Part 04

Financial statements

Australian National Audit Office

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
Accuracy and Occurrence of Grants Expense *Refer to Note 4.1A 'Grants' and Note 5.2A 'Grants'* The Entity administers grant payments to State and	The audit procedures I applied to address the matter included: •testing, on a sample basis, the design and operating effectiveness of controls within other Australian

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Territory Governments under the *Federal Financial Relations Act 2009* (the Act). The Treasurer signs off a determination approving these grant payments. Accuracy and occurrence of grants expense is a key audit matter due to: • 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. For the year ended 30 June 2019, the value of grants paid by the Entity under the Act was $90.462 billion.	Government entities to support the information provided to the Entity that substantiates the eligibility and grant payment amount; and •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
Valuation of the Natural Disaster Relief and Recovery Arrangements and the Disaster Relief Funding Arrangements Provision *Refer to Note 5.4A 'Other Provisions'* The Entity manages payments to State and Territory Governments to assist with relief and recovery costs following a natural disaster. 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. For the year ended 30 June 2019, the provision for costs associated with natural disaster arrangements was valued at $1.393 billion.	The audit procedures I applied to address the matter included: •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 $'000	2018 $'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 $'000	2018 $'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 period[2]		**239,677**	-

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

1. These balances reflect the payments that are facilitated by the Treasury to the States and Territories for education services and the Water for the Environment Special Account. Refer to Note 6.1D for more information.
2. 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

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	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. AASB 16 requires enhanced disclosures for both lessees and lessors to improve information disclosed about an entity's exposure to leases. 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.	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 $'000	2018 $'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.

	2019 $'000	2018 $'000
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

	2019 $'000	2018 $'000
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	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. 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.

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 $'000	2018 $'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

Own-Source Revenue	2019 $'000	2018 $'000
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 $'000	2018 $'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.

	2019 $'000	2018 $'000
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 $'000	2018 $'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

	Buildings — leasehold improvements	Plant and equipment	Computer software internally developed	Computer software purchased	Total
	$'000	$'000	$'000	$'000	$'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	**3,105**	**3,873**	**3,169**	**759**	**10,906**
Purchased	3,105	3,873	-	759	**7,737**
Internally developed	-	-	3,169	-	**3,169**
Depreciation and amortisation	**(2,789)**	**(2,718)**	**(1,578)**	**(682)**	**(7,767)**
Disposals	**(278)**	**-**	**(215)**	**(9)**	**(502)**
From write-down and impairment of assets	(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 commitments[1] 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 $'000	2018 $'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.

	2019 $'000	2018 $'000
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 $'000	Total $'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 $'000	2018 $'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 $'000	2018 $'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 $'000	2018 $'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).

	2019 $'000	2018 $'000
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

Revenue	2019 $'000	2018 $'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 $'000	2018 $'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.

	2019 $'000	2018 $'000
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 earnt 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 $'000	2018 $'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 $'000	2018 $'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 $'000	2018 $'000
Note 5.4A: Other Provisions		
DRFA and NDRRA provision	**1,392,582**	898,753
Queensland	**1,050,712**	575,784
New South Wales	**16,567**	26,371
Victoria	**52,525**	58,227
Western Australia	**133,508**	150,811
Northern Territory	**65,348**	56,318
Tasmania	**73,721**	28,884
South Australia	**190**	2,358
Australian Capital Territory	**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')

Annual Appropriations for 2019

	Appropriation Act		*PGPA Act*				
	Annual Appropriation $'000	AFM $'000	Section 74 Receipts $'000	Section 75 Transfers $'000	Total appropriation $'000	Appropriation applied in 2019 (current and prior years) $'000	Variance[1] $'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							
Equity[3b]	728	-	-	-	728	(4,761)	(4,033)
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

1. 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.
2. 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.
3. Amounts were withheld under section 51 of the PGPA Act against the following Appropriations:
   (a) Ordinary annual services had a 'net-negative' impact of ($0.333 million) from the Portfolio Additional Estimates.
   (b) 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*				
	Annual Appropriation	AFM	Section 74	Section 75	Total appropriation	Appropriation applied in 2018 (current and prior years)	Variance
	$'000	$'000	$'000	$'000	$'000	$'000	$'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')

Authority	2019 $'000	2018 $'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

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

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

2019	Department of Education and Training Payments to the States and Territories: education services $'000	Department of Agriculture and Water Resources Payments to the States and Territories: Water for the Environment Special Account $'000
Total receipts	**20,963,520**	**815**
Total payments	**20,963,520**	**815**

2018	Department of Education and Training Payments to the States and Territories: education services $'000	Department of Agriculture and Water Resources Payments to the States and Territories: Water for the Environment Special Account $'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 NHFIC'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. NHFIC 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 NHFIC (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 NHFIC; and
   (ii) is paid in accordance with the Investment Mandate.

   Any principle 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 SDR4.61billion (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 $'000	2018 $'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 $'000	2018 $'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 1 July 2018 $'000	AASB 9 carrying amount at 1 July 2018 $'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	Reclassification	Remeasurement	AASB 9 carrying amount at 1 July 2018
	$'000	$'000	$'000	$'000
Financial assets at fair value through other comprehensive income				
Available for sale - equity instruments				
Equity accounted investments	**39,551,532**	**-**	**2,309**	**39,553,841**
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 $'000	2018 $'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 $'000	2018 $'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

			Effect on	
	Risk variable	**Change in risk variable**	**Net cost of services 2019**	**Net assets 2019**
Risk Variable		**%**	**$'000**	**$'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

			Effect on	
	Risk variable	Change in risk variable	Net cost of services 2018	Net assets 2018
Risk Variable		%	$'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	2018
	$'000	$'000
Non-financial assets[1]		
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			
	2019 $'000	2018 $'000	**Category (Level 1, 2 or 3)**	**Valuation technique(s) and inputs used[1,2]**
Financial assets:				
International financial institutions:	**1,961,467**	1,669,957	**3**	
Asian Development Bank	***608,860***	*583,862*		**Value of shares held**
Asian Infrastructure and 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*		
Australian Government entities:	**28,964,321**	25,388,893	**3**	**Various**
Reserve Bank of Australia	***28,338,000***	*24,963,000*		**Net assets**
Australian Reinsurance Pool Corporation	***461,321***	*425,893*		**Net assets**
NHFIC	***165,000***	-		**Cost**
Commonwealth Companies:	**1,174**	-	**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	2018	**2019**	2018
	$'000	$'000	**$'000**	$'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 $'000	2018 $'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.

1. 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.
2. 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: ▪ 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	
		Original[1]	Variance[2]
	2019	2019	2019
	$'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	
		Original[1]	Variance[2]
	2019	2019	2019
	$'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

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 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: ▪ $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	
		Original[1]	Variance[2]
	2019	2019	2019
	$'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	
		Original[1]	Variance[2]
	2019	2019	2019
	$'000	$'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