



Part 01

Overview

Secretary's review

This annual report shows the scope and gravity of Treasury's work as the Australian Government's leading economic policy adviser.

We have an important role in government, providing frank advice and sound economic analysis to improve the wellbeing of 25 million Australians. Our brief is broad covering the international and domestic economy, fiscal strategy and taxation policy. We also take the policy lead in crucial areas such as financial services, foreign investment and structural reform to support growth in living standards.

Treasury is responsible for the Federal Budget and the Mid-Year Economic and Fiscal Outlook — statements that demand excellent advice, good processes and policy coordination on a large scale. Treasury is responsible for around a quarter of the primary legislation that goes through Parliament, predominantly dealing with taxation and financial services. Treasury is a central policy agency with responsibility for 13 portfolio agencies.

In the past year, we provided advice on a series of tax reforms. This included significant changes to the personal income tax framework, better targeting the research and development tax incentive and proposed changes to the way the GST is distributed between the states and territories. We are also coordinating a whole-of-government strategy to tackle problems associated with the black economy.

We contributed expert papers to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. We aided public debate across a range of topics such as population growth and immigration, best practice modelling and the implications of US corporate tax reforms for the Australian and global economy.

Given the global economic backdrop, Treasury's program of international engagement is central to our role. We continue to have influence and draw understanding through our international postings with senior staff in key locations including London, Washington DC and Beijing.

Treasury's staff continue to provide high-quality policy advice and we continue to provide them with practical and meaningful support to perform well. This year, we put in place a new performance system that supports and improves individual and organisational outcomes. We also continued our focus on diversity and inclusion. We established a five-year Indigenous Employment and Retention Strategy and staff created a Culturally and Linguistically Diverse Network. We also welcomed Koomarri — an organisation specialising in supporting people with disability — back into the Treasury team.



Philip Gaetjens
Secretary

I would like to acknowledge my predecessor Mr John Fraser for his remarkable 25-year contribution to Treasury — the past three and a half years as Secretary. Mr Fraser leaves a lasting legacy including of improving budget outcomes and increased outreach and accessibility to Treasury through our state offices.

Treasury is an outstanding and rewarding place to work. It is a privilege to lead Treasury and introduce this report.

A handwritten signature in black ink, appearing to read 'P Gaetjens', with a stylized flourish at the end.

Philip Gaetjens
Secretary to the Treasury

Departmental overview

Purpose

The Treasury aspires to be the pre-eminent economic adviser to the Government and, in essence, our purpose is to promote fiscal sustainability; increase productivity; and secure the benefits of global economic integration.

Outcome responsibility

The Treasury *Portfolio Budget Statements 2017-18* outcome is:

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

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

- 1. Macroeconomic Group**
- 2. Markets Group**
- 3. Fiscal Group**
- 4. Revenue Group**
- 5. Structural Reform Group**
- 6. Corporate Services and Business Strategy Group**

Figure 1: Treasury Group senior management as at 30 June 2018

SECRETARY: JOHN FRASER											
 MACROECONOMIC GROUP	<p>Deputy Secretary: Nigel Ray International Policy and Engagement Division — Division Head: Lisa Elliston Macroeconomic Conditions Division — Division Head: Angelia Grant A/g Macroeconomic Modelling and Policy Division — Division Head: Jim Hagan</p> <p>Overseas operations</p> <table border="0"> <tr> <td>Washington: Marty Robinson</td> <td>Jakarta: Katherine Tuck</td> </tr> <tr> <td>OECD (Paris): Russ Campbell</td> <td>New Delhi: Ashley Bell</td> </tr> <tr> <td>London: Sam Reinhardt</td> <td>Papua New Guinea: Aidan Storer</td> </tr> <tr> <td>Tokyo: Brenton Goldsworthy</td> <td>Indonesia: Bede Moore</td> </tr> <tr> <td>Beijing: David Woods</td> <td></td> </tr> </table>	Washington: Marty Robinson	Jakarta: Katherine Tuck	OECD (Paris): Russ Campbell	New Delhi: Ashley Bell	London: Sam Reinhardt	Papua New Guinea: Aidan Storer	Tokyo: Brenton Goldsworthy	Indonesia: Bede Moore	Beijing: David Woods	
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Tokyo: Brenton Goldsworthy	Indonesia: Bede Moore										
Beijing: David Woods											
 MARKETS GROUP	<p>Deputy Secretary: John Lonsdale Australian Government Actuary — Manager: Guy Thorburn Consumer and Corporations Policy Division — Division Head: Liz Williamson Foreign Investment Division — Division Head: Roger Brake Financial System Division — Division Head: Diane Brown Takeovers Panel — Director: Allan Bulman</p>										
 FISCAL GROUP	<p>Deputy Secretary: Michael Brennan Budget Policy Division — Division Head: Jonathan Rollings A/g Commonwealth-State Relations Division — Division Head: Kate Phipps Retirement Income Policy Division — Division Head: Robert Jeremenko Social Policy Division — Division Head: Vicki Wilkinson</p>										
 REVENUE GROUP	<p>Deputy Secretary: Maryanne Mrakovic Board of Taxation Secretariat — Chief Executive Officer: Karen Payne Corporate and International Tax Division — Division Head: Paul McCullough Individuals and Indirect Tax Division — Division Head: Marisa Purvis-Smith Law Design Office — Division Head: Simon Writer A/g Tax Analysis Division — Division Head: Matt Brine Tax Framework Division — Division Head: Graeme Davis A/g</p>										
 STRUCTURAL REFORM GROUP	<p>Deputy Secretary: Meghan Quinn Chief Adviser: Dan Andrews Chief Adviser: Hamish McDonald</p>										
 CORPORATE SERVICES AND BUSINESS STRATEGY GROUP	<p>Deputy Secretary: Matt Flavel Chief Financial Officer Division — Division Head: Robert Twomey Communications and Parliamentary Division — Division Head: Shannon Kenna Information Services Division — Division Head: Mike Webb A/g People and Organisation Strategy Division — Division Head: Phoebe Burgess</p> <p>Sydney Office — Head: Warren Tease Melbourne Office — Head: Michelle Dowdell Perth Office — Head: Chris Stavrianou</p>										

Figure 2: Treasury outcome and program structure as at 30 June 2018

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

Groups within the Treasury include specialist divisions that are responsible for delivering identified programs to achieve its outcome.

Program 1.1: Department of the Treasury	
Macroeconomic Group	International Policy and Engagement Division Macroeconomic Conditions Division Macroeconomic Modelling and Policy Division
Markets Group	Australian Government Actuary Consumer and Corporations Policy Division Foreign Investment Division Financial System Division Takeovers Panel
Fiscal Group	Budget Policy Division Commonwealth-State Relations Division Retirement Income Policy Division Social Policy Division
Revenue Group	Board of Taxation Secretariat Corporate and International Tax Division Individuals and Indirect Tax Division Law Design Office Tax Analysis Division Tax Framework Division
Structural Reform Group	Competition Policy Industry Policy
Corporate Services and Business Strategy Group	Chief Financial Officer Division Communications and Parliamentary Division Information Services Division People and Organisation Strategy Division
Program 1.2: Payments to international financial institutions	
Macroeconomic Group: International Policy and Engagement Division	
Program 1.3: Support for markets and business	
Markets Group: Financial System Division	
Program 1.4: General revenue assistance	
Fiscal Group: Commonwealth-State Relations Division	
Program 1.5: Assistance to the states for healthcare services	
Fiscal Group: Commonwealth-State Relations Division	
Program 1.6: Assistance to the states for skills and workforce development	
Fiscal Group: Commonwealth-State Relations Division	
Program 1.7: Assistance to the states for disability services	
Fiscal Group: Commonwealth-State Relations Division	
Program 1.8: Assistant to states for affordable housing	
Fiscal Group: Commonwealth-State Relations Division	
Program 1.9: National partnership payments to the states	
Fiscal Group: Commonwealth-State Relations Division	

Financial Performance

The Treasury has a sound financial position, with sufficient cash reserves to fund its debts as and when they fall due. After adjusting for depreciation, amortisation and changes in asset revaluation reserves, the Treasury reported an operating surplus of \$3.2 million in 2017-18, which was driven by underspends in sustained functions, overheads, reserves and one-off activities, rather than the base functions of the Treasury. This compares with an operating surplus of \$3.3 million in 2016-17 after adjusting for depreciation, amortisation and changes in asset revaluation reserves. The Treasury’s administered expenses in 2017-18 were \$133.9 billion, compared with \$94.5 billion in 2016-17. The first Medicare Guarantee Fund payment was processed in 2017-18 for the amount of \$34.8 billion.

The Treasury received an unmodified audit report on the 2017-18 financial statements from the Australian National Audit Office. These statements are in *Part 4 Financial statements*.

Figure 3: Treasury portfolio outcome and program structure as at 30 June 2018

<p>Portfolio Minister — Treasurer The Hon Scott Morrison MP</p> <p>Minister for Revenue and Financial Services The Hon Kelly O’Dwyer MP</p> <p>Assistant Minister to the Treasurer The Hon Michael Sukkar MP</p>
<p style="text-align: center;">Department of the Treasury Secretary, Mr John Fraser</p> <p>Outcome 1: Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations.</p> <p>Program 1.1: Department of the Treasury Program 1.2: Payments to international financial institutions Program 1.3: Support for markets and business Program 1.4: General revenue assistance Program 1.5: Assistance to the states for healthcare services Program 1.6: Assistance to the states for skills and workforce development Program 1.7: Assistance to the states for disability services Program 1.8: Assistant to states for affordable housing Program 1.9: National partnership payments to the states</p>
<p style="text-align: center;">Australian Bureau of Statistics Statistician, Mr David W Kalisch</p> <p>Outcome 1: Decisions on important matters made by Governments, business and the broader community are informed by objective, relevant and trusted official statistics produced through the collection and integration of data, its analysis, and the provision of statistical information.</p> <p>Program 1.1: Australian Bureau of Statistics</p>
<p style="text-align: center;">Australian Competition and Consumer Commission Chairman, Mr Rod Sims</p> <p>Outcome 1: Lawful competition, consumer protection, and regulated national infrastructure markets and services through regulation, including enforcement, education, price monitoring and determining the terms of access to infrastructure services.</p> <p>Program 1.1: Australian Competition and Consumer Commission Program 1.2: Australian Energy Regulator</p>

Figure 3: Treasury portfolio outcome and program structure as at 30 June 2018 (continued)

<p style="text-align: center;">Australian Office of Financial Management Chief Executive Officer, Mr Robert Nicholl</p> <p>Outcome 1: The advancement of macroeconomic growth and stability, and the effective operation of financial markets, through issuing debt, investing in financial assets and managing debt, investments and cash for the Australian Government.</p> <p>Program 1.1: Australian Office of Financial Management</p>
<p style="text-align: center;">Australian Prudential Regulation Authority Chairman, Mr Wayne Byres</p> <p>Outcome 1: Enhanced public confidence in Australia's financial institutions through a framework of prudential regulation that balances financial safety and efficiency, competition, contestability and competitive neutrality and, in balancing these objectives, promotes financial system stability in Australia.</p> <p>Program 1.1: Australian Prudential Regulation Authority</p>
<p style="text-align: center;">Australian Securities and Investments Commission Chairman, Mr James Shipton</p> <p>Outcome 1: Improved confidence in Australia's financial markets through promoting informed investors and financial consumers, facilitating fair and efficient markets and delivering efficient registry systems.</p> <p>Program 1.1: Australian Securities and Investments Commission</p> <p>Program 1.2: <i>Banking Act 1959, Life Insurance Act 1995</i>, unclaimed monies and special accounts</p>
<p style="text-align: center;">Australian Taxation Office Commissioner, Mr Chris Jordan AO</p> <p>Outcome 1: Confidence in the administration of aspects of Australia's taxation and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law.</p> <p>Program 1.1: Australian Taxation Office</p> <p>Program 1.2: Tax Practitioners Board</p> <p>Program 1.3: Australian Business Register</p> <p>Program 1.4: Australian Charities and Not-for-profits</p> <p>Program 1.5: Australian Screen Production Incentive</p> <p>Program 1.6: Exploration Development Incentive</p> <p>Program 1.7: Fuel Tax Credits Scheme</p> <p>Program 1.8: National Rental Affordability Scheme</p> <p>Program 1.9: Product Stewardship for Oil</p> <p>Program 1.10: Research and Development Tax Incentive</p> <p>Program 1.11: Low Income Superannuation Tax Offset</p> <p>Program 1.12: Private Health Insurance Rebate</p> <p>Program 1.13: Superannuation Co-contribution Scheme</p> <p>Program 1.14: Superannuation Guarantee Scheme</p> <p>Program 1.15: Targeted assistance through the taxation system</p> <p>Program 1.16: Interest on Overpayment and Early payments</p> <p>Program 1.17: Bad and Doubtful Debts and Remissions</p> <p>Program 1.18: Other Administered</p>

Figure 3: Treasury portfolio outcome and program structure as at 30 June 2018 (continued)

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