



Australian Government
The Treasury

TSY/AU



Treasury Annual Report 2018-19

Treasury
Annual Report
2018-19

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Australian Government

The Treasury

18 September 2019

The Hon Josh Frydenberg MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

TREASURY ANNUAL REPORT 2018-19

I present the annual report of the Treasury for the year ended 30 June 2019.

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 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 21 October 2019.

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

In addition, as required under the *Public Governance, Performance and Accountability Rule 2014*, I certify that I am satisfied that the Treasury has in place appropriate fraud prevention, detection, investigation and reporting mechanisms that meet the Treasury's needs, including fraud risk assessments and fraud control plans, and that the Treasury has taken all reasonable measures to appropriately deal with fraud.

Yours sincerely

A handwritten signature in black ink, appearing to read 'SK', with a long, sweeping underline that extends downwards and to the right.

Dr Steven Kennedy PSM
Secretary to the Treasury

cc The Hon Alan Tudge MP, Minister for Population, Cities and Urban Infrastructure
The Hon Michael Sukkar MP, Assistant Treasurer and Minister for Housing
Senator the Hon Jane Hume, Assistant Minister for Superannuation, Financial Services and Financial Technology
Senator the Hon Zed Seselja, Assistant Minister for Finance, Charities and Electoral Matters

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Introduction and guide to the report

The Treasury Annual Report 2018-19 outlines performance against outcomes, program and performance information contained in the Portfolio Budget Statements 2018-19, Portfolio Additional Estimates Statements 2018-19 and Corporate Plan 2018-19.

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.

Part 01 details Treasury's role, functions, senior management structure, organisational structure and portfolio structure.

Part 02 provides an analysis of performance against Treasury's policy and program outcomes.

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

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

Part 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

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

Contact details

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PARKES ACT 2600

Email: media@treasury.gov.au



Part 01

Overview





Secretary's review

It has been a productive year for Treasury. This report highlights our work in supporting and implementing policies for the good of the Australian people, consistent with achieving strong, sustainable economic growth and fiscal outcomes.

An early focus in the year was briefing a new Treasurer and portfolio ministers in August 2018. In conjunction with the Department of Finance, we also prepared the *Mid-Year Economic and Fiscal Outlook* which was released in December.

During 2018, we provided information papers and submissions to the financial services Royal Commission on several key issues including consumer lending, small business lending, financial advice, insurance, effectiveness of the regulatory framework and superannuation. We also assisted the Government prepare its response to the Royal Commission in February, within a week of receiving the Commissioner's report.

Treasury's attention on population issues intensified in 2019. We supported the production of the Government's paper — *Planning for Australia's Future Population* — released in March following the first Treasurers' Forum on Population in February. The department has established the Centre for Population which will, for the first time, provide a single focal point for all government work on population, including interaction with the states.

In another highlight, Treasury advised and supported the Government through the passage of significant superannuation legislation especially with regard to member protections. This included the *Protecting Your Superannuation Package Act* in March and the *Improving Accountability and Member Outcomes in Superannuation Measures No. 1 Act* in April 2019.

This reporting year, the Treasurer delivered the 2019-20 Budget on 2 April — five weeks earlier than usual. I pay tribute to the dedicated Treasury staff who ensured a smooth Budget production process and delivered a polished outcome notwithstanding the accelerated timetable.

Treasury and the Australian Taxation Office also contributed extensive advice on the Budget's personal tax measures. The measures incorporate an initial targeted focus on low and middle income earners together with longer term measures to lessen the income tax burden.

Later in the year, Treasury worked again with the Department of Finance to publish a *Pre-election Economic and Fiscal Outlook*, as required by the *Charter of Budget Honesty Act 1998*.

After the Federal Election in May 2019, we provided the Treasurer and ministers with the Incoming Government Brief — another document that requires input from across the department.



Philip Gaetjens
Secretary

Throughout the year the department progressed work on the Consumer Data Right (CDR). The CDR was developed in 2017-18 to benefit the Australian consumer in getting better deals and while legislation was not passed prior to the election it was again presented to the Parliament and was passed in August 2019.

The foundation for Treasury's contributions to the public policy measures outlined in this report relies on the dedication and capability of our people. It is essential that we continue to support our staff and that was a key focus during the past 12 months.

Fundamental to this was the finalisation of our *Enterprise Agreement 2018-21* which staff overwhelmingly endorsed in August 2018. This agreement reaffirmed Treasury's commitment to investing in the professional growth and development of its employees.

In May, we launched Treasury's 2019-2021 Innovate Reconciliation Action Plan (RAP). The RAP committee worked over many months to refine and finalise the plan in consultation with Reconciliation Australia.

More recently, I was delighted to launch Treasury's first Inclusion and Diversity Strategy 2019-21. This strategy rests on five pillars of diversity and articulates a vision of a supportive and discrimination free environment for all staff.

The year also saw Treasury continue to contribute to important public debate via the Treasury Research Institute. We published papers in the key areas of productivity, revenue costing and nowcasting Australia's GDP, publicising research done by Sir Roland Wilson scholars and other Treasury staff.

Since joining Treasury as Secretary in August 2018, I have led a highly-engaged and motivated organisation, as evidenced by its 2018 APS Employee Census results. It was a privilege to undertake this role and with our 2019 census results showing further consolidation and improvement, I take great pride in handing over the leadership mantle to Dr Steven Kennedy.



Philip Gaetjens
Secretary to the Treasury
August 2018 – August 2019

Departmental overview

Treasury is the Government's pre-eminent economic adviser.

As a relatively small department with broad responsibilities, Treasury takes enormous pride in our role in providing advice to the Government to support the effective management of the Australian economy.

The Treasury Portfolio Budget Statements 2018-19 outcome is:

Supporting and implementing informed decisions on policies for the good of the Australian people, including achieving strong sustainable economic growth, through the provision of advice to Treasury Ministers and the efficient administration of Treasury's functions.

Under the Treasury Corporate Plan 2018-19, we achieve our purpose and our outcome by providing advice, analysis and legislation to the Government that aims to support the effective management of the Australian economy by:

- Promoting a sound macroeconomic environment.
- Promoting effective government spending arrangements that contribute to overall fiscal outcomes and influence strong, sustainable economic growth.
- Developing effective taxation and retirement income arrangements consistent with the Government's policy priorities.
- Developing well-functioning markets that encourage consumer and investor confidence.
- Supporting effective and sustainable structural reform.

Figure 1: Treasury Group senior management as at 30 June 2019

| | | | | | | | | | |
|--|--|--------------------------|------------------------|-----------------------|-------------------------------|-------------------------|-------------------|----------------------|-------------------------------|
| SECRETARY: PHILIP GAETJENS | | | | | | | | | |
|  FISCAL GROUP | <p>Deputy Secretary: Vicki Wilkinson A/g</p> <p>Budget Policy Division — Division Head: Jonathan Rollings Commonwealth-State Relations Division — Division Head: Kate Phipps Retirement Income Policy Division — Division Head: Robert Jeremenko Social Policy Division — Division Head: Joanne Evans A/g Structural Reform Division — Division Head: Hamish McDonald</p> | | | | | | | | |
|  MACROECONOMIC GROUP | <p>Deputy Secretary: Meghan Quinn</p> <p>Macroeconomic Conditions Division — Division Head: Angelia Grant Macroeconomic Modelling and Policy Division — Division Head: Ian Beckett A/g International Policy and Engagement Division — Division Head: Lisa Elliston</p> <p>Overseas operations</p> <table border="0"> <tr> <td>Beijing: Rachel Thompson</td> <td>New Delhi: Ashley Bell</td> </tr> <tr> <td>Indonesia: Bede Moore</td> <td>OECD (Paris): Brendan McKenna</td> </tr> <tr> <td>Jakarta: Katherine Tuck</td> <td>Tokyo: David Lowe</td> </tr> <tr> <td>London: Emily Martin</td> <td>Washington DC: Marty Robinson</td> </tr> </table> | Beijing: Rachel Thompson | New Delhi: Ashley Bell | Indonesia: Bede Moore | OECD (Paris): Brendan McKenna | Jakarta: Katherine Tuck | Tokyo: David Lowe | London: Emily Martin | Washington DC: Marty Robinson |
| Beijing: Rachel Thompson | New Delhi: Ashley Bell | | | | | | | | |
| Indonesia: Bede Moore | OECD (Paris): Brendan McKenna | | | | | | | | |
| Jakarta: Katherine Tuck | Tokyo: David Lowe | | | | | | | | |
| London: Emily Martin | Washington DC: Marty Robinson | | | | | | | | |
|  MARKETS GROUP | <p>Deputy Secretary: Paul Verschuer</p> <p>Australian Government Actuary — Manager: Guy Thorburn Consumer and Corporations Policy Division — Division Head: Christine Barron Financial Services Reform Taskforce Division — Division Head: James Kelly Financial System Division — Division Head: Russell Campbell A/g Foreign Investment Division — Division Head: Roger Brake Takeovers Panel — Director: Allan Bulman</p> | | | | | | | | |
|  REVENUE GROUP | <p>Deputy Secretary: Maryanne Mrakovcic</p> <p>Black Economy Division — Division Head: Patrick Boneham Board of Taxation Secretariat — Chief Executive Officer: Lynn Kelly Corporate and International Tax Division — Division Head: Paul McCullough Individuals and Indirect Tax Division — Division Head: Marisa Purvis-Smith Law Design Office — Division Head: Simon Writer Tax Analysis Division — Division Head: Matthew Brine Tax Framework Division — Division Head: Graeme Davis A/g</p> | | | | | | | | |
|  CORPORATE SERVICES AND BUSINESS STRATEGY GROUP | <p>Deputy Secretary: Matt Flavel</p> <p>Chief Financial Officer Division — Division Head: Robert Twomey Communications and Parliamentary Division — Division Head: Shannon Kenna Information Services Division — Division Head: Mike Webb People and Organisational Strategy Division — Division Head: Cristy England A/g</p> <p>Sydney Office — Head: Tim Baird Melbourne Office — Head: Michelle Dowdell Perth Office — Head: Chris Stavrianou</p> | | | | | | | | |

Figure 2: Treasury outcome and program structure

Outcome 1: Supporting and implementing informed decisions on policies for the good of the Australian people, including for achieving strong, sustainable economic growth, through the provision of advice to Treasury Ministers and the efficient administration of Treasury's functions.

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: Assistance to the States for Affordable Housing

Program 1.9: National Partnership Payments to the States



Part 02

Report on performance

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Annual performance statements 2018-19

Statement of preparation

I, as the Accountable Authority of the Department of the Treasury, present the annual performance statements 2018-19 as required under s39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In my opinion, the annual performance statements are based on properly maintained records, accurately reflects the performance of Treasury and complies with s39(2) of the PGPA Act.



Dr Steven Kennedy PSM
Secretary to the Treasury
12 September 2019

Treasury's purpose

Treasury's purpose is to support and implement informed decisions on policies for the good of the Australian people, consistent with achieving strong, sustainable economic growth and fiscal settings, as set out in the Corporate Plan 2018-19.

Treasury's purpose statement in the Portfolio Budget Statements 2018-19 (PBS) was consistent with Treasury's outcome statement — Supporting and implementing informed decisions on policies for the good of the Australian people, including for achieving strong, sustainable economic growth, through the provision of advice to Treasury ministers and the efficient administration of Treasury's functions. The purpose statement was refined in the Corporate Plan 2018-19.

As set out in the Corporate Plan 2018-19, Treasury pursues its purpose through four broad objectives:

- Promoting fiscal sustainability
- Increasing productivity
- Securing the benefits of global economic integration
- Efficient administration of Treasury portfolio functions.

To enable a clear read between the PBS and the Corporate Plan, the annual performance statements include an analysis against each of the four objectives set out in the Corporate Plan 2018-19.

Analysis of performance and results against objectives

Analysis of performance against purpose under the objective of promoting fiscal sustainability

In 2018-19, Treasury assisted the Government in implementing its fiscal strategy by managing budget processes, advising on the overall budget strategy and priorities, and delivering tax and superannuation policy and legislative reform.

As well as preparing the 2019-20 Budget five weeks earlier than usual, we continued to release reports throughout the year on the economic and fiscal outlook, as required by the *Charter of Budget Honesty Act 1998* (the Charter), including the Pre-election Economic and Fiscal Outlook 2019.

We advised the Government on economic and social policies relating to education, employment, immigration, population, families, health, ageing, disability, Indigenous and justice issues, defence and national security, transport, infrastructure, industry, environment, energy and resources, agriculture, communications, competition and regional matters. This advice informed the Government's decisions on the economic and social policy reforms announced in the 2019-20 Budget.

We also provided advice and analysis on Australia's tax and superannuation systems, and delivered an extensive legislative program in 2018-19. Key changes over the year included measures to maintain and improve the integrity of the tax system, protect individuals' retirement savings, enhance the capabilities of the Australian Securities and Investments Commission (ASIC), and strengthen penalties for non-compliance by the financial and corporate sectors. More broadly, we prepared a total of 32 bills that were introduced into Parliament, containing 47 measures, despite shortened sitting periods in 2018-19 as a result of the May 2019 federal election.

Lastly, we also made financial support payments to the states and territories in accordance with the Intergovernmental Agreement on Federal Financial Relations. Our work in this area forms part of the coordinated action to address Australia's economic and social challenges.

Results against objective of promoting fiscal sustainability

Performance criteria Coordinate the preparation of the Australian Government Budget.
All Budget documentation required by the *Charter of Budget Honesty Act 1998* (the Charter) is delivered.

- Target**
- The Treasury complies with the requirements of the Charter.
 - Documents required under the Charter are delivered as they fall due.

Source PBS Program 1.1
Corporate Plan 2018-19

Results Criteria met.
In 2018-19, the following Australian Government budget documents were prepared and released in accordance with the Charter:

- 2017-18 Final Budget Outcome was released on 18 September 2018.
- 2018-19 Mid-Year Economic and Fiscal Outlook, including the Government's fiscal strategy statement, was released on 17 December 2018.
- 2019-20 Budget was released on 2 April 2019.
- 2019 Pre-election Economic and Fiscal Outlook was released on 17 April 2019.

All documents are available at www.budget.gov.au.

Performance criteria Payments to states and territories
Payments to state and territory governments are timely, and meet the requirements of the Intergovernmental Agreement on Federal Financial Relations (IGAFFR).

- Target**
- Payments made and reporting provided in accordance with the IGAFFR and other relevant agreements between the Commonwealth and the states and territories. Agreements can be viewed at www.federalfinancialrelations.gov.au.
 - 100 per cent of payments are made in accordance with the IGAFFR and its related schedules.
 - Relevant estimates are updated accurately and in a timely fashion.
 - Meetings of the Council on Federal Financial Relations are held at least biannually.

Source PBS Programs 1.4-1.9
Corporate Plan 2018-19

Results Criteria met.
All payments, as required, were made in accordance with the IGAFFR and other agreements between the Commonwealth and the states and territories. As required by the IGAFFR, Treasury provided advice to the states on the components of each payment before it was made. Current and past agreements are available on the Federal Financial Relations website.
Treasury updated state payment estimates for the 2018-19 Mid-Year Economic and Fiscal Outlook and the 2019-20 Budget.
In 2018-19, the Council on Federal Financial Relations met twice.

| | |
|-----------------------------|--|
| Performance criteria | Coordination of the Treasury's legislative program. Management, development and delivery of the legislative program in accordance with the relevant legislative requirements and guidance, including timeframes. |
| Target | <ul style="list-style-type: none"> • All bills, regulations and supporting documents are produced in accordance with regulatory requirements. • The legislation program is delivered in accordance with government expectations, including timeframes. • Ensuring the legislative program is delivered within the required timeframes and the quality of legislation implemented meets a satisfactory standard, allowing for unforeseeable events. |
| Source | PBS Program 1.1 Corporate Plan 2018-19 |
| Results | <p>Criteria met.</p> <p>In 2018-19, Treasury supported the Government in delivering its legislative program in accordance with the relevant requirements and guidance, including providing legislative and policy advice on bills already introduced into Parliament or yet to be introduced.</p> <p>This program included the introduction of 32 bills, containing 47 measures, and the progression of 16 parliamentary amendments for the 45th Parliament. Thirty six regulations containing 39 measures were made at Federal Executive Council meetings and an additional 32 non-tied instruments were made.</p> <p>The bills introduced into the Parliament included:</p> <ul style="list-style-type: none"> • <i>Treasury Laws Amendment (North Queensland Flood Recovery) Bill 2019</i> — tax exemptions for primary producers and grants relating to the 2019 floods in far north Queensland and special appropriation for the Commonwealth flood assistance loan scheme. • <i>Treasury Laws Amendment (Increasing the Instant Asset Write-Off for Small Business Entities) Bill 2019</i> — <i>Backing Small Business Investment</i> — further extending and increasing the instant asset write-off. • <i>Treasury Laws Amendment (Making Sure Foreign Investors Pay Their Fair Share of Tax in Australia and Other Measures) Bill 2018</i> — implements measures to protect Australian tax integrity by tightening the rules on stapled structures. • <i>Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Bill 2018</i> — reforms GST payments to the states and territories by providing a fairer and more sustainable way of distributing GST. • <i>Treasury Laws Amendment (Strengthening Corporate and Financial Sector Penalties) Bill 2018</i> — strengthens enforcement and recovery options to deter behaviours that seek to prevent, avoid or significantly reduce the recovery of employment entitlements in insolvency. • <i>Treasury Laws Amendment (Australian Consumer Law Review) Bill 2018</i> — clarifies and strengthens consumer protections relating to consumer guarantees, unsolicited consumer agreements, product safety, false billing, unconscionable conduct, and pricing and unfair contract terms. • <i>Treasury Laws Amendment (Gift Cards) Bill 2018</i> — minimum expiry date for gift cards. <p>The timing of the 2019 federal election significantly shortened the 2019 autumn and winter sitting periods which limited the number of bills that were introduced, debated and passed.</p> |

Case study

On 9 May 2018, the Government committed to implementing the Consumer Data Right in line with the recommendation of the Review into Open Banking in Australia. The Consumer Data Right gives Australians greater control over their data, empowering customers to choose to share their data with trusted recipients for the purposes that they have authorised. It is unique in that it will support an economy wide data transfer system — initially starting in the banking sector, but ultimately being rolled out economy wide on a sector by sector basis.

As well as leading the policy development and supporting work on data standards, Treasury's key role was supporting the Government to deliver the underpinning legislation.

Providing opportunities for meaningful consultation with Australian Government entities, stakeholders and the broader community was also important to deliver a quality and workable legislative product. As well as seeking written submissions, we held roundtable discussions in Sydney and Melbourne. Our consultation led us to tighten privacy safeguards in subsequent drafts of the legislation.

The introduction of legislation into Parliament, to implement the Consumer Data Right, demonstrates Treasury's ability to coordinate resources and engage productively with Australian Government entities and stakeholders to deliver quality legislation in line with ministers' expectations.

Performance criteria Ongoing development of Treasury's revenue modelling and forecasting capability, including revenue forecasting tools and methods.

Target • Revenue outcomes are consistent with forecasts, allowing for unforeseeable events.

Source Corporate Plan 2018-19

Results Criteria met.

Treasury undertakes an analysis of our revenue modelling and forecasting over previous years and publishes the outcomes of this comparison in the Budget for the following year.

As outlined in the 2019-20 Budget, total taxation receipts were expected to grow by 7.4 per cent in 2018-19, compared to estimated growth of 5.8 per cent in the 2018-19 Budget.

The largest contributors to the revision to our forecasts were total individual and other withholding taxes, which were higher than expected at the 2018-19 Budget, driven by stronger capital gains and other income; and company tax which was revised upward, primarily driven by higher than expected mining profitability related to high commodity prices.

We continue to invest in modelling capability and model development to ensure it is robust and fit-for-purpose. This includes refinement of medium term projections methodology as shown by our Budget comparisons.

We also made efforts in 2018-19 to continue to build our modelling capability, including specialist recruitment for in house development capability, as well as engagement with academics and experts.

Analysis of performance against purpose under the objective of increasing productivity

In 2018-19, Treasury continued work on a range of initiatives to analyse and enhance productivity and ensure well functioning markets, including providing advice to the Government on available fiscal and regulatory instruments, including foreign investment, as well as analysing the economic outlook and undertaking macroeconomic modelling.

Productivity growth remains critical to improving economic growth and living standards in Australia, with higher productivity increasing national income.

In 2018-19, we continued to provide economic forecasts and projections following the release of the National Accounts, as well as updates on economic conditions, as data became available. We strengthened our modelling capability in the development of two key models, supporting continuous improvements in our forecasting and well informed economic policy and decision making by the Government and key stakeholders.

A key enabler of productivity can be foreign investment, which increases the supply of capital, development of domestic assets and the expansion of Australian businesses into overseas markets.

During this period, we continued to support the activities of the Foreign Investment Review Board in its advisory role to the Treasurer and the Government on foreign investment matters, and in examining the national interest implications of proposed foreign investment in Australia. We provided advice on more than 900 foreign investment applications, in conjunction with other Australian Government entities.

We also continued our work on enhancing foreign investment compliance arrangements to support confidence in the framework while minimising the burden on investors who are doing the right thing.

Results against objective of increasing productivity

Performance criteria Delivery of sound assessments of economic conditions and delivery of forecasts and projections of the economic outlook.

- Target**
- Prepare economic forecasts and projections following the release of the National Accounts in March, September and December each year.
 - Prepare updates of economic conditions as key information and data become available.
 - Prepare information notes on key aspects of international and domestic economies.
 - Evaluate forecasting performance.

Source Corporate Plan 2018-19

Results Criteria met.

In 2018-19, Treasury continued to deliver sound economic assessments of economic conditions and delivery of forecasts and projections of the economic outlook, including:

- preparing updates of economic forecasts and projections following the quarterly release of the National Accounts
- preparing economic notes and emails following key macroeconomic data releases
- sending ministerial submissions to the Treasurer on a range of topics relating to the domestic economy, including: household consumption, housing market, public investment, the labour market, wages, financial market conditions, household debt and crypto assets
- preparing ministerial submissions on a number of critical issues related to the global economy, including: the international economic outlook, global financial conditions and developments in major emerging market economies, and developments in international trade.

Our economic update process allows us to regularly reflect on, and review the performance of, our forecasts and models regularly. This work is carried out as part of our core duties.

Performance criteria • Delivery of macroeconomic models of Australia and articulation of their capabilities within Treasury and to other relevant stakeholders.

- Target**
- Develop and maintain a peer reviewed operational Overlapping Generations Model of Australia (OLGA).
 - Develop and maintain a peer reviewed operational macroeconometric model of Australia.
 - Develop and implement an engagement plan for the OLGA, including academic, internal and external stakeholders.
 - Develop and implement an engagement plan for the macroeconometric model of Australia, including academic, internal and external stakeholders.
 - Sustain macroeconomic modelling capability within Macroeconomic Group.

Source Corporate Plan 2018-19

Results Criteria met.

In 2018-19, Treasury developed two macroeconomic models for counterfactual policy analysis, the OLGA and the Treasury Industry Model (TIM):

- OLGA provides insights into the aggregate, distributional and intergenerational effect of fiscal policy change
- TIM incorporates rich industry detail useful for analysing industry-specific policy change, and meets the need for an economy-wide view on the effects of productivity enhancing reforms.

In developing the models, we workshopped problem and solution design through presentations and discussions internally, at conferences (for example, at the Australian Conference of Economists 2018) and at closed presentations (for example, meeting with our expert panel of academics in August 2018 and February 2019). Both models have been peer reviewed by external experts.

In addition to the development of models, we also made efforts in 2018-19 to continue to build our modelling capability, including specialist recruitment for in house development capability, investment in new starter capability and training, as well as engagement with academics, macroeconomic modelling experts and co-sponsorship of a conference with the Centre for Applied Macroeconomic Analysis at the Australian National University (ANU).

Performance criteria Foreign Investment Review Board (FIRB) support will be measured by the Regulator Performance Framework (RPF) key performance indicators.

- Target**
- Regulators do not unnecessarily impede the efficient operation of regulated entities.
 - Communication with regulated entities is clear, targeted and effective.
 - Actions undertaken by regulators are proportionate to the regulatory risk being managed.
 - Compliance and monitoring approaches are streamlined and coordinated.
 - Regulators are open and transparent in their dealings with regulated entities.
 - Regulators actively contribute to the continuous improvement of regulatory frameworks.

Source Corporate Plan 2018-19

Results Criteria met.

The Foreign Investment Review Board (FIRB) is supported in its responsibilities by Treasury and the Australian Taxation Office (ATO). Treasury is primarily responsible for foreign investment policy advice and the related day-to-day administration of the foreign investment legislative framework in relation to business, agricultural land and sensitive or complex commercial real estate investments. We also support the ATO in its activities.

Preliminary 2018-19 figures indicate Treasury considered more than 900 foreign investment applications. Over 40 of these had a proposed investment value of \$1 billion or more. Final figures will be reported in the 2018-19 FIRB Annual Report.

Stakeholder feedback has been positive with regular stakeholder feedback used to assess the administration of Australia's foreign investment framework against key performance indicators. The 2018-19 report for the RPF stakeholder survey on performance measured by these KPIs will be finalised and published on the FIRB website by the end of 2019.

We have undertaken a number of activities in 2018-19 in support of our RPF objectives, including:

- engaging with foreign investors and their advisers, including the Foreign Investment Committee of the Law Council of Australia
 - working with other Australian Government entities (consultation partners) to enhance their understanding of the foreign investment legislative framework, including by making a new seminar program available to them
 - enhancing compliance capability and activities particularly for business investment, including by:
 - working with other entities towards streamlining working relationships and arrangements
 - developing public guidance that will support business investors on compliance matters.
-

Case study

In 2018-19, Treasury enhanced our modelling capability through building a dynamic macroeconomic model to analyse the effects of fiscal and industry specific policy change.

Our models now include two peer reviewed dynamic general equilibrium models suitable for counterfactual policy analysis, the Overlapping Generations Model of Australia and the Treasury Industry Model.

This work enhanced our in house modelling capability by allowing for modelling of dynamic economic effects, including the transition path of the economy in response to changes to the tax system. Having a coherent general equilibrium framework to model the aggregate, distributional and intergenerational effects of a policy change, allows for greater understanding of the long term impact of policy changes and provision of robust policy advice to Government.

Our development program has shifted us from consultant dependent outsourced models to in house capability, supporting efficiency and ongoing improvements. Aligning our modelling with mainstream theory and empirical methods, and drawing on expertise from academics and other practitioners, has also ensured our work and advice to the Government is consistent with best practice and current approaches to macroeconomics.

Analysis of performance against purpose under the objective of securing the benefits of global economic integration

In 2018-19, Treasury continued to support Australia's bilateral and multilateral economic relationships through engagement with multilateral forums and attendance at meetings, such as the G20 and Asia-Pacific Economic Cooperation (APEC) forum. We maintained our relationship with international financial institutions. We also have officials posted in strategic economies, providing real-time reporting that adds value to our advice to the Government.

Through Treasury's efforts, the Government was well positioned to advance Australia's economic interests, including G20 Finance Ministers meetings, throughout the year. 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 carry benefits for Australia domestically as well as in the global economy.

Treasury, together with the Reserve Bank of Australia (RBA), represents Australia on the G20 Framework Working Group which focuses on ways to deliver strong, sustainable, balanced and inclusive global growth. Treasury, with the RBA, also represents Australia on the G20 International Financial Architecture Working Group which has focused on issues such as capital flow stability, debt transparency for both lenders and debtors, progressing the International Monetary Fund (IMF) 15th General Review of Quotas, and progressing reforms on global financial resilience through the G20 Eminent Persons Group.

Treasury also contributed to the improvement of the global infrastructure investment climate through co-chairing of the G20 Infrastructure Working Group meetings in 2018-19, and supporting the Global Infrastructure Hub and the IMF.

Treasury has actively engaged in the Asia-Pacific region, working to bring alignment between the G20 and APEC agendas through a number of meetings throughout the year. We have been engaged in the development of a number of Pacific step-up initiatives including the Australian Infrastructure Financing Facility for the Pacific (AIFFP), which will invest in high-priority infrastructure across the Pacific.

In 2018-19, we continued to strengthen Australia's important international economic relationships by participating in policy dialogues with counterparts from the European Commission, India, Indonesia, Japan and South Korea. We have also supported our Executive and Alternate Executive Directors in their roles across international financial institutions enabling them to influence key policy issues within the institutions, and we have had an important role in shaping the policies of the Asian Infrastructure Investment Bank (AIIB).

In doing our work, we engage with a diverse range of stakeholders to understand a broad range of perspectives on international policy and developments in the global economy. In 2018-19, this included attendance at forums held by universities and research institutes, participating in a panel discussion for the ANU's China-US Trade War and Economic Conflict Conference in May 2019, and co-hosting the Organisation for Economic Cooperation and Development (OECD) Global Forum on Productivity. These meetings facilitate discussion with academics and private sector experts and also provide an opportunity to engage with officials from other countries.

Results against objective of securing the benefits of global economic integration

Performance criteria Payment to international financial institutions.
Advance Australia's interests through effective support of international ministerial and senior official travel (including their attendance at the G20 and other international forums and bilateral economic dialogues).

- Target**
- IMF payments are made in accordance with the *International Monetary Agreements Act 1947*.
 - Focus the preparation of international meetings on advancing Australia's interests — open trade, resilient international financial system (including an adequate global financial safety net) and the stability of the Pacific region, including:
 - clear articulation of Australia's interests in context setting
 - focus meeting briefs and interventions on advancing Australia's interests
 - provide efficient and effective logistical support
 - Make payments to international financial institutions on behalf of the Government to promote Australia's interests.

Source PBS Program 1.2
Corporate Plan 2018-19

Results Criteria met.

In 2018-19, payments were made in accordance with the *International Monetary Agreements Act 1947*, including a \$407 million maintenance of value payment. \$226 million in payments were made by Treasury to international financial institutions on behalf of the Government to promote Australia's interests.

Key achievements in 2018-19, illustrating our preparation for international meetings and our effectiveness in shaping international relationships, included:

- supporting Australia's engagement with the IMF through:
 - facilitating the yearly Article IV consultation with the IMF and the completion of the IMF's 2018 Financial Sector Assessment Program
 - facilitating the Australian extension of our Bilateral Borrowing Arrangement and ensuring Australia's financial commitments to the Global Financial Safety Net are ongoing
 - completing the 2019 IMF Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER) Survey
 - providing ongoing advocacy for the proper resourcing of the IMF through international forums
- successfully supporting the Treasurer, or his representative, to advance Australia's economic interests through:
 - engagement with the G20, through Finance Ministers and Central Bank Governors meetings
 - visits to Europe and the United States of America to meet counterparts and explore productivity-enhancing policies
 - engagement with the IMF and World Bank Spring and Annual meetings
 - engagement with AIIB meetings, the Asian Development Bank (ADB) Annual Meeting, the European Bank for Reconstruction and Development (EBRD) Annual Meeting, and the Pacific Forum Economic Ministers' Meeting (FEMM)

- Results (continued)**
- supporting and furthering engagement with our regional counterparts through:
 - seconding and deploying Treasury officials to Papua New Guinea Treasury to assist with its hosting of APEC in 2018
 - concluding a Memorandum of Understanding with the Papua New Guinea Treasury
 - participating in a reciprocal secondment with the New Zealand Treasury
 - participating in formal dialogues and discussion with strategic countries and institutions such as Papua New Guinea, New Zealand, South Korea, and the European Commission
 - supporting the Secretary to the Treasury for visits to the United Kingdom, New Zealand, Argentina and Japan, and supporting his engagement at the Five Treasuries and Canada Australia Public Policy Initiative (CAPPI) events
 - participating in working groups in the G20 and co-chairing (alongside Brazil) the G20 Infrastructure Working Group, leading development of Quality Infrastructure Investment Principles.
-

Performance criteria Payments to the Global Infrastructure Hub.

- Target**
- Payments to the Hub are made in accordance with the *Commonwealth Grant Agreement between the Commonwealth represented by The Department of the Treasury (the Treasury) and Global Infrastructure Hub Ltd.*

Source PBS Program 1.3

Results Criteria met.
The payment of \$2.5 million was made on 28 June 2019 in accordance with the *Commonwealth Grant Agreement*.

Analysis of performance against purpose under the objective of the efficient administration of Treasury portfolio functions

In 2018-19, Treasury continued to support the efficient administration of our portfolio bodies, through our work facilitating appointments processes and administrative functions, including the tabling of portfolio body reports and contributions to their activities. We also effectively administered programs with the states and territories, assessing milestones, supporting the finalisation of agreements, and making payments.

Over the period, we finalised bilateral schedules for the Small Business Regulatory Reform Agenda and administered the National Partnership on Asset Recycling. Our work plays an important role in assisting portfolio ministers with their responsibilities in relation to a broad range of portfolio regulators and other bodies across the financial system.

Major work during 2018-19 included addressing the implications of recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, supporting the progression of terms of reference for Productivity Commission reviews, and the role, resourcing and effectiveness of ASIC, as well as the tabling of reports in Parliament on behalf of our portfolio bodies.

We also supported the Government through the administration of a large number of appointments to our portfolio bodies in accordance with applicable legislative requirements and guidelines. In 2018-19, Treasury facilitated 99 appointments to 22 bodies.

Results against objective of the efficient administration of Treasury portfolio functions

Performance criteria Effective administration of programs such as the National Partnership on Asset Recycling (NPA), the Small Business Regulatory Reform Agenda (SBRRRA) bilateral schedules with state and territory counterparts.

- Target**
- NPA: Statements of Assurance for milestone one and two payments are expected to be received by NSW, the ACT and the NT.
 - SBRRRA: Support finalisation of a bilateral schedule with each state and territory.
 - SBRRRA: Assess state and territory delivery of any milestones scheduled for 2018-19 and arrange for relevant payment as appropriate.

Source Corporate Plan 2018-19

Results Criteria met.

In 2018-19, Treasury supported the successful administration of the NPA and the SBRRRA.

We assessed Statements of Assurance from the ACT, NSW and the NT to confirm delivery of milestones agreed under the NPA. The Treasurer approved final milestone payments for the ACT, NSW and the NT before the expiry of the NPA on 30 June 2019. Treasury arranged for these payments to be made on 28 June 2019.

A review of the NPA published in January 2019 concluded the initiative succeeded in bringing forward assets for divestment and bringing forward new infrastructure investment in participating jurisdictions.

We also helped the Treasurer finalise SBRRRA bilateral schedules with NSW (finalised in June 2018), Victoria (finalised in June 2018), Queensland, WA, SA, Tasmania and the NT during this time period, including assessment of state and territory completion of milestones and advice to the Treasurer. Following the agreement of the Treasurer, we subsequently facilitated payments.

Performance criteria Effective administration of portfolio bodies.

- Target**
- Appointment processes are efficiently administered, including against Australian Public Service Commission guidelines (where applicable).
 - Administrative functions such as tabling reports, including annual reports, in Parliament are completed on time.

Source Corporate Plan 2018-19

Results Criteria met.

In 2018-19, Treasury administered appointment processes in line with relevant guidelines.

During the year, we supported 99 appointments across 22 bodies, including the National Housing Finance and Investment Corporation, the Australian Reinsurance Pool Corporation, Takeovers Panel, ASIC and the Australian Accounting Standards Board.

Treasury fulfilled its role in providing administrative functions for its portfolio bodies, including coordinating the tabling of annual reports for 17 bodies, including the RBA, Takeovers Panel, Australian Bureau of Statistics, ACCC and Australian Prudential Regulation Authority (APRA).

We also made contributions to portfolio body activities, including the coordination of the RBA dividend, assisting the Financial Reporting Council in the preparation of its review of Auditor Disciplinary Processes, and through the development of the Productivity Commission work plan. During this period, the Treasurer approved five terms of reference for Productivity Commission reviews.

Overall analysis of performance against purpose

Analysis

Treasury provides advice, analysis and legislation to the Government to support the effective management of the Australian economy. Our work assists the Government to implement its economic policy agenda.

We provide advice on expenditure and revenue decisions that support a well-functioning economy. We also provide policy advice on all aspects of the financial system to support well-functioning financial markets, and monitor and provide advice on developments in the financial sector, including the efficiency of the financial system in supporting the real economy. We work to maintain and improve regulatory and general business frameworks to create stronger corporations and greater trust and confidence in the corporate sector.

Our work presents a whole of government approach, and is underpinned by forecasting, modelling, and our engagement and collaboration with other entities, international bodies, academia and industry.

In 2018-19, we provided advice on and progressed a number of significant economic reforms. This includes reforms working to improve confidence in the financial sector, consumer law, and the digital economy. In the tax area, the Personal Income Tax Plan represented a significant reform. We also provided support to major reviews, including the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, and the Government response, as well as the capability review of APRA.

Our work supports the Treasurer and Treasury portfolio ministers, and makes a positive contribution to public policy.

Results against overall analysis

Performance criteria Provide policy advice to the Government.
Feedback from Treasury portfolio ministers and assistant ministers shows satisfaction with the overall quality of advice received.

- Target**
- Advice is provided on a broad range of economic, fiscal, structural reform, financial systems and foreign investment, revenue and tax issues.
 - Advice is influential and positively contributes to the achievement of the Government's economic agenda.
 - Advice has a whole of government perspective and demonstrates understanding of stakeholder issues.
 - Advice is underpinned by accurate and risk aware economic modelling and forecasts.
 - Majority of feedback received indicates satisfaction with the quality of advice received.
 - Strive for stakeholders' agreement that Treasury makes a positive contribution to public policy.

Source PBS Program 1.1
Corporate Plan 2018-19

Results Criteria met.

Responsive to the Government's economic agenda, in 2018-19 Treasury continued to provide timely briefing on a broad range of areas to the Treasurer and other Treasury ministers on the domestic economy and economic policy.

Treasury regularly receives positive feedback from Treasury portfolio ministers and their offices, on the high quality of advice, briefing and support. Our advice consistently reflects a whole of government perspective, demonstrating how we contribute positively to public policy.

Other key initiatives we have provided advice on in 2018-19 include:

- a range of financial system policy issues, including development of the First Home Loan Deposit Scheme and Comprehensive Credit Reporting, and advice on topical issues such as credit conditions and access to finance
- e-Invoicing, as well as administering the Government's appointments to the newly established Australia and New Zealand Electronic Invoicing Board
- consumer law, contributing to a meeting of Australian Government, state, territory and New Zealand consumer affairs ministers on 26 October 2018, which resulted in agreement on a number of improvements to the Australian Consumer Law
- the establishment of the Modernising Business Registers Program and the introduction of supporting legislation in February 2019
- the tax challenges from the digitalised economy
- the Personal Income Tax Plan
- revenue issues, including the black economy.

In providing this advice, we have set, and met, high expectations in ensuring that advice is accurate and risk aware, drawing on economic analysis, modelling and forecasts, and presenting a whole of government view. This has included:

- completing 487 costings for inclusion in advice to ministers
- working with the Department of Finance and other Australian Government entities to ensure the fiscal and economic updates were based on reliable and up-to-date information at the time of publication
- collaborating with other departments and entities, as well as across Treasury to develop domestic and international policy advice
- engaging with external stakeholders to inform the development of policy advice, including formal consultation processes (available on our website), the Business Liaison Program, and informal embedded collaborative efforts.

Performance criteria Support and implementation of government reviews, initiatives, reforms and inquiries.

Target • Treasury is responsive and enables the Government to deliver on current priorities and the economic reform agenda.

Source PBS Program 1.1

Results Criteria met.

In 2018-19, Treasury was responsive and enabled the Government to deliver on current priorities and the economic reform agenda, including supporting implementation of initiatives and reforms.

A key reform initiative supported by Treasury was the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Intensive effort throughout the year included providing background papers and submissions to the Royal Commission and supporting the Government response to the final report within three days of tabling. Our focus then shifted to developing implementation plans.

In 2018-19, other key reforms we have provided advice on, and supported implementation of, included:

- providing the secretariat for an external review of APRA's capability to ensure it was fit-for-purpose for the future
- implementation of 14 proposals from the Review of the Australian Consumer Law, including stronger powers for the ACCC and increased penalties under the Australian Consumer Law
- the regulatory framework applying to authorised deposit-taking institutions, capital market operators, insurers and the payments system, supporting the efficient allocation of capital to households and businesses, including to enable investment for productive purposes
- implementation of legislation increasing penalties for corporate and financial sector misconduct, giving ASIC product intervention powers, and imposing design and distribution obligations on issuers to protect retail consumers and investors, providing additional protections for whistleblowers, and deterring sharp corporate practices aimed at avoiding employee entitlements in insolvency
- government digital projects to improve the quality of digital information on Australian businesses, improve business user-experience when interacting with government digitally, and assist with improving the productivity of the digital economy.

We also provided advice on a wide range of other issues throughout 2018-19, including vocational education and training, schools funding, population policy and consumer data rights, as well as assistance to the Financial Reporting Council in the preparation of its review of Auditor Disciplinary Processes.

Case study

In December 2017, the Government established a Royal Commission into allegations of misconduct in the banking, superannuation and financial services industry.

Treasury provided a number of background papers to the Royal Commission, and made five submissions on different policy issues, including a stand-alone submission to assist the Royal Commissioner in developing his findings and recommendations. Our work was referenced positively in the final report and influenced the direction of the findings and recommendations.

We also supported the Government in delivering its response to the Royal Commission's final report within three days of its receipt. The response saw the Government commit to take action on all the Royal Commission recommendations, and also announce a number of additional measures to enhance consumer protections, increase financial sector accountability, strengthen financial sector regulators, and improve consumer redress mechanisms.

We are now leading the implementation of the Government's response and working with other Australian Government entities as part of a newly established Financial Services Reform Implementation Steering Committee to coordinate activities and ensure reforms are implemented.

Treasury's Royal Commission work has demonstrated our ability to provide authoritative advice on complex areas of policy, cooperatively assist independent inquiries, coordinate and reallocate resources internally to address key priorities and to support government, and mobilise plans and efficiently implement large reform agendas.

Financial performance

Treasury has a sound financial position, meeting its debt obligations as and when they fall due. Excluding depreciation, amortisation and changes in asset revaluation reserves, Treasury reported an operating deficit of \$2.1 million in 2018-19, which was driven by the increase of staff leave provision costs (\$5.7 million) due to the decline in the 10-year government bond rate. The deficit was a result of an uncontrollable market factor, rather than a reflection on the state of Treasury’s finances or its functions, as this bond rate movement impacted the leave provision costs on all Commonwealth entities. Without the influence of this external factor, Treasury would have landed in a similar financial position as the previous financial year. In 2017-18, Treasury reported an operating surplus of \$3.1 million after adjusting for depreciation, amortisation and changes in asset revaluation reserves. Treasury’s administered expenses in 2018-19 were \$140.3 billion, compared with \$133.9 billion in 2017-18. The Medicare Guarantee Fund payment was processed in 2018-19 for the amount of \$36.2 billion.

Treasury received an unmodified audit report on its 2018-19 financial statements from the Australian National Audit Office. These statements are in *Part 04 Financial statements*.

Figure 3: Treasury portfolio outcome and program structure as at 30 June 2019

| | |
|--|--|
| <p>Portfolio Minister — Treasurer The Hon Josh Frydenberg MP</p> <p>Minister for Population, Cities and Urban Infrastructure The Hon Alan Tudge MP</p> <p>Assistant Treasurer and Minister for Housing The Hon Michael Sukkar MP</p> <p>Assistant Minister for Superannuation, Financial Services and Financial Technology Senator the Hon Jane Hume</p> <p>Assistant Minister for Finance, Charities and Electoral Matters Senator the Hon Zed Seselja</p> | |
| <p>Department of the Treasury Secretary, Mr Philip Gaetjens</p> | |
| Outcome 1: | Supporting and implementing informed decisions on policies for the good of the Australian people, including for achieving strong, sustainable economic growth, through the provision of advice to Treasury Ministers and the efficient administration of Treasury’s functions. |
| 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: | Assistance to the States for Affordable Housing |
| Program 1.9: | National Partnership Payments to the States |

Figure 3: Treasury portfolio outcome and program structure as at 30 June 2019 (continued)

| | |
|---|---|
| Australian Bureau of Statistics | |
| Australian Statistician, Mr David Kalisch | |
| Outcome 1: | Decisions on important matters made by Governments, business and the broader community are informed by objective, relevant and trusted official statistics produced through the collection and integration of data, its analysis, and the provision of statistical information. |
| Program 1.1: | Australian Bureau of Statistics |
| Australian Competition and Consumer Commission | |
| Chair, 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 |
| 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 | |
| Chair, 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 and, in balancing these objectives, promotes financial system stability in Australia. |
| Program 1.1: | Australian Prudential Regulation Authority |
| Australian Securities and Investments Commission | |
| Chair, Mr James Shipton | |
| Outcome 1: | Improved confidence in Australia's financial markets through promoting informed investors and financial consumers, facilitating fair and efficient markets and delivering efficient registry systems. |
| Program 1.1: | Australian Securities and Investments Commission |
| Program 1.2: | <i>Banking Act 1959, Life Insurance Act 1995, unclaimed monies and special accounts</i> |

Figure 3: Treasury portfolio outcome and program structure as at 30 June 2019 (continued)

| | |
|---------------------------------------|---|
| 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 Charities and Not-for-profits Commission |
| Program 1.5: | Australian Screen Production Incentive |
| Program 1.6: | Junior Minerals Exploration Incentive |
| Program 1.7: | Fuel Tax Credits Scheme |
| Program 1.8: | National Rental Affordability Scheme |
| Program 1.9: | Product Stewardship for Oil |
| Program 1.10: | Research and Development Tax Incentive |
| Program 1.11: | Low Income Superannuation Tax Offset |
| Program 1.12: | Private Health Insurance Rebate |
| Program 1.13: | Superannuation Co-contribution Scheme |
| Program 1.14: | Superannuation Guarantee Scheme |
| Program 1.15: | Targeted Assistance through the Taxation System |
| Program 1.16: | Interest on Overpayment and Early Payments of Tax |
| Program 1.17: | Bad and Doubtful Debts and Remissions |
| Program 1.18: | Other Administered |
| 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 |
| Program 1.1: | Commonwealth Grants Commission |
| Inspector-General of Taxation | |
| Inspector-General, Ms Karen Payne | |
| Outcome 1: | Improved tax administration through investigation of complaints, conducting reviews, public reporting and independent advice to government and its relevant entities. |
| 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 | |
| Chair, Dr Roger Simnett AO | |
| 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 | |
| Chair, 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 | |
| Chair, Mr Michael Brennan | |
| 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 |



Part 03

Management and accountability

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Corporate governance

Treasury's corporate governance structures are designed to promote the achievement of our purpose, the proper use and management of public resources, our systems of risk and control, and the department's financial sustainability.

Our structures allow for responsiveness and flexibility in how we approach our work, while ensuring we meet our obligations. It also allows us to make use of the opportunities provided by these obligations to streamline our processes and continuously improve our performance.

Governance committees

Executive Committee

The Executive Committee comprises the Secretary and Deputy Secretaries. The Executive Committee supports the Secretary to fulfil his obligations as the Accountable Authority under the *Public Governance, Performance and Accountability Act 2013* and the Secretary remains the primary decision maker on all Executive Committee considerations.

Audit Committee

The Audit Committee provides independent advice to the Secretary on Treasury's governance, risk, control and performance arrangements; including the department's financial and annual performance statements. The Audit Committee comprises five members — an independent chair, two independent members and two internal members.

The Committee met four times in 2018-19 and receives regular briefings from Treasury's management on our priorities, operations and risks, as well as the outcomes of risk and audit activities. A Financial Statements Sub-Committee supports the Audit Committee by providing advice on the preparation of Treasury's financial statements.

Health and Safety Committee

The Health and Safety Committee (HSC) assists the Secretary in carrying out his statutory obligations in accordance with 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 Treasury's primary staff consultation body, convened in accordance with the *Treasury Enterprise Agreement 2018-2021*. The WRC undertakes consultation with our officials on issues affecting their working environment and employment conditions.

Inclusive Workplace Committee

The Inclusive Workplace Committee (IWC) is the key body for advancing inclusion and diversity in Treasury. The IWC supports the Executive Committee to set and implement the department's strategic direction for inclusion and diversity activities.

Information Strategy Committee

The Information Strategy Committee provides an enterprise view on information and supports the department's digital capability in line with the objectives in our corporate plan and ICT strategy.

Risk management

Treasury has established frameworks, tools and plans to support risk management, including the development and delivery of annual communication and capability plans, targeting areas for improvement and identifying actions and measures against these areas.

The Chief Risk Officer (CRO), as part of Treasury's leadership team, supports a strong risk culture where staff are encouraged to engage with risk and opportunity in developing and delivering our purpose. The CRO is supported by a risk working group including representatives from key corporate and policy areas across the department. As at 30 June 2019, the CRO role was held by Mr Paul Verschuer, Deputy Secretary, Markets Group.

During 2018-19, Treasury continued to mature our risk management capability, including through the introduction of mandatory risk management training and our quarterly guest speaker series.

Fraud prevention and control

Treasury has a fraud and corruption control plan in place, as well as processes and systems for the prevention and detection of fraud and responding to and reporting incidents.

During 2018-19, Treasury introduced mandatory fraud awareness training and established a fraud working group, including representatives from key corporate and policy areas, to support the identification and management of fraud risk and the continuous improvement of Treasury's fraud control arrangements.

Treasury reports fraud information data annually to the Treasurer and the Australian Institute of Criminology. Treasury's 2018-19 fraud certification can be found in the Letter of Transmittal.

Internal audit arrangements

Internal audit provides independent advice and assurance to the Secretary on the effectiveness of the governance, risk, compliance and performance arrangements, and our financial and operational controls.

Internal audit prepares and delivers an annual internal audit plan. The plan is developed in consultation with the Executive Committee and other key departmental stakeholders, so that it reflects our risk profile and assurance concerns. Delivery of the plan is viewed as an important mechanism to assist Treasury in the delivery of our purpose and priorities and to support continuous improvement.

In 2018-19, our internal audit function delivered performance, compliance and systems audits, and management initiated reviews with a focus on risk management within the Australian Government Budget delivery processes, our project management and legislative compliance arrangements, and the management of sensitive information.

Ethical standards

As the Government's pre-eminent economic adviser, Treasury expects the highest standard of behaviour and ethical conduct from our staff. We have policies and procedures in place to ensure appropriate ethical standards, including the APS Code of Conduct and Values, are upheld in accordance with 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 Management of human resources in *Part 03 Management and accountability*.

Significant non-compliance issues with relevant finance laws

There were no significant instances of non-compliance with the finance law reported to the responsible minister in 2018-19.

External scrutiny

External audit

The Australian National Audit Office (ANAO) conducts financial statements and performance audits on Treasury. During 2018-19, the ANAO tabled three performance audit reports involving Treasury:

Audit Report No. 32 — Addressing Illegal Phoenix Activity (published 29 March 2019)

Audit Report No. 48 — Management of the Terrorism Reinsurance Scheme (published 19 June 2019)

Audit Report No. 51 — Farm Management Deposits Scheme (published 26 June 2019)

The ANAO's reports, including the department's responses, are available on the ANAO website.

Management of human resources

People and Organisational Strategy Division (POSD), within Corporate Services and Business Strategy Group, has primary responsibility for Treasury's people framework. The division supports Treasury to continue to deliver compelling and influential policy advice and services through a suite of strategies and initiatives that drive capability and performance. It provides advice and delivers on organisational performance management, workplace relations, learning and development, inclusion and diversity, recruitment, risk and governance, and payroll services.

Performance management

Treasury is committed to the ongoing development of our employees, and a high performance work culture through the Performance Development System (PDS). The objectives of the system include:

- continuously improving organisational performance to enable the department to achieve its strategic 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
- providing mechanisms for managing declines in performance and underperformance.

Under the PDS, APS staff levels 1-6 are formally assessed biannually, with Executive Level (EL) and Senior Executive Service (SES) staff having one formal appraisal each year. The APS Integrated Leadership System provides the behavioural framework for assessing performance.

Workplace relations

Remuneration and employment conditions for Treasury's APS and EL officials are determined under the *Treasury Enterprise Agreement 2018-2021*. The enterprise agreement operates in conjunction with Commonwealth legislation and Treasury's policies and guidelines to define the terms and conditions of employment for our staff. Treasury occasionally uses individual flexibility arrangements to secure specific expertise or specialist skills critical to our business needs.

Learning and development

Graduate Development Program

Treasury's Graduate Development Program remains a key recruitment initiative with 37 graduates commencing in February 2019. Three graduates were recruited through an Indigenous affirmative measures round, further contributing to our Indigenous employee representation. Our 2020 graduate recruitment campaign received 977 applications.

The redevelopment of the program in 2019 saw the introduction of a comprehensive development component based on a Graduate Success Profile designed to ensure we target graduates possessing the desired capabilities of a Treasury employee. The development component of

the program was designed to ensure graduates received training that would develop skillsets in the areas of innovation, representation and self-management, coping with pressure and influencing skills.

Learning and development

Treasury supports ongoing professional development that builds the required skills, knowledge and capabilities of staff to support the delivery of our business priorities. POSD takes a collaborative approach by working with the department to deliver quality learning outcomes.

In 2018-19, Treasury offered a number of formal development opportunities to strengthen the capabilities of our staff through which:

- 156 staff members at the APS and EL levels participated in a range of policy programs
- 25 staff members participated in economics programs
- 99 staff members participated in health and wellbeing programs including family and domestic violence training
- 256 staff members participated in communication programs that addressed a number of areas including negotiation, collaboration, writing and presentation
- 18 staff members participated in the Project Management Essentials Program
- 20 EL2 staff members participated in the Leading in Treasury Program
- 739 (83 per cent) operative staff members, across all levels, completed all five compliance training modules during 2018-19.

In 2018-19, Treasury continued to facilitate external learning and recognition opportunities for our staff through which:

- 4 staff members participated in the Institute of Public Administration Australia (IPAA) Future Leaders Program
- 4 staff members are currently undertaking PhD study at the Australian National University through the Sir Roland Wilson Scholarship Program
- 2 staff studied at the postgraduate level with the support of a postgraduate study award
- 1 staff member participated in the Young Leaders Program
- 2 staff members participated in the Jawun Secondment Program
- 1 staff member participated in the National Security College EL2 Development Program.

Additionally, 57 staff were supported through our studies assistance program to undertake university qualifications and vocational training.

Staffing information

As at 30 June 2019, there were a total of 993 staff employed at Treasury (including those that are currently inoperative) compared with 912 as at 30 June 2018. The corresponding full-time equivalent figure was 958.4.

The average staffing level across the 2018-19 year was 844, which reflects the average number of employees receiving salary or wages (or compensation in lieu of salary or wages) over a financial year, with adjustments for casual and part-time employees to show the full-time equivalent.

Table 1: Staff by employment type as at 30 June 2019

| Employment Type | Total |
|-----------------------------------|------------|
| Ongoing employees | 859 |
| Non-ongoing employees | 35 |
| Casual employees | 2 |
| Paid inoperative employees | 27 |
| Unpaid inoperative employees | 70 |
| Total staffing (operative) | 896 |
| Total staffing | 993 |

Of the total operative workforce as at 30 June 2019, 95.9 per cent were employed on an ongoing basis. Non-ongoing (specific term) and casual staff comprised 4.1 per cent of the total operative workforce. Of the total operative workforce, 13.2 per cent were working part-time hours.

As at 30 June 2019, women made up 50.3 per cent of the total operative workforce, a decrease of two percentage points since 30 June 2018. Women also made up 40.0 per cent of the operative SES cohort, an increase of 1.7 percentage points since 30 June 2018.

As at 30 June 2019, Aboriginal and Torres Strait Islander staff comprised 1.3 per cent of the total operative workforce, an increase of 0.6 percentage points since 30 June 2018.

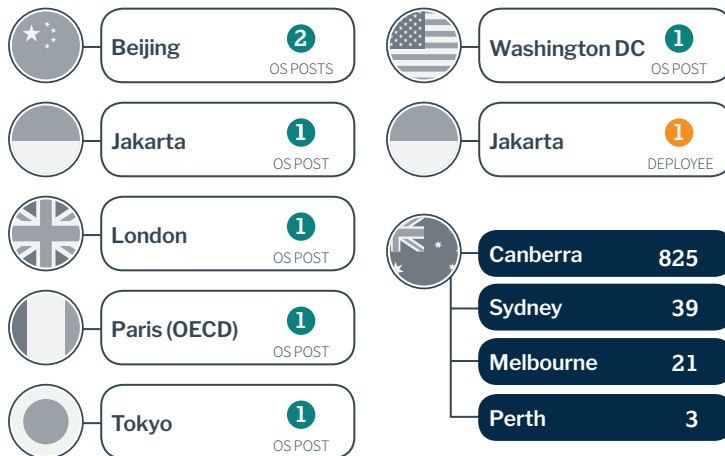
Table 2: Staff by actual classification and gender as at 30 June 2019 (operative headcount)

| Classification | Men | Women | Total |
|----------------|------------|------------|------------|
| APS1-2 | 1 | 0 | 1 |
| APS3 | 34 | 11 | 45 |
| APS4 | 31 | 30 | 61 |
| APS5 | 40 | 61 | 101 |
| APS6 | 70 | 111 | 181 |
| EL1 | 126 | 108 | 234 |
| EL2 | 97 | 90 | 187 |
| SES1 | 32 | 22 | 54 |
| SES2 | 17 | 9 | 26 |
| SES3 | 2 | 3 | 5 |
| Secretary | 1 | 0 | 1 |
| Total | 451 | 445 | 896 |

Note: Data excludes inoperative staff.

While the majority of staff are based in Canberra, some staff are located in our interstate offices in Sydney, Melbourne, and Perth, as well as overseas.

Figure 4: Staff by location as at 30 June 2019 (operative headcount)



SES remuneration

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. Treasury does not offer performance pay. An SES remuneration package is in recognition of all hours worked, including any reasonable additional hours.

SES staff 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 2018-2021*. SES staff received a 2 per cent salary increase on 13 December 2018.

Table 3: SES salary rates as at 30 June 2019

| Classification | Minimum | Maximum |
|----------------|-----------|-----------|
| SES1 | \$205,410 | \$238,732 |
| SES2 | \$251,757 | \$294,668 |
| SES3 | \$326,260 | \$382,100 |

Non-SES remuneration

APS and EL remuneration and employment conditions are determined under the *Treasury Enterprise Agreement 2018-2021*. APS and EL staff received a 2 per cent salary increase on 5 November 2018.

Table 4: Non-SES salary rates as at 30 June 2019

| Classification | Minimum | Maximum |
|----------------|-----------|-----------|
| APS1 | \$46,707 | \$50,720 |
| APS2 | \$53,836 | \$57,401 |
| APS3 | \$60,963 | \$64,524 |
| APS4 | \$68,091 | \$71,653 |
| APS5 | \$76,555 | \$81,457 |
| APS6 | \$86,357 | \$104,622 |
| EL1 | \$112,644 | \$129,215 |
| EL2 | \$137,590 | \$157,907 |

Table 5: Staff by employment instrument as at 30 June 2019 (operative headcount)

| Instrument | Non-SES | SES |
|--------------------------------|---------|-----|
| Enterprise Agreement | 821 | 0 |
| Section 24(1) Determination | 0 | 59 |
| Australian Workplace Agreement | 0 | 15 |

Note: Data excludes the Secretary and inoperative staff.

As at 30 June 2019, there was one Individual Flexibility Arrangement in effect.

Assets management

Management of Treasury's assets is governed by the Accountable Authority's Instructions on asset management and aligns with government best practice. 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 Treasury. An annual stocktake of assets keeps the register accurate and up-to-date. Fixed assets include office fitout, 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 Goods and Services Tax (GST) or more, is available on AusTender at: www.tenders.gov.au.

No contracts of \$100,000 or more (including GST) were entered into during 2018-19 that did not provide for the Auditor-General to have access to the contractor's premises.

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.

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).

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 Department of Jobs and Small Business website at: www.employment.gov.au/pay-time-survey-results.

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

Consultants

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 Treasury's internal policies.

In 2018-19, Treasury entered into 20 new consultancy contracts involving total actual expenditure of \$1,142,089 (including GST). In addition, 12 ongoing consultancy contracts were active during the period, involving total actual expenditure of \$685,462 (including GST).

This 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.

Executive remuneration

Introduction

The officials covered by the disclosures include key management personnel, senior executives and other highly paid staff.

Remuneration policies and practices

The Secretary's remuneration is set by a Remuneration Tribunal determination.

SES remuneration and employment conditions are determined by the Secretary 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. SES are subject to annual performance appraisals.

Remuneration and employment conditions for Treasury's non-SES officers are determined under the *Treasury Enterprise Agreement 2018-2021*. The enterprise agreement operates in conjunction with applicable Commonwealth legislation and Treasury's policies and guidelines to define the terms and conditions of employment for staff. Treasury occasionally uses individual flexibility arrangements to secure specific expertise or specialist skills critical to business needs, which are governed by the *Treasury Enterprise Agreement 2018-2021*.

In determining the appropriate conditions and rates for officials at overseas posts, Treasury may be guided by the conditions of service extended by the Department of Foreign Affairs and Trade.

Key management personnel

In 2018-19, Treasury had 12 executives who met the definition of key management personnel (KMP). Their names and length of term as KMP are summarised below:

| Name | Position | Term as KMP |
|--------------------|------------------|--|
| Simon Atkinson | Deputy Secretary | Part year — appointed 10 August 2018 |
| Michael Brennan | Deputy Secretary | Part year — ended 29 August 2018 |
| Diane Brown | Deputy Secretary | Part year — 9 July 2018 to 17 February 2019 |
| Matt Flavel | Deputy Secretary | Full year |
| John Fraser | Secretary | Part year — ended 31 July 2018 |
| Philip Gaetjens | Secretary | Part year — appointed 1 August 2018 |
| Christopher Legg | Deputy Secretary | Part year — 16 October 2018 to 25 January 2019 |
| John Lonsdale | Deputy Secretary | Part year — ended 6 July 2018 |
| Maryanne Mrakovcic | Deputy Secretary | Full year |
| Meghan Quinn | Deputy Secretary | Full year |
| Nigel Ray | Deputy Secretary | Part year — ended 15 October 2018 |
| Paul Verschuer | Deputy Secretary | Part year — appointed 18 February 2019 |

As reflected in Note 3.2 of the 2018-19 financial statements, the following KMP expenses were disclosed:

| Note 3.2 | | |
|--|------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Short-term employee benefits | 3,065,587 | 3,277,357 |
| Post-employment benefits | 443,682 | 454,552 |
| Other long-term employee benefits | 129,644 | 169,622 |
| Total KMP remuneration expenses | 3,638,912 | 3,901,531 |

In accordance with the *Public Governance, Performance and Accountability Rule 2014*, total remuneration is summarised below:

| Name ³ | Position title | Short-term benefits | | | Post-employment benefits | | Other long-term benefits | | Termination benefits | Total remuneration |
|--------------------|------------------|--------------------------|----------|-------------------------------|------------------------------|--------------------------|--------------------------|---------------------------------|----------------------|--------------------|
| | | Base salary ¹ | Bonuses | Other benefits and allowances | Superannuation contributions | Other long-term benefits | | | | |
| | | | | | | \$ | \$ | Long service leave ² | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Simon Atkinson | Deputy Secretary | 362,633 | - | - | 53,398 | 13,490 | - | - | 429,521 | |
| Michael Brennan | Deputy Secretary | 36,476 | - | 53 | 9,372 | 1,686 | - | - | 47,587 | |
| Diane Brown | Deputy Secretary | 207,745 | - | 530 | 21,880 | 7,181 | - | - | 237,336 | |
| Matt Flavel | Deputy Secretary | 396,469 | - | 490 | 61,975 | 11,774 | - | - | 470,708 | |
| John Fraser | Secretary | 74,419 | - | 15,502 | 7,564 | 2,908 | - | - | 100,392 | |
| Philip Gaetjens | Secretary | 752,493 | - | 659 | 100,744 | 26,082 | - | - | 879,978 | |
| Christopher Legg | Deputy Secretary | 92,591 | - | - | 11,059 | 7,302 | - | - | 110,952 | |
| John Lonsdale | Deputy Secretary | 19,472 | - | - | 15,692 | 5,112 | - | - | 40,276 | |
| Maryanne Mrakovcic | Deputy Secretary | 407,916 | - | 26,451 | 60,099 | 12,698 | - | - | 507,163 | |
| Meghan Quinn | Deputy Secretary | 397,569 | - | 159 | 62,128 | 12,915 | - | - | 472,770 | |
| Nigel Ray | Deputy Secretary | 132,652 | - | 159 | 19,456 | 3,567 | - | - | 155,834 | |
| Paul Verschuier | Deputy Secretary | 139,154 | - | 1,995 | 20,315 | 24,931 | - | - | 186,394 | |
| Total | | 3,019,589 | - | 45,998 | 443,682 | 129,644 | - | - | 3,638,912 | |

Notes

- 1 Includes the movement in annual leave entitlements during the period and may include higher duties.
- 2 Excludes the bond rate impact on long service leave.
- 3 Includes two (2) employees who have acted in a KMP position in excess of three (3) months during the period.

Senior executive remuneration

In 2018-19, Treasury had 120 senior executives for the purpose of this reporting requirement. The following table provides the average remuneration by band for senior executives.

| Remuneration band | Number of Senior Executives | Short-term benefits | | | Post-employment benefits | | Other long-term benefits | | Average termination benefits | Average total remuneration ⁴ |
|-----------------------|-----------------------------|----------------------------------|-----------------|--|--------------------------------------|---|----------------------------------|---|------------------------------|---|
| | | Average base salary ¹ | Average bonuses | Average other benefits and allowances ² | Average superannuation contributions | Average long service leave ³ | Average other long-term benefits | | | |
| \$0 - \$220,000 | 48 | 68,010 | - | 3,157 | 11,864 | 3,317 | - | - | 86,348 | |
| \$220,001 - \$245,000 | 11 | 184,990 | - | 9,581 | 31,176 | 6,275 | - | - | 232,022 | |
| \$245,001 - \$270,000 | 18 | 218,831 | - | 139 | 32,180 | 8,379 | - | - | 259,529 | |
| \$270,001 - \$295,000 | 15 | 234,794 | - | 105 | 39,062 | 8,827 | - | - | 282,788 | |
| \$295,001 - \$320,000 | 11 | 259,595 | - | 128 | 39,588 | 10,356 | - | - | 309,666 | |
| \$320,001 - \$345,000 | 1 | 268,521 | - | 53 | 44,235 | 9,146 | - | - | 321,955 | |
| \$345,001 - \$370,000 | 2 | 302,415 | - | 5,090 | 41,785 | 9,978 | - | - | 359,268 | |
| \$370,001 - \$395,000 | 2 | 259,641 | - | 64,092 | 41,502 | 16,998 | - | - | 382,233 | |
| \$395,001 - \$420,000 | 1 | 318,544 | - | - | 84,216 | 9,034 | - | - | 411,794 | |
| \$420,001 - \$445,000 | 1 | 208,725 | - | 191,279 | 36,998 | (65) | - | - | 436,937 | |
| \$445,001 - \$470,000 | 2 | 160,285 | - | 249,305 | 35,004 | 7,693 | - | - | 452,287 | |
| \$470,001 - \$495,000 | 1 | 211,112 | - | 216,906 | 37,810 | 7,493 | - | - | 473,321 | |
| \$520,001 - \$545,000 | 1 | 106,783 | - | 406,946 | 14,131 | - | - | - | 527,861 | |
| \$545,001 - \$570,000 | 1 | 237,137 | - | 271,588 | 33,204 | 13,372 | - | - | 555,302 | |
| \$595,001 - \$620,000 | 1 | 137,414 | - | 454,117 | 21,106 | 6,993 | - | - | 619,631 | |
| \$670,001 - \$695,000 | 1 | 220,366 | - | 423,325 | 37,686 | 4 | - | - | 681,381 | |
| \$695,001 - \$720,000 | 1 | 225,081 | - | 435,714 | 34,844 | 7,562 | - | - | 703,201 | |
| \$745,001 - \$770,000 | 1 | 228,204 | - | 479,144 | 35,031 | 6,251 | - | - | 748,630 | |
| \$870,001 - \$895,000 | 1 | 204,620 | - | 646,159 | 30,529 | (59) | - | - | 881,249 | |

Notes

- 1 Includes annual leave movement during the period.
- 2 Includes, but is not limited to, allowances and benefits received whilst on overseas post.
- 3 Excludes bond rate impact of long service leave.
- 4 The table includes the part year impact of senior executives who either commenced or separated during the year.

Other highly paid staff

The following table provides the average remuneration by band for other highly paid staff in 2018-19.

| Remuneration band | Number of other highly paid staff | Short-term benefits | | | Post-employment benefits | Other long-term benefits | | Average termination benefits | Average total remuneration |
|-----------------------|-----------------------------------|----------------------------------|-----------------|--|--|--|---------------------------------------|---|---------------------------------------|
| | | Average base salary ¹ | Average bonuses | Average other benefits and allowances ² | | Average long service leave ³ | Average other long-term benefits | | |
| \$245,001 - \$270,000 | 1 | \$ 101,011 | \$ - | \$ 1,200 | Average superannuation contributions \$ 21,762 | Average long service leave ³ \$ 4,249 | Average other long-term benefits \$ - | Average termination benefits \$ 139,062 | Average total remuneration \$ 267,284 |
| \$345,001 - \$370,000 | 1 | \$ 150,610 | \$ - | \$ 177,082 | Average superannuation contributions \$ 26,735 | Average long service leave ³ \$ 5,410 | Average other long-term benefits \$ - | Average termination benefits \$ - | Average total remuneration \$ 359,837 |
| \$745,001 - \$770,000 | 1 | \$ 160,287 | \$ - | \$ 578,431 | Average superannuation contributions \$ 22,468 | Average long service leave ³ \$ 6,708 | Average other long-term benefits \$ - | Average termination benefits \$ - | Average total remuneration \$ 767,894 |

Notes

- 1 Includes annual leave movement during the period.
- 2 Includes, but is not limited to, allowances and benefits received whilst on overseas post.
- 3 Excludes the bond rate impact of long service leave.



Part 04

Financial statements

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INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Opinion

In my opinion, the financial statements of the Department of the Treasury ('the Entity') for the year ended 30 June 2019:

- (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 Entity as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2019 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 a 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 Entity 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* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. 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 |
|---|--|
| <p>Accuracy and Occurrence of Grants Expense</p> <p>Refer to Note 4.1A 'Grants' and Note 5.2A 'Grants'</p> <p>The Entity administers grant payments to State and</p> | <p>The audit procedures I applied to address the matter included:</p> <ul style="list-style-type: none"> • testing, on a sample basis, the design and operating effectiveness of controls within other Australian |

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| | |
|--|---|
| <p>Territory Governments under the <i>Federal Financial Relations Act 2009</i> (the Act). The Treasurer signs off a determination approving these grant payments.</p> <p>Accuracy and occurrence of grants expense is a key audit matter due to:</p> <ul style="list-style-type: none"> • the significant value of the grants paid and the complex eligibility criteria set out in agreements of a number of the grant programs; and • the Entity's reliance on other Australian Government entities and State and Territory Governments to provide information to support payments and confirm the eligibility criteria have been met. <p>For the year ended 30 June 2019, the value of grants paid by the Entity under the Act was \$90.462 billion.</p> | <p>Government entities to support the information provided to the Entity that substantiates the eligibility and grant payment amount; and</p> <ul style="list-style-type: none"> • testing, on a sample basis, the accuracy of payments processed by the Entity, including testing the operating effectiveness of controls supporting the Treasurer's determination. |
|--|---|

| Key audit matter | How the audit addressed the matter |
|--|---|
| <p>Valuation of the Natural Disaster Relief and Recovery Arrangements and the Disaster Relief Funding Arrangements Provision</p> <p><i>Refer to Note 5.4A 'Other Provisions'</i></p> <p>The Entity manages payments to State and Territory Governments to assist with relief and recovery costs following a natural disaster.</p> <p>Valuation of the provision is a key audit matter due to the complexities in the judgements involved in estimating the provision. The Entity relies upon estimated eligible reconstruction cost information provided by State and Territory Governments to estimate the future value and timing of payments under disaster arrangements. Also, due to the nature of disasters, there is uncertainty at the time of the disaster of the estimated costs to restore State and Territory infrastructure to its original condition. The Entity applies judgement to determine whether the cost estimates are sufficiently reliable to be included in the provision at the time of the preparation of the financial statements.</p> <p>For the year ended 30 June 2019, the provision for costs associated with natural disaster arrangements was valued at \$1.393 billion.</p> | <p>The audit procedures I applied to address the matter included:</p> <ul style="list-style-type: none"> • examining the assessment of the eligibility of costs estimated under the arrangements. On a sample basis, I tested whether the estimate of eligibility costs had been calculated in accordance with the arrangements; • testing, on a sample basis, the information provided by the State and Territory Governments supporting the movement in quarterly estimates data to assess whether the Entity's reliance on this data to estimate future cash flows was reasonable; • assessing the adequacy of the quality assurance processes over project level data from the State and Territory Governments that supports the provision estimate; • assessing whether the provision calculation was consistent with the estimate of reconstruction costs provided by the State and Territory Governments; and • assessing the adequacy of the reliability assessments performed by the Entity to support the accuracy of the provision. |

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

In preparing the financial statements, the Secretary is responsible for assessing the ability of the Entity 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, as applicable, matters related to going concern 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 the Accountable Authority 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 the Accountable Authority, 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 my 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 my 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



Lorena Skipper

Acting Executive Director

Delegate of the Auditor-General

Canberra

10 September 2019

The Treasury

Statement by the Departmental Secretary and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2019 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.



Dr Steven Kennedy PSM
Secretary to the Treasury
9 September 2019



Robert Twomey
Chief Financial Officer
9 September 2019

Statement of Comprehensive Income

for the period ended 30 June 2019

| | Notes | 2019 \$'000 | 2018 \$'000 |
|---|-------|------------------|------------------|
| NET COST OF SERVICES | | | |
| Expenses | | | |
| Employee benefits | 1.1A | 139,268 | 130,279 |
| Suppliers | 1.1B | 54,442 | 63,757 |
| Grants | 1.1C | 9,695 | 1,592 |
| Depreciation and amortisation | 2.2A | 7,767 | 8,878 |
| Write-down and impairment of assets | 2.2A | 501 | 2,177 |
| Finance costs | 2.4 | 86 | 84 |
| Total expenses | | 211,759 | 206,767 |
| Own-Source Income | | | |
| Own-source revenue | | | |
| Rendering of services | 1.2A | 7,489 | 8,500 |
| Other revenue | 1.2B | 4,996 | 4,708 |
| Total own-source revenue | | 12,485 | 13,208 |
| Gains | | | |
| Other gains | 1.2C | 30 | - |
| Total gains | | 30 | - |
| Total own-source income | | 12,515 | 13,208 |
| Net (cost of)/contribution by services | | (199,244) | (193,559) |
| Revenue from Government | 1.2D | 189,355 | 187,844 |
| Surplus/(Deficit) | | (9,889) | (5,715) |
| OTHER COMPREHENSIVE INCOME | | | |
| Items not subject to subsequent reclassification to net cost of services | | | |
| Changes in asset revaluation reserves | | - | 262 |
| Total other comprehensive income | | - | 262 |
| Total comprehensive income / (loss) | | (9,889) | (5,453) |

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

Statement of Financial Position

as at 30 June 2019

| | Notes | 2019 \$'000 | 2018 \$'000 |
|-----------------------------------|-------|----------------|----------------|
| ASSETS | | | |
| Financial assets | | | |
| Cash and cash equivalents | 2.1A | 2,772 | 640 |
| Trade and other receivables | 2.1B | 62,442 | 64,804 |
| Total financial assets | | 65,214 | 65,444 |
| Non-financial assets | | | |
| Land and buildings | 2.2A | 16,713 | 16,675 |
| Plant and equipment | 2.2A | 12,397 | 11,242 |
| Intangibles | 2.2A | 9,072 | 7,628 |
| Prepayments | 2.2B | 5,832 | 4,644 |
| Total non-financial assets | | 44,014 | 40,189 |
| Total assets | | 109,228 | 105,633 |
| LIABILITIES | | | |
| Payables | | | |
| Suppliers | 2.3A | 8,498 | 11,665 |
| Other payables | 2.3B | 3,511 | 3,448 |
| Total payables | | 12,009 | 15,113 |
| Provisions | | | |
| Employee provisions | 3.1A | 53,475 | 46,073 |
| Provision for restoration | 2.4 | 3,564 | 3,508 |
| Total provisions | | 57,039 | 49,581 |
| Total liabilities | | 69,048 | 64,694 |
| Net assets | | 40,180 | 40,939 |
| EQUITY | | | |
| Asset revaluation reserve | | 12,676 | 12,676 |
| Contributed equity | | 86,274 | 77,142 |
| Retained surplus/(deficit) | | (58,770) | (48,879) |
| Total equity | | 40,180 | 40,939 |

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

Statement of Changes in Equity

for the period ended 30 June 2019

| | 2019 | 2018 |
|---|-----------------|----------|
| | \$'000 | \$'000 |
| CONTRIBUTED EQUITY | | |
| Opening balance | 77,142 | 64,136 |
| Transactions with owners | | |
| Distribution to owners | | |
| Restructuring ¹ | - | 10 |
| Contributions by owners | | |
| Equity injection appropriation | 728 | 4,750 |
| Departmental capital budget appropriation | 8,404 | 8,246 |
| Total transactions with owners | 9,132 | 13,006 |
| Closing balance as at 30 June | 86,274 | 77,142 |
| RETAINED EARNINGS | | |
| Opening balance | (48,879) | (42,091) |
| Adjustment to opening balance ² | (2) | - |
| Comprehensive income | | |
| Surplus/(Deficit) for the period | (9,889) | (5,715) |
| Total comprehensive income | (9,889) | (5,715) |
| Distribution to owners | | |
| Repeal of Annual Appropriation ³ | - | (1,073) |
| Total transactions with owners | - | (1,073) |
| Closing balance as at 30 June | (58,770) | (48,879) |
| ASSET REVALUATION RESERVE | | |
| Opening balance | 12,676 | 12,414 |
| Comprehensive income | | |
| Other comprehensive income | - | 320 |
| Changes in provision for restoration | - | (58) |
| Total comprehensive income | - | 262 |
| Closing balance as at 30 June | 12,676 | 12,676 |
| TOTAL EQUITY | | |
| Opening balance | 40,939 | 34,459 |
| Adjustment to opening balance ² | (2) | - |
| Comprehensive income | | |
| Other comprehensive income | - | 262 |
| Surplus/(Deficit) for the period | (9,889) | (5,715) |
| Total comprehensive income | (9,889) | (5,453) |
| Transactions with owners | | |
| Restructuring ¹ | - | 10 |
| Repeal of Annual Appropriation ³ | - | (1,073) |
| Contributions by owners | | |
| Equity injection appropriation | 728 | 4,750 |
| Departmental capital budget appropriation | 8,404 | 8,246 |
| Total transactions with owners | 9,132 | 11,933 |
| Closing balance as at 30 June | 40,180 | 40,939 |

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

1. Refer to Note 8.2 Restructuring.
2. Recognition of the expected credit loss on trade and other receivables on adoption of AASB 9, reflected as a \$2,000 reduction to the opening balance of retained earnings at 1 July 2018. Refer to Note 2.1B Trade and other receivables.
3. 2012-13 quarantined balances were repealed upon the Royal Assent of the *Appropriation Act (No.4) 2017-18*.

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 (FRR) 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 2019

| | 2019 | 2018 |
|---|-----------------|-----------------|
| | \$'000 | \$'000 |
| OPERATING ACTIVITIES | | |
| Cash received | | |
| Appropriations | 215,227 | 205,741 |
| Sale of goods and rendering of services | 8,336 | 8,422 |
| GST received | 4,426 | 5,149 |
| Other | 1,134 | 1,096 |
| Total cash received | 229,123 | 220,408 |
| Cash used | | |
| Employees | 132,085 | 130,623 |
| Suppliers | 54,114 | 57,066 |
| Grants | 9,695 | 1,592 |
| Section 74 receipts transferred to OPA | 29,445 | 21,306 |
| GST paid | 3,911 | 6,161 |
| Total cash used | 229,250 | 216,748 |
| Net cash from/(used by) operating activities | (127) | 3,660 |
| INVESTING ACTIVITIES | | |
| Cash used | | |
| Purchase of land and buildings | 3,105 | 3,037 |
| Purchase of plant and equipment | 3,873 | 6,377 |
| Purchase of intangibles | 3,928 | 3,111 |
| Total cash used | 10,906 | 12,525 |
| Net cash from/(used by) investing activities | (10,906) | (12,525) |
| FINANCING ACTIVITIES | | |
| Cash received | | |
| Contributed equity - departmental capital budget | 8,404 | 8,246 |
| Contributed equity - equity injections | 4,761 | 9 |
| Total cash received | 13,165 | 8,255 |
| Net cash from/(used by) financing activities | 13,165 | 8,255 |
| Net increase/(decrease) in cash held | 2,132 | (610) |
| Cash at the beginning of the reporting period | 640 | 1,250 |
| Cash at the end of the reporting period | 2,772 | 640 |

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

Administered Schedule of Comprehensive Income

for the period ended 30 June 2019

| | Notes | 2019 \$'000 | 2018 \$'000 |
|---|-------|----------------------|----------------------|
| NET COST OF SERVICES | | | |
| Expenses | | | |
| Grants | 4.1A | 103,945,261 | 99,113,632 |
| Interest | | 64,000 | 42,544 |
| Medicare Guarantee Fund | 4.1B | 36,233,451 | 34,774,894 |
| Payments to corporate Commonwealth entities | 4.1C | 48,973 | - |
| Foreign exchange losses/(gains) | 4.1D | 20,752 | (10,183) |
| Suppliers | | 15,763 | 16,169 |
| Total expenses | | 140,328,200 | 133,937,056 |
| Income | | | |
| Revenue | | | |
| Non-taxation revenue | | | |
| Sale of goods and rendering of services | 4.2A | 605,211 | 638,403 |
| Interest | 4.2B | 16,972 | 7,711 |
| Dividends | 4.2C | 1,694,632 | 726,421 |
| COAG revenue from government agencies | 4.2D | 2,259,418 | 479,530 |
| Other revenue | 4.2E | 93,818 | 94,009 |
| Total non-taxation revenue | | 4,670,051 | 1,946,074 |
| Total revenue | | 4,670,051 | 1,946,074 |
| Total income | | 4,670,051 | 1,946,074 |
| Net (cost of)/contribution by services | | (135,658,149) | (131,990,982) |
| Surplus/(Deficit) | | (135,658,149) | (131,990,982) |
| OTHER COMPREHENSIVE INCOME | | | |
| Items subject to subsequent reclassification to net cost of services | | | |
| Changes in asset revaluation surplus | | 3,411,602 | 3,464,067 |
| Total comprehensive income/(loss) | | (132,246,547) | (128,526,915) |

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

Administered Schedule of Assets and Liabilities

as at 30 June 2019

| | Notes | 2019 \$'000 | 2018 \$'000 |
|---|-------|-------------------|-------------------|
| ASSETS | | | |
| Financial assets | | | |
| Cash and cash equivalents | 5.1A | 239,677 | - |
| Loans and other receivables | 5.1B | 2,539,131 | 1,720,615 |
| Investments | 5.1C | 43,954,514 | 39,551,532 |
| Total financial assets | | 46,733,322 | 41,272,147 |
| Non-financial assets | | | |
| Other | | - | 375 |
| Total non-financial assets | | - | 375 |
| Total assets administered on behalf of Government | | 46,733,322 | 41,272,522 |
| LIABILITIES | | | |
| Payables | | | |
| Grants | 5.2A | 156,043 | 600,317 |
| Other payables | 5.2B | 6,533,145 | 5,877,642 |
| Unearned income | 5.2C | 6,169 | 12,047 |
| Total payables | | 6,695,357 | 6,490,006 |
| Interest bearing liabilities | | | |
| Promissory notes | 5.3A | 9,988,269 | 10,009,796 |
| Total interest bearing liabilities | | 9,988,269 | 10,009,796 |
| Provisions | | | |
| Other provisions | 5.4A | 1,392,582 | 898,753 |
| Total provisions | | 1,392,582 | 898,753 |
| Total liabilities administered on behalf of Government | | 18,076,208 | 17,398,555 |
| Net assets/(liabilities) | | 28,657,114 | 23,873,967 |

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

Administered Reconciliation Schedule

for the period ended 30 June 2019

| | 2019 \$'000 | 2018 \$'000 |
|---|-------------------|----------------|
| Opening assets less liabilities as at 1 July | 23,873,967 | 20,541,182 |
| Net (cost of)/contribution by services | | |
| Income | 4,670,051 | 1,946,074 |
| Expenses | | |
| Payments to entities other than corporate Commonwealth entities | (140,279,227) | (133,937,056) |
| Payments to corporate Commonwealth entities | (48,973) | - |
| Other comprehensive income | | |
| Revaluations transferred to reserves | 3,411,602 | 3,464,067 |
| Transfers (to)/from Australian Government | | |
| Appropriation transfers from OPA | | |
| Administered assets and liabilities appropriations | 165,000 | - |
| Annual appropriation for administered expenses | | |
| Payments to entities other than corporate Commonwealth entities | 25,737 | 24,348 |
| Payments to corporate Commonwealth entities | 48,973 | - |
| Special appropriations (limited) | | |
| Payments to entities other than corporate Commonwealth entities | - | - |
| Special appropriations (unlimited) | | |
| Payments to entities other than corporate Commonwealth entities | 90,751,440 | 87,987,721 |
| Special accounts - COAG Reform Fund | 12,977,718 | 11,061,506 |
| Special accounts - Medicare Guarantee Fund | 36,233,451 | 34,774,894 |
| Special accounts - NHFIC | 255,000 | - |
| Refunds of receipts (s77 PGPA) | - | 9 |
| Appropriation transfers to OPA | | |
| Transfers to OPA - appropriations | (1,166,445) | (1,493,880) |
| Transfers to OPA - special accounts | (2,261,180) | (494,898) |
| Restructuring | - | - |
| Closing assets less liabilities as at 30 June | 28,657,114 | 23,873,967 |

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 2019

| Notes | 2019 \$'000 | 2018 \$'000 |
|---|----------------------|----------------------|
| OPERATING ACTIVITIES | | |
| Cash received | | |
| Sale of goods and rendering of services | 6,266 | 7,742 |
| Interest | 14,994 | 7,232 |
| Dividends | 898,553 | 1,123,500 |
| Net GST received | 640 | 1,105 |
| COAG receipts from government agencies | 2,259,418 | 494,256 |
| Other receipts from government agencies ¹ | 20,964,335 | 19,485,433 |
| Other | 93,823 | 94,127 |
| Total cash received | 24,238,029 | 21,213,395 |
| Cash used | | |
| Grant payments | 139,731,749 | 133,587,151 |
| Other grants to the States and Territories ¹ | 20,964,335 | 19,485,433 |
| Interest | 61,824 | 38,647 |
| Other | 16,398 | 3,445 |
| Total cash used | 160,774,306 | 153,114,676 |
| Net cash from/(used by) operating activities | (136,536,277) | (131,901,281) |
| INVESTING ACTIVITIES | | |
| Cash received | | |
| Repayment of IMF NAB loans | 150,250 | 260,099 |
| Total cash received | 150,250 | 260,099 |
| Cash used | | |
| Settlement of IMF maintenance of value | - | 25 |
| Settlement of international financial institution's obligations | 225,638 | 218,493 |
| Purchase of administered investments | 165,000 | - |
| Settlement of loans to other government agencies | 15,323 | - |
| Total cash used | 405,961 | 218,518 |
| Net cash from/(used by) investing activities | (255,711) | 41,581 |
| Net increase/(decrease) in cash held | (136,791,988) | (131,859,700) |
| Cash from Official Public Account | | |
| Appropriations | 90,993,121 | 88,013,235 |
| Special accounts | 49,466,169 | 45,836,400 |
| Total cash from Official Public Account | 140,459,290 | 133,849,635 |
| Cash to Official Public Account | | |
| Appropriations | 1,166,445 | 1,495,037 |
| Special accounts | 2,261,180 | 494,898 |
| Total cash to Official Public Account | 3,427,625 | 1,989,935 |
| Net cash from/(to) Official Public Account | 137,031,665 | 131,859,700 |
| Cash and cash equivalents at the end of the reporting period² | 239,677 | - |

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

- 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.
- The Cash and cash equivalents balance reflects the balance of the NHFIC Special Account held by the Treasury. Refer to Note 6.2 Special Accounts for more information.

Notes to and forming part of the financial statements

for the period ended 30 June 2019

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Overview

The Basis of Preparation

The financial statements are general purpose financial statements, which are required by 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*; and
- Australian Accounting Standards and interpretations — Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The Treasury 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 2015*:

- 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 statements are 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.

The following new standard was issued prior to the signing of the statement by the Accountable Authority and Chief Financial Officer, was applicable to the current reporting period and had a material effect on the Treasury's financial statements.

| Standard | Summary of changes |
|--------------------------------|--|
| AASB 9 — Financial Instruments | AASB 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. |

Future Australian Accounting Standard requirements

The following new standard was issued by the Australian Accounting Standards Board prior to the signing of the statement by the Accountable Authority and Chief Financial Officer, and is expected to have a material impact on the Treasury's financial statements for the future reporting period(s):

| Standard | Summary of changes | Effective date |
|------------------|---|----------------|
| AASB 16 — Leases | <p>AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee, effectively treating all leases as finance leases. AASB 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.</p> <p>AASB 16 requires enhanced disclosures for both lessees and lessors to improve information disclosed about an entity's exposure to leases.</p> <p>On 1 July 2019, the Treasury will recognise right-of-use assets with an estimated total of \$106.6 million, and corresponding lease liabilities of \$106.6 million. The Treasury will also derecognise the opening balance of the operating rent payable liability (\$0.3 million) through retained earnings.</p> | 1 January 2019 |

Taxation

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

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 2018-19, the 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, the 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 no payments were made in contravention of section 83 of the Constitution (2018: Nil).

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

Glossary of abbreviations

The following abbreviations are standardised throughout the financial statements:

ATO — Australian Taxation Office

COAG — Council of Australian Governments

NHFIC — National Housing Finance and Investment Corporation

DRFA — Disaster Recovery Funding Arrangements (applicable to events after 1 November 2018)

NDRRA — Natural Disaster Relief and Recovery Arrangements (applicable to events prior to 1 November 2018)

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 2019.

1.1. Expenses

| | 2019 | 2018 |
|-------------------------------------|----------------|----------------|
| | \$'000 | \$'000 |
| Note 1.1A: Employee benefits | | |
| Wages and salaries | 98,450 | 97,706 |
| Superannuation | | |
| Defined contribution plans | 9,148 | 8,623 |
| Defined benefit plans | 9,217 | 8,744 |
| Redundancies | 497 | 292 |
| Leave and other entitlements | 18,573 | 11,536 |
| Other | 3,383 | 3,378 |
| Total employee benefits | 139,268 | 130,279 |

Accounting Policy

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

Note 1.1B: Suppliers

Goods and services supplied or rendered

| | | |
|--|---------------|---------------|
| Information communication technology | 10,112 | 9,617 |
| Conferences and training | 1,602 | 2,027 |
| Consultants, secondees and contractors | 14,445 | 21,836 |
| Fees - audit, accounting, bank and other | 1,490 | 1,072 |
| Insurance | 359 | 325 |
| Legal | 2,718 | 4,441 |
| Printing | 453 | 980 |
| Property operating expenses | 5,930 | 5,277 |
| Publications and subscriptions | 1,886 | 1,779 |
| Travel | 4,878 | 5,689 |
| Other | 1,419 | 1,571 |
| Total goods and services supplied or rendered | 45,292 | 54,614 |

| | | |
|--|---------------|---------------|
| Goods supplied | 4,488 | 3,803 |
| Rendering of services | 40,804 | 50,811 |
| Total goods and services supplied or rendered | 45,292 | 54,614 |

Other suppliers

| | | |
|-------------------------------|---------------|---------------|
| Operating lease rentals | 8,279 | 8,677 |
| Workers compensation premiums | 871 | 466 |
| Total other suppliers | 9,150 | 9,143 |
| Total suppliers | 54,442 | 63,757 |

Leasing commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

| | | |
|--|---------------|---------------|
| Within 1 year | 7,802 | 9,492 |
| Between 1 to 5 years | 27,400 | 29,884 |
| More than 5 years | 9,397 | 17,602 |
| Total operating lease commitments | 44,599 | 56,978 |

Operating leases included are effectively non-cancellable and comprise of:

| Nature of lease | General description of leasing arrangement |
|--------------------------|---|
| Leases for accommodation | <p>The Treasury leases the Treasury Building in Canberra and offices in Sydney, Melbourne and Perth. The Treasury also leases offices and residences for posted employees overseas. These leases comprise of various periods, including both initial and option periods. Leases are escalated annually and periodically reviewed to reflect market movements.</p> <p>On 28 June 2019, the Treasury agreed to the early termination of leases in Sydney and Melbourne and will lease new offices in these locations from the 2019-20 financial year. A second office in Melbourne is in a periodic lease arrangement. Offices in Tokyo and Washington are in their final option period and all other accommodation leases are still in their initial period and each may be renewed with options between three and five years.</p> |

The Treasury in its capacity as a lessor, sub-leases office accommodation within the Treasury Building to the Australian Office of Financial Management (AOFM). This sub-lease carries the same period and review terms as the head lease.

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 a finance lease.

| | 2019 | 2018 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Note 1.1C: Grants | | |
| Public sector: | | |
| Australian Government entities (related entities) | 4,741 | - |
| Private sector: | | |
| Non-profit organisations | 4,954 | 1,592 |
| Total grants | 9,695 | 1,592 |

1.2. Own-Source Revenue and Gains

| | 2019 | 2018 |
|---------------------------|--------|--------|
| | \$'000 | \$'000 |
| Own-Source Revenue | | |

Note 1.2A: Rendering of services

| | | |
|--|--------------|--------------|
| Actuarial services | 2,040 | 2,263 |
| Shared services and cost recovery | 3,353 | 4,015 |
| Other rendering of services | 2,096 | 2,222 |
| Total sale of goods and rendering of services | 7,489 | 8,500 |

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.

| | 2019 | 2018 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Note 1.2B: Other revenue | | |
| Legislative and Governance Forum on Consumer Affairs contributions received | 516 | 287 |
| ANAO audit services received free of charge | 575 | 575 |
| Other services received free of charge | 3,794 | 3,688 |
| Other | 111 | 158 |
| Total other revenue | 4,996 | 4,708 |

Note 1.2C: Other gains

| | | |
|-----------------------------------|-----------|----------|
| Reversal of restoration provision | 30 | - |
| Total other gains | 30 | - |

Accounting Policy**Resources received free of charge**

Resources received free of charge are recognised as revenue 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. Resources received free of charge are recorded as either revenue or gains depending on their nature.

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 entity 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.

Note 1.2D: Revenue from Government

| | | |
|--------------------------------------|----------------|----------------|
| Appropriations | | |
| Departmental appropriations | 185,518 | 187,844 |
| Supplementation | | |
| Other | 3,837 | - |
| Total revenue from Government | 189,355 | 187,844 |

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 the 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

| | 2019 | 2018 |
|--|---------------|--------|
| | \$'000 | \$'000 |
| Note 2.1A: Cash and cash equivalents | | |
| Cash on hand or on deposit | 2,772 | 640 |
| Total cash and cash equivalents | 2,772 | 640 |
| Note 2.1B: Trade and other receivables | | |
| Appropriations receivable | 54,315 | 58,612 |
| Supplementation receivable | 3,837 | - |
| Goods and services receivables | 2,715 | 4,223 |
| Net GST receivable from the ATO | 1,153 | 1,832 |
| Other receivables | 424 | 137 |
| Total trade and other receivables (gross) | 62,444 | 64,804 |
| Less impairment loss allowance | (2) | - |
| Total trade and other receivables (net) | 62,442 | 64,804 |

Credit terms for goods and services were within 30 days (2018: 30 days).

Accounting Policy

Financial assets

Trade receivables, loans and other receivables that are held for the purpose of collecting the contractual cash flows, where the cash flows are solely payments for principal and interest that are not provided at below-market interest rates, are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

2.2. Non-Financial Assets

Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and computer software (2018-19)

Reconciliation of the opening and closing balances of property, plant and equipment and computer software for 2019

| | Computer software | | | | Total \$'000 |
|--|--|----------------------------------|-----------------------------------|---------------------------------|-----------------|
| | Buildings — leasehold improvements \$'000 | Plant and equipment \$'000 | internally developed \$'000 | software purchased \$'000 | |
| As at 1 July 2018 | | | | | |
| Gross book value | 18,277 | 13,250 | 20,976 | 9,673 | 62,176 |
| Accumulated depreciation / amortisation and impairment | (1,602) | (2,008) | (14,371) | (8,650) | (26,631) |
| Total value as at 1 July 2018 | 16,675 | 11,242 | 6,605 | 1,023 | 35,545 |
| Additions | | | | | |
| Purchased | 3,105 | 3,873 | 3,169 | 759 | 10,906 |
| Internally developed | 3,105 | 3,873 | - | 759 | 7,737 |
| Depreciation and amortisation | - | - | 3,169 | - | 3,169 |
| Disposals | (2,789) | (2,718) | (1,578) | (682) | (7,767) |
| From write-down and impairment of assets | (278) | - | (215) | (9) | (502) |
| | (278) | - | (215) | (9) | (502) |
| Total as at 30 June 2019 | 16,713 | 12,397 | 7,981 | 1,091 | 38,182 |
| Total as at 30 June 2019 represented by: | | | | | |
| Gross book value | 20,951 | 17,097 | 20,864 | 9,016 | 67,928 |
| Fair value | 18,440 | 13,793 | - | - | 32,233 |
| At cost | - | - | 18,374 | 9,016 | 27,390 |
| Under construction | 2,511 | 3,304 | 2,490 | - | 8,305 |
| Accumulated depreciation / amortisation and impairment | (4,238) | (4,700) | (12,883) | (7,925) | (29,746) |
| Total as at 30 June 2019 | 16,713 | 12,397 | 7,981 | 1,091 | 38,182 |

No indicators of impairment were found for land and buildings, plant and equipment or intangible assets as at 30 June 2019.

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 7.5.

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 commitments¹ for the acquisition of property, plant and equipment and intangible assets.

| Commitments are payable as follows: | 2019 | 2018 |
|--|---------------|--------|
| | \$'000 | \$'000 |
| Within 1 year | 2,445 | 192 |
| Total commitments | 2,445 | 192 |

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 statement of financial position, 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. A fair value review was undertaken by an independent valuer at 30 June 2019 who confirmed that the carrying amount of non-financial assets has not materially changed since the last full revaluation in 2016-17.

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 written-off to their estimated residual values over their estimated useful lives to the Treasury using, in all cases, the straight-line 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:

| | 2019 | 2018 |
|------------------------------------|---------------|---------------|
| 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 2019. 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.

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 2019, including the impact of factors such as project cessation and platform changes. No indications of impairment for intangible assets were identified as at 30 June 2019, therefore nil impairment loss for intangible assets was recognised (2018: \$1.318 million).

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.

| | 2019 | 2018 |
|-------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Note 2.2B: Prepayments | | |
| Prepayments | 5,832 | 4,644 |
| Total prepayments | 5,832 | 4,644 |

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

2.3. Payables

| | 2019 | 2018 |
|------------------------------|--------------|---------------|
| | \$'000 | \$'000 |
| Note 2.3A: Suppliers | | |
| Trade creditors and accruals | 8,203 | 11,249 |
| Operating lease rentals | 295 | 416 |
| Total suppliers | 8,498 | 11,665 |

Settlement was usually made within 30 days.

Note 2.3B: Other payables

| | | |
|-----------------------------|--------------|--------------|
| Salaries and wages | 983 | 1,077 |
| Superannuation | 137 | 140 |
| Other creditors | 385 | (30) |
| Unearned income | 2,006 | 2,261 |
| Total other payables | 3,511 | 3,448 |

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

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 | Total |
|--|------------------------------|--------------|
| | \$'000 | \$'000 |
| Carrying amount 1 July 2018 | 3,508 | 3,508 |
| Amounts reversed | (30) | (30) |
| Unwinding of discount or change in discount rate | 86 | 86 |
| Closing balance 30 June 2019 | 3,564 | 3,564 |

The Treasury has 5 (2018: 5) lease agreements containing provisions to restore the premises to their original condition at the conclusion of the lease. The Treasury 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

| | 2019 | 2018 |
|---------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Note 3.1A: Employee provisions | | |
| Leave | 53,475 | 46,073 |
| Total employee provisions | 53,475 | 46,073 |

Accounting Policy

Liabilities for short-term employee benefits and termination benefits expected within 12 months of the end of reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as the net total of the 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 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.

In 2017-18, the Treasury engaged the Australian Government Actuary to undertake a triennial actuarial assessment of its leave provisions, taking into account the likely tenure of existing staff, patterns of leave claims, payouts and future salary movements. 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 Treasury recognises a provision for termination when it has developed 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's defined benefit 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 2019 represents outstanding contributions.

3.2. Key Management Personnel Remuneration

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

| | 2019 | 2018 |
|---|---------------|--------|
| | \$'000 | \$'000 |
| Short-term employee benefits | 3,065 | 3,277 |
| Post-employment benefits | 444 | 455 |
| Other long-term employee benefits | 130 | 170 |
| Total key management personnel remuneration expenses^{1,2} | 3,639 | 3,902 |

The total number of key management personnel that are included in the above table are 12 (2018: 7).

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Treasurer and other Portfolio Ministers. Their remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the Treasury.
2. The comparatives have been updated to reflect a change to the calculation of remuneration relating to the treatment of leave entitlements, to bring in-line with the guidance issued by the Department of Finance. The total key management personnel remuneration expenses previously reported for 2017-18 was \$4.299 million.

3.3. Related Party Disclosures

Related party relationships:

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

Transactions with related parties:

Giving consideration to relationships with related entities and transactions entered into during the reporting period by the Treasury, it has been determined that there are no related party transactions to be separately disclosed (2018: nil).

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

| | 2019 | 2018 |
|---|--------------------|-------------------|
| | \$'000 | \$'000 |
| Note 4.1A: Grants | | |
| Public sector | | |
| State and Territory Governments | 101,676,454 | 98,625,548 |
| Payment of COAG receipts from Government agencies | 2,259,418 | 479,530 |
| Private sector | | |
| Grants to private sector | 9,389 | 8,554 |
| Total grants | 103,945,261 | 99,113,632 |

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 DRFA and 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 (NHR) funding, National Housing and Homelessness Agreement (NHHA) 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 five 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.
- NHR payments — a financial contribution to State or Territory to improve health outcomes for all Australians and ensure the sustainability of Australia's health system.
- NHHA payments — a financial contribution to State or Territory to improve access to affordable, safe and sustainable housing, including to prevent and address homelessness and support social and economic participation.
- NP payments — a financial contribution in respect of an 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.

NHR payments are paid monthly in advance under the *Federal Financial Relations Act 2009*. The Treasurer then makes one annual payment determination, with any adjustments made in the following financial year. 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 (or the delegated Minister within the Treasury Portfolio) 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.

Disaster Recovery Funding Arrangements (DRFA) and Natural Disaster Relief and Recovery Arrangements (NDRRA)

The Treasury accounts for payments made to States and Territories under DRFA and 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 Department of Home Affairs (Home Affairs) an estimate of costs expected to be incurred for disasters affecting States and Territories that occurred prior to 1 July 2019 which would be eligible for assistance. The signed representations from the States and Territories are quality assured by Home Affairs, 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 (DSS) — 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 Social Services (DSS) — payments to States and Territories in relation to the DisabilityCare Australia Fund.
- Department of Infrastructure (DoI) — distribution of interstate road transport fees to the States and Territories for the maintenance and upkeep of roads.

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.

| | 2019 | 2018 |
|---|-------------------|-------------------|
| | \$'000 | \$'000 |
| Note 4.1B: Medicare Guarantee Fund | | |
| Medicare Guarantee Fund | 36,233,451 | 34,774,894 |
| Total Medicare Guarantee Fund | 36,233,451 | 34,774,894 |

Accounting Policy

Medicare Guarantee Fund

The purpose of the *Medicare Guarantee Act 2017* (the Act) is to secure ongoing funding of the Medical Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS).

The Act establishes the Medicare Guarantee Fund (MGF), which consists of the Medicare Guarantee Fund (Treasury) Special account (Treasury Special Account) and the Medicare Guarantee Fund (Health) Special Account (Health Special Account). The Treasury Special Account is administered by the Department of the Treasury and the Health Special Account is administered by the Department of Health.

Under the Act, the Treasurer must credit the Treasury Special Account with an amount that is sufficient to cover the estimated costs of the MBS and PBS for the next financial year. The Treasury is reliant on advice from the Department of Health in determining the estimated costs. The sole purpose of the Treasury Special Account is to ensure that amounts are available for transfer to the Health Special Account to fund the MBS and PBS.

The MGF funding payment is recorded in Treasury Administered expenses to reflect the payment into the Health Special Account from the Treasury Special Account. Refer to Note 6.2 Special accounts.

| | 2019 | 2018 |
|---|---------------|----------|
| | \$'000 | \$'000 |
| Note 4.1C: Payments to corporate Commonwealth entities | | |
| NHFIC Operating funding | 13,973 | - |
| NHFIC grants payment | 35,000 | - |
| Total payments to corporate Commonwealth entities | 48,973 | - |

Accounting Policy

Payments to corporate Commonwealth entities from amounts appropriated for that purpose are classified as administered expenses, equity injections or loans of the relevant portfolio department. The appropriation to the Treasury is disclosed in Note 6 Funding.

Refer to Notes 5.1B Loans and other receivables, 5.1C Investments and 7.2 Administered Contingent Assets and Liabilities for more information on the National Housing Finance and Investment Corporation (NHFIC).

| Note 4.1D: Net foreign exchange losses/(gains) | | |
|---|---------------|-----------------|
| IMF SDR allocation | 250,912 | 286,082 |
| IMF Maintenance of Value | 406,863 | 404,964 |
| IMF quota revaluation | (534,870) | (609,840) |
| IFIs revaluation | (87,399) | (68,253) |
| IMF new arrangement to borrow loans revaluation | (14,754) | (23,136) |
| Other | - | - |
| Total net foreign exchange losses/(gains) | 20,752 | (10,183) |

4.2. Administered – Income

| | 2019 | 2018 |
|---|------------------|----------------|
| Revenue | \$'000 | \$'000 |
| Non-Taxation Revenue | | |
| Note 4.2A: Sale of goods and rendering of services | | |
| GST administration fees - external entities | 599,200 | 631,100 |
| Guarantee of State and Territory borrowing fee | 6,011 | 7,303 |
| Total sale of goods and rendering of services | 605,211 | 638,403 |
| Note 4.2B: Interest | | |
| Gross IMF remuneration | 10,666 | 1,934 |
| Less: burden sharing | (39) | (10) |
| Net IMF remuneration | 10,627 | 1,924 |
| Interest on loan to IMF under | | |
| New arrangements to borrow | 4,106 | 3,615 |
| Interest on loans to States and Territories | 2,162 | 2,162 |
| Interest on NHFIC AHBA Loans | 38 | - |
| Total interest | 16,972 | 7,711 |
| Note 4.2C: Dividends | | |
| Reserve Bank of Australia | 1,684,632 | 668,921 |
| Australian Reinsurance Pool Corporation ¹ | 10,000 | 57,500 |
| Total dividends | 1,694,632 | 726,421 |
| Note 4.2D: COAG revenue from Government | | |
| DisabilityCare Australia Fund revenue (DSS) | 2,087,755 | 129,897 |
| Interstate Road Transport revenue (DoI) | 6,586 | 62,922 |
| Social and Community Services Sector (DSS) | 165,077 | 286,711 |
| Total COAG receipts from government agencies | 2,259,418 | 479,530 |
| Note 4.2E: Other revenue | | |
| Australian Reinsurance Pool Corporation Fee ¹ | 90,000 | 90,000 |
| Other revenue | 3,818 | 4,009 |
| Total Other revenue | 93,818 | 94,009 |

1. Australian Reinsurance Pool Corporation Dividend and Service fee are agreed in advance as part of the Budget process and finalised once the appropriate determination is provided under the Section 38(2) of the *Terrorism Insurance Act 2003*.

Accounting Policy

Administered revenue

All administered revenue relates 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 recognises 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. Remuneration is paid on a portion of Australia's IMF quota commitment. This money is 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, which is based on a weighted average of representative interest rates on short-term government debt instruments (generally 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 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

| | 2019 | 2018 |
|--|----------------|----------|
| | \$'000 | \$'000 |
| Note 5.1A: Cash and cash equivalents | | |
| Cash held in the OPA - NHFIC Special Account | 239,677 | - |
| Total cash and cash equivalents | 239,677 | - |

Accounting Policy

The Treasury's administered cash and cash equivalents relate to special account balances held in the OPA. Refer to Note 6.2 Special accounts for more information.

Note 5.1B: Loans and other receivables

Loans

| | | |
|-------------------------------------|----------------|----------------|
| Loans to States and Territories | 47,855 | 47,855 |
| Loans to NHFIC | 15,323 | - |
| IMF new arrangements to borrow loan | 311,738 | 447,234 |
| Total loans | 374,916 | 495,089 |

Other receivables

| | | |
|---|------------------|------------------|
| Guarantee of State and Territory | | |
| Borrowing contractual fee receivable ¹ | 6,169 | 12,047 |
| Guarantee of State and Territory | | |
| Borrowing fee receivable | 296 | 551 |
| Net GST receivable from the ATO | (5) | 630 |
| IMF related moneys owing | 2,447 | 507 |
| Dividends receivable | 1,685,000 | 888,921 |
| Accrued interest - Loans to NHFIC | 38 | - |
| GST Revenue allocations and COAG refundable | 470,268 | 322,863 |
| Other receivables | 2 | 7 |
| Total other receivables | 2,164,215 | 1,225,526 |
| Total loans and other receivables (gross) | 2,539,131 | 1,720,615 |

Receivables are expected to be recovered in

| | | |
|----------------------------------|------------------|------------------|
| No more than 12 months | 2,160,478 | 1,215,641 |
| More than 12 months | 378,653 | 504,974 |
| Total receivables (gross) | 2,539,131 | 1,720,615 |

Receivables (gross) are aged as follows

| | | |
|----------------------------------|------------------|------------------|
| Not overdue | 2,539,131 | 1,720,615 |
| Total receivables (gross) | 2,539,131 | 1,720,615 |

1. Refer to Note 5.2C for corresponding liability.

Accounting Policy

Except for financial guarantee contracts, all loans and receivables are classified as amortised cost under AASB 9. Refer to Note 7.4 Administered financial instruments for further details on accounting treatment.

Loans to NHFIC

Loans to NHFIC relate to the Affordable Housing Bond Aggregator (AHBA), which was established by NHFIC to provide loans to registered Community Housing Providers (CHPs). In accordance with the *National Housing Finance and Investment Corporation Investment Mandate 2018*, each loan allocated to the AHBA must relate to a particular loan to a CHP unless approved by the Treasurer and Minister for Finance. Interest is to be charged on each loan at a rate that covers the Commonwealth's cost of borrowing over the life of the loan. The interest has been accrued as earned and disclosed in Notes 4.2B and 5.1B.

IMF New Arrangements to Borrow

Through the New Arrangements to Borrow (NAB), Australia and 39 other member countries have committed to lend additional resources to the IMF. The NAB constitutes a second line of funding defence to supplement IMF resources to forestall or cope with an impairment of the international monetary system. The NAB is used in circumstances in which the IMF needs to supplement its quota resources for lending purposes. The NAB is covered by general activation periods of up to six months, with each activation period subject to a specified maximum level of commitments.

Australia has received NAB repayments following past NAB lending however, the NAB is not currently active or being called upon. 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.

GST Revenue allocation and COAG refundable

Under the COAG arrangements, the Treasury records the COAG grants position based on accrual or receivable balance information provided by Commonwealth Agencies for each COAG grant. Historically, the Treasury has reported on a net basis the grants payable under Note 5.2A Grants. From 2018-19, the Treasury will report on a gross basis, separately disclosing grants payable (grants not paid prior to year-end) and receivable (primarily GST revenue allocations and other COAG grants receivable).

GST is paid to the State and Territories based on estimated figures provided in the Budget and revisited in the Mid-Year Economic and Fiscal Outcome (MYEFO) round. The key driver of the calculation of the distribution of GST is population and actual collections. At the end of each financial year, the Australian Bureau of Statistics provides population data and the ATO provides the actual GST collection figures. The difference between the estimated State and Territory payments is recorded as GST revenue allocation.

Current year GST revenue allocation is \$470.268m. (2018: \$316.501m).

Refer to Note 5.2A Grants for further details.

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | \$'000 | \$'000 |
| Note 5.1C: Investments | | |
| International financial institutions | | |
| Asian Development Bank | 608,860 | 583,862 |
| Asian Infrastructure & Investment Bank | 842,093 | 599,269 |
| European Bank for Reconstruction and Development | 101,442 | 98,676 |
| International Bank for Reconstruction and Development | 332,742 | 315,724 |
| International Finance Corporation | 67,488 | 64,036 |
| Multilateral Investment Guarantee Agency | 8,842 | 8,390 |
| Total international financial institutions | 1,961,467 | 1,669,957 |
| Australian Government entities | | |
| Reserve Bank of Australia | 28,338,000 | 24,963,000 |
| Australian Reinsurance Pool Corporation | 461,321 | 425,893 |
| NHFIC | 165,000 | - |
| Total Australian Government entities | 28,964,321 | 25,388,893 |
| Commonwealth Companies | | |
| Financial Adviser Standards and Ethics Authority Ltd | 1,174 | - |
| Total Commonwealth Companies | 1,174 | - |
| Other Investments | | |
| IMF quota | 13,027,552 | 12,492,682 |
| Total other investments | 13,027,552 | 12,492,682 |
| Total Investments | 43,954,514 | 39,551,532 |
| Investments are expected to be recovered in more than 12 months. | | |

Accounting Policy

Administered investments

Investments are classified as fair value through other comprehensive income. Refer to Note 7.4 Administered Financial Instruments for further details on the Treasury's accounting policy.

Development banks

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 World Bank 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 WBG.

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 SDRs 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 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.

The 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.

The National Housing Finance and Investment Corporation (NHFIC) was established under the *National Housing Finance and Investment Corporation Act 2018* in June 2018. NHFIC's purpose is to improve housing outcomes for Australians by providing funding to eligible housing projects through two key financing mechanisms: the National Housing Infrastructure Facility (NHIF), which provides loans, investments and grants for enabling infrastructure to support new housing; and the Affordable Housing Bond Aggregator (AHBA), which provides cheaper, longer-term financing to community housing providers.

Financial Adviser Standards and Ethics Authority Ltd (FASEA) is a Commonwealth entity that was established in April 2017 to set standards for the ethical conduct, educational qualifications and ongoing training of licensed financial advisers in Australia.

The Commonwealth, as represented by the Assistant Minister for Superannuation, Financial Services and Financial Technology, is the sole shareholder. FASEA is funded by contributions from participating financial institutions under FASEA's Funding agreement. All revenue and any subsequent profits are to be used to fund the operations of FASEA and cannot be distributed to the Commonwealth. Upon winding up, any surplus is returned to the contributing financial institutions and the shareholder is required to contribute \$10.00.

5.2. Administered – Payables

| | 2019 | 2018 |
|---|------------------|------------------|
| | \$'000 | \$'000 |
| Note 5.2A: Grants | | |
| Public sector | | |
| COAG grants payable | 156,033 | 599,734 |
| Other grants payable | 10 | 583 |
| Total grants | 156,043 | 600,317 |
| Grants are expected to be settled in no more than 12 months. | | |
| Note 5.2B: Other payables | | |
| GST appropriation payable | 3,710 | 1,734 |
| IMF SDR allocation | 6,111,340 | 5,860,428 |
| IMF related monies owing | 11,294 | 9,118 |
| IMF Movement in value | 406,863 | - |
| Suppliers | (62) | 6,362 |
| Total other payables | 6,533,145 | 5,877,642 |
| Other payables expected to be settled | | |
| No more than 12 months | 14,968 | 17,214 |
| More than 12 months | 6,518,177 | 5,860,428 |
| Total other payables | 6,533,145 | 5,877,642 |
| Note 5.2C: Unearned income | | |
| Guarantee of State and Territory borrowing contractual guarantee service obligation ¹ | 6,169 | 12,047 |
| Total unearned income | 6,169 | 12,047 |
| Total unearned income expected to be settled | | |
| No more than 12 months | 2,432 | 5,887 |
| More than 12 months | 3,737 | 6,160 |
| Total unearned income | 6,169 | 12,047 |

1. Refer Note 5.1B for corresponding receivable.

COAG grants payable

Historically, COAG grants payable was netted-off against GST revenue allocations receivable and other COAG grants receivable. From 2018-19, these have been separately disclosed on a gross basis, with GST revenue allocations receivable and other COAG grants receivable now disclosed in Note 5.1B Loans and other receivables.

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

| | 2019 | 2018 |
|--|------------------|-------------------|
| | \$'000 | \$'000 |
| Note 5.3A: Promissory notes | | |
| IMF promissory notes ¹ | 9,899,480 | 9,899,480 |
| Other promissory notes ¹ | 88,789 | 110,316 |
| Total Promissory notes | 9,988,269 | 10,009,796 |
| Promissory notes expected to be settled | | |
| Within 1 year | 25,468 | 24,359 |
| Between 1 to 5 years | - | 25,875 |
| More than 5 years | 9,962,801 | 9,959,562 |
| Total Promissory notes | 9,988,269 | 10,009,796 |

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

Accounting Policy

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 relate to the undrawn paid-in capital subscriptions. Foreign currency gains and losses are recognised where applicable.

5.4. Administered – Other Provisions

| | 2019 | 2018 |
|--|------------------|------------------|
| | \$'000 | \$'000 |
| Note 5.4A: Other Provisions | | |
| DRFA and NDRRA provision | 1,392,582 | 898,753 |
| <i>Queensland</i> | 1,050,712 | 575,784 |
| <i>New South Wales</i> | 16,567 | 26,371 |
| <i>Victoria</i> | 52,525 | 58,227 |
| <i>Western Australia</i> | 133,508 | 150,811 |
| <i>Northern Territory</i> | 65,348 | 56,318 |
| <i>Tasmania</i> | 73,721 | 28,884 |
| <i>South Australia</i> | 190 | 2,358 |
| <i>Australian Capital Territory</i> | 11 | - |
| Total other provisions | 1,392,582 | 898,753 |
| Other provisions expected to be settled | | |
| No more than 12 months | 532,379 | 347,718 |
| More than 12 months | 860,203 | 551,035 |
| Total other provisions | 1,392,582 | 898,753 |
| | \$'000 | Total \$'000 |
| As at 1 July 2018 | 898,753 | 898,753 |
| Additional provisions made | 841,473 | 841,473 |
| Amounts used | (153,144) | (153,144) |
| Amounts reversed | (221,368) | (221,368) |
| Unwinding of discount or change in discount rate | 26,868 | 26,868 |
| Total as at 30 June 2019 | 1,392,582 | 1,392,582 |

Accounting Judgements and Estimates

Provisions

The Disaster Recovery Funding Arrangements (DRFA) and 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 DRFA 2018 Determination will apply from 1 November 2018 in respect of eligible events that occur on or after that date. All eligible events occurring up to and including 31 October 2018 will be governed by NDRRA Determination 2017. No change to the method of accounting for the provision arises from this change in the determination.

The estimate is based on information provided by the States and Territories to the Department of Home Affairs (Home Affairs), the Commonwealth agency responsible for the administration of disaster relief. The estimates provided by the States and Territories are based on their assessment of the costs expected to be incurred that would be eligible for assistance under the applicable Determination. Home Affairs performs their quality assurance processes in order to assess reasonableness of estimates provided by the States and Territories with regard to estimates eligibility under DRFA and 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.

Contingent liabilities

The DRFA and NDRRA provision at 30 June 2019 includes estimated payments for disaster events that occurred prior to 1 July 2019, except for new events that occurred during the 2018-19 financial year for which costs cannot yet be quantified reliably. There were eight such events that are included in the DRFA and NDRRA contingent liability. These include:

- Southern Queensland upper level trough in April 2019 in QLD;
- Thunderstorms and associated flooding in the Midwest and Gascoyne regions in April 2019 in WA;
- Central West and Orana storms and floods in March 2019 in NSW;
- Tenterfield bushfires in March 2019 in NSW;
- Inland NSW storms and floods in January 2019 in NSW;
- Hilltops and Cootamundra — Gundagai storms and floods in February 2019 in NSW;
- Parkes and Greater Hume storms in January 2019 in NSW;
- Eastern NSW storms in February 2019 in NSW;
- Tamworth Regional and Upper Hunter bushfires in February 2019 in NSW; and
- Newcastle (Kooragang Island) bushfires in January 2019 in NSW.

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')

| | Appropriation Act | | | PGPA Act | | Total appropriation \$'000 | Appropriation applied in 2019 (current and prior years) \$'000 | Variance ¹ \$'000 |
|--|-----------------------------|------------|----------------------------|-----------------------------|----------------|----------------------------|--|------------------------------|
| | Annual Appropriation \$'000 | AFM \$'000 | Section 74 Receipts \$'000 | Section 75 Transfers \$'000 | | | | |
| DEPARTMENTAL | | | | | | | | |
| Ordinary annual services ^{3a} | 185,518 | - | 25,019 | - | 210,537 | (208,669) | 1,868 | |
| Capital Budget ² | 8,404 | - | - | - | 8,404 | (8,404) | - | |
| Other services | 728 | - | - | - | 728 | (4,761) | (4,033) | |
| Equity ^{2b} | | | | | | | | |
| Total departmental | 194,650 | - | 25,019 | - | 219,669 | (221,834) | (2,165) | |
| ADMINISTERED | | | | | | | | |
| Ordinary annual services | | | | | | | | |
| Administered items | 81,996 | - | - | - | 81,996 | (74,504) | 7,492 | |
| Other services | | | | | | | | |
| Administered assets and liabilities | 359,850 | - | - | - | 359,850 | (315,000) | 44,850 | |
| Total administered | 441,846 | - | - | - | 441,846 | (389,504) | 52,342 | |

- The variance in Ordinary annual services is largely driven by the timing of cash payments. The variance in Equity relates to prior year funds being expensed for the establishment of the National Housing Finance and Investment Corporation. Administered funds were not fully utilised for 2018-19.
- Departmental and Administered Capital Budgets are appropriated through Appropriations Acts (No.1 and No.3). They form part of the ordinary annual services and are not separately identified in the Appropriation Acts.
- Amounts were withheld under section 51 of the PGPA Act against the following Appropriations:
 - Ordinary annual services had a 'net-negative' impact of (\$0.333 million) from the Portfolio Additional Estimates.
 - Equity reduction of \$4.742 million was applied for movement of 2017-18 funds to 2018-19. The equity injection was provided for NHFIC in 2017-18 and distributed in 2018-19

Annual Appropriations for 2018

| | Appropriation Act | | | PGPA Act | | Total appropriation \$'000 | Appropriation applied in 2018 (current and prior years) \$'000 | Variance \$'000 |
|-------------------------------------|-----------------------------|------------|-------------------|-------------------|----------------|----------------------------|--|-----------------|
| | Annual Appropriation \$'000 | AFM \$'000 | Section 74 \$'000 | Section 75 \$'000 | | | | |
| DEPARTMENTAL | | | | | | | | |
| Ordinary annual services | 197,218 | - | 21,306 | (6,284) | 212,240 | (214,857) | (2,617) | |
| Capital Budget | 8,246 | - | - | - | 8,246 | (8,246) | - | |
| Other services | | | | | | | | |
| Equity | 4,750 | - | - | - | 4,750 | (9) | 4,741 | |
| Total departmental | 210,214 | - | 21,306 | (6,284) | 225,236 | (223,112) | 2,124 | |
| ADMINISTERED | | | | | | | | |
| Ordinary annual services | | | | | | | | |
| Administered items | 36,295 | - | - | (9,222) | 27,073 | (24,214) | 2,859 | |
| Other services | | | | | | | | |
| Administered assets and liabilities | 60,000 | - | - | - | 60,000 | - | 60,000 | |
| Total administered | 96,295 | - | - | (9,222) | 87,073 | (24,214) | 62,859 | |

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

| | 2019 | 2018 |
|--|---------------|---------------|
| Authority | \$'000 | \$'000 |
| Departmental | | |
| Appropriation Act (No. 1) 2017-18 ² | - | 51,073 |
| Appropriation Act (No. 2) 2017-18 - Equity | - | 4,741 |
| Appropriation Act (No. 3) 2017-18 | - | 3,438 |
| Appropriation Act (No. 1) 2018-19 ² | 56,379 | - |
| Appropriation Act (No. 4) 2018-19 - Equity | 708 | - |
| Total departmental | 57,087 | 59,252 |

| | 2019 | 2018 |
|--|----------------|----------------|
| Authority | \$'000 | \$'000 |
| Administered | | |
| Appropriation Act (No. 1) 2016-17 ¹ | 11,581 | 11,581 |
| Appropriation Act (No. 2) 2016-17 ¹ | 35,000 | 35,000 |
| Supply Act (No.1) 2016-17 ¹ | 1,258 | 1,258 |
| Supply Act (No.2) 2016-17 ¹ | 25,000 | 25,000 |
| Appropriation Act (No. 1) 2017-18 | 7 | 7 |
| Appropriation Act (No. 2) 2017-18 | 60,000 | 60,000 |
| Appropriation Act (No. 3) 2017-18 | 2,852 | 2,852 |
| Appropriation Act (No. 1) 2018-19 | 8 | - |
| Appropriation Act (No. 2) 2018-19 | 44,850 | - |
| Appropriation Act (No. 3) 2018-19 | 7,484 | - |
| Total administered | 188,040 | 135,698 |

1. 2016-17 unspent Appropriations were legally available until 30 June 2019. These Appropriation Acts have been repealed on 1 July 2019 (2018-19).
2. Cash held amounts (2019: \$2.772 million, 2018: \$0.640 million) are included in Appropriation Act (No.1) for the relevant year.

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.

| Authority | Appropriation applied | |
|--|-----------------------|---------------------|
| | 2019 \$'000 | 2018 \$'000 |
| <i>Asian Development Bank Act 1966</i> | - | - |
| <i>Asian Development Bank (Additional Subscription) Act 2009</i> | (24,765) | (24,359) |
| <i>Asian Infrastructure Investment Bank Act 2015</i> | (200,870) | (194,135) |
| <i>Commonwealth Places (Mirror Taxes) Act 1998</i> | (607,237) | (568,430) |
| <i>European Bank for Reconstruction and Development Act 1990</i> | - | - |
| <i>Federal Financial Relations Act 2009</i> | (90,462,218) | (87,728,904) |
| <i>Financial Agreements (Commonwealth Liability) Act 1932</i> | - | - |
| <i>Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008</i> | - | - |
| <i>International Bank for Reconstruction and Development (General Capital Increase) Act 1989</i> | - | - |
| <i>International Bank for Reconstruction and Development (Share Increase) Act 1988</i> | - | - |
| <i>International Finance Corporation Act 1955</i> | - | - |
| <i>International Finance Institutions (Share Increase) Act 1982</i> | - | - |
| <i>International Finance Institutions (Share Increase) Act 1986</i> | - | - |
| <i>International Monetary Agreements Act 1947</i> | (61,823) | (38,671) |
| <i>Multilateral Investment Guarantee Agency Act 1997</i> | - | - |
| <i>Papua New Guinea Loans Guarantee Act 1975</i> | - | - |
| <i>Payment of Tax Receipts (Victoria) Act 1996</i> | - | - |
| <i>Public Governance, Performance and Accountability Act 2013</i> | - | - |
| <i>State Grants Act 1927</i> | - | - |
| <i>Superannuation Industry (Supervision) Act 1993</i> | - | - |
| <i>Terrorism Insurance Act 2003</i> | - | - |
| Total | (91,356,913) | (88,554,499) |

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 |
|-----------------------|---|--|
| | Payments to the States and Territories: education services | Payments to the States and Territories: Water for the Environment Special Account |
| 2019 | \$'000 | \$'000 |
| Total receipts | 20,963,520 | 815 |
| Total payments | 20,963,520 | 815 |

| | Department of Education and Training | Department of Agriculture and Water Resources |
|-----------------------|---|--|
| | Payments to the States and Territories: education services | Payments to the States and Territories: Water for the Environment Special Account |
| 2018 | \$'000 | \$'000 |
| Total receipts | 19,485,333 | 100 |
| Total payments | 19,485,333 | 100 |

6.2. Special Accounts

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

| | NHFIC Special Account ¹ | | Medicare Guarantee Fund (Treasury) Special Account ² | | Fuel Indexation Special Account ³ | | COAG Reform Fund Special Account ⁴ | | Services for Other Entities and Trust Money Special Account ⁵ | |
|--|------------------------------------|----------|---|---------------------|--|------------------|---|---------------------|--|----------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance brought forward from previous period | - | - | - | - | - | - | - | - | - | - |
| Increases | | | | | | | | | | |
| Appropriation for reporting period | 105,000 | - | 36,233,451 | 34,774,894 | 557,000 | 385,000 | 10,161,299 | 10,183,250 | - | - |
| Other receipts | 150,000 | - | - | - | - | - | 2,816,418 | 878,255 | 1,762 | 1,642 |
| Total increases | 255,000 | - | 36,233,451 | 34,774,894 | 557,000 | 385,000 | 12,977,717 | 11,061,505 | 1,762 | 1,642 |
| Available for payments | 255,000 | - | 36,233,451 | 34,774,894 | 557,000 | 385,000 | 12,977,717 | 11,061,505 | 1,762 | 1,642 |
| Decreases | | | | | | | | | | |
| Administered | | | | | | | | | | |
| Payments made to States and Territories | - | - | - | - | - | - | (12,977,717) | (11,061,505) | - | - |
| Payments made to other entities | (15,323) | - | - | - | - | - | - | - | (1,762) | (1,642) |
| Transfers made to Medicare Guarantee Fund (Health) Special Account | - | - | (36,233,451) | (34,774,894) | - | - | - | - | - | - |
| Transfer made to COAG Reform Fund Special Account | - | - | - | - | (557,000) | (385,000) | - | - | - | - |
| Total administered | (15,323) | - | (36,233,451) | (34,774,894) | (557,000) | (385,000) | (12,977,717) | (11,061,505) | (1,762) | (1,642) |
| Total decreases | (15,323) | - | (36,233,451) | (34,774,894) | (557,000) | (385,000) | (12,977,717) | (11,061,505) | (1,762) | (1,642) |
| Total balance carried to the next period | 239,677 | - | - | - | - | - | - | - | - | - |
| Balance represented by | | | | | | | | | | |
| Cash held in Official Public Account | 239,677 | - | - | - | - | - | - | - | - | - |
| Total balance carried to the next period | 239,677 | - | - | - | - | - | - | - | - | - |

1. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
 Establishing instrument: *National Housing Finance and Investment Corporation Act 2018*, section 47.A
 Purpose: To secure funding for the establishment and operation of NHFC's Affordable Housing Bond Aggregator (AHBA), which is to improve housing outcomes by providing cheaper and longer-term secured loan finance for community housing providers. NHFC can access this funding through submitting a Utilisation Request to gain access to the funding at the Commonwealth cost of borrowing rate (up to the annual limit as outlined below).
 The Commonwealth must credit the Account amounts equal to the following:
 - (a) \$105 million, to be credited on the day this section commences;
 - (b) \$310 million, to be credited on 1 July 2019;
 - (c) \$270 million, to be credited on 1 July 2020;
 - (d) \$165 million, to be credited on 1 July 2021; and
 each amount paid to the Commonwealth by the NHFC (in principle), on or after the day this section commences, that:
 - (i) is a repayment of money debited from the Account, or of other money lent by the Commonwealth to the NHFC; and
 - (ii) is paid in accordance with the Investment Mandate.
 Any principal repayment back to the Commonwealth through this Account, may be "recycled" and the amount re-issued. Interest is used to cover the Commonwealth's cost of borrowing and cannot be "recycled".
2. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
 Establishing instrument: *Medicare Guarantee Act 2017*, section 6
 Purpose: The *Medicare Guarantee Act 2017* (the Act) is to secure ongoing funding of the Medical Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS). The Act establishes the Medicare Guarantee Fund (MGF), which consists of the Medicare Guarantee Fund (Treasury) Special account (Treasury Special Account) and the Medicare Guarantee Fund (Health) Special Account (Health Special Account). The Treasury Special Account is administered by the Department of the Treasury and the Health Special Account is administered by the Department of Health.
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 2018 and 30 June 2019 this special account had nil balances and no transactions were credited or debited to the account.

6.3. Net Cash Appropriation Arrangements

| | 2019 | 2018 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Surplus/(Deficit) less depreciation/amortisation expenses | (2,122) | 3,163 |
| Plus: changes in asset revaluation surplus | - | 262 |
| Total comprehensive income/(loss) less depreciation/amortisation expenses previously funded through revenue appropriations | (2,122) | 3,425 |
| Plus: depreciation/amortisation expenses previously funded through revenue appropriation | (7,767) | (8,878) |
| Total comprehensive income/(loss) - as per the Statement of Comprehensive Income | (9,889) | (5,453) |

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 \$105,026 in 2019 (2018: \$122,127). This amount represents an estimate of the Treasury's liability in respect to studies assistance. There were no quantifiable contingent assets in 2019 (2018: nil).

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 value of Australia's NAB credit arrangement stands at approximately Special Drawing Rights (SDR, the IMF's unit of account) 2.22 billion (approximately A\$4.40 billion at 30 June 2019). In November 2017, the NAB was renewed for an additional five year period until November 2022.

The Fund does not publish annual estimates of the amount it expects to call under the NAB facility. However, to be drawn upon, the NAB needs to be activated by the IMF Executive Board. The last NAB activation period was terminated in February 2016. The IMF did not call on Australia's NAB facility in 2018-19 and, as at the completion of these statements, has not done so in the current year.

IMF Bilateral Borrowing Arrangement (BBA)

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\$9.14 billion at 30 June 2019) 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. Australia's three-year bilateral borrowing arrangement with the IMF was created in 2016 and agreed in 2019 to be extended by a year to conclude on 31 December 2020.

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\$5.1 billion as at 30 June 2019).

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\$384.9 million as at 30 June 2019).

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\$10.0 billion as at 30 June 2019).

The Australian Government has further held an uncalled capital subscription to the Multilateral Investment Guarantee Agency of US\$26.5 million (estimated value A\$37.7 million as at 30 June 2019).

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\$4.2 billion as at 30 June 2019).

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 Commonwealth 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 2018-19 (2017-18: 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 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 Commonwealth 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.

Guarantee by Commonwealth — NHFIC

NHFIC was established under the *National Housing Finance and Investment Corporation Act 2018* to perform the functions under Section 8 of the Act. NHFIC's operations are funded by the Commonwealth (refer to Notes 4.1.C, 5.1A and 5.1C) and by raising finance through the issuance of bonds into the commercial market. As NHFIC is in the early stages of development, the Commonwealth Government has provided a guarantee capped at \$2 billion to further encourage the commercial market to invest in NHFIC-issued bonds. The Treasurer may, by legislative instrument, set a date that the guarantee is effective to, but not earlier than, 1 July 2023. Under the *National Housing Finance and Investment Corporation Investment Mandate Direction 2018*, the Treasurer and Minister for Finance may also adjust the cap through a legislative act.

Concessional Loans to NHFIC's Affordable Housing Bond Aggregator (AHBA)

The Commonwealth has agreed to make available amounts incrementally over the next 5 years of up to \$1 billion to NHFIC's AHBA via a loan, as outlined in Note 6.2 Special accounts. Under the AHBA Loan Agreement with the Treasury, NHFIC can access the funds by completing a Utilisation Request and providing this to Treasury. Interest is to be charged on each individual loan at the Commonwealth's cost of borrowing.

The timing and amounts of potential drawdowns by NHFIC cannot be determined accurately. An additional complexity is the 'recycling' of funds repaid or prepaid by NHFIC, which can be re-borrowed by NHFIC.

The AHBA loan was first drawn upon during the reporting period with the first loan drawdown by NHFIC of \$15.3 million. This loan drawdown is disclosed in Note 5.1B and any unused amount available at 30 June 2019 has been recorded in Note 5.1A Cash and cash equivalents and Note 6.2 Special accounts.

Disaster Recovery Funding Arrangements (DRFA) and Natural Disaster Relief and Recovery Arrangements (NDRRA)

The Australian Government provides funding to States and Territories through the DRFA and 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 for that event meets the requirements set out in the respective DRFA and NDRRA Determinations. This combined 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 DRFA and NDRRA contingent liability, refer to Note 5.4 Administered — Other Provisions.

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 2018-19; 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 charges on the loans of debtor members. Under burden sharing, temporary financing in equal amounts is obtained from debtor and creditor members by increasing the rate of charge and reducing the rate of remuneration, respectively, to (1) cover shortfalls in the IMF's regular income from unpaid charges ("deferred charges") and (2) accumulate precautionary balances against possible credit default in a contingent account, the Special Contingent Account (SCA-1). SCA-1 accumulations were suspended effective November 1, 2006.

Due to the inherent uncertainty around shortfalls in IMF income, burden sharing contributions represent a contingent asset that cannot be reliably measured and as such is recorded as an unquantifiable contingent asset.

7.3. Financial Instruments

| | 2019 | 2018 |
|---|---------------|--------------|
| | \$'000 | \$'000 |
| Note 7.3A: Categories of Financial Instruments | | |
| Financial Assets under AASB 139 | | |
| Held-to-maturity investments | | |
| Cash and cash equivalents | | 640 |
| Total held-to-maturity investments | | 640 |
| Loans and receivables | | |
| Trade and other receivables - Goods and services receivables | | 4,223 |
| Trade and other receivables - Other receivables | | 137 |
| Total loans and receivables | | 4,360 |
| Total financial assets | | 5,000 |
| Financial Assets under AASB 9 | | |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | 2,772 | |
| Trade and other receivables - Goods and services receivables | 2,715 | |
| Trade and other receivables - Other receivables | 424 | |
| Total financial assets at amortised cost | 5,911 | |
| Financial Liabilities | | |
| Financial liabilities measured at amortised cost | | |
| Suppliers | 8,498 | 11,665 |
| Other payables | 3,511 | 3,448 |
| Total financial liabilities measured at amortised cost | 12,009 | 15,113 |
| Total financial liabilities | 12,009 | 15,113 |

Classification of financial assets on the date of initial application of AASB 9

| Financial assets class | Note | AASB 139 original classification | AASB 9 new classification | AASB 139 carrying amount at 1 July 2018 \$'000 | AASB 9 carrying amount at 1 July 2018 \$'000 |
|--|------|----------------------------------|--------------------------------------|--|--|
| Cash and Cash Equivalents | 2.1A | Held-to-maturity | Out of scope - held at nominal value | 640 | 640 |
| Trade and other receivables - Goods and services receivables | 2.1B | Loans and receivables | Amortised Cost | 4,223 | 4,221 |
| Trade and other receivables - Other receivables | 2.1B | Loans and receivables | Amortised Cost | 137 | 137 |
| Total financial assets | | | | 5,000 | 4,998 |

Reconciliation of carrying amounts of financial assets on the date of initial application of AASB 9

| | AASB 139 carrying amount at 30 June 2018 \$'000 | Reclassification \$'000 | Remeasurement \$'000 | AASB 9 carrying amount at 1 July 2018 \$'000 |
|--|---|-------------------------|----------------------|--|
| Financial assets at amortised cost | | | | |
| Held to maturity | | | | |
| Cash and Cash Equivalents | 640 | - | - | 640 |
| Loans and receivables | | | | |
| Trade and other receivables - Goods and services receivables | 4,223 | - | (2) | 4,221 |
| Trade and other receivables - Other receivables | 137 | - | - | 137 |
| Total amortised cost | 5,000 | - | (2) | 4,998 |

1. There is no change in carrying amount of Trade and other receivables based on measurement under AASB 139. The change in measurement on transition to AASB 9 is (\$2,000).

Accounting Policy

Financial assets

With the implementation of AASB 9 *Financial Instruments* for the first time in 2019, the Treasury classifies its financial assets in the following categories:

- a. financial assets at fair value through profit or loss;
- b. financial assets at fair value through other comprehensive income; and
- c. financial assets measured at amortised cost.

The classification depends on both the entity's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when the entity becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

Comparatives have not been restated on initial application.

Financial Assets at Amortised Cost

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

Effective Interest Method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

Financial assets measured at fair value through other comprehensive income are held with the objective of both collecting contractual cash flows and selling the financial assets and the cash flows meet the SPPI test.

Any gains or losses as a result of fair value measurement or the recognition of an impairment loss allowance is recognised in other comprehensive income.

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets either doesn't meet the criteria of financial assets held at amortised cost or at FVOCI (i.e. mandatorily held at FVTPL) or may be designated.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period based on expected credit losses, using the general approach which measures the loss allowance based on an amount equal to *lifetime expected credit losses* where risk has significantly increased, or an amount equal to *12-month expected credit losses* if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Financial Liabilities at Amortised Cost

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables 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).

7.4. Administered – Financial Instruments

| | 2019 | 2018 |
|--|------------------|-------------------|
| | \$'000 | \$'000 |
| Note 7.4A: Categories of Financial Instruments | | |
| Financial assets under AASB 139 | | |
| Loans and receivables | | |
| Cash and cash equivalents | | - |
| IMF related monies owing | | 507 |
| Guarantee of State and Territory Borrowing contractual fee receivable | | 12,047 |
| Guarantee of State and Territory Borrowing fee receivable | | 551 |
| IMF new arrangements to borrow loan | | 447,234 |
| Loans to States and Territories | | 47,855 |
| Dividends receivable | | 888,921 |
| GST Revenue allocations and COAG refundable | | 322,863 |
| Other receivables | | 7 |
| Total loans and receivables | | 1,719,985 |
| Available-for-sale financial assets | | |
| International financial institutions | | 1,669,957 |
| Australian Government entities | | 25,388,893 |
| Commonwealth companies | | - |
| IMF Quota | | 12,492,682 |
| Total available-for-sale financial assets | | 39,551,532 |
| Total financial assets | | 41,271,517 |
| Financial assets under AASB 9 | | |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | 239,677 | |
| IMF related monies owing | 2,447 | |
| IMF new arrangements to borrow loan | 311,738 | |
| Loans to States and Territories | 47,855 | |
| Loans to NHFIC | 15,323 | |
| Dividends receivable | 1,685,000 | |
| GST Revenue allocations and COAG refundable | 470,268 | |
| Accrued interest – Loans to NHFIC | 38 | |
| Other receivables | 2 | |
| Total assets at amortised cost | 2,772,348 | |

| | | |
|--|-------------------|-------------------|
| Financial assets at fair value through other comprehensive income | | |
| International financial institutions | 1,961,467 | |
| Australian Government entities | 28,964,321 | |
| Commonwealth companies | 1,174 | |
| IMF Quota | 13,027,552 | |
| Total assets at fair value through other comprehensive income | 43,954,514 | |
| Financial assets at fair value through profit and loss | | |
| Guarantee of State and Territory Borrowing contractual fee receivable | 6,169 | |
| Total assets at fair value through profit and loss | 6,169 | |
| Total financial assets | 46,733,031 | |
| Financial Liabilities | | |
| Financial liabilities measured at amortised cost: | | |
| Promissory notes | 9,988,269 | 10,009,796 |
| Grant liabilities | 156,043 | 600,317 |
| IMF SDR allocation liability | 6,111,340 | 5,860,428 |
| Other payables | 11,232 | 15,480 |
| IMF movement in value | 406,863 | - |
| Guarantee of State and Territory Borrowing contractual fee receivable | - | 12,047 |
| Total financial liabilities measured at amortised cost | 16,673,747 | 16,498,068 |
| Financial liabilities measured at fair value through profit and loss: | | |
| Guarantee of State and Territory Borrowing contractual guarantee service obligation | 6,169 | - |
| Total financial liabilities measured at fair value through profit and loss | 6,169 | - |
| Total financial liabilities | 16,679,916 | 16,498,068 |

| Classification of financial assets on the date of initial application of AASB 9 | | | | | |
|---|------|---------------------------------------|---|-----------------------------|---------------------------|
| Financial assets class | Note | AASB 139 original classification | AASB 9 new classification | AASB 139 carrying amount at | AASB 9 carrying amount at |
| | | | | 1 July 2018 | 1 July 2018 |
| | | | | \$'000 | \$'000 |
| Cash and Cash Equivalents | 5.1A | Held-to-maturity | Out of scope - held at nominal value | - | - |
| Loans | 5.1B | Held-to-maturity | Amortised Cost | 495,089 | 495,089 |
| Other receivables | | | | | |
| Guarantee of State and Territory | 5.1B | Held-to-maturity | Fair Value through Profit and Loss | 12,047 | 12,047 |
| All other receivables excluding above Guarantee | 5.1B | Held-to-maturity | Amortised Cost | 1,213,479 | 1,213,479 |
| Equity accounted investments | | | | | |
| International financial institutions | 5.1C | Available-for-sale equity instruments | Fair Value Other Comprehensive Income- Equity instruments | 1,669,957 | 1,669,957 |
| Australian Government entities | 5.1C | Available-for-sale equity instruments | Fair Value Other Comprehensive Income- Equity instruments | 25,388,893 | 25,388,893 |
| Commonwealth Companies | 5.1C | Available-for-sale equity instruments | Fair Value Other Comprehensive Income- Equity instruments | - | 2,309 |
| Other investments | 5.1C | Available-for-sale equity instruments | Fair Value Other Comprehensive Income- Equity instruments | 12,492,682 | 12,492,682 |
| Total financial assets | | | | 41,272,147 | 41,274,456 |

| Reconciliation of carrying amounts of financial assets on the date of initial application of AASB 9 | | | | |
|---|--|----------------------------|-------------------------|---|
| | AASB 139 carrying amount at 30 June 2018 \$'000 | Reclassification \$'000 | Remeasurement \$'000 | AASB 9 carrying amount at 1 July 2018 \$'000 |
| Financial assets at fair value through other comprehensive income | | | | |
| Available for sale - equity instruments | 39,551,532 | - | 2,309 | 39,553,841 |
| Equity accounted investments | | | | |
| Total fair value through other comprehensive income | 39,551,532 | - | 2,309 | 39,553,841 |

Accounting Policy

The Treasury has adopted AASB 9 with effect from 1 July 2018. As required by the Department of Finance, the Treasury has made an irrevocable election to classify equity investments that were classified as available for sale assets under AASB 139 as fair value through other comprehensive income. Any changes that have resulted from the transition to AASB 9 have been processed at the date of initial application on 1 July 2018, and have been recognised in the opening equity balances. As such, comparative figures have not been restated.

The Treasury continues to classify all financial liabilities as fair measured at amortised cost, except financial guarantee contracts. Financial guarantee contracts have been reclassified as fair value through profit or loss. The treatment is in accordance with the requirements of AASB 9 and have been disclosed in Note 7.4A Categories of financial instruments for financial liabilities.

Financial assets reclassified on initial application of AASB 9 have resulted in an opening equity balance adjustment of \$2.309 million for the revaluation of FASEA, which was carried at \$Nil in 2017-18.

| | 2019 | 2018 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Note 7.4B: Net Gains and Losses on Financial Assets | | |
| Financial assets at amortised cost | | |
| Interest revenue | 6,306 | 5,777 |
| Exchange gains/(loss) | 14,754 | 23,136 |
| Net gains/(losses) on financial assets at amortised cost | 21,060 | 28,913 |
| Financial assets at fair value through other comprehensive income | | |
| Interest Revenue | 10,666 | 1,934 |
| Exchange gains/(loss) | 622,269 | 273,128 |
| Net gains/(losses) on financial assets at fair value through other comprehensive income | 632,935 | 275,062 |
| Financial assets at fair value through profit or loss | | |
| Guarantee of State and Territory Borrowing fee | 6,011 | 7,303 |
| Net gains/(losses) on financial assets at fair value through profit or loss | 6,011 | 7,303 |
| Net gains/(losses) on financial assets | 660,006 | 311,278 |

| | 2019 | 2018 |
|---|------------------|------------------|
| | \$'000 | \$'000 |
| Note 7.4C: Net Gains and Losses on Financial Liabilities | | |
| Financial liabilities measured at amortised cost | | |
| IMF Charges | 64,000 | 42,544 |
| Exchange gains/(loss) | (657,775) | (286,081) |
| Net gains/(losses) on financial liabilities measured at amortised cost | (593,775) | (243,537) |
| Net gains/(losses) on financial liabilities | (593,775) | (243,537) |

Note 7.4D: Credit risk

The maximum exposure to credit risk of the Treasury's administered financial assets is the carrying amount of 'loans and receivables' (2019: \$2.5 billion and 2018: \$1.7 billion) and the carrying amount of 'equity accounted instruments' (2019: \$44.0 billion and 2018: \$39.6 billion — 'available for sale' financial assets).

The Treasury has performed assessments using historical data, financial statement data (audited and unaudited) and forward-looking data, including credit ratings, for transactions with other entities within the Commonwealth Government, other State and Territories governments and international financial institutions including the IMF. Based on the assessments, there is no indication that a significant increase in expected credit loss over next 12 months, or the lifetime of these transactions, will occur.

International financial institutions (including the IMF), NHFIC and other Commonwealth entities that the Treasury holds its financial assets with, have a minimum AAA credit rating. The contractual fee receivable from the Guarantee of State and Territory Borrowing relates to State and Territory governments. These entities hold a minimum AA credit rating. Therefore, the Treasury does not consider any of its financial assets to be at risk of default. Further detail is provided in the Accounting Policy for Administered Financial Instruments.

Note 7.4E: 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 non-lapsing 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 2019

| | On demand \$'000 | Within 1 year \$'000 | 1 to 2 years \$'000 | 2 to 5 years \$'000 | > 5 years \$'000 | Total \$'000 |
|---|---------------------|-------------------------|------------------------|------------------------|---------------------|-------------------|
| Promissory notes | - | 25,468 | - | - | 9,962,801 | 9,988,269 |
| Grant liabilities | - | 156,043 | - | - | - | 156,043 |
| IMF SDR allocation liabilities | - | - | - | - | 6,111,340 | 6,111,340 |
| Other payables | 418,095 | - | - | - | - | 418,095 |
| Total | 418,095 | 181,511 | - | - | 16,074,141 | 16,673,747 |
| Maturities for financial liabilities in 2018 | | | | | | |
| | 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 | 25,875 | - | 9,959,562 | 10,009,796 |
| Grant liabilities | - | 600,317 | - | - | - | 600,317 |
| IMF SDR allocation liabilities | - | - | - | - | 5,860,428 | 5,860,428 |
| Other payables | 15,480 | - | - | - | - | 15,480 |
| Total | 15,480 | 624,676 | 25,875 | - | 15,819,990 | 16,486,021 |

Note 7.4F: 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 2019 from a 8.7 per cent (30 June 2018 from a 9.2 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 2019

| Risk Variable | Risk variable | Change in risk variable | Effect on | |
|-------------------------------------|---------------|-------------------------|---------------------------|-----------------|
| | | | Net cost of services 2019 | Net assets 2019 |
| | | % | \$'000 | \$'000 |
| IFI investments | Exchange rate | 8.7 | (156,990) | (156,990) |
| IFI investments | Exchange rate | (8.7) | 186,909 | 186,909 |
| IMF remuneration receivable | Exchange rate | 8.7 | (196) | (196) |
| IMF remuneration receivable | Exchange rate | (8.7) | 233 | 233 |
| IMF new arrangements to borrow loan | Exchange rate | 8.7 | (24,951) | (24,951) |
| IMF new arrangements to borrow loan | Exchange rate | (8.7) | 29,706 | 29,706 |
| IMF quota | Exchange rate | 8.7 | (1,042,684) | (1,042,684) |
| IMF quota | Exchange rate | (8.7) | 1,241,399 | 1,241,399 |
| Promissory notes | Exchange rate | 8.7 | (5,068) | (5,068) |
| Promissory notes | Exchange rate | (8.7) | 6,034 | 6,034 |
| IMF SDR allocation liability | Exchange rate | 8.7 | (489,132) | (489,132) |
| IMF SDR allocation liability | Exchange rate | (8.7) | 582,351 | 582,351 |
| IMF charges payable | Exchange rate | 8.7 | (904) | (904) |
| IMF charges payable | Exchange rate | (8.7) | 1,076 | 1,076 |

Sensitivity analysis of the risk that the entity is exposed to for 2018

| Risk Variable | Risk variable | Change in risk variable | Effect on | |
|-------------------------------------|---------------|-------------------------|---------------------------|-----------------|
| | | | Net cost of services 2018 | Net assets 2018 |
| | | % | \$'000 | \$'000 |
| IFI investments | Exchange rate | 9.2 | (140,692) | (140,692) |
| IFI investments | Exchange rate | (9.2) | 169,203 | 169,203 |
| IMF remuneration receivable | Exchange rate | 9.2 | (43) | (43) |
| IMF remuneration receivable | Exchange rate | (9.2) | 51 | 51 |
| IMF new arrangements to borrow loan | Exchange rate | 9.2 | (37,679) | (37,679) |
| IMF new arrangements to borrow loan | Exchange rate | (9.2) | 45,314 | 45,314 |
| IMF quota | Exchange rate | 9.2 | (1,052,497) | (1,052,497) |
| IMF quota | Exchange rate | (9.2) | 1,265,778 | 1,265,778 |
| Promissory notes | Exchange rate | 9.2 | 5,062 | 5,062 |
| Promissory notes | Exchange rate | (9.2) | (6,088) | (6,088) |
| IMF SDR allocation liability | Exchange rate | 9.2 | 493,736 | 493,736 |
| IMF SDR allocation liability | Exchange rate | (9.2) | (593,788) | (593,788) |
| IMF charges payable | Exchange rate | 9.2 | 768 | 768 |
| IMF charges payable | Exchange rate | (9.2) | (924) | (924) |

Accounting Policy

Administered financial instruments

AASB 9 identifies three classifications for financial instruments — those measured at (a) amortised cost; (b) fair value through other comprehensive income (FVOCI); and (c) fair value through profit or loss (FVPL).

A financial asset shall be measured at amortised cost if the financial asset is held within a business model to collect contractual cash flows and that the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

With the exception of dividends receivable, which is measured at fair value, financial assets at amortised cost are initially recognised at fair value and subsequently measured using the effective interest method.

Financial assets at amortised cost include:

- IMF-related monies receivable;
- Loans to the IMF under the new arrangements to borrow;
- Loans to NHFIC;
- Loans to States and Territories; and
- Dividends receivable.

A financial asset shall be measured at FVOCI when the financial asset is held within a business model to collect contractual cash flows and to sell the financial asset. In addition, the Department of Finance has mandated that all equity instruments must be recorded as FVOCI.

Financial assets recorded at FVOCI are initially measured at cost and subsequently measured at fair value and include:

- Investments in development banks;
- The IMF quota; and
- Investments in Government entities.

Financial liabilities shall be measured at amortised cost except for financial guarantee contracts.

Financial liabilities at amortised cost are initially measured at fair value and subsequently measured using the effective interest rate method. Financial liabilities at amortised cost include:

- SDR allocation;
- Promissory notes; and
- IMF related monies payable.

The contractual terms of promissory notes are non-interest bearing making the effective interest rate nil. 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.

Financial liabilities shall be measured at amortised cost except for financial guarantee contracts.

The Treasury's administered financial guarantee contracts relate to components of the Guarantee of State and Territory Borrowings, and are classified as financial liabilities at fair value through profit or loss. 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*.

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.

7.5. Fair Value Measurement

Note 7.5A: Fair value measurement

| | Fair value measurements at the end of the reporting period | |
|--|--|----------------|
| | 2019 \$'000 | 2018 \$'000 |
| Non-financial assets¹ | | |
| Property, plant and equipment - AUC ² | 3,304 | 4,150 |
| Property, plant and equipment ² | 8,154 | 6,153 |
| Library ² | 939 | 939 |
| Land and buildings - AUC ² | 2,511 | 1,287 |
| Land and buildings ² | 14,202 | 15,388 |
| Total non-financial assets | 29,110 | 27,917 |

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 2019 (2018: nil).

Accounting Policy

The Treasury appointed Jones Lang LaSalle (JLL) to conduct a materiality review of the carrying amounts for all tangible property, plant and equipment assets as at 30 June 2019. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from fair value. Comprehensive valuations are carried out at least once every three years, with the previous valuation conducted as at 30 June 2017. JLL has provided written assurance to the Treasury that all tangible property, plant and equipment assets are materially held at fair value in compliance with AASB 13.

Where possible, asset valuations are based upon observable inputs to the extent they are available. Where this information is not available, valuation techniques rely upon unobservable inputs. 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 in and out of the 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.

7.6. 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 7.6A: 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 2019

| | Fair value measurements at the end of the reporting period using | | Category (Level 1, 2 or 3) | Valuation technique(s) and inputs used ^{1,2} |
|---|--|-------------------|----------------------------|---|
| | 2019 \$'000 | 2018 \$'000 | | |
| Financial assets: | | | | |
| International financial institutions: | | | 3 | Value of shares held |
| Asian Development Bank | 1,961,467 | 1,669,957 | | |
| Asian Infrastructure and Investment Bank | 608,860 | 583,862 | | |
| European Bank for Reconstruction and Development | 842,093 | 599,269 | | |
| International Bank for Reconstruction and Development | 101,442 | 98,676 | | |
| International Finance Corporation | 332,742 | 315,724 | | |
| Multilateral Investment Guarantee Agency | 67,488 | 64,036 | | |
| Reserve Bank of Australia | 8,842 | 8,390 | | |
| Australian Government entities: | 28,964,321 | 25,388,893 | 3 | Various |
| Australian Reinsurance Pool Corporation | 28,338,000 | 24,963,000 | | Net assets |
| NHFIC | 461,321 | 425,893 | | Net assets Cost |
| Commonwealth Companies: | 165,000 | - | 3 | Net assets |
| Financial Adviser Standards and Ethics Authority Ltd | 1,174 | - | | |
| Other investments: | 13,027,552 | 12,492,682 | 3 | Value of quota held |
| IMF quota | 13,027,552 | 12,492,682 | | |
| Total financial assets | 43,954,514 | 39,551,532 | | |
| Total fair value measurements | 43,954,514 | 39,551,532 | | |

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 7.6B: Level 1 and Level 2 transfers for recurring fair value measurements

No assets were transferred between Level 1 and Level 2.

Note 7.6C: Reconciliation for recurring Level 3 fair value measurements**Recurring Level 3 fair value measurements - reconciliation for assets**

| | Financial assets | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Investments | | Total | |
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| As at 1 July | 39,551,532 | 35,212,886 | 39,551,532 | 35,212,886 |
| Opening adjustment for AASB 9 | 2,309 | - | 2,309 | - |
| Total gains/(losses) recognised in other comprehensive income | 3,574,293 | 3,464,067 | 3,574,293 | 3,464,067 |
| Total gains/(losses) recognised in net cost of services | | | | |
| IMF Quota foreign exchange gain/(loss) | 534,870 | 609,839 | 534,870 | 609,839 |
| International Financial Institutions foreign exchange gain/(loss) | 90,639 | 70,605 | 90,639 | 70,605 |
| Share Purchases | | | | |
| Increase in investments in the International Financial Institutions | 200,871 | 194,135 | 200,871 | 194,135 |
| IMF general review Quota Payments | - | - | - | - |
| Total as at 30 June | 43,954,514 | 39,551,532 | 43,954,514 | 39,551,532 |
| Changes in unrealised gains/(losses) recognised in net cost of services for the year ended 30 June | 4,402,982 | 4,338,646 | 4,402,982 | 4,338,646 |

8. Other Information

8.1. Aggregate Assets and Liabilities

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | \$'000 | \$'000 |
| Note 8.1A: Aggregate Assets and Liabilities | | |
| Assets expected to be recovered in: | | |
| No more than 12 months | 69,765 | 65,444 |
| More than 12 months | 39,463 | 40,189 |
| Total assets | 109,228 | 105,633 |
| Liabilities expected to be settled in: | | |
| No more than 12 months | 23,056 | 24,951 |
| More than 12 months | 45,992 | 39,743 |
| Total liabilities | 69,048 | 64,694 |
| Assets expected to be recovered in: | | |
| No more than 12 months | 2,400,155 | 1,216,016 |
| More than 12 months | 44,333,167 | 40,056,506 |
| Total assets | 46,733,322 | 41,272,522 |
| Liabilities expected to be settled in: | | |
| No more than 12 months | 731,290 | 971,136 |
| More than 12 months | 17,344,918 | 16,427,419 |
| Total liabilities | 18,076,208 | 17,398,555 |

8.2. Restructuring

| | 2018 |
|---|--|
| | Small Business Programs Department of Employment, Skills, Small and Family Business ¹ |
| | \$'000 |
| FUNCTIONS RELINQUISHED | |
| Assets relinquished | |
| Appropriation receivable | 1,110 |
| Trade and other receivables | 3 |
| Non-financial assets | 492 |
| Prepayments | 26 |
| Total assets relinquished | 1,631 |
| Liabilities relinquished | |
| Suppliers | 403 |
| Other suppliers | 20 |
| Employee provisions | 1,127 |
| Provision for restoration | 91 |
| Total liabilities relinquished | 1,641 |
| Net assets/(liabilities) relinquished | (10) |
| Income recognised | |
| Recognised by the losing entity (Revenue from Government) | 4,085 |
| Total income assumed | 4,085 |
| Expenses recognised | |
| Recognised by the losing entity | 4,085 |
| Total expenses assumed | 4,085 |
| | Small Business Programs Department of Employment, Skills, Small and Family Business |
| | \$'000 |
| FUNCTIONS RELINQUISHED | |
| Assets relinquished | |
| Appropriation receivable ² | - |
| Total assets relinquished | - |
| Net assets/(liabilities) relinquished | - |
| Income recognised | |
| Recognised by the losing entity | 636 |
| Total income assumed | 636 |
| Expenses recognised | |
| Recognised by the losing entity | 636 |
| Total expenses assumed | 636 |

There was no restructuring in 2018-19.

- The Small Business function was relinquished to the Department of Employment, Skills, Small and Family Business during 2017-18 due to the restructuring of administrative arrangements on 20 December 2017. Appropriations were amended to effect the transfer of funding under section 75 of the PGPA Act 2013. Unless otherwise stated, the net book value of the assets and liabilities were transferred to the Department of Employment, Skills, Small and Family Business for no consideration as at 7 February 2018.
- As reported in Note 6.1A Annual Appropriations table, the Treasury relinquished control of the unspent Administered appropriations to the Department of Employment, Skills, Small and Family Business. As no appropriations receivable are recognised in Administered accounts, there were no assets relinquished that are required to be reported in this table, in line with Resource Management Guide 118.

9. Budgetary Reports and Explanation of Major Variances

9.1. Departmental Budgetary Reports

Statement of Comprehensive Income

for the period ended 30 June 2019

| | Actual | Budget estimate | |
|--|------------------|-----------------------|-----------------------|
| | | Original ¹ | Variance ² |
| | 2019 | 2019 | 2019 |
| | \$'000 | \$'000 | \$'000 |
| NET COST OF SERVICES | | | |
| Expenses | | | |
| Employee benefits | 139,268 | 138,315 | 953 |
| Suppliers | 54,442 | 62,134 | (7,692) |
| Grants | 9,695 | 1,958 | 7,737 |
| Depreciation and amortisation | 7,767 | 5,384 | 2,383 |
| Write-down and impairment of assets | 501 | - | 501 |
| Finance costs | 86 | - | 86 |
| Total expenses | 211,759 | 207,791 | 3,968 |
| Own-Source Income | | | |
| Own-source revenue | | | |
| Sale of goods and rendering of services | 7,489 | 11,651 | (4,162) |
| Other revenues | 4,996 | 772 | 4,224 |
| Total own-source revenue | 12,485 | 12,423 | 62 |
| Gains | | | |
| Other gains | 30 | 4,133 | (4,103) |
| Total gains | 30 | 4,133 | (4,103) |
| Total own-source income | 12,515 | 16,556 | (4,041) |
| Net cost of services | (199,244) | (191,235) | (8,009) |
| Revenue from Government | 189,355 | 185,851 | 3,504 |
| Surplus / (Deficit) | (9,889) | (5,384) | (4,505) |
| OTHER COMPREHENSIVE INCOME | | | |
| Items not subject to subsequent reclassification to net cost of services | | | |
| Changes in asset revaluation reserves | - | - | - |
| Total other comprehensive income | - | - | - |
| Total comprehensive income/(loss) attributable to the Australian Government | (9,889) | (5,384) | (4,505) |

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 2018-19 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2019. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- \$1 million) are provided over the page.

| Explanations of major variances | Affected line items |
|--|---|
| Suppliers expense is \$7.7 million (12%) less the original budget, driven by a reduction in consultancy and contractor costs compared to the estimated level of activity when the budget was prepared. This is primarily due to the Treasury no longer providing a shared service centre. | Suppliers |
| Grants expense is \$7.7 million (395%) more the original budget due to one-off transactions, including: <ul style="list-style-type: none"> ▪ A \$4.7 million transfer to the National Housing Finance and Investment Corporation (NHFIC). This amount was originally appropriated to Treasury to fund the purchase of non-financial assets for transfer to NHFIC on establishment. ▪ \$2.8 million in funding provided to the Australian Financial Complaints Authority to help establish a historical redress scheme, announced in the 2019-20 Budget as part of the Australian Government's response to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. | Grants |
| Depreciation and amortisation was \$2.4 million (44%) more than the original budget, driven by higher asset bases than expected due to purchases being greater than budget, and the accelerated depreciated associated with the early termination of lease agreements for accommodation in Sydney and Melbourne. | Depreciation and amortisation |
| Sale of goods and rendering of services is \$4.2 million (36%) less than the original budget, primarily driven by the Treasury no longer providing shared services to other agencies. | Sale of goods and rendering of services |
| Other gains are \$4.2 million (99%) less than the original budget. The Treasury has reclassified income recognised from services received free of charge to Other revenue from Other gains (\$3.7m in 2018-19). | Other revenue Other gains |

Statement of Financial Position

as at 30 June 2019

| | Actual | Budget estimate | |
|-----------------------------------|----------------|-----------------------|-----------------------|
| | 2019 | Original ¹ | Variance ² |
| | \$'000 | \$'000 | \$'000 |
| ASSETS | | | |
| Financial assets | | | |
| Cash and cash equivalents | 2,772 | 1,250 | 1,522 |
| Trade and other receivables | 62,442 | 54,206 | 8,236 |
| Total financial assets | 65,214 | 55,456 | 9,758 |
| Non-financial assets | | | |
| Land and buildings | 16,713 | 16,062 | 651 |
| Plant and equipment | 12,397 | 15,673 | (3,276) |
| Intangibles | 9,072 | 12,741 | (3,669) |
| Prepayments | 5,832 | 5,631 | 201 |
| Total non-financial assets | 44,014 | 50,107 | (6,093) |
| Total assets | 109,228 | 105,563 | 3,665 |
| LIABILITIES | | | |
| Payables | | | |
| Suppliers | 8,498 | 9,911 | (1,413) |
| Other payables | 3,511 | 3,579 | (68) |
| Total payables | 12,009 | 13,490 | (1,481) |
| Provisions | | | |
| Employee provisions | 53,475 | 43,512 | 9,963 |
| Provision for restoration | 3,564 | 3,440 | 124 |
| Total provisions | 57,039 | 46,952 | 10,087 |
| Total liabilities | 69,048 | 60,442 | 8,606 |
| Net assets | 40,180 | 45,121 | (4,941) |
| EQUITY | | | |
| Asset revaluation reserve | 12,676 | 12,416 | 260 |
| Contributed equity | 86,274 | 85,536 | 738 |
| Retained surplus/(deficit) | (58,770) | (52,831) | (5,939) |
| Total equity | 40,180 | 45,121 | (4,941) |

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 2018-19 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2019. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- \$1 million) are provided below.

| Explanations of major variances | Affected line items |
|--|-----------------------------|
| Cash and cash equivalents at 30 June 2019 is \$1.5 million (122%) more than the original budget, primarily due to the higher than anticipated receipt of equity injections, partly offset by purchases of property, plant and equipment, which were greater than budget. | Cash and cash equivalents |
| Trade and other receivables at 30 June 2019 is \$8.2 million (15%) more the original budget, reflecting timing differences in receipts from customers and supplementation revenue receivable from Government relating to measures announced in the 2019-20 Budget. | Trade and other receivables |
| Plant and equipment at 30 June 2019 is \$3.3 million (21%) less than the original budget, reflecting a higher depreciation expense has been recorded in 2018-19 than estimated. | Plant and equipment |
| Intangibles at 30 June 2019 is \$3.7 million (29%) less than the original budget, reflecting a higher amortisation expense for 2018-19 than had been estimated. | Intangibles |
| Supplier payables at 30 June 2019 is \$1.4 million (14%) less than the original budget due to the timing of payments to suppliers. | Suppliers |
| Employee provisions at 30 June 2019 is \$9.9 million (23%) more than the original budget, explained by an increase in the present value of annual and long service leave balances, reflecting a decrease in the underlying discount rates applied to the long service leave. | Employee provisions |

Cash Flow Statement

for the period ended 30 June 2019

| | Actual | Budget estimate | |
|---|-----------------|-----------------------|-----------------------|
| | 2019 | Original ¹ | Variance ² |
| | \$'000 | \$'000 | \$'000 |
| OPERATING ACTIVITIES | | | |
| Cash received | | | |
| Appropriations | 215,227 | 186,965 | 28,262 |
| Sale of goods and rendering of services | 8,336 | 11,651 | (3,315) |
| GST received | 4,426 | - | 4,426 |
| Other | 1,134 | 772 | 362 |
| Total cash received | 229,123 | 199,388 | 29,735 |
| Cash used | | | |
| Employees | 132,085 | 139,429 | (7,344) |
| Suppliers | 54,114 | 58,001 | (3,887) |
| Grants | 9,695 | - | 9,695 |
| Section 74 receipts transferred to OPA | 29,445 | - | 29,445 |
| GST paid | 3,911 | - | 3,911 |
| Other | - | 1,958 | (1,958) |
| Total cash used | 229,250 | 199,388 | 29,862 |
| Net cash from/(used by) operating activities | (127) | - | (127) |
| INVESTING ACTIVITIES | | | |
| Cash used | | | |
| Purchase of land and buildings | 3,105 | - | 3,105 |
| Purchase of plant and equipment | 3,873 | 8,404 | (4,531) |
| Purchase of intangibles | 3,928 | - | 3,928 |
| Total cash used | 10,906 | 8,404 | 2,502 |
| Net cash from/(used by) investing activities | (10,906) | (8,404) | (2,502) |
| FINANCING ACTIVITIES | | | |
| Cash received | | | |
| Contributed equity - departmental capital budget | 8,404 | 8,404 | - |
| Contributed equity - equity injections | 4,761 | - | 4,761 |
| Total cash received | 13,165 | 8,404 | 4,761 |
| Net cash from/(used by) financing activities | 13,165 | 8,404 | 4,761 |
| Net increase/(decrease) in cash held | 2,132 | - | 2,132 |
| Cash at the beginning of the reporting period | 640 | 1,250 | (610) |
| Cash at the end of the reporting period | 2,772 | 1,250 | 1,522 |

- Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2018-19 Portfolio Budget Statements (PBS)).
- Between the actual and original budgeted amounts for 2019. Explanations of major variances (that are greater than +/- 10% of the original budget for the total cash received/used for each activity and greater than +/- \$1 million) are provided below.

| Explanations of major variances | Affected line items |
|---|--|
| The original budget for purchases in property, plant and equipment (PP&E) and intangibles was not split between each asset class in the original budget cash flow statement, but presented at an aggregate level and has been analysed as such. The net cash used during 2018-19 was \$10.9 million, driven by: <ul style="list-style-type: none"> \$6.4 million used for fit outs and upgrades to the physical security of the Treasury's headquarters; and \$4.4 million used to acquire operational and security upgrades to the Treasury's information systems. | Net Cash from/(used by) investing activities |
| The variance from budget is driven by Treasury's drawdown of prior year's equity injection appropriation, which was appropriated to fund the purchase of non-financial assets and transferred to National Housing Finance and Investment Corporation (NHFIC) on establishment. NHFIC was established before Treasury could purchase the assets, therefore the funding was transferred to NHFIC during the year through grant funding. | Net Cash from/(used by) financing activities |

9.2. Administered Budgetary Reports

Statement of Comprehensive Income

for the period ended 30 June 2019

| | Actual | Budget estimate | |
|---|----------------------|-----------------------|-----------------------|
| | 2019 | Original ¹ | Variance ² |
| | \$'000 | \$'000 | \$'000 |
| NET COST OF SERVICES | | | |
| Expenses | | | |
| Grants | 103,945,261 | 105,638,381 | (1,693,120) |
| Interest | 64,000 | 66,171 | (2,171) |
| Medicare Guarantee Fund | 36,233,451 | 35,267,191 | 966,260 |
| NHFIC Operating funding | 48,973 | - | 48,973 |
| Foreign exchange losses/(gains) | 20,752 | 101,983 | (81,231) |
| Suppliers | 15,763 | 1,079 | 14,684 |
| Total expenses | 140,328,200 | 141,074,805 | (746,605) |
| Income | | | |
| Revenue | | | |
| Non-taxation revenue | | | |
| Sale of goods and rendering of services | 605,211 | 605,740 | (529) |
| Interest | 16,972 | 17,384 | (412) |
| Dividends | 1,694,632 | 761,000 | 933,632 |
| COAG revenue from government agencies | 2,259,418 | 3,518,538 | (1,259,120) |
| Other | 93,818 | 95,200 | (1,382) |
| Total non-taxation revenue | 4,670,051 | 4,997,862 | (327,811) |
| Total revenue | 4,670,051 | 4,997,862 | (327,811) |
| Gains | | | |
| Foreign exchange | - | 232,435 | (232,435) |
| Total gains | - | 232,435 | (232,435) |
| Total income | 4,670,051 | 5,230,297 | (560,246) |
| Net cost of (contribution by) services | (135,658,149) | (135,844,508) | 186,359 |
| Surplus/(Deficit) | (135,658,149) | (135,844,508) | 186,359 |
| OTHER COMPREHENSIVE INCOME | | | |
| Items not subject to subsequent reclassification to net cost of services | | | |
| Changes in asset revaluation surplus | 3,411,602 | - | 3,411,602 |
| Total comprehensive income | 3,411,602 | - | 3,411,602 |
| Total comprehensive income/(loss) | (132,246,547) | (135,844,508) | 3,597,961 |

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 2018-19 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2019. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- \$1 billion) are provided below.

| Explanations of major variances | Affected line items |
|--|---|
| 30 June 2019 records a shortfall for COAG revenue compared to 2018-19 original budget. This impact is driven by the DisabilityCare Australia Fund for which the expectation of further agreement by States did not eventuate. As a result of the decreased revenue there is a correlating decrease in Grants expenses. | COAG revenue from government agencies and Grants expenses |
| Changes in asset revaluation surplus for 2018-19 totalled \$3.4 billion. The changes are driven by the movement in the net assets positions of the Reserve Bank of Australia. | Changes in asset revaluation surplus |

Administered Schedule of Assets and Liabilities
as at 30 June 2019

| | Actual | Budget estimate | |
|---|-------------------|-----------------------|-----------------------|
| | 2019 | Original ¹ | Variance ² |
| | \$'000 | 2019 | 2019 |
| | | \$'000 | \$'000 |
| ASSETS | | | |
| Financial assets | | | |
| Cash and cash equivalents | 239,677 | - | 239,677 |
| Loans and other receivables | 2,539,131 | 1,564,273 | 974,858 |
| Investments | 43,954,514 | 36,013,813 | 7,940,701 |
| Total financial assets | 46,733,322 | 37,578,086 | 9,155,236 |
| Non-financial assets | | | |
| Other | - | 381 | (381) |
| Total non-financial assets | - | 381 | (381) |
| Total assets administered on behalf of Government | 46,733,322 | 37,578,467 | 9,154,855 |
| LIABILITIES | | | |
| Payables | | | |
| Grants | 156,043 | 504,992 | (348,949) |
| Other payables | 6,533,145 | 17,768 | 6,515,377 |
| Unearned income | 6,169 | - | 6,169 |
| Total payables | 6,695,357 | 522,760 | 6,172,597 |
| Interest bearing liabilities | | | |
| Promissory notes | 9,988,269 | 9,992,767 | (4,498) |
| Other | - | 5,744,683 | (5,744,683) |
| Total interest bearing liabilities | 9,988,269 | 15,737,450 | (5,749,181) |
| Provisions | | | |
| Other provisions | 1,392,582 | - | 1,392,582 |
| Total provisions | 1,392,582 | - | 1,392,582 |
| Total liabilities administered on behalf of government | 18,076,208 | 16,260,210 | 1,815,998 |
| Net assets | 28,657,114 | 21,318,257 | 7,338,857 |

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 2018-19 Portfolio Budget Statements (PBS)).

2. Between the actual and original budgeted amounts for 2019. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- \$1 billion) are provided below.

| Explanations of major variances | Affected line items |
|---|------------------------------------|
| Liabilities of \$5.7 billion had a reclassification from 'Other payables' to 'Other — Interest bearing' as a reporting change between Budget and Financial Statements. | Liabilities — Other payables/Other |
| Investments increase of \$7.9 billion (22%) as at 30 June 2019 is mainly driven by the change in the net assets position of the Reserve Bank of Australia of \$7.4 billion. Other components are attributed to a reclassification of \$120 million for the National Housing Finance and Investment Corporation, 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 |
| Similar to previous years, the budget estimates did not include a budget for the provision for Natural Disasters. | Other provisions |

Part 05

Appendices

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Advertising and market research

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.

In 2018-19, Treasury delivered one advertising campaign. The Tax campaign was to inform Australians about proposed changes to personal income and business tax. The advertising also included information about the ongoing commitment to ensuring multinational companies pay their fair share of tax in Australia.

Campaign expenditure relating to advertising agencies, market research organisations, and media advertising organisations are 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.

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

Treasury did not make any payments to polling organisations or direct mailing organisations in 2018-19.

Table 6: Advertising agencies (creative advertising agencies which have developed advertising campaigns)

| Provider | Service Provided | Cost (\$) |
|----------------------------------|-------------------------|----------------|
| BMF Advertising Pty Ltd | Creative Services | \$1,869,054.28 |
| TBWA Sydney Pty Ltd | Creative Services Pitch | \$11,000.00 |
| 303 MullenLowe Australia Pty Ltd | Creative Services Pitch | \$11,000.00 |

Note: These figures include head hour and production costs.

Table 7: Market research organisations

| Provider | Service Provided | Cost (\$) |
|---|------------------|--------------|
| Cutthru Pty Ltd T/as Pollinate (Tax campaign) | Market Research | \$425,100.50 |
| Hall & Partners Pty Ltd (Tax campaign) | Market Research | \$128,759.40 |
| WhereTo Research Based Consulting Pty Ltd | Market Research | \$177,650.00 |
| Colmar Brunton Pty Ltd | Market Research | \$144,550.00 |

Note: Hall & Partners Pty Ltd is the evaluation research agency for all Commonwealth Government advertising.

Table 8: Media advertising (Universal McCann Australia — the master media agency for all Commonwealth Government advertising)

| Provider | Service Provided | Cost (\$) |
|----------------------------|--------------------------------------|------------------|
| Universal McCann Australia | Campaign Advertising | \$15,171,107.61 |
| Universal McCann Australia | Advertising for recruitment services | \$76,285.58 |

Note: All figures are including GST.

Grants

Information on grants awarded by Treasury for 2018-19 is available on GrantConnect at www.grants.gov.au.

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 ten-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 submitted to the Council of Australian Governments 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 strategy and subsequent reports are available at www.dss.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 entity 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.

Work health and safety

Treasury's Work Health and Safety Management System is our overarching policy on workplace health and safety and supports the department to meet our obligations under the *Work Health and Safety Act 2011* (WHS Act).

Treasury demonstrates a strong commitment to providing a safe and healthy work environment, taking all reasonably practicable measures to eliminate or minimise risks to the health, safety and welfare of workers, contractors and visitors to the department. Responsibilities under the WHS Act are reinforced through induction and the mandatory completion of work health and safety compliance e-learning modules. Registration kiosks at entry points of the Treasury building ensure visitors and contractors are made fully aware of important health and safety information such as emergency evacuation procedures.

In accordance with the WHS Act, the Health and Safety Committee met quarterly in 2018-19. We currently have 13 Health and Safety Representatives, 16 Workplace Harassment Contact Officers, 18 First Aid Officers and 40 Emergency Officers to assist in maintaining work health and safety standards throughout the department.

In 2018-19, 23 incident reports were received, the majority of which related to slips, trips and falls. One incident was reported to Comcare.

Treasury's Comcare premium rate has remained consistently low over the past four years. Our premium rate currently sits at 0.59 per cent, which is below the APS average of 0.85 per cent. This low rate is attributed to Treasury's Rehabilitation Management System (RMS) which outlines our approach to injury and illness management and provides information to staff and managers about the support available to them. In 2018-19, an external audit of Treasury's RMS was completed with a 92 per cent rating. This was an improvement on the previous audit result of 85 per cent.

In 2018-19, Treasury continued to invest in personal wellbeing through a range of initiatives including resilience and good mental health in the workplace training; resilience coaching; participation in RUOK day events; APS values in practice training; flu vaccinations; provision of sit to stand desks for all employees; and participation in lunchtime Treasury soccer competitions, the Canberra Fun Run, Ride to Work Day and the 10,000 steps program. Additional defibrillators were installed in key locations within the Treasury building to provide more direct access in emergency situations.

Treasury's ongoing investment also included early intervention support for our employees experiencing an illness or injury that may impact their work; and reimbursement of glasses for screen based work.

Treasury continues to provide professional face to face counselling and support for employees through the Employee Assistance Program (EAP). This service is available to all employees, their immediate family members and other people with whom they share a close relationship. Our employees can also access the EAP online health and wellbeing resources (including videos, learning modules and fact sheets), live chat and online counselling.

Ecologically sustainable development and environmental performance

Treasury remains committed to the principles of ecologically sustainable development consistent with the *Environment Protection and Biodiversity Conservation Act 1999*. The Treasury Environmental Management Plan (EMP) sets out our environmental policies and performance action plans, to meet environmental best practice wherever practicable.

In 2018-19, 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 2018-19 include energy efficiency, waste and water.

Energy efficiency

- Reviewing the lighting control system and the introduction of LED lighting in new office fitouts.
- The installation of new energy efficient Heating, Ventilation and Air-conditioning (HVAC) plant and machinery by the building owner.
- The installation of new, efficient hand dryers in bathrooms in new office fitouts as part of base building works 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 lighting and power for the Treasury Building.
- Using technology, such as teleconferencing and videoconferencing, to facilitate meetings with interstate colleagues and stakeholders (where appropriate).
- Offsetting greenhouse gas emissions for fleet fuel usage through GreenFleet and reducing the corporate vehicle fleet from three vehicles to one vehicle.
- Participating in Earth Hour 2019.

Waste

- Encouraging recycling by providing waste recycling stations, segregating waste into approved recycling streams (including waste to landfill, commingled waste and compost). Treasury recycled 7.15 metric tonnes of commingled waste, 5.36 metric tonnes of used paper towel and 4.64 metric tonnes of organic waste.
- Establishing a fitout and furniture recycling strategy that reuses existing office fitout infrastructure, including workstations; and the sourcing of redundant office fitout and workstations from other government departments to reuse.
- Supporting the use of electronic document management, Treasury recycled 921.6 metric tonnes of used paper and 3.22 metric tonnes of shredded paper.

- Recycling of toner cartridges, fluorescent light tubes and batteries.
- Using general use office copy paper with a post-consumer recycled content of 47 per cent.

Water

- Using water flow restriction controls and water efficient appliances in kitchens and bathrooms to minimise water use across Treasury building tenancies.
- The installation of new water efficient sensor tapware 4.5L/min, six-star WELS rating in bathrooms in new office fitouts as part of base building works by the building owner.

Australia and the international financial institutions

Program 1.2 of the Treasury Portfolio Budget Statements 2018-19 outlined various payments made by 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 2018-19. In particular:

- Section 10 of the *International Monetary Agreements Act 1947*, which requires reporting on the operations of the Act and of the operations, as far 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.

Treasury is responsible for managing the Australian Government's 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
- 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
- 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 Secretary to the Treasury is Australia's Alternate Governor. Governors' votes on IMF resolutions during 2018-19 are noted in Table 9.

Table 9: Australian Governors' votes on IMF 2018-19 resolutions

| Resolution title | Date | Australian Governor's vote |
|---|----------------|-----------------------------------|
| 2018 Election of Executive Directors | 8 October 2018 | Nominated |
| Direct Remuneration of Executive Directors and their Alternates | 26 July 2018 | Disapproved |
| Rules for 2018 Regular Election of Executive Directors | 26 July 2018 | Approved |

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.

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 2018-19, also included Kiribati, the South Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Republic of Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu and Vanuatu.

As at 30 June 2019, Australia held around 1.34 per cent of the total voting power at the IMF. The constituency, as a whole, held around 3.8 per cent.

By agreement between constituency members, the staffing of Australia's constituency office rotates among constituency members. As at 30 June 2019, the constituency's Executive Director position was held by Mr Nigel Ray of Australia.

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 2018 Article IV consultation with Australia included a visit to Australia in November 2018 during which IMF staff met with the Treasurer, senior Treasury officials, senior officials of the Reserve Bank of Australia (RBA), representatives of other government agencies, the business community and unions. The 2018 Article IV Report on Australia was released on 21 February 2019.

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 as at 30 June 2019 was 6,572.4 million Special Drawing Rights (SDR) (equivalent to A\$13,027.6 million as at 30 June 2019). 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 2018-19 were all completed in a timely and efficient manner. They are described in the following sections, on a cash basis.

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).

Australia's cumulative allocation of SDRs as at 30 June 2019 was around SDR 3.1 billion while our actual SDR holdings were slightly above SDR 3.1 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 2018-19, the Australian Government paid charges of SDR 31.9 million (A\$61.7 million) on net cumulative allocations. During this period the RBA received SDR 32.0 million (A\$61.8 million) in interest from the IMF on Australia's SDR holdings.

In addition, the IMF levies an annual assessment fee to cover the cost of operating the SDR department at the IMF. This is determined according to participants' net cumulative SDR allocations. Australia's annual assessment fee for the IMF financial year ending 30 April 2019 was SDR 48,144 (approx. A\$95,000).

Remuneration

Remuneration is interest earned on quota resources held by the IMF. In 2018-19, Australia received SDR 4,482,086 (approx. A\$8,725,076) in remuneration.

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 2018-19 financial year, the

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.

Australian dollar depreciated against the SDR. As a result, the 2018-19 maintenance of value adjustment involved a payment from Australia to the IMF of around A\$407 million.

Table 10: Transactions with the IMF in 2018-19 (Cash basis)

| | Amount in SDRs | Amount in A\$ |
|--|----------------|----------------|
| Total interest received on Australia's SDR holdings ^(a) | 31,977,221 | 61,823,365 |
| Total remuneration received for Australian holdings at the IMF | 4,482,086 | 8,725,076 |
| Total charges paid on Australia's SDR allocation | 31,932,023 | 61,727,514 |
| Annual Assessment Fee paid to SDR department | 48,144 | 95,943 |
| Maintenance of Value transaction for 2018-19 | | 406,863,088.40 |

(a) Interest on SDR holdings is paid to the RBA, not to 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 11 provides details of individual FTP transactions and the resulting reserve position at the IMF.

Table 11: Australia's reserve tranche position in the IMF in 2018-19

| Date | Description | Debit (SDRs) | Debit (A\$) | Credit (SDRs) | Credit (A\$) |
|--|---|--------------|-------------|--------------------|----------------------|
| Reserve tranche position as at 30 June 2018^(a) | | | | 477,529,410 | 907,678,027 |
| FTP payments | | | | | |
| 23 July 2018 | FTP resources used by the IMF to meet NAB repayments subject to currency shortfalls | | | 700,000 | 1,319,935 |
| 1 August 2018 | Transfer to IMF Investment Account | | | 18,000,000 | 34,147,304 |
| 25 October 2018 | FTP resources used by the IMF to meet NAB repayments subject to currency shortfalls | | | 300,000 | 590,416 |
| 30 October 2018 | FTP Loan to Argentina | | | 64,800,000 | 127,472,484 |
| 12 December 2018 | FTP Loan to Angola | | | 220,000,000 | 421,434,140 |
| 9 April 2019 | FTP Loan to Argentina | | | 45,000,000 | 87,605,394 |
| FTP receipts | | | | | |
| Total Repayments | | | | 0 | 0 |
| Reserve tranche position as at 30 June 2019(a) | | | | 826,329,410 | 1,637,917,562 |

(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. In 2018-19, the amount of Australia's reserves held by the IMF increased from SDR 477.5 million to SDR 826.3 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 2018-19, the IMF did not call on Australia for NAB resources.

In 2018-19, Australia received total NAB repayments of SDR 78.0 million (approx. A\$154.6 million).

Table 12: Australia's NAB Transactions in 2018-19

| Description | Debit (SDRs) | Debit (A\$) | Credit (SDRs) | Credit (A\$) |
|---------------------------------|--------------|-------------|---------------|--------------|
| Total NAB loans (payments) | | | 0 | 0 |
| Total NAB receipts (repayments) | 78,017,916 | 150,249,657 | | |
| Net NAB payments for 2018-19 | 78,017,916 | 150,249,657 | | |

The Australian Government earns interest on any money lent under the NAB.² In 2018-19, the Australian Government received interest payments on its NAB loans of SDR 2.1 million (approx. A\$4.1 million).

Australia and the World Bank Group

Australia's shareholding and relations with the World Bank Group

Mandate

The 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.

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

World Bank Strategic Priorities

In April 2019, the WBG released the document titled World Bank Group Update: The Forward Look and IBRD-IFC Capital Package Implementation, which highlights progress made on the WBG's vision for itself in 2030 (endorsed in 2016) and the Capital Package proposal endorsed during the April 2018 Spring Meetings.

The Capital Package, including a US\$13 billion paid-in capital increase for the IBRD and IFC, is aimed at setting the WBG on a sustainable path to reach the ambitious global objectives of the strategic directions entailed in the Forward Look, including serving all clients, leading on global issues, creating markets, and improving the business model. The IBRD capital increase was endorsed by shareholders in 2018, with the support of Australia. The voting period for the IFC capital increase, also supported by Australia, is open until 18 September 2019.

² Interest is calculated using the SDR interest rate, accrued daily and paid quarterly.

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

- 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 of the WBG. 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 2019 are set out in Table 13.

Table 13: Australian shareholdings in the World Bank Group as at 30 June 2019

| | 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 |
| <i>Value of paid in capital (US\$ millions)</i> | 233.35 | 47.33 | 6.20 |
| <i>Value of callable capital (US\$ millions)</i> | 3,577.75 | 0.00 | 26.46 |
| Value of total capital (A\$ millions) | 5,434.34 | 67.49 | 46.58 |

Australia's shareholding and voting power is listed in Table 14:

Table 14: Australia's shareholding and voting power in the World Bank Group

| | IBRD | IDA | IFC | MIGA |
|----------------------------------|------|------|------|------|
| Shareholding (per cent of total) | 1.36 | - | 1.84 | 1.70 |
| Voting power (per cent of total) | 1.32 | 1.24 | 1.77 | 1.49 |

Note: Shareholdings and voting power as at 30 June 2019. Shareholding and voting power differ in IBRD, IFC and MIGA 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 WBG 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 Treasury, DFAT also made financial contributions to the WBG. This includes replenishments to IDA and 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

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 as well as promote the benefits of an open global economy. The rationale for Australia's active participation in the WBG and how it aligns closely with our national interests and aid priorities is highlighted in the Foreign Policy White Paper.

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.

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. In 2018-19, Australia was initially represented by the then Treasurer, the Hon Scott Morrison MP, followed by his successor as Treasurer, the Hon Josh Frydenberg MP, from August 2018.

Australia's Alternate Governors in 2018-19 included the former Minister for Revenue and Financial Services, the Hon Kelly O'Dwyer MP, followed by the former Assistant Treasurer, the Hon Stuart Robert MP, and the Assistant Treasurer, the Hon Michael Sukkar MP.

Table 15 outlines the Australian Governors' votes for the 2018-19 financial year.

Table 15: Australian Governors' votes on World Bank Group resolutions in 2018-19

| Institution | Resolution title | Date | Australian Governor's vote |
|--------------------|--|-------------------|-----------------------------------|
| IBRD/MIGA | 2018 Regular Election of Executive Directors | 26 July 2018 | Approved |
| IBRD | Direct Remuneration of Executive Directors and their Alternates | 26 July 2018 | Disapproved |
| IBRD | Transfer from Surplus to Replenish the Trust Fund for Gaza and the West Bank | 4 September 2018 | Approved |
| IFC | Membership of Tuvalu | 27 September 2018 | Approved |

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, South 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 South Korea alternate in this role. Mr Kunil Hwang from South Korea assumed the Executive Director position on 1 November 2018, while Mr Gerry Antioch from Australia assumed the Alternate Executive Director position. Australia also held an adviser position in the constituency office.

Carer support

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.

Treasury's carer support framework includes:

- a non-discriminatory definition of family in the *Treasury Enterprise Agreement 2018-2021* which recognises relatives by blood, marriage, strong traditional or ceremonial affinity and genuine domestic or household relationships
- flexible working arrangements to assist employees in balancing work and family responsibilities including, home-based work, flexible hours, purchased leave, part-time work and job-sharing
- carers' rooms available to employees to assist them in their caring responsibilities in instances where care is temporarily and unexpectedly unavailable
- being an accredited Breastfeeding Friendly Workplace. Treasury supports employees who wish to breastfeed in the workplace and is committed to ensuring that work and breastfeeding can be combined
- access to accumulated personal leave to care for sick family and household members, or people for whom employees have caring responsibilities
- access to 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 EAP for free, professional and confidential counselling for employees, their immediate family members and people with whom they are in a close relationship.

Resource tables

Table 16: Summary resource statement

| | Actual available appropriation 2018-19 \$'000 (a) | Payments made 2018-19 \$'000 (b) | Balance remaining 2018-19 \$'000 (a - b) |
|---|--|--|--|
| Ordinary annual services¹ | | | |
| Departmental | | | |
| Departmental appropriation ² | 273,452 | 217,073 | 56,379 |
| Total | 273,452 | 217,073 | 56,379 |
| Administered expenses | | | |
| Outcome 1 | 81,996 | 74,504 | 7,492 |
| Payment to Corporate entities | - | - | - |
| Total | 81,996 | 74,504 | 7,492 |
| Total ordinary annual services | A 355,448 | 291,577 | 63,871 |
| Other services³ | | | |
| Departmental non-operating | | | |
| Equity injections | 5,469 | 4,761 | 708 |
| Total | 5,469 | 4,761 | 708 |
| Administered non-operating | | | |
| Administered assets and liabilities | | | |
| Outcome 1 | 359,850 | - | 359,850 |
| Total | 359,850 | - | 359,850 |
| Total other services | B 365,319 | 4,761 | 360,558 |
| Total available annual appropriations and payments (A+B) | 720,767 | 296,338 | |
| Special appropriations | | | |
| <i>Asian Development Bank (Additional Subscription) Act 2009</i> | | 24,765 | |
| <i>Asian Infrastructure Investment Bank Act 2015</i> | | 200,870 | |
| <i>Federal Financial Relations Act 2009</i> | | 90,462,218 | |
| <i>International Monetary Agreements Act 1947</i> | | 61,823 | |
| <i>Public Governance, Performance and Accountability Act 2013</i> | | - | |
| Total special appropriations | C | 90,749,676 | |
| Special accounts⁴ | | | |
| Opening balance | - | | |
| Appropriation receipts | 47,056,750 | | |
| Non-appropriation receipts to Special Accounts | 2,968,180 | | |
| Payments made | | 13,551,802 | |
| Transfers made to other entities | | 36,233,451 | |
| Total special account | D 50,024,930 | 49,785,253 | |
| Total resourcing and payments (A+B+C+D)⁵ | 50,745,697 | 140,831,267 | |
| Less appropriation drawn from annual or special appropriations and/or Corporate entities through annual appropriations credited to special accounts | - | - | |
| Total net resourcing for the Treasury | 50,745,697 | 140,831,267 | |

1. *Appropriation Act (No. 1) 2018-19* and *Appropriation Act (No. 3) 2018-19*. This may also include Prior Year departmental appropriation and section 74 relevant agency receipts.
2. Includes an amount of \$8.404 million for the Departmental Capital Budget. For accounting purposes this amount has been designated as 'contributions by owners'.
3. *Appropriation Act (No. 2) 2018-19*.
4. Does not include 'Special Public Money' held in accounts like Other Trust Monies account (OTM), Services for other Government and Non-agency Bodies accounts (SOG), or Services for Other Entities and Trust Monies Special accounts (SOETM).
5. Total resourcing excludes the actual available appropriation for all Special Appropriations.

Note: Details of appropriations are disclosed in Note 6 of the Financial Statements.

Table 17: 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 2018-19 \$'000 (a) | Actual expenses 2018-19 \$'000 (b) | Variation 2018-19 \$'000 (a - b) |
|---|------------------------------------|--|---|
| Program 1.1: Department of the Treasury | | | |
| Departmental expenses | | | |
| Departmental appropriations ¹ | 198,274 | 199,623 | (1,349) |
| Special accounts | - | - | - |
| Expenses not requiring appropriation | 9,517 | 12,136 | (2,619) |
| Administered expenses | | | |
| Ordinary annual services (Appropriation Bill No. 1) | 56,034 | 66,436 | (10,402) |
| Special appropriation: <i>PGPA Act 2013-s77</i> repayments | 1,000 | - | 1,000 |
| Special accounts | 35,267,191 | 36,233,451 | (966,260) |
| Expense not requiring appropriations | - | - | - |
| Total for Program 1.1 | 35,532,016 | 36,511,646 | (979,630) |
| Program 1.2: Payments to International Financial Institutions | | | |
| Administered expenses | | | |
| Special appropriations | 62,601 | 64,000 | (1,399) |
| Expenses not requiring appropriation | 101,983 | 20,752 | 81,231 |
| Total for Program 1.2 | 164,584 | 84,752 | 79,832 |
| Program 1.3: Support for Markets and Business | | | |
| Administered expenses | | | |
| Ordinary annual services (Appropriation Bill No. 1) | 3,479 | 7,689 | (4,210) |
| Total for Program 1.3 | 3,479 | 7,689 | (4,210) |
| Program 1.4: General Revenue Assistance | | | |
| Administered expenses | | | |
| Special appropriations | 67,320,000 | 65,159,732 | 2,160,268 |
| Special accounts | 876,479 | 1,481,309 | (604,830) |
| Total for Program 1.4 | 68,196,479 | 66,641,041 | 1,555,438 |
| Program 1.5: Assistance to the States for Healthcare Services | | | |
| Administered expenses | | | |
| Special appropriations | 21,189,153 | 21,737,715 | (548,562) |
| Total for Program 1.5 | 21,189,153 | 21,737,715 | (548,562) |
| Program 1.6: Assistance to the States for Skills and Workforce Development | | | |
| Administered expenses | | | |
| Special appropriations | 1,516,875 | 1,516,875 | - |
| Total for Program 1.6 | 1,516,875 | 1,516,875 | - |

Program 1.7: Assistance to the States for Disability Services

| | | | |
|------------------------------|----------------|----------------|----------------|
| Administered expenses | | | |
| Special appropriations | 954,443 | 958,274 | (3,831) |
| Total for Program 1.7 | 954,443 | 958,274 | (3,831) |

Program 1.8: Assistance to the States for Affordable Housing

| | | | |
|------------------------------|------------------|------------------|------------|
| Administered expenses | | | |
| Special accounts | 1,535,843 | 1,535,844 | (1) |
| Total for Program 1.8 | 1,535,843 | 1,535,844 | (1) |

Program 1.9: National Partnership Payments to the States

| | | | |
|--------------------------------------|-------------------|-------------------|----------------|
| Administered expenses | | | |
| Special accounts | 12,189,724 | 11,546,123 | 643,601 |
| Expenses not requiring appropriation | - | - | - |
| Total for Program 1.9 | 12,189,724 | 11,546,123 | 643,601 |

Outcome 1 Totals by appropriation type

| | | | |
|--|--------------------|--------------------|----------------|
| Administered expenses | | | |
| Ordinary annual services | 59,513 | 74,125 | (14,612) |
| Special appropriations | 91,044,072 | 89,436,596 | 1,607,476 |
| Special accounts | 49,869,237 | 50,796,727 | (927,490) |
| Expenses not requiring appropriation | 101,983 | 20,752 | 81,231 |
| Departmental expenses | | | |
| Departmental appropriations ¹ | 198,274 | 199,623 | (1,349) |
| Special accounts | - | - | - |
| Expenses not requiring appropriation | 9,517 | 12,136 | (2,619) |
| Total expenses for Outcome 1 | 141,282,596 | 140,539,959 | 742,637 |

| | | |
|--|------------|------------|
| | 2017-18 | 2018-19 |
| Average staffing level (number) | 842 | 844 |

1. Departmental Appropriation combines Ordinary annual services (Appropriation Bill No. 1) and Revenue from independent sources (s74).

List of requirements

| Description | Requirement | Page/s |
|--|-----------------------------------|---------|
| Letter of transmittal | | |
| A copy of the letter of transmittal signed and dated by the 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 | 164 |
| Glossary, abbreviations and acronyms. | Mandatory | 160-163 |
| List of requirements. | Mandatory | 156-159 |
| Details of contact officer. | Mandatory | ix |
| Entity's website address. | Mandatory | ix |
| Electronic address of report. | Mandatory | ix |
| Review by the 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 | 5-7 |
| A description of the organisational structure of the entity. | Mandatory | 5-7 |
| A description of the outcomes and programs administered by the entity. | Mandatory | 5-7 |
| A description of the purposes of the entity as included in corporate plan. | Mandatory | 5-7 |
| Name of the accountable authority or each member of the accountable authority. | Mandatory | 5-7 |
| Position title of the accountable authority or each member of the accountable authority. | Mandatory | 5-7 |
| Period as the accountable authority or member of the accountable authority within the reporting period | Mandatory | 4 |
| An outline of the structure of the portfolio of the entity. | Portfolio departments — mandatory | 33-36 |
| Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other Portfolio Estimates Statements 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 | | |
| <i>Annual Performance Statements</i> | | |
| Annual Performance Statement in accordance with paragraph 39(1)(b) of the Act and Section 16F of the Rule. | Mandatory | 11-31 |
| Report on Financial Performance | | |
| A discussion and analysis of the entity's financial performance. | Mandatory | 32-35 |
| A table summarising the total resources and total payments of the entity. | Mandatory | 152-155 |

| 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. | 32-35 |
| Management and accountability | | |
| <i>Corporate governance</i> | | |
| Information on compliance with section 10 (fraud systems) | Mandatory | 39-41 |
| A certification by the accountable authority that fraud risk assessments and fraud control plans have been prepared. | Mandatory | 39-41 |
| A certification by the 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 the 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 the 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 | N/A |
| <i>External scrutiny</i> | | |
| 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. | N/A |
| 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. | N/A |
| Information on any capability reviews on the entity that were released during the period. | If applicable, mandatory. | N/A |
| <i>Management of human resources</i> | | |
| An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives. | Mandatory | 43-47 |
| Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: <ul style="list-style-type: none"> • 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 | 43-47 |
| Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> . | Mandatory | 43-47 |

| Description | Requirement | Page/s |
|--|---------------------------|---------------|
| Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AD(4)(c). | Mandatory | 43-47 |
| The salary ranges available for APS employees by classification level. | Mandatory | 43-47 |
| A description of non-salary benefits provided to employees. | Mandatory | 43-47 |
| Information on the number of employees at each classification level who received performance pay. | If applicable, mandatory. | N/A |
| Information on aggregate amounts of performance pay at each classification level. | If applicable, mandatory. | N/A |
| Information on the average amount of performance payment, and range of such payments, at each classification level. | If applicable, mandatory. | N/A |
| Information on aggregate amount of performance payments. | If applicable, mandatory. | N/A |
| Assets management | | |
| An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities. | If applicable, mandatory | 48 |
| Purchasing | | |
| An assessment of entity performance against the Commonwealth Procurement Rules. | Mandatory | 49 |
| 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 | 50 |
| 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 | 50 |
| A summary of the policies and procedures for selecting and engaging consultants and the main categories of purpose for which consultants were selected and engaged. | Mandatory | 50 |
| 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 | 50 |
| 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. | N/A |
| 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. | N/A |

| Description | Requirement | Page/s |
|--|---------------------------|---------|
| 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 | 49 |
| An outline of the ways in which the procurement practices of the entity support small and medium enterprises. | Mandatory | 49 |
| If the entity is considered by the Department administered by the Minister for Finance as material in nature — a statement that “[Name of entity] recognises the 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. | 49 |
| Financial statements | | |
| Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act. | Mandatory | 59-132 |
| Executive remuneration | | |
| Information about executive remuneration in accordance with subdivision C of division 3A of Part 2-3 of the Rule. | Mandatory | 51-55 |
| Other mandatory information | | |
| Advertising and market research | | |
| 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. | 135-136 |
| If the entity did not conduct advertising campaigns, include a statement to that effect. | If applicable, mandatory. | N/A |
| 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. | 137 |
| Disability reporting | | |
| Outline of mechanisms of disability reporting, including reference to website for further information. Information Publication Scheme | Mandatory | 138 |
| Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of FOI Act can be found. | Mandatory | 139 |
| Corrections | | |
| Correction of material errors in previous annual report. | If applicable, mandatory | N/A |
| Other information | | |
| Information required by other legislation . | Mandatory | 140-151 |

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 |
| APEC | Asia-Pacific Economic Cooperation |
| APRA | Australian Prudential Regulation Authority |
| APS | Australian Public Service |
| APSC | Australian Public Service Commission |
| ARPC | Australian Reinsurance Pool Corporation |
| ASIC | Australian Securities and Investments Commission |
| ASL | Average staffing level |
| ATO | Australian Taxation Office |
| AUASB | Office of the Auditing and Assurance Standards Board |
| CAF | Legislative and Governance Forum on Consumer Affairs |
| CGC | Commonwealth Grants Commission |
| COAG | Council of Australian Governments |
| CPRs | Commonwealth Procurement Rules |
| CRO | Chief Risk Officer |
| DFAT | Department of Foreign Affairs and Trade |
| EAP | Employee Assistance Program |
| EL | Executive level |
| EMP | Environmental Management Plan |
| FOI Act | <i>Freedom of Information Act 1982</i> |
| FRC | Financial Reporting Council |
| FTE | Full-time equivalent |
| FTP | Financial Transaction Plan |
| GDP | Gross domestic product |
| GIH | Global Infrastructure Hub |
| GST | Goods and Services Tax |
| HSC | Health and Safety Committee |
| 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 of Taxation |

| | |
|-----------------|---|
| ILS | Integrated Leadership System |
| IMF | International Monetary Fund |
| IMFC | International Monetary and Financial Committee |
| IPAA | Institute of Public Administration Australia |
| IPS | Information Publication Scheme |
| IWC | Inclusive Workplace Committee |
| KMP | Key Management Personnel |
| MIGA | Multilateral Investment Guarantee Agency |
| MYEFO | Mid-Year Economic and Fiscal Outlook |
| NCC | National Competition Council |
| NAB | New Arrangements to Borrow |
| OECD | Organisation for Economic Cooperation and Development |
| PBS | Portfolio Budget Statements |
| PBO | Parliamentary Budget Office |
| PC | Productivity Commission |
| PDS | Performance Development System |
| PGPA Act | <i>Public Governance, Performance and Accountability Act 2013</i> |
| POSD | People and Organisational Strategy Division |
| RAM | Royal Australian Mint |
| RBA | Reserve Bank of Australia |
| RMS | Rehabilitation Management System |
| SDR | Special Drawing Rights |
| SES | Senior Executive Service |
| SMEs | Small and Medium Enterprises |
| SPP | Specific Purpose Payment |
| WBG | World Bank Group |
| WHS Act | <i>Work Health and Safety Act 2011</i> |
| WRC | Workplace Relations Committee |

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 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 <i>Public Service Act 1999</i> . |
| Clear read principle | <p>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.</p> <p>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.</p> |
| 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 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. |
| Non ongoing APS employee | A person engaged as an APS employee under subsection 22(2)(a) of the <i>Public Service Act 1999</i> . |

| | |
|--|--|
| 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 by the Reserve Bank of Australia. |
| Ongoing APS employee | A person engaged as an ongoing APS employee under Section 22(2)(a) of the <i>Public Service Act 1999</i> . |
| Operations | Functions, services and processes performed in pursuing the objectives or discharging the functions of an entity. |
| 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 a Commonwealth entity and company. |
| Public Governance, Performance and Accountability Act 2013 (PGPA Act) | <p>The <i>Public Governance, Performance and Accountability Act 2013</i> replaced the <i>Financial Management and Accountability Act 1997</i> and the <i>Commonwealth Authorities and Companies Act 1997</i> 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.</p> <p>The PGPA Act applies to all Commonwealth entities and Commonwealth companies. A list of Commonwealth entities and companies can be found at: www.finance.gov.au/sites/default/files/pgpa_flipchart.pdf?v=2</p> |
| Public service care agency | A public service care agency is defined in section 4 of the <i>Carer Recognition Act 2010</i> to mean an agency as defined in the <i>Public Service Act 1999</i> 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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