

The Treasury

Annual Report
2000-01

October 2001

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OFFICE OF THE SECRETARY
CANBERRA ACT 2600



THE TREASURY

25 September 2001

The Hon Peter Costello, MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

I have pleasure in presenting to you the Annual Report of the Treasury for the year ended 30 June 2001. The Report has been prepared under section 63 of the *Public Service Act 1999*. Subsection 63 (1) of the Act requires that a Secretary of a Department is to provide a copy of the report to their Agency Minister for presentation to the Parliament.

As provided in subsection 63 (2) of the Act, the Report has been prepared in accordance with guidelines approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit. These guidelines provide that a copy of the Annual Report is to be laid before each House of the Parliament on or before 31 October.

Yours sincerely

Ken Henry
Secretary to the Treasury

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INTRODUCTION AND GUIDE TO THE REPORT

The 2000-01 Treasury Annual Report outlines performance against outcomes, outputs and performance information contained in the 2000-01 Portfolio Budget Statements (PBS).

The financial accounts presented in this Report include the Royal Australian Mint. However, the performance reporting does not extend to the activities of that organisation which, although a Division of Treasury, is not budget-funded. Information in Part 4: Management and Accountability and Part 6: Other Statistical Information (for example, staff numbers or expenditure on advertising) does not include information relating to the Mint unless expressly stated. The Mint publishes its own annual report.

Part 1 of this report includes an overview of major outcomes during 2000-01, and outlines changes in the organisation and senior management structure of the Department and other significant management initiatives undertaken over the course of the year. Charts included in Part 1 depict the Treasury portfolio and departmental outcome and output structures, and the Treasury top management structure.

Part 2 of the report provides an analysis of performance against Treasury's policy outcomes. A review of Corporate Services Division performance is also provided in Part 2.

This year Treasury celebrates 100 years of public service. **Part 3** provides economic and administrative highlights of Treasury's progress and performance between 1901 and 2001. The highlights have been drawn from the Centenary of Treasury booklet published in April 2001.

Part 4 reports on management and accountability issues as required under the Annual Report Guidelines.

Part 5 presents the audited financial status of the Department as required under the Annual Report Guidelines.

Part 6 of the report includes other statistical information required under the Annual Report Guidelines.

The report concludes with a list of abbreviations and acronyms and an index to the report and its appendices.

Other sources of information

Treasury releases information on its activities through many publications, press releases, speeches and reports including the Annual Report. Copies of all Treasury publications are available on our website at www.treasury.gov.au.

Enquiries

The contact officer to whom enquiries regarding this report may be directed is:

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A copy of this document can be located on the Treasury website at:
<http://www.treasury.gov.au/annualreport>

PART I

OVERVIEW

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SECRETARY'S REVIEW

The Centenary of Federation also marks 100 years since the establishment of the Treasury as one of the seven original Commonwealth departments. Over the years, the role of Treasury has evolved as the complexity of government and modern economies has evolved. The work of Treasury has increasingly focused on matters of fundamental economic policy in its many dimensions. The department's role in advising the government of the day on economic policy issues has made it a key player in the development of the policy framework. Over the century, the Treasury has made a significant contribution to the nation and its citizens.

This year also saw the retirement of Ted Evans, AC, after eight years as Secretary to the Treasury. Ted Evans is a person of the highest integrity and professionalism who brought to his work an incisive mind, and outstanding judgement of people and issues. He has left a lasting mark on economic policy formulation in this country. In his time as Secretary, Ted Evans oversaw a substantial transformation in organisational structure and management practices (including performance management), leaving behind a modern institution that is committed to its task of quality policy advising, and committed to its people and their capacity to serve the nation.

A major focus for the portfolio was implementing tax reform, *The New Tax System* coming into effect on 1 July 2000. The GST Start-up Assistance Office, the Australian Taxation Office and the Australian Competition and Consumer Commission all played major roles in the introduction of *The New Tax System*. The Treasury has played a central policy role in monitoring and advising on the implementation phase.

Following reforms under *The New Business Tax System* introduced in 1999-2000, further significant progress has been made, with the simplified tax system, the uniform capital allowance system, new thin capitalisation arrangements and a debt/equity test all commencing from 1 July 2001.

After 3 years above 4 per cent, economic growth turned down in the first half of 2000-01. Transitional factors associated with the introduction of tax reform, the Olympics, higher world oil prices, the weaker Australian dollar and the weakening world economy were important factors impacting on the economy during 2000-01. While the international outlook deteriorated further in the first half of 2001, Australian growth is expected to strengthen in 2001-02. The underlying fundamentals remain conducive to ongoing improvements in productivity and the structural imbalances that have curtailed past expansions remain absent. The medium term macroeconomic policy framework, together with wide ranging structural, taxation and labour market reforms, continue to support the new dynamics of the Australian economy. While Australia's medium term prospects remain healthy, developments in the international economy are likely to influence activity in the near term.

Treasury has continued to participate actively in efforts to reform the international financial architecture, aimed at both the prevention of crises and

Part I: Overview

their resolution. There has also been increasing attention paid to understanding the perceived benefits and risks of globalisation. Treasury has undertaken extensive analysis of this issue, with some of that work appearing in an article on *Global Poverty and Inequality in the 20th Century*.

In October 2000, in Montreal, the Ministerial meeting of the Group of Twenty (G-20) economies adopted a proposal by the Treasurer that entails G-20 members undertaking case studies so as to develop a shared insight into both the policies needed to ensure that globalisation brings broad-based prosperity, and the political and governance arrangements needed to cooperatively implement them.

During 2000-01, Treasury continued its participation in progressing structural reform, reflecting particular responsibilities for implementing competition policy and for advising more widely on microeconomic reforms necessary to improve market operations, productivity growth, and enhanced living standards.

There was particular emphasis in 2000-01 on advising the Government on policy supporting the prudential regulation of the financial sector, and on the initiative to promote Australia as a centre for global financial services. Advice was provided to the Government on its response to the failure of the HIH Insurance Group, and on the introduction to Parliament in June 2001 of the General Insurance Reform Bill 2001.

The Financial Services Reform Bill 2001 was also introduced. This legislation creates a harmonised licensing, disclosure and conduct framework for all financial services providers, and establishes a consistent and comparable financial product disclosure regime and a streamlined framework for the regulation of financial markets and clearing and settlement facilities.

Treasury has also worked closely with the Attorney-General's Department to resolve the constitutional doubts cast upon important elements of the former Corporations Law regulatory scheme by recent High Court decisions.

Over the course of 2000-01, the department undertook significant activity to enhance the capabilities of its people and management systems, with priority areas including:

- increased emphasis on staff training and development, including the preparation of a training program linked to staff development needs identified under the department's performance management system; and the provision of an extensive leadership development training course for some sixty Executive Level 2 officers in the department;
- close involvement in the refurbishment of the Treasury building and the relocation of staff to the refurbished accommodation;
- continued enhancement of the department's use of electronic information systems, including the introduction of a departmental Intranet, an expansion

Part I: Overview

of the number and capability of departmental websites; and preparations for the staged introduction of an electronic records management system; and

- continued improvement in the availability and reliability of financial management information.

In accordance with the Government's outsourcing and market testing programme, Treasury is market testing the IT network and help desk functions and a range of human resource and accounting and finance related activities.

The Treasurer has also agreed to a review of Treasury's performance and budget to be conducted in financial year 2001-02. This review is to be undertaken as part of the Government's pricing review programme. The review will be an important priority for the department and should result in further quality improvements in our ability to provide policy advice and support to the Treasury ministers and the Government.

All in all, the past financial year has been a hectic but rewarding one for the Treasury. We look forward to the challenges in the year ahead. On behalf of the Treasury Executive, I wish to express my gratitude to all Treasury staff for their commitment, dedication and hard work in this centenary year.

Ken Henry
Secretary to the Treasury

CORPORATE STATEMENT

Treasury's mission

Treasury's mission is to improve the wellbeing of the Australian people by providing sound and timely advice to the Government, based on objective and thorough analysis of options, and by assisting Treasury Ministers in the administration of their responsibilities and the implementation of government decisions.

Policy outcomes

In carrying out its mission, Treasury has regard to the following policy outcomes:

- sound macroeconomic environment;
- effective government spending and taxation arrangements; and
- well functioning markets.

Sound macroeconomic environment

A sound macroeconomic environment is characterised by stable prices, low interest rates, healthy economic and employment growth and a sustainable external position.

Treasury aims to contribute to a sound macroeconomic environment by monitoring and assessing economic conditions and prospects, both in Australia and overseas, and by providing advice on the formulation and implementation of effective macroeconomic policy, including monetary and fiscal policy, and labour market issues.

Effective government spending and taxation arrangements

Individual spending measures should be effective in meeting their stated objectives, minimise other behavioural distortions and deliver significant benefits in relation to cost. Taxation measures should meet revenue objectives (or other objectives if taken for public policy reasons) and be consistent with the principles of economic efficiency, horizontal and vertical equity, certainty and transparency whilst minimising compliance and administrative costs.

Advice to the portfolio ministers assists in formulating, implementing and explaining government spending and taxation decisions.

Well functioning markets

Markets function well when investors and consumers have confidence and certainty about the regulatory framework and are able to make decisions that are well informed and free of market distortions and impediments.

Treasury provides advice on policy processes and reforms that promote a secure financial system and sound corporate practices, remove impediments to competition in product and services markets and safeguard the public interest in matters such as consumer protection and foreign investment.

Corporate strategies

Treasury seeks to carry out its mission by:

- maintaining effective liaison with portfolio Ministers and their offices and with other government departments;
- maintaining extensive contact with other levels of government, research institutes and interest groups;
- giving priority in operational arrangements to identifying important emerging issues, undertaking longer-term research and ensuring regular internal discussion of key policy issues;
- creating an environment for better informed public debate by explaining the Government's policy settings and views on economic conditions;
- fostering a consultative management culture within the department;
- efficiently organising departmental resources to provide high quality, relevant and timely advice;
- promoting continuous improvement, including staff management, development and skills enhancement; and
- internal and external review and evaluation of strategies, processes and outcomes.

Part I: Overview

Table I: Treasury financial and staffing resources summary

	Budget (1) 2000-2001 \$'000	Actual 2000-2001 \$'000	Budget (2) 2001-2002 \$'000
Administered expenses			
Appropriation Acts Nos. 1/3	26,063	15,175	12,000
Appropriation Acts Nos. 2/4	201,766	198,483	252,100
Advance to the Finance Minister	-	-	-
Special Appropriations	28,085,274	27,662,162	30,687,062
Total administered expenses	28,313,103	27,875,820	30,951,162
Revenue from Government			
Output group 1.1 - Economic	18,563	18,563	19,812
Output group 2.1 - Budget	29,070	29,070	34,162
Output group 3.1 - Markets	26,547	26,547	31,049
Total revenue from Government contributing to price of departmental outputs	74,180	74,180	85,023
Revenue from other sources			
Output group 1.1 - Economic	471	569	495
Output group 2.1 - Budget	2,120	2,042	2,057
Output group 3.1 - Markets	44,660	50,105	30,999
Total revenue from other sources	47,251	52,716	33,551
Total revenue for departmental outputs (Total revenues from Government and other sources)	121,431	126,895	118,574
Price of departmental outputs			
Output group 1.1 - Economic	19,034	18,164	20,307
Output group 2.1 - Budget	31,190	30,301	36,219
Output group 3.1 - Markets	71,207	76,841	62,048
Total price of departmental outputs	121,431	125,306	118,574
Total estimated resourcing (Total price of outputs and administered expenses)	28,434,534	28,001,126	31,069,736
Average staffing levels (number)	544	524	574

(1) Budget 2000-01 — refer to Outcome Resource Tables 2 on pages 21, 39 and 62 for details of variations.

(2) Budget 2001-02 — refer to Outcome Resource Tables 2 on pages 21, 39 and 62 for details of variations.

2001-02 priorities

- Delivery of the annual budget and mid-year review.
- Enhance advising capability in areas of national priority concern, including environment, industry and public finance issues.
- Macroeconomic policy advice to maximise the length of the expansion and reduce unemployment including short, medium and long term aspects of fiscal, monetary and debt management policy and labour market issues.
- Enhanced analysis of international economic and policy developments.
- National saving issues.
- Analysis of welfare reform.
- The geographic and socio-economic distribution of aggregate economic gains.
- Impact of globalisation on global inequality and poverty.
- Major business tax reform proposals.
- Ongoing structural reform in key sectors, competition and trade practices in product and service markets and effective industry self-regulation.
- Implementation of the financial services reform regime and reviews of domestic corporate insolvency policy, the *Managed Investments Act* and the *Insurance Contracts Act*.
- Consumer confidence in electronic commerce.
- Promoting Asian economic recovery and enhanced regional financial integration.
- Encouraging continuing reform of international financial architecture.
- Internal and external communication.
- Management practices, staff development and the allocation of departmental resources.
- Introducing measures to further improve Treasury's performance, in conjunction with a pricing review of its activities. The pricing review is to be conducted with the assistance of the Department of Finance and Administration and is intended to provide better quality information to the Government on the value for money of Treasury's activities.

Treasury people values

Treasury people management principles

- There will be open, two-way communication at all levels.
- Accountabilities will be clearly defined.
- Remuneration will be based on work performance and determined by fair and transparent processes.
- Staff will be assisted in achieving appropriate work and private life balance.

Treasury people will

- Strive for excellence.
- Value teamwork, consultation and sharing ideas.
- Value diversity among our people.
- Treat everyone with respect.
- Exhibit honesty in all our dealings.
- Treat colleagues with fairness.

Chart I: Treasury portfolio outcome structure (as at 30 June 2001)

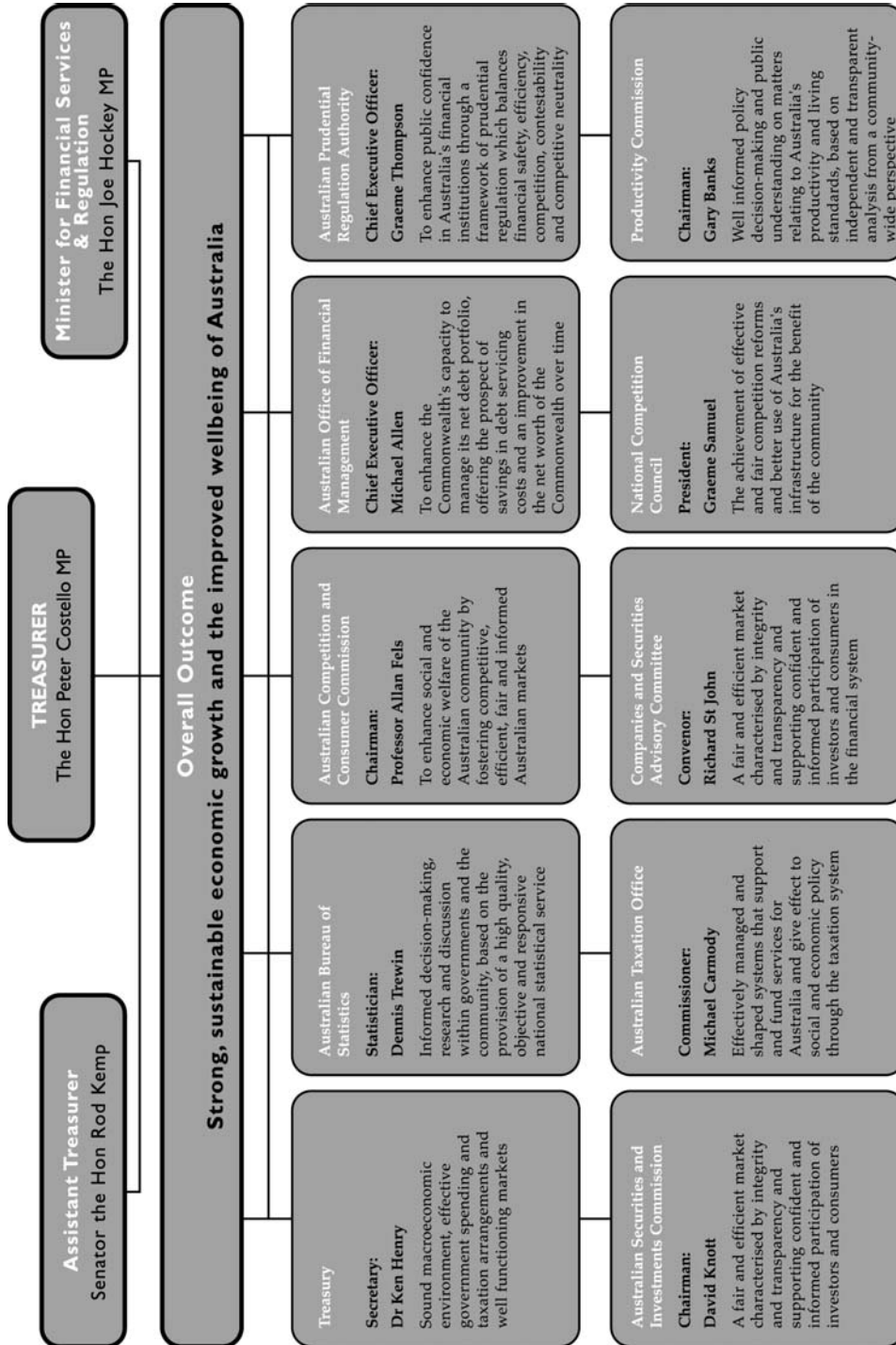


Chart 2: Portfolio output structure (as at 30 June 2001)

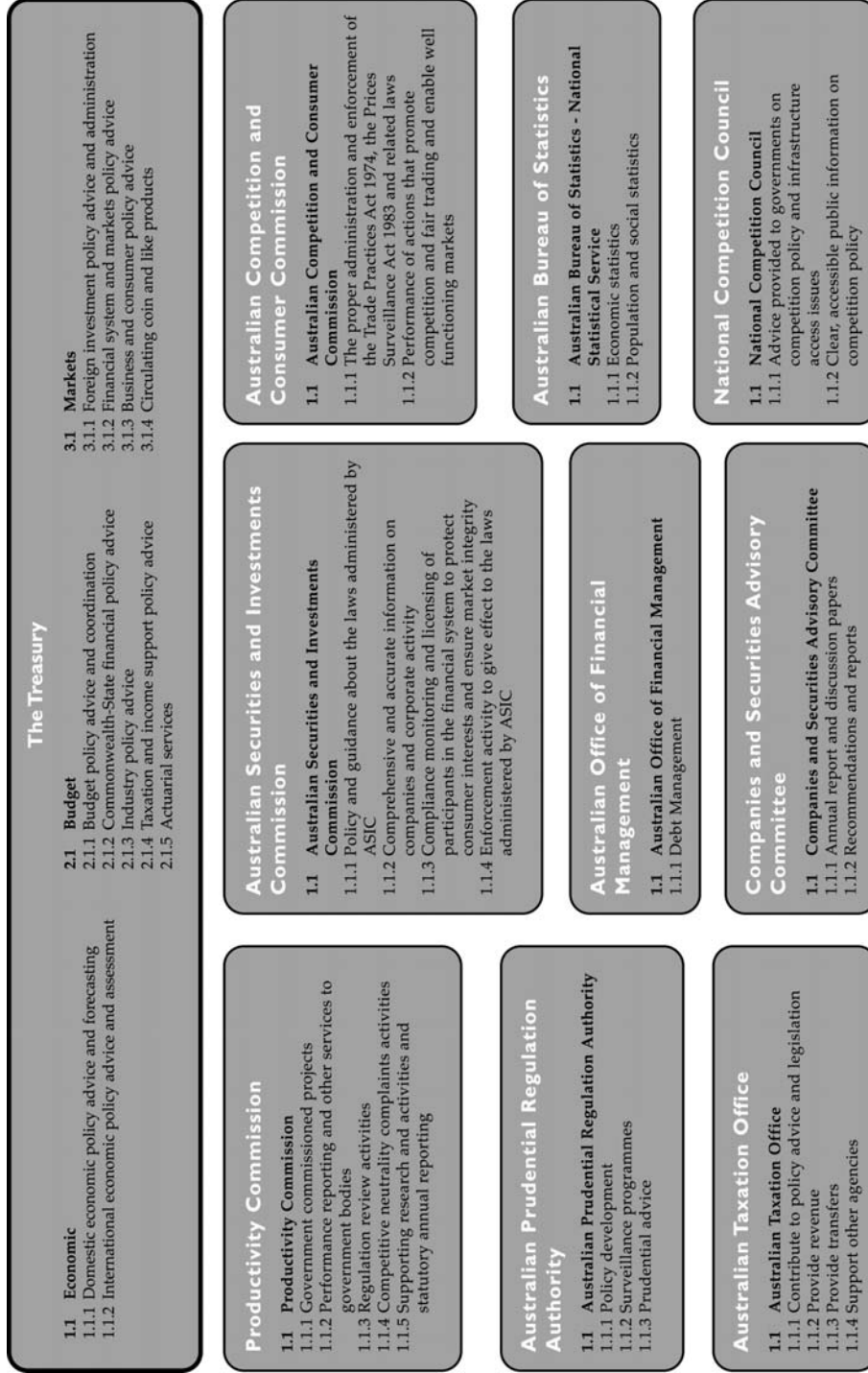
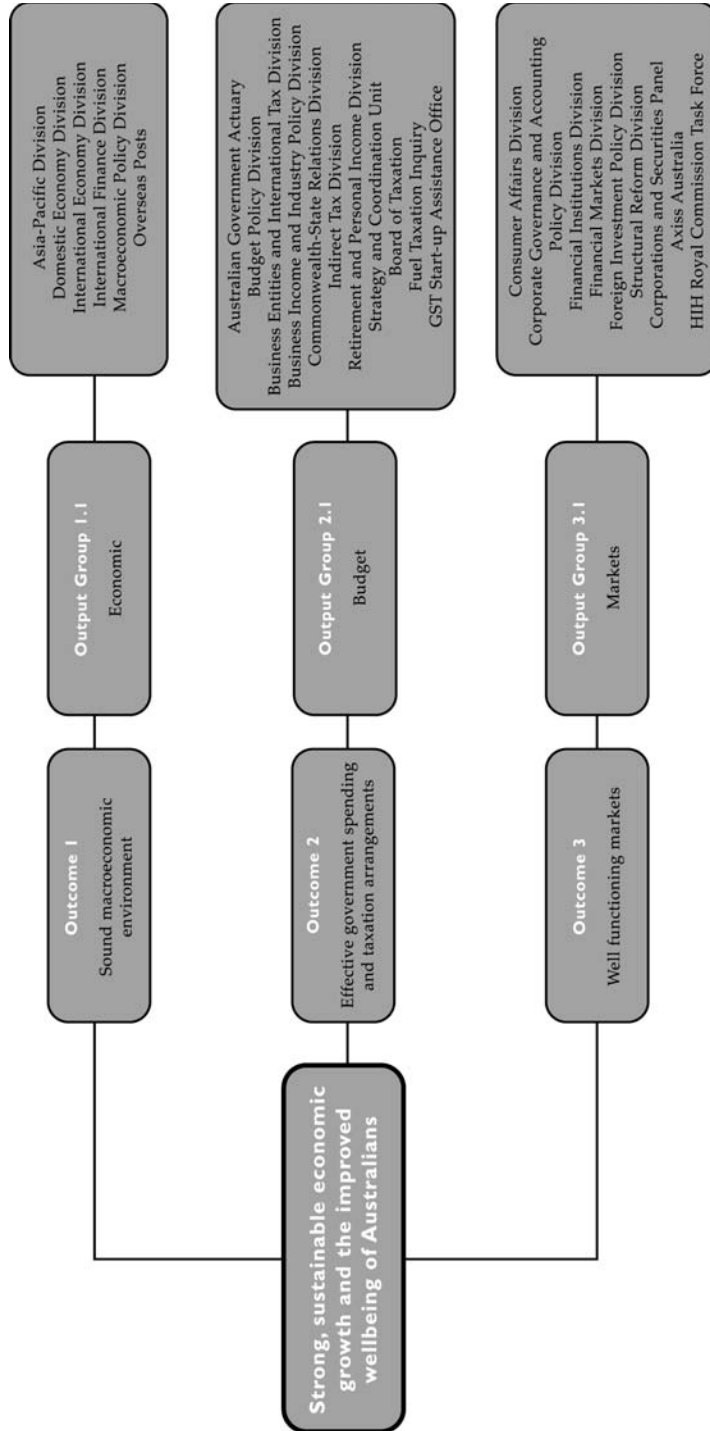


Chart 3: Treasury output structure (as at 30 June 2001)



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Chart 4: Treasury top management structure (as at 30 June 2001)



PART 2

REPORT ON PERFORMANCE

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REPORT ON PERFORMANCE

The report on performance covers Treasury's administered items and departmental outputs for 2000-01.

The administered items are revenues, expenses, assets or liabilities managed by agencies on behalf of the Commonwealth. Administered expenses include subsidies, grants and benefits. Departmental outputs are the goods and services the department provides for and on behalf of the Government.

Treasury's 2000-01 performance is reported at the outcome and output levels for its three policy outcomes:

- Outcome 1: Sound macroeconomic environment;
- Outcome 2: Effective government spending and taxation arrangements; and
- Outcome 3: Well functioning markets.

Performance outcomes are reported against the performance information published in the Treasury section of the 2000-01 Portfolio Budget Statements. The performance reporting does not extend to the activities of the Royal Australian Mint which, although a division of Treasury, is not budget-funded. Details of the organisation of the Mint and its operations are published separately in its annual report.

The results of evaluations undertaken during the year, including those listed in the 2000-01 Portfolio Budget Statements, are incorporated into the performance information for the relevant output.

Treasury is predominantly a policy advising agency, and is not required to produce a service charter at this stage. The Foreign Investment Review Board (FIRB), which is serviced by a secretariat located in the department, has published a service charter. Performance against the service charter customer service standards is contained in the FIRB annual report.

OUTCOME I

SOUND MACROECONOMIC ENVIRONMENT

A sound macroeconomic environment is an essential foundation for strong sustainable economic growth and the improved wellbeing of Australians. Economic Group is responsible for contributing to the outcome of a sound macroeconomic environment by providing policy advice to Treasury portfolio ministers to assist them in developing and implementing policies to achieve this outcome. This includes Economic Group providing advice to the Government on:

- economic conditions and the outlook;
- the implications of economic developments for macroeconomic policy;
- fiscal and monetary policy;
- labour market issues;
- strategic international economic policy issues, advice on advancing Australia's interests through the international financial institutions and in other international forums;
- advancing Australia's interests in countries requiring technical and financial assistance; and
- monitoring and analysing economic developments in key global economies.

More specifically, Economic Group has produced outputs which support government decisions and objectives through:

- advice on international finance issues, including:
 - proposals to strengthen the international financial architecture,
 - debt relief and other development issues,
 - reform of the international financial institutions and management of Australia's relationship with them, and
 - promoting structural reform through regional forums such as the Asia-Pacific Economic Cooperation (APEC) and the South Pacific Forum Economic Ministers' Meeting;
- sound and timely advice on developments in the international economy, especially to the extent that they impact on Australia, and participation in policy discussions in various international forums and institutions;

Part 2: Treasury's report on performance

- analysis and advice on macroeconomic policy issues, including:
 - recommendations on the strategy for the annual Budget and other fiscal policy matters,
 - examining financial market developments and advising the Secretary in his capacity as a member of Reserve Bank Board,
 - debt management policy¹, and
 - providing advice on labour market policy issues such as workplace relations and employment policy.
- advice on domestic economic issues, including:
 - macroeconomic forecasting,
 - analysis and briefing on economic data releases,
 - business liaison,
 - macroeconomic policy research,
 - provision of macroeconomic policy advice,
 - econometric analysis, and
 - macroeconomic modelling.

The effectiveness of Treasury's contribution to a sound macroeconomic environment was judged primarily by feedback from Treasury portfolio Ministers on the quality and relevance of Treasury's advice.

¹ This issue is covered in detail in the Annual Report of the Australian Office of Financial Management (AOFM).

Chart 5: Outputs contributing to Outcome I

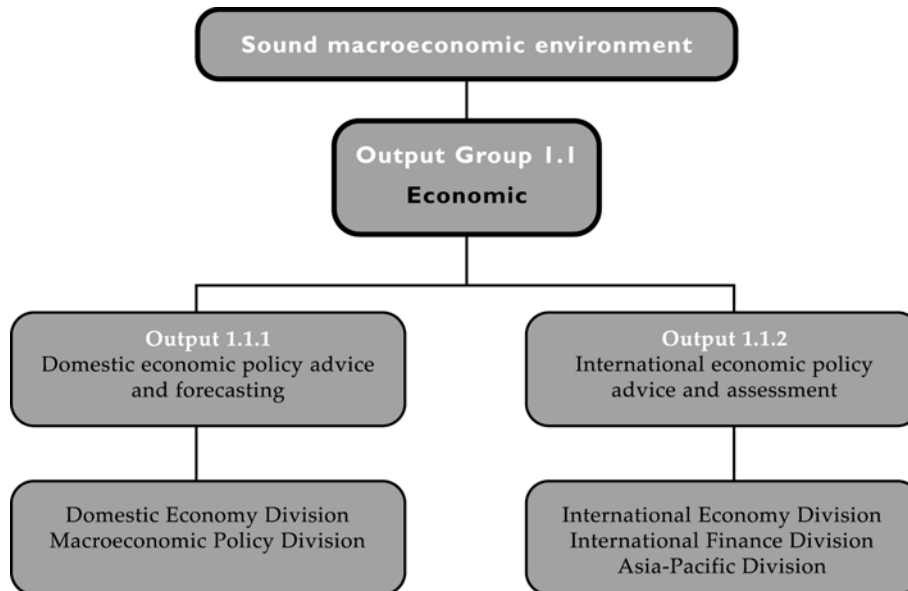


Table 2: Financial and staffing resources summary for Outcome 1

	Budget (1) 2000-2001 \$'000	Actual 2000-2001 \$'000	Budget (2) 2001-2002 \$'000
Administered expenses			
Appropriation Acts Nos. 1/3	-	-	-
Appropriation Acts Nos. 2/4	-	-	-
Special Appropriations	50,610	50,378	47,128
Total administered expenses	50,610	50,378	47,128
Revenue from Government			
Output group 1.1 - Economic			
Output 1.1.1 - Domestic economic policy advice and forecasting	4,106	4,106	4,593
Output 1.1.2 - International economic policy advice and assessment	8,229	8,229	8,915
Corporate costs	6,228	6,228	6,304
Total revenue from Government contributing to price of departmental outputs	18,563	18,563	19,812
Revenue from other sources			
Output group 1.1 - Economic			
Output 1.1.1 - Domestic economic policy advice and forecasting	5	14	5
Output 1.1.2 - International economic policy advice and assessment	71	91	71
Corporate costs	395	464	419
Total revenue from other sources	471	569	495
Total revenue for departmental outputs (Total revenues from Government and other sources)	19,034	19,132	20,307
Price of departmental outputs			
Output group 1.1 - Economic			
Output 1.1.1 - Domestic economic policy advice and forecasting	4,111	3,838	4,598
Output 1.1.2 - International economic policy advice and assessment	8,300	8,325	8,986
Corporate costs	6,623	6,001	6,723
Total price of departmental outputs	19,034	18,164	20,307
Total estimated resourcing for outcome 1 (Total price of outputs and administered expenses)	69,644	68,542	67,435
Average staffing levels (number)	122	123	132

- (1) Budget 2000-01: The total price of outputs and administered items for Outcome 1 was \$4.814 million more than the budgeted figure in the 2000-01 Portfolio Budget Statements (PBS)'s due to the following:
Administered — exchange parameter adjustment of \$4.391 million;
Revenue from government — additional estimates of \$0.335 million; and
General — the remainder of the variance is attributed to revised internal allocations.
- (2) Budget 2001-02: The 2001-02 price of outputs for Outcome 1 has increased by \$1.407 million due to revised internal allocations.

Part 2: Treasury's report on performance

Output 1.1.1

Domestic economic policy advice and forecasting

Domestic Economy Division and Macroeconomic Policy Division in Economic Group are responsible for the delivery of Output 1.1.1, Domestic economic policy advice and forecasting.

Economic Group contributes to Outcome 1 by providing advice to government ministers on economic conditions and the outlook; advice on the implications of economic developments for macroeconomic policy; advice on fiscal and monetary policy; and advice on labour market issues.

Performance information

Performance measures for departmental outputs are:

- advice on economic policy and the economic outlook meets Treasury portfolio ministers' needs in administering their responsibilities and implementing government decisions that contribute to a sound domestic economy; and
- effective presentation of budget documents and other publications adequately informs public debate.

Analysis of performance

Economic forecasts

Economic forecasts were produced over the course of 2000-01 to inform policy settings, and in a more detailed form to enable the calculation of budget estimates. These forecasts were prepared taking into account key assumptions about economic variables and judgements about likely outcomes. Transitional factors associated with the introduction of *The New Tax System*, the Olympics, the weaker Australian dollar, higher world oil prices and the weakening world economy from late 2000 were important factors in the development of economic forecasts over the course of 2000-01.

For policy formulation purposes, the main role of the forecasts is to aid an understanding of the broad developments within the economy and the balance of risks and uncertainties surrounding the outlook.

The 2000-01 Budget contained forecasts for 2000-01 and these were reassessed in the *Mid-year Economic and Fiscal Outlook* (MYEFO) released in November 2000.

In MYEFO, the forecast gross domestic product growth rate in 2000-01 was 4 per cent, slightly higher than the 3¾ per cent forecast at Budget time. The upward revision reflected a more optimistic world growth outlook as well as a

Part 2: Treasury's report on performance

more competitive Australian dollar, which together were expected to provide an additional boost to net exports.

- The forecast for inflation was revised up slightly in MYEFO, reflecting an increase in world oil prices and the depreciation of the Australian currency.
- Average employment growth for 2000-01 was revised up in MYEFO, mainly reflecting stronger than expected employment growth in the September quarter 2000.

MYEFO also contained preliminary forecasts of key economic parameters for 2001-02, along with projections for the following two years.

The 2001-02 Budget, handed down in May 2001, contained revised estimates of the outcomes for 2000-01, a fully elaborated set of forecasts for 2001-02 and projections for key parameters in the following three years, out to 2004-05.

- At the time of the 2001-02 Budget the final outcome for gross domestic product growth in 2000-01 was not known. Based on the information available, economic growth in 2000-01 was expected to be 2 per cent, reflecting primarily the unwinding of the bring-forward in residential construction associated with the introduction of *The New Tax System*.

MYEFO and Budget forecasts released during 2000-01 were generally regarded at the time as being credible by external commentators and were consistent with the assessment of international forecasters such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF). However, more recent data have shown that economic growth in 2000-01 was much weaker than the MYEFO forecasts, with the weakness concentrated in the housing sector. A review of domestic and international economic developments during 2000-01, including an assessment of Treasury forecasts made during that year will be published in the Spring 2001 Treasury *Economic Roundup*. The economy is more efficient and flexible, with higher productivity growth, partly due to the sound and credible frameworks for monetary and fiscal policies created in recent years and ongoing reforms in competition policy, the tax system, the labour market, the financial sector and corporate law. The level of increased efficiency and flexibility attained will enable the economy to recover well from any unexpected internal or external shocks such as those that have caused the recent slowing in growth.

The forecasts were prepared with the benefit of input from members of the Joint Economic Forecasting Group comprising Treasury (chair), the Reserve Bank of Australia (RBA), the Department of the Prime Minister and Cabinet, the Department of Finance and Administration and the Australian Bureau of Statistics (ABS). Information on business conditions was obtained through liaison with industry. This information was taken into account in preparing economic forecasts. The Treasury macroeconomic model of the Australian economy was also used as an input into the forecasting process, as well as for the macroeconomic policy and sensitivity analyses.

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Contributions to public awareness and debate

As a matter of course, all economic publications are made available free of charge at the Treasury website (www.treasury.gov.au). This practice improves the accessibility of Treasury publications.

The 2000-01 MYEFO reviewed the economic outlook in light of an expected improvement in world economic growth and the impact of a lower exchange rate. It also discussed the apparent changes to expenditure patterns as a result of the introduction of *The New Tax System*, particularly with respect to dwelling investment.

In the 2001-02 Budget papers, Statement 3 of *Budget Paper No. 1* contained a detailed discussion of international and domestic economic forecasts for 2001-02. It was noted that world growth was expected to slow in 2001 to around 3¾ per cent, driven by lower growth in the United States. The pace of world growth was expected to pick up later in 2001 and increase to around 4 per cent in 2002. Domestically, economic growth was expected to be around 3¾ per cent in year-average terms in 2001-02, driven by a rebound in residential construction and a strong contribution from net exports.

Statement 4 of *Budget Paper No. 1* contained a discussion on the role of productivity growth and new technology in economic growth. It highlighted that in Australia, a sound macroeconomic policy framework has encouraged competition and created a strong incentive to apply productivity-enhancing information and communication technology advances. It was noted that this has created the potential for Australia to experience an extended period of strong productivity and economic growth in coming years.

The *Budget Overview and Economic Outlook* is a brief publication written in non-technical terms. Its publication ensured that the budget estimates, including major policy developments and forecasts, were widely accessible.

The discussions in the MYEFO and Budget papers were extensively drawn on in media reporting and commentary.

Three issues of the Treasury *Economic Roundup* were published in 2000-01, including a special Centenary Edition, published in place of the usual Summer and Autumn releases. These publications contained articles on a wide range of issues examined by the Department. The conventional publications continued to provide an overview of economic developments (omitted from the Centenary Edition) and were oriented towards providing commentary on some key issues underpinning Australia's recent economic performance.

The Overview in the Spring 2000 edition of the *Economic Roundup* reflected upon the exceptionally strong economic growth of recent years, the absence of price or wage pressures and the Government's continued fiscal consolidation. The Overview in the Winter 2000 edition discussed domestic economic conditions with particular reference to the likely impact of *The New Tax System* on retail trade in the June quarter. Roundup articles produced as part of the output included: Economic Overview (Winter 2000); 1999-2000 in Review: Australia's

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Strong Growth Exceeds Expectations — Again (Spring 2000); Demographic Influences on Long-Term Growth in Australia (Spring 2000); Policy Reforms to Strengthen the 'New Economy' (Spring 2000); Australia's Century since Federation at a Glance (Centenary Edition 2001); The Net Income Deficit over the Past Two Decades (Centenary Edition 2001) and Australian Net Private Wealth (Centenary Edition 2001).

Quarterly updates of the Treasury macroeconomic model of the Australian economy and associated database were distributed to subscribers. Since its public release in 1995-96, the Treasury macroeconomic model has continued to evolve in light of ongoing research and development. Most recently, the model has been undergoing a major redevelopment with an expansion of the industry and expenditure detail contained in the model with a view to enhancing its role in forecasting and policy analysis.

Discussions were conducted with visiting delegations from international organisations including the OECD, the IMF and international credit rating agencies. Analysis in IMF and OECD publications on the Australian economy has been broadly consistent with that presented in the Budget Papers and MYEFO.

Policy advice and inputs into policy processes

During 2000-01, advice was provided to the Treasurer on a range of macroeconomic issues.

- Briefing and analysis were provided to the Treasurer and other members of the Government on a wide range of economic statistics released by the ABS and by the private sector. This included advice on the implications for the economic outlook and information to assist the Treasurer in responding publicly to the releases.
- Treasury officers conducted discussions with companies and organisations in the major business centres in order to better monitor, analyse and report on economic conditions and prospects. Regular briefing and analysis of liaison findings were provided to the Treasurer, including on specific issues such as business views on *The New Tax System*.
- Advice on fiscal policy and strategy was provided to the Treasurer as part of the process of developing the 2001-02 Budget.
- Advice on monetary policy was prepared on a regular basis for the Secretary (ahead of his attendance at meetings of the Reserve Bank Board). In preparing this advice, the Treasury monitored financial, economic and policy developments and forecasts to assess their implications for policy settings. The Treasurer was also kept abreast of developments in this area through the provision of regular briefing and analysis.

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- In relation to the operation of the RBA more generally, advice was prepared on the legislative amendments to the *Reserve Bank Act 1959* as part of the Financial Legislation Amendments Bill 2001, which has been introduced in Parliament for the spring sitting.
- Advice on debt management policy, including the objectives of the Commonwealth's debt policy and the possible consolidation of Commonwealth and State government debt.
- Advice was provided to the Treasurer on labour market issues throughout the year, including advice and input into the 'Australians Working Together' package announced in the 2001-02 Budget. Treasury also contributed to the Joint Governments' Submission to the Australian Industrial Relations Commission's 2000-2001 Safety Net Review. This contribution examined the economic implications of the claim and included analysis based on the Treasury macroeconomic model.

Reviews of economic data

Treasury has liaised extensively with the ABS on statistical matters, both informally through regular discussion at all levels, and on a formal basis through ongoing representation on the Australian Statistics Advisory Council, the Economic Statistics User Group and the Labour Statistics Advisory Group.

Output 1.1.2

International economic policy advice and assessment

International Economy Division, International Finance Division and Asia-Pacific Division in Economic Group are responsible for the delivery of Output 1.1.2, International economic policy advice and assessment.

Economic Group contributes to Outcome 1 by providing advice to government ministers on strategic international economic policy issues; advancing Australia's interests through the international financial institutions and international forums; advancing Australia's interests in key IMF, World Bank and Asian Development Bank (ADB) program countries; and monitoring and analysing developments in key global economies.

Performance information

Performance measures for administered items (including third party outputs) are:

- facilitation of achievement of government objectives in international forums, including strengthening the international financial system, multilateral debt relief and institutional reform in the multilateral development banks.

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Performance measures for departmental outputs are:

- advice meets Treasury portfolio ministers' needs in administering their responsibilities and implementing government decisions relating to international economic and financial issues.

Analysis of performance

International developments

The world outlook weakened in 2000-01, with the United States economy slowing sharply, Europe weakening and conditions in Japan and most Asian economies deteriorating. International financial conditions were a little unsettled, and there were pockets of instability in emerging markets.

The weakness focused attention on the risks to the global economy and on macroeconomic and structural policies that would moderate the downturn and support sustainable recovery.

Efforts at reforming the international financial architecture, having gained momentum in the aftermath of the Asian crisis, remained a key area of focus over the course of 2000-01. Measures aimed at both the prevention of crises and their resolution were progressed within the international financial institutions and given impetus by discussions in other international forums such as the Group of Twenty (G-20). This emphasis was consistent with the increasing attention also being given to understanding the phenomenon of globalisation, with both its perceived benefits and risks.

Australia continued to support the efforts of various international institutions and forums to emphasise the importance of strengthening economic institutions, particularly throughout the Asia-Pacific region, to help sustain economic growth. As a member of the IMF, the World Bank, the ADB, APEC, the G-20, the Manila Framework Group (MFG), the Four Markets Group, and the Financial Stability Forum (FSF), Australia actively participated in regional macroeconomic surveillance and discussions on international financial architecture.

- The links between **globalisation, growth, poverty and inequality received considerable attention** during 2000-01. Treasury contributed to discussions on this issue by undertaking extensive analysis and publishing an article on *Global Poverty and Inequality in the 20th Century* in the Centenary Edition of the Economic Roundup (March 2001). This document is available on the Treasury website at: www.treasury.gov.au
- **Financing arrangements within the Asian region** became an area of focus in recent MFG meetings following an IMF review of its financing facilities. Treasury has taken a leading role in coordinating the preparation of papers facilitating the MFG's discussions in this area.

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- **Conditionality in IMF programs** was another important issue considered at both the annual and spring meetings of the IMF. Treasury has strongly supported efforts at refocussing conditionality aimed at delivering better outcomes and improving country ownership of programs, so that crisis-affected countries can quickly regain financial and economic stability.
- **Encouraging greater transparency and the implementation of standards and codes** has become a core feature of the work of a number of international for a, including the IMF and the World Bank, the G-20, FSF and APEC. While the rate of implementation and assessment (including publication of assessment) increases, outreach activities have demonstrated that more needs to be done to increase awareness of international standards and codes — and their benefits — in the private sector. Australia demonstrated its commitment to increased transparency by agreeing to the publication of its 2000 IMF Article IV report for the first time (available at the IMF's website at <http://www.imf.org/external/pubs/ft/scr/2001/cr0149.pdf>)
- **Poverty reduction strategies** of the multilateral development banks continued to receive strong support by Australia. The World Bank and the ADB direct considerable resources toward programs that aim to assist the world's poorest people. Australia has encouraged the continuing coordination of activities between these institutions, especially in the Asia-Pacific region. By end June 2001, the enhanced Heavily Indebted Poor Countries Initiative, established by the IMF and the World Bank, had delivered substantial debt relief to 23 countries.

International financial institutions

Treasury participated in, and provided briefing for, Australian ministerial and official delegations to the IMFC deputies meetings in London on 11 September 2000 and 18 April 2001, the IMF — World Bank annual meetings in Prague, Czech Republic, on 24-28 September 2000, the IMF — World Bank spring meetings in Washington on 29-30 April 2001, the ADB annual meeting in Honolulu, Hawaii, on 9-11 May 2001 and the European Bank for Reconstruction and Development (EBRD) Annual Meeting in London, United Kingdom, on 22-24 April 2001. Treasury also prepared briefing for Australia's representatives at the IMF, World Bank, ADB and EBRD on a wide range of policy issues throughout the year.

Treasury was also represented at the IMF — World Bank conference on International Standards and Codes, held in Washington on 7-8 March 2001. The conference brought together senior officials from 25 countries to assess current progress to date in the area of international standards and codes.

Treasury prepared annual reports to Parliament on Australia's relations with the IMF, the World Bank and the ADB. The reports inform the public of Australia's relations with these organisations and seek to improve the understanding of their operations.

International Monetary Fund

Episodes of financial instability in emerging markets such as Turkey and Argentina placed pressure on the global financial system over the course of 2000-01. While contagion was broadly kept in check, both countries required significant IMF financial support packages. Such episodes reinforced the need for ongoing efforts by the IMF in reforming international financial architecture so as to lessen the effects of instability on the economies themselves and the global economy more generally. Australia has supported such IMF initiatives as: refocussing conditionality; enhancing financial sector surveillance and crisis prevention; private sector involvement and crisis resolution. Issues such as financial crime and money laundering were also the focus of some attention during the year with the IMF acknowledging the need for governments and a range of institutions to strengthen policies and actions to minimise financial abuse.

Two major initiatives by the IMF during 2001-01 were: the establishment of an International Capital Markets Department to further the Fund's emphasis on strong and effective crisis prevention; and the Independent Evaluation Office (EVO) to continually improve transparency, governance, and accountability within the IMF.

Treasury assisted the IMF in undertaking its regular Article IV consultation with Australia and, in line with international efforts at enhancing transparency, the Australia agreed to publish the Article IV Report for the first time.

Heavily Indebted Poor Countries Initiative and Bilateral Debt Relief

Australia continued to demonstrate its strong commitment to international debt relief for the world's poorest countries through the Heavily Indebted Poor Countries (HIPC) Initiative which supports the adoption of sound policies, good governance practices and effective poverty reduction programs.

At the September 2000 annual meetings of the IMF and the World Bank, Australia supported steps taken by the IMF and the World Bank to accelerate implementation of the HIPC Initiative. At the April 2001 spring meetings of the IMF and the World Bank, Australia encouraged the Bank and the Fund to actively engage those countries that had not yet received debt relief due to their involvement in recent incidences of armed conflict. The Treasurer, together with other ministers from around the world, committed the World Bank and the IMF to a thorough analysis and discussion of the prospects for long-term debt sustainability in the consideration of final debt relief for individual HIPCs. By end June 2001, twenty-three countries had benefited from the HIPC Initiative, qualifying for over \$US34 billion in debt relief.

Within Australia, on 2 February 2001, the Treasurer and the Minister for Foreign Affairs announced that, following Nicaragua's qualification for HIPC debt relief, Australia no longer expected repayment of Nicaragua's debt, totalling \$A6.3 million. This provision of 100 per cent debt relief was in accordance with

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the policy, previously announced on 21 April 2000, that Australia would forgive bilateral debts of countries qualifying for debt relief under the HIPC Initiative.

World Bank

Throughout 2000-01, Australia supported the World Bank's emphasis on poverty reduction and improving aid effectiveness. Australia also supported World Bank involvement in global initiatives, while encouraging selectivity of projects. Australia continued to place emphasis on the importance of close World Bank coordination with other multilateral organisations, notably, the IMF and the ADB.

In conjunction with internal reforms that sought to improve the efficiency, transparency and 'client focus' of World Bank operations, Australia emphasised the importance of balancing immediate development priorities of the World Bank with longer-term capital adequacy considerations.

Asian Development Bank

In 2000-01 Australia's involvement in the ADB focused on encouraging the Bank to: continue its process of transformation to a broad-based development institution by fully implementing agreed policy reforms across all of its operations; continue to improve its internal governance in order to enhance its accountability, effectiveness and transparency; remain committed to prudent banking policies, thereby ensuring the ongoing financial viability of the Bank; and enhance coordination and cooperation with all of its development partners — including international financial institutions (particularly the World Bank), other donors, recipient governments, and local communities.

European Bank for Reconstruction and Development

In the course of 2000-01, Australia continued to support the EBRD's work in assisting the reconstruction and development of Russia, Eastern Europe and Central Asia. Australia has encouraged the continued commitment of the Bank to sound banking principles and has also promoted increasing the Bank's focus on countries whose transition is less advanced.

The Group of Twenty

The Group of Twenty provides a high level mechanism for informal dialogue on international economic issues within the framework of the Bretton Woods institutional system. It aims to broaden the discussions on key economic and financial policy issues among systematically significant economies, and promote cooperation to achieve stable and sustainable world economic growth that benefits all.

Participants included finance ministers and central bank governors from the Group of Seven nations and other significant developed and developing

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countries, including Australia. The heads of the IMF, World Bank and their ministerial level advisory committees are ex officio members of the G-20.

The Treasurer and the Governor of the RBA attended the second G-20 Ministerial meeting, which was held in Montreal on 24-25 October 2000.

Discussions focused on the opportunities and challenges of globalisation for participating economies. The Treasurer's suggestion that selected G-20 countries undertake case studies reviewing their experience with globalisation was taken up by the G-20, with the case studies to include the experiences of those economies which have enjoyed sustained periods of economic growth and stability as well as those that have experienced economic or financial crises. Treasury officers worked on Australia's contribution to this exercise.

Treasury officers attended G-20 deputies' meetings on three occasions during the year: in Hong Kong SAR on 27-28 March 2000, in Toronto on 24-25 August 2000, and in Istanbul on 18-19 February 2001. Key issues discussed included crisis prevention within the international financial system and encouraging the adoption of international standards and codes.

In addition, a Treasury officer participated in a G-20-hosted workshop on Exchange Rate Regimes in Canada on 4-5 June 2001.

Manila Framework Group

Treasury officers attended and played an active role at both the seventh meeting of the Manila Framework Group in Bangkok on 3-4 December 2000, and the eighth meeting in Beijing on 28-29 March 2001.

The MFG comprises finance and central bank deputies from 14 economies: Australia, Brunei, Canada, China, Hong Kong SAR, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and the United States. The IMF, the ADB and the World Bank are also represented. The MFG was formed in Manila in November 1997 to discuss strategies to address the crisis in Asia, and develop a framework on regional surveillance and the improvement of the international financial system.

The seventh meeting noted that while growth in the emerging Asian economies had generally been robust, it was expected to moderate in line with weakened external financing conditions. The eighth meeting noted an expected slowdown in global growth and recognised the need to remain vigilant and set policy accordingly in view of the downside risks to the outlook. At both meetings, deputies underscored the importance of making further progress on structural reforms, especially in the financial and corporate sectors, to increase the resilience of their respective economies.

At the seventh meeting, Australia submitted a proposal for a review of the MFG cooperative financing arrangement. The proposal recognised that a number of developments had occurred since the arrangement was envisaged at the first meeting of the group in November 1997. These developments included: an IMF review of the MFG's financing facilities; progress in discussions on private

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sector involvement in crises resolution; and the development of new regional arrangements, such as the ASEAN + 3 network of swap arrangements under the Chiang Mai Initiative (CMI). Against this background, it appeared timely to examine whether there remained a role for an MFG financing arrangement. The group agreed to discuss this issue at its next meeting in Beijing, with Australia agreeing to co-ordinate the preparation of relevant background papers.

Following initial discussions in Beijing, the group agreed to continue discussions on possible modalities of an MFG financing arrangement through the establishment of a task force, chaired by Australia. The task force is to develop a report for consideration by MFG deputies at their next meeting in New Zealand. At their eighth meeting, MFG deputies also endorsed the continuing role of the MFG in regional surveillance and cooperation.

Financial Stability Forum

During 2000-01, the Financial Stability Forum continued its work in promoting international financial stability through the implementation of the recommendations of the working groups on highly-leveraged institutions, capital flows, offshore financial centres and the task force on the implementation of standards.

Treasury has had direct involvement in the follow-up group on incentives to foster implementation of standards, a key recommendation of the task force on the implementation of standards. Its active participation in the group has involved initiatives to increase awareness and relevance of standards and codes through outreach activities, improving technical assistance coordination and examining the role of incentives in the implementation of standards and codes.

Globalisation, global poverty and inequality

In the context of amplified international discussions throughout 2000-01, Treasury undertook extensive research into the areas of globalisation, and global poverty and inequality.

Treasury's contribution sought to improve the quality of the empirical debate. Using the purchasing power of average per capita income, research has shown that the increased liberalisation of markets and sustained periods of global economic growth have contributed greatly to living standards. A key finding was that, over the last thirty years or so, the majority of the world's poor have slowly begun to 'catch up' with living standards in the developed countries.

Four Markets Group

The Four Markets Group is a forum for Australia, Hong Kong SAR, Japan and Singapore to discuss macroeconomic and financial market developments, including regulatory issues. It began meeting in 1996. Senior officers from the economic and finance ministries and the central banks and monetary authorities, usually at the deputy level, attended the Four Markets Group meetings.

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On 9 April 2001, the Four Markets Group met in Tokyo to discuss recent developments in economic conditions and financial markets in the region. The meeting discussed issues relating to the development of regional bond markets. At the April meeting, Australia initiated preliminary discussion of issues surrounding the integration of regional securities and futures markets.

Asia-Pacific Economic Cooperation

Finance ministers

In 2000-01, Treasury provided policy advice and briefing for the Treasurer's attendance at the Seventh APEC Finance Ministers meeting held in Brunei in September 2000. Treasury officers attended the APEC Finance and Central Bank Deputies meeting held in May 2001 in Washington D.C., and the APEC Technical Working Group meetings in Beijing and Sanya, China, in December 2000 and June 2001 respectively.

The APEC Finance Minister's process remains focused on encouraging structural reform, particularly in financial markets, in the wake of the 1997 economic crisis. Treasury remained actively involved in the finance ministers' process, leading three initiatives, including the new APEC Future Economic Leaders Think Tank. The Australia-led task force on Company Accounting and Financial Reporting moved closer to finalising its report for finance ministers. As part of the Managing Regulatory Change in Life Insurance and Pensions initiative, Manila hosted the first of three symposiums in November 2000 and the first of a series of training courses was held in Melbourne in March 2001. In addition, Australia assisted Indonesia's preparations for the Insolvency Forum held in February 2001, which aimed to further progress the work of the Insolvency Law Symposium hosted by Australia in November 1999.

Treasury has actively contributed to various continuing APEC Finance Ministers' initiatives including strengthening banking supervision and training for bank supervisors and securities market regulators, the development of effective corporate governance structures and practices, and a voluntary action plan on supporting freer and more stable capital flows. Such initiatives demonstrate finance ministers' objective to establish a framework for providing the machinery for building sound domestic institutions in the region, with a strong emphasis on capital markets. In this regard, Treasury has supported and contributed to a review of the strategic objectives of the finance ministers' process and its relevance to the overall vision of APEC.

Investment Experts Group

Treasury was involved in APEC's investment liberalisation, facilitation and cooperation activities through leading Australia's representation in the APEC Investment Experts Group. Treasury worked to ensure that the Investment Experts Group remained focused on investment liberalisation and facilitation rather than investment promotion activities. Treasury participated in the Investment Experts Group meetings in September 2000 in Brunei, March 2001 in

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Cheju Island, South Korea, and May 2001 in Shenzhen, China as well as the sixth APEC Investment Symposium held in March 2001 in Cheju Island, South Korea.

Economic committee

Treasury led Australia's representation on APEC's Economic Committee. Treasury worked to improve the quality of the committee's output and to ensure that the activities of the committee met the needs of leaders, ministers and other APEC forums. The major outputs for the year included the following reports: *Building the Future of APEC Economies: Move Forward on the New Economy and Entrepreneurship*; *The New Regionalism: Is it a building block for Multilateralism, Towards Knowledge-based Economies in APEC*; and the annual *APEC Economic Outlook*.

As part of the Economic Committee 2001-02 'new economy' project, Australia introduced a research proposal entitled *Impact of E-Commerce on Service Industries* at the Economic Committee Plenary Meeting held in Beijing, China, in February 2001.

Relations with Asia

Treasury attaches considerable importance to relations with Asia, placing three senior-level officers at posts in the region. Treasury's representatives in Tokyo, Beijing and Jakarta continued to be active in maintaining and developing relations with Treasury's counterparts in Japan, Korea, China, Hong Kong SAR, Chinese Taipei, Indonesia, Singapore, Malaysia, Thailand and the Philippines. They also continued to contribute significantly to Treasury's understanding of economic conditions in these and as part of the team at the relevant Embassies, contributed to the enhancement of Australia's economic relations with the region.

During the year, visits to Australia by official delegations from Asia, together with visits by Treasury officers to the region contributed to Treasury's understanding of Asian economies and encouraged greater cooperation between Treasury and its counterparts in Asia.

On 1 January 2001, Indonesia began a new system of fiscal devolution of revenues and expenditures to local areas. Successful implementation of the new system presented a large challenge to Indonesian authorities. With financial support from AusAID's Government Sector Linkages Program, contributions from the Commonwealth Grants Commission, and Treasury resources, a seminar on fiscal devolution for senior Indonesian officials and parliamentarians was held in Canberra on 5-6 March. Indonesian participants were brought to Canberra where Australian practical experience in operating a federal fiscal system was examined for lessons applicable to Indonesia's situation.

Treasury is also providing input on international negotiations, including the Australia-Singapore Free Trade Agreement. On 15 November 2000, the Prime Ministers of Australia and Singapore agreed to open negotiations for a comprehensive Free Trade Agreement between the two countries.

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Treasury is participating in a joint project by Japan's Ministry of Finance and the Australian National University to study the scope for enhancing regional financial cooperation, including the feasibility of a common currency for some economies. The project will entail a series of conferences over the next three years.

Papua New Guinea

Treasury continued to be actively involved in providing financial and technical assistance in support of the reform program of the Government of Papua New Guinea (PNG). On 14 December 2000, Australia executed a US\$30 million loan to PNG, which was provided in three equal US\$10 million tranches on 19 December 2000, 23 March 2001, and 24 April 2001. The loan, and Australia's earlier US\$80 million loan of 21 June, 2000, support the PNG Government's agreement with the IMF on a stand-by arrangement and the World Bank on an adjustment loan. The loans underpinned the Morauta Government's program of economic and governance reform and contributed to the strengthening of investor and donor confidence in the PNG economy. Treasury continued to provide capacity building support for PNG's Departments of Finance and Administration and Treasury, principally through the placement of further macroeconomic advisers, and advisers on budgets, debt management and superannuation. Treasury also contributed to capacity building efforts in PNG Treasury by hosting the placement of two of its officers in Treasury in Canberra for several months in early 2001.

Relations with Pacific economies

South Pacific Forum Economic ministers' meeting

The Assistant Treasurer attended the fourth annual Pacific Islands Forum Economic ministers, meeting (FEMM) in Niue, in July, 2000 and the Minister for Finance and Administration attended the fifth FEMM in Rarotonga, Cook Islands in June 2001. The meetings consolidated progress in the implementation of the FEMM action plan of economic liberalisation, which aims to foster greater competitiveness and self-reliance and raise sustainable levels of growth in the Forum Island countries. In between these meetings, Treasury worked actively to reinforce FEMM's focus on threshold development issues and core governance challenges.

Organisation for Economic Co-operation and Development

The OECD groups 30 member countries in a forum to exchange information, discuss policy experiences and to consider domestic and international policy coordination. Treasury staff participated in the work of OECD committees on macroeconomic and microeconomic policy, forecasting, taxation, competition policy, corporate governance, investment and capital markets.

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The Ministerial Council Meeting (MCM) is the main meeting of the OECD, where representatives from the 30 countries meet at ministerial level to discuss a variety of economic and multilateral trade-related issues. This year's MCM endorsed the results of two major projects that have been conducted by the OECD over recent years. The report *Policies to Enhance Sustainable Development*, focused on policies for enhancing economic growth, promoting human and social development, and protecting the environment. The report *The New Economy: Beyond the Hype*, examined the growth performance of OECD countries and identified factors, institutions and policies that improve growth prospects. Australia was ranked highly as one of the high growth economies in the OECD. In addition, Treasury officers participated in the OECD review of the Australian economy, including discussions on the special topic of enhancing environmentally sustainable growth.

Overseas policy lessons

During 2000-01, Treasury maintained a close focus on international economic developments and on overseas experience of relevance to domestic economic policy formulation. In particular, contacts made by Overseas Posts aided in the analysis and understanding of events that unfolded as economic growth weakened across the world. Overseas reporting contained useful insights into policy maker's thinking about monetary and fiscal policy. The weakness in the United States and European economies raised issues about the timing and extent of monetary policy adjustments and the nature of fiscal adjustment. Ongoing weakness in Japan and deterioration in most other Asian economies raised issues about institutional and structural reform, and the continuing vulnerability of the region to external shocks. Reporting by overseas posts also helped in developing an understanding of broader issues of international integration and the role of international policy coordination and support.

The International Economic Policy Group

The International Economic Policy Group was instrumental in the maintenance of a coordinated 'whole of government' approach to developments in the international economy, and the consideration of relevant policy issues. The Group meets approximately every six weeks, or as needed. It comprises high level officers from the Departments of the Prime Minister and Cabinet, Foreign Affairs and Trade, Treasury and the RBA, with other departments attending as required.

OUTCOME 2

EFFECTIVE GOVERNMENT SPENDING AND TAXATION ARRANGEMENTS

Effective government spending and taxation arrangements are crucial to achieving the Government's objectives for the economy and the wellbeing of Australians. The focus of Budget Group is the direct activities of the Government, its spending programmes, industry assistance, funding of other levels of government and the use of taxation powers. A continuing focus of Budget Group in 2000-01 was the tax reform process undertaken by the government.

More specifically, Budget Group produced outputs which support government decisions and objectives through:

- Assessment and provision of advice on tax and retirement incomes policies. During the year, the Board of Taxation was established providing a new and more effective means for business and the broader community to provide their perspective in improving the design of tax laws. Through the GST Start-Up Assistance Office, Budget Group also continued to deliver assistance to small and medium enterprises, the community sector and education bodies with the implementation of *The New Tax System*.
- Advice on budget policy issues; current and prospective trends in Commonwealth revenue and major fiscal and financial aggregates; major expenditure programmes; and the fiscal framework. Preparation of budget and related documents and the provision of advice to the Treasurer on a broad range of budget policy and expenditure issues. Treasury also participated in interdepartmental committees and other working groups concerned with developing and reviewing government programmes in areas such as defence, health and aged care, family and community services and education.
- Advice on Commonwealth-State financial policy, including in the context of the Commonwealth budget. The efficient administration of GST revenue and other general revenue assistance payments to the States, including implementation of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*.
- Provision of secretariat support for the Inquiry into the Definition of Charities and Related Organisations. The Prime Minister announced this inquiry on 18 September 2000 and asked the Treasurer to oversee the conduct of the Inquiry. The Inquiry reported to the Treasurer on 28 June 2001.
- Consultation with other departments and agencies in developing and progressing policies in the areas of industry, agriculture, regions, small business and the environment. Assistance in the design of programmes administered by other departments and focusing on improving productivity,

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economic sustainability and competitiveness, taking account of broader fiscal policy objectives.

- The provision of high quality professional actuarial services to a wide range of government agencies.

The effectiveness of the contribution of the outputs to Outcome 2 were gauged primarily in terms of feedback from Treasury portfolio ministers as to whether Treasury advice met their needs in formulating, implementing and explaining government spending and taxation decisions.

Chart 6: Outputs contributing to Outcome 2

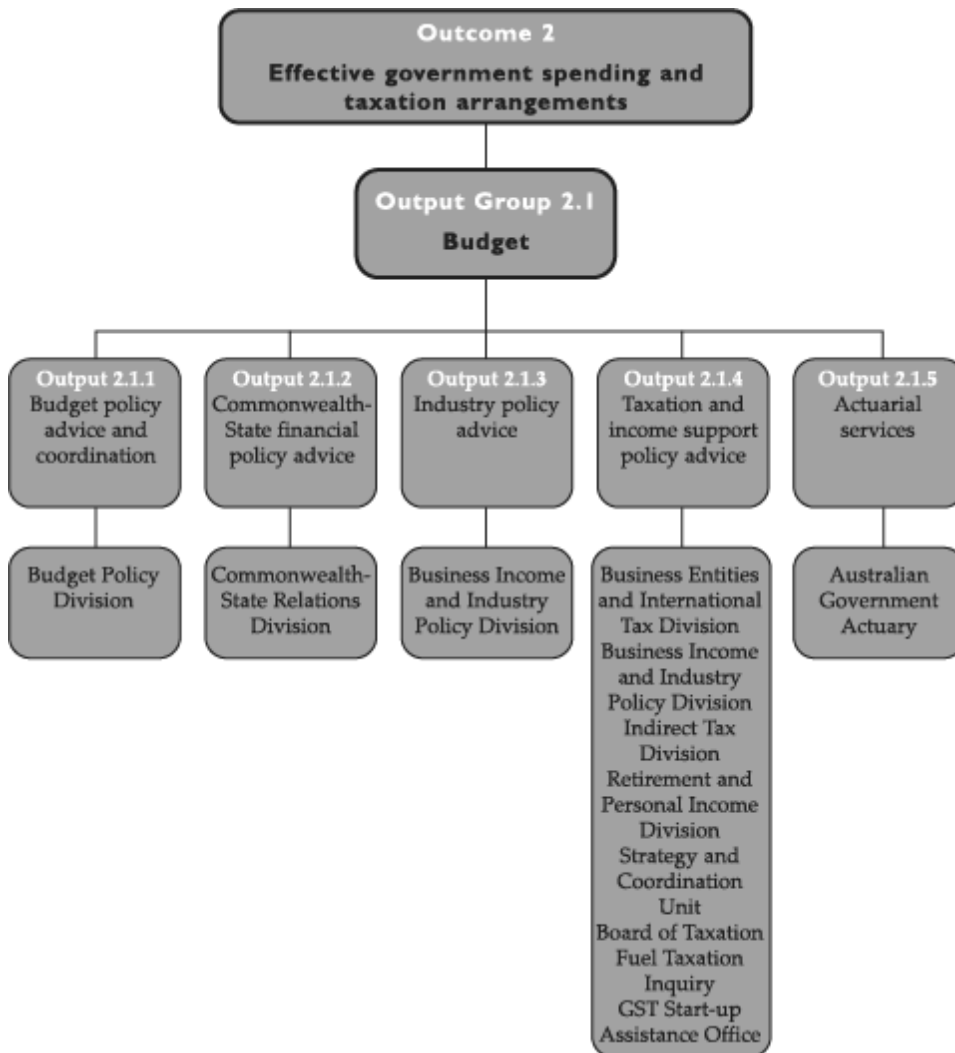


Table 3: Financial and staffing resources summary for Outcome 2

	Budget (1) 2000-2001 \$'000	Actual 2000-2001 \$'000	Budget (2) 2001-2002 \$'000
Administered expenses			
Appropriation Acts Nos. 1/3	10,063	-	-
Appropriation Acts Nos. 2/4	62,500	59,218	104,200
Special Appropriations	28,034,664	27,611,784	30,639,934
Total administered expenses	28,107,227	27,671,002	30,744,134
Revenue from Government			
Output group 2.1 - Budget			
Output 2.1.1 - Budget policy advice and coordination	2,456	2,456	2,669
Output 2.1.2 - Commonwealth-State financial policy advice	1,391	1,391	4,535
Output 2.1.3 - Industry policy advice	798	798	1,329
Output 2.1.4 - Taxation and income support policy advice	13,391	13,391	14,521
Output 2.1.5 - Actuarial services			
Corporate costs	11,034	11,034	11,108
Total revenue from Government contributing to price of departmental outputs	29,070	29,070	34,162
Revenue from other sources			
Output group 2.1 - Budget			
Output 2.1.1 - Budget policy advice and coordination	-	1	-
Output 2.1.2 - Commonwealth-State financial policy advice	-	1	-
Output 2.1.3 - Industry policy advice	-	-	-
Output 2.1.4 - Taxation and income support policy advice	-	14	-
Output 2.1.5 - Actuarial services	1,420	1,242	1,320
Corporate costs	700	784	737
Total revenue from other sources	2,120	2,042	2,057
Total revenue for departmental outputs (Total revenues from Government and other sources)	31,190	31,112	36,219
Price of departmental outputs			
Output group 2.1 - Budget			
Output 2.1.1 - Budget policy advice and coordination	2,456	2,299	2,669
Output 2.1.2 - Commonwealth-State financial policy advice	1,391	3,176	4,535
Output 2.1.3 - Industry policy advice	798	824	1,329
Output 2.1.4 - Taxation and income support policy advice	13,391	11,584	14,521
Output 2.1.5 - Actuarial services	1,420	2,279	1,320
Corporate costs	11,734	10,139	11,845
Total price of departmental outputs	31,190	30,301	36,219
Total estimated resourcing for outcome 2 (Total price of outputs and administered expenses)	28,138,417	27,701,303	30,780,353
Average staffing levels (number)	226	215	240

(1) Budget 2000-01: The total price of outputs and administered expenses for Outcome 2 was \$2,131.172 million more than the budgeted figure in the 2000-01 Portfolio Budget Statements (PBS)'s due to the following:

Administered — revised estimate of \$2,128.598 million; additional estimates (AE)'s of \$10.063 million;

Revenue from government — agreed AE's of \$1.551 million;

Revenue from other sources — revised Section 31 receipts through AE's process of \$0.183 million; and

General — the remainder of the variance is attributed to revised internal allocations.

(2) Budget 2001-02: The 2001-02 price of outputs for Outcome 2 has decreased by \$1.892 million due to revised internal allocations.

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Output 2.1.1

Budget policy advice and coordination

Budget Policy Division in Budget Group is responsible for the delivery of Output 2.1.1, Budget policy advice and coordination.

Budget Group contributes to Outcome 2 by providing advice to Treasury portfolio ministers on budget policy issues; current and prospective trends in Commonwealth revenue and major fiscal and financial aggregates; major outlays programmes; and the fiscal framework. In addition, this output includes the preparation of budget and related documents.

Performance information

Performance measures for departmental outputs are:

- advice meets Treasury portfolio ministers' needs in administering their responsibilities and implementing government decisions as they relate to assessments of the budget position and outlook, and budget strategy; and
- effective presentation of budget documents for which Treasury has accountability and other publications to adequately inform public debate.

Analysis of performance

Advice on the fiscal outlook

During 2000-01, advice was provided to the Treasurer and other portfolio ministers on the Commonwealth's budget position at various points in the year. The preparation of this advice required extensive liaison with the Department of Finance and Administration and the Australian Taxation Office (ATO) as well as a number of other Commonwealth departments and agencies. Assessments of the Commonwealth's budget position incorporated changes to the economic outlook, ensuring that advice was based on the most reliable and up to date information available.

Taxation revenue estimates

During 2000-01, Budget Group worked closely with the ATO to produce Commonwealth taxation revenue estimates for publication in the Government's budget papers, taking into account trends in taxation revenue collections and the outlook for the economy.

An assessment of the taxation revenue outcome for 2000-01 was published in the 2000-01 Final Budget Outcome, released in late September 2001.

Programme analysis and policy advice

During 2000-01, Budget Group provided policy advice to the Treasurer on a broad range of budget policy and expenditure issues. This involved participation in a number of interdepartmental committees and other working groups concerned with developing and reviewing government programmes in areas such as defence, health and aged care, family and community services and education. Treasury's contribution to the development of policy in these areas seeks to improve the effectiveness and efficiency of Commonwealth expenditure, and to ensure that programmes are considered in the context of the Government's broader economic and fiscal objectives.

Budget publications

The Government's budget documentation is prepared jointly by Treasury and the Department of Finance and Administration. Treasury also prepares a Budget Overview to provide a more accessible summary for non-specialist readers.

In general terms, Treasury has primary responsibility for preparing budget documentation relating to the:

- presentation of the principal budget aggregates and the Government's fiscal strategy and objectives;
- presentation of the economic assumptions underpinning the budget estimates;
- reporting of taxation revenue estimates;
- reporting of taxation expenditure estimates; and
- the conduct of Commonwealth-State financial relations.

In exercising these responsibilities, Treasury has regard to the requirements of the *Charter of Budget Honesty Act 1998*. The Charter sets out in legislation requirements for governments in reporting on public finances. The International Monetary Fund has drawn from the Charter in compiling its *Code of Good Practices on Fiscal Transparency*.

The *Final Budget Outcome 1999-2000*, published in September 2000, provided a comprehensive summary of the budget outcome for that year. This was the first Final Budget Outcome to be reported on an accrual basis, completing the first accrual budget cycle.

The *Final Budget Outcome 1999-2000* was followed by the publication of the *Mid-year Economic and Fiscal Outlook* in November 2000 and the 2001-02 Budget in May 2001.

The 2001-02 Budget was the third Commonwealth budget to be presented on an accrual basis. The Commonwealth's experience with accrual budgeting has attracted a great deal of international interest. In 2000-01, Treasury met with a number of international delegations interested in learning about the budgeting

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and reporting framework applied in Australia. This included delegations from China, Iran, Japan, Korea, Mongolia, Vietnam and the International Monetary Fund (IMF).

In June 2001, Treasury made a submission to the Joint Committee of Public Accounts and Audit's *Review of Accrual Budget Documentation*. In this submission, Treasury noted its commitment to pursuing continuous improvement in budget documentation. Improvements to the budget papers that were implemented in 2000-01 included:

- a move to a more consistent reporting framework, with most information in the budget papers now presented on an accrual *Government Finance Statistics* (GFS) basis;
- the provision of information on expenses and net capital investment on a functional basis; and
- the provision of a guide to the budget papers to assist readers to find information in the budget papers.

Tax Expenditures Statement

Treasury publishes an annual *Tax Expenditures Statement*, which provides estimates of the revenue cost associated with the concessional taxation treatment of specific groups and activities. The *Tax Expenditures Statement 2000*, published in January 2001, reported on the cost of tax expenditures with estimates and projections to 2003-04.

Output 2.1.2

Commonwealth-State financial policy advice

Commonwealth-State Relations Division in Budget Group is responsible for the delivery of Output 2.1.2, Commonwealth-State financial policy advice.

Budget Group contributes to Outcome 2 by providing high quality advice on Commonwealth-State financial policy, fiscal developments and taxation issues, including in the context of the Commonwealth Budget.

Budget Group also provides the efficient administration of GST revenue, general revenue assistance and revenue replacement payments to the States, including implementation of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*.

Performance information

Performance measures for administered items (including third party outputs) are:

- payments to State and Territory governments;
 - accurate calculation of amounts payable according to agreed formulae,
 - payment made according to agreed schedules.

Performance measures for departmental outputs are:

- advice meets Treasury portfolio ministers' needs in administering their responsibilities and implementing government decisions as they relate to Commonwealth-State financial relations; and
- effective presentation of relevant information, including in the budget documentation and other publications to adequately inform public debate.

Analysis of performance

Reform of Commonwealth-State financial relations

On 1 July 2000, a new system of Commonwealth-State financial relations commenced as part of *The New Tax System*.

A key element of *The New Tax System* is to provide all goods and services tax (GST) revenue to the States. This is a landmark reform of Commonwealth-State financial relations. The reforms provide the States with a secure, broad-based revenue source with which to fund community services, such as schools, hospitals and the police.

In addition, the new system of Commonwealth-State financial relations:

- provides for the abolition of a range of narrow and inefficient State taxes;
 - On 1 July 2000, accommodation taxes were abolished, and Financial Institutions Duty and stamp duty on quoted marketable securities were abolished from 1 July 2001.
- introduced a new First Home Owners Scheme on 1 July 2000;
 - Under the Scheme, a grant of \$7,000 is available to eligible applicants who are buying or building their first home. The Scheme is administered by the States on the basis of principles agreed by all jurisdictions in the Intergovernmental Agreement.

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- In addition to this ongoing Scheme, the Commonwealth announced a new initiative on 9 March 2001 to double the grant to \$14,000 for first home owners who enter into contracts between 9 March 2001 and 31 December 2001 inclusive to build or purchase new but previously unoccupied homes. The \$14,000 grant is also available for owner-builders who commence building their home between these dates. The Commonwealth is fully funding the extension to the Scheme.
- established a ministerial council for Commonwealth-State Financial Relations (the Ministerial Council).

The Commonwealth has made a commitment to provide assistance to the States in the transitional years to ensure that each individual State will be no worse off than it would have been had the reforms not been implemented.

The *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999* gives effect to the Commonwealth's commitments. Treasury has responsibility for the administration of this Act.

Since 1 July 1999, a ministerial council comprising Commonwealth, State and Territory treasurers (or designated representatives) has been responsible for overseeing the operation of the Intergovernmental Agreement. The Ministerial Council is chaired by the Commonwealth Treasurer and assisted by a GST Administration Sub-committee of officials.

Ministerial Council for Commonwealth-State Financial Relations

Treasury has primary responsibility for the provision of advice on financial arrangements with the States and Territories. Advice was provided to the Treasurer in the lead-up to the second meeting of the Ministerial Council on 30 March 2001.

The Loan Council Allocations nominated by the Commonwealth, States and Territories for 2001-02 were agreed at the Loan Council meeting held in conjunction with the Ministerial Council on 30 March 2001.

Heads of Treasuries

Heads of the Commonwealth, State and Territory Treasuries meet regularly to discuss matters of mutual interest, such as economic conditions, fiscal reporting, taxation and financial issues, and preparations for meetings of the Loan Council and the Ministerial Council. The agenda for these meetings is coordinated at the Commonwealth level. Heads of Treasuries met three times over the course of 2000-01, with discussions focusing on the continuing implementation of reforms agreed by Heads of Government in the Intergovernmental Agreement.

GST Administration Sub-committee

The GST Administration Sub-committee assists the Ministerial Council in monitoring the operation and administration of the GST. It also makes recommendations regarding modifications to the GST base and the administration of the GST by the ATO. The Sub-committee is chaired by Treasury and includes representatives from the States and Territories and the ATO. It met on five occasions over the course of 2000-01 and topics it considered included the development of an interim performance agreement for the ATO's administration of the GST, GST revenue receipts and GST payments to the States and Territories. The Sub-committee also monitored the First Home Owners Scheme and each jurisdiction's implementation of the Intergovernmental Agreement.

Payments to the States and Territories

The introduction of *The New Tax System* on 1 July 2000 has significantly reformed payments made under Commonwealth-State financial relations. Treasury has responsibility for administering these payments.

The largest payment is the provision of GST revenue. The Commonwealth pays to the States all GST collected and commenced monthly payments of GST revenue to the States in July 2000. GST revenue to the States totalled over \$24.3 billion in 2000-01. GST revenue payments were distributed in accordance with relativities recommended by the Commonwealth Grants Commission and agreed at the 17 March 2000 Ministerial Council.

As a consequence of the ATO collecting GST for distribution to the States, the States commenced payments to the Commonwealth to meet the agreed costs incurred in administering the GST. The payments in 2000-01 reflect costs incurred in 1999-2000 and 2000-01 and amounted to approximately \$993 million.

In 2000-01, Treasury administered almost \$3.3 billion in General Revenue Assistance. This consists of Budget Balancing and Special Revenue Assistance as well as National Competition Policy Payments.

- Budget Balancing Assistance arises from the Commonwealth's guarantee that in each of the transitional years following the introduction of the GST, each State's budgetary position will be no worse off than had the reforms in the Intergovernmental Agreement not been implemented. Total Budget Balancing Assistance in 2000-01 amounted to just over \$2.8 billion, being paid through a \$2.65 billion advance on 4 July 2000 and a balancing payment in conjunction with the final 2000-01 GST revenue payment on 18 June 2001.
- National Competition Policy Payments to the States and Territories in 2000-01 amounted to \$448 million. These payments are conditional on the States and Territories meeting their obligations under the *Agreement to Implement the National Competition Policy and Related Reforms*.
- Special Revenue Assistance of \$13.5 million was paid to the Australian Capital Territory.

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Following the 5 August 1997 High Court ruling which cast into doubt the constitutional validity of all State and Territory business franchise fees on tobacco, alcohol and petroleum sales, the Commonwealth, at the unanimous request of the States and Territories, announced 'safety net' arrangements to protect State and Territory finances. All revenue collected by the Commonwealth under these arrangements (less administrative costs) was returned to the States and Territories as revenue replacement payments. While revenue replacement payments were abolished from 1 July 2000 under the Intergovernmental Agreement, lagged payments continued to be made in 2000-01 due to collections being received which related to taxable dealings before 1 July 2000. These payments amounted to approximately \$435 million.

Other policy advice

Treasury provides advice on tax policy issues arising in a Commonwealth-State context. Following the High Court decision in *Allders International Pty Ltd v Commissioner of State Revenue* (Victoria) (1996) 186 CLR 630 (*Allders*) invalidating State taxes on Commonwealth places, the Government introduced Commonwealth taxes to mirror State payroll taxes, Financial Institutions Duty, debits tax and stamp duties on activities on or in Commonwealth places. State land taxes were subsequently added to the list of Commonwealth mirror taxes. The Government remits mirror tax revenues to the States to ensure they are not financially disadvantaged by the *Allders* decision. Treasury has developed bilateral agreements between the Commonwealth and the States covering the administrative arrangements for collecting, and ensuring compliance with, the mirror taxes.

Treasury also provides advice on the taxation treatment of State and Territory government business enterprises. While exempt from income tax, these enterprises have been required to make equivalent payments to their owner governments through State-based tax equivalent regimes.

Under the Intergovernmental Agreement, Heads of Government indicated their intention to introduce, on a revenue neutral basis, a National Tax Equivalent Regime (NTER) for income tax for State and Territory government business enterprises. Treasury assisted the Commonwealth-State working party that developed the details of the NTER.

In March 2001, the Ministerial Council endorsed the detailed arrangements for the NTER to come into effect from 1 July 2001. The NTER will apply a set of taxation principles and administrative arrangements that replicate most of the laws and administrative arrangements applying people who are directly paying income tax. The NTER promotes competitive neutrality and economic efficiency in respect of State and Territory business enterprises. The ATO will administer the NTER in return for the NTER administration costs being paid for by the States and Territories.

Communication strategy

The Intergovernmental Agreement abolished Financial Institutions Duty (FID) and stamp duty on quoted marketable securities from 1 July 2001. In addition, the Commonwealth Government made refunds of excess imputation credits available from 1 July 2000.

The Treasury undertook a communication strategy to inform the public of these significant changes in the tax system.

The Communication Strategy was undertaken in line with the Government Communications Unit Guidelines. The Strategy involved both television and press advertisements in the mainstream media, along with press and radio to communicate to the non-English speaking, indigenous and print handicapped communities.

Output 2.1.3 Industry policy advice

Business Income and Industry Policy Division in Budget Group is responsible for the delivery of Output 2.1.3, Industry policy advice.

Budget Group contributes to Outcome 2 by working in conjunction with other departments and agencies to develop and progress reform in the areas of industry, agriculture, regional, small business and environment policy. Budget Group assists in the design of programmes administered by other departments. In doing so, focuses on improving productivity, economic sustainability and competitiveness, taking account of broader fiscal policy objectives.

Performance information

Performance measures for departmental outputs are:

- advice meets Treasury portfolio ministers' needs in administering their responsibilities and implementing government decisions relating to industry, regional and environmental policy; and
- effective presentation of relevant information, including in the budget documentation and other publications to adequately inform public debate.

Analysis of performance

Treasury contributed to policy formulation in a diverse range of industry and environmental policy areas. Some of these are highlighted below.

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Industry policy

Treasury worked with the Department of Industry, Science and Resources to revamp the Project By-laws Scheme. The new Scheme will deliver wider tariff exemptions for certain industry sectors and a streamlined application process from 1 July 2002.

Treasury was involved closely in the policy development process that led to *Backing Australia's Ability*, a \$3 billion innovation statement, released by the Prime Minister on 29 January 2001. The package focused on generating ideas, commercialising ideas and building and retaining Australia's skills. Treasury's work included contributing to revisions of tax arrangements for research and development.

Treasury provided advice on options (including the Passenger Movement Charge) to fund the increased quarantine resources to protect Australia from diseases, such as foot and mouth disease, which pose a threat to the primary industry sector.

During the course of the year, Treasury provided input to various action agendas being developed by the Department of Industry, Science and Resources. Treasury also advised the Treasurer on projects being considered for strategic investment incentives, under the auspices of the Government's Strategic Investment Co-ordinator.

Environment policy

In relation to the formation of the National Action Plan for Salinity and Water Quality and the extension of the Natural Heritage Trust, Treasury advice focused on ensuring cost effectiveness and design efficiency. Treasury also provided advice to the Treasurer on a range of greenhouse policy issues, and was a member of the Inter-departmental Greenhouse Projections Group. Treasury advised on amendments to the capital gains tax (CGT) rules, to ensure that landowners who set aside part or all of their land for conservation in perpetuity, for consideration, are treated appropriately by the tax system.

Treasury also contributed to the public debate on environmental policy. In March 2001, the Treasury Secretary appeared before the House of Representatives Select Committee on Environment and Heritage to discuss issues relating to its inquiry into Public Good Conservation. An article entitled *Public Good Conservation and the Impact of Environmental Measures Imposed on Landholders* was also published in the *Economic Round Up Centenary Edition*.

Output 2.1.4

Taxation and income support policy advice

Business Entities and International Tax Division, Business Income and Industry Policy Division, Indirect Tax Division, and the Retirement and Personal Income Division are responsible for the delivery of Output 2.1.4, Taxation and income support policy advice. During the year, the GST Start-up Assistance Office also contributed to this output.

Budget Group contributes to Outcome 2 by assessing and advising on the general design of the tax system and its components and retirement incomes policy in relation to economic efficiency, equity, income distribution, budgetary requirements and economic feasibility. Budget Group also delivered a programme of assistance to assist small and medium enterprises, the community sector and education bodies with the implementation of *The New Tax System*.

Budget Group also provides the Secretariat to assist the Board of Taxation.

Performance information

Performance information for department outputs are:

- advice meets Treasury portfolio ministers' needs in administering their responsibilities and implementing government decisions relating to taxation and income support policy; and
- effective presentation of relevant information to adequately inform public debate, including in budget documentation and other publications.

Analysis of performance

The New Tax System

Treasury provided ongoing policy advice on the implementation of *The New Tax System*, including the Goods and Services Tax (GST) and business tax reforms. It was involved in a broad consultative programme to ensure that the implementation was consistent with the Government's goals.

GST and indirect taxation measures

During 2000-01 Treasury provided advice on a range of specific GST issues. These included:

- preparing analysis and advice in relation to motor vehicles, GST transitional issues, second hand goods, export and import issues, the luxury car tax, long-term residential accommodation and long-term commercial property;

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- modelling the price and cost effects of tax reform and contributing to the estimation of GST revenues; and
- coordinating and managing the Treasurer's determination of compulsory taxes and regulatory fees and charges imposed by government that should not be subject to GST. Extensive consultation was undertaken with Commonwealth agencies and the States and Territories to establish the taxes, fees or charges that should be covered by the determination.

Treasury also contributed to consideration of a number of policy measures, including changes to the excise on draught beer, a reduction in petroleum products excise of 1.5 cents per litre from 2 March 2001 and the abolition of indexation of petroleum products excise from the same date. Excise rates on draught beer were reduced from 4 April 2001.

GST Start-Up Assistance Office

In August 1999, the GST Start-Up Assistance Office (GSTSAO) was established within the Department of Treasury to administer the \$500 million funding package set aside by the Government to assist small and medium enterprises, the community sector and the education sector (SMECEs) to get ready for the GST. Assistance programmes were developed as a result of recommendations from the Small Business Consultative Committee after consultation with small business, charity and education groups. The GSTSAO administered these programmes in consultation with *The New Tax System* Advisory Board, the Business Advisory Panel and the Community Sector Advisory Panel.

The programmes were delivered over two financial years (1999-00 and 2000-01) to help SMECEs with the transition to the GST from 1 July 2000 and with the lodgement of the first and second quarterly Business Activity Statements (BAS). The last programmes were delivered by 28 February 2001. The GSTSAO was wound up by 30 June 2001. (The two advisory panels were disbanded in December 2000 and The New Tax System Advisory Board was disbanded on 28 February 2001.)

The four programmes delivered were Organisation-Delivered Assistance, Adviser Education, Business Skills Education, and Direct Assistance.

Organisation-Delivered Assistance Programme

Under this programme, industry and professional peak bodies representing SMECEs were contracted to deliver education on GST and business skills to their sector. The delivery was largely through seminars, workshops or clinics, with a few peak bodies using websites or other media that suited their sector.

In 2000-01, 64 contracts and grants were provided to peak bodies to help SMECEs understand how to complete their quarterly Business Activity Statements (BAS) and meet their Pay As You Go (PAYG) obligations. Around 5000 seminars were delivered Australia-wide between July and November 2000, that is, in the lead up to the lodgement of the first quarterly BAS.

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In addition to the seminar programme for SMECEs, the following help was provided under this programme:

- one-on-one assistance and a tax reference website for the community sector;
- a website and referral service for the accounting profession;
- a training programme for 120 indigenous communities and indigenous trainers, supported by indigenous liaison officers; and
- GST signpost officers helping SMECEs in rural, remote and regional Australia. (From 1 March 2001 to 30 June 2001 this programme was administered by the Department of Employment Workplace Relations and Small Business.)

This assistance built upon the assistance delivered in 1999-00, when 157 peak industry bodies delivered around 14,000 seminars on GST and business skills to around 800,000 SMECEs around Australia.

Adviser Education Programme

This programme provided training and educational material on *The New Tax System* to individuals who identified themselves as informal advisers to SMECEs. This programme provided a secondary route of informing the target group of SMECEs that complemented the Organisation Delivered Assistance programme. Over the life of the programme, around 28,000 individuals participated in the free seminars held in more than 280 locations throughout Australia.

From July to November 2000, the programme delivered BAS and PAYG training courses. This built upon three courses on the GST delivered in 1999-00: *Introduction to the GST and Registration Options*; *GST and Your Systems and Records*; and *Frequently Asked Questions*. To meet additional demand a combined course based on the above material was run for small business in June and July 2000.

Business Skills Education Programme

This programme provided timely and accurate information to SMECEs through educational materials, websites and the GST Assist Helpline.

In 2000-01, the following educational material was developed and distributed to SMECEs to inform of their business skills and obligations under the new tax system: *Quick Guide: What you need to know about PAYG & BAS*; *Ready for the GST?*; *Quick Guide What you need to know about importing*; *Quick Guide What you need to know about exporting*; *Quick Guide PAYG Instalments & Cashflow*; *Quick Guide Residential Landlords*; *Quick Guide Restaurants and Catering*; *Voluntary Treasurer's Handbook for small non-profit organisations*; *The New Tax System Guide – Community, Voluntary and Cultural Sector*; *Taxi Drivers Guide to Completing Business Activity Statement*; a *Decision Tree for Contractors* (web only) and *Business Activity Statement* (videos in 7 languages). Many of these materials were translated into 24 languages.

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Over the life of the GSTSAO, around 20 million copies of educational materials were distributed.

Educational material, GSTSAO programme information and a search facility on *The New Tax System* were able to be accessed on the website. Another GSTSAO website provided information about the direct assistance programme.

Help on *The New Tax System* and business skills was also provided to over 1 million SMECE callers through the GST Assist — the GSTSAO helpline which operated from October 1999 to 28 February 2001. This service was provided in partnership with CPA Australia and the Institute of Chartered Accountants in Australia.

The programme also ensured that information on *The New Tax System* was accessible to SMECEs run by individuals from non-English speaking backgrounds (NESB). The GSTSAO ran seminars, and distributed education material (translations of most publications referred to above), for business and community leaders and media representing NESB communities. The seminars dealt with both the new tax and the BAS were held in each capital city of Australia. Seminars were also made available in languages other than English to assist newer migrant groups.

Direct Assistance Programme

This programme was developed to assist small and medium enterprises and community sector organisations offset the cost of purchasing GST-related products and services.

More than 1.9 million certificates, each with a face value of \$200, were issued to small and medium businesses and community organisations that registered for the GST and the ABN before 31 May 2000. Certificates were used to purchase plant and equipment or services from one of more than 14,000 suppliers registered with the GSTSAO around Australia. Certificates were required to be redeemed ahead of the first quarterly BAS lodgement date.

The New Business Tax System

During 2000-01, the Government continued implementing business tax reform.

Treasury provided educational material, including fact sheets, to the public through the Treasury website and the Treasury Tax Reform Helpline. These explained the impact of the announced business tax reform measures on industry and the wider community. Treasury officers responded directly to the more complex queries received.

As part of the Government's policy to consult on the implementation of business tax reform, Treasury arranged consultations with affected groups on all significant measures, particularly draft exposure legislation.

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Treasury provided policy advice on the reform measures and assisted the Australian Taxation Office and the Office of Parliamentary Counsel with the development of legislation.

On 30 June 2001 the *New Business Tax System (Simplified Tax System) Act 2000* received Royal Assent. The legislation took effect from 1 July 2001 and implements the Government's commitment to assist small business by:

- simplifying rules for determining income and deductions and reducing compliance costs through less complex rules for stocktakes;
- enabling small business to benefit from the ability to immediately write off purchases costing less than \$1000; and
- the pooling and accelerated depreciation of other depreciable assets (except buildings).

The *New Business Tax System (Capital Allowances) Act 2001* (which received Royal Assent on 30 June 2001) simplifies the tax law by streamlining the tax treatment of depreciating assets. It is a set of common principles that consolidates and replaces more than 27 separate capital allowance regimes. The legislation applies from 1 July 2001 to all taxpayers, except those small businesses that participate in the Simplified Tax System.

The *New Business Tax System (Capital Allowances — Transitional and Consequential) Act 2001* ensures that assets and expenditures subject to the old law move smoothly into the uniform capital allowances system.

Treasury helped develop the New Business Tax System (Thin Capitalisation) Bill 2001, which was introduced into Parliament on 28 June 2001. This legislation will prevent multinational corporations from allocating a disproportionate amount of debt to their Australian operations, potentially at the cost of Australian taxation revenue.

Treasury and the ATO conducted extensive consultation with industry following release of an exposure draft of the legislation in February 2001. This led to several changes in the Bill, including the exemption of smaller taxpayers (with annual interest deductions under \$250,000) from the provisions of the legislation.

The New Business Tax System (Debt and Equity) Bill 2001 was introduced into Parliament on 28 June 2001. This Bill clarifies the definition of equity and debt in companies. This categorisation determines whether a return in respect of a financing arrangement issued by a company is frankable or deductible for tax purposes. The definition of debt also constitutes a component of the new thin capitalisation regime. The reforms to the debt and equity borderline commenced on 1 July 2001. Transitional arrangements apply over the period to 1 July 2004.

In December 2000, the Government released an exposure draft of legislation that would increase flexibility and reduce compliance costs by allowing wholly owned groups of companies to be treated as a single consolidated entity for income tax purposes. However, consultations on this draft showed that small

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and medium enterprises would not have been prepared in time for consolidation to be introduced on 1 July 2001. Accordingly, the Government announced in March 2001 that the proposed consolidation regime would be postponed until 1 July 2002. Budget Group has since been engaged in further consultation on outstanding issues.

The proposed general value shifting rules, which will ensure that appropriate tax treatment is given to capital gains and losses resulting from arrangements that shift value between assets, have also been deferred for a further 12 months.

The Government announced on 27 February 2001 that it would be introducing a number of amendments to capital gains tax (CGT) to ensure that the regime operates as intended under the New Business Tax System. These amendments included provision of CGT rollover relief for shares from insurance company demutualisations. As part of earlier tax reforms, the CGT treatment of shares held in trust under employee share schemes was changed so that for employee share schemes where the plan has a trust structure and the employee is taxed up front, the cost base of the shares or rights for CGT purposes will be their market value when acquired by the employee.

From 1 July 2001 shareholders in Listed Investment Companies — many of whom are self-funded retirees — benefited from the 50 per cent CGT discount available to individual investors. In addition, the full benefit of the CGT discount will flow through to investors with fixed interests in a trust (that is, existing cost base adjustments will no longer be required.) Budget Group has been working on legislation to implement these measures.

The Government has indicated its in-principle support for the Tax Value Method (TVM) of determining taxable income. The TVM has the potential to underwrite the development of a stable, less ambiguous and more understandable income tax system, and could potentially result in a system that is more conducive to accommodating changes into the future. The Board of Taxation is now overseeing the development of the TVM. A small 'TVM Legislative Group', comprising relevant officers from Treasury, the Australian Taxation Office, the Office of Parliamentary Counsel and two private sector tax practitioner consultants, has primary responsibility for developing and drafting the 'demonstration' legislation. This Group is being assisted in its task by a larger TVM Working Group comprised of taxation experts drawn from the legal, accounting, corporate and academic spheres. The demonstration legislation will then provide the basis for further testing and evaluation of the compliance aspects of the TVM, and more generally for promoting better informed public debate of the issues. Draft legislation will be published on the Board of Taxation's website as it is developed, in order to encourage public comment as the drafting progresses.

Personal Tax

2001-02 Budget measures

Treasury contributed to the development of personal tax measures announced in the 2001-02 Budget to assist senior Australians and pensioners. The measures comprise higher tax rebates and increased Medicare levy thresholds.

The measures for senior Australians of Age Pension age ensure that individuals with incomes up to \$20,000 will not pay income tax or the Medicare levy. Individuals with income between \$20,000 and \$37,840 also will pay less tax as a result of the changes. Senior couples on equal incomes can now have combined incomes up to \$32,612 without paying income tax. Couples with combined incomes up to \$58,244 will pay less tax, depending on their income split.

The measures for pensioners below Age Pension age and in receipt of taxable pensions ensure that individuals can have income up to \$15,970 without paying income tax or the Medicare Levy. Pensioner couples on equal incomes can now have combined incomes up to \$26,606 without paying income tax.

These measures apply from the 2000-01 income year.

Superannuation

Family law reforms

Treasury also contributed to the Government's Family Law Reforms designed to assist couples to divide their superannuation assets in the event of marital breakdown. The Family Law Legislation Amendment (Superannuation) Bill 2001 was passed by the Parliament on 18 June 2001. Consequential amendments to the *Superannuation Industry (Supervision) Regulations* will facilitate the transfer of superannuation benefits in an accumulation fund from the member spouse's account to an account in the name of the non-member spouse. Draft regulations were released for public consultation during the year and it is expected that the final regulations will be made in the early part of 2001-02.

Reduction in surcharge on certain termination payments

The Superannuation Contributions Taxes and Termination Payments Tax Legislation Amendment Bill 2001 introduced three amendments which are aimed at improving the operation of the termination payments surcharge and the superannuation contributions surcharge as they apply to employer eligible termination payments, such as redundancies.

The first amendment preserves the existing transitional arrangements for the termination payments surcharge and the superannuation contributions surcharge, ensuring that both surcharges continue to apply only to the proportion of the payment that accrued after 20 August 1996, when the surcharges commenced. The second amendment changes how a taxpayer's adjusted taxable income is determined under the surcharge legislation. For termination payments equal to or below the upper surcharge threshold, only the

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amount of the termination payment divided by the taxpayer's years of service will be included in their adjusted taxable income. The final amendment exempts the excessive component of an employer eligible termination payment from liability to the termination payments surcharge.

Other policy advice

Philanthropy

On 30 March 2001, the Government announced new arrangements to allow deductions for donations greater than \$5000 made to deductible gift recipients to be spread over five years. The new arrangements will apply from 1 July 2002.

This measure builds on the package of measures announced by the Government in March 1999 that allowed apportionment over five years for certain gifts to cultural, environmental and heritage organisations.

Taxation aspects of industry policy

Treasury provided taxation and other advice for the development of policy involving a number of specific entities or industries.

For example, Treasury provided policy advice on the taxation treatment arising from the Government's restructuring of the Australian Wool Research and Promotion Organisation. This policy supported the Government's restructuring policy and provided relief from income tax and capital gains tax liabilities that would otherwise arise during the restructure.

Treasury also provided policy advice on the extension of the income tax exemption for not-for-profit organisations to information and communications technology resources.

Research and development (R&D) tax concession

Treasury participated in analysis of the options to enhance the R&D tax concession which led to the establishment of an additional incentive for those companies that increase their R&D expenditure. Treasury also participated in relevant industry consultations.

The Taxation Laws Amendment (Research and Development) Bill 2001 was introduced to Parliament on 27 June 2001 to amend the law relating to tax incentives for research and development purposes. This new measure was announced in January 2001 as part of *Backing Australia's Ability*.

The 175 per cent Premium Tax Concession for additional R&D will allow companies to receive a deduction for additional expenditure on the labour related component of R&D. Companies with a three year registration history will be able to access the concession for the year beginning 30 June 2001.

In addition, a refundable rebate will be available for small businesses who are not able to take advantage of the 125 per cent tax concession. The rebate will ensure that companies who are in a tax loss position and cannot take advantage

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of the concession will receive support. This will be available to companies with turnover of less than \$5 million and R&D expenditure of up to \$1 million.

The legislation also makes amendments which will clarify the definition of R&D for the purposes of claiming the concession.

Capital Gains Tax treatment of conservation covenants

In June 2001 the Government announced a change to the CGT treatment of conservation covenants. Perpetual conservation covenants entered into for a consideration will now be treated, for CGT purposes, as part disposal of the land, giving landowners the same CGT outcome whether they conserve or dispose of the timber on their land. The amendment takes effect from 15 June 2000.

Timor gap

In 2000-01 Treasury was involved in discussions that formulated Australia's negotiating position for the new Timor Gap Treaty. The treaty will replace the current transitional arrangement under which the United Nations acts on behalf of East Timor.

Australia has secured an agreement with East Timor and on 5 July 2001 the *Timor Sea Arrangement* was endorsed by Australian and Timorese ministers. The Treaty will be based on this arrangement and is expected to be finalised and signed post-East Timorese independence.

Double taxation agreements (DTAs)

To ensure Australia's DTAs keep in line with developments in Australia's economy the Government is giving priority to renegotiating DTAs with Australia's major trading partners. Treasury has participated in DTA negotiations with the United States and the United Kingdom in 2000-01, with a view to updating these agreements.

OECD harmful tax competition project

The current open global environment has led to beneficial tax competition, with many nations lowering tax rates and broadening their tax bases. However, harmful tax competition can occur when governments introduce practices designed to encourage noncompliance with the tax laws of other countries. The OECD has developed a framework which encourages governments to exchange information and to have greater openness about details of their tax systems, in order to combat offshore tax avoidance by some corporations and high wealth individuals. Treasury has been actively involved in a number of international discussions on this issue.

Trans-Tasman tax issues

Australian shareholders in a New Zealand company operating in Australia are unable to access Australian sourced franking credits (and a similar position applies for New Zealand shareholders in Australian companies operating in New Zealand). The Australian and New Zealand treasurers announced in

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August 2000 that they had asked officials in both countries to examine this issue. Treasury has been working with its New Zealand counterpart to develop a workable model for recognition of imputation credits in these Australian and New Zealand 'triangular' cases.

The Board of Taxation

In August 2000, the Treasurer announced the establishment of the Board of Taxation. The Board's mission is to contribute a business and broader community perspective to improving the design of taxation laws and their operation, with particular emphasis on ensuring full and effective community consultation in the design and implementation of tax legislation. A secretariat was established in Treasury to assist the Board.

The Board met formally eight times during 2000-01. It commenced two major projects during this period: a review of community consultation arrangements for the development of taxation legislation; and, at the request of the Treasurer, the further development and evaluation of the tax value method for determining taxable income, as recommended by the Ralph Review of Business Taxation. Both projects are continuing in 2001-02. The Board also established a programme of meetings with key stakeholder organisations and monitored and provided advice to the Treasurer on the business community's views on elements of the Government's business tax reforms.

Fuel Tax Inquiry

The Government provided funding in the 2001-02 Budget for secretariat support to the Fuel Tax Inquiry into the total structure of fuel taxation in Australia announced on 1 March 2001. The Inquiry secretariat is located in Treasury. The terms of reference were announced by the Treasurer on 8 July 2001. The Inquiry will report to the Government in March 2002. Information on the Fuel Tax Inquiry is available at <http://fueltaxinquiry.treasury.gov.au>.

Output 2.1.5 Actuarial services

The Australian Government Actuary is responsible for the delivery of Output 2.1.5, Actuarial services.

The Australian Government Actuary provides, on a fee for service basis, accurate and timely actuarial and related advice to the Commonwealth Government and its departments and agencies.

Performance information

Performance measures for Output 2.1.5 are the efficient provision of high quality professional services, with income from consultancy fees relative to total costs meeting specified quantitative criteria.

Analysis of performance

During 2000-01 the Office of the Australian Government Actuary (AGA) operated on a fully self-funding basis. The Office charges for all consultancy services and has maintained a sound financial position. The operational basis is under review, in order to ensure that the Office is fully utilised in offering the full range of services that its expertise can provide.

The Office operates under the direction of an internal management board comprising three senior Treasury officers, including the Australian Government Actuary.

A range of government agencies made use of AGA's considerable expertise in superannuation, insurance and financial modelling over 2000-01, including the Departments of Defence, Education, Training and Youth Affairs, Family and Community Services, Finance and Administration, Veterans' Affairs, the Australian Taxation Office and the Attorney-General's Department.

OUTCOME 3

WELL FUNCTIONING MARKETS

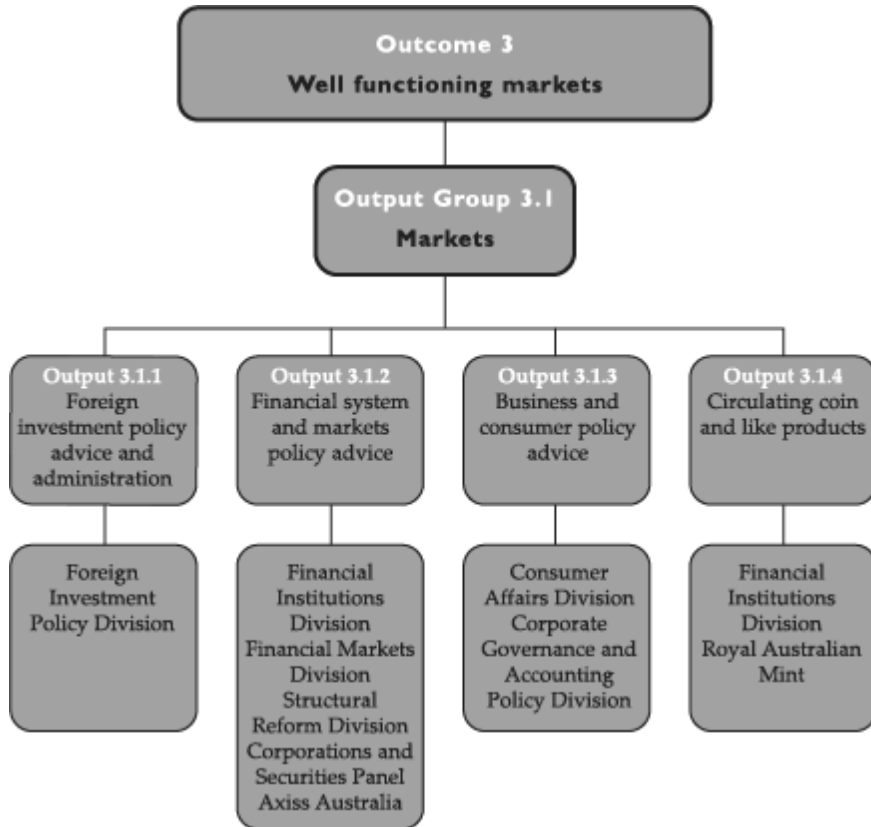
Treasury provides policy advice to the Government in support of the Government outcome of 'well functioning markets'. Accordingly, Markets Group provides advice on policy processes and reforms that promote a secure financial system and sound corporate practices, remove impediments to competition in product and services markets and safeguard the public interest in matters such as consumer protection and foreign investment.

Markets Group's advice and other outputs are directed towards maintaining and improving markets so that investors and consumers can have confidence and certainty about the regulatory framework and are able to make decisions that are well informed and free of market distortions and impediments.

In 2000-01, Markets Group contributed to government decisions and objectives through:

- the provision of advice on a range of issues including:
 - foreign investment proposals and related policy matters including international investment matters,
 - structural reform matters, including those arising through the operation of the Government's competition policy,
 - legislative initiatives to give effect to corporate law reform,
 - prudential regulation of the financial sector, and
 - consumer information and product safety issues.
- assisting in the Government's efforts to promote Australia as a financial centre;
- consultation with other Commonwealth agencies, State and Territory governments, and industry and interest groups concerning various proposed measures;
- assisting ministers to rapidly process foreign investment proposals;
- the provision of a range of information to assist consumer participation in markets; and
- participation in international discussions intended to strengthen international cooperation in relation to the regulatory and consumer protection framework.

Chart 7: Outputs contributing to Outcome 3



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Table 4: Financial and staffing resources summary for Outcome 3

	Budget (1) 2000-2001 \$'000	Actual 2000-2001 \$'000	Budget (2) 2001-2002 \$'000
Administered expenses			
Appropriation Acts Nos. 1/3	16,000	15,175	12,000
Appropriation Acts Nos. 2/4	139,266	139,265	147,900
Special Appropriations	-	-	-
Total administered expenses	155,266	154,440	159,900
Revenue from Government			
Output group 3.1 - Markets			
Output 3.1.1 - Foreign investment policy advice and administration	1,986	1,986	1,868
Output 3.1.2 - Financial system and markets policy advice	10,281	10,281	14,981
Output 3.1.3 - Business and consumer policy advice	4,329	4,329	4,545
Output 3.1.4 - Circulating coin and like products			
Corporate costs	9,951	9,951	9,655
Total revenue from Government contributing to price of departmental outputs	26,547	26,547	31,049
Revenue from other sources			
Output group 3.1 - Markets			
Output 3.1.1 - Foreign investment policy advice and administration	-	5	2
Output 3.1.2 - Financial system and markets policy advice	26	46	1
Output 3.1.3 - Business and consumer policy advice	3	247	1
Output 3.1.4 - Circulating coin and like products	44,000	49,101	30,354
Corporate costs	631	706	641
Total revenue from other sources	44,660	50,105	30,999
Total revenue for departmental outputs (Total revenues from Government and other sources)	71,207	76,652	62,048
Price of departmental outputs			
Output group 3.1 - Markets			
Output 3.1.1 - Foreign investment policy advice and administration	1,986	1,952	1,870
Output 3.1.2 - Financial system and markets policy advice	10,307	12,409	14,982
Output 3.1.3 - Business and consumer policy advice	4,332	4,447	4,546
Output 3.1.4 - Circulating coin and like products	44,000	48,919	30,354
Corporate costs	10,582	9,114	10,296
Total price of departmental outputs	71,207	76,841	62,048
Total estimated resourcing for outcome 3 (Total price of outputs and administered expenses)	226,473	231,281	221,948
Average staffing levels (number)	196	186	202

- (1) Budget 2000-01: The total price of outputs and administered items for Outcome 3 was \$10.351 million more than the budgeted figure in the 2000-01 Portfolio Budget Statements (PBS)'s due to the following:
Administered — additional estimates (AE)'s of \$0.135 million;
Revenue from government — agreed AE's of \$1.051 million;
Revenue from other sources — revised Section 31 receipts through AE's process of \$2.823 million; and
General — the remainder of the variance is attributed to revised internal allocations.
- (2) Budget 2001-02: The 2001-02 price of outputs for Outcome 3 has increased by \$3.654 million due to revised internal allocations.

Output 3.1.1

Foreign investment policy advice and administration

Foreign Investment Policy Division in Markets Group is responsible for the delivery of Output 3.1.1, Foreign investment policy advice and administration.

Markets Group provides advice on foreign investment proposals, including executive support for the Foreign Investment Review Board (FIRB), and makes decisions under staff authorisations consistent with policy. It also advises the Government on foreign investment policy, including Australia's participation in multilateral and bilateral international agreements on investment.

Performance information

Performance measures for departmental outputs are:

- Treasury advice meets portfolio ministers' needs in fulfilling their responsibilities.
- Government policy is appropriately represented and Australia's negotiating position is pursued effectively in international forums.
- Proposals are processed efficiently to meet the needs of ministers, the Foreign Investment Review Board, foreign investors and their agents. Performance is currently regarded as satisfactory if:
 - around 90 per cent of proposals received each year are processed within 30 days of receipt of a completed application; and
 - responses are provided on average within 5 days to around 40,000 general telephone and mail inquiries received each year.
- Treasury effectively disseminates and explains the foreign investment policy to improve the standard of applications and compliance with policy requirements so as to continue to reduce the proportion of foreign investment proposals requiring Interim or Final Orders.
- Each year Treasury undertakes compliance checks on around 1000 previous proposals subject to conditions — possibly leading to prosecutions, but aimed at an overall reduction in non-compliance with policy.

Analysis of performance

Treasury and the FIRB provided advice to portfolio ministers on the more significant foreign investment cases requiring ministerial decisions, including the application of national interest considerations. However the majority of cases received, approximately 94 per cent, were reviewed by Treasury officers under delegation. Decisions made under delegation were overseen by the FIRB

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and senior management on a weekly basis, for consistency of policy and process. Important cases such as those submitted by BHP-Billiton, Shell and Rio Tinto were referred to the Treasurer for decision.

The number of foreign investment cases considered in 2000-01 was around 3670, compared with 4411 in 1999-2000. This reflects the Government's policy and administrative changes of September 1999, which aimed to reduce compliance costs for business and streamline administrative procedures. In 2000-01, around 95 per cent of cases were decided within 30 days, compared with 96 per cent in 1999-2000. Markets Group responded to around 40,000 telephone and written inquiries in 2000-01 within an average of 5 days.

During the year, Markets Group initiated three internal projects, which collectively aimed at improving dissemination and understanding of foreign investment policy and improving the efficiency and standard of applications and compliance. The projects are:

The Streamlining project. The aim of the project is to rationalise the foreign investment application and case management process by developing and integrating an on-line application facility with a new case management system. Expected outcomes of the project include improved efficiency of application lodgement, via reduced processing times and improved application accuracy; improved compliance and reporting facilities; and a more accurate and efficient case management system. A review of the current foreign investment application process has been completed and an on-line real estate application form developed. The form is expected to go live in 2001.

The Communications project. The aim of the project is to improve the dissemination and explanation of foreign investment policy and its context to stakeholders. This involves targeting, simplifying, and streamlining communications between stakeholders and Treasury. Expected outcomes of the project are more effective work practices and increased awareness and understanding of foreign investment policy within Australia and within the international forums. The scoping phase of the project was completed in May 2001. The implementation of the project's initiatives is expected to commence in 2001. Reflecting Treasury's efforts to increase awareness of policy in 2000-01, there was a significant decline of about 27 per cent in the number of interim and final orders issued, predominantly in the real estate sector.

The Compliance project. The aim of the project is to develop better detection processes, increase the incentives for foreigners to comply, establish cost-effective compliance systems that concentrate resources in an appropriate manner and ensure that compliance is not an onerous and burdensome task for investors. A review of general compliance with the *Foreign Acquisitions and Takeovers Act 1975* and policy has been undertaken in this project with the aim of developing an improved understanding of the magnitude of compliance problems and the associated benefits derived from improved compliance. An internal procedural and compliance manual is due to be completed by September 2001.

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Monitoring and compliance with foreign investment policy continues to be a significant activity, particularly in the real estate sector. During 2000-01, Treasury examined around 1000 past proposals to ensure compliance with approval conditions.

International investment issues

As noted in Output 1.1.2, Treasury is involved in ongoing negotiations with Singapore for a Free Trade Agreement (FTA). One of the key objectives of the FTA is the further liberalisation of trade in services and investment between the two economies. Markets Group contributes expert advice on these objectives to ensure they continue to provide for the maintenance of Australia's existing foreign investment policy regime.

Treasury has continued to be active in the promotion of the OECD Guidelines for Multinational Enterprises. The OECD Guidelines, first adopted in 1976, are recommendations on responsible business conduct addressed by OECD governments to multinational enterprises operating in or from the 33 adhering countries.² Adherence to the guidelines by multinational enterprises is voluntary. The guidelines deal with issues such as employment and industrial standards, the environment, and bribery.

Each adhering country must have a National Contact Point for the Guidelines, which promotes the guidelines and considers any issues arising under them. Dr Jim Hagan, a Treasury officer, is the Australian National Contact Point (ANCP) for the Guidelines.

The ANCP has achieved three key outcomes in 2000-01. It has revised and updated its website, as part of its commitment to making processes transparent. The ANCP has also emphasised open two-way communication between it and stakeholders by conducting consultations with non-government organisations. Thirdly, the ANCP is currently reviewing its structure, in order to ensure that it meets its objectives in an efficient and effective manner. The ANCP also attended the OECD meeting of National Contact Points in June 2001 at which a detailed report (prepared in consultation with business, labour and other non-government organisations) on its activities during the year was tabled.

During 2000-01, Treasury revised and updated the Investment Chapter of the annual Asia-Pacific Economic Cooperation (APEC) Individual Action Plan (IAP). The IAP Investment Chapter describes the investment environment and policies of APEC member economies. It is intended to give a clear view of the progress of member economies in achieving the Bogor Goal of free and open trade and investment between APEC member economies. Treasury also sent a representative to the APEC Investment Experts Group meeting in May 2001.

² The 33 adhering countries include the 30 OECD member countries as well as Argentina, Brazil and Chile.

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Treasury provides expert advice to the Department of Foreign Affairs and Trade on Australia's involvement in the World Trade Organisation Working Group on Trade and Investment. In 2000-01 the Working Group examined the economic relationship between trade and investment, and the implications of the relationship for development and economic growth, as well as stocktaking and analysis of existing international instruments and activities regarding trade and investment.

Treasury also provides expert advice to the Department of Foreign Affairs and Trade on Australia's negotiation of bilateral investment treaties. These treaties are known as Investment Protection and Promotion Agreements, and are intended to promote the international flow of capital for economic activity and development. A model Australian text provides the basis for negotiation of these agreements. While no new investment treaties were signed in 2000-01, Australia will continue to negotiate bilateral investment treaties with other countries, including Turkey, the United Arab Emirates and South Africa.

Output 3.1.2 Financial system and markets policy advice

Financial Institutions Division, Financial Markets Division, Structural Reform Division, and Corporations and Securities Panel in Budget Group are responsible for the delivery of Output 3.1.2, Financial system and markets policy advice.

Markets Group contributes to Outcome 3 by providing advice on policy issues and the legislative framework for the development and operation of the financial system and markets, in relation to:

- development of Australia as a financial centre;
- prudential supervision of certain financial institutions;
- market integrity regulation, investor protection mechanisms;
- structural reform of key sectors and markets of the economy, including sectors providing infrastructure; and
- ensuring competitive markets.

Markets Group is also responsible, through Axiss Australia, for implementation of the programme to develop Australia as a financial centre.

Performance information

The performance measures for departmental outputs are:

- advice meets Treasury portfolio ministers' needs in administering their responsibilities and implementing government decisions as they relate to financial system and markets issues;
- effective progress in developing Australia as a financial centre;
- effective presentation of relevant information to adequately inform public debate;
- statutory and other procedural requirements are met;
- secretariat services provided to advisory bodies are effective; and
- representation and liaison by Treasury officers with other agencies, private sector organisations and international bodies, is assessed by participants as effective.

Analysis of performance

Treasury provided advice and programme support to the Treasury portfolio ministers, and engaged with other agencies on policy development processes, relating to a range of issues as outlined below.

Structural reform

During 2000-01 Treasury continued working with departments and agencies, State and Territory governments and industry in progressing structural reform in areas such as the transport, communications, electricity and gas sectors of the economy. This reflected Treasury's particular responsibilities for the implementation of competition policy and its wider responsibility for advising on microeconomic issues more generally. Structural reform in such sectors of the economy is important in improving the operation of markets, productivity growth and hence community living standards.

Treasury continued to coordinate implementation of the National Competition Policy (NCP) at the Commonwealth level through advice to ministers, departments and agencies. In November 2000, the Council of Australian Governments (COAG) affirmed the importance of NCP in sustaining the competitiveness and flexibility of the Australian economy and contributing to high standards of living. COAG also agreed to several measures to clarify and fine-tune NCP implementation arrangements.

Advice was provided to ministers on other aspects of the NCP including NCP payments to the States and Territories, sector-specific NCP reforms, structural reform of public monopolies and inter-jurisdictional issues. This also involved

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the preparation of the 1999-2000 Commonwealth National Competition Policy Annual Report, which serves the important function of informing the public about the performance and operation of the Government in this area.

Treasury coordinated the Commonwealth's legislation review arrangements in conjunction with the Office of Regulation Review in the Productivity Commission. These reviews are outlined in the Commonwealth Legislation Review Schedule (June 1996), which lists existing Commonwealth legislation that restricts competition or imposes costs or confers benefits on business. Listed legislation is reviewed to assess whether restrictions are in the public interest and are necessary to meet the Government's objectives.

Officers from Treasury have liaised with a number of other organisations and represented the Commonwealth at meetings, such as those of the Committee on Regulatory Reform. This Committee is a COAG body established to consider the treatment of cross-jurisdictional issues arising from the regulatory reform programs of the States, Territories and the Commonwealth. Treasury officers also participated in the inter-governmental working group tasked with preparing a paper on a national energy policy framework. This paper was the basis for the framework agreed at the COAG meeting on 8 June 2001. Treasury was represented at meetings of the OECD and APEC. It was also represented on the interdepartmental panel that assessed the tenders for the \$150 million project to upgrade telecommunications services in remote areas. The project, which was awarded to Telstra, will significantly improve services, including internet access, for people in these areas, and enable them to make untimed local calls.

Markets Group is responsible for providing advice to Treasury ministers on the *Trade Practices Act 1974*. A key focus during 2000-01 was the provision of advice on Part VB of the Act. Several tax and excise rate changes were prescribed by regulation as 'New Tax System changes', enabling the Australian Competition and Consumer Commission (ACCC) to monitor prices and take enforcement action against suppliers engaging in price exploitation.

Part IIIA of the *Trade Practices Act 1974* provides for the certification of State regimes which establish a framework for third parties to obtain access to natural gas pipelines. During 2000-01 the Minister for Financial Services & Regulation certified the third party access regimes applying in the Australian Capital Territory, New South Wales and Victoria.

Advice has been provided to Treasury ministers and other agencies on a diverse range of structural policy issues. These ranged from regional matters to petrol price fluctuations and included the proposed sale of Sydney (Kingsford Smith) Airport and the proposed sale of National Rail Corporation, regulatory arrangements at Australian airports and land transport matters. The latter included proposals for the development of the railway network and major road funding issues including the Western Sydney Orbital and Scoresby freeways.

Treasury ministers were advised on the Telecommunications Service (Besley) Inquiry. The Government announced its response to the Inquiry on 15 May 2001. The response included a \$163 million package to further improve basic phone

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services, mobile phone coverage, Internet speed and health and education networks in regional areas.

Treasury coordinated the *Treasury Legislation Amendment (Application of Criminal Code) Act No. 1 2001*. The Act makes consequential amendments to offence provisions in certain Acts administered by the Treasurer and is designed to harmonise certain Treasury portfolio legislation with the *Criminal Code Act 1995*.

Productivity Commission

The Productivity Commission is the Government's principal advisory body on microeconomic reform with a broad charter to conduct research and hold inquiries into industry, industry development and productivity matters referred to it by the Treasury ministers. During 2000-01, Markets Group coordinated and advised on the preparation of terms of reference for the following public inquiry references that the Government provided to the Productivity Commission:

- Review of Certain Superannuation Acts;
- Price Regulation of Airport Services;
- Review of Cost Recovery by Commonwealth Regulatory, Administrative and Information Agencies — including Fees Charged Under the *Trade Practices Act 1974*; and
- National Access Regime (Part IIIA of *Trade Practices Act 1974* (TPA) and Clause 6 of Competition Principles Agreement).

The Government also amended the terms of reference for the Productivity Commission inquiry into telecommunications specific competition regulation (particularly Parts XIB and XIC of the TPA) to take account of recommendations arising from the Telecommunications Service (Besley) Inquiry. In addition, Treasury coordinated government responses with the relevant departments for Productivity Commission reports on Australia's General Tariff Arrangements and the Impact of Competition Policy Reforms on Rural and Regional Australia.

Financial markets

Treasury has advised the Government on legislative initiatives to give effect to financial services reform policies and National Competition Policy.

On 5 April 2001, the Financial Services Reform Bill 2001 was introduced into the House of Representatives. The Financial Services Reform (Consequential Provisions) Bill 2001 was introduced on 7 June 2001. Both bills were debated in the House on 28 June 2001 and, with government amendments, passed early on 29 June 2001.

The Financial Services Reform Bill 2001 and the Financial Services Reform (Consequential Provisions) Bill 2001 are intended to establish an improved regulatory regime for the financial services industry. When enacted, the legislation will introduce a harmonised licensing, disclosure and conduct

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framework for all financial service providers, and establish a consistent and comparable financial product disclosure regime. It will also create a streamlined regulatory regime for financial markets and clearing and settlement facilities that encourages competition and increases industry efficiency.

The introduction of the bills followed an extensive process of public consultation on the proposed financial services reforms. Discussion papers setting out the major reforms were released for public comment in December 1997 (Financial Markets and Investment Products) and March 1999 (Financial Products, Service Providers and Markets — An Integrated Framework). An exposure draft of the Financial Services Reform Bill 2001 was released for public consultation in February 2000. Treasury has also participated in the Parliamentary inquiry into the Financial Services Reform Bill 2001.

The new regulatory regime will be supplemented by regulations that will affect a number of the detailed arrangements under the proposed *Financial Services Reform Act 2001*. Treasury has been developing these regulations.

Treasury commenced a review of the *Bills of Exchange Act 1909* as part of the Commonwealth's National Competition Policy legislation review arrangements and has been instructing on amendments to the *Commonwealth Inscribed Stock Act 1911* to enable the electronic transfer of title in Commonwealth government securities.

Treasury provides secretariat services to the Ministerial Council for Corporations, which met five times during 2000-01. The principal function of the Ministerial Council for Corporations is the consideration of legislative proposals relating to the national corporations legislation. It also has a consultative function in relation to the appointment of members to certain bodies established under this legislation.

The Corporations and Securities Panel is the primary forum for dealing with company takeover matters during the takeover bid period. It commenced this role in March 2000. In 2000-01, Treasury continued to oversight implementation issues associated with enhancing the role of the Panel as an alternative to the courts. This included the appointment of an additional eighteen members to the Panel in March 2001.

Ongoing advice was provided to Treasury ministers relating to market integrity. That advice focused on the objectives of maintaining, facilitating and improving the performance of Australia's financial markets and the entities that operate within those markets. Advice was provided on new market applications, restructuring of market operators and the exercise of ministerial functions relating to approval of netting markets, applications for exempt markets and ministerial powers relating to disallowance of market and clearing house operating rules. Treasury has also participated in the parliamentary inquiry into the framework for market supervision of Australia's stock exchanges.

During 2000-01, Treasury monitored developments in global financial markets and examined market alliances and linkages between Australian and overseas participants in the market. Treasury also examined ways of accommodating and

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facilitating the global operations of financial markets and the financial services industry more generally. To this end, extensive work was undertaken with government authorities in Hong Kong and Singapore to put in place mutual recognition arrangements in specific areas of financial services regulation. These include regulation of managed investment schemes, training and competency requirements of securities dealers and fundraising requirements. Treasury also participated in informal discussions with a range of authorities in the United Kingdom to examine the scope for mutual recognition in financial services.

Financial institutions

Treasury advises the Government on policy for prudential regulation of the financial sector, major operational and administrative matters relating to the financial sector, and on the initiative to promote Australia as a centre for global financial services.

Treasury provided advice on a range of issues and developments relating to the prudential regulation of the financial sector, and continued the implementation of the financial sector legislative reform program. This included passage of the *Financial Sector Legislation Amendment Act (No. 1) 2000*, the *Treasury Legislation Amendment (Application of Criminal Code) Act (No. 1) 2001*, the *Appropriation (HIH Assistance) Act 2001* and the introduction of the Financial Sector (Collection of Data) Bill 2001.

A review of the *Insurance Act 1973* was completed in conjunction with the Australian Prudential Regulation Authority, which resulted in the introduction of the General Insurance Reform Bill 2001 in June 2001. Treasury also worked jointly on policy aspects of the Australian Prudential Regulation Authority's work programme and advised on budget issues and various prudential issues relating to banking, superannuation and insurance.

The Treasury ministers were provided with policy advice and instruments were prepared in relation to authorisation for individual financial institutions under the *Financial Sector (Shareholdings) Act 1998*, the *Insurance Acquisitions and Takeovers Act 1991*, the *Banking Act 1959*, and the *Financial Sector (Transfers of Business) Act 1999* as required.

The Government received advice on its response to the failure of the HIH Insurance Group, including arrangements for establishing HIH Claims Support (HCS) as the vehicle for providing assistance to policy holders affected by the failure.

Treasury provided secretariat support to the Financial Sector Advisory Council. The Financial Sector Advisory Council is an advisory body to the Government on matters relating to the financial services sector with members appointed from business and government bodies in the sector.

Treasury chaired and served on the Royal Australian Mint Advisory Board during the year and prepared currency determinations relating to the numismatic coin programs of the Perth Mint. Treasury also responded to

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numerous inquiries from the public for information on a wide range of issues relating to currency.

The administration of the unclaimed monies function of the *Banking Act 1959* was transferred to the Australian Securities and Investments Commission.

Australia as a global financial centre

In the 1999–2000 Budget, the Government provided funding of \$7 million over two years for initiatives aimed at promoting and developing Australia as a centre for global financial services. Central to the strategy was the establishment of Axiss Australia located in Sydney and reporting to the Minister for Financial Services & Regulation. Further funding of \$11.4 million over the three years to June 2004 was approved in the 2001-02 Budget to continue implementation of the strategy.

Mr Les Hosking, Chief Executive Officer (CEO) of Axiss Australia since January 2000, and a team of staff and consultants drawn from both the public and private sectors have been working at establishing Axiss' mission of positioning Australia as a global and regional finance centre in the Asia Pacific time zone. The strategy is based on effective promotion via ministerial and CEO visits, newsletters and publications and high quality executive briefings designed to clearly explain Australia's advantages as a financial services marketplace. Areas of advantage emphasised by Axiss include Australia's stable regulatory and business environment, the skilled workforce, the low cost infrastructure and the Australian lifestyle. Axiss provides international financial institutions with a one-stop information and facilitation shop designed to streamline entry and ongoing operation in the Australian financial services sector. Axiss also seeks to identify areas where Australia's future development as a financial centre can be enhanced.

During 2000-01 two promotional visits involving extensive appointments with key financial institutions were undertaken by the minister and the CEO to the United Kingdom, Europe and North America, and an additional four trips by the CEO to Asia and North America. Axiss staff have provided ongoing assistance to a wide range of financial services firms by providing specific data, preparing business cases and other facilitation work. Axiss has produced executive briefings on investment management, information technology and infrastructure, debt securities and financial services in Australia. Since August 2000, a fortnightly newsletter has been sent to over 3000 executives outlining key developments in Australia's financial services sector.

Axiss Australia continues to work closely with other Commonwealth and State agencies as well as the private sector to ensure the coordination of inter and intra-state promotional efforts.

In June 2001, the Minister for Financial Services & Regulation announced the establishment of an Advisory Board. The Board's 11 members are drawn from the private sector and will provide high level strategic advice to Axiss based on their extensive experience in the financial services sector.

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On 30 June 2001, the Singapore office of Axiss Australia ceased operations. Over the past two years the Singapore office has initiated many key regional finance initiatives through the establishment of an extensive network of private and public sector contacts in Singapore and Hong Kong. The financial centre initiative has reached a level of maturity whereby Axiss in Sydney can generally undertake the functions undertaken by the Singapore office.

Last year's annual report provided information on the decision of a number of major international financial institutions to extend their operations, or establish a new presence in Australia. With Axiss becoming fully operational in 2000-01 and building on initial progress with business contacts the list of such companies increased further in 2000-01. During the year over thirty financial services companies either entered Australia or expanded their existing operations in areas such as OTC derivatives, foreign exchange processing, financial markets information technology, regional fund administration and Asian customer relationship management among others. Key examples include, in February 2001, ABN Amro consolidated its G7 forex operations from Singapore to Sydney, making Sydney one of only three trading centres for its foreign exchange activities globally. In March 2001, Credit Agricole Lazard Financial Products Bank opened an office in Sydney. In January 2001, Merrill Lynch and HSBC's joint venture in online brokerage and banking services launched their Australian operations in the second stage of a billion \$US venture that will eventually operate in Asia and Europe.

Output 3.1.3 Business and consumer policy advice

Consumer Affairs Division and Corporate Governance and Accounting Policy Division in Markets Group are responsible for the delivery of Output 3.1.3, Business and consumer policy advice.

Markets Group contributes to Outcome 3 by providing advice to Treasury ministers on:

- company law and corporate governance issues, corporate insolvency, corporate financial reporting and electronic commerce;
- the oversight of portfolio agencies connected to corporate regulation and related international issues; and
- mechanisms, products and services designed to support and advance consumer and business interests in a well functioning market.

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Performance information

Performance measures for Output 3.1.3 are:

- advice meets Treasury portfolio ministers' needs in administering their responsibilities and implementing government decisions as they relate to business and consumer affairs policy;
- effective presentation of relevant information to adequately inform public debate;
- statutory and other procedural requirements are met;
- secretariat services provided to advisory bodies are effective;
- representation and liaison by Treasury officers with other agencies, private sector organisations and international bodies, are assessed by participants as effective; and
- the extent of progress towards improving self-regulatory mechanisms in the marketplace and introducing enhancements of the consumer protection and unconscionable conduct provisions of the Trade Practices Act.

Analysis of performance

Federalisation of the corporations legislation

Treasury has worked closely with the Attorney-General's Department to resolve the constitutional doubts cast upon important elements of the former Corporations Law regulatory scheme by recent decisions of the High Court, in particular, the extent of the Commonwealth's legislative powers and its ability to enforce laws over corporations.

These problems have been addressed by referral of power from the States under section 51(xxxvii) of the Commonwealth Constitution, which enables the Commonwealth to legislate with respect to matters referred to it by the States. The State reference legislation includes a 'sunset' provision terminating the references after five years (with provision for extension by proclamation), and further examination of the option of a constitutional amendment will be undertaken in the meantime.

The *Corporations Act 2001*, the *Australian Securities and Investments Act 2001* and associated legislation replace the former Corporations Law as the statutory basis for the formation of companies, corporate regulation and the regulation of the securities and futures industries.

Treasury also engaged in extensive negotiations with the States and Territories to develop a revised Corporations Agreement. The Corporations Agreement is the inter-governmental agreement that underlies corporate regulation in

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Australia, and it required revision in a number of key areas to cover the new regulatory regime, including meeting State concerns about limits to the referrals of power.

Review of the *Company Law Review Act 1998*

Treasury assisted and briefed the Government in preparing its response to the report by the Parliamentary Joint Statutory Committee on Corporations and Securities on 'Matters Arising from the *Company Law Review Act 1998*'.

The Government response was tabled in Parliament on 15 December 2000.

Treasury Legislation Amendment (Application of Criminal Code) Bills

Treasury prepared the three *Treasury Legislation Amendment (Application of Criminal Code) Bills*. The purpose of these Bills is to make consequential amendments to certain offence provisions in legislation administered within the Treasury portfolio, to reflect the application of the *Criminal Code Act 1995*.

The *Treasury Legislation Amendment (Application of Criminal Code) Act (No. 1) 2001* received Royal Assent on 28 April 2001, and will take effect on 15 December 2001. The amendments made substantial changes to the consumer protection offences under the *Trade Practices Act 1974*. The changes were designed to avoid having a substantive effect on existing offence provisions, while making those provisions more transparent and compliant with the Commonwealth's criminal law policy, as enunciated in the *Criminal Code Act 1995*.

The Treasury Legislation Amendment (Application of Criminal Code) Bill (No. 2) 2001 was introduced into Parliament on 5 April 2001. Bill No. 2 proposes amendments to a range of taxation legislation, the *Superannuation (Resolution of Complaints) Act 1993* and aspects of the *Trade Practices Act 1974*. The amendments clarify the physical elements of an offence and corresponding fault elements and specify whether an offence is one of strict or absolute liability.

The Treasury Legislation Amendment (Application of Criminal Code) Bill (No. 3) 2001 was introduced into Parliament on 28 June 2001. Bill No. 3 makes consequential amendments to the *Corporations Act 2001*, the *Financial Sector Shareholdings Act 1998*, the *Insurance Contracts Act 1984*, and the *Commonwealth Places (Mirror Taxes) Act 1998*, to ensure that those provisions continue to operate in a consistent manner from 15 December 2001, when the *Criminal Code Act 1995* is to take effect. The amendments clarify the physical elements of an offence and corresponding fault elements and specify whether an offence is one of strict or absolute liability. Bill No. 3 is the last of the portfolio Bills.

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Financial sector reform

Treasury prepared regulations facilitating the transfer of building societies, credit unions and friendly societies to the former Corporations Law (now *Corporations Act 2001*). The *Corporations Amendment Regulations 2000 (No. 7)* (Statutory Rule 2000 No. 206) were made on 24 July 2000. Matters covered by the regulations included relief from statutory requirements to send members annual financial reports and notices of meetings. The regulations were made pursuant to the second stage of the Government's financial sector reform programme.

Financial Reporting Council

Treasury provided secretariat support for the Financial Reporting Council, which oversees the accounting standard setting process as undertaken by the Australian Accounting Standards Board (AASB) (including the role international standards should play in that process).

Secretariat support provided by Treasury to the Council included administrative services, preparation of the Council's Annual Report 1999-2000, development of an internet website for the Council and general administrative assistance with the ongoing functions of the Council.

The Financial Reporting Council held five meetings during 2000-01.

Corporate Law Economic Reform Program 7

Progress on implementation of the Corporate Law Economic Reform proposals on simplified lodgment and compliance continued during the year. Public submissions were considered and work has commenced on preparation of drafting instructions for the amending legislation.

Names applications during 2000-01

Treasury processed 40 applications for ministerial consent to use terms in body corporate names that would otherwise not be available for use under the former Corporations Law. Of those applications, the Minister's delegate consented to 33 applications. Six applications were refused and one application was discontinued.

Electronic commerce

Treasury promoted the adoption of the Government's code for consumer protection in electronic commerce, entitled *Building Consumer Sovereignty in Electronic Commerce: A Best Practice Model for Business*. The Best Practice Model has been promoted online and offline through ongoing consultations with businesses and industry associations, speaking engagements, national print advertising, press releases, articles in periodicals and Treasury's e-commerce website, www.ecommerce.treasury.gov.au. The Best Practice Model has been adopted by a number of industry associations and businesses.

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Treasury supported the work of an Expert Group on Electronic Commerce established by the Minister for Financial Services & Regulation to advise on consumer protection issues in the online environment. The Expert Group has taken a leading role in the development and promotion of the Best Practice Model. In addition, the Group continues to examine e-commerce matters including issues relating to dispute resolution in e-commerce.

Consumer information programme

The 2001-02 Budget announced that the Consumer Information Programme has been extended to 2004-05.

During 2000-01, as part of the Consumer Information Programme, the Government's comprehensive consumer information website, www.consumersonline.gov.au was expanded to accommodate a number of satellite sites covering e-commerce, industry self-regulation and product safety recalls. New content areas were added to the site, including an interactive fraud quiz. As part of the programme's central online referral emphasis, the Government also announced in 2000-01 the upcoming release of *Ping*, an innovative consumer software application that will assist consumers shopping online.

Directed to the needs of offline users, Treasury produced and distributed the 2001 edition of the *Consumer Dispute Resolution Schemes and Complaint Handling Organisations*. Treasury also produced a range of information resources to assist specific groups of consumers including those in rural and regional areas, young families and consumers using the Internet.

Information initiatives targeting young people were also developed and research commenced into issues of particular importance to young consumers.

Industry self-regulation

In line with the Government's commitment to industry self-regulation, Treasury advised government and industry on promoting effective industry codes of conduct and dispute schemes.

Treasury provided the secretariat for an independent task force established by the Minister for Financial Services & Regulation to inquire into and report on self-regulation in Australia. The final report of the task force was released by the Minister on 13 December 2000.

In response to the task force, the Government agreed to the continued promotion of effective self-regulation in Australia by preparing a guide to self-regulation for businesses, industry, consumers and government agencies. Treasury is developing a *Guideline to Self-Regulation* which will build on the findings of the task force and provide this information to industry in a clear and practical format.

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Treasury has also launched a specialist self-regulation website www.selfregulation.gov.au. The website promotes effective self-regulation in Australia by providing a range of resources for industry, as well as links to national self-regulatory schemes currently operating in the market place.

Consumer product safety

In November 2000, Treasury launched the product recalls website, www.recalls.gov.au. The website provides consumers with up-to-date information about all safety-related product recalls (consumer products, food chemicals, motor vehicles and therapeutic goods) conducted by companies in Australia. Web links to Commonwealth, State, Territory and overseas agencies concerned with recall activities are also provided.

Submissions to the discussion paper *Product Safety Policy Review*, released in June 2000, were received and assessed. Generally, the submissions did not call for major changes to Australia's existing product safety arrangements. Further work is being undertaken on a number of issues raised in the review.

Treasury provided advice to the Minister for Financial Services & Regulation on a range of product safety standards including bunk beds, children's cots and babywalkers. Advice was also provided on product bans including candles and candle wicks with an excessive lead content.

Treasury participated in:

- the work of the Standards Australia Technical Committees developing and updating standards on a wide range of products;
- a review of the Trade Practices (Consumer Product Information Standards) Tobacco Regulations;
- the Strategic Injury Prevention Partnership, a body formed to provide a forum for leadership in injury prevention in Australia and to implement injury reduction initiatives; and
- the ongoing development of a national coronial database being managed by the Monash University Accident Research Centre.

Reform of consumer protection legislation during 2000-01

Treasury continued work on the legislative reform agenda to enhance the consumer protection and unconscionable conduct provisions of the *Trade Practice Act 1974* (the TPA). These efforts have led to the enactment of the *Trade Practice Amendment Act (No. 1) 2001* and the *Treasury Legislation Amendment (Application of Criminal Code) Act (No. 1) 2001*.

The *Trade Practice Amendment Act (No. 1) 2001* received Royal Assent on 28 June 2001. The amendments update the enforcement and remedies provisions to ensure that the TPA continues to deliver appropriate protection to small businesses and consumers. In particular, they clarify and expand the types of

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sanctions available to the court, and improve access to available remedies. The Act also provides the Australian Competition and Consumer Commission with a broader range of responses so that it may deal more effectively with contraventions of the TPA.

Business law dialogue with New Zealand

Treasury developed a revised memorandum of understanding between the government of New Zealand and the government of Australia on coordination of business law. Australian and New Zealand ministers signed the memorandum on 31 August 2000. The memorandum is designed to enhance the trans-Tasman commercial environment through increased coordination of business law. Australian and New Zealand officials are considering business law areas specified by the memorandum for suitability for coordination.

International participation

Asia-Pacific Economic Cooperation (APEC) Task Force on Company Accounting and Financial Reporting

The General Manager of the Corporate Governance and Accounting Policy Division chairs an APEC task force on Company Accounting and Financial Reporting. The APEC task force is an Australian initiative aimed at promoting high quality internationally acceptable standards of accounting, disclosure and auditing practices by regional business enterprises.

The task force met in Taipei in April 2001 and in Hainan in June 2001 and is preparing a report for consideration by APEC finance ministers in September 2001.

International corporate governance

In April 2001, the General Manager of the Corporate Governance and Accounting Policy Division chaired the newly established Organisation for Economic Co-operation and Development (OECD) Steering Committee on Corporate Governance at its meetings in Paris.

Treasury also assisted the OECD Steering Group on Corporate Governance in preparing its *Report on the Misuse of Corporate Vehicles for Illicit Purposes*. The report is available at the OECD website.

Treasury has continued its active involvement in other OECD and APEC work on corporate governance, including participation at the OECD Asian corporate governance roundtable held in Singapore.

International insolvency

In February 2001, and with the support of AusAID, a Treasury officer participated in the first forum for Asian Insolvency Reform, which was held in Indonesia. The Forum continues the work of a meeting on insolvency systems in

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Asia that was held in Sydney in 1999, and which was jointly hosted by Treasury, the OECD and the World Bank (with the support of AusAID).

As a member of the working group on Insolvency Law of the United Nations Commission on International Trade Law (UNCITRAL), Treasury has continued to provide input on the development of a set of legislative guidelines for domestic insolvency frameworks. This work is expected to be completed by 2003.

Consumer protection

Treasury continued to be actively involved in the development of international consumer protection policy through its participation at international meetings. This included contributions to the work of the OECD Committee on Consumer Policy on issues relating to consumer law and alternative dispute resolution in e-commerce. Treasury also participated in the OECD joint conference in the Hague on alternative dispute resolution in electronic commerce held in December 2000.

In April 2001, discussions were held at the annual Australia-European Commission ministerial consultations on a consumer protection arrangement between Australia and the European Commission. The arrangement, which would allow for greater information sharing and cooperation on cross-border consumer issues, is expected to be signed in late 2001.

Commonwealth Consumer Affairs Advisory Council

Treasury provides the secretariat for the Commonwealth Consumer Affairs Advisory Council, which was established by the Minister for Financial Services & Regulation in May 1999. The Secretariat advises the Minister on current and emerging consumer policy issues. The Commonwealth Consumer Affairs Advisory Council is chaired by Colin Neave, the present Australian Banking Industry Ombudsman, with a broad membership representative of Australian consumer interests.

Appointments

Treasury had responsibility during the year for processing appointments to the Financial Reporting Council, the Australian Accounting Standards Board, the Australian Securities and Investments Commission, the Companies Auditors and Liquidators Disciplinary Board, the Companies and Securities Advisory Committee and its legal subcommittee and consumer representatives to industry based dispute schemes.

Output 3.1.4 Circulating coin and like products

The Royal Australian Mint has responsibility for producing circulating and numismatic coin for Australia.

Senior Treasury Officers chaired and served on the Mint Advisory Board during the year. The Department responded to numerous inquiries from the public for information on a wide range of issues relating to currency.

Details of the organisation of the Mint and its operations are published separately in its annual report.

CORPORATE SERVICES

Corporate Services Division (CSD) assists in the achievement of Treasury's outcomes through the provision of accurate, cost effective and timely management information, corporate services, and advice to the department and Treasury ministers. The Division also seeks to provide a quality working environment for Treasury staff.

Services provided by CSD include information technology, information and records management, information technology training, publishing, web page and other communications support, ministerial liaison, human resource management, financial and accounting services, and contracting and facilities management.

CSD is assisted in the performance of its role by the Corporate Services Committee, which is chaired by the General Manager of CSD and comprises senior representatives from the three policy groups in the department. Periodic meetings of Senior Executive Service officers also provide guidance on a range of corporate issues. The General Manager of CSD is a member of the department's Executive Board.

Over the course of 2000-01, CSD has focused on a number of priority areas:

- increased emphasis on staff training and development, including the preparation of a training program linked to staff development needs identified under the department's performance management system; and the provision of an extensive leadership development training course for some sixty Executive Level 2 officers in the department;
- close involvement in the refurbishment of the Treasury building and the relocation of staff to the refurbished accommodation;
- continued enhancement of the department's use of electronic information systems, including the introduction of a departmental Intranet, an expansion of the number and capability of departmental websites; and preparations for the staged introduction of an electronic records management system; and
- continued improvement in the availability and reliability of financial management information.

Information technology

CSD continued to provide a stable and secure information technology platform throughout 2000-01 with network availability averaging in excess of 99 per cent. The number of websites hosted by Treasury increased by 45 per cent during the year and the use of the Internet also increased. Treasury received conditional accreditation of its Internet Gateway from the Defence Signals Directorate in 2000-01. Treasury did experience one incident of unauthorised use of the GSTAO website during this period.

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The Treasury has developed a Website Accreditation Methodology which is applied to all website development activities. This methodology is used for all in-house developments and to websites hosted by the Treasury on behalf of external agencies. The addition of Virtual Private Network security features has permitted Treasury staff to have secure external access to departmental information sources.

A key achievement during the year has been the development of a Treasury Intranet which allows staff desktop access to a wide range of corporate and policy information. The intranet will continue to be developed as the central access point for a growing range of departmental systems.

The Division conducted a tender during the year for the provision of voice communications services, resulting in a three year extension of the existing outsourced arrangements.

In accordance with the Government's information technology outsourcing initiative, a request for tender for the provision of network support and information technology help desk services and associated equipment was released in July 2001.

Information and records management

CSD contributed to the achievement of departmental outputs by the provision of information and records management services to the department, with a continued focus on access to electronic information resources and electronic document delivery to clients. These services included the maintenance and expansion of the Treasury Library collection and the provision of efficient mechanisms for the handling and storage of paper-based records as well as the provision of essential office services.

As preparation for a move to an electronic records management system, the Division has commenced the Developing and Implementing Records Keeping System (DIRKS) methodology in consultation with the National Archives of Australia.

Information technology training and publications

CSD continued to provide a wide range of information technology training, assisting departmental staff to make effective use of information technology in the workplace. In 2000-01, a total of 78.3 days of structured information technology training was provided to Treasury staff. Information technology training is provided by both in-house and external training consultancies.

The Division also assisted in ensuring efficient and timely public access to government information by developing and updating an increasing number of internet websites, including the portfolio ministers' sites and a range of policy related sites. CSD was responsible for the development of the department's

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online action plan, which set out the process for the department to meet the Government's strategy to bring all appropriate services online by December 2001. Treasury websites comply with the online information services obligations and standards.

CSD also assisted in the production of over 80 government and Treasury publications, including the 2001-02 Budget papers.

Ministerial liaison

CSD facilitated liaison between the department and the offices of the Treasurer, Assistant Treasurer and the Minister for Financial Services & Regulation. In 2000-01, this involved over 900 Cabinet related documents, 253 ministerial press releases, 2000 written ministerial briefings and more than 65,000 letters received by Treasury ministers. In addition, more than 800 Question Time Briefings were prepared for use by the ministers during parliamentary question time. As in previous years, CSD arranged and supervised the pre-budget 'lock-up', which permitted journalists advanced access to the 2001-02 Budget papers.

Human resources

The key objective of human resource management in Treasury is to ensure that staff numbers, qualities and skills are closely aligned with the department's objectives and values. Consistent with this objective, CSD provided a full range of human resource and personnel services including recruitment, leave, salaries, travel, staff training and development, performance appraisal, advice and assistance on employee relations, occupational health and safety and work place diversity.

2000-01 saw the preparation of a comprehensive training and development program linked to staff development needs identified under the department's Performance Management System. Another key emphasis over this year was the provision of a Leadership Development training course for some sixty Executive Level 2 officers to assist these officers in fulfilling their roles as departmental managers.

Accounting and financial management

Throughout 2000-01 CSD continued to focus on improving the reliability and usefulness of the financial information available to Treasury managers to assist the department in the efficient delivery of departmental outcomes. In addition, the Division successfully managed the implementation within Treasury of the Goods and Service Tax, assisted the department's corporate planning processes and commenced planning for the recentralisation of accounting operations within the department.

Contract, audit and facilities management

In 2000-01 CSD was heavily involved in the refurbishment of the Treasury building. The majority of Treasury staff relocated to the refurbished accommodation in January 2001 with the completion of Stage 1 of the project. The remaining staff were relocated to the new accommodation in August 2001, following the completion of Stage 2 of the project. The refurbished accommodation provides a more modern and efficient work environment with a high level of staff amenity.

CSD has managed a wide range of contracts on behalf of the department, including consultancies, procurement contracts and contracts relating to the provision of corporate services to some other Treasury portfolio agencies. Effective contract management has assisted the efficient achievement of departmental outcomes.

The Division has also assisted the departmental Audit Committee through the coordination of Treasury's internal audit program. Internal audit services are provided by an external consultancy. In 2000-01, the internal audit program encompassed a total of 857 audit hours covering seven separate audits.

PART 3

CENTENARY HIGHLIGHTS

Part 3: Centenary highlights

To celebrate its first hundred years, in April 2001 Treasury published *The Centenary of Treasury 1901–2001*, an informal history. The following extracts provide a glimpse at that history and at some key people and events.

Preface

Treasury is one of the few departments which could claim a mention in the Constitution. Yet when January 1901 came around it was the smallest of the seven Commonwealth departments established at the time. It wasn't until 9 July 1901 that the Executive Council appointed the five men who made up Treasury. Others joined them the following year, but numbers remained very low during the first fifty years.

While they had initially trained as book-keepers, the Treasury leadership almost immediately found themselves dealing with issues of policy in all sorts of fields. Public service pay and conditions, inspectors and auditors, and bank notes were understandably within Treasury's scope, so too the development of the then new tax system, land tax and later income tax; but what of pensions, postage stamps, a national bank, statistical collections? Treasury also addressed these issues. Over the years, associated with the growing complexity of government, the Treasury gave birth to separate agencies and new departments (Commonwealth Bank 1912, Ministry of Social Services 1939, Department of Finance 1976, among others). The work of the Treasury focused increasingly on matters of fundamental economic policy. Treasury has not merely reflected the national economy — its policy role has made it a key player and influence on the life of our nation.

The birth of a federal public service

Treasury and six other departments were foreshadowed in the Federal Constitution. The other departments were Attorney-General's, Customs, Defence, External Affairs, Home Affairs, and Postmaster-General's. These seven were the seed of the federal public service which was to develop from January 1901.

1901 - 1920

Key outcomes and developments

- 1901
 - Customs duties no longer payable on products moving between States.
- 1909
 - Commonwealth Government introduces pensions. Treasury has administrative responsibility for pensions.
- 1910
 - Commonwealth-State financial agreement for per capita payments to States signed.
 - Commonwealth land tax introduced.
 - Treasury given power to issue bank notes under Australian Bank Notes Act.
 - Invalidity pensions introduced.
- 1911
 - Legislation enacted to establish the Commonwealth Bank.
 - First Commonwealth coins issued.
- 1912
 - Commonwealth Bank opens for business.
 - Maternity allowances introduced.
- 1913
 - First Commonwealth banknotes issued.
- 1915
 - Commonwealth introduces income taxes as a temporary war measure.
 - Land Tax Office is established.
- 1917
 - Entertainment tax introduced.
- 1920
 - Commonwealth Bank takes over note-printing from Treasury.
 - Royal Commission into taxation begins.

Heads of Treasuries meeting 1901

The first Heads of Treasuries meeting in Melbourne in January 1901 discussed the “different systems of keeping books and accounts throughout the States, to decide upon a uniform system”. The States agreed on the need for a permanent Commonwealth Treasury. Using personnel seconded from State treasuries, Federal Treasurer, Sir George Turner, set about creating the Commonwealth Accounts — the work of Treasury had begun before the department was formally established.

Five men were appointed in July 1901 by the Executive Council. They were: Mr George Allen, Secretary, Mr James Collins, Mr Francis Ross, Mr Charles Cerutti

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and Mr August Bolle. By January 1902, Treasury had taken on another four staff and all bookkeeping functions were then performed in-house.

Sir George Turner (1851–1916) was the first Commonwealth Treasurer. He presented the first four Commonwealth Budgets. Turner recognised the practicalities of cooperating with the States.

George Thomas Allen, first Secretary to the Treasury (1901–1916). Allen dedicated his entire career to Treasury, starting in the Victorian Treasury at 19. Although without formal qualifications, he worked his way to 'Accountant' by 1895. As Treasury grew, Allen became also commissioner for pensions as well. In 1910, he established the Land Tax Office (which became the Australian Taxation Office) to service the new federal taxes.

The 1901-02 Budget

Receipts for 1901-02 were estimated to be £10,339,750. Commonwealth expenditure was estimated at £3,777,207, leaving the balance of excess revenue to go to the States.

Of the receipts, the major portion consisted of tariff and excise revenue (£8,009,000). Of the tariff receipts (£7,358,056) the major item (£2,975,374) was in respect of stimulants (alcoholic drinks) and narcotics (tobacco and opium products).

First Commonwealth payment to the States

Before 1901, a major source of revenue for the States was customs duty and excise. With Federation, the constitutional right to impose customs duty and excise was passed to the Commonwealth. The Commonwealth was required under the Constitution to pass surplus revenue back to the States. The States received £6.5 million from the first Commonwealth Budget.

The Functions of Treasury in 1903

"The Department of the Treasury has the management of the Consolidated Revenue, Trust Funds, Loan Funds, Banking Business, Floating of Loans, Preparation of Estimates, Budget, Quarterly and Yearly Statements of Revenue and Expenditure. It administers the Audit Act, frames regulations thereunder, and controls the receipt and expenditure of all public Moneys throughout the Commonwealth. It is essentially an Executive Department. It originates the system of accounts, the form of the Estimates, and all financial statements published under the Audit Act. It corresponds with the Banking Institutions transacting business with the Commonwealth, and issues instructions to all

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Commonwealth Departments on the subject of collecting, expending and accounting for Public Moneys, preparation of Estimates and Returns.

It prepares Orders in Council for the granting of Pensions or Compensation to Officers who have retired, and administers the business connected with Fidelity Guarantee. It also controls the Government Printer." George Allen, Secretary to the Treasury, 16 January 1903.

James Richard Collins, second Secretary to the Treasury (1916–1926). Collins role involved overseeing of war, invalid and old age pensions and maternity allowances. He was the second signatory on Australian banknotes until 1923, and a delegate to the International Financial Conference and the Assembly of the League of Nations.

Sir John Forrest, a founding father of the Commonwealth and Treasury. Sir John Forrest was the third Commonwealth Treasurer. Two issues dominated Forrest's attention as Treasurer: financing the Commonwealth and taking over the States' debts. This would leave the Commonwealth responsible for all Australian loan raising in the United Kingdom. "The Commonwealth, with its great and exclusive power over Customs taxation, is in a far stronger and better position to deal with this great financial matter than are the States, either collectively or separately."

A federal currency

In August 1910, the Fisher Government legislated to establish an Australian paper currency with notes issued by the Federal Treasurer. The notes issued by private banks were driven out of circulation by the imposition of such a high tax (10 per cent) that banks found them unprofitable to issue.

The effect of the 'Great War' on the economy

The outbreak of World War I in 1914 interrupted economic development. The effects of the war were felt immediately as capital inflow stopped, bringing public construction and house building to a standstill. Population growth also abated as immigration ceased. With the advent of war, there was a sharp rise in inflation, coinciding with restrictions on imported goods.

Significant economic instability followed the end of the war. Australia emerged from the war weakened by the loss of the maimed and dead and by the monstrous burden of a £350,000,000 war debt, although in other ways Australia had been strengthened by war.

In 1915 the Commonwealth introduced income tax as a temporary measure to help the war effort.

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1921 - 1945

Key outcomes and developments

- 1923
 - The original Australian Loan Council is set up.
- 1924
 - Treasury Secretary becomes an ex officio member of the inaugural board of the Commonwealth Bank of Australia.
- 1927
 - Financial Agreement formally establishes the Australian Loan Council.
- 1930
 - Sales tax first introduced.
- 1931
 - Treasurer's plan to introduce £18 million 'fiduciary notes' blocked by Senate.
 - Australian pound linked to pound Sterling (£A125 = £stg100).
- 1932
 - Commonwealth passes legislation to take over State debt liabilities.
- 1933
 - Commonwealth Grants Commission established.
 - Entertainment tax abolished.
- 1937
 - Royal Commission into Money and Banking.
- 1939
 - Finance and Economic Advisory Committee transferred to the Treasury.
- 1942
 - The Federal Government for the remainder of the war (and after it, through legislation passed in 1946) becomes the sole levier of income and company taxes in Australia.
 - Entertainment tax reinstated.
- 1943
 - PAYE tax introduced.
 - Government advertising responsibility given to Treasury.
- 1945
 - Banking Act and Commonwealth Bank Act come into operation.
 - First annual White Paper National Income and Expenditure.

James Thomas Heathershaw, third Secretary to the Treasury (1926–1932). Heathershaw joined the Victorian Treasury at 17. He transferred to the Commonwealth Treasury in 1902 as a ledger-keeper and worked his way up to the position of accountant 14 years later. In April of 1932, bad health led Heathershaw to stand down as Secretary and to transfer back to Assistant Secretary (pensions, compensation and insurance) until his retirement in 1935.

Commonwealth–State Financial Relations: The Australian Loan Council

Throughout the early 1920s Commonwealth and State financial conferences sought to resolve conflict over national revenues. Out of it arose the Loan Council in 1923, initially voluntary and informal, to coordinate the loan raisings of all Australian governments. In 1927 all Australian States agreed to join a statutory Australian Loan Council of Commonwealth and State Treasurers.

A significant part of Australia's problems during the 1930s was due to the high cost of servicing international debt — mostly to London banks — with a depreciated currency and low world commodity prices. This gave Treasury the opportunity to develop the specifics of Council policy.

Sir Henry (Harry) John Sheehan, fourth Secretary to the Treasury: (1932–38). In 1903, at 19, Sheehan obtained one of three places with the Commonwealth Treasury. He qualified as an accountant. He was one of Treasury's rising stars, worked on the Budget, and established a bureau to monitor government loan raising. He helped bring about the Loans Council. He is seen as one of the driving forces behind the establishment of Australia's monetary and banking systems.

The push to employ graduates

The war was associated with the arrival of young economic graduates to Treasury.

Notable among them was H.C. Coombs, with a PhD from the London School of Economics. He came to Treasury in 1939 as Treasury economist, and stayed until 1942 when he moved to Melbourne as Director of Rationing. Frederick Wheeler, a graduate from the University of Melbourne, also arrived in Treasury in 1939 in the new position of research officer. Bob Whitelaw joined the Treasury in 1943 as a research officer. Whitelaw, a University of Melbourne graduate, was recruited by Professor Giblin.

The influx of economic graduates during the war was the beginning of a noteworthy trend in the recruitment pattern of the public service. This was particularly evident in 1951 when, with the appointment of Roland Wilson as Secretary, the Treasury was headed for the first time by a trained economist. By the end of the 1950s economics and commerce graduates dominated the senior ranks of the Treasury.

Administering war loans

The Loan Council was active during the war in such areas as curtailing borrowing of State Governments so that finance for the war effort would not be impeded. Over 1943-44 one of Treasury's primary responsibilities was to restrict

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new capital raising not related to the direct war effort. During the first part of the war, efforts were directed at re-orientating investment towards the war effort (including the closing of the inevitable loopholes in the supporting legislation), while later in the war the relaxing of investment controls for post-war reconstruction became prominent.

The Finance and Economic Advisory Committee

The most influential of wartime committees was Treasury's Finance and Economic Advisory Committee (the 'F&E'), established by the Government in 1938. The F&E considered employment and economic policies, of which financing of the war effort was foremost.

Stuart Gordon McFarlane, fifth Secretary to the Treasury (1938–1948). McFarlane joined Treasury aged 18. In 1936 he was appointed financial adviser to the Australian High Commissioner in London. He returned to Australia in 1938 to take up the position of Secretary. In 1948 he left Treasury and was appointed Executive Director of the IMF and the World Bank in Washington.

1946 - 1970

Key outcomes and developments

- 1947
 - Legislation to nationalise the private trading banks, strongly supported by Prime Minister and Treasurer Chifley was passed. Implementation immediately injunctioned by the High Court.
- 1951
 - The Federal Government increases tax by 10 per cent.
- 1952
 - Land tax abolished.
- 1953
 - Entertainment tax abolished for a second time.
- 1960
 - Reserve Bank of Australia, Commonwealth Development Bank and Commonwealth Banking Corporation begin operations.
 - The Secretary becomes an ex officio member of the Reserve Bank.
- 1965
 - Royal Australian Mint opens.
- 1966
 - Decimalisation of currency.
- 1967
 - Five dollar note issued.
 - Nexus with pound Sterling broken.
- 1969
 - 50 cent coin re-introduced as a dodecagonal shape.

The Chifley years

Prime Minister Chifley retained the Treasury portfolio. Some say that Treasury then exercised considerable — even undue — power. Facing major economic challenges, the Government exercised strong control over the economy. Changes to the Commonwealth Bank in 1945 gave Government more control over currency and employment stability. A 1946 referendum further strengthened the Government's power over the economy. In 1947, the Commonwealth legislated to nationalise private banks. But despite all this growing federal Government power, Treasury still had only six to eight people working on policy issues.

Unwelcome policies

Treasury and the Commonwealth Bank under Coombs were the main architects of the 1951 'horror Budget' that focussed on the fight against inflation. The strategy included a 25 per cent cut in State programs, and forcing the States to borrow for works rather than rely on Commonwealth grants. On the revenue side, there were considerable rises in company tax, sales tax, customs and excise,

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as well as a 10 per cent income tax levy on individuals. The strategy did not succeed. The income tax increases remained.

The Reserve Bank

The 1950s saw major structural changes in the banking sector. Pressure grew to separate the Commonwealth Bank's central bank and trading bank functions. A separate Reserve Bank for all central banking was set up in the late 1950s. The issue was very contentious, to the point that the two Labor Parties managed to put aside their huge differences to defeat the initial legislation in 1957.

George Percival Norman Watt, sixth Secretary to the Treasury (1948–1951). Watt was with the Victorian Treasury from 1905 to 1908. He completed an accounting degree in 1917. In 1940 Watt joined the Commonwealth Treasury as a First Assistant Secretary (Defence Division) in Melbourne, and was appointed Deputy Secretary in 1947. He retired in 1951.

Sir Roland Wilson, seventh Secretary to the Treasury (1951–1966). Wilson's leadership in Treasury coincided with Sir Robert Menzies' in Parliament, and with the nation's longest period of full employment and economic growth. He played a leading role in economic policy formulation and the development of the economic policy advisory structure.

Post-World War II Treasury

The early post-war years were particularly interesting for Treasury people. New international institutions were set up and new ideas of international cooperation were tried.

Australia was a member of the sterling area, countries with currencies tied to the pound sterling and settling transactions through London. The sterling area was broke and the Bank of England's gold and US dollar reserves depleted. So Australia made Britain a gift of gold.

The International Monetary Fund and the World Bank had been formed and the Secretary to the Treasury, S.G. McFarlane, was the first Australian director. The Treasurer usually attended their annual meetings and took Treasury advisors with him. Australia was also a member of the General Agreement on Trade and Tariffs (GATT). Treasury had an interest there too, particularly in the provisions allowing import restrictions to protect the balance of payments.

Australia's economy 1961-1973

The period 1961 to 1973 is commonly referred to as the 'Golden Years' of Australia's economic history. Following the 1960 'credit squeeze', Australia recorded thirteen years of sustained growth, low unemployment and moderate price and wage inflation.

Part 3: Centenary highlights

The performance of the economy over this period was the result of a number of factors including a rapidly growing world economy (particularly the US economy), rising skilled immigration, and demand for commodities.

The Commonwealth Government recorded fiscal deficits, partly due to expenditure associated with the Vietnam war, and successive reductions in taxes on income and on the sale and importation of goods over much of the period.

Some notable events with which the Treasury was associated during this period include the establishment of the Royal Australian Mint in 1965, the introduction of decimal currency in 1966 and Australia's membership of the OECD in 1971.

Sir Richard John Randall, eighth Secretary to the Treasury (1966–71). Randall was a woolclasser in Queensland from 1924 to 1932, and later graduated in economics from the University of Sydney. In 1940 he joined the Commonwealth Treasury, aged 34, but served with the Australian Imperial Force until 1945. He was appointed Deputy Secretary in 1957 before becoming Secretary to the Treasury, a position he held until he retired.

From Treasury to Treasurer, Leslie Bury is unique in the history of the department in that after working in Treasury, he later returned as its political head. He was Treasurer for 16 months. Harold Holt made him a cabinet minister, but he achieved a lifetime ambition when John Gorton appointed him Treasurer in November 1969. He retired from Parliament in 1974.

The 1969 reorganisation

Treasury's first major reorganisation since 1945 occurred in 1969 with a significant increase in the number of divisions. The new structure established eight divisions, with 23 branches. Previously Treasury had five divisions each with a first assistant secretary and 13 branches. The three new divisions were Overseas Economic Relations, Financial Institutions, and Defence and Works. In 1972 the Foreign Investment Division was set up. The organisational structure was to remain essentially in this form until the

Treasury-Finance split in 1976.

Treasury faces new competition

Treasury's role and its oversighting functions expanded in the late 1940s and 1950s. Expenditures on such needs as defence, social services, and grants to the States expended considerably. The use of the Budget to achieve economic aims such as full employment required detailed data-collection and analysis of causal relationships in the economy. Treasury became involved in aspects of national

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development and planning, trade, banking and finance, investment, and labour markets.

The oversight function meant that Treasury retained its pre-eminent role despite the influence of the Department of National Development, and the Department of Trade and Industry (created in 1956), which became a particularly powerful advocate of industry protection.

1971 - 1990

Key outcomes and developments

- 1973
 - Fifty dollar note issued.
- 1976
 - Treasury-Finance split.
- 1979
 - Treasury's first annual report tabled.
 - Tender system for Treasury notes begins.
- 1981
 - Australian Financial System Inquiry Report (Campbell Committee) released.
- 1983
 - National Economic Summit.
 - Australian dollar is floated.
- 1984
 - Banks deregulated.
 - One dollar coin and \$100 note introduced.
 - Australian Payments System Council established.
 - National Taxation Summit.
 - Release of draft White Paper, Reform of the Australian Tax System.
 - Major tax reforms announced.
- 1988
 - Two dollar coin introduced.
- 1990
 - Industry Commission established.

The 'Long Boom' and the 1970s oil crisis

The 1970s saw profound changes in Australia's economy and in the ways economic policy choices were perceived. The international environment became volatile, past economic policy verities were called into question and Treasury's policy advice had to contend with much greater turbulence in the economic environment than in the preceding quarter century.

Reflecting the 1973 oil price shock and domestic inflationary pressures, inflation in Australia doubled in 1973–74 to 12.9 per cent despite efforts to curb its growth through restrictive monetary policy, exchange rate appreciation, and tariff reductions. The 1974–75 Budget attempted to contain the excessive cost pressures identified at the core of Australia's inflation problem. Alternative measures were rejected for fear of driving unemployment to 4 or 5 per cent. These measures failed, and 1974–75 heralded the arrival of stagflation in the Australian economy.

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Oil prices

In the aftermath of the 1970s oil price shock, the Treasury contributed to the economic analysis of the benefits which would result from selling Australian crude oil domestically at world prices instead of prices controlled below the world price. The 1977–78 Budget brought domestic oil prices into parity with world oil prices, thus later exposing the Australian economy to the full effects of the 1979 oil shock. Treasury designed a system of excises on crude oil production that made a significant contribution to the Commonwealth budget out of the windfall gains that would otherwise have accrued to producers from established low-cost Australian oil fields.

Structural reforms and deregulation

Treasury played a major role in advising successive governments on policies and options to improve resource allocation. A characteristic of Treasury's role in assessing policy options has been its willingness to question whether the constraints usually taken to be immutable were in fact immutable. One of Treasury's earliest contributions to public policy formulation was its advocacy of value-for-money in government spending programs and the systematic use of cost-benefit analysis.

Arguably the most far-reaching economic decision was taken in 1983 when the Australian dollar was floated and exchange controls removed. Contrary to widespread misconceptions about the impact of lowering tariffs and floating the currency, the proportion of Australia's production that is now exported has nearly doubled over the last two decades.

Sir Frederick Wheeler, ninth Secretary to the Treasury (1971–1979). Wheeler was at the helm of Treasury during its most turbulent years. Within his first five years as Secretary, five Treasurers had held office. He oversaw two of the toughest budgets in Treasury's history: the 1971–72 Budget and the 1974–75 Budget which followed the double dissolution election. He was in the chair during the eventful treasurership of Dr Jim Cairns, for the 1973 oil price hikes, and when the Treasury split to give birth to the Department of Finance. He had joined in 1939. By 1948 he was First Assistant Secretary and acted as Secretary while still in his thirties.

The Treasury–Finance split

When Prime Minister Malcolm Fraser announced that the Treasury would be split, commentators interpreted the decision as intended in part to reduce Treasury's influence in economic policy advice. The Government believed that splitting the department would have a number of efficiency advantages, as two departments would be able to focus more on their specific roles. The split took effect on 7 December 1976.

Broadening the base for economic advice

In the early 1970s, Treasury was virtually a monopoly employer for economists and consequently many graduates gravitated to it. Critics of government economic policy resented Treasury's 'monopoly of economic advice' as noted in several enquiries in the mid-1970s.

Treasury's dominance in economic policy advice declined during the Whitlam years, as the Department of Prime Minister and Cabinet and other new departments began to employ economists. This trend continued with the increasing awareness that economic policy analysis and debate contributes to policy formulation.

The deregulation of the Australian financial system broadened the sources of economic advice as the financial sector's demand for economists grew. Globally, exchange rate changes became more frequent, capital flows more important, and fiscal deficits larger - with financing consequences. Domestically, open-market operations became the main focus of the Reserve Bank's operating system. The tender system for Treasury notes begun in 1979, and for bonds in 1982. The Australian dollar was floated in 1983. New banking licences meant more financial institutions sought internal economic analysis of a wider range of volatile financial variables.

Academic economic training and Treasury work experience became an ideal training path for the burgeoning demand for financial sector economists.

The effect of deregulation

The Campbell Committee (which operated from 1979 to 1981 and which recommended deregulation), pre-deregulation developments in economic policy were increasing the financial sector's demand for economists, and thereby broadening the sources of economic advice.

John Owen Stone, tenth Secretary to the Treasury (1979–1984). Stone, a Rhodes scholar, joined Treasury in 1954. He was Treasury's representative in London from 1958 to 1961, and from 1967 to 1970 Executive Director for Australia at the IMF and the World Bank. Back in Canberra, he was promoted Deputy Secretary in 1971. He resigned in 1984. In the period 1987 to 1990 he was a National Party Senator for Queensland.

New responsibilities for the 1980s

Treasury's main focus until the mid-1980s was to concentrate primarily on macroeconomic policy. However it was becoming obvious that microeconomic policy was proving to play an increasingly relevant and important role. Treasury was restructured again in October 1987 to balance responsibilities and workloads among divisions, aligning functions to changes in the economic framework and increasing Treasury's capacity to review economic activity. As a

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result of the restructure, Treasury adopted a more corporate approach, with the creation of the Executive and the Corporate Services Branch.

Bernard (Bernie) William Fraser, eleventh Secretary to the Treasury (1984–1989). Fraser was educated in Junee and grew up under less than luxurious conditions. He won a scholarship to study at university. He joined Treasury in 1963 and was its representative in London between 1969 and 1972. In 1981 he became Director of the National Energy Office. He came back to Treasury in 1984. From 1989 to 1996 he was Governor of the Reserve Bank.

Christopher (Chris) Ian Higgins, twelfth Secretary to the Treasury (1989–1990). Higgins left an indelible mark on Treasury. Not just because he spent most of his working life breaking new ground in Treasury, not because he was part of an influential group of rising stars, but perhaps because of his personality which drove him to push himself continuously to achieve more, and to do better — to the point of a fatal heart attack at 47 on the AIS race track.

1991 - 2001

Key outcomes and developments

- 1992
 - Superannuation Guarantee Charge introduced.
 - One and two-cent coins withdrawn from currency; plastic notes introduced.
- 1994
 - For the first time, the Budget is released before the financial year to which it relates.
- 1995
 - National competition policy introduced.
- 1996
 - Charter of Budget Honesty announced.
- 1997
 - Reform of Australia's tax system announced.
 - Corporate Law Economic Reform Program (CLERP) announced.
 - Final Report of Financial System Inquiry released.
 - Staff negotiate first Certified Agreement.
- 1998
 - Review of Business Taxation reports.
 - First pre-election Economic and Fiscal Outlook issued.
 - Review of Treasury core and corporate support business.
- 1999
 - Australian Prudential Regulation Authority, Australian Office of Financial Management and Axis Australia established.
 - Consumer Affairs responsibility transferred from Industry, Science and Tourism to Treasury.
 - First accrual-based Budget.
- 2000
 - New tax system and GST introduced.

Anthony (Tony) Stuart Cole, thirteenth Secretary to the Treasury (1991–1993). Cole graduated and joined Treasury in 1968. From 1979 he spent two years as Australia's alternate Executive Director at the World Bank. In 1983 he became principal private secretary to Treasurer Keating. He was later appointed Chairman of the Industries Assistance Commission. In 1993 he was transferred from Secretary to the Treasury to lead another department. He left the Public Service in 1994.

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The 1990s productivity boom

With the exception of the recession at the start of the decade, the Australian economy grew at an average annual rate of over 4 per cent in the 1990s — on a scale not been seen since the 1960s, and despite the Asian financial and economic crisis later in the decade. In marked contrast with earlier periods, this strong growth coincided with subdued inflationary pressures. Inflation averaged around 2 per cent between 1993 and 1999, and unemployment declined steadily. Declining interest rates and increasing real wages also contributed to improve overall economic living standards.

Promoting savings

A key focus of economic policy over the late 1990s was the promotion of national savings, with a particular focus on returning the Budget to a surplus and retaining this surplus. Treasury was also heavily involved in earlier efforts to enhance private saving, particularly superannuation savings, with the introduction of compulsory employer superannuation contributions for employees.

Continued structural reform

The 1990s saw a continuation of a wide range of structural reforms, aimed at improving the efficiency of the economy. These reforms typically sought to reduce unnecessary regulation and increase competition, thereby improving the range and quality of goods and services available to consumers as well as, in many cases, lowering costs for both producers and consumers.

Taxation Reform

The second half of the decade saw Treasury heavily involved in major tax reform culminating in the Goods and Services Tax (GST) replacing the wholesales sales tax regime, and a number of State and Territory taxes.

Reform of Commonwealth–State relations

Under an intergovernmental agreement the Commonwealth agreed to appropriate all GST revenue to the States and Territories. These revenues replaced the financial assistance grants previously made by the Commonwealth to State and Territory governments, as well as a number of excise and sales taxes which the Commonwealth had collected on behalf of the States and Territories.

New responsibilities

In 1993–94, the responsibilities of the three deputy secretaries were re-aligned and each became responsible for one of three newly defined areas: fiscal,

economic, and financial and structural. A major organisational change took place in 1998–99 as Treasury moved from a program-based structure to an output-based structure, reporting on outputs and outcomes, in line with the APS accrual budgeting reforms. This led to the formation of three defined groups: Budget, Economic and Markets. A number of new agencies joined the portfolio.

Human resources

Personnel matters in Treasury for most of the century were covered by the Public Service Act and by directives from the Public Service Board. Reforms such as encouraging women in Treasury required slow cultural changes. The driving force behind many changes were the service-wide equal employment opportunity (EEO) policies initiated in the mid-eighties. In Treasury the main thrust of EEO was towards women.

Ted Evans, fourteenth Secretary to the Treasury (1993–2001). Evans joined Treasury in 1969, on graduating from university, after ten years as a PMG technician. From 1976 to 1979 he was a member of the Australian permanent delegation to the OECD in Paris. In 1984 he was appointed Deputy Secretary and was heavily involved in taxation and microeconomic reform. He represented Australia on the Board of the IMF from 1989 to 1993. He retired in 2001.

Ken Henry, fifteenth Secretary to the Treasury (2001–). Ken Henry was born in Taree. He taught overseas before accepting a position in Treasury in 1984. From September 1986 to June 1991, Dr Henry worked as a senior adviser to the Treasurer. In July 1992 he headed the Australian Delegation to the OECD in Paris. Dr Henry returned to the Treasury in January 1994 and became Secretary on 26 April 2001.

The future

Treasury in 2001 is a vastly different organisation from Treasury in 1901. Its role has changed. Over the last century Treasury shifted its focus from accounting to economics. It will continue to change, in line with changes in Australia and the rest of the world.

Treasury currently contributes to many facets of the economic life of the nation, as it assists the Government in the development of economic policy. It is fair to expect that Treasury will continue to play a significant role in advising the Government in meeting its commitment to Australia and its contribution to the world economy, and in its relations with other nations and world economic powers.

It is also reasonable to expect that Treasury will be called on to develop new policies in areas we can't yet imagine. Treasury can expect to be drawn, and participate in one way or another, in higher levels of debate with its clients and

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the public, whose awareness and understanding of economic issues are constantly increasing.

PART 4

MANAGEMENT AND ACCOUNTABILITY

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CORPORATE GOVERNANCE

The corporate governance practices in Treasury are designed to ensure the efficient, effective and ethical use of the department's resources, as well as compliance with statutory and other external requirements aimed at achieving sound administrative and financial management practice.

Key aspects of the department's corporate governance practices include:

- clearly established role accountabilities, including clear delegations of authority and responsibilities;
- the planning and monitoring of the department's outputs; and
- the monitoring of the department's resource usage, based on budgeting, financial accounting, audit, fraud, risk management and other reporting systems.

Primary responsibility for the management and strategic leadership of the department rests with Treasury's senior executive, which consists of the Secretary and three Executive Directors. Details of the Treasury's management structure is set out on page 14 of this report.

The Executive Board

Treasury's Executive Board comprises the Secretary, the Executive Directors and the General Manager, Corporate Services. The Executive Board is responsible for high-level policy issues relating to the strategic leadership and management of the department, including:

- organisational development — shaping the future of the department;
- policy development and coordination — in relation to major and/or new economic policy issues, generally with implications that cut across groups;
- corporate governance — ensuring the efficient, effective and ethical use of resources; and
- planning and allocating resources — to meet current and future work priorities.

Meetings of the Executive Board are generally held on a fortnightly cycle, although the Board meets more frequently when circumstances require. The board is supported by two committees: the Corporate Services Committee and the Audit Committee.

Part 4: Management and accountability

Corporate Services Committee

The Corporate Services Committee was established by the Executive Board as an advisory committee to assist the General Manager, Corporate Services in taking decisions and in developing policies for consideration by the Executive Board. The Committee provides an interface between the providers and users of corporate services. It has a minimum of seven members at senior executive service (SES) level, including the General Manager, Corporate Services (Chair), and at least two members nominated by each Executive Director. The Committee typically meets each month and on such additional occasions as are agreed.

Audit Committee

The Audit Committee functions as a forum of review of audit issues by:

- supporting and enhancing the control framework;
- ensuring the objectivity and reliability of published financial information; and
- assisting the Secretary to comply with all legislative and other obligations.

The committee is chaired by an Executive Director and comprises at least three and at most six members. It has six ordinary meetings each year, with additional meetings called as required. Treasury's external and internal auditors participate as observers at Audit Committee meetings.

EXTERNAL REPRESENTATION

In 2000-01 Treasury officers were members of various committees, boards and other bodies.

Ted Evans, Secretary to the Treasury until April 2001: member, by legislation, of the Board of the Reserve Bank of Australia; alternate Governor of the International Monetary Fund for Australia; Australia's deputy to the International Monetary and Finance Committee in 2000; chair of the Australian Office of Financial Management Advisory Board; and, ex-officio member of the Board of Taxation.

Ken Henry, Secretary to the Treasury from April 2001: member, by legislation, of the Board of the Reserve Bank of Australia; alternate Governor of the International Monetary Fund for Australia; chair of the Australian Office of Financial Management Advisory Board; and, ex-officio member of the Board of Taxation.

Ken Henry, Executive Director, Economic Group until April 2001: member of the Australian Statistics Advisory Council; and member of the Australian Office of Financial Management Advisory Board.

Gary Potts, Executive Director, Markets Group: chair of the Regulatory Advisory Committee; chair of the Royal Australian Mint Advisory Board; member of the Financial Reporting Council; and Secretary to the Financial Sector Advisory Council.

Greg Smith, Executive Director, Budget Group: chair of the GST Administrative Subcommittee; and chair of the Chief Executive Officer's Committee for Tax Reform.

Martin Parkinson, Executive Director, Economic Group from May 2001: member of the Australian Office of Financial Management Advisory Board.

Martin Parkinson, Chief Adviser (Economic) until April 2001: Australia's deputy to the International Monetary and Finance Committee in 2001.

Les Hosking, Chief Executive Officer, Axiss Australia: member of Finance Sector Advisory Council, Chairman of Financial Sector Advisory Council Task Force for Australia as a Financial Centre; and member of the Regulation Advisory Committee.

Kevin Deeves, Australian Government Actuary, Australian Government Actuary: member of Private Health Insurance Advisory Board.

Peter Martin, Acting Australian Government Actuary, Australian Government Actuary: member of the International Accounting Standards Taskforce of the Institute of Actuaries of Australia; member of the Medical Indemnity Insurance Task force of the Institute of Actuaries of Australia and member of the Australian National University Accreditation Panel.

Part 4: Management and accountability

Murray Edwards, Secretary to the Board of Taxation.

Steve French, General Manager, Financial Institutions Division: member of the Royal Australian Mint Advisory Board.

Jan Harris, General Manager, Consumer Affairs Division: member of the Standing Committee of Officials on Consumer Affairs; member of the Environment, Safety and Material Standards Sector Board and member of the the Commonwealth Food Regulation Officials Group.

Blair Comley, General Manager, Macroeconomic Policy Division: member of the Australian Bureau of Statistics Labour Statistics Advisory Group and member of the Unemployment SPIRT³ Advisory Committee, Melbourne Institute of Applied Economic and Social Research, University of Melbourne.

Veronique Ingram, General Manager, Corporate Governance and Accounting Policy Division: chair of the Organisation for Economic Co-operation and Development (OECD) Steering Group on Corporate Governance; and chair of the Asia-Pacific Economic Cooperation Task Force on Company Accounting and Financial Reporting; member of the OECD-World Bank Regional Roundtable on Corporate Governance; alternate member of the Financial Reporting Council; and observer on the Companies and Securities Advisory Committee and its legal subcommittee.

Jim Hagan, General Manager, GST Start-Up Assistance Office until December 2000: member of the Chief Executive Officer's Communication Subcommittee and member of the Expert's Panel on Emissions Trading, convened by the Australian Greenhouse Office.

Jim Hagan, General Manager, Foreign Investment Policy Division from January 2001: executive member of the Foreign Investment Review Board and Australia's National Contact Point for the OECD Guidelines for multinational enterprises.

Rob Heferen, General Manager, Business Entities and International Tax Division: member of National Tax Liaison Group and National Tax Liaison Group Subcommittees.

John Jepsen, General Manager, Structural Reform Division: Treasury representative on the Council of Australian Governments Committee on Regulatory Reform, which considers the reform of cross-jurisdiction matters.

Terry O'Brien, Specialist Adviser (International): member of Financial Stability Forum Follow-on Group on Implementation of Standards and Codes; and Australia's deputy to the Group of 20 during 2001.

Bruce Paine, General Manager, Commonwealth State Relations Division: Secretary to the Australian Loan Council; chair of the Fiscal Reporting

³ The Strategic Partnerships with Industry Research and Training (SPIRT) scheme is administered by the Australian Research Council.

Part 4: Management and accountability

Committee; and chair of the Heads of Treasuries' Working Party on a National Excise Concession Scheme for Low Alcohol Beer.

Kerry Ashbolt, Analyst, Safety Policy Unit, Consumer Affairs Division: member of the Standards Australia Committees for Pedal Bicycles, Cigarette Lighters, Sunglasses; Safety of Children's Toys, Trampolines, Child Restraints, Prams and Strollers, Child Restraints, Children's Furniture and Scooters and member of the Committee to Advise on Recalls and Safety (convened by the Australian Transport Safety Bureau).

Susan Antcliff, Actuary, Australian Government Actuary: member, Public Awareness Council Committee of the Institute of Actuaries of Australia.

Bruce Bacon, Specialist Adviser, Retirement and Income Modelling Unit, Retirement and Personal Income Division: member of the APS Futures Forum Steering Committee.

Scott Bartley, Manager, Core Rules Unit, Business Income and Industry Policy Division: member of the Board of Taxation's Tax Value Method Legislation Group and Tax Value Method Working Group.

Michael Burt, Actuary, Australian Government Actuary: member of Private Health Insurance Advisory Board.

Joseph Castellino, Analyst, Intergovernmental Relations Unit, Commonwealth State Relations Division: member of the GST Performance Agreement Working Group.

Geoff Clark, Manager, State Finances and Reporting Unit: chair of the Heads of Treasuries' Working Party on a National Tax Equivalent Regime for Income Tax for State and Territory Government Business Enterprises.

John Coleman, Manager, Accounting and Financial Management Unit from June 2001: member of the Chief Financial Officers' Forum, Department of Finance and Administration.

David Crossley, Manager, Accounting and Financial Management Unit until February 2001: member of the Chief Financial Officers' Forum, Department of Finance and Administration.

Laurene Edsor, Specialist Adviser, Commonwealth State Relations Division: member of the Heads of Treasuries' Commonwealth, State and Territories Specific Purpose Payments Working Group.

John Hill, Manager and Simon Cobcroft, Analyst, Market Place Strategies and New Technologies Unit, Consumer Affairs Division: members of the Digital Broadcasting Australia Consumer Education Subgroup.

Ray Jones, Manager, Intergovernmental Relations Unit, Commonwealth State Relations Division: member of the Heads of Treasuries' Working Group on Private Sector Involvement in Public Sector Infrastructure Provision.

Part 4: Management and accountability

Michael Kooymans, Manager, Accounting Policy and Information Economy Unit, Corporate Governance and Accounting Policy Division: secretary of the Financial Reporting Council.

Tony McDonald, Manager, Balance of Payments Unit, Domestic Economy Division: member of the Tourism Forecasting Council Technical Subcommittee.

Les Pascoe, Specialist Adviser Accounting, Accounting Policy and Information Economy Unit, Corporate Governance and Accounting Policy Division: Treasury representative on the Australian Accounting Standards Board Consultative Group.

May Priddle, Manager, Information and Records Unit: member of the Federal Libraries Network; and member of the Australian Library Copyright Committee.

Kim Salisbury, Analyst, International Tax Unit, Business Entities and International Tax Division: Treasury representative at the OECD Forum on Harmful Tax Competition and the OECD Committee of Fiscal Affairs.

Graham Smith, Manager, Contracts, Audit and Facilities Management Unit: chair of the Crime Prevention Forum.

Duncan Spender, Analyst, Personal Tax Unit, Retirement and Personal Income Division: Treasury representative on the Taskforce on the Use of Bankruptcy to Avoid Tax Obligations.

Dehne Taylor, Manager, Labour Market Unit, Macroeconomic Policy Division: Treasury representative on the Household, Income and Labour Dynamics in Australia Steering Committee.

Tony Webster, Analyst, State Finances and Reporting Unit, Commonwealth State Relations Division: member of the Heads of Treasuries' Working Party on a National Excise Concession Scheme for Low Alcohol Beer.

Bernadette Welch, Acting Manager, Accounting and Financial Management Unit from February 2001 until May 2001: member of the Chief Financial Officers' Forum, Department of Finance and Administration.

Peter Williams, Analyst, Safety Policy Unit: member of the Standards Australia Committee on Swimming Aids, Portable Fire Extinguishers, Pedal Cycle Helmets and Protective Helmets for Vehicle Users.

John Wunsch, Manager, Safety Policy Unit, Consumer Affairs Division: member of the Infant and Nursery Products Association of Australia, the Australian Gas Association Technical Committee, the Strategic Injury Prevention Partnership and the Standards Australia Committees for Vehicle Stands and Ramps and Vehicle Jacks, Ladders and Exercise Cycles.

EXTERNAL SCRUTINY

Fraud against the Treasury

In accordance with Part 7 of the *Financial Management and Accountability Act 1997*, Treasury has a Fraud Control Plan endorsed by the Commonwealth Law Enforcement Board. The Fraud Control Plan is made available electronically to all Treasury staff.

During 2000-01, Treasury was involved with an investigation by the Australian Federal Police. This investigation related to the loss of Foreign Investment Review Board case files. The police investigation concluded that the files were destroyed but was unable to identify who had done this, or whether the destruction was deliberate.

Audit

The Treasury has an Audit Committee that follows the recommended best practice guidelines issued by the Australian National Audit Office (ANAO). The ANAO also attends Treasury Audit Committee meetings as an observer. The Audit Committee reviews internal and external audits relating to the department and oversees any follow-up in response to these audits.

The Committee is chaired by an Executive Director and meets at least six times a year. Additionally, a subcommittee oversees the presentation of the department's financial statements. The Financial Statements subcommittee meets on an 'as needs' basis and has representation from the ANAO, Treasury's Chief Financial Officer and other relevant Treasury managers.

Treasury engaged the services of Ernst & Young to develop the department's Internal Audit Plan for 2000-01. The Audit Committee, with the assistance of Ernst & Young has a continuous improvement approach to audit services within Treasury.

Internal audits

Seven internal audits were conducted in 2000-01.

Financial assurance

The objective of the audit was to assess system risk and controls and to perform transactions testing covering the functions of travel, accounts payable, accounts receivable, use of Australian Government Credit Card and Cabcharge.

The review did not highlight any major problems with the department's controls in relation to the systems covered and made some recommendations designed to improve the Treasury's control environment.

Part 4: Management and accountability

Internal GST processes

The objective of the review was to provide assurance that the department was calculating GST correctly and claiming from the ATO correctly. The review aimed to check recording procedures for the financial statements close process and sought to provide specific advice on GST arrangements relating to Australian Government Actuary invoices.

The review found that Treasury's substantiation methodology and accounting systems substantially comply with the requirements of the GST Act in respect of claiming input tax credits and also found that there were no significant issues of non-compliance. The review made a number of recommendations regarding some minor technical and procedural issues. These recommendations have been implemented.

Business risk assessment

The objective of the audit was to provide a comprehensive business risk assessment with a focus on insurable risk, fraud risk and business continuity.

The review was continuing as at 30 June 2001.

Performance Management System

The objective of the audit was to provide an assessment of Treasury's Performance Management System in its ability to assist the department to meet its outputs and outcomes while developing staffs professional and personal skills.

The review was continuing as at 30 June 2001.

GST Assistance Office — direct assistance payments

The objective of the audit was to provide assurance regarding the expenditure to be reported in Treasury's Financial Statements, the adequacy of system controls, and the potential for error and fraud within the GST Assistance Office.

The review was continuing as at 30 June 2001.

Information technology network administration and password control

The objective of the audit was to review the adequacy and effectiveness of security and administration controls in the Treasury's internal information technology network environment.

The review was continuing at 30 June 2001.

SAP and Aurion authorisations

The objective of the audit was to review security, administration and access controls in Treasury's financial information system (SAP) and human resource information system (Aurion).

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The audit found that the framework of security controls supporting the SAP environment was, in general, well defined and effective. The report noted that a number of controls should be strengthened to ensure the integrity of the controls framework is maintained.

Reports by the ANAO

The following reports of relevance to Treasury were released by the ANAO in 2000-01.

Audit Report No. 9: Implementation of whole-of-government information technology infrastructure

The objectives of this audit were to examine the administrative and financial effectiveness of the implementation of the information technology (IT) initiative, with the focus on the first four tenders conducted.

The ANAO found that implementation of the IT initiative required significant effort on the part of the Office of Asset Sales and IT Outsourcing and participating agencies. The issues relating to this audit have been overtaken by the review conducted by Mr Richard Humphry, AO.

Audit Report No. 13: Certified Agreements in the Australian Public Service

The objectives of this audit were to provide public accountability and to strengthen the link between certified agreements and improvements in productivity.

The ANAO made four recommendations aimed at further improving agreement making in the APS. Treasury gave qualified support for the recommendations.

Audit Report No. 14: Benchmarking of the internal audit function

This is a three-year study undertaken by the ANAO to compare the public sector benchmarks with equivalent international data to identify better practices and highlight opportunities for improvement.

The ANAO made two recommendations aimed at improving the level of scrutiny and review by agency audit committees, both of which were agreed by Treasury.

Audit Report No. 19: Management of public sector travel arrangements — follow-up audit

This follow-up audit of reviews undertaken in 1997-98 and the publication of a Better Practice Guide by the ANAO.

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The audit made 13 recommendations for better practices in relation to which Treasury is in broad agreement.

Audit Report No. 23: Audits of the financial statements of Commonwealth entities for the period ended 30 June 2000

This report summarised the final results of audits of the financial statements of Commonwealth entities for the period ended 30 June 2000.

Treasury's audit report opinion was issued on 15 August 2000 without qualification.

Audit Report No. 25: Benchmarking the finance function

This report collected benchmarking data on the public sector finance function and recommended that organisations compare their performance against these benchmarks in order to assist in the identification and diagnosis of improvements that might be made in business processes.

Treasury agreed with this recommendation which will be addressed by a project team in its Accounting and Financial Management Unit.

Audit Report No. 38: The use of confidentiality provisions in Commonwealth contracts

This report examined agencies' use of confidentiality provisions in contracts.

The ANAO made three recommendations, all of which Treasury agrees with.

Audit Report No. 52: Payment of accounts

The main objectives of this audit were to determine whether organisations had implemented appropriate risk management strategies for the processing of accounts and whether payment for goods and services had been properly authorised.

The ANAO concluded that the payment of accounts function was being administered satisfactorily. It recommended a number of better practices with which Treasury is in broad agreement.

Audit Report No. 53: Commonwealth management of leased office property

This audit aimed to develop a benchmark for agencies' property management performance for current and future comparisons as well as complying with the *Financial Management and Accountability Act* and effectively leasing office property.

The Treasury noted the recommendations made regarding the case study agencies in this report.

Comments by the Ombudsman, decisions by the courts and administrative tribunals

Ombudsman

There were no comments by the Ombudsman on matters within the department in 2000-01.

Courts

Proceedings in the Federal Court's Victorian District Registry between *Felkro Nominees Pty Limited (in Liquidation) & Anor v Commonwealth of Australia & Anor* were discontinued by the plaintiff in 2001-01. The proceedings related to the Commonwealth's Transitional Assistance Payments Scheme.

Proceedings commenced in the Federal Court's Western Australia District Registry between *Broadway Fiduciary Pty Ltd and Ors v Australian Prudential Regulation Authority and Minister for Financial Services and Regulation*. The proceedings relate to a decision made by the Australian Prudential Regulation Authority (APRA) to remove Broadway Fiduciary Pty Ltd as the trustee of the Australian Independent Superannuation Fund (AISF) under the *Superannuation Industry (Supervision) Act 1993*. The Minister for Financial Services & Regulation consented to APRA's decision to remove Broadway Fiduciary as trustee, and the Minister has been joined as second respondent. The matter is continuing.

The Commonwealth commenced proceedings in the Supreme Court of Western Australia in the matter of *The Commonwealth of Australia v Temwood Holdings and Ors*. This matter concerns documents relating to the first respondent that were provided to the Commonwealth by the second and third respondents. It appeared to the department that the documents might have been obtained by the second and third respondents through the Court's discovery process in unrelated proceedings. The Commonwealth is seeking the Court's permission to be released from any implied undertaking as to the use of the documents. The documents were also subject to a Freedom of Information (FOI) request. The matter is continuing.

Administrative Appeals Tribunal

There were two matters relating to the Treasury in the Administrative Appeals Tribunal (AAT) during 2000-01.

An application made to the AAT in 1999-2000 for a review of the decision of the Department under the *Freedom of Information Act 1982* in the matter of *Cyclist Rights Action Group (Applicant) and Department of the Treasury (Respondent)* continued in 2000-01. The applicant had sought a review of the decision by the

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department to refuse to waive or remit charges relating to its FOI application. The application was successfully determined after the applicant narrowed the range of documents requested and the department agreed to waive charges for the provision of these documents.

An application was made to the AAT in 2000-20001 for review of a decision by a delegate of the Minister for Financial Services & Regulation in the matter of by *KG Saw (Applicant) and Australian Securities and Investments Commission (First Respondent)*. The applicant sought a review of the decision by the minister's delegate made under the Corporations Law not to grant permission for the use of the term 'University' in a Body Corporate Name. The applicant withdrew the application on 17 May 2001.

MANAGEMENT OF HUMAN RESOURCES

Treasury's Performance Management System and Career Development System, which underpin the Treasury Management Model, provide the framework for a range of Human Resource strategies by clarifying work level standards, appraising performance and identifying and managing longer term skills development targeted to improve work performance, career planning and staff retention. This framework is seen as critical to Treasury's ability to attract and retain the skills necessary to perform its core functions.

Performance management

The Performance Management System is an integral part of the Treasury Management Model incorporating a biannual performance management cycle. Key elements include context setting, ongoing task assignment, performance feedback and coaching and role development between appraisals.

Prior to each appraisal round, the Secretary and SES attend a context setting meeting. The aims of the meeting are to ensure there is consistency in the approach to the appraisal process and to set the broad context for the appraisals. The outcomes of the meeting are disseminated to all staff. Additional context setting meetings are held at the divisional and unit level to assist staff to understand the practical aspects of appraisals at the operational level.

In addition to context setting meetings, briefing sessions are offered to new starters prior to each performance appraisal round. *Giving and Receiving Feedback* workshops are also provided to managers and staff to develop skills related to performance appraisals and more general interpersonal communication.

The Treasury Performance Management System is designed to promote fairness through clearly defining expectations and building in system controls including:

- the application of a Treasury Work Value Matrix that sets out the standards expected of staff at each classification level and defines the assessment criteria against which performance will be measured;
- the use of upward feedback to the manager-one-removed (that is, two levels more senior), which acts as a system control by giving employees an additional opportunity to comment on the appraisal process and their manager's performance as a manager;
- the use of review panels comprising the manager-one-removed, the immediate manager and other relevant managers, which facilitates fairness and consistency among assessments;
- the use of structured under-performance provisions and strategies that require approval and monitoring by the manager-one-removed; and
- transparency of appraisal outcomes for all staff.

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Treasury is also committed to continuously improving its performance management processes and undertakes regular, comprehensive performance management reviews. The consultative processes provide opportunities for staff to participate actively in the reviews and provide feedback on all aspects of the appraisal process.

A review of the Performance Management System was undertaken by Ernst & Young in 2001. The terms of reference of the review were:

- the capacity of the Performance Management System to assist Treasury meet its outputs and outcomes while developing staff professionally and personally;
- a review of the system's integrity, particularly the:
 - consistency of application,
 - maintenance of confidentiality, and
 - achievement of system purpose.

The methodology involved:

- the development of assessment criteria;
- a review of system documentation;
- a survey of staff perceptions of the effectiveness of the system;
- interviews with staff on key issues emerging from the survey; and
- an interview with, and feedback from, the Workplace Relations Committee.

The overall findings included:

- a high degree of consistency of application across groups and classifications;
- confidentiality within the system is maintained;
- the purpose of the system has been largely achieved with good progress in system objectives; and
- the system is working well, has improved work in Treasury and is perceived by staff as a step forward.

Recommendations from the review, which were circulated to senior management and the Workplace Relations Committee for discussion, will be taken into account as part of a comprehensive departmental review of the Performance Management System during 2001-02.

The Treasury Certified Agreement 1999-2002 introduced a new broadband classification structure for staff below Executive Levels 1 and 2. Movements within the two broadbands are determined through the Treasury's Performance Management System or by merit selection involving an open field. The

February 2000 appraisal cycle, the first cycle that facilitated movements to the new structure, resulted in movements of staff within the two broadbands. This streamlined process provides fair, objective and transparent broadbanded, performance-based advancement outside the traditional selection processes, eliminating the need for resource intensive selection processes. In addition, the Performance Management System provides opportunities for staff performing at a higher level to be recognised through a system of temporary payments or prospective and retrospective loadings.

APS values

Following the passage of the *Public Service Act 1999*, the Secretary issued a staff notice to all Treasury employees informing them of the principal features of the new legislation and the impact on their employment. The staff notice highlighted the new Australian Public Service (APS) values, which were reproduced in full as an attachment to the notice.

The Treasury Certified Agreement 1999-2002 includes a segment which reinforced the APS values as they existed before 5 December 1999. While the Certified Agreement was not renegotiated to incorporate the amended and additional values, key Treasury documents such as departmental operational plans, the Treasury induction package and the Performance Management System refer prominently to the current APS values. In addition to this, the APS values are published on the Treasury Intranet and displayed on posters which are placed around the building.

In June 2001, a staff survey was conducted as a measure of how well the APS Values and APS Code of Conduct had been incorporated into the Treasury culture. Of the staff who responded, more than 70 per cent indicated that they understood the APS Values and Code of Conduct and that they, and those with whom they worked, understood their application.

Treasury Certified Agreement

The Treasury Certified Agreement 1999-2002 came into effect on 3 September 1999. The three year Agreement was made under section 170LK of the *Workplace Relations Act 1996*.

The principal features of the agreement are:

- an agreement which will run for three years;
- broadbanding within the APS classification structure, comprising Broadband 1 for APS Levels 1 to 4 and Broadband 2 for APS Levels 5 and 6; Executive Levels 1 and 2 were not broadbanded;
- the availability of advancements within a broadband, and temporary loadings as a result of assessments under the Performance Management System;

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- an initial pay increase, on certification, of three per cent for all employees covered by the agreement;
- further increases of two per cent on each of the first and second anniversaries of the certification date;
- movement to a revised salary structure, based on performance appraisal under the terms of the Performance Management System;
- the elimination of retention periods for excess staff;
- access to accrued sick leave for use as personal leave;
- greater flexibility in determining allowances;
- a specific establishment allowance for new-entrant graduates from interstate;
- provisions to determine conditions for employees transferred as a result of 'machinery of government' changes;
- exclusion of SES employees from the agreement (all SES staff are offered Australian Workplace Agreements (AWAs)); and
- an enhanced role for the Workplace Relations Committee (WRC), particularly in relation to a review of conditions of service and drafting of the next agreement.

Through the processes of the Performance Management System, the vast majority of staff are now covered by the revised salary structure. The general pay increase scheduled for 3 September 2000 was duly delivered.

Recruitment and succession planning

Treasury advertises nation-wide for policy staff by way of regular bulk-round recruitment processes. Internal transfer rounds are also conducted on a regular basis. Specialist positions are advertised as required, with a temporary register actively catering for non-ongoing staff.

Graduate recruitment remains an important element of the department's overall recruitment strategy, with 40 graduates commencing in the 2000-01 financial year. A number of senior Treasury policy and SES staff participated in the Graduate Recruitment Program, through visits to universities to meet students and present seminars, attendance at the ACT 'Careers Fest' and participation in the Australia-wide selection process. An informative booklet, *Graduate Careers with Treasury 2002*, was developed in-house and distributed to universities, and all candidates interested in the graduate positions. A graduate website containing relevant information on the program, including input from previous graduates, is also accessible through Treasury's Internet website.

Graduates are offered a formal training program in their first year to provide the opportunity to enhance skills developed through on-the-job training. Training

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and other development opportunities are offered to staff, with priority placed on skills identified through the Performance Management System and the Career Development System.

Treasury was represented on the working group that developed the ANAO good practice guide *Planning for the Workforce of the Future* and has drawn on the guide to evaluate Treasury's workforce planning practices. Considerable energy has been invested in improving and streamlining recruitment and selection processes with an organisation-wide approach taken to most recruitment. Treasury has implemented biannual bulk round selection processes and annual graduate selection processes aligned to Treasury's capability frameworks. In addition, streamlined departmental recruitment guidelines and skills development for selection panels have enhanced Treasury's selection processes.

Work is being undertaken to refine Treasury's longer-term workforce needs and more particularly the need for specialist skills in both policy and administrative areas. Treasury's Performance Management and Career Development Systems enable the department to identify, track and align training and development needs to people development and management strategies. The department is also improving the capacity of its Human Resource Management System (Aurion) to provide a range of demographic and qualitative data of Treasury's workforce, a necessary tool for workforce planning.

Training and development

Treasury's Performance Management System and Career Development System regularly provide data that identifies the training and development needs of staff. This data is used to identify key modules for the Department's training program and to align development opportunities with business needs. As a result, key training areas for 2000-01 included leadership, communication, performance management and technical skills.

Some sixty participants completed a comprehensive Leadership Development program for Executive Level 2 (EL2) employees. The program incorporated 360 degree feedback based on the Public Service and Merit Protection Commission (PSMPC) Senior Executive Leadership Capability Framework and aimed to enhance individual development at the personal, team and strategic levels, as well as strengthen management and leadership skills for current and future management roles. This Program has had a positive impact at the organisational level, with consideration now being given to leadership development for the senior management group (SES).

Writing skills workshops have been offered throughout the year, specifically targeting Treasury requirements. Two workshops were offered on *Writing for Publications* to assist those involved with preparation of Budget documents. In addition, *Providing Oral Advice* workshops have been tailored to meet the requirements of SES and EL2 staff. The workshops topics included briefing ministers, participation in inter-departmental committees and appearances

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before parliamentary committees. *Presentation Skills* workshops have also been provided to Treasury staff.

Prior to each performance appraisal round, briefing sessions are offered to new starters, providing a context for the system and clarifying the processes. Workshops are also offered to managers and staff on giving and receiving feedback to develop skills related to performance appraisals and more general interpersonal communication.

Performance appraisal data indicates that more than 50 per cent of staff identify on-the-job training as a key method of development. Training options reflect an increased emphasis on developing coaching skills for managers. Individual coaching is available from Human Resource staff, external consultants and through Treasury's Employee Assistance Program (EAP), which offers a Manager Assist service. Training in team skills continues with many areas of the department conducting planning days and team building exercises. The EL2 leadership development program also provided managers with opportunities to develop their coaching and mentoring skills.

Treasury's studies assistance policy provides for leave provisions and, in some cases, financial assistance for staff to access tertiary study. External courses, conferences, workshops and seminars continue to be used for suitable development opportunities.

Graduates commencing in Treasury each year participate in a development program that includes comprehensive induction into the department, effective writing, presentation skills, people skills, and an introduction to the Senate and the legislative process, as well as on-the-job training.

Treasury's training costs totalled \$679,742 in 2000-01. This included information technology training, internally delivered training and externally attended development opportunities. (This figure excludes salary costs associated with attending training.)

Staffing information

There has been a slight increase in the employment of both on-going and non-ongoing staff in 2000-01. The increase in ongoing full-time staff largely reflects an increased graduate recruitment program. The increase in non-ongoing staff is mainly attributed to staff being recruited for specific tasks.

There were a number of Executive movements in the Treasury in 2000-01, the most prominent being the retirement of the Secretary, Mr E.A. Evans, AC on 26 April 2001. Details of other Executive movements are detailed on page 133.

The following tables represent the number of Treasury staff, by category and gender, as at 30 June 2001. Staff paid by other agencies are not included. All staff are employed under the *Public Service Act 1999*.

Table 5: Operative and paid inoperative staff by classification and gender (as at 30 June 2001)^(a)

Classification	Ongoing				Non-ongoing				Total
	Full-time		Part-time		Full-time		Part-time		
	Male	Female	Male	Female	Male	Female	Male	Female	
Cadet		1							1
APS1		2			1				3
APS2	1	3			1	1	1	2	9
APS3	32	25			4	15		2	78
APS4	5	26		2	4	7	1	1	46
APS5	27	38		4	3	4			76
APS6	49	33		3		2		1	88
EL1	70	33	1	1	1	2	1		109
EL2	67	23		5	3		1		99
SEB1	24	7							31
SEB2	9	1							10
SEB3	3								3
Secretary	1								1
Total (b)	288	192	1	15	17	31	4	6	554

(a) Includes staff located outside Canberra.

(b) The staffing figure of 548 reported in last years annual report included AOFM staffing of 23.

Changes in staffing at overseas posts

Details of staffing changes at overseas posts were:

- Michael Willcock replaced Michael Shadwick at the Beijing post;
- Janine Murphy replaced Nigel Ray at the Washington post; and
- Paul Tilley replaced David Parker at the Paris post.

Table 6: Staff located at overseas posts

Overseas Post	SES Band 1	EL2	Total
Beijing	1		1
Jakarta		1	1
London		1	1
Paris	1		1
Tokyo	1		1
Washington	1	1	2
Singapore		1	1
Total	4	4	8

Note: Locally engaged staff have not been included in tables.

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Senior Executive Service — remuneration and performance appraisal

All SES employees have their remuneration and conditions determined by AWAs. The AWAs are supplemented by a remuneration model which allows for progression through a number of salary points and the payment of performance bonuses.

Table 7: Salary scales — SES

Classification	3 September 2000		3 September 2001	
	Top \$	Bottom \$	Top \$	Bottom \$
SES Band 1	101,488	88,250	103,518	90,015
SES Band 2	130,716	113,667	133,330	115,940
SES Band 3	170,085	147,900	173,487	150,858

From September 2000, SES were appraised using the PSMPC Senior Executive Leadership Capability Framework. Previously, the SES were appraised against the work value matrix contained in the Performance Management System.

The appraisal process has two steps. Initially, SES are assessed as performing satisfactorily or unsatisfactorily against each appraisal criterion and on an overall basis. SES are then given an individual quintile ranking for each criterion, and an overall quintile ranking, reflecting their performance relative to their peers.

As a result of appraisal, salary movements and payments of loadings and bonuses of up to 15 per cent of base salary are made in accordance with the SES pay model and, as appropriate, the terms of individual AWAs.

The total amount of performance pay made to SES in 2000-01 was:

SES Band 1	\$174,568
SES Band 2	\$111,353
SES Band 3	\$66,636
Total	\$352,557

Note 14 on page 194 shows more information on Executive Remuneration over the financial year. In 2000-01, for the first time, performance pay reported in Note 14 Executive Remuneration represents amounts that were accrued in that period, not the actual amounts paid.

All SES employees have the use of a private plated vehicle and where applicable, parking paid for by the Treasury. Other benefits include airline lounge membership, mobile phones and in some cases, home office facilities.

Remuneration — employees other than SES

The Treasury Certified Agreement 1999-2002 introduced a revised pay structure which provides salary outcomes as a result of performance appraisal under the Performance Management System. All employees are appraised at six-monthly intervals, in February and August.

Table 8: Certified Agreement salary scales — Non-SES

Classification	3 September 2000		3 September 2001	
	Top \$	Bottom \$	Top \$	Bottom \$
Cadet				
APS1	28,630	26,265	29,203	26,790
APS2	32,569	30,467	33,220	31,077
APS3	36,771	34,670	37,506	35,363
APS4	40,973	38,872	41,792	39,649
APS5	46,752	43,863	47,687	44,740
APS6	52,530	49,641	53,581	50,634
EL1	65,137	58,650	66,440	59,823
EL2	79,846	72,491	81,443	73,941

A small number (19) of non-SES employees are covered by AWAs for the purposes of remuneration and conditions of service. In the main, this reflects the need to attract and retain employees with particular skills or qualifications. While conditions of service are usually identical to those contained in the certified agreement, the AWAs allow remuneration outside the pay model which applies to all other staff.

Some non-SES AWA holders may also earn performance pay of up to 15 per cent of salary, on the basis of assessments made under the Performance Management System. Payments of performance pay made in 2000-01 to non-SES employees (8 EL2's and 1 EL1) totalled \$58,373.

Mobile phones and home office facilities are provided to some non-SES employees where justified.

Senior management changes

Information on senior management movements within Treasury are outlined below.

Details of the senior staff departures from Treasury were:

- Wayne Mayo resigned on 4 July 2000;
- Karen Spindler resigned on 13 December 2000;
- Kevin Deeves retired on 29 March 2001;

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- Deidre Gerathy was promoted to the Australian Taxation Office on 15 June 2001;
- Richard Wood resigned on 26 June 2001; and
- James Horne was promoted to the Department of Prime Minister and Cabinet on 4 August 2000.

Temporary departures were:

- Gary Johnston took long term leave of absence from 24 July 2000;
- Michael Callaghan took long term leave of absence from 27 November 2000; and
- David Parker took long term leave of absence from 15 January 2001.

The following internal promotions were made during 2000-01:

- James Hagan at the Senior Executive Band 2 level from 19 October 2000;
- Veronique Ingram at the Senior Executive Band 2 level from 19 October 2000;
- David Parker at the Senior Executive Band 2 level from 19 October 2000;
- Nigel Ray at the Senior Executive Band 2 level from 19 October 2000;
- Ian Robinson at the Senior Executive Band 2 level from 20 October 2000;
- Rob Heferan at Senior Executive Band 1 level from 18 January 2001;
- Nicole Masters at Senior Executive Band 1 level from 18 January 2001;
- John Lonsdale at Senior Executive Band 1 level from 18 January, 2001; and
- Martin Parkinson at the Senior Executive Band 3 level on 10 May 2001.

Details of the senior staff commencements to Treasury were:

- Nigel Bailey returned from extended leave on 8 January 2001;
- David Tune at Senior Executive Band 2 level from 5 February 2001;
- David Martine at Senior Executive Band 1 level from 5 February 2001;
- Martin Parkinson returned from extended leave on 5 February 2001; and
- Graeme Davis at Senior Executive Band 1 level from 27 April 2001.

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Table 9: SES commencements

Reason for Commencement	SES Band 3	SES Band 2	SES Band 1	Total
Engagement (ongoing)			1	1
Internal promotion	1	5	3	9
Transfer from other agencies		1	1	2
Return from leave		1	1	2
Total	1	7	6	14

Table 10: SES cessations

Reason for Movement	SES Band 3	SES Band 2	SES Band 1	Total
Resignation			3	3
Retirement		1		1
Long term leave		2	1	3
Internal promotion		1	5	6
Promotion to other agencies			2	2
Appointment as Secretary	1			1
Total	1	4	11	16

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PURCHASING

Treasury's policy and procedures on purchasing goods and services are contained in the department's Chief Executive Instructions and are based on the Commonwealth Procurement Guidelines issued by the Department of Finance and Administration.

During the course of the year Treasury has developed an internal procedural manual on contract and complex procurement aimed at assisting staff in the conduct of their responsibilities.

ASSETS MANAGEMENT

Treasury's assets predominantly consist of computers, IT software, plant and equipment. Treasury has established appropriate procedures, via the Chief Executive Instructions, for the management of these assets.

COMPETITIVE TENDERING AND CONTRACTING

In accordance with the Government's corporate services market testing policy, Treasury is currently market testing a range of human resource and accounting and finance related activities. It is expected that market testing of these areas will be completed by March 2002.

In accordance with the Government's IT outsourcing policy, Treasury is currently market testing its IT network and help desk functions including all related equipment and services. It is expected that this process will be completed by 31 December 2001.

CONSULTANCIES

Consultants

Treasury's policy and procedures on contracting services are contained in the department's Chief Executive Instructions and are based on the Commonwealth Procurement Guidelines issued by the Department of Finance and Administration.

The most frequent reasons for Treasury to use consultants were:

- access to specialist skills or knowledge not available in-house;
- need for rapid access to latest technology and expertise in its application; and
- specialist in-house resources unavailable in time allowed.

Forty nine consultancies valued at \$10,000 or more were contracted by Treasury during 2000-01 at a total cost of \$3,757,744. A further 23 consultancies valued at less than \$10,000 each were contracted by Treasury during 2000-01 at a total cost of \$108,124.

Table II: Consultancies over \$10,000 in 2000-01 by output group

	Output Group	Consultancies Number	Cost \$
1.1	Economic	3	61,582
2.1	Budget	9	943,024
3.1	Markets	19	1,910,552
	Corporate Services	18	842,586
Total		49	3,757,744

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Table 12: List of consultancies over \$10,000 in 2000-01 by output group

Consultant	Project	Cost ⁽ⁱ⁾ \$	Reason	Procurement Method ⁽ⁱⁱ⁾
Output Group 1.1 (Economic)				
Greg Taylor	Provision of advice to Papua New Guinea Treasury on relations with International Financial Institutions	15,875	(e)	Direct engagement
John Brown	Technical assistance to Papua New Guinea Department of Finance for expenditure on monitoring systems	25,907	(e)	Select
McKibbin Software Group Pty Ltd	Provision of training on the MSG3 Model	19,800	(a), (e)	Direct engagement
Total Output Group 1.1		61,582		
Output Group 2.1 (Budget)				
AJ Baxter and Associates	Oversight and coordinate testing of the Tax Value Method draft legislation	94,495	(a), (c), (e)	Direct engagement
Arthur Andersen Consulting	Provide research and analysis of taxation policy development and issues	36,645	(e)	Select
Customised Software Solutions	To develop an Internet linked database system within the Direct Assistance programme of the GST Start-Up Assistance Office	43,796	(b)	Direct engagement
Ernst & Young (iv)	Develop a publication for the GST Start-Up Assistance Office	49,415	(b)	Direct engagement
Ian Sheppard	Chair of the Inquiry into definitional Issues relating to charities, religious and community organisations	24,000	(b)	Direct engagement
John Church	Provide assistance to the Charities Definition Inquiry	10,000	(e)	Direct engagement
KPMG Consulting	Provide consultancy services for the Board of Taxation's review of community consultation arrangements for the development of taxation legislation	261,723	(c), (e)	Select
Moore Stephens HF Services Pty Ltd	To develop information used by the Call Centre operated by GST Start Up Assistance Office	82,500	(b)	Direct engagement
Spherion Outsourcing Solutions Pty Ltd	Specialist staff for GST Start-Up Assistance Office	340,450	(b)	Direct engagement
Total Output Group 2.1		943,024		

Table 12: List of consultancies over \$10,000 in 2000-01 by output group (continued)

Consultant	Project	Cost ⁽ⁱ⁾ \$	Reason	Procurement Method ⁽ⁱⁱ⁾
Output Group 3.1 (Markets)				
Advance Consulting and Evaluation Pty Ltd	Prepare report relating to the Australian venture capital industry	40,990	(b)	Select
Alan Cameron Consulting	Development of strategies to increase regulatory cooperation	24,075	(e)	Direct engagement
Arthur Anderson Consulting	Advice on location decision drivers for Global Financial firms	36,386	(e)	Select
Clayton Utz	Legal advice on issues related to HIH	326,766	(e)	Select
Colmar Brunton Social Research	Research services into consumer issues affecting youth	44,000	(e)	Select
Gillooly Warner and Associates Pty Ltd	Develop and implement an education, research and training strategy for Axiss Australia	164,250	(e)	Direct engagement
Global Communications Strategists	Development of a Youth Calendar and Budget Planner	65,000	(e)	Select
Grey Advertising Canberra Pty Ltd	Ongoing development of Product Recalls Australia website	48,285	(a), (e)	Direct engagement
Hogan Marketing Services Pty Ltd	Provision of a Call Centre service for HIH policy holders	207,540	(e)	Select
Ian R Harper & Associates Pty Ltd	Australia as a Centre for Global Financial Services independent review	43,920	(c)	Direct engagement
INFACCT Consulting	To create a database for Axiss and advise on export opportunities	25,000	(c)	Direct engagement
John Connolly and Partners Pty Ltd	Management advice and assistance on issues related to HIH	176,718	(e)	Select
Leslie Hosking	CEO of Axiss Australia	293,304	(e)	Select
One Planet Solutions Pty Ltd	Upgrade of FIPD computing system and development of an on-line application form	111,426	(e)	Select
Rosslyn Pty Ltd	Collection of property and economic data for a report on the Australian prime office market.	49,500	(e)	Direct engagement
Stephen William Scott	Provide support in relation to education/skilled workforce initiatives undertaken by Axiss Australia	30,800	(e)	Direct engagement

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Table 12: List of consultancies over \$10,000 in 2000-01 by output group (continued)

Consultant	Project	Cost ⁽ⁱ⁾ \$	Reason	Procurement Method ⁽ⁱⁱ⁾
Output Group 3.1 (Markets) (continued)				
Techne-Ventures	Initial development and publication of Axis Perspectives	77,000	(e)	Select
The Good Guides Group	Development of an e-commerce initiative to reach the youth consumer market	44,000	(e)	Select
TMP Worldwide Pty Ltd	Recruitment services for Axis Australia	101,592	(c)	Select
Total Output Group 3.1		1,910,552		
Corporate Services				
Acumen Alliance	Provision of financial analysis and modelling services associated with IT outsourcing	19,217	(b)	Select
Acumen Alliance	Specialist advice on the department's financial reporting procedures	96,213	(e)	Select
Acumen Alliance	Advice and preparation of the department's financial statements	21,120	(e)	Direct engagement
Aspect Computing Pty Ltd	Provision of database administration and specialist programming and analysis services for the SAP Financial Management System	110,000	(b)	Direct engagement
Business Synetics Pty Ltd	Consulting Services relating to Treasury's IT Outsourcing Project	40,385	(e)	Direct engagement
Cupertino & Partners	Editorial and writing services for the Treasury Centenary Booklet	10,274	(e)	Direct engagement
Davidson Trahaire	Provision of Employee Assistance Programme	19,000	(e)	Select
DeakinKM Pty Ltd	SAP FMIS end user training and preparation of documentation manuals	10,042	(b), (e)	Select
Deloitte Touche Tohmatsu Consulting (ICS)	Specialist advice on various enhancements to SAP FMIS	44,774	(e)	Select
Excelerated Consulting Pty Ltd	Assist with the establishment, implementation, training and documentation of the budgeting and reporting tool iTM1-Phase 1	78,866	(e)	Select

Table 12: List of consultancies over \$10,000 in 2000-01 by output group (continued)

Consultant	Project	Cost ⁽ⁱ⁾ \$	Reason	Procurement Method ⁽ⁱⁱ⁾
Corporate Services (continued)				
Gutheridge Haskins and Davey Pty Ltd	Security practices and procedures Stage 2	11,440	(e)	Direct engagement
Hallet and Co	Specialist advice for preparation of FBT Return	13,000	(b), (e)	Direct engagement
Mastech Asia Pacific Pty Ltd	Provision of specialist web based application programming services for website development	74,246	(b)	Select
Mastech Asia Pacific Pty Ltd	Management of Intra/Internet services	44,131	(b)	Select
SAP Australia Pty Ltd	Upgrade assessment service costs for new version upgrade	24,000	(c)	Direct engagement
Upton Martin Consultants	Provide management workshops for Treasury	19,459	(e)	Direct engagement
Upton Martin Consultants	PMS Briefings and Giving and Receiving Feedback Workshops	12,291	(e)	Select
Vantage Point Consulting Pty Ltd	Development and provision of EL 2 leadership programmes	194,128	(d), (e)	Select
Total Corporate Services		842,586		
Total Consultancies over \$10,000		3,757,744		

(a) Need for rapid access to latest technology and expertise in its application.

(b) Specialist in-house resources unavailable in time allowed.

(c) Need for an independent study or review.

(d) Need for a change agent or facilitator.

(e) Specialist skills or knowledge not available in-house.

Notes

i. Any cost increase or decrease not paid in 2000-01 will be paid in 2001-02.

ii. Direct engagement includes the engagement of: a consultant selected from a pre-qualified panel arrangement; a recognised and pre-eminent expert; a consultant who had previously undertaken closely related work for the Department; or a consultant known to have the requisite skills where the value of the project did not justify the expense or delay associated with seeking tenders.

iii. Axiss Australia was formerly known as the Australian Centre for Global Finance.

iv. This consultancy was raised in 1999-2000 with \$19,250 paid in that year but not reported.

WORKPLACE RELATIONS

Treasury has continued to undertake extensive consultation with employees on matters which affect them in the workplace. The key consultative body is the Workplace Relations Committee (WRC) which operates under the terms of the *Treasury Certified Agreement 1999-2002* to facilitate employee consultation on the operation of the Agreement and related staffing and management issues. Elections for the Committee were held in May 2001 with three Executive level employees and three APS level employees being elected. In addition, staff invited the Community and Public Sector Union (CPSU) to participate on the WRC.

The WRC took a key role in the audit of the Performance Management System conducted by Ernst & Young this year. The Committee assisted the Executive Board in scoping the terms of reference for the audit and consulted with staff on Performance Management System issues related to the consistency and integrity of the operation of the Performance Management System and the level of staff satisfaction with the System. The WRC also provided comments on the report and its recommendations.

The WRC was also consulted on a range of people management systems and policies including the revised Workplace Diversity Plan and the Disability Action Plan.

The current Certified Agreement will expire in September 2002. The WRC has begun preparatory work for the next Certified Agreement and as part of this process is meeting regularly with the Secretary to discuss workplace issues of interest to staff. The Committee will also be represented on the steering committee for market testing of Corporate Service functions.

Throughout 2000-01, the department developed its Intranet site improving accessibility of information, policies and guidelines. The Intranet is also being used increasingly as a tool for staff consultation to facilitate comments on draft policies prior to finalisation.

WORKPLACE DIVERSITY

The strategies and initiatives of Treasury's Workplace Diversity Program encourage and utilise the contributions of people of different backgrounds, experiences and perspectives. The focus of the program has been to implement strategies that attract, develop and support employee participation reflecting the broad cross-section of the Australian community.

Treasury's Disability Action Plan is linked to the Commonwealth Disability Strategy and is intended to ensure equal opportunities for people with disabilities to access and utilise government programs and services. It is supported by the principles and objectives of Treasury's Workplace Diversity Program. The plan was reviewed and updated early in 2001 in consultation with the Workplace Relations Committee.

In 2000-01, 26 staff worked in a part-time capacity, 16 of whom were ongoing and 10 were non-ongoing. This compared with 32 staff who worked in a part-time capacity in 1999-00, 17 of whom were ongoing and 15 were non-ongoing.

The Treasury Certified Agreement provides for a carers' room to offer staff a safe and quiet workplace in which to attend to their dependant's needs while continuing to fulfil their work commitments in Treasury. The carers' room guidelines were revised and released on the departmental Intranet in April 2001. The carers' room continues to be used regularly by staff caring for sick children, nursing mothers and staff caring for children while the primary carer is unavailable. Staff are asked to complete an evaluation form after using the room. Generally, staff have indicated that they are happy with the carers' room.

Treasury has a number of workplace harassment contact officers who are fully trained to provide advice and assist staff members. Ongoing training is offered to all contact officers on a regular basis and a list of workplace harassment contact officers is provided to all Treasury staff members through the Treasury Staff Bulletin and electronic mail.

Treasury has participated in the Indigenous Cadetship Program since 1993. Currently Treasury employs four staff (three operative and one inoperative) who have self-identified as being from an Indigenous background.

The following charts show the gender trends within Treasury over the past three financial years.

Part 4: Management and accountability

Chart 8: Number of new entrant graduates — by gender

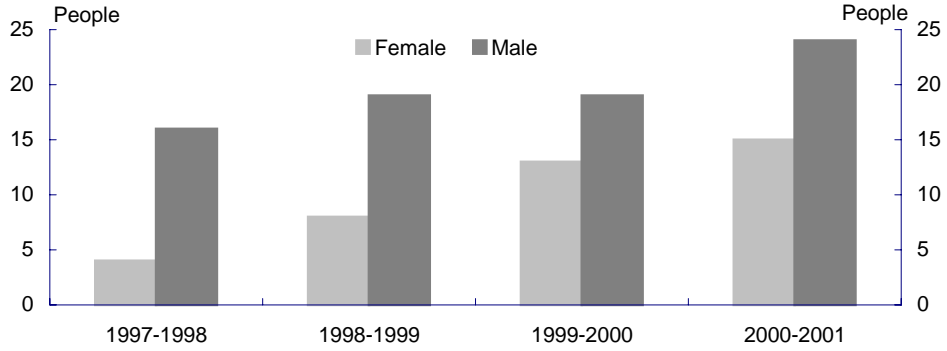


Chart 9: Number of SES staff members — by gender

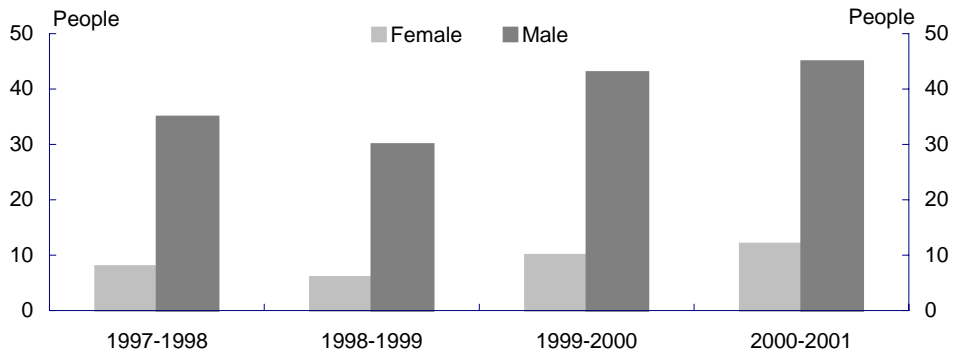
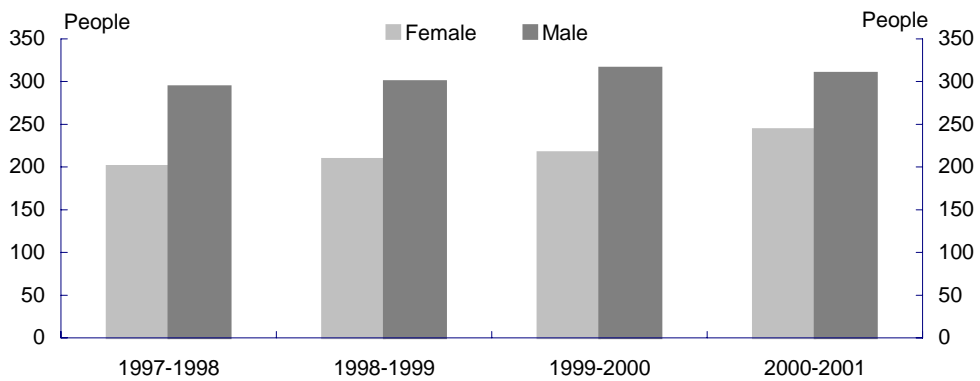


Chart 10: Treasury staff levels — by gender



Note: These figures are at 30 June for the financial years.

Part 4: Management and accountability

Women's representation in senior levels in the department is supported through overall people management strategies, including the Performance Management System and Career Development System. Particular strategies include coaching and on-the-job training, internal and external development programs and mobility within the department.

Table 13: Operative and paid inoperative staff by EEO target group

Classification	Female	Born Overseas	ESL	AATSI	Disability
Cadets	1	0	0	1	0
APS1	2	0	0	0	0
APS2	6	3	1	0	0
APS3	42	14	6	0	0
APS4	36	6	5	0	3
APS5	46	22	12	0	1
APS6	39	10	4	1	3
EL1	36	17	5	1	2
EL2	28	18	5	1	2
SESB1	7	4	0	0	0
SESB2	1	1	0	0	0
SESB3	0	0	0	0	0
Total	244	95	38	4	11

Note: For equal employment opportunities (EEO) categories other than gender, staff identification is made on a voluntary basis and staff may be included in more than one category. The above table is not directly comparable with Table 5 on page 131 as it is compiled on a basis which recognises acting (as at 30 June 2001) rather than substantive classifications.

Part 4: Management and accountability

Table 14: EEO in appointments to boards (or equivalent) of statutory and non-statutory bodies (as at 30 June 2001)^(a)

	Total Positions filled as at 30 June	Number from EEO Target Groups	Number of appointments made during the year	Number of appointments from EEO target groups
Australian Accounting Standards Board	1	0	0	0
Australian Competition and Consumer Commission	20	2	4	0
Australian Competition Tribunal	9	1	0	0
Australian Prudential Regulation Authority	7	1	0	0
Australian Securities and Investments Commission	2	1	2	1
Australian Statistics Advisory Council	9	2	0	0
Business Regulation Advisory Group	9	2	1	1
Commonwealth Consumer Affairs Advisory Council	8	5	0	0
Companies and Securities Advisory Committee	9	3	1	0
Companies Auditors & Liquidators Disciplinary Board	6	0	6	0
Corporations and Securities Panel	43	22	19	9
Financial Reporting Council	19	4	2	0
Financial Sector Advisory Council	9	1	0	0
Foreign Investment Review Board	4	1	0	0
Legal Committee of the Companies and Securities Advisory Committee	2	1	0	0
Life Insurance & Actuarial Standards Board	7	0	2	0
National Competition Council	5	1	5	1
Payments System Board	7	1	0	0
Productivity Commission	11	2	6	2
Reserve Bank of Australia Board	8	1	2	0
Superannuation Complaints Tribunal	18	10	7	5
Tax Agents' Boards	18	0	2	0
Total	231	61	59	19

(a) In this table, the only EEO target group notified was women.

PART 5

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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Part 5: Financial statements

Audit Report

Page 1

Audit Report to be inserted

Page 2

Part 5: Financial statements

**Department of the Treasury
statement by the Departmental Secretary**

Certification of financial statements

In my opinion, the attached financial statements give a true and fair view of the matters required by Schedule 1 to the Financial Management and Accountability (Financial Statements 2000-2001) Orders made under section 63 of the *Financial Management and Accountability Act 1997*.



Ken Henry

SECRETARY TO THE TREASURY
3 September 2001

Department of the Treasury statement of financial performance

for the period ended 30 June 2001

	Notes	2000-01 \$'000	1999-00 \$'000
REVENUES FROM ORDINARY ACTIVITIES			
Revenues from Government	3A	74,435	65,733
Sales of goods and services	3B	51,632	50,545
Proceeds from disposals of assets	3C	13	17
Other revenues	3D	1,072	7,059
Total revenues from ordinary activities		127,152	123,354
EXPENSES FROM ORDINARY ACTIVITIES			
Employees	4A	47,111	46,687
Suppliers	4B	65,587	61,261
Disposals of assets	3C	313	78
Write-down of assets	4D	-	3,145
Depreciation and amortisation	4C	4,196	4,063
Other operating expenses	4E	3,211	1,626
Total expenses from ordinary activities		120,418	116,860
Borrowing costs expense	5	1,097	90
Net operating surplus (deficit) from ordinary activities		5,637	6,404
Company tax expense equivalent	8H	(79)	(2,033)
Net surplus (deficit) attributable to the Commonwealth		5,558	4,371
EQUITY INTERESTS			
Net surplus (deficit) attributable to the Commonwealth		5,558	4,371
Capitalisation of assets	8G	-	286
Net credit (debit) to asset revaluation reserve		(1,501)	(458)
Total revenues, expenses and valuation adjustments recognised directly in equity		(1,501)	(172)
Total changes in equity other than those resulting from transactions with owners as owners		4,057	4,199

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

Part 5: Financial statements

Department of the Treasury statement of financial position

as at 30 June 2001

	Notes	2000-01 \$'000	1999-00 \$'000
ASSETS			
Financial assets			
Cash	7A	4,823	2,642
Investments	7B	13,675	15,494
Receivables	7C	6,027	4,631
Total financial assets		24,525	22,767
Non-financial assets			
Infrastructure, plant and equipment	8A,B,D	17,333	9,371
Inventories	8E	14,016	11,979
Intangibles	8C	2,665	3,622
Other	8F	6,554	5,695
Total non-financial assets		40,568	30,667
Total assets		65,093	53,434
LIABILITIES			
Interest bearing liabilities			
Loans	9A	9,101	758
Leases	9B	869	1,379
Total interest bearing liabilities		9,970	2,137
Provisions			
Employees	10A	15,536	14,728
Other		452	-
Total provisions		15,988	14,728
Payables			
Suppliers	11A	10,552	2,947
Other	11B	2,454	8,447
Total payables		13,006	11,394
Total liabilities		38,964	28,259
EQUITY			
Parent entity interest			
Reserves		3,714	5,214
Capital		3,763	3,763
Accumulated surpluses (deficits)		18,652	16,198
Total parent entity interest	12	26,129	25,175
Total equity		26,129	25,175
Current liabilities		20,722	19,949
Non-current liabilities		18,242	8,310
Current assets		41,435	36,781
Non-current assets		23,658	16,653

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

Department of the Treasury statement of cash flows

for the period ended 30 June 2001

	Notes	2000-01 \$'000	1999-00 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations for outputs		74,180	69,346
Sale of goods and services		52,123	53,662
GST refunds		2,138	-
Interest received		1,121	432
Total cash received		129,562	123,440
Cash used			
Employees		46,695	45,090
Suppliers		63,677	63,231
Total cash used		110,372	108,321
Net cash from operating activities	13	19,190	15,119
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		13	17
Total cash received		13	17
Cash used			
Purchase of property, plant and equipment		1,383	1,489
Purchase of investments		3,500	9,500
Total cash used		4,883	10,989
Net cash used by investing activities		(4,870)	(10,972)
FINANCING ACTIVITIES			
Cash received			
Transfer from trust fund		-	144
Other		-	775
Total cash received		-	919
Cash used			
Repayment of leases		430	992
Repayment of debt		2,963	440
Borrowing costs		1,097	-
Capital use paid		3,369	1,539
Transfer fund surplus (withheld) transferred		4,280	-
Total cash used		12,139	2,971
Net cash from (used by) financing activities		(12,139)	(2,052)
Net increase in cash held		2,181	2,095
Cash at the beginning of the reporting period		2,642	547
Cash at the end of the reporting period		4,823	2,642

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

Part 5: Financial statements

Schedule of commitments

as at 30 June 2001

	2000-01 \$'000	1999-00 \$'000
BY TYPE		
CAPITAL COMMITMENTS		
Infrastructure, plant and equipment(a)	16,878	20,066
Total capital commitments	16,878	20,066
OTHER COMMITMENTS		
Operating leases(b)	105,402	37,732
Other commitments	1,606	-
Total other commitments	107,008	37,732
COMMITMENTS RECEIVABLE		
GST receivable	(9,022)	-
Net commitments	114,864	57,798
BY MATURITY		
All net commitments		
One year or less	9,978	8,461
From one to five years	35,677	42,582
Over five years	69,209	6,755
Net commitments	114,864	57,798
Operating lease commitments		
One year or less	8,030	5,273
From one to five years	27,461	32,459
Over five years	69,911	-
Net commitments	105,402	37,732

(a) Plant and equipment commitments are primarily for purchases of furniture and fittings for building refurbishment.

(b) Operating leases included are effectively non-cancellable and comprise the following:

Nature of lease	General description of leasing arrangement
1. Leases for office accommodation	<ul style="list-style-type: none"> lease payments are subject to annual changes and are reviewed biennially to market movements; the initial periods of office accommodation leases are still current and each may be renewed with options for a further 3 or 5 years.
2. Agreements for the provision of motor vehicles to Senior Executive Officers	<ul style="list-style-type: none"> no contingent rentals exist; there are no renewal or purchase options available to the department.
3. Leases for computer equipment	<ul style="list-style-type: none"> the lessor provides all computer equipment and software designated as necessary in the supply contract for 5 years with an option to extend the term for a fixed period as agreed by both parties.

Note: All 2000-01 commitments are GST inclusive where relevant. The comparatives have not been adjusted to reflect GST.

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

Schedule of contingencies*as at 30 June 2001*

	2000-01	1999-00
	\$'000	\$'000
CONTINGENT LOSSES		
Claims for damages/costs (a)	400	615
Total contingent losses	400	615
CONTINGENT GAINS		
Claims for damages	-	10
Total contingent gains	-	10
Net contingencies	400	605

(a) The amount represents an estimate of the department's liability based on precedent cases. The department is defending the claims.

Schedule of unquantifiable contingencies

As at 30 June 2001, the department had a number of legal claims outstanding. It is not possible to estimate the amounts of any eventual payments which may be required in relation to these claims.

Schedule of remote contingencies

As at 30 June 2001, the department had a possible legal claim against it in relation to a contract that was entered into with the Tourism Council of Australia to perform work. This claim is to be offset against the amount owing by the Tourism Council of Australia to the department. The estimate of the amount of the remote liability in relation to these claims is \$90,000.

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

Part 5: Financial statements

Schedule of administered revenues and expenses

for the period ended 30 June 2001

	Notes	2000-01 \$'000	1999-00 \$'000
REVENUES FROM ORDINARY ACTIVITIES			
Non-taxation			
Revenues from government	21A	28,582,555	18,685,892
Interest	21B	10,993	129
Dividends	21C	803,084	3,676,000
Net foreign exchange gains	21D	38,302	173,702
Other sources of non-taxation revenue	21E	805,308	356,518
Total revenues from ordinary activities		30,240,242	22,892,241
EXPENSES FROM ORDINARY ACTIVITIES			
Grants	22B	27,804,224	18,018,994
Subsidies	22A	6,043	298,879
Other	22C	706,927	74,711
Total expenses from ordinary activities		28,517,194	18,392,584
Cash transferred to Official Public Account		2,650,998	(3,463,974)
Net increase (decrease) in administered net assets		(927,950)	1,035,683

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

Schedule of administered assets and liabilities

as at 30 June 2001

	Notes	2000-01 \$'000	1999-00 \$'000
ASSETS			
Financial assets			
Cash		2,599	263,694
Receivables	23A	669,789	84,555
Investments	23C	16,693,547	15,935,130
Loans and advances	23B	192,152	133,245
Dividend receivable		-	676,000
Other	23D	1,300	1,200
Total financial assets		17,559,387	17,093,824
Non-financial assets			
Deferred acquisition costs		2,845	6,168
Other	23E	1,153	-
Total non-financial assets		3,998	6,168
Total assets		17,563,385	17,099,992
LIABILITIES			
Non-Interest bearing liability			
Loans	24A	5,290,225	4,718,483
Total non-interest bearing liability		5,290,225	4,718,483
Provisions			
Other	24F	680,821	118,631
Total provisions		680,821	118,631
Payables			
Grants	24B	20,000	22,500
Suppliers	24D	168	210
Subsidies	24C	309	260,297
Other	24E	1,183,231	1,058,472
Total payables		1,203,708	1,341,479
Total liabilities		7,174,754	6,178,593
EQUITY			
Accumulated results		2,315,992	2,866,544
Capital		32,999	15,215
Reserves		8,039,640	8,039,640
Total equity	25	10,388,631	10,921,399
Current liabilities		24,330	284,671
Non-current liabilities		7,150,424	5,893,922
Current assets		237,686	1,028,772
Non-current assets		17,325,699	16,071,220

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

Part 5: Financial statements

Administered cash flows

for the period ended 30 June 2001

	Notes	2000-01 \$'000	1999-00 \$'000
OPERATING ACTIVITIES			
Cash received			
GST administration fees		993,468	-
IMF remuneration		84,041	76,681
Dividends		1,479,084	3,000,000
Appropriations		27,943,365	18,676,471
Goods and Services Tax refunds received		3,907	-
Other		100,363	241,308
Total cash received		30,604,228	21,994,460
Cash used			
Borrowing costs		50,585	37,889
Grants		27,678,948	18,018,939
Subsidies		266,533	38,582
Cash to Official Public Account		2,650,998	3,463,974
Other		151,851	36,693
Total cash used		30,798,915	21,596,077
Net cash (used by) from operating activities	26	(194,687)	398,383
INVESTING ACTIVITIES			
Cash received			
Cash from Official Public Account		17,784	15,215
Other cash received		-	145,869
Total cash received		17,784	161,084
Cash used			
Other cash paid		84,290	308,554
Total cash used		84,290	308,554
Net cash from (used by) investing activities		(66,506)	(147,470)
FINANCING ACTIVITIES			
Cash received			
GST appropriations		4,005	-
Total cash received		4,005	-
Cash used			
Return of GST appropriation to Official Public Account		3,907	-
Total cash used		3,907	-
Net cash used by financing activities		98	-
Net decrease in cash held		(261,095)	250,913
Cash at the beginning of the reporting period		263,694	12,781
Cash at the end of the reporting period		2,599	263,694

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

Schedule of administered commitments*as at 30 June 2001*

	2000-01 \$'000	1999-00 \$'000
BY TYPE		
CAPITAL COMMITMENTS	-	-
OTHER COMMITMENTS		
Other commitments ¹	2,140	39,983
Total other commitments	2,140	39,983
COMMITMENTS RECEIVABLE	-	-
Net commitments	2,140	39,983
BY MATURITY		
All net commitments		
One year or less	2,140	14,619
From one to five years	-	22,140
Over five years	-	3,224
Net commitments	2,140	39,983

Note: All 2000-01 commitments are GST inclusive where relevant. The comparatives have been adjusted to reflect the GST.

- 1 Other commitments relate to :
- (a) additional budget balancing assistance payable to the States and Territories in relation to the first home owners scheme grant;
 - (b) Fees payable for the management of the Housing Loans Insurance Commission.

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

Part 5: Financial statements

Schedule of administered contingencies

as at 30 June 2001

	2000-01	1999-00
	\$'000	\$'000
CONTINGENT LOSSES		
Uncalled shares	10,622,039	8,876,575
PNG loans	-	48,387
Claims for damages/costs	-	10,759
Total contingent losses	10,622,039	8,935,721
CONTINGENT GAINS	-	-
Net contingencies	10,622,039	8,935,721

Administered remote contingencies are disclosed in Note 27.

Schedule of unquantifiable administered contingencies

Contingent Gain

As the Beneficiary of the HIH Claims Support Trust, the Commonwealth will be entitled to the residual balance of the Trust, after the collection of recoveries and making payments to claimants. Due to the inherent uncertainty regarding the measurement of the recoveries, it is not possible to quantify these amounts at this time.

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

Notes to and forming part of the financial statements

for the period ended 30 June 2001

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Note 1: Summary of significant accounting policies

1.1 Objectives of the Department of the Treasury

The **Department of the Treasury** is structured to meet three outcomes:

Outcome 1: Sound macroeconomic environment;

Outcome 2: Effective government spending and taxation arrangements; and

Outcome 3: Well functioning markets.

The objective of the Department of the Treasury is to improve the wellbeing of the Australian community through strong sustainable economic growth. It does so by providing sound and timely advice to the government, based on objective and thorough analysis of options, and by assisting Treasury portfolio ministers in the administration of their responsibilities and in the implementation of government decisions.

The reporting entity comprises the Department of the Treasury, Australian Government Actuary and the Royal Australian Mint (the Mint), hereafter referred to as 'the department'. In these statements, 'the department' does not correspond with the Department of the Treasury.

Department activities contributing toward these outcomes are classified as either departmental or administered. Department activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the department in its own right. Administered activities involve the management or oversight by the department on behalf of the Government of items controlled or incurred by the Government.

1.2 Basis of accounting

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Schedule 1 of the Financial Management and Accountability (Financial Statements 2000-01) Orders;
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Boards;
- other authoritative pronouncements of the Boards; and
- the consensus views of the urgent issues group.

The Statements have been prepared having regard to:

- Statements of Accounting Concepts; and

Part 5: Financial statements

- the Explanatory Notes to Schedule 1 and Guidance Notes issued by the Department of Finance and Administration.

The Department's Statements of Financial Performance and Financial Position have been prepared on an accrual basis and in accordance with the historical cost convention except for certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Department's Statement of Financial Position when and only when it is probable that future economic benefits will flow and that amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets, which are unrecognised, are reported in the Schedule of Commitments and the Schedule of Contingencies (other than remote contingencies, which are reported in Note 27).

The continued existence of the department in its present form, and with its present programmes, is dependent on government policy and on continuing appropriations by Parliament for the department's administration and programmes.

The Schedules of Administered Revenues and Expenses, Assets and Liabilities, and Cash Flows are prepared on the same basis and using the same policies as the departmental items, except where otherwise stated.

Administered items are distinguished from departmental items in the financial statements by shading.

1.3 Changes in accounting policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 1999-00.

The changes to administered items in 2000-01:

- (a) The department no longer discloses levy receipts and refunds collected by the Australian Prudential Regulation Authority (APRA) in its administered accounts. This information is now disclosed by APRA. An amount of \$7.8 million was written back against current year revenues, being a write off of receivables of \$7.75 million and cash at bank of \$0.05 million. However, the comparative figures still include the levy receipts and refunds; and
- (b) The unclaimed monies function was transferred to the Australian Securities and Investment Commission (ASIC) in March 2001. No revenues were recorded for this year.

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1.4 Revenues from government

Revenues described in this note are revenues relating to the core operating activities of the department.

(a) Revenues from government — departmental appropriations

Appropriations for the department outputs are recognised as revenue to the extent that the Finance Minister is prepared to release appropriations for use (that is, the full amount of the appropriation passed by Parliament less any savings offered up at additional estimates and not subsequently released). Refer to Note 3A.

(b) Resources received free of charge

Services 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.

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

(c) Other revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from disposal of non-current assets is recognised when control of the asset is passed to the buyer.

1.5 Transactions by the government as owner

Appropriations designated as 'Capital — equity injections' are recognised directly in equity to the extent drawn down as at the reporting date.

Net assets received under a restructuring of administrative arrangements are designated by the Finance Minister as contributions by owners and adjusted directly against equity. Net assets relinquished are designated as distributions to owners. Net assets transferred are initially recognised at the amounts at which they are recognised by the transferring department immediately prior to the transfer.

1.6 Employee entitlements

Leave

The liability for employee entitlements includes provisions for annual leave and long service leave. No provision is made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the department is estimated to be less than the annual entitlement for sick leave.

The liability for superannuation includes a provision of \$356,833 for super-on-costs. This represents a calculation of the proportion of employer superannuation contributions accrued on leave, that is likely to be settled and is, in accordance with the accounting principles in AAS 30.

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2001 and is recognised at the nominal amount.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2001. In determining the present value of the liability, the department has taken into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

Provision is also made for separation and redundancy payments in circumstances where the department has formally identified positions as excess to requirements and a reliable estimate of the amount of the payments can be determined.

Superannuation

Staff of the department contribute to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. Employer contributions amounting to \$4,528,050 (1999-00 \$4,483,099) has been expensed in these financial statements.

No liability is shown for superannuation in the Department Statement of Financial Position as the employer contributions fully extinguish the accruing liability, which is assumed by the Commonwealth.

In 2000-01 Employer Superannuation Productivity Benefit contributions totalled \$922,343. In 1999-00 contributions totalled \$743,430.

1.7 Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

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Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased assets.

1.8 Borrowing costs

All borrowing costs are expensed as incurred except to the extent that they are directly attributable to qualifying assets, in which case they are capitalised. The amount capitalised in the reporting period does not exceed the amounts of costs incurred in that period.

1.9 Cash

Cash means notes and coins held, deposits held at call with a bank or financial institution and balances of Special Accounts held in the Official Public Account. The majority of the Special Accounts have been recorded using the revenue and expense method in accordance with Finance requirements.

1.10 Financial Instruments

Accounting policies for financial instruments are stated at Notes 18 and 28.

1.11 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.

Assets acquired at no cost or for nominal consideration are initially recognised as assets and revenue at their fair value at the date of acquisition, unless acquired as a consequence of restructuring 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 department's accounts immediately prior to the restructuring.

1.12 Infrastructure plant and equipment

Asset recognition threshold

Purchases of infrastructure, plant and equipment are recognised initially at cost in the Department's Statement of Financial Position, except for purchases of less than \$2,000 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).

Revaluation

Buildings, infrastructure, plant and equipment will be revalued progressively in accordance with the 'deprival' method of valuation in successive three-year cycle, so that no asset has a value greater than three years old.

Revaluations of infrastructure, plant and equipment are accounted for by separately restating the gross amount and the related accumulated depreciation of the revalued asset.

The Mint performed a valuation of infrastructure, plant and equipment (except master tooling) on 30 June 2001. The valuation was performed by the Australian Valuation Office and was based on valuing the assets at depreciated replacement cost.

The department is implementing its progressive revaluations as follows:

- leasehold improvements are to be revalued every three years; and
- plant and equipment were revalued over the financial year 1998-99, and will be revalued in successive three-year periods.

Assets in each class acquired after the commencement of the progressive revaluation cycle will be reported on the basis of the value initially recognised on acquisition for the duration of the progressive revaluation then in progress.

The financial effect of the move to progressive revaluation is that the carrying amounts of assets will reflect current values and depreciation charges will reflect the current cost of the service potential consumed in each period.

The department has adopted the revised version of AAS 38 *Revaluation of Non-Current Assets* as at 30 June 2001.

Recoverable amount test

Schedule 1 requires the application of the recoverable amount test to departmental non-current assets in accordance with AAS 10 *Recoverable Amount of Non-current Assets*. The carrying amounts of infrastructure, plant and equipment held by the department have been reviewed to determine whether they are in excess of their recoverable amounts. In assessing recoverable amounts the relevant cash flows have been discounted to their present value.

Intangible assets

In-house software has been revalued over the financial year 1999-00 and brought to account at valuation. The remaining purchased software has been recorded at the lower of cost or recoverable amount. Software is amortised on a straight line basis over its anticipated useful life to the department.

Depreciation and amortisation

Depreciable infrastructure, plant and equipment are written off to their estimated residual values over their estimated useful lives to the department using the straight line method of depreciation. Leasehold improvements are

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amortised on a straight line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

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

	2000-01	1999-00
Computers, plant and equipment	3-10 years	3-20 years
Leasehold improvements	5-10 years	5-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years
Capitalised software	3-5 years	3-5 years
Factory machinery	10-20 years	10-20 years

Depreciation and amortisation rates and methods are reviewed at each balance date and necessary adjustments are recognised in the current and future reporting periods as appropriate.

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4C.

1.13 Inventories

Inventories are brought to account at the lower of cost and net realisable value. Work in progress and finished goods are brought to account to include direct costs and a proportion of direct labour and overhead. All precious metals are purchased and brought to account at cost and expensed as used. Indirect materials are expensed at the time of purchase.

1.14 Taxation

The Department of the Treasury is exempt from all forms of taxation except for Fringe Benefits Tax and Goods and Services Tax. The Mint is liable for all forms of taxation including Payroll Tax, Company Income Tax, Fringe Benefits Tax and Goods and Services Tax on sales of products. Companies' income tax became applicable for the first time in 1998-99, as a result of the competitive neutrality arrangements.

1.15 Capital use charge

A capital use charge of 12 per cent is imposed by the Government on the net departmental assets. The charge is adjusted to take account of asset gifts and revaluation increments during the financial year.

1.16 Foreign currency

Transactions denominated in 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 and any differences are brought to account in the Statement of Financial Performance. Where a purchase is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are included with the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to the Statement of Financial Performance.

1.17 Insurance

The department has insured for risks through the Government's insurable risk managed fund, called 'Comcover'. Workers compensation is insured through Comcare Australia.

1.18 Comparative figures

Comparative figures have been adjusted to conform to changes in presentation within these financial statements where required.

1.19 Rounding

Amounts are rounded to the nearest \$1,000 except in relation to the following items:

- act of grace payments and waivers;
- appropriations note, special accounts and special public monies;
- remuneration of executives; and
- remuneration of auditors.

1.20 Bad and doubtful debts

Bad debts are written off during the year in which they are identified to the extent to which they have not been provided for.

A provision is raised for any doubtful debts based on a review of all outstanding accounts as at year end.

1.21 Principles of consolidation/aggregation

The financial statements of the Mint are consolidated into the department's financial statements. All balances and transactions between the Mint and the Department of the Treasury have been eliminated on consolidation. Australian Government Actuary (AGA) has also been consolidated into the department's financial statements and all balances and transactions between AGA and the

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Department of the Treasury have been eliminated on consolidation. HIH Claims Support Limited (HCSL) has not been consolidated into the department's financial statements as the material amount of the transactions in relation to this entity have passed through Treasury's accounts.

1.22 Royal Australian Mint — seigniorage and repurchase of circulating coins

Seigniorage is collected by the Mint on behalf of the Commonwealth. Seigniorage represents the difference between the face value of coinage sold to the Reserve Bank of Australia and its cost of production to the Mint.

The Mint repurchases circulating coins on behalf of the Commonwealth. The costs incurred by the Mint in repurchasing circulating coins are offset to an extent by the sale of scrap metal and the balance is supplemented by the Commonwealth via a reduction in the total amount paid to the Commonwealth.

The revenues from circulating coin sales are not directly available to be used by the Mint for its own purposes and are remitted to the Commonwealth's Official Public Account. The collection and remittance of seigniorage is within the same reporting period and there are no outstanding balances at year end, seigniorage for 2000-01 is \$59.838 million (1999-00 \$107.913 million).

1.23 Investment in Sydney 2000 Olympic Coin Program

General

The Royal Australian Mint and the Perth Mint are joint venturers in the Sydney 2000 Olympic Coin Program (STOCP), marketing and distributing Sydney 2000 Olympic Coins. This joint venture will conclude in December 2001.

The Royal Australian Mint's interest in STOCP is carried at the recoverable amount.

The Sydney 2000 Olympic Coin Program consists of 28 base metal coins, 16 silver coins, 8 gold coins and one kilo silver coin.

Profit distribution

The distribution of any profit is made on the following basis:

	Royal Australian Mint %	Perth Mint %
Base metal	60	40
Silver	40	60
Gold	40	60

1.24 Foreign currency hedge

The STOCP entered into a foreign currency hedge (the hedge) on 25 June 1997 to the value of \$US34 million for the purpose of reducing the risk of foreign currency exposure on overseas sales. The currency hedge matured on 29 June 2001.

The hedge has been accounted for in accordance with *AAS 20 (Part A) Foreign Currency Transactions*. Pursuant to this accounting standard the hedge has been classified as a specific hedge, being a specific hedge of all future overseas sales of the STOCP.

1.25 Administered revenue

All revenues described in this note are revenues relating to the core operating activities performed by the department on behalf of the Commonwealth.

(a) Revenue from government — administered appropriations

Appropriations for administered expenses may be unlimited or limited as to amount. Where the appropriation is an annual appropriation and limited as to amount, revenue is recognised to the extent of the lesser of:

- the amount appropriated by the Parliament; and
- an amount determined by the Finance Minister — this amount is determined having regard to the expenses incurred for the reporting period.

Where unlimited, revenue is recognised to the extent that expenses have been incurred. Similarly, appropriations credited to administered special accounts are recognised as revenue to the extent that expenses have been incurred.

(b) Other revenue

Guarantees

Guarantees provided under legislation within the portfolio responsibility of the Treasurer are recognised as liabilities when it is probable that the guarantee will be called and it can be reliably measured. In all other instances such guarantees are disclosed in the Schedule of Administered Remote Contingencies (Note 27).

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Reserve Bank of Australia dividend

Dividends from the Reserve Bank of Australia (RBA) are recognised when determination is made by the Treasurer. The basis of payment of dividends is a memorandum of understanding with the Treasurer. Dividend revenue is brought to account once the right to control the income stream is established. On this basis the RBA's dividend for 2000-01 will be recognised in Treasury's account in 2001-02.

1.26 Administered capital

Appropriations of 'administered capital' are recognised in administered equity as the amounts appropriated by Parliament are drawn down.

1.27 Grants

Grants are recognised as expenses at the time that conditions under the grant agreement have been satisfied or payment has been made.

GST Start-Up Assistance Grants

Treasury, through the GST Start-Up Assistance Office, provided grants to a number of peak industry and professional bodies to have them deliver education and information on *The New Tax System* to small and medium enterprises, the community sector and the education sector.

Payments to the States and Territories

The introduction of *The New Tax System* on 1 July 2000 has significantly reformed payments made under Commonwealth-State financial relations. Treasury has responsibility for administering these payments.

The largest payment is the provision of GST revenue. The Commonwealth pays to the States all GST collected and commenced monthly payments of GST revenue to the States in July 2000. GST revenue payments to the States were distributed in accordance with relativities recommended by the Commonwealth Grants Commission and agreed at the 17 March 2000 Ministerial Council.

As a consequence of the ATO collecting GST for distribution to the States, the States commenced payments to the Commonwealth to meet the agreed costs incurred in administering the GST.

Treasury also administers General Revenue Assistance payments to the States and Territories consisting of Budget Balancing Assistance, National Competition Policy Payments and Special Revenue Assistance.

- Budget Balancing Assistance arises from the Commonwealth's guarantee that in each of the transitional years following the introduction of the GST, each State's budgetary position will be no worse off than had the reforms in the Intergovernmental Agreement on Commonwealth State Financial Relations not been implemented.

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- National Competition Policy Payments to the States and Territories are conditional on the States and Territories meeting their obligations under the Agreement to implement the National Competition Policy and related reforms.
- Special Revenue Assistance is provided to the ACT in recognition that certain functions (for example, Family Court) are not directly funded by the Commonwealth, in contrast to the funding arrangements in other jurisdictions.

The Commonwealth also collects a number of revenue replacement taxes as an agent for the States and Territories. These taxes have replaced constitutionally invalid business franchise fees and are passed directly by the Commonwealth to the State and Territory governments, with an adjustment for administration costs. Reflecting the Commonwealth's departmental role in the collection of these taxes, they have not been recognised in these financial statements.

In accordance with the Intergovernmental Agreement, Revenue Replacement Payments ceased on 1 July 2000. However, due to collections and refunds being received which relate to taxable dealings that occurred before 1 July 2000, lagged payments continued to be made in 2000-01.

Mirror taxes collected by State and Territory governments

On behalf of the States, the Commonwealth imposes mirror taxes, which replace State taxes on Commonwealth places that may be constitutionally invalid. Mirror taxes are collected by the States and are paid to the Commonwealth and immediately repaid to the States. The State governments bear the administration costs of collecting mirror taxes. There has to date been a relatively small amount of mirror taxes collected because most States need to enter into formal arrangements with the Commonwealth for their State Revenue Offices to collect the mirror taxes in order to bring the mirror tax regime into effect.

1.28 Restructuring

On July 1, 2000 the department assumed the function of collection of GST administration fees from the States and Territories. This was previously a function of the Australian Taxation Office (refer to Note 33B).

1.29 Administered investments

Development banks

Investments in development banks are classified as non-monetary assets.

Where the information is available, these investments are recognised at historical cost. Where historical cost records are not readily obtainable, a notional cost has been established at 30 June 1993 by reference to the Development banks' financial statements and exchange rates at that time.

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The investment in the European Bank for Reconstruction and Development is recognised at historical cost, whereas the investments in the Asian Development Bank, the International Finance Corporation, the Multilateral Investment Guarantee Agency and the International Bank for Reconstruction and Development are recognised at notional cost.

Owing to their nature, these investments are not revalued.

International Monetary Fund (IMF)

The *quota* is the current value in Australian dollars of Australia's subscription to the IMF.

The Special Drawing Rights (SDR) allocation liability reflects the current value in Australian dollars of the liability to repay to the IMF Australia's cumulative allocation of SDRs, and is classified as an 'Other Provisions and Payables'.

Portfolio agencies

The Commonwealth's investment in other controlled authorities and companies in this portfolio is valued at the aggregate of the Commonwealth's share of the net assets and net liabilities of each entity as at 30 June 1997.

1.30 Promissory notes

Promissory notes, which have been issued in foreign currencies, are translated at the spot rate at balance date. Foreign currency gains and losses are recognised where applicable. Promissory notes have been issued to the International Monetary Fund, International Bank for Reconstruction and Development, the European Bank for Reconstruction and Development, the Asian Development Bank and the Multilateral Investment Guarantee Agency.

1.31 Mortgage insurance policies written by Housing Loans Insurance Corporation up to 12 December 1997

The Commonwealth sold the Housing Loans Insurance Corporation (HLIC) on 12 December 1997. Terms and conditions of the sale included that the Commonwealth shall remain responsible for the mortgage insurance policies written up to the time of the sale.

The sale of the HLIC was conducted by the Office of Asset Sales and Information Technology Outsourcing.

Accounting policies adopted are:

Premiums

Premiums comprise amounts charged to the policyholder or other insurer, excluding amounts collected on behalf of third parties, principally stamp duties. The earned portion of premiums received and receivable is recognised as revenue. Premiums are treated as earned from the date of attachment of risk.

Premiums received in respect of insured loans are apportioned over a number of years in accordance with an actuarial determination of the pattern of risk in relation to the loans. Premium amounts carried forward in this way are credited to 'Provision for unearned premiums'.

Claims

Claims incurred expense and a liability for outstanding claims are recognised in respect of insurance policies. The liability is assessed on actuarial basis and covers claims incurred but not yet paid, incurred but not yet reported and the anticipated direct and indirect costs of settling those claims.

Acquisition costs

A portion of acquisition costs relating to unearned premium revenue is deferred in recognition that it represents future benefits. Deferred acquisition costs are amortised on an actuarial basis over the reporting periods expected to benefit from the expenditure.

1.32 HIH Claims Support Program Liability

The figure of \$640 million represents an assessment of the extent of the Commonwealth's exposure for claims referable to the Government's HIH Claims Support Program. The amount of the liability has been based on information provided by the Liquidator to Treasury on 25 May 2001. The amount takes into account the limitations of the scheme, which for example constrain the Commonwealth's exposure to 90 cents in the dollar in some cases. Consistent with this, an amount of \$640 million was included as a provision in the 2001-02 Budget and later passed in a Special Appropriation Bill.

There is however, inherent uncertainty regarding the measurement of the Commonwealth's liability and actuarial analysis of the liability and the measurement of the recoveries is continuing. According to the advice received from the Liquidator, the results of this further analysis will not be available prior to December 2001. Further assessments will also include quantifying possible recoveries to be made by HIH Claims Support Limited (HCSL), which is acting as the Trustee on behalf of the Commonwealth in relation to the HIH Claims Support Program. HCSL was established as a not-for-profit company to provide assistance to policyholders suffering financial hardship as a result of the failure of the HIH Insurance Group. As the Beneficiary of this Trust the Commonwealth is entitled to any residual balance of the Trust, after the collection of recoveries and making of payments to claimants.

Note 2: Events occurring after balance date

1. The RBA has calculated a dividend of \$2.834 billion in respect of its results for the year ended 30 June 2001. The Treasurer will ratify the payment in accordance with the recommendation of the RBA's Board of Directors.

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As a consequence, Treasury will record this dividend income in its accounts for the year ended 30 June 2002 in accordance with its accounting policy (Note 1.25).

2. The Commonwealth Government entered into an arrangement with HIH Claims Support Limited (HCSL) to provide assistance to policyholders suffering financial hardship as a result of the failure of the HIH Insurance Group. HCSL is a not-for-profit company and is the Trustee for the HIH Claims Support Trust. The agreement between HCSL and the Commonwealth was finalised on 6 July 2001, the same day as the Trust was formed.
3. On 27 August 2001, the NSW Supreme Court placed each of the 19 companies of the HIH group into formal liquidation and ordered the winding up. Tony McGrath and Alex Macintosh, partners from KPMG were formally appointed as Liquidators of each of the HIH Companies.

Note 3: Operating revenues

	2000-01 \$'000	1999-00 \$'000
Note 3A: Revenues from government		
Appropriations for outputs	74,180	65,583
Resources received free of charge		
ANA0 audit fees	255	150
Total revenues from government	74,435	65,733
Note 3B: Sales of goods and services		
Sale of goods and services	9,432	13,527
Net coin sales	42,200	37,018
Total sales of goods and services	51,632	50,545
Note 3C: Proceeds and expenses from sales of assets		
Non-financial assets - infrastructure, plant and equipment		
Revenue (proceeds) from sale	13	17
Expense from sale	(313)	(78)
Total proceeds and expenses from sales of assets	(300)	(61)
Note 3D: Other revenues		
Interest	1,045	508
Revenue from STOC Program	-	6,550
Other	27	1
Total other revenues	1,072	7,059

Note 4: Operating expenses

	2000-01	1999-00
	\$'000	\$'000
Note 4A: Employee expenses		
Remuneration (for services provided)	46,161	45,284
Separation and redundancy	115	424
Total remuneration	46,276	45,708
Other employee expenses	835	979
Total employee expenses	47,111	46,687
Note 4B: Suppliers expenses		
Supply of goods and services	59,271	60,825
Operating lease rentals	6,316	436
Total supplier expenses	65,587	61,261
Note 4C: Depreciation and amortisation		
Depreciation of property, plant and equipment	2,003	2,639
Amortisation of software	1,182	1,424
Amortisation of leased assets	1,011	-
Total depreciation and amortisation	4,196	4,063
Note 4D: Write down of assets		
Non-financial assets		
Software & mastering tool - revaluation decrement	-	3,117
Write-down of assets	-	28
Total write down of assets	-	3,145
Note 4E: Other operating expenses		
Other	1,624	-
Repurchase of numismatic coins	537	557
Royalty on numismatic sales	1,050	1,069
Total other operating expenses	3,211	1,626

Note 5: Borrowing cost expenses

	2000-01	1999-00
	\$'000	\$'000
Loans	1,017	-
Leases	80	90
Total	1,097	90

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Note 6A: Consolidation

	Treasury		Royal Australian Mint		Total	
	2000-01 \$'000	1999-00 \$'000	2000-01 \$'000	1999-00 \$'000	2000-01 \$'000	1999-00 \$'000
Revenues from ordinary activities						
Revenues from government	74,355	65,733	80	-	74,435	65,733
Sales of goods and services	2,715	3,758	48,917	46,787	51,632	50,545
Proceeds from disposals of assets	-	17	13	-	13	17
Other revenue	899	504	173	6,555	1,072	7,059
Total revenues from ordinary activities	77,969	70,012	49,183	53,342	127,152	123,354
Expenses from ordinary activities						
Employee expenses	40,792	40,067	6,319	6,620	47,111	46,687
Suppliers expenses	27,248	23,523	38,339	37,738	65,587	61,261
Disposal of assets	219	78	94	-	313	78
Write down of assets	-	2,340	-	805	-	3,145
Depreciation and amortisation	3,222	3,158	974	905	4,196	4,063
Other operating expenses	20	-	3,191	1,626	3,211	1,626
Total expenses from ordinary activities	71,501	69,166	48,917	47,694	120,418	116,860
Borrowing costs expense	1,097	90	-	-	1,097	90
Operating surplus before income tax expense	5,371	756	266	5,648	5,637	6,404
Company tax expenses equivalent	-	-	(79)	(2,033)	(79)	(2,033)
Net surplus after income tax expense	5,371	756	187	3,615	5,558	4,371
Net surplus attributable to the Commonwealth	5,371	756	187	3,615	5,558	4,371
Capitalisation of assets	-	286	-	-	-	286
Net credit (debit) to asset revaluation reserve	-	-	(1,501)	(458)	(1,501)	(458)
Total revenues, expenses and valuation adjustments recognised directly in equity	-	286	(1,501)	(458)	(1,501)	(172)
Total changes in equity other than those resulting from transactions with owners as owners	5,371	1,042	(1,314)	3,157	4,057	4,199

Note: The above amounts have been consolidated into the department's balances shown in these financial statements.

Note 6B: Consolidation (continued)

	Treasury		Royal Australian Mint		Total	
	2000-01 \$'000	1999-00 \$'000	2000-01 \$'000	1999-00 \$'000	2000-01 \$'000	1999-00 \$'000
ASSETS						
Financial assets						
Cash	3,194	2,219	1,629	423	4,823	2,642
Investments	13,000	9,500	675	5,994	13,675	15,494
Receivables	1,674	1,050	4,353	3,581	6,027	4,631
Total financial assets	17,868	12,769	6,657	9,998	24,525	22,767
Non-financial assets						
Infrastructure, plant and equipment	14,755	5,108	2,578	4,263	17,333	9,371
Inventories	-	-	14,016	11,979	14,016	11,979
Intangibles	2,208	2,779	457	843	2,665	3,622
Other	1,340	840	5,214	4,855	6,554	5,695
Total non-financial assets	18,303	8,727	22,265	21,940	40,568	30,667
Total assets	36,171	21,496	28,922	31,938	65,093	53,434
LIABILITIES						
Interest bearing liabilities						
Loans	9,101	758	-	-	9,101	758
Leases	869	1,379	-	-	869	1,379
Total debt	9,970	2,137	-	-	9,970	2,137
Provisions						
Employees	12,788	12,150	2,748	2,578	15,536	14,728
Other	-	-	452	-	452	-
Total provisions	12,788	12,150	3,200	2,578	15,988	14,728
Payables						
Suppliers	4,839	1,668	5,713	1,279	10,552	2,947
Other	1,760	994	694	7,453	2,454	8,447
Total payables	6,599	2,662	6,407	8,732	13,006	11,394
Total liabilities	29,357	16,949	9,607	11,310	38,964	28,259
EQUITY						
Parent entity interest						
Reserves	720	720	2,994	4,494	3,714	5,214
Capital	3,763	3,763	-	-	3,763	3,763
Accumulated surpluses	2,331	64	16,321	16,134	18,652	16,198
Total parent entity interest	6,814	4,547	19,315	20,628	26,129	25,175
Total equity	6,814	4,547	19,315	20,628	26,129	25,175

Note: The above amounts have been consolidated into the department's balances shown in these financial statements.

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Note 7: Financial assets

	2000-01	1999-00
	\$'000	\$'000
Note 7A: Cash		
Cash at bank and on hand	4,823	2,642
Note 7B: Investments		
Term deposits	13,000	9,500
RAM Interest in the STOCP at recoverable amount	675	5,994
Total investments	13,675	15,494
Note 7C: Receivables		
Goods and services	4,888	4,614
Net GST receivable	669	-
Other debtors	555	96
Less: Provision for doubtful debts	(85)	(79)
Total receivables	6,027	4,631
Receivables (gross) are aged as follows:		
Not overdue	5,482	3,920
Overdue by		
Less than 30 days	285	390
30 to 60 days	40	400
60 to 90 days	305	-
More than 90 days	-	-
	6,112	4,710

Note 8: Non-financial assets

Note 8A: Leasehold improvements

	2000-01 \$'000	1999-00 \$'000
Leasehold improvements - at cost	6,450	645
Accumulated amortisation	(347)	(116)
Total leasehold improvements	6,103	529

Note 8B: Infrastructure, plant and equipment

	2000-01 \$'000	1999-00 \$'000
Plant and equipment - at cost	8,456	3,543
Accumulated depreciation	(1,350)	(1,602)
	7,106	1,941
Plant and equipment - at 1999-02 valuation	10,764	7,184
Accumulated depreciation	(7,705)	(2,076)
	3,059	5,108
Plant and equipment under finance lease	3,216	2,955
Accumulated amortisation	(2,150)	(1,162)
	1,066	1,793
Total plant and equipment	11,231	8,842

Note 8C: Computer software — total Intangibles

	2000-01 \$'000	1999-00 \$'000
Intangibles - at cost	3,495	4,369
Accumulated amortisation	(2,188)	(2,442)
	1,307	1,927
Intangibles - at 1999-02 valuation	1,695	1,695
Accumulated amortisation	(337)	-
	1,358	1,695
Total intangibles	2,665	3,622

Part 5: Financial statements

Note 8: Non-financial assets (continued)

Note 8D: Analysis of property, plant, equipment and intangibles

Table A: Movement summary 2000-01 for all assets irrespective of valuation basis

	Buildings - leasehold improvements \$'000	Plant & equipment \$'000	Intangibles - software \$'000	Total \$'000
Gross value as at 1 July 2000	645	14,154	6,064	20,863
Additions: Purchases of assets	5,958	6,823	339	13,120
Revaluations:				
w rite-ups/(w rite-downs)	-	4,108	-	4,108
Assets transferred in/(out)	-	-	-	-
Write-offs	-	-	-	-
Disposals	(153)	(2,649)	(1,211)	(4,013)
Gross value as at 30 June 2001	6,450	22,436	5,193	34,078
Accumulated depreciation/ amortisation as at 1 July 2000	116	5,311	2,442	7,869
Disposals	(114)	(2,371)	(1,096)	(3,581)
Depreciation/amortisation charge for the year	345	2,669	1,182	4,196
Revaluations:				
w rite-ups/(w rite-downs)	-	5,596	-	5,596
Assets transferred in/(out)	-	-	-	-
Write-offs	-	-	-	-
Accumulated depreciation/ amortisation as at 30 June 2001	347	11,205	2,528	14,080
Net book value as at 30 June 2001	6,103	11,231	2,665	19,998
Net book value as at 1 July 2000	529	8,842	3,622	12,993

**Table B: Summary of balances of assets at valuation
as at 30 June 2001**

	Buildings - leasehold improvements \$'000	Plant & equipment \$'000	Intangibles - software \$'000	Total \$'000
As at 30 June 2001				
Gross value	-	10,764	1,695	12,459
Accumulated depreciation/ amortisation	-	(7,705)	(337)	(8,042)
Net book value	-	3,059	1,358	4,417
As at 30 June 2000				
Gross value	-	7,184	1,695	8,879
Accumulated depreciation/ amortisation	-	(2,076)	-	(2,076)
Net book value	-	5,108	1,695	6,803

Note 8D: Analysis of property, plant, equipment and intangibles

Table C: Summary of balances of assets held under finance lease as at 30 June 2001

Item	Buildings - leasehold improvements \$'000	Plant & equipment \$'000	Intangibles - software \$'000	Total \$'000
As at 30 June 2001				
Gross value	-	3,216	-	3,216
Accumulated depreciation/ amortisation	-	(2,150)	-	(2,150)
Net book value	-	1,066	-	1,066
As at 30 June 2000				
Gross value	-	2,955	-	2,955
Accumulated depreciation/ amortisation	-	(1,162)	-	(1,162)
Net book value	-	1,793	-	1,793

Table D: Summary of assets under construction as at 30 June 2001

	Buildings - leasehold improvements \$'000	Plant & equipment \$'000	Intangibles- software \$'000	Total \$'000
As at 30 June 2001				
Gross value	75	179	-	254
Accumulated depreciation/ amortisation	-	-	-	-
Net book value	75	179	-	254
As at 30 June 2000				
Gross value	452	-	-	452
Accumulated depreciation/ amortisation	-	-	-	-
Net book value	452	-	-	452

Note 8E: Inventory

	2000-01 \$'000	1999-00 \$'000
All departmental inventories are current assets		
Raw materials	7,632	7,043
Work in progress	2,901	1,718
Finished goods	3,483	3,218
Total inventories	14,016	11,979

Part 5: Financial statements

Note 8F: Other

	2000-01	1999-00
	\$'000	\$'000
Coin collection	3,660	3,660
Prepayments	2,355	1,838
Prepaid precious metal	539	197
Total other	6,554	5,695

Note 8G: Capitalisation of assets

	2000-01	1999-00
	\$'000	\$'000
Capitalisation of assets	-	286

The above amount represents the value of assets not capitalised in prior years.

Note 8H: Company tax equivalent

	2000-01	1999-00
	\$'000	\$'000
Company tax equivalent for business operations	79	2,033
Total company tax equivalent	79	2,033

Note 9: Interest bearing liabilities

	2000-01	1999-00
	\$'000	\$'000
Note 9A: Loans		
Loans from government	9,101	758
Total loans	9,101	758
Maturity schedule for loans:		
Payable		
within one year	1,263	138
in one to two years	1,263	310
in two to five years	3,789	310
more than five years	2,786	-
	9,101	758
Note 9B: Lease liability		
Finance lease commitments:		
Not later than one year	661	804
Later than one year and not later than five years	216	552
Later than five years	63	133
Minimum lease payments	940	1,489
Deduct: future finance charges	(71)	(110)
Lease liability	869	1,379
Total lease liability is represented by:		
Current	610	792
Non-current	259	587
Total lease liability	869	1,379

Part 5: Financial statements

Note 10: Provisions

	2000-01	1999-00
	\$'000	\$'000
Note 10A: Employee provisions		
Salaries and wages	1,091	906
Annual leave	5,163	5,061
Long service leave	8,772	8,593
Superannuation	510	168
Aggregate employee entitlement liability	15,536	14,728
Other	452	-
Total	15,988	14,728

Note 11: Payables

	2000-01	1999-00
	\$'000	\$'000
Note 11A: Supplier payables		
Trade creditors	10,552	2,947
Total payables	10,552	2,947
Note 11B: Other payables		
Other creditors	1,325	1,346
STOCP payables	217	2,344
Trust fund surplus	912	4,757
Total other	2,454	8,447

Note 12: Equity

	Accumulated results		Asset revaluation reserve		Total reserves		Capital		Total equity	
	2000-01	1999-00	2000-01	1999-00	2000-01	1999-00	2000-01	1999-00	2000-01	1999-00
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Note 12A: Equity - agency										
Balance 1 July 2000	16,198	12,943	5,215	5,673	5,215	5,673	3,763	3,763	25,176	22,379
Operating result	5,558	4,371	-	-	-	-	-	-	5,558	4,371
Restructuring	-	137	-	-	-	-	-	-	-	137
Capital use charge	(3,104)	(1,539)	-	-	-	-	-	-	(3,104)	(1,539)
Capitalisation of assets	-	286	-	-	-	-	-	-	-	286
Net asset revaluation decrease	-	-	(1,501)	(459)	(1,501)	(459)	-	-	(1,501)	(459)
Balance 30 June 2001	18,652	16,198	3,714	5,214	3,714	5,214	3,763	3,763	26,129	25,175

Part 5: Financial statements

Note 12B: Restructuring

In respect of programmes or sub-programmes assumed, the following assets and liabilities were recognised at the date of transfer:

	2000-01	1999-00
	\$'000	\$'000
	AGA(a)	AGA(a)
Assets		
Receivables	-	419
Property, plant and equipment	-	11
Other	-	100
Total assets recognised	-	530
Liabilities		
Provisions	-	(492)
Total liabilities recognised	-	(492)
Net assets/(liabilities) assumed	-	38

In respect of programmes and sub-programmes relinquished, the following assets and liabilities were transferred:

	2000-01	1999-00
	\$'000	\$'000
	AOFM(b)	AOFM(b)
Assets		
Property, plant and equipment	-	(242)
Total assets recognised	-	(242)
Liabilities		
Provisions	-	341
Total liabilities recognised	-	341
Net (assets)/liabilities relinquished	-	99
Net appropriation/(distribution) from restructuring	-	137

Note 13: Departmental cash flow reconciliation

	2000-01 \$'000	1999-00 \$'000
Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows		
Cash at year end per Statement of Cash flows	4,823	2,642
Statement of Financial Position items comprising above cash: 'Financial Asset - Cash'	4,823	2,642
Extraordinary item - restructuring	-	-
Reconciliation of operating surplus to net cash provided by operating activities:		
Net surplus (deficit)	5,558	4,371
Capitalised share of profit distribution	1,604	(5,994)
Depreciation/amortisation	4,196	4,063
Asset w rite-off (Olympic Coin project costs)	-	28
Loss on sale	300	61
Profit on sale on disposal of non current assets	-	(1)
Doubtful debts expense	21	-
Finance charges	1,097	90
Revaluation decrement-softw are	-	3,117
Increase (decrease) in other current assets	4,960	(742)
Increase (decrease) in receivables	(2,149)	1,332
Decrease (increase) in prepayments	(500)	1,944
Decrease (increase) in inventories	(2,037)	1,214
Increase (decrease) in employee liabilities	790	1,527
Increase (decrease) in suppliers	6,894	1,845
Increase in other liabilities	(1,544)	2,264
Net cash provided by operating activities	19,190	15,119

Part 5: Financial statements

Note 14: Executive remuneration

	2000-01	1999-00
	Number	Number
\$110,001 to \$120,000	-	2
\$120,001 to \$130,000	3	5
\$130,001 to \$140,000	9	10
\$140,001 to \$150,000	10	5
\$150,001 to \$160,000	4	4
\$160,001 to \$170,000	2	2
\$170,001 to \$180,000	2	3
\$180,001 to \$190,000	3	-
\$190,001 to \$200,000	-	1
\$200,001 to \$210,000	1	-
\$210,001 to \$220,000	-	1
\$220,001 to \$230,000	-	2
\$230,001 to \$240,000	1	1
\$240,001 to \$250,000	1	-
\$270,001 to \$280,000	1	-
\$300,001 to \$310,000	1	-
\$310,001 to \$320,000	-	1
	38	37
The aggregate amount of total remuneration of executive officers shown above	\$6,184,010	\$5,836,022
The aggregate amount of performance pay paid during the year to executive officers shown above	\$170,422	\$419,880
The aggregate amount of performance pay shown in 2000-01 relates only to the August 2000-February 2001 appraisal period. No decision had been made as to the amounts to be paid for the February-August 2001 appraisal period prior to finalising the 2000-01 Financial Statements.		
The aggregate amount of separation and redundancy payments to the executive officers shown above	-	-

Total remuneration includes actual salary, all allowances, employer superannuation component, vehicles costs and an estimate of the non-salary component of the Senior Executive Service package.

For 2000-01 remuneration also now includes net accruals for annual leave and long service leave.

Note 15: Services provided by the Auditor-General

	2000-01	1999-00
	\$	\$
Royal Australian Mint	80,000	75,000
Treasury	175,000	175,000
Total	255,000	250,000

Note 16: Average staffing level as at 30 June 2001

	2000-01	1999-00
	Number	Number
Treasury	525	548
Royal Australian Mint	115	119
Total	640	667

Note 17: Act of grace payments, waivers and amounts written off

	2000-01	1999-00
	\$	\$
Department		
No Act of Grace payments were made during the reporting period	-	-
No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i>	-	-
Amounts written off in accordance with subsection 47 (1) of the <i>Financial Management and Accountability Act 1997</i>	-	-

Part 5: Financial statements

Note 18: Financial instruments departmental

Note 18A: Terms, conditions and accounting policies

Financial instruments	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instruments (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured. Deposits are recognised at their nominal amounts.	
Cash — at bank	7A		The Department of the Treasury maintains a bank account with the Reserve Bank of Australia for the administration of petty cash and for the receipt and payment of moneys. Moneys in the Departments's bank accounts are swept into the Official Public Account nightly. The Royal Australian Mint maintains its own commercial accounts for the conduct of its business operations. Credit sales are normally on 30 day terms.
Receivables for goods and services	7C	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	
Investments	7B	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	The Department of the Treasury maintains term deposit accounts with the Reserve Bank of Australia. Rates have averaged 4.88 per cent for the year (2000-01).

Note 18A: Financial instruments departmental (continued)

Financial instruments	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instruments (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial liabilities			
Trade creditors and accruals	11A	Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured. Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	Trade liabilities are normally settled on 30 day terms.
Finance lease liabilities	9B	Liabilities are recognised at the present value of minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rates implicit in the leases.	At reporting date, the department had finance leases with terms averaging 3 years. The interest rate implicit in the leases averaged 9.6 per cent. The lease assets secure the lease liabilities.

Part 5: Financial statements

Note 18B: Interest rate risk — Departmental

Notes	Floating interest rate		Fixed interest rate				Non-interest bearing		Total		Weighted average effective interest rate		
	00/01	99/00	1 year or less	1 to 2 years	2 to 5 years	> 5 years	00/01	99/00	00/01	99/00	00/01	99/00	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%	
Financial instruments	00/01	99/00	1 year or less	1 to 2 years	2 to 5 years	> 5 years	Non-interest bearing	00/01	99/00	00/01	99/00	00/01	99/00
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
Financial assets													
Cash at bank	7A	4,823	-	-	-	-	-	-	-	4,823	2,642	4.9	6.0
Investments	7B	-	13,000	9,500	-	-	-	-	-	13,000	9,500	4.9	5.2
Receivables for goods and services	7C	-	-	-	-	-	-	5,178	4,614	5,178	4,614	n/a	n/a
Total financial assets (recognised)		4,823	13,000	9,500	-	-	-	5,178	4,614	23,001	16,756		
TOTAL ASSETS										65,093	53,434		
Financial liabilities													
Finance lease liabilities	9B	-	661	804	216	552	63	133	-	940	1,489	9.6	9.6
Trade creditors	11A	-	-	-	-	-	-	10,552	2,947	10,552	2,947		
Total financial liabilities (recognised)		-	661	804	216	552	63	10,552	2,947	11,492	4,436		
TOTAL LIABILITIES										38,964	28,259		

Note 18C: Net fair values of financial assets and liabilities

	Note	2000-01		1999-00	
		Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
Departmental financial assets					
Cash at bank	7A	4,823	4,823	2,642	2,642
Investments	7B	13,000	13,000	15,494	15,494
Receivables for goods and services	7C	5,178	5,178	4,631	4,631
Total financial assets		23,001	23,001	22,767	22,767
Financial liabilities (recognised)					
Finance lease liabilities	9B	940	940	1,379	1,379
Trade creditors	11A	10,552	10,552	2,947	2,947
Total financial liabilities (recognised)		11,492	11,492	4,326	4,326

I8D: Credit Risk Exposures

The department's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The department has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

Note 19: Related party transactions

	2000-01 \$'000	1999-00 \$'000
Sale of goods and services		
Coin sales	4,629	5,700
Other income		
Profit share	(1,604)	6,385
Administration fee	-	357
Expenditure paid on behalf of the STOCP that has been or is to be reimbursed	-	835
Receivables		
Coin sales	-	549
Administration fee	-	-
Reimbursable expenditure	-	548
Investments		
Interest in STOCP	675	6,186

Part 5: Financial statements

Note 20: Payments to the Commonwealth from business operations

	2000-01 \$'000	1999-00 \$'000
Seigniorage	59,839	107,913
Royalty on numismatic coin sales	1,049	1,069
STOCP royalty to Treasury	4,961	4,496
Loss from withdrawal circulating coin	(582)	(752)
Trust fund surplus	4,280	(144)
Company and payroll tax equivalents	453	2,418
Actual surplus funds paid to the Commonwealth	70,000	115,000

Note: Budget estimates include section 31 deemed appropriation.

Note 21: Administered Revenues

	2000-01 \$'000	1999-00 \$'000
Note 21A: Revenues from government		
Annual appropriations	194,890	595,190
Special appropriations	27,740,054	18,081,282
Appropriations accrued	647,611	9,420
Total revenues from government	28,582,555	18,685,892
Note 21B: Administered interest revenue		
Interest on Papua New Guinea loan	10,855	-
Other	138	129
Total administered interest revenue	10,993	129
Note 21C: Administered dividend revenue		
Reserve Bank of Australia	803,084	3,676,000
Total administered dividend revenue	803,084	3,676,000
Note 21D: Net foreign exchange gains		
IMF quota revaluation	717,642	660,451
IMF maintenance of value	(561,449)	(381,054)
IMF SDR allocation revaluation	(104,339)	(96,024)
Other	(13,552)	(9,671)
Total net foreign exchange gains	38,302	173,702
Note 21E: Other administered revenue		
GST Administration Fees	616,068	-
IMF remuneration	82,067	79,027
Other	107,173	277,491
Total other administered revenue	805,308	356,518

Note 22: Administered expenses

	2000-01 \$'000	1999-00 \$'000
Note 22A: Subsidies		
GST direct assistance payments	6,043	298,879
Total subsidies	6,043	298,879
Note 22B: Grants		
Grants to State and Territory governments	27,773,800	17,886,602
GST assistance grants	30,424	130,378
Other	-	2,014
Total grants	27,804,224	18,018,994
Note 22C: Other administered expenses		
IMF charges	50,378	40,393
HLIC claims	15,643	15,947
HIH claims	640,906	-
Other	-	18,371
Total other administered expenses	706,927	74,711

Part 5: Financial statements

Note 23: Administered assets

	2000-01 \$'000	1999-00 \$'000
Note 23A: Administered financial assets - receivables		
Repayment of subsidies	97	-
Net GST receivable	99	-
Special appropriation	647,603	63,702
Annual appropriations	8	-
PNG loan interest receivable	10,855	-
APRA Supervisory levies	-	7,752
IMF related moneys owing	11,127	13,101
Total other receivables	669,789	84,555
Note 23B: Administered financial assets - loans and advances		
Loan to Papua New Guinea	192,152	133,245
Total loans and advances	192,152	133,245
Maturity schedule for Loans as at 30 June 2001 is as follows:		
Payable		
Within one year	-	-
In one to two years	49,246	-
In two to five years	142,906	133,245
In more than five years	-	-
	192,152	133,245
Note 23C: Administered financial assets - investments		
International financial institutions		
Asian Development Bank	281,431	281,431
European Bank for Reconstruction and Development	87,262	51,486
International Finance Corporation	69,144	69,144
International Bank for Reconstruction and Development	265,115	265,115
Multilateral Investment Guarantee Agency	10,818	5,819
	713,770	672,995
Quota		
International Monetary Fund	7,940,137	7,222,495
Commonwealth entities		
Reserve Bank of Australia	8,035,041	8,035,041
Australian Securities and Investments Commission	4,267	4,267
Companies and Securities Advisory Committee	332	332
	8,039,640	8,039,640
Total investments	16,693,547	15,935,130
Note 23D: Administered financial assets - other		
Gold Corporation royalty receivable	1,300	700
Other	-	500
Total other financial assets	1,300	1,200
Note 23E: Administered non-financial assets - other		
Prepayment of BBA grants States and Territories	1,153	-
Total other non-financial assets	1,153	-

Note 24: Administered liabilities

	2000-01	1999-00
	\$'000	\$'000
Note 24A: Loans		
IMF promissory notes	5,176,501	4,615,077
Other promissory notes	113,724	103,406
Total loans	5,290,225	4,718,483
Maturity schedule for loans is as follows:		
Payable		
within one year	8,880	12,669
in one to two years	6,343	11,619
in two to five years	10,999	4,951
in more than five years	-	-
Promissory notes payable on demand	5,264,003	4,689,244
	5,290,225	4,718,483
Note 24B: Grants		
Grants		
IMF - enhanced structural adjustment facility	20,000	22,500
Maturity schedule for loans is as follows:		
Payable		
within one year	2,500	2,500
in one to two years	2,500	2,500
in two to five years	7,500	7,500
in more than five years	7,500	10,000
	20,000	22,500
Note 24C: Subsidies		
Provision for direct assistance payments	309	260,297
Note 24D: Suppliers		
Trade creditors	70	210
GST appropriation payable	98	-
Total suppliers	168	210
Note 24E: Other payables		
IMF SDR allocation	1,154,427	1,050,089
IMF related monies owing	7,603	7,810
Other	21,201	573
Total other payables	1,183,231	1,058,472
Note 24F: Other provisions		
Provision for unclaimed monies repayments	-	55,892
Provision for insurance claims	15,986	14,169
Provision for unearned premiums	24,835	48,570
Provision for HIH claims	640,000	-
Total other provisions	680,821	118,631

Note 25: Movements in equity — administered

Item	Accumulated results		Asset revaluation Reserve		Total reserves		Capital		Total equity	
	1999-00	2000-01	1999-00	2000-01	1999-00	2000-01	1999-00	2000-01	1999-00	2000-01
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance 1 July 2000	2,866,544	(82,266,414)	8,039,640	8,039,640	8,039,640	8,039,640	15,215	-	10,921,399	(74,226,774)
Capital appropriations	-	-	-	-	-	-	17,784	15,215	17,784	15,215
Restructuring	377,400	84,097,275	-	-	-	-	-	-	377,400	84,097,275
Net change in administered net assets from operations	1,723,046	4,499,657	-	-	-	-	-	-	1,723,046	4,499,657
Amount to Official Public Account	(2,650,998)	(3,463,974)	-	-	-	-	-	-	(2,650,998)	(3,463,974)
Balance 30 June 2001	2,315,992	2,866,544	8,039,640	8,039,640	8,039,640	8,039,640	32,999	15,215	10,388,631	10,921,399

Note 26: Administered cash flow reconciliation

	2000-01 \$'000	1999-00 \$'000
Reconciliation of cash per Statement of Financial Position to cash flows:		
Cash at year end per Statement of Cash Flows	2,599	263,694
Statement of Financial Position items comprising above cash: Financial Asset - Cash	2,599	263,694
Reconciliation of 'Net Change in administered net assets' from Schedule of Administered Revenues and Expenses to net cash provided by operating activities		
Net surplus (deficit)	(927,950)	1,035,683
Net foreign exchange losses (gains)	(38,302)	(173,702)
Restructuring	377,400	(9,155)
Increase (decrease) in provision for direct assistance payments	(259,989)	260,297
(Increase) decrease in dividend and interest receivables	676,000	(676,000)
(Increase) decrease in IMF remuneration receivables	1,974	(2,474)
(Increase) decrease in appropriations receivable	(639,190)	(9,421)
(Increase) decrease in other financial assets	(4,602)	2,996
(Increase) decrease on other non-financial assets	3,323	-
Increase (decrease) in insurance claims and unearned premium provisions and payables	(21,918)	(39,315)
Increase (decrease) in payables	(1,226)	54
Increase (decrease) in unclaimed moneys provisions and payables	-	6,916
Increase (decrease) in grant provisions and payables	-	-
Increase (decrease) in IMF provisions and payables	(207)	2,504
Increase (decrease) in HH provision	640,000	-
Net cash provided by operating activities	(194,687)	398,383

Part 5: Financial statements

Note 27: Administered remote contingencies

Borrower	Legislation Authorising Guarantee	Balance outstanding 2000-01 \$'000	Balance outstanding 1999-00 \$'000
Papua New Guinea	<i>PNG Act 1949-75 & PNG Loans Guarantee Act 1975</i>	5,775	5,775
Commonwealth Bank of Australia(a)	<i>CBA Act 1959 s117</i>	(d)	(d)
Commonwealth Bank of Australia Officers' of Superannuation Fund(a)	<i>CBA Act 1959 s117</i>	(d)	(d)
Commonwealth Development Bank(a)	<i>CBA Act 1959 s117</i>	(d)	(d)
Reserve Bank of Australia(b)	<i>RBA Act s77</i>	45,848,000	45,228,000
Housing Loans Insurance Corporation(c)	<i>HLIC Act 1965 s30,31(b)</i>	-	-

- (a) In relation to the Commonwealth Bank of Australia, the Commonwealth Bank of Australia Officers' Superannuation Fund and the Commonwealth Development Bank, the Commonwealth guarantees all moneys that are, or may at any time become, payable to a person other than the Commonwealth. Such guarantee will be progressively phased out following the government sell-down on 19 July 1996.
- (b) In relation to the Reserve Bank of Australia, the Commonwealth guarantees all moneys that are, or may at any time become, payable to a person other than the Commonwealth.
- (c) The HLIC was sold by the Commonwealth on 12 December 1997 and all residual contingencies have been assumed by the Commonwealth. The principal amount covered by the guarantee and the balances outstanding are unable to be reliably measured. The guarantee relates essentially to the Housing Loans Insurance Corporation's (HLIC) contracts of mortgage insurance and any borrowings approved by the Treasurer up to the time of sale.
- (d) At the finalisation of these statements this figure was not reliably measurable.

Note 28: Financial instruments administered

Note 28A: Terms, conditions and accounting policies

Financial instruments	Notes	Accounting policies and methods	Nature of underlying instruments
Financial assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash — at bank		Deposits are recognised at their nominal amounts.	The department maintains two bank accounts with a commercial bank for the purposes of administering mortgage insurance policies written by the Housing Loans Insurance Corporation (HLIC) up to 12 December 1997 and a bank account for administering the wrap-up of the final accounts and other minor details up to the point of sale of the HLIC. The basis of payment of dividends is a memorandum of understanding with the Treasurer.
Dividends receivable		Dividends from the Reserve Bank of Australia are recognised when determination is made by the Treasurer.	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 equal to the Special Drawing Rights (SDR) interest rate (this rate is then adjusted for burden sharing). Remuneration is calculated and paid at the end of the IMF's financial quarters.
International Monetary Fund moneys owing		Amounts owing from the International Monetary Fund are credited to revenue as they accrue.	

Note 28A: Terms, conditions and accounting policies (continued)

Financial instruments	Notes	Accounting policies and methods	Nature of underlying instruments
Financial liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Grant liabilities		Grants are recognised as liabilities and expensed in the year in which the grant agreements are made.	This represents Australia's contribution to the Enhanced Structural Adjustment Facility (ESAF) of the IMF. The ESAF will enable the IMF to provide concessional funding to support medium term macroeconomic adjustment and structural reforms in low income members of the IMF facing protracted balance of payment problems. The ESAF will assist Australia to promote its international economic and aid interests with developing countries in the Asian region. Australia's contribution involves \$30 million to be paid in annual instalments of \$2.5 million over a 12 year period.

Note 28A: Terms, conditions and accounting policies (continued)

Financial instruments	Notes	Accounting policies and methods	Nature of underlying instruments
International Monetary Fund (IMF) Special Drawing Right (SDR) allocation liability		This liability is recognised as a monetary liability. It is valued at the Australian dollar equivalent of its liability in Special Drawing Rights. Interest expense is recognised as it accrues.	The SDR allocation liability reflects the current value in Australian dollars of the department's liability to repay to the IMF Australia's cumulative allocations of SDRs. Interest is payable to the IMF in relation to the amount of SDR holdings that are below Australia's net cumulative allocations.
Loans — promissory notes		The promissory notes are measured at nominal face value.	The department has on issue promissory notes to the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the Asian Development Bank (ADB) and European Bank for Reconstruction and Development (ERDB) These promissory notes are in relation to undrawn paid-in capital subscriptions. Promissory notes to the value of \$5.26 million do not possess established drawdown schedules. The promissory notes are non-interest bearing.

Note 28B: Interest rate exposures

The department's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

Financial Instrument	Floating interest rate		Fixed interest rate				Non-interest bearing	Total	Weighted average effective interest rate			
	00/01	99/00	1 year or less	1 to 2 years	2 to 5 years	> 5 years			00/01	99/00	00/01	99/00
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
Financial assets												
Cash	-	-	-	-	-	-	263,694	2,599	263,694	-	-	-
Interest receivable	-	10,855	-	-	-	-	-	10,855	-	-	-	-
IMF monies owing	-	-	-	-	-	-	13,101	11,127	13,101	-	-	-
Loan to Papua New Guinea	-	-	49,246	-	142,906	133,245	-	192,152	133,245	7,05	7.05	-
Other receivables	-	-	-	-	-	-	10,212	1,397	10,212	-	-	-
Total financial assets (Recognised)	-	10,855	49,246	-	142,906	133,245	-	15,123	287,007	218,130	420,252	-
Total assets								17,563,385	17,099,992			

Note 28B: Interest rate exposures (continued)

	Floating interest rate		Fixed interest rate			Non-interest bearing	Total	Weighted average effective interest rate		
	00/01	99/00	1 year or less	1 to 2 years	2 to 5 years			> 5 years	00/01	99/00
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%	
Financial instrument	00/01	99/00	00/01	99/00	00/01	99/00	00/01	99/00	00/01	99/00
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
Financial liabilities										
Grant liabilities	-	-	-	-	-	-	20,000	22,500	-	-
IMF allocation liability	-	-	-	-	-	-	1,154,427	1,050,089	-	-
Provision for unclaimed monies repayments	-	-	-	-	-	-	-	55,892	-	-
Loans - promissory notes	-	-	-	-	-	-	5,290,225	4,718,483	-	-
Other	-	-	-	-	-	-	669,183	8,383	-	-
Total financial liabilities (Recognised)	-	-	-	-	-	-	7,133,835	5,855,347	7,133,835	5,855,347
Total liabilities	-	-	-	-	-	-	7,174,754	6,178,593	-	-

Part 5: Financial statements

Note 28C: Net fair values of administered financial assets and liabilities

	2000-01		1999-00	
	Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
Financial assets				
Cash	2,599	2,599	263,694	263,694
Interest receivable	10,855	10,855	-	-
IMF moneys owing	11,127	11,127	13,101	13,101
Loan to Papua New Guinea	192,152	192,152	133,245	133,245
Other receivables	1,397	1,397	10,212	10,212
	218,130	218,130	420,252	420,252
Financial liabilities				
Grant liabilities	20,000	20,000	22,500	22,500
IMF allocation liability	1,154,427	1,154,427	1,050,089	1,050,089
Provision for unclaimed moneys repayments	-	-	55,892	55,892
Loans - promissory notes	5,290,225	5,290,225	4,718,483	4,718,483
Other	669,183	669,183	8,383	8,383
	7,133,835	7,133,835	5,855,347	5,855,347

28D: Credit Risk Exposures

The administered maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the fair value of those assets as indicated in the above.

Note 29: Appropriations

Note 29A: Annual appropriations for departmental items (price of outputs)

	2000-01	1999-00
	(\$'000)	(\$'000)
Annual appropriations for departmental items (outputs)		
Appropriation Acts No 1 & 3 credits:		
Section 7 - Act 1 - basic appropriations (budget)	71,913	62,765
Section 7 - Act 3 - basic appropriations	2,267	2,818
Section 7 - adjustments	-	-
Section 11 - Advance to the Finance Minister	-	-
Section 12 - Comcover receipts	-	-
Total current appropriation acts	74,180	65,583
Add: FMA Act appropriations		
s30 appropriations	-	-
s30A appropriations (GST recoverables)	2,627	-
s31 appropriations	2,621	4,261
Total appropriated in the year	79,428	69,844
Balance brought forward from previous period	14,030	-
Total appropriations available for payments	93,458	69,844
Payment during the year	76,977	55,814
Balance of appropriations (unspent) at 30 June carried to next period	16,481	14,030

Note 29B: Annual appropriations for departmental capital items

	Equity injection		Loans		Carryovers		Total	
	2000-01 (\$'000)	999-2000 (\$'000)	2000-01 (\$'000)	999-2000 (\$'000)	2000-01 (\$'000)	999-2000 (\$'000)	2000-01 (\$'000)	999-2000 (\$'000)
Appropriation Act No 2 & 4	-	-	-	-	-	-	-	-
Section 10 - Act No 2 (Budget)	-	-	-	775	-	3,200	-	3,975
Section 10 - Act No 4	-	-	-	-	-	563	-	563
Advance to the Finance Minister	-	-	-	-	-	-	-	-
Total current appropriation acts	-	-	-	775	-	3,763	-	4,538
Add: FMA Act appropriations	-	-	-	-	-	-	-	-
s30 appropriations	-	-	-	-	-	-	-	-
s30A appropriations (GST recoverables)	-	-	-	-	-	-	-	-
Total appropriated in the year	-	-	-	775	-	3,763	-	4,538
Balance available at 1 July brought forward from previous period	-	-	-	-	-	-	-	-
Total appropriated available for payments	-	-	-	775	-	3,763	-	4,538
Payments during the year	-	-	-	775	-	3,763	-	4,538
Balance of appropriations at 30 June carried to next period	-	-	-	-	-	-	-	-

Note 29C: Administered appropriations
Annual appropriations for administered expense items
Outcome 1 — Economic

	Administered expenses		Other administered expenses		State payment items		Total Outcome 1	
	Appropriation Act Nos 1 & 3	1999-2000 (\$'000)	Appropriation Act Nos 2 & 4	1999-2000 (\$'000)	Appropriation Act Nos 2 & 4	1999-2000 (\$'000)	2000-01 (\$'000)	1999-2000 (\$'000)
Appropriation Act Credits:								
Act 1/2 - basic appropriations (budget)	-	-	-	-	-	-	-	-
Act 3/4 - basic appropriations	-	-	-	-	-	-	-	-
Section 11 - Advance to the Finance Minister	-	-	-	-	-	-	-	-
Section 12 - Comcover receipts	-	-	-	-	-	-	-	-
Total current appropriation acts	-	-	-	-	-	-	-	-
Add: FMA Act appropriations								
s30 appropriations	-	-	-	-	-	-	-	-
s30A appropriations (GST recoverables)	-	-	-	-	-	-	-	-
s31 appropriations	-	-	-	-	-	-	-	-
Total appropriated in the year	-	-	-	-	-	-	-	-
Less: amounts lapsed by Ministerial determination	-	-	-	-	-	-	-	-
Balance available at 1 July brought forward from previous period	-	-	-	-	-	-	-	-
Total appropriated available for payments	-	-	-	-	-	-	-	-
Payments during the year	-	-	-	-	-	-	-	-
Balance of appropriations at 30 June carried to next period	-	-	-	-	-	-	-	-

(a) The amount of the appropriation that lapsed is based on the amount to be determined by the Finance Minister under the annual appropriation Acts, to be the administered expenses by the Department in the current year.

Note 29C: Administered appropriations (continued)
Annual appropriations for administered expense items (continued)
Outcome 2 — Budget

	Administered expenses		Other administered expenses		State payment items		Total Outcome 2	
	Appropriation Act Nos 1 & 3	1999-2000 (\$'000)	Appropriation Act Nos 2 & 4	1999-2000 (\$'000)	Appropriation Act Nos 2 & 4	1999-2000 (\$'000)	2000-01 (\$'000)	1999-2000 (\$'000)
Appropriation Acts credits:								
Act 1/2 - basic appropriations (budget)	-	498,000		13,200		13,500		62,500
Act 3/4 - basic appropriations	10,063	-		200		-		10,063
Section 11 - Advance to the Finance Minister	-	-		-		-		-
Section 12 - Comcover receipts	-	-		-		-		-
Total current appropriation acts	10,063	498,000	49,000	13,400	13,500	-	72,563	511,400
Add: FMA Act appropriations								
s30 appropriations	-	-		-		-		-
s30A appropriations (GST recoverables)	-	-	4,005	-		-		4,005
s31 appropriations	-	-		-		-		-
Total appropriated in the year	10,063	498,000	53,005	13,400	13,500	-	76,568	511,400
Less: amounts lapsed by ministerial determination	-	68,743		173		-		68,916
Balance available at 1 July brought forward from previous period	-	-		-		-		-
Total appropriated available for payments	10,063	429,257	53,005	13,227	13,500	-	76,568	442,484
Payments during the year	-	429,204	40,775	13,227	13,500	-	54,275	442,431
Balance of appropriations at 30 June carried to next period	10,063	53	12,230	-	-	-	22,293	53

(a) The amount of the appropriation that lapsed is based on the amount to be determined by the Finance Minister under the annual appropriation Acts, to be the administered expenses by the department in the current year.

Note 29C: Administered appropriations (continued)
Annual appropriations for administered expense items(continued)
Outcome 3 — Markets

	Administered expenses		Other administered expenses		State payment items		Total Outcome 3	
	Appropriation Act Nos 1 & 3	1999-2000 (\$'000)	Appropriation Act Nos 2 & 4	1999-2000 (\$'000)	Appropriation Act Nos 2 & 4	1999-2000 (\$'000)	2000-01 (\$'000)	1999-2000 (\$'000)
Appropriation Act Credits:								
Act 1/2 - basic appropriations (budget)		26,300	-	-	139,131	134,412	155,131	160,712
Act 3/4 - basic appropriations		424	-	-	135	-	135	424
Section 11 - Advance to the Finance Minister		-	-	-	-	535	-	535
Section 12 - Comcover receipts		-	-	-	-	-	-	-
Total current appropriation acts		26,724	-	-	139,266	134,947	155,266	161,671
Add: FMA Act appropriations								
s30 appropriations		-	-	-	-	-	-	-
s30A appropriations (GST recoverables)		-	-	-	-	-	-	-
s31 appropriations		-	-	-	-	-	-	-
Total appropriated in the year		16,000	26,724	-	139,266	134,947	155,266	161,671
Less: amounts lapsed by ministerial determination		-	8,924	-	-	-	-	8,924
Balance available at 1 July brought forward from previous period		-	-	-	-	-	-	-
Total appropriated available for payments		16,000	17,800	-	139,266	134,947	155,266	152,747
Payments during the year		10,609	17,800	-	139,265	134,947	149,874	152,747
Balance of appropriations at 30 June carried to next period		5,391	-	-	1	-	5,392	-

(a) The amount of the appropriation that lapsed is based on the amount to be determined by the Finance Minister under the annual appropriation Acts, to be the administered expenses by the department in the current year.

Part 5: Financial statements

Note 29D: Administered appropriations
Annual appropriations for administered capital items

	2000-01	1999-2000
	(\$'000)	(\$'000)
Appropriation Act Nos 2 & 4		
Section 10 - Act No 2 (Budget)	2,500	13,100
Section 10 - Act No 4	14,724	-
Advance to the Finance Minister	560	2,115
Total Current Appropriation Acts	17,784	15,215
Add: FMA Act appropriations		
s30 appropriations	-	-
s30A appropriations (GST recoverables)	-	-
Total appropriated in the year	17,784	15,215
Balance available at 1 July brought forward from previous period	-	-
Total appropriated available for payments	17,784	15,215
Payments during the year	17,784	15,215
Balance of appropriations at 30 June carried to next period	-	-

Part 5: Financial statements

Note 29E: Special appropriations (unlimited) for administered items

	Outcome 1		Outcome 2		Outcome 3		Total	
	2000-01 (\$'000)	1999-2000 (\$'000)	2000-01 (\$'000)	1999-2000 (\$'000)	2000-01 (\$'000)	1999-2000 (\$'000)	2000-01 (\$'000)	1999-2000 (\$'000)
2Sch 21.3								
AAS 29(12.6)								
<i>A New Tax system (Commonwealth-State Financial Arrangements) Act 1999</i>								
Budget estimate	-	-	28,034,664	-	-	-	28,034,664	-
Payments made	-	-	28,057,039	-	-	-	28,057,039	-
<i>Asian Development Bank (Additional subscription) Act 1995</i>								
Budget estimate	7,617	7,250	-	-	-	-	7,617	7,250
Payments made	7,550	2,585	-	-	-	-	7,550	2,585
<i>Banking Act 1959</i>								
Budget estimate	-	-	-	-	-	13,000	-	13,000
Payments made	-	-	-	-	771	11,428	771	11,428
<i>International Monetary Agreements Act 1947</i>								
Budget estimate	107,940	324,318	-	-	-	-	107,940	324,318
Payments made	109,492	328,643	-	-	-	-	109,492	328,643
<i>States Grants (General purposes) Act 1994</i>								
Budget estimate	-	-	-	17,738,915	-	-	-	17,738,915
Payments made	-	-	-	17,738,454	-	-	-	17,738,454
<i>Totals for unlimited special appropriations</i>								
Budget estimate	115,557	331,568	28,034,664	17,738,915	-	13,000	28,150,221	18,083,483
Payments made	117,042	331,228	28,057,039	17,738,454	771	11,428	28,174,852	18,081,110

Part 5: Financial statements

Note 30: Special accounts

Other trust moneys

Legal authority

Financial Management and Accountability Act 1997, section 20.

Purpose

For the receipt of moneys temporarily held in trust for other persons.

	2000-01	1999-00
	Actual	Actual
	\$	\$
Balance carried forward from previous period	13,000	-
Plus appropriations credited during year	-	13,000
Plus other revenue credited during year	-	-
Total available for expenditure	13,000	13,000
Less payments made during year	-	-
Balance carried forward to next period	13,000	13,000

Ministerial Council on Consumer Affairs

Legal authority

Financial Management and Accountability Act 1997, section 20.

Purpose

To receive funds from member bodies to provide secretariat support and funding for agreed MCCA projects.

	2000-01	1999-00
	Actual	Actual
	\$	\$
Balance carried forward from previous period	621,765	-
Plus appropriations credited during year	-	39,858
Plus other revenue credited during year	220,671	759,044
Total available for expenditure	842,436	798,902
Less payments made during year	420,508	177,137
Balance carried forward to next period	421,928	621,765

Note 30: Special accounts (continued)

Advisory panel for marketing in Australia of infant formula

Legal authority

Financial Management and Accountability Act 1997, section 20.

Purpose

To meet the administrative costs of APMAIF, a non-statutory body that advises government on, the marketing in Australia of infant formulas: *Manufactures and Importers Agreement 1992.*

	2000-01 Actual \$	1999-00 Actual \$
Balance carried forward from previous period	31,730	-
Plus appropriations credited during year	-	26,480
Plus other revenue credited during year	-	44,751
Total available for expenditure	31,730	71,231
Less payments made during year	8,901	39,501
Balance carried forward to next period	22,829	31,730

Commonwealth Consumer Affairs Advisory Council

Legal authority

Financial Management and Accountability Act 1997, section 20.

Purpose

To fund projects on behalf of the Minister for Financial Services & Regulation's advisory council on consumer issues.

	2000-01 Actual \$	1999-00 Actual \$
Balance carried forward from previous period	24,828	-
Plus appropriations credited during year	-	-
Plus other revenue credited during year	-	29,192
Total available for expenditure	24,828	29,192
Less payments made during year	6,171	4,364
Balance carried forward to next period	18,657	24,828

Part 5: Financial statements

Note 31: Special public money

Comcare

Legal authority

Financial Management and Accountability Act 1997, section 20.

Purpose

Monies held in trust and advanced to the department by COMCARE for the purpose of distributing compensation payments made in accordance with the *Safety Rehabilitation and Compensation Act 1998*.

	2000-01	1999-00
	Actual	Actual
	\$	\$
Balance carried forward from previous period	15,789	-
Plus receipts during the period	33,675	15,789
Available for payments	49,464	15,789
Less payments made during the year	41,808	-
Balance carried forward to next period	7,656	15,789

Revenue replacement payments

Legal authority

States Grants (General Purposes) Act 1994, schedule 5.

Purpose

For the payment of moneys to the States and Territories in connection with constitutionally invalid business franchise fees.

	2000-01	1999-00
	Actual	Actual
	\$	\$
Receipts from Consolidated Revenue Fund	434,851,910	6,929,304,875
Less Payments to States and Territories	434,851,910	7,301,831,930
Balance at end of the reporting period	-	(372,527,055)
Accrued liability due to adjustments	-	(372,527,055)

Note 31: Special public money (continued)

Lloyds deposit trust fund

Legal authority

Insurance Laws Amendment Act 1998, schedule 2.

Purpose

To meet the costs of the judicial management and wind-up in the event the company ceases to trade.

	2000-01	1999-00
	Actual	Actual
	\$	\$
Balance as at 1 July 2000	2,148,405	567,330
Add: Receipts from appropriations	-	-
Receipts from other sources	-	1,581,075
Less: Expenditure in 2000-01	-	-
Balance at end of the reporting period	2,148,405	2,148,405

Investments

The balance of investments at 30 June 2001 includes the following investments held in the corporate name of the Treasurer of the Commonwealth pursuant to subsection 93(1) of the *Insurance Act 1973* on behalf of the Trust.

Rate of Interest %	Date of maturity	Face value of investment \$	Cost of investment \$
9.75	15 March 2002	500,000	567,330
8.75	15 January 2001	1,500,000	1,581,075
Total investment		2,000,000	2,148,405

Part 5: Financial statements

Note 31: Special public money (continued)

Trustee companies (ACT) deposits trust fund

Legal authority

Trustee Companies Act 1947, subsection 10(1).

Purpose

For the purpose of administering the *Trustee Companies Act 1947* in relation to Trustee Companies.

	2000-01	1999-00
	Actual	Actual
	\$	\$
Balance as at 1 July 2000	127,263	124,363
Add: Receipts from appropriations	-	-
Receipts from other sources	-	44,023
Less: Expenditure in 2000-01	-	41,123
Balance at end of the reporting period	127,263	127,263

Investments

The balance of investments at 30 June 2001 includes the following investments held in the corporate name of the Treasurer of the Commonwealth pursuant to subsection 10(1) of the *Trustee Companies Ordinance 1947* on behalf of the Trust.

Rate of Interest %	Date of maturity	Face value of investment \$	Cost of investment \$
12	15 November 2001	20,000	21,897
10	15 October 2002	20,000	20,599
10	15 October 2002	20,000	22,127
9.5	15 August 2003	10,000	12,119
7.5	15 July 2005	30,000	30,313
7.5	15 July 2005	20,000	20,208
Total		120,000	127,263

Note 32: Reporting of outcomes

Reporting by outcomes

Outcomes	Outcome 1		Outcome 2		Outcome 3		Total
	Sound macroeconomic environment		Effective government spending and taxation arrangements		Well functioning markets		
	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000	
Net subsidies, benefits and grants expenses	-	-	25,978,629	27,671,002	139,131	139,265	26,117,760
Other administered expenses	46,219	50,378	-	-	16,000	656,549	706,927
Total net administered expenses	46,219	50,378	25,978,629	27,671,002	155,131	795,814	26,179,979
Add net cost of departmental outputs	18,223	16,983	26,464	26,148	27,226	25,670	71,913
Outcome before extraordinary items	64,442	67,361	26,005,093	27,697,150	182,357	821,484	26,251,892
Extraordinary items	-	-	-	-	-	-	-
Net cost to Budget outcome	64,442	67,361	26,005,093	27,697,150	182,357	821,484	26,251,892
Outcome specific assets deployed as at 30/6/01	7,959,231	8,875,644	1,655,649	1,658	8,057,918	8,686,083	17,672,798
Assets that are not outcome specific	-	-	-	-	-	-	-
Assets that are not outcome specific deployed as at 30/6/01	-	-	-	-	-	-	60,206
							65,093

Note 32: Reporting of outcomes (continued)

Major departmental revenues and expenses by outcome

	Outcome 1		Outcome 2		Outcome 3		Total	
	Output Group 1		Output Group 2		Output Group 3		Markets	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating revenues								
Revenues from government	18,223	18,621	26,464	29,129	27,226	26,685	71,913	74,435
Other non-taxation revenues	387	569	2,152	2,042	33,765	50,105	36,304	52,716
Total operating revenues	18,610	19,190	28,616	31,171	60,991	76,790	108,217	127,151
Operating expenses								
Employees	10,689	10,548	17,169	15,700	21,106	20,862	48,964	47,111
Suppliers	4,129	5,830	3,698	10,623	28,679	49,135	36,506	65,587
Depreciation	713	769	1,281	1,312	1,031	2,115	3,025	4,196
Other	1,857	404	5,995	554	6,728	3,664	14,580	4,622
Total operating expenses	17,388	17,552	28,143	28,189	57,544	75,776	103,075	121,516

The reporting of outcomes at the output level was not available for this financial year as the financial systems had not been configured for reporting at this level. As such, reporting was only available by outcomes with the allocation of costs for Corporate, Executive, Ministers and overheads being based on the average staffing levels. Reconfiguration of the financial systems will take place in 2001-02 to enable reporting at the output level for the 2001-02 Financial Statements.

Note 32: Major administered revenues and expenses by outcome

	Outcome 1		Outcome 2		Outcome 3		Total
	Sound macroeconomic environment		Effective government spending and taxation arrangements		Well functioning markets		
	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000	Budget \$'000	Actual \$'000	
Operating revenues							
Non-taxation							
Revenues from government	46,219	116,835	25,978,629	27,675,710	155,131	790,009	26,179,979
Dividends	9,717	803,084	-	-	900,000	-	909,717
Other	82,744	131,224	-	632,869	150,776	90,511	233,520
Total non-taxation	138,680	1,051,143	25,978,629	28,308,579	1,205,907	880,520	27,323,216
Total operating revenues	138,680	1,051,143	25,978,629	28,308,579	1,205,907	880,520	27,323,216
Operating expenses							
Subsidies	-	-	6,043	6,043	-	-	6,043
Grants	-	-	25,972,586	27,664,959	139,131	139,265	26,111,717
Other	46,219	50,378	-	-	16,000	656,549	62,219
Total operating expenses	46,219	50,378	25,978,629	27,671,002	155,131	795,814	26,179,979
							28,517,194

Note 33: Administered restructuring

Note 33A: Administered restructuring

In respect of programs and sub-programs relinquished, the following assets and liabilities were transferred:	2000-01 \$'000 AOFM(b)	1999-00 \$'000 AOFM(b)
Assets		
Cash	-	9,155
Receivables	-	3,358,845
Property, plant and equipment	-	-
Other	-	5,783,454
Total assets recognised	-	9,151,454
Liabilities		
Government securities	-	(89,053,503)
Interests	-	(2,788,392)
Other	-	(1,406,833)
Total liabilities recognised	-	(93,248,728)
Net (assets)/liabilities relinquished	-	(84,097,275)
Contribution by government	-	-
Net appropriation from restructuring	-	(84,097,275)

Note 33B: Administered restructuring

In respect of programs and sub-programs inherited, the following assets and liabilities were received:	2000-01 \$'000 ATO(b)
Assets	
Receivables	377,400
Total assets recognised	377,400
Contribution by government as owner during the period	377,400

Note 34: Administered waivers

	2000-01 \$	1999-00 \$
Administered		
Waivers		
Waivers of amounts owing to the Commonwealth were made pursuant to subsection 70C(2) of the Audit Act 1901. These were amounts payable by Victoria in relation to Commonwealth advances under the States (Works and Housing) Assistance Acts and Common	-	-

PART 6

OTHER STATISTICAL INFORMATION

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OCCUPATIONAL HEALTH AND SAFETY

The Occupational Health and Safety (Commonwealth Employment) Act 1991 and the *Safety, Rehabilitation and Compensation Act 1988* form the legislative basis of Occupational Health and Safety (OH&S) and Rehabilitation in the Treasury.

The departmental OH&S Committee continues to meet quarterly and comprises representatives from groups, units and the CPSU. The OH&S Committee members undertook training during 2000-01 to assist them with their responsibilities.

Treasury maintained a close occupational health and safety focus during the extensive refurbishment of the Treasury building, the first stage of which was completed in December 2000. The OH&S Committee played a prominent role during that process. The second stage of the refurbishment process is continuing and the OH&S Committee will maintain its involvement in this process.

As part of the refurbishment process, specialist OH&S consultants have been engaged to provide OH&S advice and workstation briefing sessions for staff. In addition to the briefing sessions, staff were provided with an opportunity to have an extended individual assessment of their workstation. The OH&S briefings were also conducted for staff relocating in the second stage of the refurbishment process in August 2001.

Matters dealt with by the Committee include occupational health and safety issues and policies, accommodation issues and accident and incident reports. The Committee also considers reports from the Employee Assistance Program (EAP) provider, Davidson Trahaire.

The EAP provides confidential counselling on work-related and personal matters to all Treasury staff members and their families. Quarterly reports provided by Davidson Trahaire allow Treasury to monitor the usage of the EAP and identify workplace issues that need to be addressed. During 2000-01 there were no significant issues identified for action.

During 2000-01, Treasury received 53 accident and incident reports (12 more than the number reported in 1999-2000), three were notifiable under section 68 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*. Nine of these accident and incidents resulted in compensation claims, one of which is yet to be determined. There were no notices given under sections 29, 46 and 47 of the Act this financial year. However, there were a number of incidents related to building work during the refurbishment period. These matters were attended to under the building works contract.

To prevent injuries in the workplace and to enhance the safety of staff members, workplace assessments are conducted regularly. The major types of accidents that are continuing to occur are occupational overuse syndrome, car accidents and sporting injuries. All accidents and incidents that are reported are investigated and action taken as necessary.

FREEDOM OF INFORMATION

As well as Freedom of Information (FOI) requests relating to the department's own activities, Treasury is responsible for handling Freedom of Information matters in respect of the Royal Australian Mint, the Foreign Investment Review Board and the Australian Office of Financial Management.

Treasury's statement under section 8 of the *Freedom of Information Act 1982* follows.

A statement under section 8 of the *Freedom of Information Act 1982* by the Australian Competition Tribunal (the Tribunal) follows the department's statement at page 241 of this report. The Tribunal is a separate agency within the Treasury portfolio for the purposes of the *Freedom of Information Act 1982* and its section 8 statement is published in this report as the Tribunal does not publish an annual report.

Treasury — Statement under section 8 of the *Freedom of Information Act 1982*

Section 8 of the *Freedom of Information Act 1982* requires that the department publish detailed information about:

- the way it is organised and its decision making powers;
- arrangements for public involvement in the work of the agency;
- types of documents held by the agency; and
- how the public can obtain access to these documents.

The following information addresses the formal requirements of section 8 of the *Freedom of Information Act 1982* in relation to the Department.

Organisation of Treasury

Details of Treasury's organisational and top management structure are set out on page 14 of this report. Treasury's functions, and the decision-making powers exercised in carrying out those functions, are described under the output entries.

Details of the organisation and structure of the Royal Australian Mint, the Foreign Investment Review Board and the Australian Office of Financial Management are published separately in the annual reports of each of those bodies. In summary, the Royal Australian Mint has responsibility for the provision of circulating and numismatic coin for Australia, while the Foreign Investment Review Board advises the Government on foreign investment policy and its administration.

The Australian Office of Financial Management is responsible for the Commonwealth's debt management operations which include debt issuance, portfolio management and debt administration.

Treasury delegations

The Treasurer has delegated certain powers to officials under a number of Acts of Parliament and Agreements. These delegations stand in force until renewed at an appropriate time. Delegated responsibilities to Treasury officials are listed below.

- The governing legislation of some Commonwealth statutory authorities provides the Treasurer with the discretionary power to guarantee their borrowings, and in some cases, to delegate his guarantee powers to officers of the Treasury. The Treasurer has previously delegated his powers to guarantee the borrowings of two Commonwealth statutory authorities (Air Services Australia and Australian National Railways) to the persons who from time to time hold, occupy or perform the duties of the offices of General Manager, Commonwealth-State Relations Division; Manager, Financial Relations Unit; Manager, Federal Analysis and Reporting Unit; and Manager, Commonwealth-State Taxation Unit.
- Under section 20 of the *States Grants (General Purposes) Act 1994*, the Treasurer has delegated the power to make payments of general revenue assistance and revenue replacement payments to the States to the persons who from time to time hold, occupy or perform the duties of the offices of General Manager, Commonwealth-State Relations Division; Manager, Financial Relations Unit; Manager, Federal Analysis and Reporting Unit; and Manager, Commonwealth-State Taxation Unit.
- Under section 21 of the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999* the Treasurer has delegated the power to make payments to the States under sections 18 and 19 of the Act to the persons who from time to time hold, occupy or perform the duties of the offices Executive Director, Budget Group; General Manager, Commonwealth-State Relations Division; and General Manager, Budget Policy Division.
- The Treasurer has delegated certain powers, under the *Disposal of Forfeited Articles Direction 1999*, to the Controller, Royal Australian Mint; and the Senior Manager, Currency Operations, Reserve Bank of Australia, pursuant to the definition of 'an authorised person' in subsection 3(1) of the *Crimes (Currency) Act 1981*.
- The Treasurer has delegated certain powers under the *Crimes (Currency) Authorisation 1999* to the General Manager, Financial Institutions Division; the Controller, Royal Australian Mint; and the Senior Manager, Currency Operations, Reserve Bank of Australia, pursuant to the definition of 'an authorized person' in subsection 3(1) of the *Crimes (Currency) Act 1981*.

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- The Treasurer has delegated the power under the *Currency Delegation 1999* to determine the issue price of coins of certain denominations under subsection 14A(2) of the *Currency Act 1965* to the Executive Director, Markets Group, and the General Manager, Financial Institutions Division.
- The authority to approve a range of essentially administrative matters provided for under the Gold Corporation Agreement between the Commonwealth and Goldcorp Australia relating to gold, platinum and silver coins has been delegated to the Executive Director, Markets Group and the General Manager, Financial Institutions Division.
- The Treasurer has authorised the General Manager and the Managers of the Foreign Investment Policy Division, to act on his behalf to approve and conditionally approve various proposals and in specific circumstances, to make an order under subsections 22(1) or 21A(2) of the *Foreign Acquisitions and Takeovers Act 1975*.
- The Treasurer has delegated to Treasury the authority to vote on routine matters arising from the Treasurer's Governorship of the International Monetary Fund the World Bank Group, the Asian Development Bank and the European Bank for Reconstruction and Development.
- The Treasurer holds certain delegated powers under the Constitution and the *Financial Management and Accountability Act 1997* in relation to departmental financial management. These powers are delegated to nominated departmental officers.
- The Minister for Financial Services & Regulation has delegated to the General Manager, Corporate Governance and Accounting Policy Division and the Specialist Adviser, Corporate Governance Unit, Corporate Governance and Accounting Policy Division the Minister's power under subsections 147(2) and 601DC(2) of the Corporations Law to consent to a name being available to a body corporate.
- The Assistant Treasurer, on behalf of the Treasurer, has delegated to a departmental officer the authorisation under section 35(1) of the *Archives Act 1983* relating to arrangements for exemption of records from open access period.
- The Minister for Finance and Administration has delegated to the Treasurer, the Secretary of the Treasury and other departmental officers the authorisation under section 56(2) of the *Archives Act 1983* for approval of access to records not in open access period.

Arrangements for outside participation

Persons or organisations outside the Commonwealth administration may participate in the formulation of policy or in the administration of enactments and schemes for which the department is responsible by making representations

in writing to the Treasury portfolio ministers, to the Secretary to the Treasury, or directly to agencies in the Treasury portfolio.

Additionally, the following arrangements also exist for participation by bodies outside the Commonwealth administration in the formulation of policy and the administration of enactments or schemes by the department.

Board of Taxation

The Board of Taxation is a non-statutory advisory body established by the Treasurer in August 2000 to advise on the design and operation of Australia's tax laws, with a particular focus on ensuring that there is full and effective community consultation in the design and implementation of tax legislation.

The Board comprises ten members, seven of whom are drawn from the business and community sectors, including the Chair. These members are appointed on a part-time basis and with a view to their ability personally to contribute a broad range of relevant business, practitioner and broader community knowledge and experience to the development of the tax system. The appointments are for two year terms and members may be re-appointed for a second term. Also serving on the Board as *ex officio* members are the Secretary to the Treasury, the Commissioner of Taxation and the First Parliamentary Counsel.

The function of the Board, as set out in its charter, is to provide advice to the Treasurer on:

- the quality and effectiveness of tax legislation and the processes for its development, including the processes of community consultation and other aspects of tax design;
- improvements to the general integrity and functioning of the taxation system;
- research and other studies commissioned by the Board on topics approved or referred by the Treasurer; and
- other taxation matters referred to the Board by the Treasurer.

The Treasury, with the assistance of the Australian Taxation Office, provides secretariat support to the Board.

Business Regulation Advisory Group

The Business Regulation Advisory Group was established by the Treasurer in May 1997 and is a non-statutory consultative body of nine part-time members who have been appointed from the Australian business community and the legal and accounting professions. These members provide advice in relation to initiatives under the Government's Corporate Law Economic Reform Program and related financial services reform legislation.

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The Corporate Law Economic Reform Program was announced by the Treasurer in March 1997. The Program is designed to refocus and improve laws governing Australian corporations and the financial markets to promote business and economic development. The Business Regulation Advisory Group provides an ongoing means of direct consultation with the business community on program position papers and draft legislation, providing input and opinions of their constituencies on any proposed changes.

Commonwealth Consumer Affairs Advisory Council

The Commonwealth Consumer Affairs Advisory Council is a non-statutory body that was established in May 1999 by the Minister for Financial Services & Regulation to provide him with independent advice on current and emerging consumer issues.

The Commonwealth Consumer Affairs Advisory Council comprises eight members, including a Chair. Members are selected on the basis of their appreciation of the range of consumer perspectives. All members serve as individuals in their own right, rather than as representatives of organisations or interest groups.

The Commonwealth Consumer Affairs Advisory Council investigates, advises and reports to the Minister on consumer issues referred to them by the Minister. The Commonwealth Consumer Affairs Advisory Council meets on a regular basis.

Companies and Securities Advisory Committee

The Companies and Securities Advisory Committee (CASAC) was established under Part 9 of the *Australian Securities and Investments Commission Act 1989* (the ASIC Act) in September 1989.

CASAC is a body corporate, comprising part-time members appointed by the Treasurer. Members are selected from throughout Australia on the basis of their knowledge of, or experience in, business, the administration of companies, the financial markets, law, economics or accounting. The Chairman of the Australian Securities and Investments Commission (ASIC) is an ex-officio member of the Advisory Committee by the operation of section 147 of the ASIC Act.

The functions of CASAC, set out in subsection 148(1) of the ASIC Act, are, on its own initiative or when requested by the Minister, to advise and make such recommendations as it thinks fit, about any matter connected with:

- a proposal to make a national scheme law, or to make amendments of a national scheme law;
- the operation or administration of a national scheme law;
- law reform in relation to a national scheme law;

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- companies, securities or the futures industry; or
- a proposal for improving the efficiency of the securities markets or futures markets.

In fulfilling these functions, CASAC seeks to stimulate and lead public debate on the enhancement of standards for corporations and participants in financial markets, and propose suitable regulatory reform when necessary.

To achieve its statutory objectives, CASAC is assisted by its legal sub-committee and considers public submissions on its discussion papers. It seeks to ensure that all interested persons in the commercial community have an adequate opportunity to make submissions on particular matters and otherwise express their views to CASAC.

The Financial Services Reform Bill, introduced into the Parliament on 5 April 2001, proposes amendments to the *Australian Securities & Investment Commission Act* to change CASAC's name to the Corporations and Markets Advisory Committee and broaden its mandate to include matters connected with the financial products and financial services industry and proposals for improving the efficiency of the financial markets.

Financial Sector Advisory Council and Task Force

The Financial Sector Advisory Council (FSAC) is a non-statutory body established in April 1998 by the Treasurer as part of the Government's response to the Financial System Inquiry. FSAC brings together a broad range of expert views from the financial sector to provide advice to the Government on policies to facilitate the growth of a strong and competitive financial system. In addition, FSAC will conduct a detailed evaluation of the financial sector reforms five years after they commenced in July 1998.

The Treasurer appoints members to FSAC in their personal capacity for two years, subject to their continued involvement in the relevant area of the financial sector.

FSAC can act on their own motion or upon a reference from the Government. Submissions made to FSAC, together with their recommendations to Treasury ministers, are confidential.

The Treasury provides secretariat support to FSAC.

Consultation arrangements regarding economic conditions

Treasury officers conduct regular private discussions with companies and organisations in order to monitor, analyse and report on economic conditions and prospects. Regular briefing and analysis of liaison findings are provided to the Treasurer.

Categories of documents held by the Treasury

The following categories of documents are held by the Treasury.

Representations to Treasury portfolio ministers

Treasury holds representations made to Treasury ministers on matters falling within their portfolio responsibilities, including:

- Borrowing money on the public credit of the Commonwealth
- Business law and practice
- Census and statistics
- Commonwealth-State financial relations
- Consumer affairs
- Corporate and securities law
- Corporate insolvency
- Currency and legal tender
- Economic, fiscal and monetary policy
- Excise
- Financial sector policy
- Foreign exchange
- Foreign investment in Australia
- International economic conditions
- Prices surveillance
- Structural reform
- Superannuation
- Taxation
- Valuation services

Working files

Treasury holds files dealing with policy and administration in each of the areas falling within the responsibilities of the Treasury portfolio detailed in the preceding paragraph. The documents on these files include correspondence, analysis and policy advice by Treasury officers, comments on cabinet submissions and drafts of these and other documents.

An indexed list of the titles of the policy files created in the Treasury is placed on the Treasury website (www.treasury.gov.au) every six months.

Documents on internal departmental administration

Treasury holds a broad range of documents relating to staff and to the organisation and operation of the department. These documents include personal records, organisation and staffing records, financial and expenditure records, and internal operating documentation such as office procedures and instructions.

Program documents

Treasury holds documents relating to grants that it provides to other levels of government and to certain organisations under the programs it administers.

Documents open to public access subject to a fee or a charge or available free of charge upon request

A detailed listing of Treasury documents published during the year and available on request — publications, papers, plans and annual reports — are available on the Treasury website (www.treasury.gov.au), or from the Government Info Shops in each capital city.

Facilities for access to documents

If a member of the public requests a document and access is approved, Treasury will provide copies of documents after receiving the payment of any charges that apply.

Alternatively, applicants may make arrangements to inspect documents at the Treasury, Langton Crescent, Parkes ACT between 9.00 am and 5.00 pm, Monday to Friday (except public and public service holidays).

Freedom of information applications and initial contact points

Corporate Services Division coordinates requests under the *Freedom of Information Act 1982*. Applicants seeking access under the Act to documents in the possession of Treasury should apply in writing to:

The Secretary
Department of the Treasury
Langton Crescent
PARKES ACT 2600
Attention: Freedom of Information Coordinator

Requests should be accompanied by an application fee of \$30 or a written request, pursuant to subsection 30A(1) of the Act, that the application fee be waived. Telephone inquiries should be directed to the Freedom of Information Coordinator, telephone (02) 6263 3972, between 9.00 am and 5.00 pm Monday to Friday (except public or public service holidays).

Officers of the senior executive service in Treasury have been authorised under section 23 of the *Freedom of Information Act 1982* to make decisions granting or refusing requests for access to documents. In accordance with section 54 of the Act, an applicant may, within 30 days of receiving notification of a decision under the Act, apply to the Secretary to the Treasury, seeking an internal review of a decision to refuse a request. The application should be accompanied by the prescribed fee of \$40. A Treasury officer who has been authorised under

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section 23 to make decisions on internal review (usually an Executive Director) will conduct an independent review.

Freedom of Information activity in 2000-01

In 2000-01, Treasury received sixteen requests for access to documents under the *Freedom of Information Act 1982*, compared with thirty-six requests in 1999-2000. Further details are set out in Table 15.

Table 15: Freedom of Information statistics 2000-01

Description	Number
Requests received^(a)	
On hand at 1/7/00	9
Received	16
Breakdown across Treasury	
Treasurer	0
Executive	0
Budget Group	7
Economic Group	0
Markets Group	9
Corporate Services Division	0
Action on requests	
Access in full	4
Access in part	2
Access refused or no documents located	6
Transferred in whole ^(b)	3
Withdrawn/Lapsed	7
Current as at 30/6/01	3
Internal review	
Applications	1
Review by Administrative Appeals Tribunal^(c)	
Outstanding at 1/7/00	1
New applications	0
Withdrawn	0
Fees and Charges	
Total application fees collected	\$460
Total charges collected	\$3,351
Total application fees and charges collected	\$3,811

(a) A request does not include an internal review or an appeal to the Administrative Appeals Tribunal.

(b) Section 16 of the Freedom of Information Act provides that, as far as possible, the most appropriate agency will deal with an Freedom of Information request, regardless of which agency receives it.

(c) Details are provided on page 123.

Australian Competition Tribunal — Statement under section 8 of the *Freedom of Information Act 1982*

The Tribunal is an agency within the Treasury portfolio and its section 8 statement is published in this report as the Tribunal does not publish an annual report.

Establishment

The Tribunal was established under the *Trade Practices Act 1965* and continues under the *Trade Practices Act 1974* (the Act). Prior to 6 November 1995, the Tribunal was known as the Trade Practices Tribunal.

Organisation

The Tribunal consists of a president and such number of deputy presidents and other members as are appointed by the Governor-General. A presidential member must be a Judge of a Federal Court. Other members must have knowledge of or experience in industry, commerce, economics, law or public administration. For the purposes of hearing and determining proceedings, the Tribunal is constituted by a presidential member and two non-presidential members. Currently, all presidential members are Judges of the Federal Court of Australia.

The Tribunal has no staff or physical resources of its own. The funds appropriated by the Parliament for the purposes of the Tribunal are managed by the Federal Court of Australia. Registry services and administrative support for the Tribunal are provided by staff of the Federal Court of Australia. The basic role of the Registry is to receive documents, arrange Tribunal sittings and general administration.

Functions and powers

The Tribunal is a review body. A review by the Tribunal is a rehearing or a reconsideration of a matter and it may perform all the functions and exercise all the powers of the original decision-maker for the purposes of review. It can affirm, set aside or vary the decision.

The Tribunal hears applications for review of determinations of the Australian Competition and Consumer Commission (ACCC) granting or revoking authorisations. Authorisations are granted by the ACCC permitting conduct and arrangements (including company mergers and acquisitions) to be carried on that would otherwise be prohibited under the Act because of their anti-competitive effect.

The Tribunal hears applications for review of certain decisions of the minister or the ACCC in access matters. The Act establishes a legislative regime to facilitate

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third party access to the services of certain essential facilities of national significance, such as electricity grids or natural gas pipelines.

The Tribunal also hears applications for review of determinations of the ACCC in relation to notices given by the ACCC under section 93 of the Act regarding exclusive dealing.

The Tribunal also has power to inquire into and report to the minister on whether a non-conference ocean carrier has a substantial degree of market power on a trade route.

Arrangements for outside participation

Tribunal review proceedings, except under special circumstances, take place in public.

When a new review application is made to the Tribunal, the Tribunal ascertains from the ACCC or the National Competition Council the persons or bodies who made submissions to, or registered their interest with, the ACCC or the National Competition Council in relation to the decision sought to be reviewed. The Tribunal directs the applicant to serve the application on each of these persons and bodies. At the same time, these persons and bodies are informed of the date on which the application will first come before the Tribunal, and of their entitlement to seek leave of the Tribunal to intervene in the proceedings.

The Tribunal may, upon conditions, permit a person to intervene in the proceedings before the Tribunal.

Those participating in proceedings may appear on their own behalf, or represent the firm which employs them or association to which they belong, subject to approval by the Tribunal, or, if they wish, may be represented by a barrister or solicitor.

Categories of documents held by the Tribunal

The Tribunal maintains the following categories of documents:

- documents lodged with the Registrar in respect of particular proceedings, including applications, notices of appearance, statements of facts and contentions and witness statements;
- correspondence concerning particular proceedings before the Tribunal;
- the Tribunal's decisions and reasons for decisions;
- reports on Tribunal inquiries into shipping matters;
- register of applications made to the Tribunal;
- documents concerning administrative and financial aspects of the Tribunal's operations; and

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- general correspondence.

The following categories of documents may be inspected by the public, in accordance with the Act, free of charge upon request:

- documents lodged with the Registrar in respect of particular proceedings (except where the Act or the Tribunal restricts public access on the ground of confidentiality);
- the Tribunal's decisions and reasons for decisions;
- reports on the Tribunal's inquiries into shipping matters; and
- the register of applications made to the Tribunal.

Copies of the above four categories of document may be obtained by the public upon payment of the fees set out in the Trade Practices Regulations.

Facilities for access to documents

Facilities are provided for access to documents at the Tribunal address below. This office is open from 9.00 am to 4.00 pm, Monday to Friday (except public and public service holidays).

If an applicant for access does not reside in Sydney, consideration will be given to alternative arrangements with a view to reducing inconvenience to the applicant.

Freedom of information applications and initial contact points

General inquiries relating to freedom of information should be directed to the Registrar at the following address:

Registrar	Telephone: (02)	9230	8567
Australian Competition Tribunal	Facsimile: (02)	9230	8535
Level 16	DX:	613 — Sydney	
Law Courts Building			
Queens Square			
SYDNEY NSW 2000			

The Registrar of the Tribunal, as principal officer, has power under the *Freedom of Information Act 1982* to deny access to a document.

Freedom of Information activity in 2000-01

The Tribunal did not receive any requests for access to documents under the *Freedom of Information Act 1982* in 2000-01.

ADVERTISING AND MARKET RESEARCH

Table 16: 2000-01 Treasury expenditure for advertising

Vendor	Purpose	Cost (\$)
Advertising Investment Services Pty Limited (AIS Media)	Advertisement on GST payments to the States and Territories	14,066
Advertising Investment Services Pty Limited (AIS Media)	Advertisement calling for written submissions to the Definition of Charities Inquiry	21,809
Advertising Investment Services Pty Limited (AIS Media)	Development and placement of non-campaign advertising for GST Start-Up Assistance Office	195,803
Advertising Investment Services Pty Limited (AIS Media)	Advertising the Australian E-Commerce Best Practice Model	42,301
Advertising Investment Services Pty Limited (AIS Media)	Advertising www.consumersonline.gov.au	4,410
Asia Money	Advertising, July 2000 edition Advertorial in a pre-Olympic supplement. International distribution.	25,943
Australian Banking and Finance	Advertising, July 2000 edition Advertorial. Magazine is distributed throughout the Australian and International Investment Commissioner's network	5,990
Biddle Ogle Anderson & Co (part of Mitchell Media)	Received payment on behalf of Mitchell Media Partners, the Commonwealth's master agency for media planning and placement	26,944
First Charlton Communication Pty Ltd	Advertising promotional campaign on Australia's attributes as a financial centre. Features executives of global financial services firms based in Australia.	215,490
KidsMedia	BUZZ for Kids magazine, article concerning consumer youth issues.	14,000
KidsMedia	'Buzzing around the Net', column outlining Consumers Online resources	1,900
Mitchell Media Partners Pty Ltd	Information and Implementation of 1 July 2001 Tax Changes	1,424,263
Mitchell Media Partners Pty Ltd	To plan and place an advertising campaign relating to the HIH hardship relief initiative	1,081,014
Starcom Worldwide (Australia) Pty Limited	Advertisement on GST payments to the States and Territories	3,238
The Good Guides Group	Placement of information and website banner advertising on commercial youth website	30,000
US Daily News	Advertising 'Report on Sydney' June-July 2001. Advertorial piece in leading New York paper on financial centre initiative	31,950
Washington Post	Advertising 'Australia 2001' June-July 2001. Advertorial in a supplement on Australia. Includes interview with Axiss CEO Les Hosking.	37,557
Whybin TBWA & Partners Pty Ltd	Information and Implementation of 1 July 2001 Tax Changes	519,498
Worthington Di Marzio	Information and Implementation of 1 July 2001 Tax Changes	58,520
Total		3,754,696

Note: Advertising for the Information and Implementation of 1 July 2001 Tax Changes — While expenditure for this item occurred during 2000-01, it relates to the 2001-02 financial year.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

In January 2001, Treasury moved into newly refurbished accommodation at the western end of the Treasury Building. The newly refurbished accommodation has a number of innovations that will allow Treasury to meet and improve on targets relating to government policy on environmental issues.

The department is a member of the Australian Public Service EcoNet committee and actively participates in government sponsored environmental management initiatives. In addition, the department holds membership of the Facilities Management Association, which facilitates the exchange of ideas and information relating to all aspects of building management, including environmental management and efficiency.

Paper and cardboard products

Treasury has been active in recycling paper and cardboard products for a number of years. The department utilises desktop and workplace containers to collect paper and cardboard products, which in turn are collected by a local recycling firm. The department also recycles classified waste paper into pulp. Additionally, Treasury's kitchen facilities have recycling bins that simplify the task of separating recyclable items that previously would have been sent to landfill. It is estimated that this practice has reduced the amount of Treasury's waste previously sent to landfill, by over 30 per cent.

In addition to recycling paper and cardboard products, the department's central reproduction area procures paper that is made from 80 per cent recycled fibre and actively encourages other areas of the department to use recycled paper.

Toner cartridges

Treasury currently uses genuine printer and facsimile toner cartridges which, after being used, are returned to the supplier for recycling.

Compostable recycling

All kitchens in the refurbished accommodation have compostable waste containers to simplify the task of disposing of compostable material. This has led to an increase in the amount of this type of waste that is being recycled. The service enables compostable waste which would normally be sent to landfill to be recycled organically. In the 12 months to the end of June 2001, the department recycled 1324 kilograms of compostable waste. This represents an increase of 27 per cent when compared with the previous 12 months.

Part 6: Other statistical information

Procurement

Treasury purchases goods and services in accordance with the environmental procurement policy as set out in the *Commonwealth Procurement Guidelines*. This ensures that goods and services are:

- environmentally sound in manufacture;
- are reusable or recyclable;
- are designed and made for reliability and long life; and
- meet environmental best practice in energy efficiency or energy consumption.

The department is currently negotiating the renewal of its electricity contract, a proportion of which will be green power.

Energy efficiency systems

Building management system

The Treasury building is controlled by a building management system that provides energy management and reporting and separate metering of selected main energy consuming regions.

Energy audit

Treasury recently completed an energy review and audit of the Treasury Building tenancy. The report reviewed design specifications and actual performance and made recommendations for further improving energy usage. The report will provide a working Energy Management Plan that reflects the aspirations of Treasury towards responsible energy management.

Lighting

Timer switches control all general lighting in the refurbished Treasury accommodation. This enhancement ensures that lights are only operational during standard working hours. After hours lighting is controlled by manually operated pass switches which turn on lights in specific areas of the building for periods of up to two hours.

Following the installation of the lighting control system, the department commissioned an energy audit of the new accommodation. Preliminary findings indicate that electricity consumption has decreased by between 10 and 15 per cent.

DISCRETIONARY GRANTS

In 2000-01 Treasury administered one discretionary grant which was a prize to the value of \$500. The Securities Institute's National prize, for the Mergers and Acquisitions subject, is sponsored by the Corporations and Securities Panel.

Acronyms

Acronyms

AASB	Australian Accounting Standards Board
AAT	Administrative Appeals Tribunal
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ADB	Asia Development Bank
AGA	Australian Government Actuary
AISF	Australian Independent Superannuation Fund
ANAO	Australian National Audit Office
ANCP	Australian National Contact Point
AOFM	Australian Office of Financial Management
APEC	Asia-Pacific Economic Cooperation
APRA	Australian Prudential Regulation Authority
APS	Australian Public Service
APS	Australian Public Service
ASEAN	Association of South East Asian Nations
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
AWAs	Australian Workplace Agreements
BAS	Business Activity Statements
CASAC	Companies and Securities Advisory Committee
CEO	Chief Executive Officer
CGT	Capital Gains Tax
CMI	Chiang Mai Initiative
COAG	Council of Australian Governments
CPSU	Community and Public Sector Union
CSD	Corporate Services Division
DIRKS	Developing and Implementing Records Keeping System
DTAs	Double taxation agreements
EAP	Employee Assistance Program
EBRD	European Bank for Reconstruction and Development
EEO	Equal Employment Opportunity
EL	Executive Level
EL2	Executive Level 2
EVO	Independent Evaluation Office
FEMM	South Pacific Forum Economic Ministers' Meeting
FID	Financial Institutions Duty
FIRB	Foreign Investment Review Board
FMA	<i>Financial Management and Accountability Act 1997</i>
FOI	Freedom of Information

Acronyms

FSAC	Financial Sector Advisory Council
FSF	Financial Stability Forum
FTA	Free Trade Agreement
G20	Group of Twenty
GFS	Government Finance Statistics
GST	Goods and Services Tax
GSTSAO	GST Start-Up Assistance Office
HIH	HIH Claims Support
HIPC	Heavily Indebted Poor Countries
HR	Human Resource
IAP	Individual Action Plan
IMF	International Monetary Fund
IT	Information Technology
MCM	Ministerial Council Meeting
MFG	Manila Framework Group
MYEFO	Mid-Year Economic and Fiscal Outlook
NCP	National Competition Policy
NTER	National Tax Equivalent Regime
OECD	Organisation for Economic Co-operation and Development
OH&S	Occupational Health and Safety
PAYG	Pay As You Go
PBS	Portfolio Budget Statements
PNG	Papua New Guinea
PSMPC	Public Service and Merit Protection Commission
R&D	Research and Development
RBA	Reserve Bank of Australia
SEB	Senior Executive Band
SES	Senior Executive Service
SMECEs	Small and medium enterprises and community sector and educational bodies
TPA	<i>Trade Practices Act 1974</i>
TVM	Tax Value Method
WRC	Workplace Relations Committee

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