treasury offers significant recruitment opportunities that aim to attract candidates from outside the Australian Public Service with enthusiasm, passion and drive for the development and delivery of sound economic policy, while recognising and encouraging career development for the talent that exists within the organisation. The Treasury also has an extensive secondment program that offers staff rewarding and challenging mobility opportunities.

Recruitment

In 2016-17, talent sourcing activities included policy-specific and specialist recruitment, along with bulk recruitment processes, including the Graduate Recruitment Campaign. Staff mobility was encouraged through a formal departmental transfer round, with 47 expressions of interest received. This complemented other expression of interest processes that were conducted throughout the year.

The Treasury participated in the APSC Indigenous Australian Government Development Program and engaged one candidate through this process. The Treasury also participated in the APSC Australian Government Indigenous Graduate Recruitment Program and RecruitAbility scheme.

Graduate Program

The Treasury Graduate Program remains a key recruitment initiative with 35 graduates commencing in February 2017. The program employed graduates across a range of disciplines including economics, law, arts, commerce and science. The 2017 Graduate cohort is the first to undertake the new two-year Graduate Program which encompasses two 12-month placements where graduates are embedded in two of the Treasury's five policy groups.

In March 2017 recruitment commenced for the 2018 Graduate Program. This year, 1,041 applications were received which represented a 16 per cent increase from the previous year. A key component of the recruitment campaign, which differentiates the Treasury from other APS agencies, is a series of 'meet and greet' events that were hosted by the Executive Committee and the Secretary. These events showcased the responsibilities and the work of the Treasury to prospective graduates.

State Offices

The Treasury continued to attract and locate candidates in its Melbourne and Sydney Offices and announced the establishment of a small presence in Perth. These offices have allowed the Treasury to attract leading expertise from the private sector.

Secondment Program

The Treasury's secondment program enables the exchange of staff between the Treasury and other Australian and international organisations. The program builds organisational leadership and positive cultural change by connecting staff and exposing them to new ideas, alternative leadership styles, diverse approaches to policy-making and the challenges and practicalities of implementing policy decisions.

As at 30 June 2017, there were 39 secondments into the Treasury; 32 government and 7 non-government. Thirty one employees of the Treasury were seconded out to 20 government, four non-government and eight international organisations.

Learning and development

The Treasury supports ongoing professional development that builds the required skills, knowledge and capabilities of staff to support the delivery of business priorities. The People and Organisational Strategy Division take a collaborative approach by working with the business to deliver quality and effective learning outcomes.

During the 2016-17 year, Treasury offered a number of formal development opportunities including:

- 21 EL staff participated in the Management Development Program;
- 27 EL2 and SES staff participated in Treasury's Executive Leadership Program;
- Eight EL and 2 SES staff participated in the inaugural Graduate Certificate in Public Policy and Finance course run by the University of Canberra;
- 84 staff were supported with studies assistance to undertake university qualifications; and
- Five staff members received post-graduate awards for study at overseas and Australian universities. There are currently four staff members undertaking PhD research at the Australian National University through the Sir Roland Wilson Foundation Scholarship program.

Staffing information

At 30 June 2017, there were 869 staff employed at the Treasury compared with 844 at 30 June 2016. The average staffing level (ASL) across the 2016-17 year was 796.

Of Treasury's operative staff at 30 June 2017, 96 per cent were employed on an ongoing basis and 14.9 per cent worked part-time. This part-time rate decreased from 16.3 per cent at 30 June 2016.

Women made up 52.6 per cent of the Treasury's workforce at 30 June 2017, a decrease of 0.2 per cent a year ago. Women also made up 32.6 per cent of Treasury's SES, a decrease of 4.2 per cent since 30 June 2016.

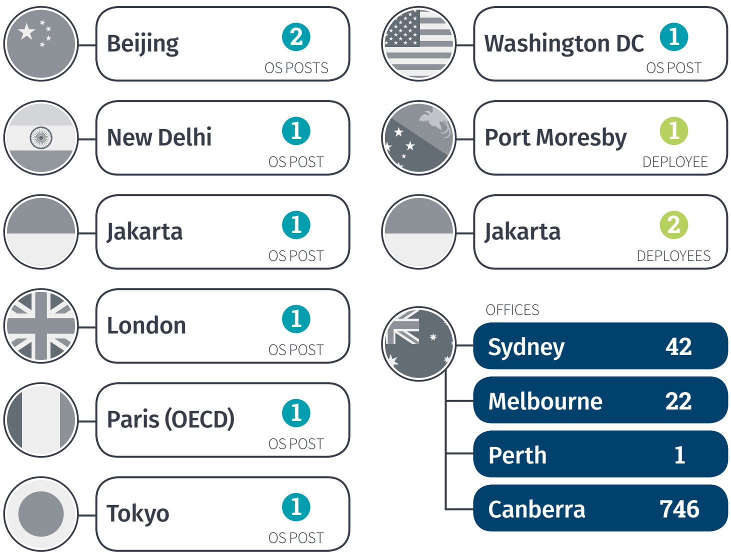
Table 1: Staff by classification and gender as at 30 June 2017 (headcount)

	Men	Women	Total
APS2	1	0	1
APS3	23	22	45
APS4	18	31	49
APS5	32	56	88
APS6	86	132	218
EL1	111	97	208
EL2	78	89	167
SES Band 1	41	22	63
SES Band 2	17	6	23
SES Band 3	4	2	6
Secretary	1	0	1
Total	412	457	869

Note: data excludes unpaid inoperative staff

While the majority of staff are based in Canberra, some staff are located in Treasury's interstate offices in Sydney and Melbourne as well as overseas. A Treasury office in Perth has been established, to launch in 2017-18.

Figure 4: Location of Treasury's operative staff



Remuneration – SES

SES remuneration and employment conditions are determined under section 24(1) of the *Public Service Act 1999*. These are supported by a remuneration model that determines pay levels within each SES level based on performance. The Treasury does not offer performance pay. An SES remuneration package is in recognition of all hours worked, including any reasonable additional hours.

SES are not entitled to overtime payments, penalty rates or time off in lieu. Treasury has historically increased SES remuneration in line with APS and EL staff as determined by the Treasury Enterprise Agreement. SES officers received a 1.5 per cent salary increase in July 2016 and July 2017.

Table 2: Remuneration – SES Employees

	July 2016		July 2017	
Classification	**Minimum**	**Maximum**	**Minimum**	**Maximum**
SESB1	$198,406	$230,592	$201,382	$234,051
SESB2	$243,173	$284,621	$246,821	$288,890
SESB3	$315,136	$369,072	$319,863	$374,608

Remuneration – Non-SES

APS and EL officers received a 1.5 per cent salary increase in July 2016 and July 2017.

Table 3: Remuneration – non-APS Employees

	July 2016		July 2017	
Classification	**Minimum**	**Maximum**	**Minimum**	**Maximum**
APS1	$45,114	$48,990	$45,791	$49,725
APS2	$52,000	$55,443	$52,780	$56,275
APS3	$58,885	$62,324	$59,768	$63,259
APS4	$65,769	$69,210	$66,756	$70,248
APS5	$73,945	$78,680	$75,054	$79,860
APS6	$83,413	$101,055	$84,664	$102,571
EL1	$108,803	$124,809	$110,435	$126,681
EL2	$132,899	$152,523	$134,892	$154,811

Workplace diversity

The Treasury is committed to a workplace that supports and promotes diversity. The Treasury Inclusivity and Diversity Strategy supports all streams of diversity and outlines the strategic commitment. There are four key action plans that will be a focus to review and embed further: the Progressing Women initiative underpinned by the Gender Equality Action Plan, Agency Multicultural Access and Equity Plan, Reconciliation Action Plan and Disability Action Plan.

In March 2017, Treasury's Inclusive Workplace Committee (IWC) broadened its mandate beyond oversight of the *Progressing Women initiative* to reflect the broader Inclusivity and Diversity strategic commitment. Part of this broader approach included the appointment of SES Diversity Champions in the areas of: Progressing Women; LGBTI+; White Ribbon (Family Domestic Violence); Culturally and Linguistically Diverse; Disability; and Equity and Diversity. The Treasury also implemented a Diversity Calendar, establishing the key cultural events throughout the year that Treasury will officially celebrate in support of each of the aforementioned diversity groups.

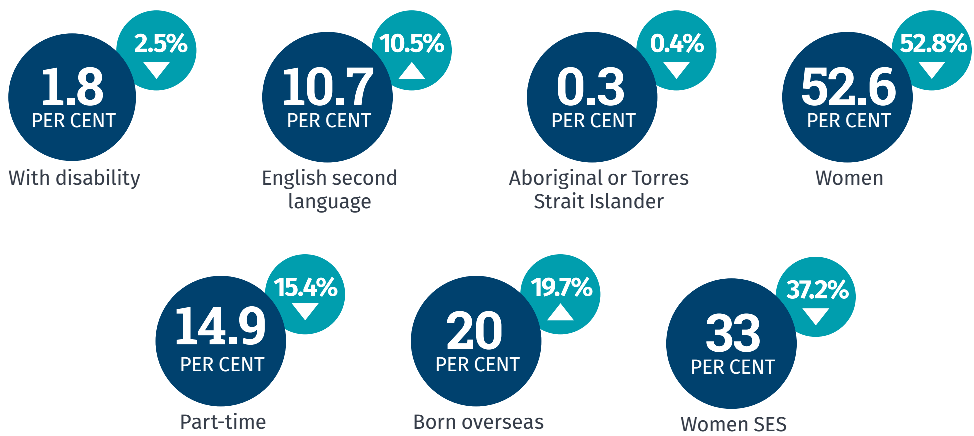
The Treasury supports the APS Gender Equality Strategy and in 2016-17 published its Gender Equity Action Plan on the internet. The Treasury also supports other APS agencies in their work towards achieving inclusive workplaces.

The Department continues work on attracting, supporting and retaining Aboriginal and Torres Strait Islander staff. The development of mutually-beneficial relationships with Indigenous communities, organisations and tertiary institutions is a key component of Treasury's Reconciliation Action Plan. The Treasury is an active participant in the Indigenous Australian Government Development Programme and the Australian Government Indigenous Graduate Recruitment Program.

The Treasury supports multicultural access and equity and provides advice that is culturally sensitive. In 2017 the Department ran a series of employee forums to gain further insights into the workplace experiences of culturally and linguistically diverse employees. The department also ensures that staff with disability are supported and provides tailored reasonable adjustments such as adaptive technologies. Treasury participates in the RecruitAbility scheme for graduate recruitment. This is designed to attract and encourage applicants with a disability. This scheme also imbeds changes in selection panels and recruitment practices to include consideration of aspects of culture.

In 2016, the Treasury received accreditation as a White Ribbon Workplace. This accreditation recognises the commitment to addressing family and domestic violence, particularly violence against women.

Figure 5: Workplace diversity



Assets management

Management of the Treasury's assets is governed by the Secretary's Instructions on asset management and aligns with government best practice. The Treasury's asset management framework includes an asset register, an asset management plan and a capital management plan. The asset register records details of all assets held by the Treasury. An annual stocktake of assets keeps the register accurate and up-to-date. The Department's fixed assets include office fit-outs, purchased and internally developed software, computer equipment, infrastructure and library materials.

Purchasing

Treasury's procurement activities were undertaken in accordance with the *Public Governance, Performance and Accountability Act 2013*, Commonwealth Procurement Rules, and the Commonwealth Government's Indigenous Procurement Policy. The Treasury applies these requirements through its internal financial and procurement policies.

Information on all Treasury contracts awarded with a value of $10,000 (including GST) or more, and the Treasury's annual procurement plan, is available on AusTender at www.tenders.gov.au.

The Treasury had three contracts exempt from publication on AusTender in 2016-17 on the basis that they would disclose exempt matters under the *Freedom of Information Act 1982*.

No contracts of $100,000 or greater (inclusive of GST) were let during 2016-17 that did not provide for the Auditor-General to have access to the contractor's premises.

The Treasury supports small business participation in the Commonwealth Government procurement market. Participation statistics are available on the Department of Finance website at www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/.

The Treasury's procurement practices support small and medium enterprises participating in procurement opportunities. This includes the mandatory use of the Commonwealth Contracting Suite for low risk procurements up to $200,000 (including GST).

The Treasury recognises the importance of paying small businesses on time. The results of the survey of Australian Government Payments to Small Businesses are available on the Treasury's website at www.treasury.gov.au/PublicationsAndMedia/Publications/2017/Pay-on-time-survey.

The Treasury fully supports the Indigenous Procurement Policy and has met its purchasing target set down by the Government to ensure indigenous employment and business opportunities continue to grow.

Consultants

The Treasury engages consultants where specialist skills are required when not available in-house. Consultancies normally relate to individuals, partnerships or corporations that provide professional, independent and expert advice and services.

The decision to engage a consultant is made in accordance with the *Public Governance, Performance and Accountability Act 2013*, Commonwealth Procurement Rules and the Treasury's internal policies.

In 2016-17, the Treasury entered into 38 new consultancy contracts involving a total actual expenditure of $2,026,422 (including GST). In addition, 6 consultancy contracts were ongoing, involving a total actual expenditure of $49,092 (including GST).

This annual report contains information about actual expenditure on contracts for consultancies. Information on the value of individual contracts and consultancies is available on the AusTender website at **www.tenders.gov.au**.

04
Financial statements

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Opinion

In my opinion, the financial statements of the Department of the Treasury for the year ended 30 June 2017:

(a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Department of the Treasury as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Department of the Treasury, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Departmental Secretary and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising an Overview, Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate 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 of the Treasury in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other 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.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter	**How the audit addressed the matter**
Accuracy and Occurrence of Grants Expense *Refer to Note 4.1A: Grants and Note 5.2A: Grants*	The audit procedures that I applied to address the matter included:
I focused on this area due to the value of the grants paid by the Department of the Treasury and the complex eligibility criteria for a number of the grants. The Department of the Treasury is also reliant on the accuracy of advice from State and Territory	• examined the Department of the Treasury's risk assessment and monitoring processes over the National Partnership agreements; • on a sample basis, performed testing of processes

governments to confirm the eligibility criteria have been met to trigger the grant payment. For the year ended 30 June 2017, the value of grants paid by the Department of the Treasury under the *Federal Financial Relations Act 2009* was $94.1 billion.	within other Australian Government entities to support the advice provided to the Department of the Treasury for the payment of each grant; • on a sample basis, tested the payment certification process, including entity authorisations and the Department of the Treasury's validation of systems data; • on a sample basis, tested payments processed by the Department of the Treasury, including an assessment of the Treasurer's determination process; and • on a sample basis, assessed compliance with the *Federal Financial Relations Act 2009* and the Inter-Governmental Agreement on Federal Financial Relations including compliance with conditions contained within National Partnership agreements.

Key audit matter	**How the audit addressed the matter**
Valuation of the Natural Disaster Relief and Recovery Arrangement Provision *Refer to Note 5.4A: Other Provisions* I focused on this area due to the value of the balance and the complexities in the judgements involved in calculating the estimated provision. Due to the nature of disasters, there is uncertainty in the estimated costs to restore State and Territory infrastructure to its original condition at the time of the disaster. For the year ended 30 June 2017 the provision for the payment of costs associated with the Natural Disaster Relief and Recovery Arrangement was valued at $704.9 million.	The audit procedures that I applied to address the matter included: • examined the results of the Commonwealth's assessment of the eligibility of costs estimated under the the Natural Disaster Relief and Recovery Arrangement Determination. On a sample basis, re-performed the Commonwealth's assessment to determine if it was appropriate; • assessed the explanations provided by the State and Territory Governments supporting the movement in quarterly estimates data to determine if the Department's reliance upon them was appropriate; • assessed the Commonwealth's progress in accessing and reviewing project level data from the State and Territory Governments supporting the provision estimate; • agreed the provision calculation to the Natural Disaster Relief and Recovery Arrangement Determination and determined if the provision calculation was in line with the estimates provided by the State and Territory Governments; and • assessed whether the assumptions used in the calculation of the provision were reasonable.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Department of the Treasury the Secretary is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Department of the Treasury's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Secretary is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 the Australian National Audit Office 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.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement 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 entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority'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 entity'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. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- 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 those charged with governance 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.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office

J George

Jodi George
Acting Executive Director

Canberra
14 September 2017

The Treasury

Statement by the Departmental Secretary and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Treasury will be able to pay its debts as and when they fall due.

John A. Fraser Secretary 14 September 2017	Robert Twomey Chief Financial Officer 14 September 2017

Statement of Comprehensive Income

for the period ended 30 June 2017

	Notes	2017 $'000	2016 $'000
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	**123,782**	122,744
Suppliers	1.1B	**55,429**	51,877
Grants	1.1C	**1,245**	2,925
Depreciation and amortisation	2.2A	**10,360**	8,803
Write-down and impairment of assets	2.2A	**532**	100
Losses from asset sales	1.1D	**-**	35
Finance costs	2.4	**11**	86
Total expenses		**191,359**	186,570
Own-Source Income			
Own-source revenue			
Rendering of services	1.2A	**9,419**	9,447
Other revenue	1.2B	**1,073**	1,347
Total own-source revenue		**10,492**	10,794
Gains			
Gains from sale of assets	1.2C	**43**	-
Other gains	1.2D	**3,272**	4,006
Total gains		**3,315**	4,006
Total own-source income		**13,807**	14,800
Net (cost of)/contribution by services		**(177,552)**	(171,770)
Revenue from Government	1.2E	**170,496**	160,109
Surplus/(Deficit)		**(7,056)**	(11,661)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves		**228**	6,024
Total other comprehensive income		**228**	6,024
Total comprehensive (loss) attributable to the Australian Government		**(6,828)**	(5,637)

This statement should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	2.1A	**1,250**	2,776
Trade and other receivables	2.1B	**56,519**	50,445
Total financial assets		**57,769**	53,221
Non-financial assets			
Land and buildings	2.2A	**16,159**	14,280
Plant and equipment	2.2A	**7,851**	9,627
Intangibles	2.2A	**9,804**	9,730
Prepayments	2.2B	**5,631**	4,888
Total non-financial assets		**39,445**	38,525
Total assets		**97,214**	91,746
LIABILITIES			
Payables			
Suppliers	2.3A	**10,127**	3,250
Other payables	2.3B	**2,483**	2,996
Total payables		**12,610**	6,246
Provisions			
Employee provisions	3.1A	**46,705**	46,567
Provision for restoration	2.4	**3,440**	3,279
Total provisions		**50,145**	49,846
Total liabilities		**62,755**	56,092
Net assets		**34,459**	35,654
EQUITY			
Asset revaluation reserve		**12,414**	12,186
Contributed equity		**64,136**	58,538
Retained surplus/(deficit)		**(42,091)**	(35,070)
Total equity		**34,459**	35,654

This statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the period ended 30 June 2017

	2017 $'000	2016 $'000
CONTRIBUTED EQUITY		
Opening balance	**58,538**	51,526
Transactions with owners		
Contributions by owners		
Equity injection appropriation	**300**	1,700
Departmental capital budget appropriation	**5,298**	5,312
Total transactions with owners	**5,598**	7,012
Closing balance as at 30 June	**64,136**	58,538
RETAINED EARNINGS		
Opening balance	**(35,070)**	(22,951)
Adjustment to opening balance	**35**	(458)
Comprehensive income		
Surplus/(Deficit) for the period	**(7,056)**	(11,661)
Total comprehensive income	**(7,056)**	(11,661)
Closing balance as at 30 June	**(42,091)**	(35,070)
ASSET REVALUATION RESERVE		
Opening balance	**12,186**	6,162
Comprehensive income		
Other comprehensive income	**378**	6,024
Changes in provision for restoration	**(150)**	-
Total comprehensive income	**228**	6,024
Closing balance as at 30 June	**12,414**	12,186
TOTAL EQUITY		
Opening balance	**35,654**	34,737
Adjustment to opening balance	**35**	(458)
Comprehensive income		
Other comprehensive income	**228**	6,024
Surplus/(Deficit) for the period	**(7,056)**	(11,661)
Total comprehensive income	**(6,828)**	(5,637)
Transactions with owners		
Contributions by owners		
Equity injection appropriation	**300**	1,700
Departmental capital budget appropriation	**5,298**	5,312
Total transactions with owners	**5,598**	7,012
Closing balance as at 30 June	**34,459**	35,654

This statement should be read in conjunction with the accompanying notes.

Accounting Policy

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Restructuring of administrative arrangements

Net assets received from or relinquished to another government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Other distributions to owners

The Financial Reporting Rule (FFR) requires that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

Cash Flow Statement

for the period ended 30 June 2017

	2017 $'000	2016 $'000
OPERATING ACTIVITIES		
Cash received		
Appropriations	**183,993**	185,495
Sale of goods and rendering of services	**6,304**	7,109
GST received from ATO	**4,791**	5,399
Other	**518**	1,461
Total cash received	**195,606**	199,464
Cash used		
Employees	**123,496**	122,797
Suppliers	**44,544**	51,481
Grants	**1,245**	2,925
Section 74 receipts transferred to OPA[1]	**17,769**	15,534
GST paid to ATO	**4,920**	5,562
Other	**-**	2
Total cash used	**191,974**	198,301
Net cash from/(used by) operating activities	**3,632**	1,163
INVESTING ACTIVITIES		
Cash received		
Proceeds from sales of plant and equipment	**50**	18
Total cash received	**50**	18
Cash used		
Purchase of land and buildings	**2,818**	4,189
Purchase of plant and equipment	**2,748**	752
Purchase of intangibles	**5,240**	5,628
Total cash used	**10,806**	10,569
Net cash from/(used by) investing activities	**(10,756)**	(10,551)
FINANCING ACTIVITIES		
Cash received		
Contributed equity - departmental capital budget	**5,298**	5,312
Contributed equity - equity injections	**300**	1,700
Total cash received	**5,598**	7,012
Net cash from/(used by) financing activities	**5,598**	7,012
Net increase/(decrease) in cash held	**(1,526)**	(2,376)
Cash at the beginning of the reporting period	**2,776**	5,152
Cash at the end of the reporting period	**1,250**	2,776

This statement should be read in conjunction with the accompanying notes.

1. The comparative figures have been amended to reclassify PGPA Act section 74 receipts as a separate operating cash outflow and inflow.

Administered Schedule of Comprehensive Income

for the period ended 30 June 2017

	Notes	2017 $'000	2016 $'000
NET COST OF SERVICES			
Expenses			
Grants	4.1A	**94,258,724**	88,032,393
Interest		**15,252**	3,276
Foreign exchange losses	4.1B	**211,174**	-
Suppliers		**8,557**	2,048
Total expenses		**94,493,707**	88,037,717
Income			
Revenue			
Non-taxation revenue			
Sale of goods and rendering of services	4.2A	**696,216**	690,441
Interest	4.2B	**3,454**	2,680
Dividends	4.2C	**1,343,500**	3,279,246
COAG revenue from government agencies	4.2D	**89,358**	268,887
Other	4.2E	**99,141**	76,604
Total non-taxation revenue		**2,231,669**	4,317,858
Total revenue		**2,231,669**	4,317,858
Gains			
Foreign exchange gains	4.2F	**-**	16,736
Total gains		**-**	16,736
Total income		**2,231,669**	4,334,594
Net (cost of)/contribution by services		**(92,262,038)**	(83,703,123)
Surplus/(Deficit)		**(92,262,038)**	(83,703,123)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		**(2,170,851)**	(305,232)
Total comprehensive income/(loss)		**(94,432,889)**	(84,008,355)

The above schedule should be read in conjunction with the accompanying notes.

Administered Schedule of Assets and Liabilities

as at 30 June 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Financial assets			
Loans and other receivables	5.1A	**2,059,375**	4,168,375
Investments	5.1B	**35,212,886**	37,705,781
Total financial assets		**37,272,261**	41,874,156
Non-financial assets			
Other		**381**	401
Total non-financial assets		**381**	401
Total assets administered on behalf of Government		**37,272,642**	41,874,557
LIABILITIES			
Payables			
Grants	5.2A	**793,657**	187,053
Other payables	5.2B	**5,579,567**	5,796,098
Unearned income	5.2C	**26,455**	47,872
Total payables		**6,399,679**	6,031,023
Interest bearing liabilities			
Promissory notes	5.3A	**9,626,864**	9,651,149
Total interest bearing liabilities		**9,626,864**	9,651,149
Provisions			
Other provisions	5.4A	**704,917**	1,725,063
Total provisions		**704,917**	1,725,063
Total liabilities administered on behalf of government		**16,731,460**	17,407,235
Net assets/(liabilities)		**20,541,182**	24,467,322

The above schedule should be read in conjunction with the accompanying notes.

Administered Reconciliation Schedule

for the period ended 30 June 2017

	2017 $'000	2016 $'000
Opening assets less liabilities as at 1 July	**24,467,322**	23,012,528
Net (cost of)/contribution by services		
Income	**2,231,669**	4,334,594
Expenses		
Payments to entities other than corporate Commonwealth entities	**(94,493,707)**	(88,037,717)
Payments to corporate Commonwealth entities	**-**	-
Other comprehensive income		
Revaluations transferred to reserves	**(2,170,851)**	(305,232)
Transfers (to)/from Australian Government		
Appropriation transfers from OPA		
Administered assets and liabilities appropriations	**-**	-
Annual appropriation for administered expenses		
Payments to entities other than corporate Commonwealth entities	**40,527**	43,913
Payments to corporate Commonwealth entities	**-**	-
Special appropriations (limited)		
Payments to entities other than corporate Commonwealth entities	**-**	-
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	**81,633,062**	80,462,041
Special accounts - COAG Reform Fund	**12,456,508**	9,403,901
Refunds of receipts (s77 PGPA)	**2**	307
Appropriation transfers to OPA		
Transfers to OPA - appropriations	**(3,533,098)**	(2,940,226)
Transfers to OPA - special accounts	**(90,252)**	(268,887)
Restructuring	**-**	(1,237,900)
Closing assets less liabilities as at 30 June	**20,541,182**	24,467,322

The above schedule should be read in conjunction with the accompanying notes.

Accounting Policy

Administered cash transfers to and from the Official Public Account

Revenue collected by the Treasury for use by the Government rather than the Treasury is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriations on behalf of the Government. These transfers to and from the OPA are adjustments to administered cash held by the Treasury on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

Administered Cash Flow Statement
for the period ended 30 June 2017

	2017 $'000	2016 $'000
OPERATING ACTIVITIES		
Cash received		
Sale of goods and rendering of services	**14,131**	18,729
Interest	**1,840**	699
Dividends	**3,279,319**	2,558,672
HIH Group liquidation proceeds	**2,456**	16,362
COAG receipts from government agencies	**90,252**	268,887
Other receipts from government agencies[1]	**18,139,055**	16,701,161
Other	**98,364**	60,359
Total cash received	**21,625,417**	19,624,869
Cash used		
Grant payments	**93,892,136**	87,962,312
Other grants to the States and Territories[1]	**18,139,055**	16,701,161
Interest	**10,523**	3,253
Other	**9,559**	9,957
Total cash used	**112,051,273**	104,676,683
Net cash from/(used by) operating activities	**(90,425,856)**	(85,051,814)
INVESTING ACTIVITIES		
Cash received		
Repayment of IMF loans	**25,538**	116,532
IMF maintenance of value	**112,929**	167,569
Total cash received	**138,467**	284,101
Cash used		
Settlement of IMF loans	**-**	64,263
Settlement of IMF maintenance of value	**-**	36
Settlement of international financial institution's obligations	**219,360**	1,869,037
Total cash used	**219,360**	1,933,336
Net cash from/(used by) investing activities	**(80,893)**	(1,649,235)
Net increase (decrease) in cash held	**(90,506,749)**	(86,701,049)
Cash from Official Public Account		
Appropriations	**81,675,239**	80,506,261
Special accounts	**12,456,508**	9,403,901
Total cash from Official Public Account	**94,131,747**	89,910,162
Cash to Official Public Account		
Appropriations	**3,534,746**	2,940,226
Special accounts	**90,252**	268,887
Total cash to Official Public Account	**3,624,998**	3,209,113
Net cash from/(to) Official Public Account	**90,506,749**	86,701,049
Cash and cash equivalents at the end of the reporting period	**-**	-

This schedule should be read in conjunction with the accompanying notes.

1. These balances reflect the payments that are facilitated by the Treasury to the States and Territories for education services and the Water for the Environment Special Account. Refer to Note 6.1D for more information.

Notes to and forming part of the financial statements

for the period ended 30 June 2017

Overview

The Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The Financial Statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR)* for the reporting periods ending on or after 1 July 2015;
- Australian Accounting Standards and interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The Department has applied the Reduced Disclosure Requirements issued by the AASB with the exception of disclosures for administered activities prepared under the following accounting standards, as required under Subsection 18(3) of the *Public Governance, Performance and Accountability (Financial Reporting) Rule 201*5 (FRR):

- AASB 7 Financial Instruments: Disclosure,
- AASB 12 Disclosure of Interests in Other Entities, and
- AASB 13 Fair Value Measurement.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars. The financial report is rounded to the nearest thousand.

Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Appropriations of administered capital are recognised in administered equity when the amounts appropriated by Parliament are drawn down. For the purposes of the Treasury annual report, administered equity transactions are not disclosed separately.

New Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. There have been no new standards, amended standards or interpretations that were issued prior to the signing of the statement and were applicable to the current reporting period and had a material effect on the Treasury's financial statements.

Future Australian Accounting Standard requirements

The following revised standards were issued by the Australian Accounting Standards Board prior to the signing of the statement by the Accountable Authority and Chief Financial Officer, which are expected to have a material impact on the entity's financial statements for the future reporting period(s):

Standard	Application date for the entity	Nature of impending changes in accounting policy and likely impact on initial application
AASB 124 – Related Party Disclosures & AASB 1049 – Whole of Government and General Government Sector Financial Reporting	1 July 2016	Extending related party disclosures to not-for-profit public sector entities. The amendments are applied prospectively as of the beginning of the annual reporting period in which the standard is initially applied.
AASB 9 – Financial Instruments	1 January 2018	Key changes are: • requirements for impairment of financial assets based on a three-stage 'expected loss' approach; • addition of a third measurement category for debt instruments 'fair value through other comprehensive income'; • expansion of disclosures required in relation to credit risk.
AASB 16 – Leases	1 January 2019	Requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. Leases will be initially measured on a present value basis and includes non-cancellable lease payments.

Taxation

The Treasury is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date.

Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

During 2016-17 Treasury reviewed its exposure to the risk of not complying with statutory conditions on payments from appropriations, namely section 83 of the Constitution. To minimise potential breaches, Treasury continues its established verification procedures, in consultation with the Portfolio Departments, particularly in relation to payments under the *Federal Financial Relations Act 2009* and *COAG Reform Fund Act 2008*. An assessment framework determines the risk profile of each National Partnership agreement (NPA) which forms the basis of what additional assurance may be required when making a payment. This review identified that with the exception of the previously identified breaches outlined below no other payments were made in contravention of section 83 of the Constitution.

Five breaches occurred between July through to October 2016. All five breaches pertained to the Cost of Older People under Specialist Disability Service Agreement, totalling $880,000. Treasury processed these payments when the agreement had not been signed by the relevant Minister. A review of the events leading to these breaches has been conducted by Treasury and there is no evidence this is a systemic issue. The total amount has been offset against the future National Partnership payments to the relevant jurisdiction in the 2016-17 year.

Treasury will continue to monitor its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible.

Events After the Reporting Period

Departmental and Administered

There are no known events occurring after the reporting period that could impact on the financial statements.

1. Departmental Financial Performance

This section analyses the financial performance of the Treasury for the year ended 2017.

1.1 Expenses

	2017 $'000	2016 $'000
Note 1.1A: Employee benefits		
Wages and salaries	**92,336**	89,409
Superannuation		
Defined contribution plans	**7,336**	6,441
Defined benefit plans	**8,890**	9,648
Redundancies	**924**	690
Leave and other entitlements	**11,268**	13,675
Other	**3,028**	2,881
Total employee benefits	**123,782**	122,744

Accounting Policy

Accounting policies for employee related expenses are contained in Note 3: People and Relationships.

	2017 $'000	2016 $'000
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
Information communication technology	**7,647**	7,296
Conferences and training	**2,108**	2,412
Consultants, secondees and contractors	**16,753**	16,872
Fees - audit, accounting, bank and other	**1,638**	1,786
Insurance	**684**	657
Legal	**1,823**	2,103
Printing	**427**	370
Property operating expenses	**13,072**	11,553
Publications and subscriptions	**4,221**	1,693
Travel	**4,955**	4,947
Other	**2,101**	2,188
Total goods and services supplied or rendered	**55,429**	51,877
Goods supplied	**4,856**	2,748
Services rendered	**42,449**	40,760
Total goods and services supplied or rendered	**47,305**	43,508
Other suppliers		
Operating lease rentals	**7,726**	8,019
Workers compensation premiums	**398**	350
Total other suppliers	**8,124**	8,369
Total suppliers	**55,429**	51,877
Leasing commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	**8,824**	7,686
Between 1 to 5 years	**31,144**	30,298
More than 5 years	**27,600**	34,466
Total operating lease commitments	**67,568**	72,450

Operating leases included are effectively noncancellable and comprise of:

Nature of lease	General description of leasing arrangement
Leases for accommodation	Commercial — leases comprise of various periods, including both initial and options periods. Located in Canberra, Sydney and Melbourne. Overseas estate — some commercial lease payments are adjusted annually and residential lease payments are escalated annually and similarly reviewed every three years to reflect market movements. The initial periods of office accommodation leases are still current and each may be renewed with options for a further six years.

Accounting Policy

Leases

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the leased property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The Treasury does not currently hold any assets under finance lease.

	2017	2016
	$'000	$'000
Note 1.1C: Grants		
Public sector:		
Australian Government entities - other	**-**	198
Private sector:		
Non-profit organisations	**1,245**	2,727
Total grants	**1,245**	2,925
Note 1.1D: Losses from asset sales		
Property, plant and equipment		
Proceeds from sale	**-**	(18)
Carrying value of asset sold	**-**	42
Selling expense	**-**	11
Total losses from asset sales	**-**	35

1.2 Own-Source Revenue and Gains

	2017	2016
Own-Source Revenue	**$'000**	$'000
Note 1.2A: Rendering of services		
Rendering of services	**9,419**	9,447
Total rendering of services	**9,419**	9,447

Accounting Policy

Revenue from rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at balance date. Allowances are made when collectability of the debt is no longer probable.

	2017	2016
	$'000	$'000
Note 1.2B: Other revenue		
Legislative and Governance Forum on Consumer Affairs contributions received	**364**	629
ANAO audit services received free of charge	**575**	575
Other	**134**	143
Total other revenue	**1,073**	1,347
Note 1.2C: Gains from sale of assets		
Plant and equipment		
Proceeds from sale	**88**	-
Net book value of assets disposed	**(38)**	-
Selling expense	**(7)**	-
Total gains from sale of assets	**43**	-
Note 1.2D: Other gains		
Resources received free of charge	**3,272**	3,558
Other	**-**	448
Total other gains	**3,272**	4,006

Accounting Policy

Resources received free of charge

Resources received free of charge are recognised and recorded as revenue depending on their nature when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government agency or authority as a consequence of a restructuring of administrative arrangements.

Sale of assets

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

	2017	2016
	$'000	$'000
Note 1.2E: Revenue from Government		
Appropriations		
Departmental appropriations	**170,496**	160,109
Total revenue from Government	**170,496**	160,109

Accounting Policy

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when Treasury gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

2. Departmental Financial Position

This section analyses the Treasury assets used to generate financial performance and the operating liabilities incurred as a result.

Employee related information is disclosed in the People and Relationships section.

2.1 Financial Assets

	2017 $'000	2016 $'000
Note 2.1A: Cash and cash equivalents		
Special accounts[1]	-	90
Cash on hand or on deposit	1,250	2,686
Total cash and cash equivalents	**1,250**	2,776

1. The Actuarial Services Special Account was sunset on 1 October 2016.

	2017 $'000	2016 $'000
Note 2.1B: Trade and other receivables		
Appropriations receivable	51,526	47,254
Goods and services receivables	4,091	2,500
Net GST receivable from the ATO	902	691
Total trade and other receivables (net)	**56,519**	50,445
All receivables are current assets		
Receivables (net) are aged as follows:		
Not overdue	54,927	48,344
Overdue by		
0 to 30 days	373	1,833
31 to 60 days	447	90
61 to 90 days	772	56
More than 90 days	-	122
Total trade and other receivables (net)	**56,519**	50,445

Credit terms for goods and services were within 30 days (2016:30 days).

Accounting Policy

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest methods less impairment. Interest is recognised by applying the effective interest rate. Collectability of debts is reviewed regularly throughout the year and at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely. Credit terms are net 30 days (2016: 30 days).

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period. No indicators of impairment were identified for assets as at 30 June 2017.

2.2 Non-Financial Assets

Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and computer software (2016-17)

	Buildings–leasehold improvements $'000	Plant and equipment $'000	Computer software internally developed $'000	Computer software purchased $'000	Total $'000
As at 1 July 2016					
Gross book value	**14,280**	**15,000**	**13,497**	**10,756**	**53,533**
Accumulated depreciation / amortisation and impairment	**-**	**(5,373)**	**(8,686)**	**(5,837)**	**(19,896)**
Total value as at 1 July 2016	**14,280**	**9,627**	**4,811**	**4,919**	**33,637**
Additions	**2,838**	**2,548**	**3,660**	**1,650**	**10,696**
Revaluations recognised in other comprehensive income	**1,398**	**(1,020)**	**-**	**-**	**378**
Depreciation and amortisation	**(2,269)**	**(3,153)**	**(2,368)**	**(2,570)**	**(10,360)**
Disposals	**(55)**	**(217)**	**-**	**(298)**	**(570)**
From asset sales (net book value of assets disposed)	-	(38)	-	-	(38)
From write-down and impairment of assets	(55)	(179)	-	(298)	(532)
Other movements	**(33)**	**66**	**(1)**	**1**	**33**
Total as at 30 June 2017	**16,159**	**7,851**	**6,102**	**3,702**	**33,814**
Total as at 30 June 2017 represented by:					
Under construction	**427**	**-**	**2,220**	**-**	**2,647**
Fair value	**15,732**	**7,851**	**-**	**-**	**23,583**
Internally developed - in use	**-**	**-**	**14,935**	**-**	**14,935**
Purchased	**-**	**-**	**-**	**11,425**	**11,425**
Accumulated depreciation / amortisation and impairment	**-**	**-**	**(11,053)**	**(7,723)**	**(18,776)**
Total as at 30 June 2017	**16,159**	**7,851**	**6,102**	**3,702**	**33,814**

No indicators of impairment were found for land and buildings, plant and equipment or intangibles (comprising both internally developed and purchased computer software).

No significant non-financial assets are expected to be sold or disposed within the next 12 months.

All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 7.4.

The fair value of land and buildings, and property, plant and equipment has been taken to be the market value of similar properties or depreciated replacement value as determined by an independent valuer.

Contractual commitments[1] for the acquisition of property, plant and equipment and intangible assets		
Commitments are payable as follows:	**2017**	2016
	$'000	$'000
Within 1 year	**2,353**	3,060
Between 1 to 5 years	**698**	314
Total commitments	**3,051**	3,374

1. Commitments are GST inclusive where relevant.

Accounting Policy

Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Asset recognition threshold

Purchases of building – leasehold improvements and computer software purchased are recognised initially at cost in the balance sheet, except for purchases costing less than $5,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to restoration provisions in property leases taken up by the Treasury where there exists an obligation to restore the property to its original condition. These costs are included in the value of the Treasury's leasehold improvements with a corresponding provision for the restoration recognised.

Revaluations

Following initial recognition at cost, buildings – leasehold improvements and plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. The most recent full revaluation was conducted by Australian Valuation Solutions Pty Limited at 30 June 2017.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is restated to the revalued amount.

Depreciation and Amortisation

Depreciable property, plant and equipment assets are writtenoff to their estimated residual values over their estimated useful lives to the Treasury using, in all cases, the straightline method of depreciation. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Software is amortised on a straight-line basis.

Depreciation rates applying to each class of depreciable assets are based on the following useful lives:

	2017	2016
Buildings - leasehold improvements	1.75-25 years	1.75 -25 years
Plant and equipment:		
Plant and equipment	3-10 years	3-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years
Computer software	3-5 years	3-5 years

Impairment

All assets were assessed for impairment at 30 June 2017. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. No indicators of impairment were found for departmental non-financial assets as at 30 June 2017(2016: nil).

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows and the asset would be replaced if the Treasury were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item or property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

The Treasury's intangible assets comprise internally developed and purchased software for internal use. These assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

All software assets were assessed for indications of impairment as at 30 June 2017. No indicators of impairment were identified as at 30 June 2017 (2016: nil).

Accounting Judgement and Estimates

The fair value of buildings – leasehold improvements and plant and equipment has taken to be the market value of similar properties or depreciated replacement value as determined by an independent valuer.

	2017	2016
	$'000	$'000
Note 2.2B: Prepayments		
Prepayments	**5,631**	4,888
Total other non-financial assets	**5,631**	4,888
Prepayments		
No more than 12 months	**3,583**	3,171
More than 12 months	**2,048**	1,717
Total prepayments	**5,631**	4,888

No indicators of impairment were found for other non-financial assets.

2.3 Payables

	2017 $'000	2016 $'000
Note 2.3A: Suppliers		
Trade creditors and accruals	**10,127**	3,250
Total suppliers	**10,127**	3,250
Suppliers expected to be settled		
No more than 12 months	**10,127**	3,250
Total suppliers	**10,127**	3,250

Settlement was usually made within 30 days.

	2017 $'000	2016 $'000
Note 2.3B: Other payables		
Salaries and wages	**722**	322
Superannuation	**131**	62
Separations and redundancies	**-**	212
Other creditors	**(147)**	(28)
Unearned income	**1,777**	2,428
Total other payables	**2,483**	2,996

Other payables are expected to be settled in no more than 12 months.

Accrued expenses have been reclassified from other payables in 2015-16 to suppliers in 2016-17.

Accounting Policy

Financial liabilities

Other financial liabilities include trade creditors and accruals are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Settlement is usually made net 30 days.

2.4 Other Provisions

	Provision for restoration $'000	Total $'000
Carrying amount 1 July 2016	**3,279**	**3,279**
Additional provisions made	**150**	**150**
Unwinding of discount or change in discount rate	**11**	**11**
Closing balance 30 June 2017	**3,440**	**3,440**

	2017 $'000	2016 $'000
Provision for restoration expected to be settled		
No more than 12 months	**388**	139
More than 12 months	**3,052**	3,140
Total provisions for restoration	**3,440**	3,279

The Department has five (2016: five) lease agreements containing provisions to restore the premises to their original condition at the conclusion of the lease. The Department has made a provision to reflect the present value of this obligation. The value of the provision has been estimated by an independent valuer based on occupied floor space as per the leasing agreements.

3. People and relationships

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

3.1 Employee Provisions

	2017 $'000	2016 $'000
Note 3.1A: Employee provisions		
Leave	**46,506**	46,358
Other employee entitlements	**199**	209
Total employee provisions	**46,705**	46,567
Employee provisions expected to be settled		
No more than 12 months	**9,450**	13,308
More than 12 months	**37,255**	33,259
Total employee provisions	**46,705**	46,567

Accounting Policy

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled. Liabilities for termination benefits due within twelve months of balance date are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other employee benefits are measured as the total net present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of the plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Treasury's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for both annual and long service leave has been determined by reference to standard parameters provided by the Department of Finance. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and general pay increases.

Separation and redundancy

Provision is made for separation and redundancy benefit payments. The department recognises a provision for termination when it has a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

Staff of the Treasury are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The Treasury makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Treasury accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June 2017 represents outstanding contributions.

Accounting Judgement and Estimates

The employee provision has been determined by reference to standard parameters provided by the Department of Finance.

3.2 Key Management Personnel Remuneration

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of Treasury. Treasury has determined the key management personnel to be the Secretary, Deputy Secretaries and the Chief Operating Officer. Key management personnel remuneration is reported in the table below:

	2017 $'000
Short-term employee benefits	2,916
Post-employment benefits	428
Other long-term employee benefits	785
Total key executive remuneration expenses[1]	**4,129**

The total number of key management personnel that are included in the above table are 9.

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Treasurer and other Portfolio Ministers. Their remuneration is set by the Remuneration Tribunal and is not paid by the Treasury.

3.3 Related Party Disclosures

Related party relationships:

Treasury is an Australian Government controlled entity. Related parties to Treasury are key management personnel including the Portfolio Minister and Executive, and other Australian Government entities.

Transaction with related parties:

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by Treasury, it has been determined that there are no related party transactions to be separately disclosed.

4. Income and Expenses Administered on Behalf of Government

This section analyses the activities that the Treasury does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

4.1 Administered — Expenses

	2017 $'000	2016 $'000
Note 4.1A: Grants		
Public sector		
State and Territory Governments	**94,137,712**	87,730,649
Payment of COAG receipts from Government agencies	**89,358**	268,887
Grants to international financial institutions	**17,500**	17,500
Private sector		
Grants to private sector	**14,154**	15,357
Total grants	**94,258,724**	88,032,393

Accounting Policy

The Treasury administers a number of grants on behalf of the Government. With the exception of the accounting treatment of payments to State and Territories under Natural Disaster Relief and Recovery Arrangements (NDRRA) detailed below, grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made.

Grants to States and Territories

Under the Federal Financial Relations Framework, the Treasurer is responsible for payments to the States and Territories, including general revenue assistance (GST and other general revenue), National Specific Purpose Payments (National SPPs), National Health Reform Funding (NHRF) and National Partnership (NP) payments. Portfolio Ministers are accountable for government policies associated with NP payments. An overview of these arrangements is available on the Council for Federal Financial Relations' website.

There are four main types of payments under the framework:

- General revenue assistance, including GST revenue payments – a financial contribution to a State or Territory which is available for use for any purpose.
- National SPPs – a financial contribution to support a State or Territory to deliver services in a particular sector.
- · NHRF payments – a financial contribution to State or Territory to improve health outcomes for all Australians and ensure the sustainability of Australia health system.
- NP payments – a financial contribution in respect of a NP agreement with a State or Territory to support the delivery of specific projects, to facilitate reforms or to reward jurisdictions that deliver on national reforms or achieve service delivery improvements.

National SPPs and GST are paid under a special appropriation in the *Federal Financial Relations Act 2009*. After the end of the financial year, the Treasurer determines the amounts that should have been paid and an adjustment is made in respect of advances that were paid during the financial year.

NHRF payments are paid under the *Federal Financial Relations Act 2009* which allows the Treasurer to make one annual payment determination. Payments to the States and Territories are made on the condition that the financial assistance is spent in accordance with the National Health Reform Agreement.

NP and other general revenue assistance payments are paid under the *Federal Financial Relations Act 2009* which allows the Treasurer to determine an amount to be paid to a State or Territory for the purpose of making a grant of financial assistance. Once determined, this amount must be credited to the COAG Reform Fund and the Treasurer must ensure that, as soon as practicable after the amount is credited, the COAG Reform Fund is debited for the purposes of making the grant. In addition, the Treasurer must have regard to the Intergovernmental Agreement on Federal Financial Relations.

The Treasury is primarily reliant on certified payment advice from the Chief Financial Officers of Commonwealth agencies, who have policy and program responsibility to assure that the terms and conditions of the NP have been met prior to making a payment. The Treasury then advises the Treasurer on amounts to be determined.

Natural Disaster Relief and Recovery Arrangements

The Treasury accounts for payments made to States and Territories under NDRRA by recognising a liability equal to the discounted value of estimated future payments to States and Territories regardless of whether or not a State or Territory has completed eligible disaster reconstruction work or submitted an eligible claim to the Commonwealth. States and Territories were requested to provide to the Attorney-General's Department (AGD) an estimate of costs expected to be incurred for disasters affecting States and Territories that occurred prior to 1 July 2017 which would be eligible for assistance. The signed representations from the States and Territories are quality assured by AGD, which in turn provides a certification of the expenditure estimates to the Treasury.

Payments to the States and Territories through the COAG special account

COAG receipts are received from other government agencies for the following payments:

- Department of Social Services – Commonwealth's share of the wage increases arising from Fair Work Australia's decision on 1 February 2012 to grant an Equal Remuneration Order in the Social and Community Services sector.
- Department of Infrastructure and Regional Development – distribution of interstate road transport fees to the States and Territories for the maintenance and upkeep of roads.
- Department of Infrastructure and Regional Development – Building Australia Fund infrastructure projects.
- Department of Health – Health and Hospitals Fund infrastructure projects.

The Treasury receives funds from the relevant portfolio agency and pays the amount to the States and Territories. These amounts are recorded as 'COAG receipts from Government Agencies' to recognise the income and a corresponding grant expense for the payment to the States and Territories.

Mirror taxes collected by State Governments

On behalf of the States, the Government imposes mirror taxes which replace State taxes that may be constitutionally invalid in relation to Government places. Mirror taxes are collected and retained by the States, under the *Commonwealth Places (Mirror Taxes) Act 1998*. State Governments bear the administration costs of collecting mirror taxes.

	2017 $'000	2016 $'000
Note 4.1B: Net foreign exchange losses		
IMF SDR allocation	**(221,087)**	-
IMF Maintenance of Value	**(112,929)**	-
IMF quota revaluation	**471,293**	-
IFIs revaluation	**47,895**	-
IMF new arrangement to borrow loans revaluation	**28,070**	-
Other	**(2,068)**	-
Total net foreign exchange losses[1]	**211,174**	-

1. Refer to Note 4.2F for the comparative year figures.

4.2 Administered — Income

Revenue	2017 $'000	2016 $'000
Non-Taxation Revenue		
Note 4.2A: Sale of goods and rendering of services		
GST administration fees - external entities	**682,391**	672,192
Guarantee Scheme for Large Deposits and Wholesale Funding fee	**-**	50
Guarantee of State and Territory borrowing fee	**13,825**	18,199
Total sale of goods and rendering of services	**696,216**	690,441
Note 4.2B: Interest		
Gross IMF remuneration	**28**	253
Less: burden sharing	**-**	(27)
Net IMF remuneration	**28**	226
Interest on loan to IMF under New arrangements to borrow	**1,300**	418
Interest on loans to States and Territories	**2,126**	2,036
Total interest	**3,454**	2,680
Note 4.2C: Dividends		
Reserve Bank of Australia	**1,286,000**	3,221,746
Australian Reinsurance Pool Corporation	**57,500**	57,500
Total dividends	**1,343,500**	3,279,246
Note 4.2D: COAG revenue from Government agencies		
Building Australia Fund revenue	**-**	6,920
Health and Hospital Fund revenue	**-**	46,891
Interstate road transport revenue	**67,601**	70,357
Social and Community Services Sector Special Account	**21,757**	144,719
Total COAG receipts from government agencies	**89,358**	268,887
Note 4.2E: Other revenue		
HIH Group liquidation proceeds	**2,456**	16,362
Australian Reinsurance Pool Corporation Fee	**90,000**	55,000
Other revenue	**6,685**	5,242
Total other revenue	**99,141**	76,604
Gains		
Note 4.2F: Net Foreign exchange gains		
IMF SDR allocation	**-**	(162,014)
IMF Maintenance of Value	**-**	167,533
IMF quota revaluation	**-**	(29,252)
IFIs revaluation	**-**	18,960
IMF new arrangement to borrow loans revaluation	**-**	23,487
Other	**-**	(1,978)
Total foreign exchange gains[1]	**-**	16,736

1. Refer to Note 4.1B for current year figures.

Accounting Policy

Administered revenue

All administered revenue relate to ordinary activities performed by the Treasury on behalf of the Australian Government. As such, administered appropriations are not revenue of the individual entity that oversees distribution or expenditure of the funds as directed.

Reserve Bank of Australia dividend

The Treasurer is able to determine what portion of the Reserve Bank of Australia's earnings is made available as a dividend to the Commonwealth having regard to the Reserve Bank Board's advice and in accordance with section 30 of the *Reserve Bank Act 1959*.

The Treasury recognise the dividend revenue and a corresponding receivable in the year the RBA reports a net profit available to the Commonwealth, subject to reliable measurement. This does not affect the timing of the dividend receipt in the Cash Flow Statement, only the timing of the accrued revenue in the Statement of Comprehensive Income. Dividends are measured at nominal amounts.

Australian Reinsurance Pool Corporation dividend and fee

The dividend and fee from the Australian Reinsurance Pool Corporation (ARPC) are recognised when the relevant Minister signs the legislative instrument, and thus control of the income stream is established. These are measured at nominal amounts.

International Monetary Fund remuneration

Remuneration is interest paid by the International Monetary Fund (IMF) to Australia for the use of its funds. It is paid a portion of Australia's IMF capital subscription (quota) and on money lent by Australia under the IMF's Financial Transaction Plan, under which members in a strong external position provide quota resources to support IMF lending to borrowing member countries.

Where the IMF's holdings of Australian dollars fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is based on the SDR interest rate. The SDR interest rate is the market interest rate computed by the IMF for the purposes of paying interest on holdings of SDRs, which is based on a weighted average of 3 month bond rates of the five entities whose currencies make up the SDR basket: the United States, United Kingdom, European Union, Japan and China. This rate is then adjusted to account for the financial consequences of overdue obligations to the IMF which are shared between members and reflected at Note 4.2B as 'burden sharing'.

Remuneration is calculated and paid at the end of the IMF's financial quarters. An annual Maintenance of Value adjustment is made to the IMF's holdings of Australia's quota paid in Australian dollars to maintain its value in SDR terms.

International Monetary Fund New Arrangement to Borrow (NAB)

Australia also receives interest on amounts lent to the IMF under the New Arrangements to Borrow (NAB). Amounts lent to the IMF under the NAB accrue interest daily at the IMF's SDR interest rate (or such other rate as agreed by 85 per cent of NAB participants). The IMF pays interest on NAB amounts quarterly.

The IMF must repay amounts lent through the NAB five years after each call is made. Amounts can be repaid earlier at the IMF's discretion.

The Guarantee of State and Territory Borrowing

Under the Guarantee of State and Territory Borrowing, a fee is paid to provide the guarantee over new and nominated existing State and Territory securities. Fees are reported as a fee for service in accordance with AASB 118 *Revenue*. The guarantee closed to new issuances of guaranteed liabilities on 31 December 2010.

Financial Guarantee Contracts

Financial guarantee contracts are accounted for in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. They are not treated as contingent liabilities, as they are regarded as financial instruments outside the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The Treasury's administered financial guarantee contracts relate to components of the Guarantee of State and Territory Borrowing.

5. Assets and Liabilities Administered on Behalf of Government

This section analyses assets used to conduct operations and the operating liabilities incurred as a result, which the Treasury does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

5.1 Administered — Financial Assets

	2017 $'000	2016 $'000
Note 5.1A: Loans and Other Receivables		
Loans		
Loans to States and Territories	**47,855**	46,269
IMF new arrangements to borrow loan	**684,197**	737,805
Total loans	**732,052**	784,074
Other receivables		
Guarantee of State and Territory Borrowing contractual fee receivable[1]	**26,455**	47,872
Guarantee of State and Territory Borrowing fee receivable	**992**	1,374
Net GST receivable from the ATO	**120**	172
IMF related moneys owing	**28**	-
Dividends receivable	**1,286,000**	3,221,819
Other receivables	**13,847**	113,064
Total other receivables	**1,327,323**	3,384,301
Total loans and other receivables (gross)	**2,059,375**	4,168,375
Receivables are expected to be recovered in		
No more than 12 months	**1,363,624**	3,380,651
More than 12 months	**695,751**	787,724
Total receivables (gross)	**2,059,375**	4,168,375
Receivables (gross) are aged as follows		
Not overdue	**2,059,375**	4,168,375
Total receivables (gross)	**2,059,375**	4,168,375

1. Refer to Note 5.2C for corresponding liability.

Accounting Policy

Refer to Note 7.3 (Administered Financial Instruments) for details on accounting treatment.

	2017 $'000	2016 $'000
Note 5.1B: Investments		
International financial institutions		
Asian Development Bank	**555,361**	577,387
Asian Infrastructure & Investment Bank	**383,879**	198,815
European Bank for Reconstruction and Development	**93,016**	93,447
International Bank for Reconstruction and Development	**303,370**	314,236
International Finance Corporation	**61,530**	63,734
Multilateral Investment Guarantee Agency	**8,062**	8,350
Total international financial institutions	**1,405,218**	1,255,969
Australian Government entities		
Reserve Bank of Australia	**21,469,000**	23,592,000
Australian Reinsurance Pool Corporation	**455,826**	503,677
Total Australian Government entities	**21,924,826**	24,095,677
Other Investments		
IMF quota	**11,882,842**	12,354,135
Total other investments	**11,882,842**	12,354,135
Total Investments	**35,212,886**	37,705,781
Investments are expected to be recovered in more than 12 months.		

Administered investments

Development banks

Investments in development banks are classified as 'monetary — available for sale financial assets' refer Note 7.3. As such, the foreign currency value of investments is translated into Australian dollars (AUD) using relevant foreign currency exchange rates at balance date.

Australia holds shares in the World Bank Group (WBG), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD) and the Asian Infrastructure Investment Bank (AIIB).

Principal activities:

The WBG was established in 1944 and comprises the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The World Bank, alongside the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID), form the World Bank Group.

The IBRD provides financing and technical assistance to middle income countries and creditworthy poor countries. The IDA provides grants, concessional finance and technical assistance to low income countries. The IFC supports the development of the private sector by providing direct finance to private sector operations. MIGA provides guarantee services for projects, which reduce the risks for other co-financing partners including the private sector. ICSID provides international facilities for conciliation and arbitration of investment disputes.

The ADB was established in 1966 and has a mandate to reduce poverty and promote economic development in its developing member countries in Asia and the Pacific. The ADB does this by financing (through a mix of loans, grants, guarantees and co-financing activities with both other donors and the private sector) public sector and private sector activities. It also provides technical assistance to developing member countries so they can improve their policy and business investment environments. A significant portion of the ADB's activities are focused on the infrastructure, transportation and energy sectors.

The EBRD was established in 1991 to assist former communist eastern European countries committed to the principles of multi-party democracy, pluralism and market economies, to develop their private sector and capital markets. The EBRD currently operates in more than 30 countries from Central and Eastern Europe to Central Asia and the Southern and Eastern Mediterranean region. It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatisation, restructuring state owned firms and improvement of municipal services.

The AIIB was established on 25 December 2015. The AIIB focuses on the development of infrastructure and other productive sectors in Asia. The AIIB also aims to promote interconnectivity and economic integration in the region by working in close collaboration with other multilateral and bilateral development institutions.

International Monetary Fund

The IMF is an organisation with 189 member countries, working to ensure the stability of the international monetary system - the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other. The IMF does this through: surveillance, including annual economic assessments of member countries; technical assistance to member countries; and by making resources available (with adequate safeguards) to members experiencing balance of payments difficulties.

Quota subscriptions which are denominated in SDR's represent a member's shareholding in the IMF and generate most of the IMF's financial resources.

Australian Government entities

Administered investments in controlled corporate entities are not consolidated because their consolidation is relevant only at the whole of government level.

The Australian Government's investment in controlled corporate entities and companies in the Treasury portfolio are measured at their fair value as at 30 June 2017. Fair value has been taken to be the net assets of the entities, adjusted for the discount of employee benefit obligations with reference to the yield on Australian Government bonds for the Reserve Bank of Australia, as at balance date. These entities are listed below:

Reserve Bank of Australia

The Reserve Bank of Australia is Australia's central bank. Its duty is to contribute to the maintenance of price stability, full employment, and the economic prosperity and welfare of the Australian people. It does this by setting the cash rate to meet a medium-term inflation target, working to maintain a strong financial system and efficient payments system, and issuing the nation's banknotes. The Bank provides selected banking services to the Australian Government and its agencies, and to a number of overseas central banks and official institutions. Additionally, it manages Australia's gold and foreign exchange reserves.

Australian Reinsurance Pool Corporation

ARPC is a Commonwealth public financial corporation established by the Terrorism Insurance Act 2003 to administer the terrorism reinsurance scheme, providing primary insurers with reinsurance for commercial property and associated business interruption losses arising from a declared terrorist incident.

Impairment of administered investments

Administered investments were assessed for impairment at 30 June 2017. No indicators of impairment were identified (2016: nil).

5.2 Administered — Payables

	2017 $'000	2016 $'000
Note 5.2A: Grants		
Public sector		
COAG grants payable	**793,507**	186,830
Other grants payable	**150**	223
Total grants	**793,657**	187,053
Grants are expected to be settled in no more than 12 months.		
Note 5.2B: Other payables		
GST appropriation payable	**-**	172
IMF SDR allocation	**5,574,346**	5,795,434
IMF related monies owing	**5,221**	492
Total other payables	**5,579,567**	5,796,098
Other payables expected to be settled		
No more than 12 months	**5,221**	664
More than 12 months	**5,574,346**	5,795,434
Total other payables	**5,579,567**	5,796,098
Note 5.2C: Unearned income		
Guarantee of State and Territory borrowing contractual guarantee service obligation[1]	**26,455**	47,872
Total unearned income	**26,455**	47,872
Total unearned income expected to be settled		
No more than 12 months	**10,505**	14,823
More than 12 months	**15,950**	33,049
Total unearned income	**26,455**	47,872

1. Refer Note 5.1A for corresponding receivable.

IMF Special Drawing Right Allocation

The SDR allocation liability reflects the current value in AUD of the Treasury's liability to repay to the IMF the cumulative allocations of SDRs provided to Australia since joining the IMF. This liability is classified as 'other payables'.

5.3 Administered — Interest Bearing Liabilities

	2017 $'000	2016 $'000
Note 5.3A: Promissory notes		
IMF promissory notes[1]	**9,494,540**	9,494,540
Other promissory notes[1]	**132,324**	156,609
Total promissory notes	**9,626,864**	9,651,149
Loans expected to be settled		
Within 1 year	**24,359**	22,218
Between 1 to 5 years	**50,233**	74,591
More than 5 years	**9,552,272**	9,554,340
Total promissory notes	**9,626,864**	9,651,149

1. Promissory notes held by the Treasury are at face value and have no interest rate associated.

Promissory notes

Promissory notes have been issued to the IMF, the International Bank for Reconstruction and Development, the Asian Development Bank and the Multilateral Investment Guarantee Agency.

Where promissory notes have been issued in foreign currencies, they are recorded at their nominal value by translating them at the spot rate at balance date. The promissory notes are non-interest bearing and relate to the undrawn paid-in capital subscriptions.

Foreign currency gains and losses are recognised where applicable.

5.4 Administered — Other Provisions

	2017 $'000	2016 $'000
Note 5.4A: Other Provisions		
NDRRA provision	**704,917**	1,725,063
Queensland	**253,679**	1,337,645
New South Wales	**124,252**	112,625
Victoria	**108,118**	117,992
Western Australia	**88,227**	16,587
Northern Territory	**64,474**	68,716
Tasmania	**54,978**	64,834
South Australia	**11,189**	6,664
Total other provisions	**704,917**	1,725,063
Other provisions expected to be settled		
No more than 12 months	**488,949**	1,617,519
More than 12 months	**215,968**	107,544
Total other provisions	**704,917**	1,725,063

	NDRRA provision $'000	Total $'000
As at 1 July 2016	**1,725,063**	**1,725,063**
Additional provisions made	**134,914**	**134,914**
Amounts used	**(1,104,093)**	**(1,104,093)**
Amounts reversed	**(78,181)**	**(78,181)**
Unwinding of discount or change in discount rate	**27,214**	**27,214**
Total as at 30 June 2017	**704,917**	**704,917**

Accounting Judgements and Estimates

Provisions

The Natural Disaster Relief and Recovery Arrangements (NDRRA) liability represents the Treasury's best estimate of payments expected to be made to States and Territories as at balance date.

The estimate is based on information provided by States and Territories to the Attorney General's Department (AGD) the Commonwealth agency responsible for the administration of disaster relief. The estimates provided by States and Territories are based on their assessment of the costs expected to be incurred that would be eligible for assistance under current NDRRA Determination. AGD perform their quality assurance processes in order to assess reasonableness of estimates provided by the States and Territories with regard to estimates eligibility under NDRRA.

The Treasury reviews the quality assured estimates to ensure they are consistent with government decisions and then calculates the provision by discounting the future cashflows. Given the nature of disasters, there is a level of uncertainty in the estimated reconstruction costs at the time of a disaster. This uncertainty decreases as reconstruction efforts progress to completion. Consistent with accounting principles, the Treasury adopts a prudent position at this time to ensure that liabilities are not understated.

Contingent liabilities

The NDRRA provision at 30 June 2017 includes estimated payments for disaster events that occurred prior to 1 July 2017, except for new events that occurred during the 2016-17 financial year for which costs cannot yet be quantified reliably. Included in the NDRRA contingent liability are the estimate costs of the following events:

- Australian Capital Territory wind storm in January 2017;
- Sydney Storms in February 2017;
- Far North Queensland Monsoon Trough in March 2017
- Queensland Tropical Cyclone Debbie in March 2017 (costs are expected to be significant);
- New South Wales North Coast Floods in March 2017; and
- Flooding in the Shire of Wandering in June 2017.

Estimates of all natural disasters are regularly reviewed and revised when new information becomes available.

6. Funding

This section identifies the Treasury funding structure.

6.1 Appropriations

Note 6.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2017

	Appropriation Act		PGPA Act				
	Annual Appropriation[1]	AFM	Section 74 Receipts	Section 75 Transfers	Total appropriation	Appropriation applied in 2017 (current and prior years)	Variance[1]
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
DEPARTMENTAL							
Ordinary annual services[1]	169,352	-	17,769	-	187,121	(192,212)	(5,091)
Capital Budget[2]	5,298	-	-	-	5,298	(5,298)	-
Other services							
Equity	300	-	-	-	300	(300)	-
Total departmental	174,950	-	17,769	-	192,719	(197,810)	(5,091)
ADMINISTERED							
Ordinary annual services							
Administered items[2]	44,739	-	-	-	44,739	(40,527)	4,212
Payments to Corporate Commonwealth Entities	-	-	-	-	-	-	-
Other services							
Administered assets and liabilities	60,000	-	-	-	60,000	-	60,000
Total administered	104,739	-	-	-	104,739	(40,527)	64,212

1. The difference between the departmental appropriation for ordinary annual services and revenue from Government in the Statement of Comprehensive Income relates to the following:

(a) Tax Integrity (Public Information Campaign) for which $4.2 million has been recognised as revenue in 2016-17 (appropriation to be received in 2017-18); and

(b) The Actuarial Services Special Account was sunset on 1 October 2016. The balance of the special account ($3.1 million) on the sunset date was reappropriated through Appropriation Act No. 1 2016-17. The special account receipts have been recognised in the year in which revenue was recognised.

2. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1 and 3). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Annual Appropriations 2016

	Appropriation Act		PGPA Act				
	Annual Appropriation $'000	AFM $'000	Section 74 $'000	Section 75 $'000	Total appropriation $'000	Appropriation applied in 2016 (current and prior years) $'000	Variance $'000
DEPARTMENTAL							
Ordinary annual services	161,109	-	15,534	(1,000)	175,643	(188,039)	(12,396)
Capital Budget	5,312	-	-	-	5,312	(5,312)	-
Other services							
Equity	1,700	-	-	-	1,700	(1,700)	-
Total departmental	168,121	-	15,534	(1,000)	182,655	(195,051)	(12,396)
ADMINISTERED							
Ordinary annual services							
Administered items	38,124	-	-	-	38,124	(43,833)	(5,709)
Payments to Corporate Commonwealth Entities							-
Other services							
Administered assets and liabilities	-	-	-	-	-	-	-
Total administered	38,124	-	-	-	38,124	(43,833)	(5,709)

Note 6.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

Authority	2017 $'000	2016 $'000
Departmental		
Appropriation Act (No. 1) 2012-13[1]	**865**	865
Appropriation Act (No. 2) 2012-13[1]	**208**	208
Appropriation Act (No. 1) 2015-16	**-**	44,264
Appropriation Act (No. 3) 2015-16	**-**	1,768
Appropriation Act (No. 1) 2016-17[2]	**47,503**	-
Total departmental	**48,576**	47,105

Authority	2017 $'000	2016 $'000
Administered		
Appropriation Act (No. 1) 2012-13[3]	**2**	2
Appropriation Act (No. 2) 2012-13[3]	**42,705**	42,705
Appropriation Act (No. 2) 2013-14	**47,101**	47,101
Appropriation Act (No. 4) 2013-14	**18**	18
Appropriation Act (No. 3) 2014-15	**-**	308
Appropriation Act (No. 5) 2014-15	**-**	4,510
Appropriation Act (No. 1) 2015-16	**-**	5,280
Appropriation Act (No. 3) 2015-16	**-**	1,400
Appropriation Act (No. 1) 2016-17	**11,581**	-
Appropriation Act (No. 2) 2016-17	**35,000**	-
Appropriation Act (No. 3) 2016-17	**3,502**	-
Supply Act (No.1) 2016-17	**1,258**	-
Supply Act (No.2) 2016-17	**25,000**	-
Total administered	**166,167**	101,324

1. Balances include quarantines relating to the transfer of the Standard Business Reporting function to the Australian Taxation Office, pending the repeal of 2012-13 Appropriations.
2. Cash held amounts (2017: $1.250 million, 2016: $2.686 million) are included in Appropriation Act (No.1) for the relevant year.
3. Balances comprise of quarantined funds totalling $42.707 million pending the repeal of 2012-13 Appropriations.

Note 6.1C: Special Appropriations ('Recoverable GST exclusive')

The following table lists current special appropriations contained in legislation that the Treasury is responsible for administering.

	Appropriation applied	
	2017	2016
Authority	**$'000**	$'000
Asian Development Bank Act 1966	**-**	-
Asian Development Bank (Additional Subscription) Act 2009	**(22,218)**	(28,030)
Asian Infrastructure Investment Bank Act 2015	**(197,142)**	(210,884)
Clean Energy Finance Corporation Act 2012 *(Limited amount; $2 billion in 2015-16)*	**-**	(2,000,000)
Clean Energy Act 2011	**-**	-
Commonwealth Places (Mirror Taxes) Act 1998	**(542,927)**	(513,235)
European Bank for Reconstruction and Development Act 1990	**-**	-
Federal Financial Relations Act 2009	**(81,403,179)**	(78,525,449)
Financial Agreements (Commonwealth Liability) Act 1932	**-**	-
Financial Services Reform Act 2001	**-**	-
Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008	**-**	-
International Bank for Reconstruction and Development (General Capital Increase) Act 1989	**-**	-
International Bank for Reconstruction and Development (Share Increase) Act 1988	**-**	-
International Finance Corporation Act 1955	**-**	-
International Finance Institutions (Share Increase) Act 1982	**-**	-
International Finance Institutions (Share Increase) Act 1986	**-**	-
International Monetary Agreements Act 1947	**(10,523)**	(1,697,678)
Multilateral Investment Guarantee Agency Act 1997	**-**	-
Papua New Guinea Loans Guarantee Act 1975	**-**	-
Payment of Tax Receipts (Victoria) Act 1996	**-**	-
Public Governance, Performance and Accountability Act 2013	**(2)**	(307)
States (Works and Housing) Assistance Act 1984	**-**	-
States (Works and Housing) Assistance Act 1988	**-**	-
State Grants Act 1927	**-**	-
Superannuation Industry (Supervision) Act 1993	**-**	-
Terrorism Insurance Act 2003	**-**	-
Total	**(82,175,991)**	(82,975,583)

Note 6.1D: Disclosure by agent in relation to Annual and Special Appropriations ('Recoverable GST exclusive')

	Department of Education and Training	**Department of Agriculture and Water Resources**	**Inspector-General of Taxation**
	Payments to the States and Territories: education services	Payments to the States and Territories: Water for the Environment Special Account	Transaction service provider
2017	**$'000**	**$'000**	**$'000**
Total receipts	**18,139,055**	**-**	**6,683**
Total payments	**18,139,055**	**-**	**6,779**

	Department of Education and Training	**Department of Agriculture and Water Resources**	**Inspector-General of Taxation**
	Payments to the States and Territories: education services	Payments to the States and Territories: Water for the Environment Special Account	Transaction service provider
2016	**$'000**	**$'000**	**$'000**
Total receipts	16,698,587	2,574	6,344
Total payments	16,698,587	2,574	6,351

6.2 Special Accounts

Note 6.2A: Special Accounts ('Recoverable GST exclusive')

	Actuarial Services Special Account[1]		Clean Energy Finance Corporation Special Account[2]		Fuel Indexation Special Account[3]		COAG Reform Fund Special Account[4]		Services for Other Entities and Trust Money Special Account[5]	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Balance brought forward from previous period	**2,835**	2,632	**-**	2,919,000	**-**	-	**-**	-	**-**	-
Increases										
Appropriation for reporting period	**-**	-	**-**	2,000,000	**275,000**	98,000	**12,091,256**	9,037,014	**-**	-
Other receipts	**221**	2,100	**-**	-	**-**	-	**365,253**	366,887	**-**	2,037
Total increases	**221**	2,100	**-**	2,000,000	**275,000**	98,000	**12,456,509**	9,403,901	**-**	2,037
Available for payments	**3,056**	4,732	**-**	4,919,000	**275,000**	98,000	**12,456,509**	9,403,901	**-**	2,037
Decreases										
Departmental										
Payments made to employees	**-**	(1,537)	**-**	-	**-**	-	**-**	-	**-**	-
Payments made to suppliers	**-**	(360)	**-**	-	**-**	-	**-**	-	**-**	-
Transfer to Appropriation Act No. 1 2016-17	**(3,056)**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total departmental	**(3,056)**	(1,897)	**-**	-	**-**	-	**-**	-	**-**	-
Administered										
Payments made to States and Territories	**-**	-	**-**	-	**(275,000)**	-	**(12,456,509)**	(9,403,901)	**-**	-
Payments made to other entities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(2,037)
Transfers made to other entities	**-**	-	**-**	(4,919,000)	**-**	-	**-**	-	**-**	-
Transfers made to COAG Reform Fund Special Account	**-**	-	**-**	-	**-**	(98,000)	**-**	-	**-**	-
Total administered	**-**	-	**-**	(4,919,000)	**(275,000)**	(98,000)	**(12,456,509)**	(9,403,901)	**-**	(2,037)
Total decreases	**(3,056)**	(1,897)	**-**	(4,919,000)	**(275,000)**	(98,000)	**(12,456,509)**	(9,403,901)	**-**	(2,037)
Total balance carried to the next period	**-**	2,835	**-**	-	**-**	-	**-**	-	**-**	-
Balance represented by										
Cash held in entity bank accounts	**-**	2,835	**-**	-	**-**	-	**-**	-	**-**	-
Cash held in Official Public Account	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total balance carried to the next period	**-**	2,835	**-**	-	**-**	-	**-**	-	**-**	-

1. Legal authority: Initially Financial Management and Accountability Determination 2006/34 – Actuarial Services Special Account Establishment 2006, taken to have been made under subsection 78(1) of the *Public Governance, Performance and Accountability Act 2013*. The Actuarial Services Special Account was sunset on 1 October 2016.

   Purpose: Providing actuarial services and advice.

   Note: Actuarial Services Special Account was established on 1 October 2006. This special account determination was sunset on 1 October 2016.

2. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

   Establishing instrument: *Clean Energy Finance Corporation Act 2012*, section 5.

   Purpose: To facilitate increased flows of finance into the clean energy sector. The return of capital to the Clean Energy Finance Corporation (CEFC) special account represents the return of surplus money from the CEFC to the Commonwealth.

   Note: The CEFC special account of $4.919 billion was transferred to Department of the Environment and Energy as a result of the restructuring of administrative arrangements on 21 September 2015.

3. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

   Establishing instrument: *Fuel Indexation (Road Funding) Special Account Act 2015*, subsection 8(1).

   Purpose: To ensure that amounts equal to the net revenue from indexation on customs and excise duties on fuel are transferred to the COAG Reform Fund in order to provide funding to the States and Territories for expenditure in relation to Australian road infrastructure investment.

4. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

   Establishing instrument: *COAG Reform Fund Act 2008*, section 5.

   Purpose: For the making of grants of financial assistance to the States and Territories.

   Note: The Treasury makes payments to the States and Territories from the COAG Reform Fund special account based on information provided by other Government departments that have policy and program implementation responsibility.

5. Appropriation: *Public Governance, Performance and Accountability Act 2013,* section 80.

   Establishing instrument: Establishment of SOTEM Special Account — Treasury Determination 2012/09.

   Purpose: To disburse amounts held on trust for the benefit of a person other than the Commonwealth or in connection with services performed on or behalf of other governments and bodies.

   Note: Receipt relates to funding received and held on trust for the Global Infrastructure Hub.

6.2. Special Accounts — continued

Financial System Stability Special Account (Administered)

The Treasury's 'Financial System Stability' special account established under section 70E of the *Banking Act 1959* for the making of payments authorised under specified sections of the *Banking Act 1959*, the *Insurance Act 1973* and the *Life Insurance Act 1995* and to meet expenses of administering the special account. For the years ended 30 June 2016 and 30 June 2017 this special account had nil balances and no transactions were credited or debited to the account.

6.3 Net Cash Appropriation Arrangements

	2017 $'000	2016 $'000
Total comprehensive income/(loss) less depreciation/ amortisation expenses previously funded through revenue appropriations	**3,532**	3,166
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	**(10,360)**	(8,803)
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	**(6,828)**	(5,637)

1. From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

7. Managing uncertainties

This section analyses how the Treasury manages financial risks within its operating environment.

7.1 Departmental Contingent Assets and Liabilities

Quantifiable Contingencies

Contingent liabilities consist of $106,803 in 2017 (2016: $0). This amount represents an estimate of the Treasury's liability in respect to studies assistance. There were no quantifiable contingent assets in 2017 (2016: $0).

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when the probability of settlement is greater than remote.

7.2 Administered Contingent Assets and Liabilities

Quantifiable administered contingencies

Quantifiable administered contingencies that are not remote are disclosed in the schedule of administered items as quantifiable administered contingencies.

Commitments under expanded IMF New Arrangements to Borrow (NAB)

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow (NAB) since 1998. This is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The IMF's 14th General Review of Quotas, which became effective on 26 January 2016, resulted in a doubling of the IMF's quota resources and a corresponding rollback in the size of the NAB facility. The value of Australia's NAB credit arrangement now stands at Special Drawing Rights (SDR, the IMF's unit of account) 2.22 billion (approximately A$4.01 billion at 30 June 2017). On 4 November 2016 the IMF Executive Board agreed to renew the NAB for an additional five year period from November 2017 to November 2022.

The Fund does not publish annual estimates of the amount it expects to call under the NAB facility. However, the last NAB activation period was terminated in February 2016 and the IMF is currently relying predominately on its quota resources to fund new lending (although the NAB can be called upon to fund IMF programs that were approved under previous activations). The IMF did not call on Australia's NAB facility in 2016-17 and, as at the completion of these statements, has not done so in the current year.

IMF Bilateral Loan

In addition to the NAB credit line, as part of a broad international effort to increase the resources available to the IMF, Australia has made available a SDR4.61 billion (approximately A$8.33 billion at 30 June 2017) contingent bilateral loan to the IMF. The contingent loan is on terms consistent with separate bilateral loan and note purchase agreements between the IMF and all contributing countries. It will be drawn upon by the IMF only if needed to supplement the IMF's quota and NAB resources and any loans would be repaid in full with interest. The increase in the IMF's resources will help ensure that it has the capability to address any potential vulnerability facing the global economy. On 19 December 2016, the Treasurer agreed to renew Australia's bilateral loan agreement with the IMF. The renewed agreement extends Australia's existing funding commitment to December 2019, with the possibility of an additional one-year extension with Australia's consent.

International financial institutions — uncalled capital subscriptions

The Australian Government has held an uncalled capital subscription to the International Bank for Reconstruction and Development (IBRD) since 1947. Australia's uncalled capital subscription to the IBRD totals US$3.6 billion (estimated value A$4.7 billion as at 30 June 2017).

The Australian Government has also held an uncalled capital subscription to the European Bank for Reconstruction and Development (EBRD) since 1991. Australia's uncalled capital subscription to the EBRD totals EUR237.5 million (estimated value A$353.0 million as at 30 June 2017).

The Australian Government has further held an uncalled capital subscription to the Asian Development Bank (ADB) since 1966. Australia's uncalled capital subscription to the ADB totals US$7.0 billion (estimated value A$9.2 billion as at 30 June 2017).

The Australian Government has further held an uncalled capital subscription to the Multilateral Investment Guarantee Agency of US$26.5 million (estimated value A$34.4 million as at 30 June 2017).

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The Australian Government has subscribed to shares in the AIIB, which includes an uncalled capital subscription. Australia's uncalled capital subscription to the AIIB totals US$3.0 billion (estimated value A$3.8 billion as at 30 June 2017).

None of these international financial institutions have ever drawn on Australia's uncalled capital subscriptions.

Loan to New South Wales for James Hardie Asbestos Injuries Compensation Fund

The Australian Government has agreed to lend up to $160 million to the State Government of New South Wales (NSW) to support the loan facility to top up the James Hardie Asbestos Injuries Compensation Fund. Draw down on the loan is subject to the James Hardie Asbestos Injuries Compensation Fund requiring funds to meet its liabilities and is contingent on NSW meeting a number of conditions under the loan agreement with the Australian Government. The timing and amounts that may be drawn down by NSW cannot be determined accurately. No new loans were provided to the State Government of NSW in respect of the loan facility in 2016-17. (2015-16: nil).

Unquantifiable administered contingencies

Contingent Liabilities

Housing Loans Insurance Corporation (HLIC)

The Australian Government sold HLIC on 12 December 1997 and has assumed all residual contingencies. The contingent liability relates to the HLIC's contracts of mortgage insurance to the time of sale. Any potential economic outflow cannot not be determined accurately given the complexity of any estimation calculation of the economic outflow would be reliant upon numerous unquantifiable variables. Only at the time of the event, can the amount of economic outflow be determined accurately.

Terrorism insurance — Australian Reinsurance Pool Corporation

The *Terrorism Insurance Act 2003* established a scheme for terrorism insurance covering damage to commercial property, including associated business interruption and public liability. The Australian Reinsurance Pool Corporation (ARPC) uses reinsurance premiums paid by insurers to meet its administrative expenses, to maintain a pool of funds and to purchase reinsurance to help meet future claims. The Australian Government guarantees to pay any liabilities of the ARPC, but the Treasurer must declare a reduced payout rate to insured entities if the Government's liability would otherwise exceed $10 billion.

Natural Disaster Relief and Recovery (NDRRA)

The Australian Government provides funding to States and Territories through the Natural Disaster Relief and Recovery Arrangements (NDRRA) to assist with natural disaster relief and recovery costs. A State or Territory may claim NDRRA funding if a natural disaster occurs and State or Territory relief and recovery expenditure of that event meets the requirements set out in the NDRRA Determination. The NDRRA liability represents the Treasury's best estimate of payments expected to be made to States and Territories as at balance date. In the event where a natural disaster has occurred but the associated costs cannot be quantified reliably, the event is disclosed as a contingent liability. For a list of natural disasters that are included in the NDRRA contingent liability, refer to Note 5.4 Administered – Other Provisions. This list includes Tropical Cyclone Debbie, which affected Queensland in March 2017 and is expected to result in significant costs to the Commonwealth under NDRRA.

Contingent Assets

HIH Claims Support Scheme (HCSS)

As an insured creditor in the liquidation of the HIH Group, the Australian Government is entitled to payments arising from the HCSS's position in the Proof of Debt of respective HIH companies. The Treasury has received payments from the HIH Estate during 2016-17; however the timing and amount of future payments are unknown and will depend on the outcome of the estimation process and the completion of the liquidation of the HIH Group.

Burden sharing in the International Monetary Fund remuneration

Since 1986, the IMF has used its burden sharing mechanism to make up for the loss of income from unpaid interest charges on the loans of debtor members and to accumulate precautionary balances in a Special Contingent Account to protect the IMF against losses arising from the failure of a member to repay its overdue principal obligations.

The mechanism works by providing for additions to the rate of charge on IMF loans and deductions to the rate of remuneration for creditor members such as Australia. Resources collected from individual members under the burden sharing mechanism are refundable to them as arrears cases are resolved, or as may be decided by the IMF. Thus, resources collected for unpaid charges are refunded when these charges are eventually settled.

Likewise, precautionary balances held in the Special Contingent Account would be distributed back to members in proportion to their cumulative contributions when there are no overdue charges or principal balances. The IMF could also decide to make an early distribution.

As there is considerable and inherent uncertainty around the timing and amounts of burden sharing to be refunded to Australia this contingent asset cannot be reliably measured and as such is recorded as an unquantifiable contingent asset.

7.3 Administered — Financial Instruments

	2017 $'000	2016 $'000
Note 7.3A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
IMF related monies owing	**28**	-
Guarantee of State and Territory Borrowing contractual fee receivable	**26,455**	47,872
Guarantee of State and Territory Borrowing fee receivable	**992**	1,374
IMF new arrangements to borrow loan	**684,197**	737,805
Loans to States and Territories	**47,855**	46,269
Dividends receivable	**1,286,000**	3,221,819
Other receivables	**13,847**	113,064
Total loans and receivables	**2,059,255**	4,168,203
Available-for-sale financial assets		
International financial institutions	**1,405,218**	1,255,969
Australian Government entities	**21,924,826**	24,095,677
IMF Quota	**11,882,842**	12,354,135
Total available-for-sale financial assets	**35,212,886**	37,705,781
Total financial assets	**37,272,141**	41,873,984
Financial Liabilities		
Financial liabilities measured at amortised cost:		
Promissory notes	**9,626,864**	9,651,149
Grant liabilities	**793,657**	187,053
IMF SDR allocation liability	**5,574,346**	5,795,434
Other payables	**5,221**	492
Guarantee of State and Territory Borrowing contractual guarantee service obligation	**26,455**	47,872
Total financial liabilities measured at amortised cost	**16,026,543**	15,682,000
Total financial liabilities	**16,026,543**	15,682,000

Financial Assets

The Treasury classifies its financial instruments as loans and receivables.

The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

	2017 $'000	2016 $'000
Note 7.3B: Net Gains and Losses on Financial Assets		
Loans and receivables		
Guarantee Scheme for Large Deposits and Wholesale Funding fee	**-**	50
Guarantee of State and Territory Borrowing fee	**13,825**	18,199
Interest revenue	**3,426**	2,454
Exchange gains/(loss)	**(28,070)**	23,487
Net gains/(losses) on loans and receivables	**(10,819)**	44,190
Available for sale		
Interest Revenue	**28**	226
Exchange gains/(loss)	**(406,259)**	157,241
Net gains/(losses) on available for sale assets	**(406,231)**	157,467
Net gains/(losses) on financial assets	**(417,050)**	201,657

1. Minor reclassification in prior year exchange gains / (loss) disclosure amounts between Loans and receivables and Available for sale.

	2017 $'000	2016 $'000
Note 7.3C: Net Gains and Losses on Financial Liabilities		
Financial liabilities measured at amortised cost		
IMF Charges	**15,252**	3,276
Exchange gains/(loss)	**223,155**	(163,992)
Net gains/(losses) on financial liabilities measured at amortised cost	**223,155**	(160,716)
Net gains/(losses) on financial liabilities	**223,155**	(160,716)

Note 7.3D: Credit risk

The maximum exposure to credit risk of the Treasury's administered financial assets is the carrying amount of 'loans and receivables' (2017: $2.1 billion and 2016: $4.2 billion) and the carrying amount of 'available for sale financial assets' (2017: $35.2 billion and 2016: $37.7 billion).

International financial institutions that the Treasury holds its financial assets with have a minimum of AAA credit ratings. The contractual fee receivable arising from the Guarantee of State and Territory Borrowing relates to state and territory governments. These entities hold a minimum of AA credit ratings. Therefore the Treasury does not consider any of its financial assets to be at risk of default.

Note 7.3E: Liquidity risk

The Treasury's administered financial liabilities are promissory notes, grant liabilities and the IMF SDR allocation. The contractual guarantee service obligation arising from the guarantee scheme for State and Territory borrowing is not included as there is no liquidity risk associated with this item. It is contingent on the value of the associated contractual fee receivable. The exposure to liquidity risk is based on the notion that the Treasury will encounter difficulty in meeting its obligations associated with administered financial liabilities. This is highly unlikely due to appropriation funding through special appropriations and nonlapsing capital appropriations as well as internal policies and procedures put in place to ensure there are appropriate resources for the Treasury to meet its financial obligations.
The following tables illustrate the maturities for non-derivative financial liabilities:

Maturities for financial liabilities in 2017

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Promissory notes	-	24,359	24,765	25,469	9,552,271	9,626,864
Grant liabilities	-	793,657	-	-	-	793,657
IMF SDR allocation liabilities	-	-	-	-	5,574,346	5,574,346
Other payables	5,221	-	-	-	-	5,221
Total	**5,221**	**818,016**	**24,765**	**25,469**	**15,126,617**	**16,000,088**

Maturities for financial liabilities in 2016

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Promissory notes	-	22,218	24,359	50,232	9,554,340	9,651,149
Grant liabilities	-	187,053	-	-	-	187,053
IMF SDR allocation liabilities	-	-	-	-	5,795,434	5,795,434
Other payables	492	-	-	-	-	492
Total	492	209,271	24,359	50,232	15,349,774	15,634,128

Note 7.3F: Market risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Treasury is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency. The Treasury is exposed to foreign currency denominated in USD, EUR and SDR.The following table details the effect on profit and equity as at 30 June 2017 from a 10.2 per cent (30 June 2016 from a 10.5 per cent) favourable/unfavourable change in AUD against the Treasury with all other variables held constant. The change in the risk variable has been determined by reference to standard parameters provided by the Department of Finance.

Sensitivity analysis of the risk that the entity is exposed to for 2017

			Effect on	
	Risk variable	Change in risk variable	Net cost of services 2017	Net assets 2017
Risk Variable		**%**	**$'000**	**$'000**
IFI Investments	Exchange rate	10.2	**(130,413)**	**(130,413)**
IFI investments	Exchange rate	(10.2)	**160,136**	**160,136**
IMF Remuneration Receivable	Exchange rate	10.2	**(3)**	**(3)**
IMF Remuneration Receivable	Exchange rate	(10.2)	**3**	**3**
IMF new arrangements to borrow loan	Exchange rate	10.2	**(63,498)**	**(63,498)**
IMF new arrangements to borrow loan	Exchange rate	(10.2)	**77,790**	**77,790**
IMF Quota	Exchange rate	10.2	**(1,102,798)**	**(1,102,798)**
IMF Quota	Exchange rate	(10.2)	**1,354,144**	**1,354,144**
Promissory notes	Exchange rate	10.2	**(5,358)**	**(5,358)**
Promissory notes	Exchange rate	(10.2)	**6,579**	**6,579**
IMF SDR allocation liability	Exchange rate	10.2	**(517,333)**	**(517,333)**
IMF SDR allocation liability	Exchange rate	(10.2)	**635,241**	**635,241**
IMF Charges Payable	Exchange rate	10.2	**(485)**	**(485)**
IMF Charges Payable	Exchange rate	(10.2)	**595**	**595**

Sensitivity analysis of the risk that the entity is exposed to for 2016

			Effect on	
	Risk variable	Change in Risk variable	Net cost of services 2016	Net assets 2016
Risk Variable		%	$'000	$'000
IFI Investments	Exchange rate	10.5	(119,346)	(119,346)
IFI investments	Exchange rate	(10.5)	147,348	147,348
IMF Remuneration Receivable	Exchange rate	10.5	-	-
IMF Remuneration Receivable	Exchange rate	(10.5)	-	-
IMF new arrangements to borrow loan	Exchange rate	10.5	(70,108)	(70,108)
IMF new arrangements to borrow loan	Exchange rate	(10.5)	86,558	86,558
IMF Quota	Exchange rate	10.5	(1,173,923)	(1,173,923)
IMF Quota	Exchange rate	(10.5)	1,449,368	1,449,368
Promissory notes	Exchange rate	10.5	(5,682)	(5,682)
Promissory notes	Exchange rate	(10.5)	7,016	7,016
IMF SDR allocation liability	Exchange rate	10.5	(550,697)	(550,697)
IMF SDR allocation liability	Exchange rate	(10.5)	679,911	679,911
IMF Charges Payable	Exchange rate	10.5	(47)	(47)
IMF Charges Payable	Exchange rate	(10.5)	58	58

Administered financial instruments

AASB 139 *Financial Instruments: Recognition and Measurement* requires financial instruments to be classified into one of four categories. The financial instruments specific to the Treasury's administered items are classified in three of the four categories as detailed below.

Loans and receivables (these are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market):

- IMF related monies receivable (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
- Loans to the IMF under the New Arrangements to Borrow (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
- the Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
- the Guarantee Scheme for State and Territory Borrowing contractual fee receivable (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
- Loans to States and Territories (measured initially at fair value and then measured at amortised cost using the effective interest rate method); and
- Dividends receivable (measured at fair value).

Availableforsale financial assets:

- investments in development banks (measured initially at cost or notional cost and then measured at fair value);
- the IMF quota (measured initially at cost or notional cost and then measured at fair value); and
- Investments in Government Entities (measured at fair value based on net asset position of the entity at 30 June 2017).

Financial liabilities:

- the SDR allocation (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
- promissory notes (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
- IMF related monies payable (measured initially at fair value and then measured at amortised cost using the effective interest rate method); and
- the Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation (measured initially at fair value and then measured at amortised cost using the effective interest rate method).

Availableforsale financial assets are those nonderivative financial assets that are designated as available for sale or that are not classified as (a) loans and receivables, (b) heldtomaturity investments or (c) financial assets at fair value through profit or loss.

Although a number of the Treasury's financial instruments are classified as 'availableforsale', the Treasury does not hold these instruments for the purposes of trading. Assets that can be reliably measured at reporting date are valued at fair value, otherwise, at cost.

Promissory notes are financial liabilities that are required to be measured at amortised cost using the effective interest rate method. The contractual terms of the promissory notes are noninterest bearing making the effective interest rate zero. Therefore, the measurement would be the initial value less any repayments plus or minus movements in exchange rates as a result of translation on the balance date.

The Guarantee of State and Territory Borrowing contractual fee receivable represents the requirement under AASB 139 *Financial Instruments: Recognition and Measurement* for the Treasury to recognise upfront, its entitlements under the financial guarantee contract to revenue received or receivable from authorised deposittaking institutions over the contracted guarantee period. Conversely, the Treasury is required to recognise a corresponding initial liability for its contractual obligation to provide a guarantee service over the period covered by each guarantee contract (analogous to unearned income).

Recognition of these amounts only relates to fee revenue aspects of the financial guarantee contracts. These amounts do not reflect any expected liability under the Guarantee Scheme itself as these are considered remote and unquantifiable. Administered contingent liabilities and assets are disclosed at Note 7.2.

7.4 Fair Value Measurement

Note 7.4A: Fair value measurement

	Fair value measurements at the end of the reporting period	
	2017	2016
	$'000	$'000
Non-financial assets[1]		
Property, plant and equipment - AUC[2]	**-**	285
Property, plant and equipment[2]	**6,912**	7,423
Library[2]	**939**	1,919
Land and buildings - AUC[2]	**427**	183
Land and buildings[2]	**15,732**	14,097
Total non-financial assets	**24,010**	23,907

1. The Treasury's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all non-financial assets is considered their highest and best use.
2. No non-financial assets were measured at fair value on a non-recurring basis as at 30 June 2017 (2016: nil).

Accounting Policy

Fair value measurements – highest and best use differs from current use for non-financial assets (NFAs)

The Treasury's assets are held to meet out service obligation not for the purposes of deriving a profit. The current use of all NFAs is considered their highest and best use.

Recurring and non-recurring Level 3 fair value measurements – valuation processes

The Treasury procures the valuation services from an independent valuer of the tangible non-financial asset classes once every three years. Asset carrying amounts are tested for materiality at least once every 12 months. If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation. There have been no transfers between level 1 and level 2 of the hierarchy during the year.

An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations are carried out at least once every three years. During 2016-17, Treasury appointed Australian Valuation Solutions Pty Limited (AVS) to undertake a full revaluation of all tangible property, plant and equipment assets as at 30 June 2017. AVS has provided written assurance to the Treasury that the models developed are in compliance with AASB 13.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

All Asset Classes - Physical Depreciation and Obsolescence.

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the Depreciated Replacement Cost approach. Under the Depreciated Replacement Cost approach the estimated cost to replace the asset is calculated and then adjusted to take into physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all leasehold improvement assets, the consumed economic benefit / asset obsolescence deduction is determined based on the term of the associated lease.

Library - Replacement cost

The value of the library was determined on the basis of the average cost for items within each collection. The replacement cost has considered purchases over recent years and these have been evaluated for reasonableness against current market prices.

The Treasury's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There have been no transfers between level 1 and level 2 of the hierarchy during the year.

7.5 Administered — Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Note 7.5A: Fair Value Measurements, Valuation Techniques and Inputs Used

Recurring fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2017

	Fair value measurements at the end of the reporting period using			
	2017 $'000	2016 $'000	**Category (Level 1, 2 or 3)**	**Valuation technique(s) and inputs used[1,2]**
Financial assets:				
Investment in Australian Government Entities:	**21,924,826**	24,095,677	**3**	**Net assets**
Australian Reinsurance Pool Corporation	***455,826***	503,677		
Reserve Bank of Australia	***21,469,000***	23,592,000		
Investment in International Financial Institutions:	**1,405,218**	13,610,104	**3**	**Value of shares held**
Asian Development Bank	***555,361***	577,387		
Asian Infrastructure and Investment Bank	***383,879***	198,815		
European Bank for Reconstruction and Development	***93,016***	93,447		
International Bank for Reconstruction and Development	***303,370***	314,236		
International Finance Corporation	***61,530***	63,734		
Multilateral Investment Guarantee Agency	***8,062***	8,350		
Other Investments	**11,882,842**	12,354,135	**3**	**Value of quota held**
IMF quota	***11,882,842***	12,354,135		
Total financial assets	**35,212,886**	37,705,781		
Total fair value measurements	**35,212,886**	37,705,781		

1. No change in valuation techniques occurred during the period.
2. Significant observable inputs only.

Fair value measurements

The highest and best use of Treasury's investments in Australian Government entities does not differ because the fair value is based on the net asset position of the entity.

The highest and best use of Treasury's investments in International Financial Institutions does not differ because the fair value is based on the value of shares held in the relevant institution.

Note 7.5B: Level 1 and Level 2 transfers for recurring fair value measurements

No assets were transferred between Level 1 and Level 2.

Note 7.5C: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements - reconciliation for assets

	Financial assets			
	Investments		Total	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
As at 1 July	**37,705,781**	32,565,700	**37,705,781**	32,565,700
Total gains/(losses) recognised in other comprehensive income	**(2,170,851)**	(305,232)	**(2,170,851)**	(305,232)
Total gains/(losses) recognised in net cost of services				
IMF Quota foreign exchange gain/(loss)	**(471,293)**	(29,252)	**(471,293)**	(29,252)
International Financial Institutions foreign exchange gain/(loss)	**(47,895)**	18,960	**(47,895)**	18,960
Restructuring[1]	**-**	(1,237,900)	**-**	(1,237,900)
Share Purchases	**-**			
Increase in investments in the International Financial Institutions	**197,144**	6,693,505	**197,144**	6,693,505
IMF general review Quota Payments		-	**-**	-
Total as at 30 June	**35,212,886**	37,705,781	**35,212,886**	37,705,781
Changes in unrealised gains/(losses) recognised in net cost of services for the year ended 30 June	**(2,492,895)**	5,140,081	**(2,492,895)**	5,140,081

1 Refer to Note 8.1 Administered Restructuring note.

8. Other Information

8.1 Administered Restructuring

	2016
	Clean Energy Finance Corporation
	Environment[1]
	$'000
FUNCTIONS RELINQUISHED	
Assets relinquished	
Investments	1,237,900
Total assets relinquished	1,237,900
Net assets/(liabilities) relinquished	1,237,900

1. The administration of the Clean Energy Finance Corporation's enabling legislation was relinquished to the Department of the Environment during 2016 as a result of the restructuring of administrative arrangements on 21 September 2015.

Note: There was no transfer of functions during 2016-17.

9. Budgetary Reports and Explanation of Major Variances

9.1 Departmental Budgetary Reports

Statement of Comprehensive Income
for the period ended 30 June 2017

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2017	2017	2017
	$'000	$'000	$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	123,782	123,910	(128)
Suppliers	55,429	52,305	3,124
Grants	1,245	1,184	61
Depreciation and amortisation	10,360	5,308	5,052
Write-down and impairment of assets	532	-	532
Finance costs	11	-	11
Total expenses	191,359	182,707	8,652
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	9,419	9,504	(85)
Other revenues	1,073	1,200	(127)
Total own-source revenue	10,492	10,704	(212)
Gains			
Gains from sale of assets	43	-	43
Other gains	3,272	4,050	(778)
Total gains	3,315	4,050	(735)
Total own-source income	13,807	14,754	(947)
Net cost of services	(177,552)	(167,953)	(9,599)
Revenue from Government	170,496	162,645	7,851
Surplus / (Deficit)	(7,056)	(5,308)	(1,748)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves	228	-	228
Total other comprehensive income	228	-	228
Total comprehensive income/(loss) attributable to the Australian Government	(6,828)	(5,308)	(1,520)

1. The Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2016-17 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2017. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
Depreciation and amortisation expenses for 2016-17 were $10.4 million, an increase of $5.1 million compared with the original budget. The increase is largely driven by a $6.0 million revaluation increment of leasehold improvements at 30 June 2016 which occurred subsequent to the 2016-17 Budget, resulting in a larger asset base and therefore expense in 2017.	Depreciation and amortisation

Statement of Financial Position
as at 30 June 2017

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2017	**2017**	2017
	$'000	**$'000**	$'000
ASSETS			
Financial assets			
Cash and cash equivalents	**1,250**	**1,000**	250
Trade and other receivables	**56,519**	**67,293**	(10,774)
Total financial assets	**57,769**	**68,293**	(10,524)
Non-financial assets			
Land and buildings	**16,159**	**2,149**	14,010
Plant and equipment	**7,851**	**7,255**	596
Intangibles	**9,804**	**13,612**	(3,808)
Prepayments	**5,631**	**3,365**	2,266
Total non-financial assets	**39,445**	**26,381**	13,064
Total assets	**97,214**	**94,674**	2,540
LIABILITIES			
Payables			
Suppliers	**10,127**	**1,289**	8,838
Other payables	**2,483**	**11,484**	(9,001)
Total payables	**12,610**	**12,773**	(163)
Provisions			
Employee provisions	**46,705**	**46,564**	141
Provision for restoration	**3,440**	**964**	2,476
Total provisions	**50,145**	**47,528**	2,617
Total liabilities	**62,755**	**60,301**	2,454
Net assets	**34,459**	**34,373**	86
EQUITY			
Asset revaluation reserve	**12,414**	**6,163**	6,251
Contributed equity	**64,136**	**64,136**	-
Retained surplus/(deficit)	**(42,091)**	**(35,926)**	(6,165)
Total equity	**34,459**	**34,373**	86

1. The Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2016-17 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2017. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
Trade and other receivables at 30 June 2017 amounted to $56.5 million, a decrease of $10.8 million compared with the original budget. The decrease relates to changes in appropriation receivable which was driven by balance sheet movements from the 2015-16 financial statements which had not been incorporated into the original budget ($10.3 million)	Trade and other receivables
Land and buildings at 30 June 2017 amounted to $16.2 million, an increase of $14.0 million compared with the original budget reflecting the refurbishment of the Treasury Building in 2016-17 and the initial recognition of the restoration provision for the Treasury Building in 2015-16.	Land and buildings
Intangibles at 30 June 2017 amounted to $9.8 million, a decrease of $3.8 million compared with the original budget reflecting the transfer of $3.5 million from intangibles to plant and equipment during 2015-16.	Intangibles
Total prepayments at 30 June 2017 amounted to $5.6 million, an increase of $2.2 million compared with the original budget due to the timing of supplier payments.	Prepayments
Total payables at 30 June 2017 amounted to $12.6 million, a decrease of $0.2 million compared with the original budget due to the timing of employee and supplier payments.	Total payables
Provision for restoration at 30 June 2017 amounted to $3.4 million, an increase of $2.3 million compared with the original budget driven by the recognition of restoration provision for the Treasury Building in 2015-16.	Provision for restoration
Total equity at 30 June 2017 was $34.5 million, an increase of $0.1 million compared with the original budget as a result of the revaluation of non-financial assets (which was not budgeted for) offset by an increase in depreciation and amortisation expenses.	Equity

Cash Flow Statement
for the period ended 30 June 2017

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2017	2017	2017
	$'000	$'000	$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	**183,993**	**161,003**	22,990
Sale of goods and rendering of services	**6,304**	**9,504**	(3,200)
GST received from ATO	**4,791**	**-**	4,791
Other	**518**	**1,200**	(682)
Total cash received	**195,606**	**171,707**	23,899
Cash used			
Employees	**123,496**	**122,410**	1,086
Suppliers	**44,544**	**48,113**	(3,569)
Grants	**1,245**	**-**	1,245
Section 74 receipts transferred to OPA	**17,769**	**-**	17,769
GST paid to ATO	**4,920**	**-**	4,920
Other	**-**	**1,184**	(1,184)
Total cash used	**191,974**	**171,707**	20,267
Net cash from/(used by) operating activities	**3,632**	**-**	3,632
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of plant and equipment	**50**	**-**	50
Total cash received	**50**	**-**	50
Cash used			
Purchase of land and buildings	**2,818**	**-**	2,818
Purchase of plant and equipment	**2,748**	**-**	2,748
Purchase of intangibles	**5,240**	**5,598**	(358)
Total cash used	**10,806**	**5,598**	5,208
Net cash from/(used by) investing activities	**(10,756)**	**(5,598)**	(5,158)
FINANCING ACTIVITIES			
Cash received			
Contributed equity - departmental capital budget	**5,298**	**5,298**	-
Contributed equity - equity injections	**300**	**300**	-
Total cash received	**5,598**	**5,598**	-
Net cash from/(used by) financing activities	**5,598**	**5,598**	-
Net increase/(decrease) in cash held	**(1,526)**	**-**	(1,526)
Cash at the beginning of the reporting period	**2,776**	**1,000**	1,776
Cash at the end of the reporting period	**1,250**	**1,000**	250

1. Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2016-17 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2017. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
The net change in cash held during 2016-17 was $1.5 million, lower than the balanced position in the original budget. The change was predominantly driven by the drawdown of funds during 2016-17 to meet capital expenditure requirements.	Net increase/(decrease) in cash held

9.2 Administered Budgetary Reports

Statement of Comprehensive Income
for the period ended 30 June 2017

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2017	2017	2017
	$'000	$'000	$'000
NET COST OF SERVICES			
Expenses			
Grants	94,258,724	96,026,210	(1,767,486)
Interest	15,252	3,038	12,214
Foreign exchange losses	211,174	-	211,174
Suppliers	8,557	2,028	6,529
Total expenses	94,493,707	96,031,276	(1,537,569)
Income			
Revenue			
Non-taxation revenue			
Sale of goods and rendering of services	696,216	789,338	(93,122)
Interest	3,454	6,638	(3,184)
Dividends	1,343,500	200,500	1,143,000
COAG revenue from government agencies	89,358	622,631	(533,273)
Other	99,141	4,610	94,531
Total non-taxation revenue	2,231,669	1,623,717	607,952
Total revenue	2,231,669	1,623,717	607,952
Gains			
Foreign exchange	-	7,522	(7,522)
Total gains	-	7,522	(7,522)
Total income	2,231,669	1,631,239	600,430
Net cost of (contribution by) services	(92,262,038)	(94,400,037)	2,137,999
Surplus/(Deficit)	(92,262,038)	(94,400,037)	2,137,999
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus	(2,170,851)	-	(2,170,851)
Total comprehensive income	(2,170,851)	-	(2,170,851)
Total comprehensive income/(loss)	(94,432,889)	(94,400,037)	(32,852)

1. Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2016-17 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2017. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- $1 billion) are provided below.

Explanations of major variances	Affected line items
Dividend revenue for 2016-17 was $1.3 billion, an increase of $1.1 billion compared with the original budget. The increase relates to higher dividend revenue from the Reserve Bank of Australia.	Dividends
Changes in asset revaluation surplus for 2016-17 totalled $1.8 billion. The changes are driven by the movement in the net asset position of the Reserve Bank of Australia.	Changes in assets revaluation surplus

Administered Schedule of Assets and Liabilities
as at 30 June 2017

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2017	2017	2017
	$'000	$'000	$'000
ASSETS			
Financial assets			
Loans and other receivables	**2,059,375**	**1,029,225**	1,030,150
Investments	**35,212,886**	**39,406,559**	(4,193,673)
Total financial assets	**37,272,261**	**40,435,784**	(3,163,523)
Non-financial assets			
Other	**381**	**-**	381
Total non-financial assets	**381**	**-**	381
Total assets administered on behalf of Government	**37,272,642**	**40,435,784**	(3,163,142)
LIABILITIES			
Payables			
Grants	**793,657**	**42,822**	750,835
Other payables	**5,579,567**	**5,676,113**	(96,546)
Unearned income	**26,455**	**36,451**	(9,996)
Total payables	**6,399,679**	**5,755,386**	644,293
Interest bearing liabilities			
Promissory notes	**9,626,864**	**9,474,333**	152,531
Total interest bearing liabilities	**9,626,864**	**9,474,333**	152,531
Provisions			
Other provisions	**704,917**	**612,643**	92,274
Total provisions	**704,917**	**612,643**	92,274
Total liabilities administered on behalf of government	**16,731,460**	**15,842,362**	889,098
Net assets	**20,541,182**	**24,593,422**	(4,052,240)

1. Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2016-17 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2017. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- $1 billion) are provided below.

Explanations of major variances	Affected line items
Loans and other receivables as at 30 June 2017 totalled $2.1 billion, an increase of $1.0 billion compared with the original budget. The increase relates to higher than expected dividend revenue from the Reserve Bank of Australia.	Loans and other receivables
Investments as at 30 June 2017 totalled $35.2 billion, a decrease of $3.2 billion compared with the original budget. The decrease is driven by the change in the net asset position of the Reserve Bank of Australia and movements in the value of the IMF quota and other investments in international financial institutions as a result of changes in foreign exchange rates.	Investments

05 Appendices

Work health and safety

In accordance with the Work Health and Safety Act 2011, the Treasury is committed to providing a safe and healthy work environment for its employees, contractors and visitors.

The Treasury continues to explore and implement strategies to assist staff in enhancing their personal wellbeing with an emphasis on prevention and early intervention. This has included mental health awareness sessions for senior staff, mental health first aid training for managers and key contact officers, all staff training on mindfulness and building practical resilience and recognition of R U OK day and Mental Health Week. These approaches are supported through Treasury's health and wellbeing intranet page which contains a range of evidence-based information, resources and tools to assist with holistic wellbeing, maintaining good mental health and reducing the impact of stress and fatigue.

The Treasury's 2016-17 Comcare premium rate has maintained a low rate of 0.40 per cent which is just 32.5 per cent of the APS average of 1.23 per cent. The Treasury's Early Intervention policy plays a key role in preventing potential compensation claims and loss of productivity, allowing staff to seek immediate treatment for illnesses and injuries which are likely to impact on their capacity to work.

A self-assessment of Treasury's Rehabilitation Management System (RMS) conducted in line with Comcare's compliance program concluded that Treasury continues to manage rehabilitation services effectively with a 96% compliance rating.

Key events and ongoing risk management activities which took place throughout 2016-17 are summarised below.

- The Treasury provides for eligible ongoing staff to claim a single payment of $600 each calendar year to undertake independent health initiatives which contribute towards a healthy lifestyle. This includes Treasury's Corporate Health Program which offers discounted rates for gym memberships and related activities. A total of 770 staff claimed this payment.
- In recognition of R U OK? day in September, Treasury launched its 'Look Deeper' campaign, in collaboration with R U OK Australia. The campaign's intranet page contains various resources to assist staff in offering peer support to their colleagues.
- In September, a presentation on mindfulness and the neuroscience behind it was delivered by an internationally experienced clinical mindfulness consultant and transformative educator. Participants learnt about the profound benefits of mindfulness, how to train the brain to support mental and physical health and how to start a mindfulness practice. All staff have access to mindfulness meditation audio tracks available on the intranet.
- In Mental Health Week in October Dr Cristian Torres, a clinical Psychologist delivered information sessions on building practical resilience to staff. The session provided an overview of key practical strategies to build and maintain resilience incorporating psychological theory and evidence-based principles.
- Treasury is one of the first Australian government agencies to receive White Ribbon Workplace Accreditation. As part of this accreditation, Treasury provided training for SES staff and managers in domestic violence awareness from July 2016 until May 2017. Domestic violence awareness training was also offered to all staff in mid-June 2017 and early July 2017 (8 sessions in total).

- The first stage of the refreshed Treasury managers' toolkit was released in December 2016. The toolkit, readily available on the intranet, includes resources for managers and supervisors on a variety of topics including preparing for and undertaking performance appraisals, having difficult conversations, mental health awareness and flexible work.
- Mental health awareness training for SES and EL2 staff was provided to Canberra, Sydney and Melbourne based staff. The training was provided from August through to November 2016 and covered symptoms of mental ill health, and strategies to assist a colleague with mental health concerns.
- Mental health first aid training was offered to managers and Workplace Harassment Contact Officers in early February 2017. The training provided participants with resources and tools allowing them to identify staff who may need support and provide appropriate assistance and advice.
- A total of three resilience training sessions conducted by Life Unlimited took place within the department in 2016-17.
- Free quadrivalent flu vaccinations were offered to staff in April 2017. A total of 418 employees participated in the program. Advice on good health habits for winter was also issued to staff in mid-June 2017.
- A total of 138 workstation assessments were provided to staff. Of the 138 assessments conducted, 75 were conducted in-house and 63 assessments were conducted by external providers.
- A total of 16 incident reports were received. The majority of incidents related to slips, trips and falls. There have been no notifiable incidents to Comcare.
- Employees requiring lenses for screenbased use can be reimbursed a portion of the cost. A total of 38 employees received this reimbursement.
- Effective Health and Safety Committees training was conducted by Comcare onsite in March for Health and Safety Representatives and other key committee members.
- Manual Handling Training was conducted by Recovre in June 2017 for Facilities and IT staff.
- In accordance with the Work Health and Safety Act 2011, the Health and Safety Committee (consisting of two representatives from each group and key Corporate Services staff) met quarterly throughout 2016-17.
- Treasury currently has a total of 12 Health and Safety Representatives, 14 Workplace Harassment Contact Officers and 20 First Aid Officers throughout the department.
- Treasury's Employee Assistance Program (EAP) was provided by OPTUM up until February 2017; the arrangement was taken over by Davidson Trahaire Corpsych in December 2016. OPTUM continued to provide services over the December-February period for transitional purposes. Both services offered free confidential counselling and support for all Treasury staff, their immediate family members and other people they share a close relationship with.

Advertising and market research

The Treasury is required to report on all payments over $13,000 (including GST) to advertising agencies, market research organisations, polling organisations, media advertising organisations and direct mail organisations.

During 2016-17, the Treasury delivered two advertising campaigns; the Small Business campaign (SB) and the Tax Integrity campaign (TI). These campaigns were to raise awareness of small business assistance, and the tax integrity and multinational tax avoidance measures.

Campaign expenditure relating to advertising agencies, market research organisations, and media advertising organisations are in outlined in the Tables below.

Campaign compliance information is available at **www.treasury.gov.au** and in the reports on Australian Government advertising prepared by the Department of Finance and published at **www.finance.gov.au/advertising/index.html**.

The Treasury did not make any payments to polling organisations or direct mailing organisations in 2016-17.

Other market research was undertaken as part of the Treasury's commitment to work effectively with stakeholders and inform policy responses.

Table 4: Advertising Agencies (creative advertising agencies which have developed advertising campaigns)

Provider	Service Provided	Cost ($)
JWT Australia Pty Ltd	Creative Services (SB)	$1,307,836.26
BMF Advertising Pty Ltd	Creative Services (TI)	$967,000.00

Note: These figures include head hour and production costs.

Table 5: Market Research Organisations

Provider	Service Provided	Cost ($)
WhereTo Research Based Consulting Pty Ltd	Market Research	$143,022.00
The Trustee for JWS Research Unit Trust	Market Research (SB)	$438,020.00
Cutthru Pty Ltd T/as Pollinate	Market Research (SB)	$238,333.70
The Trustee for JWS Research Unit Trust	Market Research (TI)	$213,400.00
Cutthru Pty Ltd T/as Pollinate	Market Research (TI)	$150,000.00

Table 6: Media Advertising (Dentsu Mitchell Media Australia – the master media agency for all Commonwealth Government advertising)

Provider	Service Provided	Cost ($)
Dentsu Mitchell Media Australia	Campaign Advertising (SB)	$6,152,652.63
Dentsu Mitchell Media Australia	Campaign Advertising (TI)	$2,700,000.00
Dentsu Mitchell Media Australia	Advertising for recruitment services	$85,654.67

Note: All figures include GST.

Ecologically sustainable development and environmental performance

Treasury is committed to the principles of ecologically sustainable development identified in the *Environment Protection and Biodiversity Conservation Act 1999.* The Treasury Environmental Management Plan (EMP) sets out the Department's environmental policies and performance action plans, and is reviewed annually.

In 2016-17 Treasury continued to mitigate its impact on the environment in the areas of energy efficiency, waste and water, by:

- conserving resources and minimising waste;
- implementing a range of environmental work practices and systems;
- monitoring and reporting of environmental performance; and
- raising the environmental awareness of staff.

Specific initiatives undertaken by Treasury in 2016-17 include:

Energy efficiency

- reviewing the lighting control system and the introduction of LED lighting in new office fit-out;
- the installation of new energy efficient Heating, Ventilation and Air Conditioning (HVAC) plant and machinery by the building owner;
- using low power Virtual Desktop Infrastructure;
- purchasing five star energy rated electrical appliances (where available);
- purchasing up to 10 per cent Greenpower for tenant light and power for the Treasury building;
- using technology such as teleconferencing and videoconferencing to facilitate meetings with interstate colleagues where appropriate;
- offsetting greenhouse gas emissions for fleet fuel usage through GreenFleet — the planting of native plants and land management projects;
- participating in Earth Hour 2017;

Waste

- encouraging recycling by providing waste recycling stations, segregating waste into approved recycling streams (including waste to landfill, commingled waste and compost):
  - Treasury recycled 6.84 tons of commingled waste, 3.66 tons of used paper towel and 8.31 tons of organic waste;
- establishing a fit out and furniture recycling strategy that reuses the Department's existing office fit-out, including workstations; and the sourcing of redundant office fit-out and workstations from other government departments to reuse;
- supporting the use of electronic document management:
  - Treasury recycled 843.48 tons of used paper and 3.47 tons of shredded paper;
- recycling of toner cartridges, fluorescent light tubes and batteries and assisting staff to recycle old mobile phones by donating them to charity;
- using general use office copy paper had a post consumer recycled content of 52 per cent; and

Water

- using water flow controls and water efficient appliances in kitchens.

Carer support

The Treasury supports carers and ensures they have the same rights, choices and opportunities as other Australians regardless of age, race, gender, disability, sexuality, religious or political beliefs, cultural or linguistic heritage and socioeconomic status or locality.

The Treasury's carer support framework includes:

- a non-discriminatory definition of family in the Treasury Enterprise Agreement 2015-18 that recognises relatives by blood, marriage, strong traditional or ceremonial affinity and genuine domestic or household relationships;
- family-friendly work arrangements such as access to flexible working arrangements, carer's rooms, carer's leave and being a breastfeeding accredited workplace;
- access to accumulated personal leave to care for sick family and household members, or people they have caring responsibilities for, and unpaid carer's leave to care for or support family or household members, or if an unexpected family or household emergency arises;
- access to the Employee Assistance Program for free, professional and confidential counselling for staff, their immediate family members and people they have a close relationship with; and
- access to onsite childcare facility (at 30 June 2017 there were 66 Treasury staff with children enrolled in the childcare facility).

Grants

Information on grants awarded by the Treasury in 2016-17 is available on Treasury's website at www.treasury.gov.au.

Information publication scheme

Agencies subject to the *Freedom of Information Act 1982* are required to publish information as part of the Information Publication Scheme. This requirement is in Part II of the Act. Each agency must display a plan on its website showing what information it publishes in accordance with the Information Publication Scheme requirements.

The Information Publication Scheme plan is on the Treasury website at **www.treasury.gov.au.**

Australia and the international financial institutions

Program 1.2 outlined various payments made by the Treasury to the Asian Development Bank, the Asian Infrastructure Investment Bank, the European Bank for Reconstruction and Development, the International Monetary Fund (IMF) and the World Bank Group (WBG). This appendix addresses the legislation that requires further reporting on the IMF and the WBG for the 2016-17 financial year. In particular:

- Section 10 of the *International Monetary Agreements Act 1947*, which requires reporting on the operations of the Act and of the operations, insofar as they relate to Australia, of the Articles of Agreement of the IMF and the International Bank for Reconstruction and Development (IBRD) during each financial year; and
- Section 7 of the *International Bank for Reconstruction and Development (General Capital Increase) Act 1989,* which requires reporting on the operations of the Act during each financial year.

The Treasury is responsible for managing Australian Government shareholdings with the International Financial Institutions. The Department of Foreign Affairs and Trade (DFAT) has further interactions relating to the Government's aid program (see DFAT annual report for information).

The IMF and the WBG publish annual reports on their operations and provide information at www.imf.org and www.worldbank.org.

Australia and the International Monetary Fund

Mandate

The purposes of the IMF (set out in Article I of its Articles of Agreement) are to:

- promote international monetary cooperation;
- facilitate the expansion and balanced growth of trade, contributing to high levels of employment and real income;
- promote exchange rate stability and avoid competitive devaluation;
- assist in the establishment of a multilateral system of payments and in the elimination of foreign exchange restrictions that hamper the growth of world trade; and
- make resources available to members to reduce the costs of balance of payments adjustments.

Australia's representation at the International Monetary Fund

Australia interacts with the IMF through:

- the IMF Board of Governors;
- the International Monetary and Financial Committee (IMFC);
- the IMF Executive Board; and
- the IMF's Article IV consultation on Australia's economic developments and policy.

Board of Governors

The Board of Governors is the highest authority within the IMF. It consists of one governor and one alternate governor for each of the 189 member countries. Australia is represented on the Board of Governors by the Treasurer of the Commonwealth of Australia, the Hon S. Morrison MP. The Secretary to the Treasury, Mr John Fraser, is Australia's Alternate Governor. Governor's votes on IMF resolutions during 2016-17 are noted in Table 7.

Table 7: Australian Governor's votes on IMF 2016-17 resolutions

Resolution title	Date	Australian Governor's vote
Direct Remuneration of Executive Directors and their Alternates	28 July 2016	Abstained
Parental Leave for Executive Directors and their Alternates	28 July 2016	Supported
Rules for 2016 Regular Election of Executive Directors	17 August 2016	Supported
Timeline for the Fifteenth General Review of Quotas	5 December 2016	Supported
Annual Meetings of the Boards of Governors – Proposed Dates and Venues for 2019-20	28 April 2017	Supported

International Monetary and Financial Committee

The IMFC advises the Board of Governors on the functioning and performance of the international monetary and financial system, but does not have a decision-making role. The Treasurer represented Australia and our IMF constituency at the IMFC meetings in October 2016.

IMF Executive Board, Executive Director and constituency office

The IMF Executive Board conducts the day-to-day business of the IMF and determines matters of policy under the overall authority of the Board of Governors.

Australia belongs to a constituency which in 2016-17 also included Kiribati, the Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, Uzbekistan and Vanuatu. The Republic of Nauru joined the constituency from November 2016.

As at 30 June 2017, Australia held around 1.34 per cent of the total voting power at the IMF. The constituency, as a whole, held around 3.9 per cent.

By agreement between constituency members, the staffing of Australia's constituency office rotates among members. The constituency's Executive Director position is currently held by Mr Heenam Choi of the Republic of Korea, while Australia is represented by an Alternate Executive Director, Ms Christine Barron. An Australian, Mr Barry Sterland, held the Executive Director position until 31 October 2016, when Mr Choi assumed the role under the agreed rotation arrangements.

Australia's Article IV consultation

In accordance with Article IV of its Articles of Agreement, the IMF conducts regular consultations with the authorities of member countries on economic policies and conditions. The IMF's 2016 Article IV consultation with Australia included a visit to Australia in November 2016 during which IMF staff met with the Treasurer, senior Treasury officials, the Governor and other senior officials of the Reserve Bank of Australia, representatives of other government agencies, the business community and unions. The 2016 Article IV Report on Australia was released on 9 February 2017.

Australia's quota in the International Monetary Fund and financial transactions

Australia's quota in the International Monetary Fund

A member's 'quota' is its allocated shareholding in the IMF, which broadly reflects its weight in the global economy. Australia's quota at 30 June 2017 was 6,572.4 million Special Drawing Rights (SDR) (equivalent to A$11,882.8 million at 30 June 2017). Part of Australia's quota is held in reserve by the IMF in SDRs and gold. Part is held in Australia by the RBA in a combination of non-interest bearing promissory notes and cash amounts in Australian dollars.

Australia's financial transactions with the International Monetary Fund

Australia conducts a range of financial transactions to manage its obligations with the IMF. Transactions in 2016-17 were all completed in a timely and efficient manner. They are described in the following sections.

Special Drawing Right charges, interest and assessment fee

The SDR is an international reserve asset created by the IMF to supplement the official reserves of member countries. Its value is based on a basket of five international currencies (the US dollar, euro, Japanese yen, pound sterling and the Chinese renminbi). The Chinese renminbi was added to the SDR basket on 1 October 2016.

Australia's cumulative allocation of SDRs at 30 June 2017 was around SDR 3.1 billion while our actual SDR holdings were around SDR 2.8 billion. Australia's SDR allocation is held by the RBA, having been sold to the RBA by the Commonwealth in exchange for Australian dollars. The IMF levies charges on the SDRs that have been allocated to each member and pays interest on the SDRs that are held by each member.[1] In 2016-17, the Australian Government paid charges of SDR 5.7 million (A$10.4 million) on net cumulative allocations. During this period the RBA received SDR 5.2 million (A$9.4 million) in interest from the IMF on Australia's SDR holdings.

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1. Charges and interest payments are accrued daily and paid quarterly. The SDR interest rate is the primary rate from which other rates are derived and is based on a weighted average of representative interest rates on short term debt in the money markets of the SDR basket of currencies. The basic rate of charge is equal to the SDR interest rate, plus a margin. Additional burden sharing adjustments, for the financial consequences of protracted arrears, is also applied (when applicable) to the basic rate of charge.

In addition, the IMF levies an annual assessment fee to cover the cost of operating the SDR department at the Fund. This is determined according to participants' net cumulative SDR allocations. Australia's annual assessment fee for the IMF financial year ending 30 April 2017 was SDR 91,358 (A$168,619).

Remuneration

Remuneration is interest earned on quota resources held by the IMF. Australia received no remuneration in 2016-17.

Maintenance of value

The SDR value of the part of Australia's IMF quota held in Australian dollars changes as the exchange rate between the Australian dollar and the SDR fluctuates throughout the year.

Under the IMF Articles of Agreement, members are required to maintain the SDR value of their quota through a 'maintenance of value' adjustment (that is, a payment or receipt as necessary) following the close of the IMF financial year on 30 April. For the IMF 2016-17 financial year, the Australian dollar appreciated against the SDR. As a result, the 2016-17 maintenance of value adjustment involved a payment from the IMF to Australia of around A$112.9 million.

Table 8: Transactions with the IMF in 2016-17 (cash basis)

	Amount in SDRs	Amount in A$
Total interest received on Australia's SDR holdings[(a)]	5,204,873	9,443,078
Total remuneration received for Australian holdings at the IMF	0	0
Total charges paid on Australia's SDR allocation	5,707,559	10,354,273
Annual Assessment Fee paid to SDR department	91,358	168,619
Maintenance of Value transaction for 2016-17		112,928,628

(a) Interest on SDR holdings is paid to the RBA, not Treasury.

Lending-related transactions and Australia's reserve position in the IMF

The IMF manages its lending of quota resources through the Financial Transactions Plan (FTP). This is the mechanism through which the IMF selects the currencies to be used in IMF lending transactions. It also allocates the financing of lending transactions among members. Only currencies of IMF members with sufficiently strong balance of payments and reserve positions — such as Australia — are selected for use in the FTP.

Table 9 provides details of individual FTP transactions and the resulting reserve position at the IMF.

Table 9: Australia's reserve tranche position in the IMF, 2016-17[(a)]

Date	Description	Debit (SDRs)	Debit (A$)	Credit (SDRs)	Credit (A$)
Reserve tranche position as at 30 June 2016				68,969,410	129,641,748
FTP payments					
19 May 2017	FTP Loan to Georgia			30,000,000	55,613,022
15 June 2017	FTP Transfer to Japan			125,960,000	230,584,479
FTP receipts					
Total Repayments		0	0		
Reserve tranche position as at 30 June 2017				**224,929,410**	**406,670,421**

(a) Because Australia's reserve tranche position is denominated in SDRs and AUD/SDR exchange rates vary during the year, when expressed in Australian dollars the closing position does not exactly equal the summation of the opening position and transactions during the year.

FTP transactions (and any transfers for administrative purposes) directly impact on Australia's reserve position at the IMF. During 2016-17, the amount of Australia's reserves held by the IMF increased from SDR 69 million to SDR 225 million.

The IMF also maintains borrowing arrangements — including the New Arrangements to Borrow (NAB) — with several member countries that can be drawn upon to supplement the IMF's quota resources, if needed. In 2016-17 the IMF did not call on Australia for NAB resources.

During 2016-17, Australia received total NAB repayments of SDR 23.1 million (A$41.9).

Table 10: Australia's NAB Transactions for 2016-17

Description	Debit (SDRs)	Debit (A$)	Credit (SDRs)	Credit (A$)
Total NAB loans (payments)			0	0
Total NAB receipts (repayments)[2]	14,083,333	25,538,434.19		
Net NAB payments for 2016-17[3]			(14,083,333)	(25,538,434.19)

The Australian Government earns interest on any money lent under the NAB[4]. For 2016-17, the Australian Government received interest payments on its NAB loans of SDR 716,862 (A$1.3 million).

2. On 30 June 2017 the IMF recorded an additional repayment from Portugal to Australia (SDR 9 million), and correspondingly reduced Australia's outstanding NAB balance. However, this repayment was not receipted into the Treasury bank account until 3 July 2017. As such, this 30 June 2017 repayment is not included in the figures for 2016-17.
3. For 2016-17, net NAB payments have been recorded as a negative, as NAB receipts (repayments) outweighed new NAB loans (payments).
4. Interest is calculated using the SDR interest rate, accrued daily and paid quarterly.

Australia and the World Bank Group

Australia's shareholding and relations with the World Bank Group

Mandate

The World Bank Group (WBG) is an investment bank charged with providing financial services, through advice, direct loans, grants, and brokerage to support stable and inclusive growth within countries and across and between regions. It works closely with the IMF, which is responsible for ensuring the stability of the international monetary system.

It has the twin goals of ending extreme poverty and building shared prosperity.

World Bank Strategic Priorities

In October 2016, the WBG released the Forward Look: A Vision for the World Bank Group in 2030, prioritising:

- managing the risks of globalisation to better capture its benefits;
- investing in infrastructure and human capital;
- supporting the private sector;
- improving governance and client capacity;
- supporting global public goods by working on issues relating to forced displacement, climate change and major outbreaks of diseases; and
- supporting the United Nation's Sustainable Development Goals 2030.

The WBG is committed to collaborating with multilateral institutions, sovereigns and the private sector to mobilise financing and leverage knowledge to ensure assistance is harmonised and effective. It is also committed to working with the private sector and is implementing an overarching strategy to substantially increase the volume of private sector funds invested in developing and emerging market economies.

Institutions of the World Bank Group and Australia's shareholding

Australia is a member of all five arms of the WBG:

- International Bank for Reconstruction and Development (IBRD)
- International Development Association (IDA)
- International Finance Corporation (IFC)
- Multilateral Investment Guarantee Agency (MIGA)
- International Centre for Settlement of Investment Disputes (ICSID).

The IBRD and IDA make up the core World Bank. The IBRD lends to governments of middle-income and credit-worthy low-income countries, while IDA provides grants and interest-free or concessional loans to governments of poorer countries.

The IFC is the largest global development institution focused exclusively on the private sector. It helps developing countries achieve sustainable growth by financing, in association with private investors the establishment, improvement and expansion of productive private enterprises which will contribute to the development of its member countries. .

The MIGA promotes foreign direct investment into developing countries by offering political risk insurance (guarantees) to investors and lenders. The ICSID provides international facilities for conciliation and arbitration of investment disputes.

Australia's membership of the IBRD, IFC and MIGA requires the Australian Government to hold shares in these institutions. Australia's shareholdings as at 30 June 2017 are set out in Table 11.

Table 11: Australian shareholdings at the World Bank Group as at 30 June 2017

	IBRD	IFC	MIGA
Shares	31,592	47,329	3,019
Price per share (US$)	120,635	1,000	10,820
Value of total capital (US$ millions)	3,811.1	47.33	32.67
Value of paidin capital (US$ millions)	233.35	47.33	6.20
Value of callable capital (US$ millions)	3,577.75	0.00	26.46
Value of total capital (A$ millions)	4,954.63	61.53	42.47

Australia's shareholding and voting power is listed in Table 12:

Table 12: Australia's shareholding and voting power in the World Bank Group

	IBRD	IDA	IFC	MIGA
Shareholding (per cent of total)	1.42	-	1.84	1.70
Voting power (per cent of total)	1.37	1.25	1.77	1.49

Note: Shareholdings and voting power as at 30 June 2017. Shareholding and voting power differ in IBRD, IFC and MIGA differ due to the allocation of basic votes across countries. At ICSID, the Administrative Council comprises a representative from each contracting state with equal voting power.

Each arm of the World Bank has its own arrangement for allocating votes and shares among its members. In the IBRD, each country's shareholding and voting power is largely based on its weight in the global economy. The Board of Governors and Executive Directors continue to work towards ensuring the WBG has adequate resources to complete its mission and that its shareholding reflects changes in the world economy.

In addition to the shareholdings managed by The Treasury, DFAT also made financial contributions to the WBG, including funds for joint activities through Australia's country, regional and global programs. The DFAT annual report provides information on Australia's aid program.

Australia's cooperation with the World Bank Group

Membership of the WBG gives Australia a voice in the build of economic growth and stability globally. Australia is actively involved in WBG strategy, supporting efforts to strengthen its governance and optimise its effectiveness. Membership also enables Australia to pursue economic development outcomes for our region, which align closely with our national interests and aid priorities.

As the Chair of the Committee on Governance and Administrative Matters, Australia is supporting the current review of member shareholdings to ensure they reflect changes in the global economy, particularly the increasing economic weight of emerging market economies like China and India.

Australia has also been a strong voice calling for optimal use of the WBG's balance sheet, and crowding in private sector finances both at the WBG and in the G20 forums.

Throughout the year, Australia has worked effectively to influence the WBG to focus more resources towards our region. Twenty-two of the world's poorest countries that are IDA clients are in the Indo-Pacific region. In 2017, IDA allocations to the Pacific increased significantly from US$350 million through the seventeenth IDA replenishment round (IDA17) to US$900 million in 2017 in the eighteenth IDA replenishment round (IDA18). This complements the stepping-up of Australia's Pacific engagement.

Australia's representation at the World Bank Group

Board of Governors

The highest decision-making body of the WBG is the Board of Governors, comprising one governor from each of the 189 member countries. During 2016-17, Australia was represented by the Hon. Scott Morrison MP, Treasurer of the Commonwealth of Australia. Australia's Alternate Governor was the Hon. Kelly O'Dwyer MP, Minister for Revenue and Financial Services.

Table 13 outlines the Australian Governor's votes for the 2016-17 financial year.

Table 13: Australian Governor's votes on World Bank Group resolutions in 2016-17

Institution	Resolution title	Date	Australian Governor's vote
IBRD	Direct Remuneration of Executive Directors and their Alternates	28 July 2016	Abstain
IBRD	Parental Leave for Executive Directors and their Alternates	28 July 2016	Supported
IBRD	2016 Regular Election of Executive Directors	28 July 2016	Supported
MIGA	2016 Regular Election of Directors	28 July 2016	Supported
MIGA	Increase in Overall Limit on Guarantee Capacity	8 November 2016	Supported
MIGA	Periodic Review of MIGA FY11-FY16Q3	16 January 2017	Supported
IDA	Additions to Resources: Eighteenth Replenishment	28 March 2017	Supported
IBRD	Forthcoming Annual Meetings of the Boards of Governors – Proposed Dates for the 2019 and 2020 Annual Meetings in Washington D.C.	28 March 2017	Supported

Executive Director and Constituency Office

The WBG's Executive Boards (IBRD, IDA, IFC and MIGA) conduct the day-to-day business of the WBG and determine matters of policy under the overall authority of the Board of Governors.

Australia belongs to a constituency of countries from the Asia-Pacific region that includes: Cambodia, Kiribati, the Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Tuvalu and Vanuatu. The constituency is represented by one Executive Director on the Board of (25) Executive Directors, and Australia and Korea alternate in this role. Mr Jason Allford from Australia assumed the Executive Director Position on 1 November 2016, while Dr Hoe Jeong Kim from Korea assumed the Alternate Executive Director position. Australia also held a senior adviser position in the constituency office.

Operational evaluation

As shown by its Corporate Scorecard for October 2016 the WBG has continued to make progress against a number of key indicators over the past year.

There was a rise in positive feedback on overall effectiveness and impact on development results, gross expenditure reduction also being on track, down by US$263 million in FY16 and on track to meet the WBG's reduction target of US$400 million by 2018.

The Scorecard reports that in FY16 total WBG financial commitments were US$62.3 billion, up from US$57.9 billion in FY15 and the baseline US$52.9 billion in FY13. However, the time taken to deliver operations remains a challenge. The proportion of WBG country strategies with satisfactory performance decreased from 75 per cent in FY15 to 66 per cent in FY16. Average annual growth of WBG business revenue

WBG employee engagement, collaboration and managerial effectiveness indicators point to the biggest challenges for WBG management. Staff perception of WBG collaboration across the five institutions registered 34 per cent in FY16, which is up from 27 per cent in FY15, but remains low. Surveys of employee engagement are on track at 73 per cent in FY16, while perceptions of managerial effectiveness improved to 72 per cent in FY16 from 67 per cent in FY15.

Australian Small Business and Family Enterprise Ombudsman

The Office of the Australian Small Business and Family Enterprise Ombudsman (the Office) formally came into being on 11 March 2016 with the commencement of the *Australian Small Business and Family Enterprise Ombudsman Act 2015 (Cth).*

The role of the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) is to advocate for small business and family enterprise, assist with alternative dispute resolution and provide a voice to Government for small business and family enterprise.

Section 23 of the Act sets out the annual reporting obligations of the Office on the following topics.

Advocacy

Reports tabled by the Minister under section 40A or section 56 of the *Australian Small Business and Family Enterprise Ombudsman Act 2015* (Cth)

Two reports were tabled under section 56 of the act during the reporting period. These reports were the output of the two separate matters referred by Ministers to the Office during the reporting period. These include:

- *Inquiry into the effect of the Road Safety Remuneration Tribunal's Payments Order on Australian small businesses* which was tabled in Parliament on 14 September 2016, and
- *Inquiry into Small Business Loans* was tabled on 7 February 2017.

The Ombudsman reports quarterly to the Minister under Section 40.

The kinds of national strategies in relation to legislation, policies and practices that affect, or may affect, small businesses or family enterprises developed during the period

The Ombudsman conducted a self-initiated inquiry into payment times and practices. This recommended a number of strategies to address late payments in Australia. Representatives from State Small Business Commissioners participated in the Inquiry and formed part of the inquiry's reference group.

The Office worked with Commonwealth agencies and taskforces to advance matters related to competition and unfair contract terms, the black economy, taxation matters, the dairy industry and motor vehicle matters.

The number and subject matter of inquiries to which the Ombudsman has made submissions, recommendations or other contributions during the period

The Office participated in a variety of public inquiries and consultation processes involving a wide range of policy topics relevant to small businesses and family enterprises. Over the reporting period the Office made 50 submissions covering commented on various regulatory proposals impacting on Australian small businesses and family enterprises, including:

- Competition law and consumer protection issues
- Government procurement and contracting
- Access to justice issues
- Immigration and visa related issues
- Banking and financial services
- Franchising
- Telecommunications and broadband issues
- Transport industry
- Wine industry
- Dairy industry
- Taxation, tax incentives, tax avoidance issues and operation of the tax system
- Superannuation
- Industrial awards, workplace relations issues and penalty rates
- Education and child care
- Intellectual property
- Racial discrimination
- Money laundering and counter terrorism financing
- Privacy issues.

The number of proposals in relation to relevant legislation, policies and practices that the Ombudsman has reviewed during the period

Over the reporting period, the Office was not approached to formally review proposals in relation to relevant legislation, policies and practices. The Office participated in public consultations on legislation, policies and practices and made 50 submissions.

The kinds of action taken to promote best practice during the period

The introduction of unfair contracts legislation in November 2016 led the Ombudsman to write to Government departments promoting Government as a model business regarding terms which could be considered unfair in Government contracts.

The Ombudsman promoted prompt payment practices to companies in their dealing with small business and family enterprise.

In the report into the Road Safety Remuneration Tribunal's Payment Order, the Ombudsman made a number of findings and recommendations on the ways in which the Government can consult with small businesses in the development and operation of tribunals and other similar bodies.

The Office of the Ombudsman also contributed to the development of the Dairy Code of Practice that applies to the contractual relationship between dairy farmers and processors.

The number of visits to the Ombudsman's website during the period

Over the reporting period 1 July 2016 to 30 June 2017 there were 68,215 visits to our website www.asbfeo.gov.au.

Assistance

The number of requests for assistance made to the Ombudsman

There were 1498 requests for assistance made to the Office.

The number of requests for assistance that resulted in one of the following for the period, broken down for each of the following:

(i) a formal request for assistance;

(ii) a recommendation by the Ombudsman that parties to a dispute take part in an alternative dispute resolution process;

(iii) the resolution of a dispute; and

(iv) the resolution of a dispute through an alternative dispute resolution process recommended by the Ombudsman.

All the 1498 requests for assistance made to the Office were formal in accordance with the Act. Of those requests, the Ombudsman recommended 17 parties to a dispute undertake an alternative dispute resolution process.

Table 14: Resolution of disputes

Resolution	Count	Percentage of Total
Referred to state/local government agency, tribunal, etc.	415	28%
Referred to state Small Business Commissioners	303	20%
Referred to National Agency (either Commonwealth Government agency or authorised national industry dispute resolution body)	219	15%
Resolved by ASBFEO	267	18%
Information provided or referred to provider of professional advice	199	13%
Case in progress with ASBFEO	78	5%
Referred to mediation	17	1%
TOTAL	**1498**	**100%**

Four (4) of the 17 mediations referred by ASBFEO during the period have not taken place yet as they are in the process of being organised.

Four (4) matters referred to mediation were not mediated. One (1) of these matters was resolved by the parties prior to mediation. Nine (9) mediations have gone ahead. Four (4) of these mediations were successful and an agreement was reached. Four (4) of these mediations did not reach agreement at mediation. One (1) mediation's outcome is pending.

The number and kind of requests for assistance transferred to other agencies of the Commonwealth during the period

Of the 1498 requests received by the Office, 219 requests were transferred to other agencies of the Commonwealth. This also includes some requests which were transferred to industry bodies and tribunals like the Financial Ombudsman Service and the Telecommunications Industry Ombudsman.

The number and kind of requests for assistance transferred to agencies of the States and Territories during the period

The Office works closely with State and Territory agencies including the State Small Business Commissioners in New South Wales, Victoria, South Australia and Western Australia. Of the requests for assistance received, 718 were transferred to State and Territory agencies.

The number and kind of requests for assistance that the Ombudsman resolved cooperatively with other agencies of the Commonwealth, the States and the Territories during the period

The Ombudsman did not enter into any formal co-operative arrangements as outlined in Section 70 of the Act during the reporting period.

The number and kind of requests for assistance in relation to which the Ombudsman recommended an alternative dispute resolution process

The 17 requests for assistance which the Ombudsman recommended an alternative dispute resolution process can be categorised as:

- 5 franchise disputes;
- 3 banking disputes;
- 3 payment disputes;
- 2 commercial/retail lease disputes;
- 2 contract disputes;
- 1 government dispute; and
- 1 supply of goods dispute.

Disability reporting

Since 1994, non-corporate Commonwealth entities have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's State of the Service reports and the APS Statistical Bulletin. These reports are available at **www.apsc.gov.au**. From 2010-11, entities have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level, two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these progress reports was published in 2014, and can be found at **www.dss.gov.au**.

Resource tables

Table 15: Resourcing for Outcome 1

Outcome 1: Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to Government and the efficient administration of federal financial relations

	Budget 2016-17 $'000	Actual expenses 2016-17 $'000	Variation 2016-17 $'000
	(a)	(b)	(a - b)
Program 1.1: Department of the Treasury			
Departmental expenses			
Departmental appropriations[1]	182,479	176,609	5,870
Special account	220		220
Expenses not requiring appropriation	9,441	14,750	(5,309)
Administered expenses			
Ordinary annual services (Appropriation Bill No. 1)	12,350	8,910	3,440
Special appropriation: *PGPA Act 2013*-s77 repayments	1,000	2	998
Total for Program 1.1	205,490	200,271	5,219
Program 1.2: Payments to International Financial Institutions			
Administered expenses			
Ordinary annual services (Appropriation Bill No. 1)	17,500	17,500	-
Special appropriations	14,034	15,252	(1,218)
Expenses not requiring appropriation	-	211,174	(211,174)
Total for Program 1.2	31,534	243,926	(212,392)
Program 1.3: Support for Markets and Business			
Administered expenses			
Ordinary annual services (Appropriation Bill No. 1)	14,889	13,801	1,088
Total for Program 1.3	14,889	13,801	1,088
Program 1.4: General Revenue Assistance			
Administered expenses			
Special appropriations	59,240,000	59,871,018	(631,018)
Special accounts	736,138	708,795	27,343
Total for Program 1.4	59,976,138	60,579,813	(603,675)
Program 1.5: Assistance to the States for Healthcare Services			
Administered expenses			
Special appropriations	18,459,771	18,638,092	(178,321)
Total for Program 1.5	18,459,771	18,638,092	(178,321)

	Budget 2016-17 $'000	Actual expenses 2016-17 $'000	Variation 2016-17 $'000
	(a)	(b)	(a - b)
Program 1.6: Assistance to the States for Skills and Workforce Development			
Administered expenses			
Special appropriations	1,476,079	1,476,079	-
Total for Program 1.6	1,476,079	1,476,079	-
Program 1.7: Assistance to the States for Disability Services			
Administered expenses			
Special appropriations	1,490,390	1,490,390	-
Total for Program 1.7	1,490,390	1,490,390	-
Program 1.8: Assistance to the States for Affordable Housing			
Administered expenses			
Special appropriations	1,342,589	1,342,589	-
Total for Program 1.8	1,342,589	1,342,589	-
Program 1.9: National Partnership Payments to the States			
Administered expenses			
Special accounts	11,636,612	10,700,105	936,507
Total for Program 1.9	11,636,612	10,700,105	936,507
Outcome 1 Totals by appropriation type			
Administered expenses			
Ordinary annual services	44,739	40,211	4,528
Special appropriations	82,023,863	82,833,422	(809,559)
Special accounts	12,372,750	11,408,900	963,850
Expenses not requiring appropriation	-	211,174	(211,174)
Departmental expenses			
Departmental appropriations[5]	182,479	176,609	5,870
Special account	220	-	220
Expenses not requiring appropriation	9,441	14,750	(5,309)
Total expenses for Outcome 1	94,633,492	94,685,066	(51,574)

	2016-17	2015-16
Average staffing level (number)	796	810

5. Departmental Appropriation combines Ordinary annual services (Supply Bill No. 1, Appropriation Bill No. 1 and No. 3) and Revenue from

List of requirements

Description	Requirement	Page/s
Letter of transmittal		
A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory	iii
Aids to access		
Table of contents.	Mandatory	v
Alphabetical index.	Mandatory	157
Glossary of abbreviations and acronyms.	Mandatory	153
List of requirements.	Mandatory	148
Details of contact officer.	Mandatory	ix
Entity's website address.	Mandatory	ix
Electronic address of report.	Mandatory	ix
Review by accountable authority		
A review by the accountable authority of the entity.	Mandatory	3-4
Overview of the entity		
A description of the role and functions of the entity.	Mandatory	5-10
A description of the organisational structure of the entity.	Mandatory	5-10
A description of the outcomes and programmes administered by the entity.	Mandatory	5-10
A description of the purposes of the entity as included in corporate plan.	Mandatory	5-10
An outline of the structure of the portfolio of the entity.	Portfolio departments — mandatory	5-10
Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory	n/a
Report on the Performance of the entity		
Annual performance Statements		
Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	11
Report on Financial Performance		
A discussion and analysis of the entity's financial performance.	Mandatory	8
A table summarising the total resources and total payments of the entity.	Mandatory	146

Description	Requirement	Page/s
If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.	n/a
Management and Accountability		
Corporate Governance		
Information on compliance with section 10 (fraud systems)	Mandatory	39-41
A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	39-41
A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory	39-41
A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	39-41
An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	39-41
A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory	39-41
External Scrutiny		
Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	42
Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory	42
Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory	42
Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory	42
Management of Human Resources		
An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	43-49

Description	Requirement	Page/s
Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: • Statistics on staffing classification level; • Statistics on full-time employees; • Statistics on part-time employees; • Statistics on gender; • Statistics on staff location; • Statistics on employees who identify as Indigenous.	Mandatory	43-49
Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the *Public Service Act 1999*.	Mandatory	43-49
Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AD(4)(c).	Mandatory	43-49
The salary ranges available for APS employees by classification level.	Mandatory	43-49
A description of non-salary benefits provided to employees.	Mandatory	43-49
Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory	43-49
Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory	43-49
Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory	43-49
Information on aggregate amount of performance payments.	If applicable, Mandatory	43-49
Assets Management		
An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory	50
Purchasing		
An assessment of entity performance against the *Commonwealth Procurement Rules*.	Mandatory	51
Consultants		
A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory	52

Description	Requirement	Page/s
A statement that "*During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of $[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of $[specified million]*".	Mandatory	52
A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory	52
A statement that "*Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.*"	Mandatory	52
Australian National Audit Office Access Clauses		
If an entity entered into a contract with a value of more than $100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory	51
Exempt contracts		
If an entity entered into a contract or there is a standing offer with a value greater than $10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory	51
Small business		
A statement that "*[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website.*"	Mandatory	51
An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	51
If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that "*[Name of entity] recognises t he importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website.*"	If applicable, Mandatory	51

Description	Requirement	Page/s
Financial Statements		
Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	53-120
Other Mandatory Information		
Advertising Campaigns		
If the entity conducted advertising campaigns, a statement that *"During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website."*	If applicable, Mandatory	125-126
If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory	125-126
Grants		
A statement that *"Information on grants awarded to [name of entity] during [reporting period] is available at [address of entity's website]."*	If applicable, Mandatory	130
Disability Reporting		
Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	145
Information Publication Scheme		
Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	131
Corrections		
Correction of material errors in previous annual report	If applicable, mandatory	n/a
Other information		
Information required by other legislation	Mandatory	127-128 132-140 141-144

Abbreviations and acronyms

AASB	Office of the Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACL	Australian Consumer Law
ADB	Asian Development Bank
ADI	Authorised Deposit-taking Institutions
AIIB	Asian Infrastructure Investment Bank
ANAO	Australian National Audit Office
AOFM	Australian Office of Financial Management
APCA	Australian Payments Clearing Association
APEC	Asia Pacific Economic Cooperation
APRA	Australian Prudential Regulation Authority
APS	Australian Public Service
APSC	Australian Public Service Commission
ARPC	Australian Reinsurance Pool Corporation
ASBFEO	Australian Small Business and Family Enterprise Ombudsman
ASIC	Australian Securities and Investments Commission
ASL	Average staffing level
ASX	Australian Securities Exchange Limited
ATO	Australian Taxation Office
AUASB	Office of the Auditing and Assurance Standards Board
CAF	Legislative and Governance Forum on Consumer Affairs
CCA	*Competition and Consumer Act 2010*
CFR	Council of Financial Regulators
CGC	Commonwealth Grants Commission
COAG	Council of Australian Governments
CPRs	Commonwealth Procurement Rules
CSEF	Crowd-sourced equity funding
DFAT	Department of Foreign Affairs and Trade
EL	Executive level
FOI Act	*Freedom of Information Act 1982*
FIMS2	Foreign Investment Management System Version 2
FRC	Financial Reporting Council
FSB	Financial Stability Board
FTE	Full time equivalent
FTP	Financial Transaction Plan

GDP	Gross domestic product
GIH	Global Infrastructure Hub
GST	Goods and services tax
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IFC	International Finance Corporation
IFIs	International Financial Institutions
IGT	Inspector-General Taxation
ILS	Integrated Leadership System
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IPS	Information Publication Scheme
IWC	Inclusive Workplace Committee
MIGA	Multilateral Investment Guarantee Agency
MOPAN	Multilateral Organisation Performance Assessment Network
MYEFO	MidYear Economic and Fiscal Outlook
NCC	National Competition Council
NDRC	National Development and Reform Commission
NAB	New Arrangements to Borrow
NIIS	National Injury Insurance Scheme
OECD	Organisation for Economic Cooperation and Development
OTC	Over the counter
PBS	Portfolio Budget Statements
PBO	Parliamentary Budget Office
PC	Productivity Commission
PHIAC	Private Health Insurance Administration Council
PGPA Act	*Public Governance, Performance and Accountability Act 2013*
RBA	Reserve Bank of Australia
RIS	Regulation Impact Statement
RAM	Royal Australian Mint
SDR	Special Drawing Rights
SES	Senior Executive Service
SMEs	Small and Medium Enterprises
SPP	Specific Purpose Payment
TES	Tax Expenditure Statement

Glossary

Activities	The actions/functions performed by agencies to deliver Government policies.
Administered item	Items that are usually managed by an entity on behalf of the Government. Entities do not have control over these items, which are normally related to activities governed by eligibility rules and conditions established by legislation (for example, grants, subsidies and benefit payments).
Appropriation	Public monies the parliament authorises the Australian Government to withdraw from the Consolidated Revenue Fund for a specified purpose.
APS employee	A person engaged under section 22, or a person who is engaged as an APS employee under section 72, of the Public Service Act 1999.
Clear read principle	Under the Outcomes arrangements, there is an essential clear link between the Appropriation Bills, the Portfolio Budget Statements (PBS), the Portfolio Additional Estimates Statements, and annual reports of agencies. Information should be consistent across these and other budget documents, and, where possible, duplication of reporting within the PBS should be avoided. This is called the clear read between the different documents. Under this principle, the planned performance in PBS is to be provided on the same basis as actual performance in the annual reports covering the same period, to permit a clear read across planning and actual performance reporting documents. Agencies should take this into account in designing their performance reporting arrangements.
Consolidated Revenue Fund (CRF)	Consists of all revenues and moneys raised or received by the executive government of the Commonwealth. The fund is self-executing in nature, which means that all money received by the Commonwealth automatically forms part of the fund.
Contractor	A person engaged by an agency, usually on a temporary basis. Treated as an employee of the agency for the purposes of program performance reporting.
Corporate governance	The process by which agencies are directed and controlled. It is generally understood to encompass authority, accountability, stewardship, leadership, direction and control.
Departmental item	Departmental items are usually appropriations managed by an entity, and over which the entity has control. That is, the entity's accountable authority has discretion in delivering the activities and/or allocating resources. Typically, these items include the day-to-day operations and program support activities of an entity.
Financial results	The results shown in the financial statements of an agency.
Grant	An arrangement for the provision of financial assistance by the Commonwealth or on behalf of the Commonwealth: under which relevant money or other CRF money is to be paid to a recipient other than the Commonwealth which is intended to assist the recipient achieve its goals which is intended to help to address one or more of the government's policy objectives and under which the recipient may be required to act in accordance with specified terms or conditions.
Materiality	Takes into account the planned outcome and the relative significance of the resources consumed in contributing to the achievement of that outcome.

Mid-Year Economic and Fiscal Outlook (MYEFO)	The MYEFO provides an update of the Government's budget estimates by examining expenses and revenues in the year to date, as well as provisions for new decisions that have been taken since the Budget. The report provides updated information to allow the assessment of the Government's fiscal performance against the fiscal strategy set out in its current fiscal strategy statement.
Nonongoing APS employee	A person engaged as an APS employee under subsection 22(2)(a) of the Public Service Act 1999.
Official Public Account (OPA)	The Commonwealth's central bank account. The OPA is one of a group of linked bank accounts, referred to as the Official Public Account Group of Accounts. OPAs are maintained with the Reserve Bank of Australia.
Ongoing APS employee	A person engaged as an ongoing APS employee under section 22(2)(a) of the Public Service Act 1999.
Operations	Functions, services and processes performed in pursuing the objectives or discharging the functions of an agency.
Outcomes	The results, impacts or consequences of a purpose or activity, as defined in the annual Appropriation Acts and the portfolio budget statements, by a Commonwealth entity and company.
Performance information	Evidence about performance that is collected and used systematically, which may relate to appropriateness, effectiveness and efficiency and the extent to which an outcome can be attributed to an intervention. While performance information may be quantitative (numerical) or qualitative (descriptive), it should be verifiable.
Portfolio Budget Statements (PBS)	The PBS inform parliamentarians and the public of the proposed allocation of resources to Government outcomes. They also assist the Senate standing committees with their examination of the government's Budget. PBS are tabled in Parliament on Budget night and published as budget-related papers.
Programs	Commonwealth programs deliver benefits, services or transfer payments to individuals, organisations or the community as a whole, and/or policy advice to inform government decisions. A program is comprised of activities or groups of activities, as defined in the annual Appropriation Acts and portfolio budget statements, by Commonwealth entity and company.
Public Governance, Performance and Accountability Act 2013 (PGPA Act)	The Public Governance, Performance and Accountability Act 2013 replaced the Financial Management and Accountability Act 1997 and the Commonwealth Authorities and Companies Act 1997 on 1 July 2014. As the primary piece of Commonwealth resource management legislation, the PGPA Act establishes a coherent system of governance and accountability for public resources, with an emphasis on planning, performance and reporting. The PGPA Act applies to all Commonwealth entities and Commonwealth companies. A list of Commonwealth entities and companies can be found at: http://www.finance.gov.au/sites/default/files/pgpa_flipchart.pdf?v=2
Public service care agency	A public service care agency is defined in section 4 of the Carer Recognition Act 2010 to mean an agency as defined in the Public Service Act 1999 that is responsible for the development, implementation, provision or evaluation of policies, programs or services directed to carers or the persons for whom they care.
Senate Estimates Hearings	Senate Standing Committees hold hearings to scrutinise the appropriation bills and any explanatory documentation tabled to accompany them. Public servants are called as witnesses to hearings.
Specific Purpose Payments (SPP)	Commonwealth payments to the States for specific purposes in order to pursue important national policy objectives in areas that may be administered by the States.

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