THE TREASURY

ANNUAL REPORT
2013-14

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Australian Government

The Treasury

Dr Martin Parkinson PSM
Secretary

Hon. J. B. Hockey MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

I am pleased to present the annual report of the Treasury for the year ended 30 June 2014.

This report has been prepared in accordance with section 63 of the *Public Service Act 1999*. Subsection 63 (1) of the Act requires that the Secretary to the department is to provide a copy of the report to the 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.

The report includes the Treasury's audited financial statements as required by section 57 of the *Financial Management and Accountability Act 1997*.

In addition, and as required by the Commonwealth Fraud Control Guidelines, I certify that I am satisfied that the Treasury has in place appropriate fraud control mechanisms that meet the Treasury's needs and that comply with the guidelines applying in 2013-14.

Yours sincerely

Martin Parkinson
3 October 2014

CONTENTS

LIST OF TABLES

List of figures and charts

INTRODUCTION AND GUIDE TO THE REPORT

The Treasury Annual Report 2013-14 outlines performance against outcomes, programmes and performance information contained in the *Treasury Portfolio Budget Statements 2013-14* and the *Treasury Portfolio Additional Estimates Statements 2013-14.*

The 2013-14 annual report includes the reporting requirements and financial accounts for the Australian Government Actuary. The financial accounts for the Foreign Investment Review Board and Takeovers Panel are also included in this report, along with limited performance reporting. More comprehensive performance reporting may be found in their respective annual reports.

Part 1 includes a summary of significant issues and developments during 2013-14, and an overview of the Treasury's performance. The departmental overview in Part 1 details the Treasury's role and functions, senior management structure, organisational structure and portfolio structure.

Part 2 provides an analysis of performance against the Treasury's policy outcomes and programmes.

Part 3 reports on management and accountability issues as required under the annual report guidelines.

Part 4 presents the audited financial statements of the Treasury as required under the annual report guidelines.

Part 5 includes other information as required under the annual report guidelines.

The report concludes with a glossary, a list of abbreviations and acronyms and an index to the report.

OTHER SOURCES OF INFORMATION

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

CONTACT DETAILS

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PART **ONE**

OVERVIEW

SECRETARY'S REVIEW

The last 12 months have been a period of transition for the Australian and international economies, and has seen further transformation of the Treasury and its operating environment.

After a period of subdued growth, economic activity strengthened noticeably in the United States, United Kingdom and Japan, while remaining weak in Europe as a whole. Emerging economies, in contrast, saw growth ease back after being the predominant drivers of economic activity in the period since the global financial crisis (GFC).

Australia's Presidency of the G20 therefore commenced against a backdrop of lingering after-effects of the GFC, high unemployment in many economies, ongoing weakness in banking systems and the threat of disruption and volatility as monetary policy moves back to more normal settings.

The focus of Finance Ministers and Central Bank Governors during Australia's host year has, accordingly, been on ways to boost global growth, create more jobs, ensure more resilient financial sectors, and improve the operation of tax systems in order to contribute to more sustainable fiscal positions. The Treasury has supported the Treasurer, the Hon. Joe Hockey, MP in progressing this agenda and in influencing the shape of international economy policy discussions more broadly.

The Department has also continued to deepen Australia's engagement with other global and regional economic forums, as well as our bilateral cooperation with strategic partners in the Asia-Pacific region. It has also boosted its strategic analysis and advice on regional economies.

Domestically, the economy continues its transition away from investment in the resource sector, as the key driver of growth, toward non-resource sectors. This transition has been slower than hoped and economic activity has recorded below trend growth rates for a number of years, resulting in a building output gap and a drift up in the unemployment rate. If Australia is to deliver economic growth sufficient to reduce unemployment and deliver living standard improvements similar to the last two decades, in the face of falling terms of trade, a key priority has to be given to boosting our productivity growth and ensuring fiscal sustainability.

Following the September 2013 election, Treasury supported its new Portfolio Ministers with the transition to Government. A key focus over the remainder of the year was on the delivery of election commitments, including through the Budget. In that context, the department provided extensive advice on pathways to fiscal consolidation over the medium-term and assisted the National Commission of Audit through the provision of staff, and information on the structure and components of government revenue and expenditure.

Boosting productivity takes time and a broad focus. The Government's Financial System Inquiry and Competition Policy Review, along with a range of Productivity Commission reviews, the tax and federation White Paper processes and the deregulation agenda, all provide opportunities to deliver productivity-enhancing reforms.

Over the year, the department provided advice and developed legislation for the taxation system, and superannuation and retirement income policies. This work included implementing a number of the Government's key election commitments as well as dealing with the stock of 96 announced but unenacted tax measures of former governments. Treasury also supported the G20 tax agenda, including by contributing to the development of the OECD action plan on base erosion and profit-shifting, and consulting with businesses on exchange of information proposals.

Throughout 2013-14, Treasury helped maintain a robust and dynamic financial system, and ensured that regulatory frameworks promote macroeconomic stability and market confidence. We implemented financial regulatory reforms, including rules that address the availability and quality of financial advice and made further progress in implementing internationally agreed regulatory reforms designed to support financial stability. Treasury also provided secretariat support to the Financial System Inquiry and the Competition Policy Review, which will provide recommendations to Government on how to ensure the financial regulation and competition policy frameworks are best positioned to support productivity growth and economic stability.

The new Government has elevated the importance of small business as a driver of Australia's future growth, appointing a Small Business Cabinet Minister within the Treasury portfolio. As a result, the department took the lead in advising on whole-of-government policy settings to support the Australian small business sector. Treasury has also been actively pursuing ways to eliminate inefficient or unnecessary regulation in line with the Government's deregulation agenda. We contributed to the first repeal day in Parliament and have been working closely with our portfolio agencies and stakeholders to identify opportunities to reduce red tape and regulatory burdens in a range of areas like taxation and the financial system, many of which would assist small business.

The last year has also been a period of transition in terms of Treasury as an organisation. The end of 2013 saw the completion of the Australian Public Service Commission Capability Review of Treasury. The findings of that Review reinforced our belief that we needed to change as an organisation if we were to be as successful and influential in the future as we have been in the past. We responded by developing a Capability Action Plan (incorporating some reforms which were already in train), which focuses on improving our performance in four main areas: leadership and change management; stakeholder engagement; innovation and knowledge management; and planning, budgeting and measuring. Each of these four broad themes has become a project stream led by a senior executive. I am very pleased with the progress on each stream and the support for change at all levels of the department.

Treasury's work on Progressing Women has continued, and has organically widened to address diversity and inclusiveness more generally. The Inclusive Workplace Committee has supported this work, with the active involvement of the two private sector members who have brought a broader perspective to the representation of diversity.

The establishment of the Australian Treasury Advisory Committee (ATAC), with its strong private sector focus, has also provided an important external perspective on governance issues and on ensuring our strategic priorities reflect best-practice. ATAC's counsel and governance advice to Treasury's leadership provides some of the incentives and disciplines found in private sector corporations. I thank ATAC members for their commitment and for their insightful guidance to me as Secretary.

There has also been continuing development of Treasury's two-way secondment program. Treasury staff have previously been seconded to Rio Tinto and the Business Council of Australia (BCA). While the BCA link continues into a third cycle, we have also now placed Treasury staff with BHP-Billiton, the Financial Services Council and the Australian Bankers Association. A further 26 staff have participated in secondments with other parts of the public sector, including the Reserve Bank of Australia, the Australian Taxation Office, the Australian Competition and Consumer Commission, Department of Foreign Affairs and Trade, the Australian National University's Tax and Transfer Policy Institute and the Commission of Audit.

In addition, Treasury has provided opportunities for secondments from the private sector. During 2013-14, 13 individuals from a range of organisations, including Rio Tinto and Deloitte, undertook secondments within Treasury.

These two-way exchanges have been invaluable for improving understanding of different perspectives and for bringing diverse practices and knowledge to bear in ways that can inform Treasury's work.

This strong focus on improving Treasury's knowledge base and organisational strategies has occurred against a backdrop of shrinking resources, with staff numbers required to shrink by around one-third from their peak in March 2011. Calendar 2014 will see much of this staff reduction occur as we ensure Treasury is "handover-ready" for the incoming Secretary.

Both in delivering on Government priorities and on the organisational reform agenda, the professionalism and resilience of Treasury staff shines through. Staff continue to provide high-calibre policy analysis and advice no matter how challenging the circumstances. As my departure approaches, I look back on my career at Treasury with gratitude and satisfaction. Treasury has provided me with huge opportunities and I hope that my successor and Treasury colleagues can help the Government seize new opportunities opening for Australia. While staff may come and go, and operating styles evolve, Treasury's institutional commitment to improving Australia's wellbeing remains unwavering.

Martin Parkinson
Secretary to the Treasury

DEPARTMENTAL OVERVIEW

THE TREASURY'S MISSION

The 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 OUTCOME

In carrying out its mission, the Treasury has responsibility for the following outcome:

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.

The Treasury has five groups that contribute to achieving this outcome. The groups are:

- Macroeconomic Group;
- Fiscal Group;
- Revenue Group;
- Markets Group; and
- Corporate Services and Strategy Group.

Macroeconomic Group

Macroeconomic Group provides advice on a sound macroeconomic environment, which is an essential foundation for strong, sustainable, economic growth.

Macroeconomic Group undertakes monitoring and analysis of economic conditions in Australia and overseas, which forms the basis of quality macroeconomic policy advice to portfolio ministers.

Macroeconomic Group also provides advice to government on a range of international economic policy issues, including strengthening multilateral regimes underpinning open trade and capital flows, supporting developing countries' development aspirations and on helping to shape the evolution of regional economic architecture.

Macroeconomic Group is also responsible for payments to international financial institutions as outlined in programme 1.2 on pages 55-56.

Fiscal Group

Fiscal Group provides advice on effective government spending arrangements that contribute to the overall fiscal outcome and help deliver strong and sustainable economic growth.

Effective spending measures should meet their stated objectives, minimise behavioural distortions and deliver significant economic and other benefits compared with costs. Fiscal Group provides policy advice to portfolio ministers to promote government decisions that further these objectives.

Fiscal Group is also responsible for the efficient payment of general revenue assistance, National Specific Purpose Payments and National Partnership Payments to the states and territories as outlined in programmes 1.4 to 1.10 on pages 59-71.

Revenue Group

Revenue Group provides advice on effective tax and retirement income arrangements policy and on legislation to implement policy that contributes to the overall fiscal outcome and to strong, sustainable economic growth.

Tax and retirement income policy affects the wellbeing of Australians through influencing individuals' decisions on saving and investment, as well as through labour market participation and businesses' decisions about whether, where and how much to invest.

Well-designed tax legislation contributes to the ability of taxpayers to understand and comply with their tax obligations.

Revenue Group also provides advice on the fiscal and distributional impacts of changes to tax policy.

Markets Group

Markets Group provides advice on well-functioning markets that contribute to improving national productivity and promoting stronger economic growth, thereby enhancing the living standards of all Australians.

Well-functioning markets enable the most efficient use of resources and maximise consumer confidence in markets, which, in turn, enhance community benefits from economic activity.

Markets Group provides advice on policies that promote competitive, efficient markets to enhance consumer-wellbeing; a secure financial system and sound corporate practices; and foreign investment consistent with Australia's national interest.

Markets Group also maintains the operations of the Australian Government Actuary, the Financial Reporting Council and the Takeovers Panel.

Markets Group is also responsible for payments to support markets and business as outlined in programme 1.3 on pages 57-58.

Corporate Strategy and Services Group

The Corporate Strategy and Services Group assists in setting and delivering the corporate strategic direction of Treasury. The group delivers quality and valued corporate advice and services for the department, its people and ministers.

Corporate Strategy and Services Group is responsible for providing accommodation and facilities management; communications advice and support; financial management; human resources management; training and development; information management and technology services; freedom of information management; media management and monitoring; ministerial and parliamentary support; procurement; publishing; security and travel.

Corporate Strategy and Services Group functions also include assisting with the development of whole-of-department corporate strategy; providing support to the Secretary, the Executive Board and the Audit Committee, including oversight of departmental structures and systems; designing and facilitating whole-of-department policy discussions; coordinating organisational strategy initiatives; overseeing the risk management framework; and undertaking and assisting with departmental reviews.

TREASURY PEOPLE VALUES

Treasury people are skilled professionals, committed to providing quality advice, thinking analytically and strategically, and striving to achieve long-term benefits for all Australians. We uphold the important values and behaviours that shape the Treasury culture. These values influence all aspects of the way we work.

Treasury people:

- strive for excellence;
- value teamwork, consultation and sharing of ideas;
- value diversity among our people;
- treat everyone with respect;
- exhibit honesty in all our dealings; and
- treat colleagues with fairness.

Treasury people management principles provide for:

- open, two-way communications at all levels;
- clear definition of accountabilities;
- remuneration based on work performance, determined by fair and transparent processes; and
- facilitation of an appropriate work and private life balance.

THE TREASURY'S ROLE AND CAPABILITIES

The Treasury's mission statement reflects the breadth of its ministers' responsibilities and underscores the key importance for the Treasury of a strong relationship with its ministers, built on trust and effective advice. As a central policy agency, the Treasury is expected to anticipate and analyse policy issues from a whole-of-economy perspective, understand government and stakeholder circumstances, and respond rapidly to changing events and directions. As such, the Treasury's interests are broad and diverse.

In undertaking its mission, Treasury takes a broad view of wellbeing as primarily reflecting a person's substantive freedom to lead a life they have reason to value.

This view encompasses more than is directly captured by commonly used measures of economic activity. It gives prominence to respecting the informed preferences of individuals, while allowing scope for broader social actions and choices. It is open to both subjective and objective notions of wellbeing, and to concerns for outcomes and consequences, as well as for rights and liberties.

To facilitate objective and thorough analysis, we have identified five dimensions that directly or indirectly have important implications for wellbeing and are particularly relevant to Treasury. These are:

- The set of opportunities available to people. This includes not only the level of goods and services that can be consumed, but good health and environmental amenity, leisure and intangibles such as personal and social activities, community participation and political rights and freedoms.
- The distribution of those opportunities across the Australian people. In particular, that all Australians have the opportunity to lead a fulfilling life and participate meaningfully in society.
- The sustainability of those opportunities available over time. In particular, consideration of whether the productive base needed to generate opportunities (the total stock of capital, including human, physical, social and natural assets) is maintained or enhanced for current and future generations.
- The overall level and allocation of risk borne by individuals and the community. This includes a concern for the ability, and inability, of individuals to manage the level and nature of the risks they face.
- The complexity of the choices facing individuals and the community. Our concerns include the costs of dealing with unwanted complexity, the transparency of government and the ability of individuals and the community to make choices and trade-offs that better match their preferences.

These dimensions reinforce our conviction that trade-offs matter deeply. The dimensions do not provide a simple checklist; rather, their consideration provides a broader context for the best use of available economic and other analytical frameworks, evidence and measures.

The Treasury applies and develops its technical expertise, knowledge base and support systems to deliver on the Government's priorities. We maximise our potential by nurturing and strengthening our core organisational capabilities, and consistently seek better ways to do business.

Our organisational capabilities are:

- Deep understanding: understanding our mission, the economic and policy environment, and the views of our stakeholders.
- Collaboration: collaborating with internal and external stakeholders to develop effective policy.
- Proactivity and vision: anticipating policy, implementation and organisational issues.
- Influence and reputation: building trust with the Government and other stakeholders, and influencing the policy agenda.
- Improvement and adaptability: being flexible, adaptable and innovative.
- Efficiency and productivity: managing costs, allocating resources and enabling efficiencies.

FINANCIAL PERFORMANCE

The Treasury received an unqualified audit report on the 2013-14 financial statements from the Australian National Audit Office. These statements can be found in Part 4 on pages 105-207.

Departmental

The Treasury ended 2013-14 with an attributable surplus of $0.3 million, compared to a surplus of $3.0 million in 2012-13. Employee expenses were $10.4 million higher compared to 2012-13, mainly due to the voluntary redundancy process. Supplier expenses increased by $8.3 million which was mainly due to expenditure relating to the hosting of the G20 Finance Ministers' and Central Bank Governors' meetings as part of Australia's 2014 host year. The Treasury's net asset position decreased by $3.6 million in 2013-14, mainly due to the recognition of separation and redundancies payable at 30 June 2014.

The Treasury has sufficient cash reserves to fund liabilities as and when they fall due.

Administered

The Treasury incurred $93.8 billion in administered expenses in 2013-14 compared to $81.4 billion in 2012-13. In 2013-14, the Treasury provided a one-off $8.8 billion grant to the Reserve Bank of Australia (RBA) to strengthen its financial position to the level considered appropriate by the RBA Board. There was also an increase in grant expenses to the states and territories that the Treasury provides under the *Intergovernmental Agreement on Federal Financial Relations*.

The Treasury's administered net assets increased by $12.3 billion in 2013-14. This is mainly due to an increase in the value of Treasury's investments in Australian Government Entities.

Figure 1: Treasury senior management structure (as at 30 June 2014)

Secretary: Dr Martin Parkinson PSM

Executive Director (Policy Coordination and Governance): Ms Amanda Cattermole A/g

Corporate Strategy and Services Group
Group General Manager: Mr Peter Alexander A/g
Financial and Facilities Management Division
General Manager: Mr Matthew King
Information Management and Technology Division
General Manager: Mr Ricardo Alberto A/g
Ministerial and Communications Division
General Manager: Mr Luke Hickey
People and Organisational Strategy Division
General Manager: Ms Emma Greenwood A/g

Macroeconomic Group: Executive Director (Domestic), Dr David Gruen
Macroeconomic Group: Executive Director (International), Mr Barry Sterland

Macroeconomic Conditions Division
General Manager: Mr Jason Allford
Macroeconomic and Modelling Policy Division
General Manager: Mr Simon Duggan
International Policy and Engagement Division
General Manager: Mr Matt Flavel
G20 Policy Division
General Manager: Ms H K Holdaway
G20 Operations and Logistics Division
General Manager: Ms Mary Balzary
Overseas Operations
Papua New Guinea
Mr Bruce Reid
Jakarta
Ms Natalie Horvat
Solomon Islands
Mr Colin Johnson
Overseas Operations
Washington DC
Ms Amanda Sayegh
Paris
Ms Sue Vroombout
London
Mr James Kelly
Tokyo
Ms Kate Phipps
Beijing
Mr Adam McKissack
Jakarta
Mr Trevor Thomas
New Delhi
Mr Matt Crooke

Fiscal Group: Executive Director, Mr Nigel Ray

Budget Policy Division
General Manager: Ms Luise McCulloch
Commonwealth-State Relations Division
General Manager: Mr Peter Robinson
Infrastructure, Industry, Environment and Defence Division
General Manager: Mr David Haigh
Social Policy Division
General Manager: Ms Leesa Croke

Revenue Group: Executive Director, Mr Rob Heferen

Board of Taxation Secretariat
Secretary: Mr Matthew Brine
Tax Analysis Division
General Manager: Mr Steve French
Small Business Tax Division
General Manager: Mr Hector Thompson
Corporate and International Tax Division
General Manager: Mr David Pearl
Law Design Practice
General Manager: Mr Tom Reid
Personal and Retirement Income Division
General Manager: Mr Paul Tilley
Tax White Paper Task Force
General Manager: Mr Roger Brake

Markets Group: Executive Director, Ms Jan Harris

Australian Government Actuary
General Manager: Mr Peter Martin
Deregulation Division
General Manager: Mr Paul McCullough
Small Business Competition and Consumer Policy Division
General Manager: Ms Jenny Wilkinson
Financial System and Services Division
General Manager: Ms Meghan Quinn
Foreign Investment and Trade Policy Division
General Manager: Mr Jonathan Rollings
Takeovers Panel
Director: Mr Allan Bulman
Competition Policy Review Secretariat
Secretariat: Ms Christine Barron
Financial System Inquiry
Head of Secretariat: Mr John Lonsdale

Figure 2: Treasury outcome and programme structure (as at 30 June 2014)

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.

Programme 1.1: Department of the Treasury

Macroeconomic Group	Macroeconomic Conditions Division Macroeconomic Modelling and Policy Division International Policy and Engagement Division G20 Policy Division G20 Operations and Logistics Division Overseas Operations Overseas Posts
Fiscal Group	Budget Policy Division Commonwealth-State Relations Division Infrastructure, Industry, Environment and Defence Division Social Policy Division
Revenue Group	Board of Taxation Secretariat Tax Analysis Division Small Business Tax Division Corporate and International Tax Division Law Design Practice Personal and Retirement Income Division Tax White Paper Task Force
Markets Group	Australian Government Actuary Deregulation Division Small Business Competition and Consumer Policy Division Financial System and Services Division Foreign Investment and Trade Policy Division Takeovers Panel Competition Policy Review Secretariat Financial System Inquiry
Corporate Strategy and Services Group	Financial and Facilities Management Division Information Management and Technology Division Ministerial and Communications Division People and Organisational Strategy Division

Programme 1.2: Payments to International Financial Institutions
Macroeconomic Group: International Policy and Engagement Division

Programme 1.3: Support for markets and business
Markets Group: Financial System and Services Division

Programme 1.4: General revenue assistance
Fiscal Group: Commonwealth-State Relations Division

Programme 1.5: Assistance to the states for healthcare services
Fiscal Group: Commonwealth-State Relations Division

Programme 1.6: Assistance to the states for schools
Fiscal Group: Commonwealth-State Relations Division

Programme 1.7: Assistance to the states for skills and workforce development
Fiscal Group: Commonwealth-State Relations Division

Programme 1.8: Assistance to the states for disabilities services
Fiscal Group: Commonwealth-State Relations Division

Programme 1.9: Assistance to the states for affordable housing
Fiscal Group: Commonwealth-State Relations Division

Programme 1.10: National partnership payments to the states
Fiscal Group: Commonwealth-State Relations Division

Figure 3: Treasury portfolio outcome and programme structure (as at 30 June 2014)

Portfolio Minister — Treasurer
The Hon Joe Hockey MP
Minister for Small Business
The Hon Bruce Billson MP
Acting Assistant Treasurer
Senator the Hon Mathias Cormann
Parliamentary Secretary to the Treasurer
The Hon Steven Ciobo MP

Department of the Treasury
Secretary: Dr Martin Parkinson

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**
Programme 1.1:	Department of the Treasury
Programme 1.2:	Payments to International Financial Institutions
Programme 1.3:	Support for markets and business
Programme 1.4:	General revenue assistance
Programme 1.5:	Assistance to the states for healthcare services
Programme 1.6:	Assistance to the states for schools
Programme 1.7:	Assistance to the states for skills and workforce development
Programme 1.8:	Assistance to the states for disabilities services
Programme 1.9:	Assistance to the states for affordable housing
Programme 1.10:	National partnership payments to the states

Australian Bureau of Statistics
Statistician: Mr Jonathan Palmer A/g

Outcome 1:	**Informed decisions, research and discussion within governments and the community by leading the collection, analysis and provision of high-quality, objective and relevant statistical information**
Programme 1.1:	Australian Bureau of Statistics

Australian Competition and Consumer Commission
Chairman: Mr Rod Sims

Outcome 1:	**Lawful competition, consumer protection, and regulated national infrastructure markets and services through regulation, including enforcement, education, price monitoring and determining the terms of access to infrastructure services**
Programme 1.1:	Australian Competition and Consumer Commission

Australian Office of Financial Management
Chief Executive Officer: Mr Robert Nicholl

Outcome 1:	**The advancement of macroeconomic growth and stability, and the effective operation of financial markets, through issuing debt, investing in financial assets and managing debt, investments and cash for the Australian Government**
Programme 1.1:	Australian Office of Financial Management

Australian Prudential Regulation Authority
Chairman: Mr Wayne Byres

Outcome 1:	**Enhanced public confidence in Australia's financial institutions through a framework of prudential regulation that balances financial safety and efficiency, competition, contestability and competitive neutrality**
Programme 1.1:	Australian Prudential Regulation Authority

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

Australian Securities and Investments Commission	
Chairman: Mr Greg Medcraft	
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**
Programme 1.1:	Australian Securities and Investments Commission
Programme 1.2:	*Banking Act 1959*, *Life Insurance Act 1995*, unclaimed monies and special accounts

Australian Taxation Office	
Commissioner: Mr Chris Jordan AO	
Outcome 1:	**Confidence in the administration of aspects of Australia's taxation and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law**
Programme 1.1:	Australian Taxation Office
Programme 1.2:	Tax Practitioners Board
Programme 1.3:	Australian Business Register
Programme 1.4:	Australian Valuation Office
Programme 1.5:	Australian Charities and Not-for-profit Commission
Programme 1.6:	Australian Screen Production Incentive
Programme 1.7:	Cleaner Fuels Grant Scheme
Programme 1.8:	Fuel Tax Credits Scheme
Programme 1.9:	National Rental Affordability Scheme
Programme 1.10:	Product Stewardship for Oil
Programme 1.11:	Research and Development Tax Offset
Programme 1.12:	Baby Bonus
Programme 1.13:	Education Tax Refund
Programme 1.14:	First Home Saver Accounts National Urban Water and Desalination Plan
Programme 1.15:	Low Income Superannuation Contribution
Programme 1.16:	Private Health Insurance Rebate
Programme 1.17:	Superannuation Co-contribution Scheme
Programme 1.18:	Superannuation Guarantee Scheme
Programme 1.19:	Interest on Overpayment and Early Payments of Tax
Programme 1.20:	Bad and Doubtful Debts and Remissions
Programme 1.21:	Other Administered

Clean Energy Finance Corporation	
Chair: Ms Jillian Broadbent AO	
Outcome 1:	**Facilitate increased flows of finance into Australia's clean energy sector applying commercial rigour to investing in renewable energy, low-emissions and energy efficiency technologies, building industry capacity, and disseminating information to industry stakeholders**
Programme 1.1:	Clean Energy Finance Corporation

Commonwealth Grants Commission	
Secretary: Mr John Spasojevic	
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**
Programme 1.1:	Commonwealth Grants Commission

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

Corporations and Markets Advisory Committee
Convenor: Ms Joanne Rees

Outcome 1:	**Informed decisions by Government on issues relating to corporations regulation and financial products, services and markets through independent and expert advice**
Programme 1.1:	Corporations and Markets Advisory Committee

Inspector-General of Taxation
Inspector-General: Mr Ali Noroozi

Outcome 1:	**Improved tax administration through community consultation, review and independent advice to government**
Programme 1.1:	Inspector-General of Taxation

National Competition Council
President: Mr David Crawford

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**
Programme 1.1:	National Competition Council

Office of the Auditing and Assurance Standards Board
Chairman: Ms Merran Kelsall

Outcome 1:	**The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements**
Programme 1.1:	Auditing and Assurance Standards Board

Office of the Australian Accounting Standards Board
Chairman: Mr Angus Thomson A/g

Outcome 1:	**The formulation and making of accounting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions**
Programme 1.1:	Australian Accounting Standards Board

Productivity Commission
Chairman: Mr Peter Harris

Outcome 1:	**Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective**
Programme 1.1:	Productivity Commission

Royal Australian Mint
Chief Executive Officer: Mr Ross MacDiarmid

Outcome 1:	**The coinage needs of the Australian economy, collectors and foreign countries are met through the manufacture and sale of circulating coins, collector coins and other minted products**
Programme 1.1:	Royal Australian Mint

PART **TWO**
REPORT ON PERFORMANCE

INTRODUCTION

The report on performance covers the Treasury's departmental and administered items for 2013-14.

Departmental items are the goods and services the department provides for, and on behalf of, the Government. This involves the use of assets, liabilities, revenues and expenses controlled or incurred by the Treasury in its own right. Programme 1.1 relates mainly to departmental items.

Administered items are revenues, expenses, assets or liabilities managed by the Treasury on behalf of the Government and include subsidies, grants and benefits. Programmes 1.2 to 1.10 relate to administered items.

The Treasury's 2013-14 performance is reported at the Programme level for its policy outcome:

- 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.

Performance outcomes for each Programme are reported against the objectives, deliverables and key performance indicators published in the *Treasury Portfolio Budget Statements 2013-14* and the *Treasury Portfolio Additional Estimates Statements 2013-14*.

The key strategies for 2013-14 are to provide advice on:

- macroeconomic policy, based on careful monitoring and analysis of economic conditions in Australia and overseas;
- fiscal strategy, budget priorities and measures, debt and balance sheet management, as well as a budget coordination role;
- Commonwealth-State financial policy, industry, environment and defence policy and housing, social and income support policy;
- taxation and retirement income arrangements consistent with the Government's reform priorities;
- policies that promote competitive, efficient markets that work to enhance consumer wellbeing, deliver a secure financial system and sound corporate practices, and foreign investment consistent with Australia's national interest;
- policies that promote well-regulated, competitive and efficient infrastructure and address supply constraints in the housing market that impact on housing affordability;
- a range of international economic policy issues, including strengthening multi-lateral regimes underpinning open trade and capital flows, supporting developing countries' development aspirations, and shaping the evolution of regional economic architecture; and
- administration of a range of payments to the states and territories, which are reported in Programmes 1.4 to 1.10.

An assessment of this advice is included under each Programme.

PROGRAMME 1.1: DEPARTMENT OF THE TREASURY

PROGRAMME OBJECTIVE

The objectives of programme 1.1 are to:

- promote a sound macroeconomic environment by monitoring and assessing economic conditions and prospects both in Australia and overseas, and provide advice on macroeconomic policy including fiscal and monetary policy;
- promote effective government spending arrangements that contribute to overall fiscal outcomes, influence strong sustainable economic growth and improve the wellbeing of Australians;
- develop effective taxation and retirement income arrangements consistent with the Government's reform priorities; and
- ensure well-functioning markets by providing advice on policies that promote competitive, efficient markets that work to enhance consumer and investor wellbeing, a secure financial system and sound corporate practices, and foreign investment consistent with Australia's national interest.

PROGRAMME KEY PERFORMANCE INDICATORS

- Advice that meets the Government's needs in administering its responsibilities and making and implementing decisions. Advice is timely, of a high quality, and based on an objective and thorough understanding of issues and a whole-of-government perspective. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through feedback mechanisms.
- Timely, high-quality, accurate and transparent Budget, Mid-Year Economic and Fiscal Outlook (MYEFO) and Final Budget Outcome documents that meet the expectations of the Government, the Parliament and the public. The budget preparation and coordination process is subject to an annual evaluation.
- Published reports and other information that stimulate and inform government and public debate through robust analysis, modelling and research. Publications are timely, of high quality and widely available to the public.
- Legislation progressed by the Treasury is in accordance with the principles of good law design and is delivered according to government priorities;
  - the majority of prospective tax and retirement income legislation is ready to be introduced into Parliament within 12 months, and the majority of retrospective tax and retirement income legislation within six months of the Government announcing it, and
  - at least one tax or retirement income legislative measure is the subject of a post-implementation review annually.

An assessment of the key performance indicators is included under the group responsible for the corresponding objective.

MACROECONOMIC GROUP

Overview

Macroeconomic Group provided the Government with macroeconomic policy advice on economic conditions and prospects in Australia and overseas, including assessment of key risks to the outlook as discussed in detail in Budget Paper No.1, *Budget Strategy and Outlook 2014-15*.

Macroeconomic Group boosted Australia's bilateral engagement and multilateral outreach, and worked extensively with stakeholders to develop the Government's 2014 G20 agenda. The G20 presidency, which Australia assumed on 1 December 2013, has helped Australia shape the international economic agenda.

Macroeconomic Group continued to deepen Australia's engagement in global and regional forums, and its bilateral cooperation with key strategic partners in the Asia-Pacific region. It has also expanded its strategic analysis and advice on developments within key regional economies, particularly China.

Group deliverables

Macroeconomic Group's key deliverables are to provide advice on:

- domestic and international developments affecting the Australian economy and Australian and international economic forecasts;
- the setting of sound macroeconomic policies and high priority structural reforms;
- economic modelling in support of a range of government policies, and modelling advice to other departments and agencies;
- policy issues, risks and challenges as discussed by the G20 with a view to shaping the G20 agenda and actions;
- deepening Australia's bilateral engagement with a number of strategically important regional partners in the Asia-Pacific region; and
- improving the linkages between the priorities of the G20, the Asia-Pacific Economic Cooperation (APEC) and the East Asia Summit processes.

During Australia's G20 host year, another key deliverable for Macroeconomic Group was the organisation and delivery of a number of G20 events.

Group outcomes

Macroeconomic Group's key outcomes were:

- advice on macroeconomic policy, domestic and international forecasts, and assistance in the formulation of policy solutions;
- modelling analysis for the Climate Change Authority's Caps and Targets Review;
- modelling assistance to other divisions within Treasury and to other government departments and agencies as required;

- presentations, speeches and published material, including economic forecasts and analysis in budget papers and the Treasury's *Economic Roundup* and Working Papers series, to increase public awareness of economic issues and development;
- strengthening key relationships through a number of G20 related meetings with stakeholders, including both member and non-member countries, as well as domestic and international communities;
- a more focused G20 agenda and streamlining G20 processes, resulting in more effective and reinvigorated finance track of the G20, and better G20 cooperation on the key economic challenges facing the global economy;
- advice on changing global economic conditions and influencing the development of international economic policy through engagement with global and regional institutions and forums;
- broadening and deepening engagement with key Asian and Pacific economies and improved policy outcomes through policy dialogue, cooperation, research and capacity building; and
- advice on government initiatives to encourage broad-based, stable and inclusive economic growth and developing well-functioning economic ministries in the South Pacific.

Analysis of performance

During the 2013-14 year, Macroeconomic Group advised Treasury ministers, other members of the Government and relevant stakeholders on a range of macroeconomic issues.

- *Economic and Fiscal Outlook*. Macroeconomic Group provided analysis of the Australian and international economic outlook, including the Australian fiscal outlook, and prepared macroeconomic forecasts.
- *Monetary and Fiscal Policy*. Macroeconomic Group monitored domestic and international economic, financial and policy developments to assess their implications for Australia's macroeconomic policy settings.
- *Economic growth, living standards and wellbeing*. Macroeconomic Group analysed drivers of the Australian economy and factors likely to influence medium-term economic performance, particularly productivity. This analysis was used to develop policy recommendations to improve Australia's economic growth, living standards and wellbeing.

Economic modelling

Macroeconomic Group's economic modelling contributed to the development of evidence-based policy analysis.

Macroeconomic Group provided modelling advice and support on a wide range of issues including long-run economic structural change, productivity, macroeconomic analysis and forecasting.

Cross-departmental modelling advice was also provided to a range of portfolios on policy issues including the Renewable Energy Target Review and completion of specific modelling analysis for the Climate Change Authority's Caps and Targets Review.

Economic forecasting

Macroeconomic Group provided advice on domestic and international economic developments and associated risks. The Group's economic forecasts informed policy and underpinned expenditure and revenue budget estimates.

Macroeconomic Group met and consulted with numerous parties to formulate its advice on the domestic and international economy. Domestic and international forecasters were consulted and government agencies were brought together as part of the Joint Economic Forecasting Group (JEFG) Committee (consisting of the Treasury, the Reserve Bank of Australia, the Department of the Prime Minister and Cabinet, the Department of Finance and the Australian Bureau of Statistics). Businesses and sector experts were consulted as part of the Treasury Business Liaison Programme.

Over the 2013-14 year, Macroeconomic Group's analysis of the economic outlook contributed to four economic and fiscal updates: the August Economic Statement; the Pre-election Economic and Fiscal Outlook; the Mid-Year Economic and Fiscal Outlook; and the 2014-15 Budget.

In response to Recommendation 5 of the *2012 Review of Treasury's Forecasting Methodology and Performance,* Statement 2 of Budget Paper No. 1 included a high-level review of economic forecast errors.

Budget papers, economic publications and speeches

Macroeconomic Group contributed to public awareness and debate on economic policy issues through economic analysis underpinning the 2014-15 Budget Papers and the 2013-14 Mid-Year Economic and Fiscal Outlook.

Statement 4 of Budget Paper No. 1, *Sustaining Strong Growth in Living Standards*, reported on the factors that will affect income, productivity growth and living standards over the medium-term.

Over the 2013-14 year, Macroeconomic Group produced a number of other publications that also included contributions from the other Treasury groups. The Group published: five articles in the two issues of the Treasury *Economic Roundup*; five Treasury Working Papers and the *2012-13 Australia and the International Financial Institutions annual report*.

Macroeconomic Group Executive Directors facilitated broader understanding of domestic and international macroeconomic issues by speaking on a diverse range of topics across multiple organisations in Australia and overseas.

International policy advice

Macroeconomic Group worked towards enhancing international economic cooperation, including through the G20. The Group also provided economic analysis and advice on the implications of international developments and associated risks for the Australian economy.

To achieve these outcomes, Macroeconomic Group supported active Australian participation in global and regional forums, assisted Treasury ministers at international meetings, and helped strengthen bilateral relations. There are Treasury officials at posts in Washington DC, London, Beijing, New Delhi, Jakarta, Tokyo and the Organisation for Economic Cooperation and Development (OECD). Treasury maintained close contact with its constituency offices of the International Monetary Fund (IMF), World Bank, Asian Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD).

G20

Macroeconomic Group has helped shape the international economic agenda through Australia's G20 presidency, which it assumed on 1 December 2013. During the 2013-14 year, the Treasury supported the policy development of seven Finance Deputies Meetings and four Finance Ministers and Central Bank Governors Meetings. In addition, Macroeconomic Group supported two International Financial Architecture Working Group Meetings, three Framework Working Group Meetings and three Infrastructure and Investment Working Group Meetings, as well as events such as the G20-B20 Infrastructure Roundtable, the G20 International Tax Symposium, the G20 Seoul Conference and a workshop and conference on small and medium enterprises. All G20 finance track events during Australia's G20 host year have been delivered by a comprehensive team of specialists brought together to oversee and deliver the operations and logistics of the G20 meetings. A particular focus of this team has been to ensure that the opportunity presented by the G20 presidency is used to effectively showcase Australia to the international audience.

In the lead up to 2014, and throughout the G20 host year, Macroeconomic Group boosted bilateral engagement and multilateral outreach, and worked extensively with stakeholders to develop the Government's 2014 G20 agenda. In particular, the Group has engaged closely with representatives from the G20 engagement groups — the Business 20, Civil Society 20, Labour 20, Think 20 and Youth 20 — and introduced innovative outreach mechanisms, including a joint session with these groups, finance deputies and sherpas held in June, to diversify and enrich discussion of G20 issues.

Macroeconomic Group has also supported extensive bilateral engagement with G20 members by the Treasurer, Assistant Treasurer, Minister for Small Business, Parliamentary Secretary to the Treasurer, and senior officials to build the consensus necessary to set up delivery of the Government's objectives for the Brisbane Summit in November 2014.

Under Australia's presidency, the G20 has focused on progressing Government's G20 priorities, in particular: promoting ambitious growth strategies for the G20 members; developing strategies to increase long-term investment (including infrastructure); collectively addressing the integrity of international tax systems through initiatives around base erosion and profit shifting; working towards completing the core financial regulatory reforms identified from the global financial crisis and progressing International Monetary Fund governance reform.

Financial Stability Board

Macroeconomic Group used Australia's position as a member of the Financial Stability Board (FSB) decision-making Plenary, and temporary membership of the agenda-setting Steering Committee (as a member of the G20 Troika), to advance the Government's G20 agenda. Meetings were used as opportunities to undertake extensive bilateral engagement with G20 members. This included securing support for a streamlined financial regulation agenda to substantially complete key aspects of the core reforms set out in response to the financial crisis. The Group has also used the FSB Regional Consultative Group for Asia to advance G20 outreach and engagement in our region.

International Financial Institutions

Macroeconomic Group supported the IMF in its role of ensuring the stability of the international monetary system. This occurred through the IMF Executive Board, attendance at the IMF World Bank Spring and Annual Meetings, and participation in relevant G20 working groups.

Macroeconomic Group supported the World Bank Group's role in improving the living standards of the world's poor by providing advice to the World Bank's Executive Board and supporting Australia's attendance at the World Bank Spring and Annual meetings.

Macroeconomic Group continued to support and advance reforms of International Financial Institutions (IFIs), particularly the IMF and the World Bank, to ensure that IFIs continue to remain legitimate, credible and effective. The Group also advised the Government on the implications for Australia of developments at these institutions.

Regional development banks

Macroeconomic Group continued to support the Asian Development Bank (ADB) efforts to promote development in the Asia-Pacific region through close engagement with the Australian ADB Executive Director. The Group also contributed to the work of the European Bank for Reconstruction and Development (EBRD).

Official development assistance

Macroeconomic Group provided advice on general development and aid issues, including Australia's multilateral and bilateral aid programmes and the framework for Australia's aid budget.

Asia-Pacific

Macroeconomic Group shaped policy agendas and priorities at regional fora and strengthened the Government's understanding of regional economic developments by engaging with Australia's key regional partners in the Asia-Pacific and relevant multilateral organisations. The Group:

- worked closely with China — the 2014 APEC host — to develop the agenda and priorities for the Finance Ministers' process; build support for the Asia Region Funds Passport; and support Indonesia as 2013 APEC host;
- strengthened regional financial cooperation by supporting the East Asia Summit Finance Ministers' process;
- supported the Treasurer at bilateral meetings with senior Chinese officials, and furthered Treasury's engagement with key Chinese policy-making agencies including the National Development and Reform Commission;
- participated in the Second Australia-Hong Kong RMB Trade and Investment Dialogue, held in Hong Kong in May 2014;
- promoted Australia's collaboration with India on economic policy by facilitating visits from senior Indian government officials, private sector representatives and the Australian leg of a global investor roadshow;

- continued to support economic stability in Indonesia through a A$1 billion contingent loan facility. The Group also helped strengthen Indonesian economic policy advising capabilities and develop a lasting institutional relationship by deploying three Treasury staff under the Government Partnerships Fund to provide advice and support to Indonesian Ministry of Finance officials on revenue, macroeconomic and infrastructure policy; and
- strengthened engagement with its other Asia-Pacific partners through: a bilateral dialogue with the Vietnamese Ministry of Finance and implementation of the recently signed memorandum of understanding; attendance at the Annual Economic Policy Dialogue with the Japanese Ministry of Finance; and hosting the Korean Ministry of Strategy and Finance for the Annual Australia-Korea Strategic Economic Dialogue.

Macroeconomic Group continued to promote economic management and development in the Pacific by undertaking research and analysis and providing policy advice on a range of issues. The Group also supported the attendance of the Parliamentary Secretary to the Treasurer at the 2013 Pacific Islands Forum Economic Ministers' Meeting.

The Group assisted the building of sustainable and effective economic ministries in Pacific Island countries by deploying four Treasury officials to the Solomon Islands and six Treasury officials to Papua New Guinea to provide advice and support to government officials on economic and fiscal issues.

FISCAL GROUP

Overview

Fiscal Group aims to ensure government spending arrangements are effective and that key social and economic reforms are supported. This is crucial to facilitating strong, sustainable economic growth and the improved wellbeing of Australians. Advice to portfolio ministers from the Treasury assists in formulating, implementing and explaining government spending decisions.

Fiscal Group provides advice on:

- the overall fiscal strategy and budget policies, and coordination of the budget and other reports required under the *Charter of Budget Honesty Act 1998* (the Charter);
- Commonwealth-State financial policy, and arrangements related to state and territory fiscal and tax issues, including through the ongoing management of the *Intergovernmental Agreement on Federal Financial Relations*;
- policy development in infrastructure, industry, regional, environment, communication, defence and national security policy; and
- policy development in social and income support policy, including health, the labour market, education, disability, family payments, Indigenous welfare and immigration.

Fiscal Group works with other departments and agencies to develop and provide policy advice to Treasury portfolio ministers and the Government on social policy and labour market issues of national significance and policy issues, that support Australia's productivity capacity and sustainable economic growth. Fiscal Group brings a broad perspective to issues, appropriately balancing fiscal and broader wellbeing dimensions, including consideration of the fiscal impacts of decisions across all levels of government.

Fiscal Group also coordinates the preparation of the Commonwealth Budget and other documents required under the Charter and administers National Specific Purpose Payments (National SPPs), National Health Reform payments, National Partnership payments, goods and services tax (GST) payments and other general revenue assistance to the states. Details of these payments can be found in Programmes 1.4 to 1.10.

Group deliverables

Fiscal Group's key deliverables are advice on:

- fiscal strategy that aims to ensure fiscal sustainability;
- effective government spending arrangements which contribute to improving the wellbeing of Australians;
- strategies that address intergenerational challenges, including social, fiscal and environmental sustainability;
- input into a range of policy issues including welfare, education funding, health and hospitals, aged care, skills, employment, immigration, industry, regional, environment, communications, energy, infrastructure, and defence and national security; and
- Commonwealth-State financial relations.

Group outcomes

In 2013-14, Fiscal Group's key outcomes were:

- advising on the fiscal outlook and delivering the Government's commitments on fiscal policy;
- preparing the Government's first medium-term fiscal strategy and budget repair strategy, published in the 2014-15 Budget (May 2014) as required by the *Charter of Budget Honesty Act 1998*, and advising on budget priorities consistent with these strategies;
- preparing, with the Department of Finance, the Economic Statement (August 2013), the Pre-election Economic and Fiscal Outlook (PEFO) 2013 (August 2013), the Final Budget Outcome 2012-13 (September 2013), the Mid-Year Economic and Fiscal Outlook (MYEFO) 2013-14 (December 2013) and the 2014-15 Budget (May 2014);
- advising, in consultation with the Australian Office of Financial Management (AOFM), on debt issuance and debt policy issues;
- advising on issues related to the Parliamentary Budget Office (PBO);
- developing legislation to remove the limit on Commonwealth Government Securities and replace it with measures to improve the transparency and accountability of the quantum and use of debt;
- preparing the first debt statement, as part of MYEFO, to outline information on current and projected debt on issue, drivers of the change in debt and non-resident holdings of Commonwealth Government Securities on issue;

- advising on operational and policy issues related to the Future Fund, Asset Recycling Fund, Medical Research Future Fund, and the three Nation-Building Funds;
- advising on industry and regional policy responses to continued structural change, environment and agricultural policy, communications, energy and resources policy and on defence and national security matters;
- advising on the Clean Energy Finance Corporation;
- providing secretariat support to the Joint Commonwealth and Tasmanian Economic Council;
- developing and implementing the policy agenda and performing secretariat functions for the Council on Federal Financial Relations, the Australian Loan Council and Heads of Treasuries;
- advising on the framework for federal financial relations, including the development of new National Partnerships and other agreements;
- payments to the states totalling over $97.9 billion including National Health Reform funding, National SPPs (in schools, skills and workforce development, disability services and affordable housing), GST payments and other general revenue assistance and National Partnership payments;
- advising on the development and implementation of the National Disability Insurance Scheme and the National Injury Insurance Scheme;
- advising on key social and economic policies in education, employment, immigration, families, health, ageing, disability and Indigenous issues; and
- continuing to participate in the Centre for Market Design in collaboration with the Victorian Department of Treasury and Finance, and the University of Melbourne.

Analysis of performance

During 2013-14, the Treasury supported portfolio ministers with the transition into Government following the September 2013 election. The Treasury provided advice to the Treasurer and other portfolio ministers on the Australian Government's budget position over the forward estimates and the medium-term, to inform overall policy settings and to provide context for the Government's decision-making. The fiscal outlook was updated in the Economic Statement (August 2013), the 2013 PEFO (August 2013), 2013-14 MYEFO (December 2013) and the 2014-15 Budget (May 2014).

As fiscal estimates are a joint responsibility, the Treasury worked extensively with the Department of Finance, the Australian Taxation Office (ATO) and other government departments and agencies. Assessments of the budget position incorporated changes to the economic outlook, so advice was based on the most reliable and up-to-date information available at the time the economic statements and Budget were prepared.

The 2014-15 Budget, published in May 2014, reported that the budget is projected to build to a surplus of over one per cent of GDP by 2023-24, taking into account future tax relief.

The Treasury assisted the Government in producing its first medium-term fiscal strategy and also assisted the Government in preparing a budget repair strategy, which imposed additional restrictions on fiscal policy over the shorter term. The budget repair strategy is designed to help achieve the Government's target of returning the budget to surplus and building surpluses to at least one per cent of GDP by 2023-24.

The Treasury also assisted the Government in implementing these strategies by managing budget processes and advising on the overall budget strategy and priorities. In this respect, good budget processes help governments make decisions based on accurate information, and allow proposals to be prioritised according to overall budget objectives.

Contribution to public debate and awareness

The Government's Budget publications are available at www.budget.gov.au. Between the 2014-15 Budget and 30 June 2014, there have been roughly 460,000 unique visitors to the Budget website and over 3.9 million pages have been viewed. Widespread access to these documents helps keep the public informed of budget decisions and the fiscal outlook.

The Treasury and the Department of Finance jointly prepare the Government's budget documentation. The Treasury also prepares accessible summaries of key budget decisions. This year, these were the *Budget Overview, Building Australia's Infrastructure*, and information books on the topics of *Higher Education, Health, and Social Services*.

Generally, the Treasury is primarily responsible for preparing budget documentation on:

- the principal budget aggregates and the Government's fiscal strategy and objectives;
- medium-term projections (the ten years following the budget year) of the Government's budget position;
- economic assumptions underpinning the budget estimates;
- the level of current and projected debt on issue;
- tax revenue estimates;
- tax expenditure estimates; and
- the conduct of Commonwealth-State financial relations.

Reporting requirements are set out in the *Charter of Budget Honesty Act 1998* and are consistent with leading international practice. To help achieve better fiscal outcomes, the Charter promotes:

- disciplined budget management, with fiscal policy based on principles of sound fiscal management;
- transparency, with regular reports stating fiscal objectives and expected outcomes;
- accountability, with information allowing an informed assessment of the conduct of fiscal policy; and
- reporting against external accounting standards.

Under the Charter, budget reporting follows an annual cycle comprising the budget in May, a midyear update before 31 January and a final budget outcome the following September.

The *Final Budget Outcome 2012-13* was published in September 2013. In 2012-13, the Australian Government general government sector recorded an underlying cash deficit of $18.8 billion. This outcome was around $543 million better than estimated at the 2013-14 Budget, reflecting higher than expected cash receipts and lower than expected cash payments.

Information on the Government's financial relations with State and Local Governments is detailed in the 2014-15 Budget, Budget Paper No. 3, *Federal Financial Relations.* This paper, produced by the Treasury, is the main public source of information on Australian Government payments to the states. It also informs the states of their expected payments in the upcoming financial year.

In addition, Budget Paper No. 3 also includes information on fiscal developments in the states, as well as advice on policies relating to Commonwealth-State financial relations.

Relevant information is also included in MYEFO and the Final Budget Outcome documents.

Information on the federal financial framework is available on the Council on Federal Financial Relations website at www.federalfinancialrelations.gov.au.

Debt management policy

In consultation with the AOFM, Treasury provided advice on debt issuance and debt policy issues. This included advice on issues affecting the Government's debt management operations including the performance, governance and functioning of the Commonwealth debt market.

Specific details of the Government's debt issuance programme are on the AOFM website at www.aofm.gov.au.

Future Fund

During 2013-14, the Treasury continued to provide policy advice to portfolio ministers on operational issues relating to the Future Fund. Further information regarding the performance of the Future Fund is at www.futurefund.gov.au.

Australia's Federal Financial Relations

GST and other general revenue assistance

Under the Intergovernmental Agreement, the Commonwealth makes payments to the states equivalent to the revenue received from the goods and services tax (GST). GST revenue is paid on a monthly basis and distributed in accordance with relativities determined by the Treasurer. This follows recommendations by the Commonwealth Grants Commission and discussion at the Council on Federal Financial Relations meeting.

The ATO and Australian Customs and Border Protection Service collect GST revenue on behalf of the states, and the states compensate them for the costs incurred in administering and collecting GST revenue. The Treasury managed the payments made to the states and ensured they were administered accurately.

General revenue assistance is provided to the states, including GST payments, without conditions, to spend according to their own budget priorities.

Details on general revenue assistance are provided under Programme 1.4.

Payments for specific purposes (National SPPs and National Partnerships)

The Commonwealth supports the states in five key service delivery sectors as follows:

- Three National Specific Purpose Payments (National SPPs) provide funding which states are required to spend in the relevant sectors — Skills and Workforce Development, Disability Services and Affordable Housing.
- On 1 July 2012, the former National Healthcare SPP was replaced by National Health Reform funding.
- From 1 January 2014, the former National Schools SPP was replaced by funding through the Students First programme.

In addition, National Partnerships support the delivery of specific projects, facilitate reforms and/or reward those jurisdictions that deliver on nationally significant reforms.

Details on National SPPs, National Health Reform, Students First and National Partnerships are provided under Programmes 1.5 to 1.10.

Council on Federal Financial Relations

The Council, comprising the Commonwealth Treasurer and the Treasurer of each state and territory, is a Council of Australian Governments (COAG) body. The Council oversees the *Intergovernmental Agreement on Federal Financial Relations* (which includes oversight of the operation of the GST), monitors economic conditions and progresses economic reform. The Treasury advised the Treasurer in relation to these matters and provided secretariat support to the Council.

In 2013-14, the Council developed and agreed new Terms of Reference as part of the new COAG Council system. At their two meetings during 2013-14, Treasurers focused on monitoring the national and state and territory economies, overseeing the operation of the GST, discussing infrastructure investment and developing the Asset Recycling Initiative.

The Council is supported by Heads of Treasuries. This forum is comprised of the Secretary to the Treasury and state and territory counterparts from each jurisdiction. Heads of Treasuries met four times in 2013-14 to discuss the general operation of the federal financial relations framework, current economic conditions and the fiscal outlook, tax and financial issues, and other matters referred to it by the Council or COAG.

Australian Loan Council

The Australian Loan Council is a Commonwealth-State ministerial council that meets annually to consider jurisdictions’ nominated borrowings for the forthcoming year with regard to each jurisdiction’s fiscal position and the macroeconomic implications of the aggregate figure.

GST Administration Subcommittee

The Treasury chairs the GST Administration Subcommittee, which comprises officials from the Treasury, the ATO and state treasuries. The subcommittee met once in 2013-14. The subcommittee provides advice to the Council on GST policy and administrative issues.

Infrastructure, Industry, Agriculture and Environment, Communications, Energy and Resources, Defence and National Security

Infrastructure

The Treasury provided advice on a broad range of transport infrastructure policy issues, including in the areas of road and rail, aviation and maritime, and on the funding and financing of projects. The Treasury provided advice on the Government's Infrastructure Growth Package announced in the 2014-15 Budget, which included additional funding for road infrastructure under the Infrastructure Investment Programme and a new Asset Recycling Initiative. The $5 billion Asset Recycling Initiative, which is being administered by Treasury, provides financial incentives to the states and territories to sell assets and reinvest the proceeds into additional productive economic infrastructure. Treasury was represented on the Infrastructure Australia Council and on the Infrastructure Working Group, under the Standing Council on Transport and Infrastructure.

Agriculture and Environment

The Treasury provided advice on agriculture and environment policy, including the repeal of the carbon tax, the abolition of the Clean Energy Finance Corporation and support for farmers affected by drought.

Communications policy

The Treasury provided advice on communications policy issues including the National Broadband Network, postal services and the efficient use of radiofrequency spectrum.

The Treasury also provided advice on the National Access Regime.

Energy and resources policy

The Treasury provided advice on energy markets and resources policy. This included advice on energy market reform policies that promote competition and ensure appropriate regulation.

Industry and regional policy

The Treasury provided advice on industry policy, innovation, and regional development issues. This included advice on the manufacturing industry, structural and regional adjustment and tourism.

The Treasury provided advice on developing a stronger, more competitive Tasmanian economy following the establishment of the Joint Commonwealth and Tasmanian Economic Council in April 2014.

Social, Disability, Education, Indigenous, Labour Market, Immigration and Health policy

Disability policy

The Treasury worked with the Department of Social Services and other agencies to develop and implement the National Disability Insurance Scheme and to progress the Disability Care Australia Fund.

The Treasury worked with the states and territories to progress the National Injury Insurance Scheme (NIIS). A consultation Regulation Impact Statement for the NIIS for motor vehicle accidents has been published on the Treasury website, and work has progressed on developing minimum benchmarks for workplace accidents and medical treatment injury.

Education policy

The Treasury provided advice on education and skills policy during 2013-14, working with other agencies on the development of higher education reforms and a range of other education and training-related budget initiatives.

Indigenous policy

The Treasury provided advice on the Government's commitment to closing the gap in Indigenous disadvantage.

Labour market programmes, participation and workplace relations

The Treasury provided advice on a range of employment and participation issues, including working closely with the Department of Employment to develop a whole-of-government approach and Government submissions to the 2014 Annual Wage Review, and in the development of a new employment services model.

Immigration

The Treasury provided advice that links Australia's immigration policy to labour market needs and prevailing economic conditions. In particular, advice was provided on reforms to the *Migration Act 1958* and policy arrangements applying to temporary visas for skilled workers.

Health and aged care policy

The Treasury provided advice on a range of health and aged care policy issues, with a particular focus on the sustainability of the growth in health expenditure. The Treasury worked closely with the Department of Health to advise on a number of budget measures including the design of the Medical Research Future Fund, changes to funding arrangements for public hospitals, and the introduction of patient contributions for general practitioner, pathology and diagnostic imaging services.

The Treasury assisted the Department of Health in the lead up to the July 2014 commencement of new arrangements directly linking Commonwealth National Health Reform funding to the level of services delivered by public hospitals. This included implementing changes to the financial framework and modelling of fiscal implications of the new arrangements.

Early Childhood

The Treasury provided advice on paid parental leave, child care and early childhood issues including input into the establishment of the *Productivity Commission Inquiry into Childcare and Early Childhood Learning*.

Welfare Reform

The Treasury provided advice in relation to the Age Pension, working age payments and family payments, to inform Government decisions announced in the 2014-15 Budget. This involved working closely with the Department of Finance, the Department of Social Services and the Department of Employment.

Natural Disasters policy

The Treasury provided advice on the Commonwealth's response to natural disasters, the Terms of Reference for the *Productivity Commission Review of Natural Disaster Funding Arrangements* and on natural disaster recovery policy more broadly.

Centre for Market Design

The Centre for Market Design (the Centre) is a collaborative venture between the Commonwealth Treasury, Victorian Department of Treasury and Finance (DTF) and the University of Melbourne (UoM). Involvement in the Centre is an opportunity to work with academics to build capacity and capability in the areas of market design and experimental economics and to apply economic design techniques to public policy, procurement and resource allocation problems.

During 2013-14, the Treasury participated in work related to the allocation of exploration licenses for black coal in New South Wales.

Further information on the Centre is available at www.cmd.org.au.

REVENUE GROUP

Overview

Revenue Group provides policy advice, and designs legislative proposals to give effect to Government decisions affecting the Australian tax and retirement income systems. Tax and retirement income policy advice is formulated through an integrated process that emphasises close and early consultation with business and other stakeholders, and close cooperation with the ATO and relevant Commonwealth departments.

A key focus of Revenue Group for 2013-14 has been to assist the Government with implementing election commitments, and taxation measures announced in the 2014-15 Budget. Revenue Group has also played a key role in contributing to work on improvements to the international tax framework as part of the G20 tax agenda.

Revenue Group also provides secretariat services to the Board of Taxation. The Board publishes its own annual report at www.taxboard.gov.au.

Group deliverables

Revenue Group's key deliverables were to provide advice on:

- implementing the Government's taxation and retirement income reform agenda, including election commitments and decisions in the Government's 2014-15 Budget; and
- impacts of tax system and retirement income proposals, measures and expenditures, including on government finance and economic growth, and their distributional impact and overall efficiency and effectiveness.

Group outcomes

Revenue Group's key outcomes were:

- providing quantitative work for the August 2013 Economic Statement, the 2013 Pre-election Economic and Fiscal Outlook, the 2013-14 Mid-Year Economic and Fiscal Outlook and 2014-15 Budget;
- advising on, and developing legislation for, changes to:
  - corporate tax;
  - indirect tax;
  - personal income tax;
  - superannuation and retirement income policies; and
  - tax administration;
- assisting the Government to prioritise its tax and retirement income policy legislative agenda;
- contributing to the development of the G20 tax agenda, including by contributing to the development of the OECD Action Plan on base erosion and profit shifting (BEPS) and consulting with business on exchange of information proposals;
- providing secretariat support to the Board of Taxation; and
- assisting the Parliamentary Budget Office to fulfil its obligations, including providing data, models and related advice.

Analysis of performance

Implementing election commitments

The Treasury provided timely advice and law design input on implementing the Government's election commitments, including signature commitments relating to the repeal of the Minerals Resource Rent Tax, and measures related to the Carbon Tax Repeal Package. Legislation to give effect to these commitments was initially introduced into the Parliament on 13 November 2013.

The Treasury worked with the ATO to provide every pay-as-you-go taxpayer with a taxation receipt setting out details of how their tax has been spent and the level of Australian Government debt, and provided advice on the development of related legislation.

The Treasury also advised the Government on a number of election commitments for which the measure details, or related legislation, are still being developed. These include:

- introducing paid parental leave, with an associated reduction in the company tax rate by 1.5 per cent, from 1 July 2015;
- introducing a Mining Exploration Development Incentive;
- progressing work on certain tax-related recommendations of the Australian Financial Centre Forum in its report *Australia as a Financial Centre: building on our strengths* (the Johnson Report); and
- reforming the taxation of employee share schemes.

Developing and managing legislation

The Treasury managed and progressed the preparation of other tax and superannuation law measures, working with the Office of Parliamentary Counsel and the ATO.

A total of 50 tax bills containing 46 measures were introduced into Parliament in 2013-14.

Measures announced but not yet enacted by former governments

Following the election of the Abbott Government, the Treasury and the Board of Taxation coordinated a stocktake of 92 tax and superannuation measures that were announced but not legislated by former governments, and consulted key stakeholders on the handling of these measures. The Government decided to proceed with 35 of these measures. Of these, legislation has been introduced for 15 measures and 10 have been passed and implemented. These include:

- the phase out of the Net Medical Expense Tax Offset;
- staged increases in excise on tobacco and tobacco-related products;
- amendments to prevent 'dividend washing';
- limiting the immediate deduction for assets first used in exploration; and
- improvements to the Farm Management Deposits Scheme.

Improving the international tax framework — OECD and G20

The Treasury has contributed to work on improvements to the international tax framework as part of the G20 tax agenda. This work covers the OECD base erosion and profit shifting project, international standards for the exchange of tax information between countries, and tax and development. Treasury has provided this support as part of Australia's G20 presidency, as well as participating in international forums, including the OECD and the Global Forum on Transparency and Exchange of Information for Tax Purposes.

In May 2014, the Treasury joined the Japanese Ministry of Finance and four private sector sponsors to host the G20 International Tax Symposium in Tokyo. The event attracted over 230 delegates from nearly 40 countries, including non-G20, non-OECD countries such as Papua New Guinea, Thailand, Fiji and Mongolia. It brought together a wide range of representatives from business, civil society, academia and government to discuss the G20 tax agenda.

International tax agreements

Officials from the Australian Treasury and the United States Treasury concluded negotiations for an intergovernmental agreement to implement the US *Foreign Account Tax Compliance Act* (FATCA) in Australia. The agreement entered into force on 30 June 2014.

The Treasury also concluded negotiations for a revised tax treaty between Australia and Switzerland. The treaty is expected to enter into force in late 2014.

The Treasury also contributed to international tax treaty policy development through its work with the OECD's Committee on Fiscal Affairs, and provided ongoing advice to other agencies on various international agreements, including free trade agreements.

Personal tax policy reform

The Treasury provided timely advice on, and assisted in developing legislation for, a range of 2014-15 Budget measures. These included: introducing the Temporary Budget Repair Levy; abolishing the mature age workers tax offset; abolishing the dependent spouse tax offset and ceasing the First Home Saver Accounts scheme.

Superannuation and retirement income policy reform

The Treasury provided advice on implementing the Government's election commitments to reduce superannuation compliance costs for small business. Treasury and ATO officials consulted with a range of stakeholders to better understand the superannuation compliance concerns of small business employers, as part of developing reform options for government consideration in late 2014.

In December 2013, the Treasury consulted on an exposure draft Bill to increase the lost member superannuation small account threshold. Treasury officials also consulted with key stakeholders in late May and early June on the detailed design for a measure announced in the 2014-15 Budget to make the taxation of excess superannuation non-concessional contributions fairer.

Treasury also advised on 'SuperStream' reforms that will introduce industry-wide e-commerce standards for superannuation and streamline the processing of over 100 million superannuation transactions annually.

Tax revenue estimates and analysis

The Treasury, in collaboration with the ATO, provided the Government with timely monitoring, analysis and estimation of tax revenues. The Treasury also developed costings underpinning taxation proposals, and developed demographic and labour force projections.

In November 2013 the Treasury published a Working paper, *Estimates of Uncertainty around Budget Forecasts*, which aims to illustrate the risks associated with forecasts of the economic and fiscal outlook.

Tax Expenditures Statement

The Treasury also coordinated the *Tax Expenditures Statement 2013* and provided quantitative advice on estimates of tax expenditures associated with taxation policy.

Tax policy consultation

In 2013-14, the Treasury continued with a programme of regular high-level stakeholder consultation meetings. Two consultation meetings were held in 2013-14 with representatives from taxation advisory organisations, and other business and community groups. These meetings have been effective in helping engage the taxpayer community in a wider conversation about strategic tax policy issues.

Secretariat support to the Board of Taxation

The Treasury provided secretariat support to the Board of Taxation, including to the:

- review of debt and equity tax rules;
- post-implementation review into Division 7A of Part III of the *Income Tax Assessment Act 1936*;
- review of tax impediments facing small business; and
- review of the thin capitalisation arms' length debt test.

MARKETS GROUP

Overview

In 2013-14, the Treasury provided advice on policies that promote competitive, efficient markets and that work to enhance consumer wellbeing; a secure financial system and sound corporate practices; and foreign investment consistent with Australia's interest.

The Treasury implemented measures designed to enhance the availability and quality of financial advice. The Treasury continued to monitor and provide advice on the prudential framework applying to financial markets, including the banking sector, insurers, superannuation funds and capital markets. This included working towards making substantial progress on completing the core financial regulatory reforms identified for the global financial crisis.

The Treasury participated in international forums to enhance the regional and global financial system. In addition, the Treasury provided advice on foreign investment and trade policy, and continued to participate in free trade agreement negotiations. Treasury also played an active role in progressing work to establish an Asia Region Funds Passport.

During 2013-14, the Treasury continued to promote the stable and efficient provision of financial market infrastructure, particularly through emphasising the role of competition. Treasury also provided policy advice regarding the improved operation of Australia's financial reporting, corporate governance and corporate insolvency regimes.

The Treasury also provided advice to promote competition in product and services markets, and to support the interests of Australian consumers. The Treasury has assumed the lead role in advising the Government on whole of government policy settings to support the efficient operation of the Australian small business sector.

In 2013-14, the Treasury began implementing the Government's deregulation agenda, focusing on eliminating inefficient or unnecessary regulation that imposes unwarranted burdens on business, individuals and the community. The Treasury established a Deregulation Division with the role of driving deregulation activity and managing the Treasury portfolio's contribution towards the Government's red tape reduction target.

Group deliverables

Markets Group's key deliverables are to provide advice on:

- measures to promote competition, macroeconomic stability and market confidence, including advice on prudential frameworks applying to the banking sector, insurers and superannuation funds, and implementation of the Government's non-taxation superannuation election commitments;
- initiatives arising from the Johnson report to strengthen Australia as a regional financial services centre;
- measures to promote the efficient allocation of capital and management of risk through effective corporate governance and financial markets infrastructure frameworks, including commitments to address financial instrument risks;
- measures to implement the Government's election commitment to reduce compliance costs and regulatory burden on the financial services sector;
- Australia's competition and consumer policy framework including competition and regulatory reforms to improve Australia's productivity;
- foreign investment initiatives to ensure that proposals are not contrary to Australia's national interest, the development and implementation of a national foreign ownership register for agricultural land, and representing Australia's interests on investment, competition and financial service issues in free trade agreements and international forums;
- policies that support the efficient operation of the Australian small business sector;
- actuarial matters through the Australian Government Actuary which provides actuarial services to the Government, the Treasury and other agencies; and
- policies that help improve Australia's productivity by reducing the regulatory burden imposed on business, individuals and the community.

Group outcomes

Markets Group's key outcomes for 2013-14 were:

- implementing measures designed to protect financial consumers and enhance the availability and quality of financial advice, and continued monitoring and provision of advice on the prudential framework applying to financial markets, including the banking sector, insurers, superannuation funds and capital markets;

- making progress towards implementing the Government's election commitments in relation to the small business sector, including the establishment of the Small Business and Family Enterprise Ombudsman and the Government's deregulation and competition reform agendas;
- establishing the Government's Financial System and Competition Policy Review inquiries including the provision of administrative support;
- providing advice to the Government on policies that support the efficient operation of the Australian small business sector; providing support to the activities of the Australian Small Business Commissioner; supporting the small business sector by providing policy design advice to the Small Business Advisory Services and the Small Business Support Line, including on the integration of these programmes into the Government's Single Business Service;
- coordinating the Productivity Commission's work programme and advising departments, and the Government, on preparing terms of reference for reviews. In 2013-14, the Productivity Commission commenced five public inquiries and two commissioned studies. In 2013-14, the Productivity Commission also completed seven public inquiries and three commissioned research studies;
- providing advice on the Government's regulatory framework for inbound foreign investment, significant foreign investment cases (in consultation with the Foreign Investment Review Board), and investment aspects of free trade agreement negotiations;
- continuing to provide advice relating to the currency system and maintaining successful operations of the Australian Government Actuary;
- continuing to maintain and enhance a national consumer law through engagement with the ACCC and states and territories to support consistency in consumer protection, product safety regulation, and cooperative enforcement;
- developing the new monitoring and enforcement role of the ACCC in relation to the carbon tax repeal, and progressing the implementation of the Government's election commitment to extend unfair contract protections to small business;
- establishing and providing policy and secretariat support for the Small Business Ministerial Advisory Council, a forum of business stakeholders that provide advice and input to the Government's deregulation agenda and small business policy issues;
- developing the model for a Small Business and Family Enterprise Ombudsman to be a concierge for dispute resolution, a Commonwealth-wide advocate for small business and family enterprise, a contributor to small-business friendly regulation and to provide a single entry point for small businesses accessing Commonwealth programmes and information;
- implementing *Dispute Support*, an online tool to help small businesses in a dispute to find the information and assistance they need;
- developing legislation to introduce a penalty regime into the *Competition and Consumer Act 2010* for breaches of industry codes and providing ongoing policy advice on competition policy, including developing a new Franchising Code of Conduct to implement the recommendations of the Wein Review into the Code; and
- providing advice on competition policy, as well as supporting links with economies in the region to encourage the development of sound competition regulatory regimes.

Analysis of performance

Superannuation

Treasury released the Assistant Treasurer's discussion paper *Better regulation and governance, enhanced transparency and improved competition in superannuation* on 28 November 2013. Public consultation closed on 12 February 2014 and Treasury received 90 submissions. All public submissions have been published.

The discussion paper canvasses improving trustee board governance, greater provision of information about fund performance (through a choice product dashboard and disclosure of portfolio holdings), and enhancing competition in the default superannuation market.

Financial system reform

Markets Group officials were involved in progressing the financial reform agenda of the G20 in Australia's Presidency which it assumed on 1 December 2013. Markets Group worked with the G20 area in Treasury, and with APRA, ASIC and the RBA, to coordinate the design and implementation of the four key reform areas: building resilient financial institutions; ending too-big-to-fail; addressing shadow banking risks; and making derivatives markets safer.

The Treasury contributed to the work of other international bodies, including the Financial Stability Board to foster international cooperation in financial system regulation.

Domestically, the Government committed to a moratorium on significant new financial sector regulation whilst the Financial System Inquiry is underway.

Financial System Inquiry

Treasury assisted the Government to establish the Financial System Inquiry, which is examining how the financial system can be positioned to best meet Australia's evolving needs and support Australia's economic growth. This included assisting the Government in drafting and finalising the inquiry's terms of reference, and appointing the members of the Inquiry Committee, International Advisory Panel and Secretariat.

Financial sector crisis management

Treasury worked with Australia's financial regulators to ensure the adequacy of our arrangements for crisis management and resolution including assessing their consistency with new and emerging international standards. The Treasury continued to work with the Council of Financial Regulators and liaised with other government agencies to monitor developments in the global and domestic financial markets, and provided policy advice. As part of this work, Australian authorities engaged with their New Zealand counterparts under the framework of the TransTasman Council on Banking Supervision. The department continued to monitor developments in overseas and domestic financial markets to inform policy considerations across the financial system.

Unclaimed moneys

Treasury released a discussion paper in May 2014 proposing options to better balance the dual objectives of protecting the value of account holders funds, while ensuring account holders can be efficiently and effectively reunited with their money.

Treasury aims to consult further with industry and community stakeholders on changes to the unclaimed moneys provisions to reduce the regulatory burden of the provisions.

In the 2014-15 Budget farm management deposits were exempted from the unclaimed moneys provisions.

North Queensland insurance affordability package

Over the past few years many Australians have faced significantly increased premiums for home, home contents and strata property insurance, particularly in North Queensland. In response, Treasury released the Assistant Treasurer's discussion paper *Addressing the high cost of home and strata title insurance in North Queensland* on 9 May 2014. The discussion paper canvassed policy options to help consumers compare insurance products by developing an insurance information and comparison website (or an insurance 'aggregator'); promote resilience of strata title buildings by facilitating engineering assessments of strata title properties in North Queensland; and expand North Queensland insurance markets by encouraging participation by foreign insurers.

In the 2014-15 Budget, the Government allocated funds toward the establishment of an insurance comparison website and an engineering grant programme to address the unique circumstances of the North Queensland insurance markets. These measures will be offset by savings of $72.2 million over two years from 2013-14 from the cessation of the National Insurance Affordability Initiative.

Securitisation market

Treasury provided advice on developments in the domestic securitisation market. In 2008, the then Government agreed to provide temporary support to the securitisation market during a period of severe dislocation. The then Government invested in the highly-rated securitisation issuances of smaller lenders to support competition in the banking sector. Following a substantial market recovery, on 9 April 2013 the former Government ceased new investment in the securitisation market. On behalf of the Government, the Australian Office of Financial Management continues to manage the existing portfolio of securitisation investments and is adjusting down its holdings consistent with supporting the market's ongoing sustainability.

Financial industry supervisory levies

During 2013-14 the Treasury, in conjunction with APRA, completed its four-yearly review of the parameters and methodology underpinning the financial industry supervisory levies. This culminated in the release of a Treasury response paper to the methodology review in April 2014.

Adopting a number of the conclusions of the methodology review, the Treasury, in conjunction with APRA, consulted with industry on the proposed 2014-15 financial institutions supervisory levies in May and put forward two potential calculation options for industry's consideration in

2014-15, and a further potential change to the calculation of the levy paid by superannuation funds in 2015-16.

Following industry consultation, the Treasury recommended that the levies be calculated on a new basis. This was implemented by the Acting Assistant Treasurer for the coming financial year. The Treasury will continue to consult with industry on the viability of any future changes to the supervisory levies methodology throughout 2014-15.

G20 commitments on over-the-counter derivatives

The Australian Government continued its efforts to implement the agreed global reforms to OTC derivatives markets. Following the implementation of trade reporting requirements in 2013, the Government, in February and July 2014, issued two proposal papers on mandatory central clearing requirements for interest rate derivatives denominated in Australian dollars and four global currencies transacted between internationally active dealers. At the conclusion of the consultation process, the Government will decide whether to make a ministerial determination formalising a clearing obligation later in 2014.

A key objective of the Government's proposals is to support Australian banks and businesses active in overseas markets, by helping them to secure relief from duplicative and burdensome foreign regulations. Significant concessions of this nature were achieved in the United States in December 2013, and Australian Government agencies and regulators are continuing their efforts in this direction with a focus on the United States and the European Union as key global markets for Australian banks and businesses.

Competition in clearing

During the 2013-2014 financial year, Treasury — together with RBA and ASIC— continued to engage with the ASX in relation to its Code of Practice for Clearing and Settlement of Cash Equities in Australia, to ensure that it was developed with industry and consistent with the Council of Financial Regulators' advice on competition in this market. ASX implemented the Code in August 2013. ASX developed the code as part of the decision made in February 2013 to place a two-year moratorium on competition in cash equity clearing in Australia.

In July 2013, ASX and London Clearing House (LCH) were given approvals to clear interest rate derivatives in Australia. Treasury worked with RBA and ASIC to ensure that necessary arrangements were in place to facilitate the effective functioning of competition in this market. A competitive market for clearing derivatives supports the implementation of the G20 OTC derivative commitments.

In March 2014, the Council of Financial Regulators (CFR) released a paper on the application of the regulatory influence framework to clearing facilities in various Australian financial markets. The paper included guidance on ASIC's and the RBA's likely approaches to location requirements for overseas-based applicants seeking a clearing and settlement facility licence. This paper is based on the regulatory structure described by the CFR in their July 2012 publication *Ensuring Appropriate Influence for Australian Regulators over Cross-border Clearing and Settlement Facilities*.

Australian Government Bonds and Retail Corporate Bonds

The Government has committed to encouraging the development of a deep and liquid corporate bond market to enable greater funding opportunities for business and greater diversity in investment options for investors.

In 2013-14, the Treasury continued work to reduce the disclosure burden on businesses issuing simple corporate bonds. The reform work focused on streamlining disclosure, refining director liabilities, and establishing a framework for greater trading of bonds in the retail market.

The Corporations Amendment (Simple Corporate Bonds and Other Measures) Bill 2014 was introduced into Parliament on 15 May 2014. The Treasury also undertook work developing supporting regulation.

Deregulation

The Government has set a target of reducing regulatory compliance costs on businesses, individuals and the community by $1 billion every year. The Treasury is currently making progress in contributing to this target. Treasury has completed a qualitative stocktake of existing regulations within the portfolio and has begun a quantitative analysis. The stocktake will help identify areas for reform and will establish a baseline against which government and stakeholders can measure reductions in red tape. The Treasury will continue to engage with stakeholders, including our consultative bodies and our portfolio agencies, to further identify red tape reduction opportunities in the coming year.

Financial services reforms

National regulation of credit

The *National Consumer Credit Protection Amendment (Small Amount Credit Contracts) Regulation 2014* commenced on 13 June 2014 to address avoidance issues with the national consumer credit regime.

From 1 July 2013 there has been a cap on costs for small amount credit contracts, which are loans of less than $2,000 cash in hand to the consumer, with a maximum term of 12 months. Some fringe providers had been attempting to avoid the cap on costs, as well as other licensing and responsible lending obligations, under the credit laws.

The Regulation has addressed these avoidance practices in relation to small amount credit contracts, as well as other avoidance practices around continuing credit contracts and short term credit.

In February 2014, the Government announced its intention to explore options to address problems with indefinite and short term leases, which are currently exempt from regulation under the national consumer credit regime. Concerns have been raised by stakeholders that consumers may be disadvantaged by the use of an unregulated lease relative to a regulated lease through, for example, the absence of mandatory external dispute resolution. The Treasury will continue this work in 2014-15.

Future of Financial Advice

As part of its pre-election policy commitments prior to the 2013 election, the Government undertook to reduce compliance costs for small businesses, financial advisers, and the broader financial services industry, while maintaining the quality of advice for consumers who access financial advice.

On 20 December 2013, the Government announced a package of changes to the Future of Financial Advice (FOFA) provisions to implement its election commitment. On 20 June 2014, the Government announced the final package of changes to FOFA.

In 2013-14, the Treasury worked to implement the Government's announced changes. The department has worked on the development of a Bill and a Regulation to give effect to the measures announced by the Government: the Corporations Amendment (Streamlining of Future of Financial Advice) Bill 2014 (the FOFA Bill), which was introduced into Parliament on 19 March 2014 as part of the Government's Autumn Repeal Day; and the *Corporations Amendment (Streamlining Future of Financial Advice) Regulation 2014*, which was registered on the Federal Register of Legislative Instruments on 30 June 2014 and commenced on 1 July 2014.

The Treasury will continue to support the Government in progressing the FOFA Bill through the Australian Parliament.

Increased professionalism of the financial advice industry

In January 2014, the Government announced its intention to work with industry to review the professional standards of financial advisers including issues such as the education and training standards of advisers in Australia and any proposed move to a national exam.

The Treasury has engaged with the financial advice industry on initiatives to improve professional standards and the quality of advice provided to consumers, including advice on how a broad professional standards framework for financial advisers could be introduced. The Treasury will continue this work in 2014-15.

Financial sector trends and structures

The Treasury continues to advise the Government on emerging market trends and structures by assessing market developments and new products, monitoring trends affecting competition and efficiency in the financial sector, and considering potential developments that may affect the effectiveness of existing policy settings. In addition, the Treasury has advised the Government on developments in banking, the affordability and availability of insurance, and the operation, structure and cost of the superannuation system.

Corporations regulation reforms

In July 2013, regulations were made to facilitate the efficient operation of the Takeovers Panel and require the disclosure of information on ASIC's use of its information gathering powers.

In April 2014, the Acting Assistant Treasurer released a draft package of amendments to reduce compliance costs for business under the *Corporations Act 2001* and the *Australian Securities and Investments Commission Act 2001*. The proposed amendments seek to streamline the requirements for companies paying dividends, remove obligations on companies to hold a general meeting when requested by 100 shareholders and improve the disclosure of executive remuneration. The Government's response will be informed by the issues raised in the submissions received in response to the draft legislation.

The Treasury continues to advise the Government on the operation of the legal frameworks applying to corporate insolvency including the regulation of the insolvency profession, the obligations of directors, and the preparation and content of financial reporting obligations.

International liaison

Asia Region Funds Passport

The development of the Asia Region Funds Passport (the passport) is being led by the Treasury and progressed under the auspices of Asia-Pacific Economic Cooperation (APEC). Considerable progress was made in 2013-2014 to develop the proposed arrangements including the public release of the *Consultation Paper: Arrangements for an Asia Region Funds Passport* and subsequent industry consultations. To facilitate broad input into the development of these arrangements, policy and technical workshops were held in Kuala Lumpur, Malaysia in March 2014 attended by officials from 12 APEC economies.

In leading development of the passport, the Treasury also managed the provision of targeted capacity building to financial regulators in Indonesia, the Philippines, Thailand and Vietnam. This focused on enhancing regulators' capacity to regulate and supervise the cross-border trade in collective investment schemes, and has contributed to the Philippines and Thailand joining the passport working group with Australia, Korea, New Zealand and Singapore.

The development of the passport and the provision of capacity building formed part of broader efforts led by The Treasury to strengthen financial cooperation with targeted countries across the region.

G20/Financial Stability Board

Markets Group officials have undertaken extensive international engagement during Australia's Presidency of the G20.

Treasury has provided Australian representatives to Financial Stability Board (FSB) committees that provide input into the G20 Finance Ministers' meetings. Markets Group officials represented Australia on the Standing Committee on Standards Implementation (SCSI), and the Standing Committee for Supervisory and Regulatory Cooperation (SRC).

The SCSI monitors the implementation of international financial regulations standards agreed by the G20 and FSB and undertakes peer reviews of individual FSB countries and on key priorities. The SRC aims to address key financial stability issues relating to the development of supervisory and regulatory policy and assist in enhancing cross-border cooperation between national supervisors.

Trans-Tasman coordination to develop a Single Economic Market

In August 2009, the Australian and New Zealand Prime Ministers agreed to principles and a range of shared short- and medium-term practical outcomes in business law for developing the Single Economic Market. A Trans-Tasman Outcomes Implementation Group comprising senior officials from the Australian and New Zealand governments was tasked with overseeing and, wherever possible, accelerating the progress of the reform agenda. The Treasury and the New Zealand Ministry of Economic Development co-chair the group. The majority of the reforms, including those relating to financial services, consumer credit and intellectual property, have either been completed or are scheduled for completion by the end of 2014.

Trans-Tasman Council on Banking Supervision

The Trans-Tasman Council on Banking Supervision reports to the Treasurer and the New Zealand Minister of Finance on promoting a joint approach that delivers a seamless regulatory environment for banking services, and considers broader financial sector and stability issues. The Secretaries to the Treasuries of Australia and New Zealand jointly chair the council, and its membership includes senior officials from the financial system regulators. The Treasury has pursued the council's work programme, focusing on improved cooperation on crisis management.

Financial Reporting Council

The Financial Reporting Council (FRC) comprises up to 19 members responsible for overseeing the effectiveness of the financial reporting framework in Australia. Its key functions include overseeing the accounting and auditing standards-setting processes for the private and public sectors, providing strategic advice in relation to the quality of audits conducted by Australian auditors, and advising the minister on these and related matters to the extent that they affect the financial reporting framework.

The Treasury provides secretariat support to the FRC, including its meetings, and is also responsible for advising the minister on the appointment of members to the FRC to ensure that it is broadly representative of stakeholders with an interest in financial reporting. The Treasury maintains a close relationship with the FRC and engages in high-level discussions with the FRC, which benefits both the Treasury in developing policy advice and the FRC in guiding their strategic direction.

The FRC has three committees — nominations, audit quality, and strategic planning. The FRC currently also has a Financial Report Taskforce. The Treasury has engaged with the activities of the taskforce and committees by providing secretarial support, fostering dialogue with stakeholders on the issues being explored, liaising with the chairs of the committees and taskforces to form their strategic direction and providing assistance to deliver key outputs.

Currency

The Treasury provided advice to Treasury portfolio ministers on a range of currency-related matters. It chaired the Royal Australian Mint Advisory Board to assist the mint in developing its policy and administering its initiatives. The Treasury also assisted the Perth Mint in relation to its currency determinations (legislative instruments), which are tabled in Parliament before the release of numismatic (collector) coins. In the 2014-15 Budget, the Government announced it would conduct a scoping study into future ownership options for the Royal Australian Mint.

Secretariat services

The Treasury provided secretariat services to the Legislative and Governance Forum for Corporations (formerly constituted as the Ministerial Council for Corporations (MINCO)). The Treasury also assisted ministers in fulfilling the Government's obligations under the Corporations Agreement 2002, the *Intergovernmental Agreement for Business Names Agreement*.

Takeovers Panel

The Takeovers Panel contributed to well-functioning securities markets in Australia by dealing with applications, which are essentially disputes relating to takeovers made under the Takeovers Chapter of the *Corporations Act 2001* and other control transactions. The panel, a peer review body with regulatory functions, has 37 members who are specialists in mergers and acquisitions as investment bankers, lawyers, company directors or other professionals. In resolving disputes, the panel helps to ensure that acquisition of control over voting shares in listed and widely-held companies occurs in an efficient, competitive and informed market; security holders and directors are given enough information; and security holders have a reasonable and equal opportunity to participate in any benefits of a proposal. The panel also publishes guidance notes to help foster market confidence and efficiency.

In 2013-14, the panel considered 26 commercially significant and complex applications, including matters relating to truth in takeovers, association and rights issues.

Individual foreign investment proposals

Foreign investment proposals that fall within the scope of Australia's foreign investment policy or the *Foreign Acquisitions and Takeovers Act 1975* (the Act) are examined to determine whether they are contrary to Australia's national interest.

During 2013-14, Markets Group provided advice on the Government's regulatory framework for inbound foreign investment; significant foreign investment cases (in consultation with the Foreign Investment Review Board); and investment aspects of free trade agreement negotiations.

Markets Group also contributed to the work of the OECD Investment Committee, and is the home of the Australian National Contact Point for the OECD Guidelines for Multinational Enterprises. Additional information on this role is provided at www.ausncp.gov.au.

Australian Government Actuary

Australian Government Actuary provides actuarial services to government, the Treasury and other agencies within a contestable and competitive market. Demand for services was again high during 2013-14. Income from services relative to total costs is a primary indicator of performance. Australian Government Actuary maintains a special account to ensure its financial operations are managed properly and transparently and, at 30 June 2014, the account was in a sound financial position.

Small Business

In 2013-14, responsibility for small business policy and advice was transferred to Treasury. Treasury provided advice and input to the Government's small business agenda with a focus on policy and regulatory issues including deregulation, small business productivity and innovation. General small business policy advice was provided on a range of existing or emerging issues including competition, access to finance, taxation, superannuation and industry development policy.

The Treasury supported the Government's deregulation agenda through the establishment of the Small Business Ministerial Advisory Council and provides ongoing Secretariat support to this council.

Treasury conducted ongoing stakeholder engagement, research and analysis to support policy advice and assistance to small business on new and emerging issues. This included consulting with stakeholders in the Government, state governments, industry associations, private sector service providers, small businesses and other interested parties in developing the model for the operation of the Small Business and Family Enterprise Ombudsman.

Treasury provided oversight for small business advisory publications: *Starting your Business Checklist, Growing your Business Checklist*, and the *Small Business Resource Kit*.

Treasury's work in reducing the regulatory burden for small businesses included contributing to the COAG end-to-end regulation mapping process, focusing on issues for small business in the residential building industry, and consulting with Small Business Advisory Council members on deregulatory priorities.

Treasury supported policy work in key forums including representing Australia's interests in multilateral forums such as the OECD and APEC.

Treasury also provides support for the operations of the Australian Small Business Commissioner. The Commissioner provides information and assistance to small businesses including referral to dispute resolution services; represents small business interests and concerns to the Australian Government; and works with industry and government to promote a consistent and coordinated approach to small business matters.

As part of this role in 2013-14, the Commissioner developed *Dispute Support*, an online tool to help small businesses in a dispute to find information and assistance. With three easy steps, the tool assists small businesses to find the most appropriate low cost service to help resolve a business dispute. There is also information to help small businesses to understand and manage their dispute and tips for avoiding disputes in the future.

Consumer Policy

In 2013-14, the Treasury provided advice to the Government on Australia's consumer policy framework, including ongoing work to support and maintain the Australian Consumer Law (ACL). The ACL includes provisions about unfair practices and fair trading, unfair contract terms, consumer guarantees and product safety.

The Treasury worked with both national and state and territory consumer agencies during 2013-14 to maintain the policy and enforcement framework for the ACL.

The Treasury played an active role in developing the new monitoring and enforcement role of the ACCC in relation to the carbon tax repeal and released the consultation paper to implement the Government's election commitment to extend unfair contract protections to small business.

The Treasury provided secretariat support to the Legislative and Governance Forum on Consumer Affairs, as well as Consumer Affairs Australia and New Zealand (including its advisory committees). The Treasury also provided secretariat support to the Commonwealth Consumer Affairs Advisory Council, which, in 2013-14, gave independent advice to the Consumer Affairs Ministers on a range of consumer-related issues, including credit card surcharges.

In 2013-14, the Treasury continued to represent Australia in international forums on consumer policy, including as a member of the OECD Committee on Consumer Policy.

Competition Policy

The Treasury provides advice on competition policy issues as they arise, including on competition laws in Part IV of the *Competition and Consumer Act 2010* (CCA). In 2013-14, this included considering competition issues and small business concerns in concentrated markets.

In March 2014, the Minister for Small Business announced the terms of reference for the Competition Policy Review led by Professor Ian Harper and assisted by an expert panel. The Harper Review is a broad review of competition laws and policies. Treasury assisted with the establishment of the Review, which will be important for shaping the future of Australia's competition policy.

The Treasury is responsible for the framework for industry codes of conduct. The major piece of work undertaken in this area during 2013-14 was the finalisation of the Government's response to the independent Franchising Code of Conduct review. Following extensive consultation with stakeholders, legislation to amend the CCA was finalised. It was introduced into the Parliament in July 2014. This includes amendments to the CCA to allow for pecuniary penalties and infringement notices to be imposed for breaches of prescribed industry codes. A new Franchising Code is also being developed with an intended commencement date of 1 January 2015.

Following the machinery of government changes in late 2013, Treasury took over the management of the contract for the provision of mediation services for the Franchising Code of Conduct, the Horticulture Code of Conduct, the Produce and Grocery Industry Code of Conduct and the Oilcode.

The Treasury coordinates the Productivity Commission's work programme and advises departments and the Government on preparing terms of reference for reviews. In 2013-14, the Productivity Commission commenced five public inquiries and two commissioned studies. In 2013-14, the Productivity Commission also completed seven public inquiries and two commissioned research studies.

CORPORATE STRATEGY AND SERVICES GROUP

Overview

The Corporate Strategy and Services Group (CSSG) helps set and deliver the corporate strategic direction of Treasury, and provides quality corporate advice and services for the department, its people and its portfolio ministers.

The four divisions in the group are Financial and Facilities Management, Information Management and Technology, Ministerial and Communications, and People and Organisational Strategy.

Key priorities

- Facilitating behavioural and organisational change by implementing the Strategic Review, Capability Action Plan and Progressing Women agendas;
- Implementing strategic and operational workforce planning, as well as considered analysis, reporting and evaluation of the Treasury workforce;
- Improving the availability and security of IT infrastructure, and its operational capabilities in the event of a disaster;
- Increasing productivity through flexible work arrangements and better IT mobility;
- Deploying technology that enhances internal and external collaboration;
- Implementing business process improvement initiatives;
- Improving the provision of financial information to assist decision-makers;
- Managing the election caretaker period and transition to the new government;
- Delivering production and logistics services for Budget 2013-14 and related processes (for example MYEFO);
- Ensuring Treasury's compliance with legal and government policy requirements, including Commonwealth financial framework requirements;
- Managing operational activities for all of Treasury's corporate functions;
- Ensuring effective working relationships with Treasury ministers' offices; and
- Evaluating the value to Treasury and government for us to build on the current shared service arrangements and offer them more broadly to other agencies.

Key outcomes

- Following the September 2013 election, Treasury successfully established four new Treasury ministers' offices and built and maintained effective working relationships with the ministers and their staff.
- Treasury continued its ongoing commitment to addressing barriers to recruiting, retaining and progressing women in Treasury. Treasury provided unrecognised bias awareness training to over 300 people and has made measuring and reporting gender diversity a regular practice, including by reporting recruitment, promotion and performance assessment results to staff.

- Quarterly workforce metrics reports were provided to all staff to help analyse, report on and evaluate workforce planning.
- The Disaster Recovery Project was implemented to safeguard the department's IT infrastructure and ensure business continuity. This project sets out the steps for recovery and restoration of information and communications services following a disaster. As a result of this project, Treasury's CIO, Peter Alexander, was nominated as ITnews CIO for 2014.
- Treasury demonstrated its commitment to flexible work arrangements with the use of a job share register, by fostering and supporting a flexible working culture and improving IT mobility.
- A new Treasury intranet was released in November 2013. The new site included new content structure and features that make it easier to use and access. The site integrates SharePoint to improve collaboration, productivity and efficiency for Treasury staff.
- Release of the Treasury Innovation Framework under the Capability Action Plan, the latter of which identified areas where Treasury can improve performance with fewer resources.
- Implementing the Expense Management System to streamline purchasing and payment processes.
- Treasury designed and produced the Budget and associated documents. This included briefings (both written and verbal) and logistics for the media and stakeholder lock-ups.
- The implementation of the Financial Management Compliance System to provide a more efficient way for delegates to report information in the annual Certificate of Compliance to the Minister for Finance.
- The evaluation highlighted that Treasury is well placed to offer shared services to agencies.

PROGRAMME 1.2: PAYMENTS TO INTERNATIONAL FINANCIAL INSTITUTIONS

PROGRAMME OBJECTIVE

Payments are made to the International Monetary Fund (IMF), under the *International Monetary Agreements Act 1947*, to promote international monetary cooperation, exchange stability and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustments.

Payments are made to other international financial institutions, as required, to facilitate the achievement of government objectives in international forums, including strengthening the international financial system, support for development objectives through the multilateral development banks, and multilateral debt relief.

Please see Part 5 Appendices — Australia and the International Financial Institutions for more information regarding the IMF and the World Bank Group.

PROGRAMME DELIVERABLES

Payments to international financial institutions, including the IMF, are made with due regard to minimising cost and risk for Australia.

KEY PERFORMANCE INDICATORS

Financial transactions with the international financial institutions, including the IMF, are timely and accurate.

ANALYSIS OF PERFORMANCE

Australia makes substantial financial payments to international financial institutions to support their operations.

The Treasury manages most of Australia's financial relations with the IMF and capital contributions to the World Bank Group (the International Bank for Reconstruction and Development, the Multilateral Investment Guarantee Agency, the International Development Association and the International Finance Corporation), the Asian Development Bank and the European Bank for Reconstruction and Development.

In 2013-14, the Treasury conducted routine financial transactions to manage existing obligations. These were timely and efficient (see Table 1 over).

Table 1: Financial transactions with international financial institutions in 2013-14(a)

	Nature of transaction	Number of transactions	Total $'000
Receipts			
IMF net remuneration	Revenue	4	1,299
IMF new arrangements to borrow — interest	Revenue	4	880
Payments			
IMF special drawing rights allocation charges(b)	Expense	4	4,878
IMF new arrangements to borrow — loans	Financing transaction	6	209,461
— repayments		5	-130,899
IMF maintenance of value	Financing transaction	1	455,936
Asian Development Bank general capital increase	Investing transaction	1	16,510
International Bank for Reconstruction and Development general capital increase	Investing transaction	1	10,534

(a) Transactions are reported on a cash basis. There were no transactions relating to the European Bank for Reconstruction and Development, the International Finance Corporation or Multilateral Investment Guarantee Agency. Australia is a participant in the IMF's Financial Transactions Plan. More information on Australia's financial transactions with international financial institutions, including the IMF, is at Part 5 Appendices — Australia and the International Financial Institutions.

(b) This amount includes the annual assessment fee paid to the SDR Department.

PROGRAMME 1.3: SUPPORT FOR MARKETS AND BUSINESS

PROGRAMME OBJECTIVE

The objectives of programme 1.3 are to:

- put Australia at the forefront of regional and global examination of financial sector developments and the design of regulatory responses by providing funding of $12.1 million over four years for the Centre for International Finance and Regulation. The Centre comprises a consortium of Australian and international universities, research centres and financial organisations and is led by the University of New South Wales;
- make payments in respect of insurance claims arising from the residual Housing Loans Insurance Company Limited portfolio. The Housing Loans Insurance Company Limited pre-transfer contract portfolio will be managed to ensure all liabilities arising from claims under this portfolio are met and any related debts are recovered; and
- make payments of assistance to eligible HIH insurance policy holders under the HIH Claims Support Scheme. Work is now focused on finalising remaining claims so assistance can be paid, and the claims portfolio wound up.

PROGRAMME DELIVERABLES

The programme deliverables are:

- payments to the Centre for International Finance are made according to agreed milestones and schedules; and
- payments of claims arising from the Housing Loans Insurance Company Limited residual and assistance under the HIH Claims Support Scheme are made according to agreed schedules.

KEY PERFORMANCE INDICATORS

The key performance indicators are:

- payments for the Centre for International Finance and Regulation will be made according to the agreed funding schedule; and
- payments of claims arising from the Housing Loans Insurance Company Limited residual and assistance under the HIH Claims Support Scheme are accurately determined and are made according to agreed schedules.

ANALYSIS OF PERFORMANCE

- Payments to the University of New South Wales for the Centre for International Finance and Regulation were accurately determined and made in a timely manner.
- Payments made from the Housing Loans Insurance Corporation Limited met the cost of administering and meeting the Commonwealth's obligations arising from ongoing management of the residual portfolio of lenders' mortgage insurance contracts.

- Payments made to the HIH Claims Support Scheme met the costs of operating the scheme and providing assistance to eligible policyholders. The Treasury continues to work closely with the HIH administrators, McGrathNicol, and the contracted claims manager, Gallagher Bassett Services Pty Ltd, to settle remaining claims.
- All payments were accurately determined, in accordance with industry best practice and government regulations, and made in a timely manner.

PROGRAMME 1.4: GENERAL REVENUE ASSISTANCE

PROGRAMME OBJECTIVE

The Government will make general revenue assistance payments to the states and territories. General revenue assistance is a broad category of payments, provided to the states and territories without conditions, to spend according to their own budget priorities.

Under the *Intergovernmental Agreement on Federal Financial Relations* (Intergovernmental Agreement), the states are entitled to receive payments from the Commonwealth equivalent to the revenue received from the GST.

In addition, the Government will make payments of other general revenue assistance to the states consisting of:

- payments to the Australian Capital Territory to assist in meeting the additional municipal costs which arise from Canberra's role as the National Capital and to compensate for the additional costs resulting from the national capital planning influences on the provision of water and sewerage services;
- payments to Western Australia to compensate for the loss of royalty revenue resulting from the removal of the exemption of condensate from crude oil excise in the 2008-09 Budget;
- payments to Western Australia as a share of royalties collected by the Commonwealth under the *Offshore Petroleum (Royalty) Act 2006* in respect of the North West Shelf oil and gas project off the coast of Western Australia;
- payments to the Northern Territory in lieu of royalties on uranium mining in the Ranger Project Area due to the Commonwealth's ownership of uranium in the Northern Territory; and
- payments to New South Wales and Victoria to compensate for Commonwealth taxes paid by Snowy Hydro Ltd in proportion to the states' shareholdings.
- Elements of this programme are linked to the Industry portfolio. Also refer to Budget Paper No. 3, *Federal Financial Relations 2014-15*.

PROGRAMME DELIVERABLES

The programme deliverables are:

- general revenue assistance payments to the states and territories made in accordance with the payment arrangements specified in the Intergovernmental Agreement.

KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Commonwealth Treasury will make general revenue assistance payments to the states and territories that reflect the requirements, the amounts and timeframes specified in the Intergovernmental Agreement; and

- the Commonwealth Treasury will provide GST revenue data on a monthly, quarterly and annual basis, and will maintain a schedule of estimates of annual net GST receipts in accordance with the requirements of the Intergovernmental Agreement.

ANALYSIS OF PERFORMANCE

In accordance with the Intergovernmental Agreement, total general revenue assistance payments of $52.4 billion were made to the states and territories in 2013-14. Payments included:

- GST entitlements to the states and territories totalling $51.1 billion;
- payments to Western Australia of a share of royalties collected by the Commonwealth under the *Offshore Petroleum (Royalty) Act 2006* totalling $1.1 billion; and
- other general revenue assistance payments totalling $184.3 million.
- The Treasury also recouped $0.7 billion in GST administration costs in 2013-14.
- Monthly, quarterly and annual GST revenue data were provided each month in accordance with the requirements of the Intergovernmental Agreement.
- All payments were accurately determined and made in a timely manner.

PROGRAMME 1.5: ASSISTANCE TO THE STATES FOR HEALTHCARE SERVICES

PROGRAMME OBJECTIVE

The Government provides financial support to the states and territories to be spent in the delivery of healthcare services.

This programme also has links to the Health portfolio.

In 2013-14, National Health Reform funding is set to the amount that would have been previously payable through the former National Healthcare Specific Purpose Payment (SPP).

National Health Reform funding is paid into a National Health Funding Pool. The Administrator of the National Health Funding Pool, jointly established by the Commonwealth and the states, is responsible for calculating the Commonwealth funding amount for public hospitals and advising the Treasurer of this amount; and making payments from the National Health Funding Pool.

PROGRAMME DELIVERABLES

The programme deliverable is:

- Payments to the states and territories are made according to the payment arrangements specified in the Intergovernmental Agreement and the National Health Reform Agreement.

KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Commonwealth Treasury will transfer to the National Health Funding Pool the amount of Commonwealth funding to which each state and territory (including Local Hospital Networks in each jurisdiction) is entitled, and will make the payments on the dates specified in the Intergovernmental Agreement on Federal Financial Relations;
- the Commonwealth Treasury will provide advice to the states and territories on the components of each payment prior to each payment being made; and
- the states and territories are required to spend National Health Reform funding in the healthcare sector. Each state and territory Treasurer will provide a report to the Council on Federal Financial Relations demonstrating expenditure of National Health Reform funding within the sector is in accordance with the Intergovernmental Agreement on Federal Financial Relations and the National Health Reform Agreement.

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2013-14 financial support for the states and territories in the delivery of healthcare services.

- Total expenses for National Health Reform funding were $13.8 billion. Payments were paid into the National Health Funding Pool in accordance with each state and territory's monthly and annual entitlements, as per the Administrator's advice to the Treasurer.
- Payments were made in a timely manner in accordance with the payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the states and territories prior to each payment being made.

To demonstrate that the National Health Reform funding has been spent within the relevant sector, each state and territory Treasurer will provide a report to the Council within six months of 30 June 2014, disclosing relevant information in accordance with the Intergovernmental Agreement.

PROGRAMME 1.6: ASSISTANCE TO THE STATES FOR SCHOOLS

PROGRAMME OBJECTIVE

The Government provides financial support for the states and territories through the National Schools Specific Purpose Payment (SPP) to be spent in the delivery of government and non-government school services.

This programme also has links to the Education portfolio.

Payments under this programme ended in December 2013. From January 2014, the National Schools SPP was replaced by Students First funding, which is provided for under the *Australian Education Act 2013* and is reported in the Education portfolio. The non-government schools component of the National Schools SPP (to December 2013) also appears in the Education portfolio.

PROGRAMME DELIVERABLES

The programme deliverable is:

- payments to the states and territories are made in accordance with the payment arrangements specified in the Intergovernmental Agreement.

KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Commonwealth Treasury will transfer to each state and territory the amounts of their monthly and annual entitlements under the National Schools SPP (to December 2013), and will make the payments on the dates specified in the Intergovernmental Agreement;
- the Commonwealth Treasury will provide advice to the states and territories on the components of each payment prior to each payment being made; and
- the states and territories are required to spend the National Schools SPP in the schools sector. Each state and territory Treasurer will provide a report to the Council on Federal Financial Relations demonstrating expenditure of the National Schools SPP (government schools component) within the sector in accordance with the Intergovernmental Agreement. The Commonwealth Treasury will review these reports provided by the states and territories.

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2013-14 financial support for the states and territories in the delivery of government schools services.

- Total expenses under the National Schools SPP (government schools component) were $2.1 billion. Payments were made in accordance with each state and territory's monthly and annual entitlements (to December 2013).

- Payments were made in a timely manner in accordance with payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the states and territories prior to each payment being made.

To demonstrate that the National Schools SPP (government schools component) has been spent in the relevant sector, each state and territory Treasurer will provide a report to the Council within six months of 30 June 2014, disclosing relevant information in accordance with the Intergovernmental Agreement.

PROGRAMME 1.7: ASSISTANCE TO THE STATES FOR SKILLS AND WORKFORCE DEVELOPMENT

PROGRAMME OBJECTIVE

The Government provides financial support for the states and territories to be spent in the delivery of skills and workforce development services.

This programme also has links to the Education and Industry portfolios.

PROGRAMME DELIVERABLES

The programme deliverable is:

- payments to the states and territories are made in accordance with the payment arrangements specified in the Intergovernmental Agreement.

KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Commonwealth Treasury will transfer to each state and territory the amounts of their monthly and annual entitlements under the National Skills and Workforce Development SPP and will make the payments on the dates specified in the Intergovernmental Agreement;
- the Commonwealth Treasury will provide advice to the states and territories on the components of each payment prior to each payment being made; and
- the states and territories are required to spend the National Skills and Workforce Development SPP in the skills and workforce sector. Each state and territory Treasurer will provide a report to the Council on Federal Financial Relations demonstrating expenditure of the National Skills and Workforce Development SPP within the sector in accordance with the Intergovernmental Agreement. The Commonwealth Treasury will review these reports provided by the states and territories.

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2013-14 financial support for the states and territories in the delivery of skills and workforce development services.

- Total expenses under the National Skills and Workforce Development SPP were $1.4 billion. Payments were made in accordance with each state and territory's monthly and annual entitlements.
- Payments were made in a timely manner in accordance with payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the states and territories prior to each payment being made.

To demonstrate that the Skills and Workforce Development SPP has been spent in the relevant sector, each state and territory Treasurer will provide a report to the Council within six months of 30 June 2014, disclosing relevant information in accordance with the Intergovernmental Agreement.

PROGRAMME 1.8: ASSISTANCE TO THE STATES FOR DISABILITY SERVICES

PROGRAMME OBJECTIVE

The Government provides financial support for the states and territories to be spent in the delivery of disability services.

This programme also has links to the Social Services and Health portfolios.

From 2011-12, an adjustment is made to the National Disability SPP to ensure that the changes to Commonwealth and state roles and responsibilities for aged care and disability services, as part of the *National Health Reform* arrangements, are budget neutral.

PROGRAMME DELIVERABLES

The programme objective is:

- payments to the states and territories are made in accordance with the payment arrangements specified in the Intergovernmental Agreement.

KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Commonwealth Treasury will transfer to each state and territory the amounts of their monthly and annual entitlements under the National Disability Services SPP and will make the payments on the dates specified in the Intergovernmental Agreement;
- the Commonwealth Treasury will provide advice to the states and territories on the components of each payment prior to each payment being made; and
- the states and territories are required to spend the National Disability Services SPP in the disability services sector. Each state and territory Treasurer will provide a report to the Council on Federal Financial Relations demonstrating expenditure of the National Disability Services SPP within the sector in accordance with the Intergovernmental Agreement. The Commonwealth Treasury will review these reports provided by the states and territories.

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2013-14 financial support for the states and territories in the delivery of disability services.

- Total expenses under the National Disability SPP were $1.3 billion. Payments were made in accordance with each state and territory's monthly and annual entitlements.
- Payments were made in a timely manner in accordance with the payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the states and territories prior to each payment being made.

To demonstrate that the National Disability SPP has been spent in the relevant sector, each state and territory Treasurer will provide a report to the Council within six months of 30 June 2014, disclosing relevant information in accordance with the Intergovernmental Agreement.

It should be noted that an adjustment is made to the National Disability SPP to ensure that the changes to Commonwealth and state roles and responsibilities for aged care and disability services, as part of the National Health Reform arrangements, are budget neutral for participating jurisdictions.

PROGRAMME 1.9: ASSISTANCE TO THE STATES FOR AFFORDABLE HOUSING

PROGRAMME OBJECTIVE

The Government provides financial support for the states and territories to be spent in the delivery of affordable housing services.

This programme also has links to the Social Services and Health portfolios.

PROGRAMME DELIVERABLES

The programme deliverable is:

- payments to the states and territories are made in accordance with the payment arrangements specified in the Intergovernmental Agreement.

KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Commonwealth Treasury will transfer to each state and territory the amounts of their monthly and annual entitlements under the National Affordable Housing SPP and will make the payments on the dates specified in the Intergovernmental Agreement;
- the Commonwealth Treasury will provide advice to the states and territories on the components of each payment prior to each payment being made; and
- the states and territories are required to spend the National Affordable Housing SPP in the affordable housing sector. Each state and territory Treasurer will provide a report to the Council on Federal Financial Relations demonstrating expenditure of the National Affordable Housing SPP within the sector in accordance with the Intergovernmental Agreement. The Commonwealth Treasury will review these reports provided by the states and territories.

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2013-14 financial support for the states and territories in the delivery of affordable housing services.

- Total expenses under the National Affordable Housing SPP were $1.3 billion. Payments were made in accordance with each state and territory's monthly and annual entitlements.
- Payments were made in a timely manner in accordance with the payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the states and territories prior to each payment being made.

To demonstrate that the National Affordable Housing SPP has been spent within the relevant sector, each state and territory Treasurer will provide a report to the Council within six months of 30 June 2014, disclosing relevant information in accordance with the Intergovernmental Agreement.

PROGRAMME 1.10: NATIONAL PARTNERSHIP PAYMENTS TO THE STATES

PROGRAMME OBJECTIVE

The Government provides financial support for the states and territories to be spent on improving outcomes in the areas specified in each of the National Partnership agreements. These payments support the delivery of specified outputs or projects, facilitate reforms or reward those jurisdictions that deliver on nationally significant reforms.

This programme is linked to the following portfolios: Agriculture; Attorney-General's; Defence; Education; Environment; Finance; Foreign Affairs and Trade; Health; Industry; Infrastructure and Regional Development; Prime Minister and Cabinet; and Social Services. Also refer to Budget Paper No. 3, *Federal Financial Relations 2014-15*.

PROGRAMME DELIVERABLES

The key programme deliverable is:

- Payments to the states and territories will be made on the basis set out in each of the National Partnership agreements and any related agreements.

KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Commonwealth Treasury will make payments to the states and territories that reflect the requirements, the amounts and timeframes set out in each of the National Partnership agreements and any related agreements. These payments will only be made upon the Commonwealth Treasury's receipt of authorisations from the relevant agency in respect of performance benchmarks or payment schedules set out in each of the National Partnership agreements; and
- the Commonwealth Treasury will provide advice to the states and territories on the components of each payment prior to each payment being made.

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2013-14 financial support for the states and territories in improving outcomes in areas specified in National Partnership agreements.

Total Commonwealth expenses for National Partnership payments for 2013-14 were $14.5 billion ($12.1 billion was recognised as an expense by the Treasury), comprising:

- payments to support state health services of $2.0 billion;
- payments to support state education services of $0.9 billion;
- payments to support state skills and workforce development-related services of $0.3 billion;
- payments to support state community services of $1.0 billion;

- payments to support affordable housing services of $0.8 billion;
- payments to support state infrastructure services of $6.9 billion;
- payments to support state environmental services of $0.5 billion;
- payments to support other state services of $1.7 billion; and
- contingent payments to the states of $0.4 billion.

Payments were made by the Treasury on advice from portfolio agencies, with amounts certified as being correct for payment by the agency's Chief Financial Officer or other authorised delegate.

Payments were made in a timely manner in accordance with the payment arrangements specified in the Intergovernmental Agreement.

Advice was provided to the states and territories prior to each payment being made.

PART **THREE**
MANAGEMENT AND ACCOUNTABILITY

CORPORATE GOVERNANCE

The Treasury's corporate governance practices uphold sound administrative and financial management and compliance with statutory and other external requirements. They are designed to ensure efficient, effective and ethical use of the Treasury's resources.

As part of its ongoing focus on effective governance, the Treasury periodically reviews its:

- accountability mechanisms;
- leadership, culture and communications;
- governance and committee structures;
- engagement with stakeholders to assess effectiveness;
- risk management framework, compliance and assurance systems; and
- strategic planning, performance monitoring and evaluation.

STRATEGIC AND ORGANISATIONAL REVIEWS

Capability Review and Capability Action Plan

In mid-2013, the Australian Public Service Commission sponsored a Capability Review of the Treasury, led by Dr Michael Vertigan. Such reviews adopt a high-level perspective of capability across all operations of the agency, capturing the organisation's potential to achieve outcomes, the effectiveness with which outcomes are achieved and the quality of outputs and results. The Review taskforce interviewed a large number of people within Treasury and across a number of our key stakeholder groups.

The Capability Review identified four broad areas providing opportunities for improvement. These were: finding better ways to manage and monitor Treasury's priorities and performance; thinking differently about prioritising our resources in order to work smarter, not harder; improving our collaboration and engagement with others; and getting better at leading and managing change while adapting and innovating our way of working.

In order to address these challenges the Treasury has implemented a Capability Action Plan. This consists of four work streams which correspond to the four focus areas for improvement. In 2014 to date, the delivery of key outcomes included the following: development of a new Resource and Prioritisation Model (RPM) approach; launching both an Innovation Framework and a Stakeholder Engagement Framework; and establishing the Australian Treasury Advisory Council (ATAC) to provide governance advice similar to that provided by a private sector governance board.

SENIOR MANAGEMENT COMMITTEES AND THEIR ROLE

Executive Board

The Executive Board is the Treasury's primary decision–making body. The Treasury's Executive Board comprises the Secretary, the Executive Directors and the General Manager of Corporate

Strategy and Services Group. The Executive Board is responsible for high-level policy issues relating to the Treasury's strategic leadership and management, including:

- organisational development — shaping the Treasury's future;
- policy development and coordination — involving major and/or new economic policy issues, generally with implications that involve more than one group;
- corporate governance — ensuring the efficient, effective and ethical use of resources; and
- planning and allocation of resources — meeting current and future work priorities.

The Executive Board members as at 30 June 2014 were:

- Dr Martin Parkinson, Secretary;
- Dr David Gruen, Executive Director, Macroeconomic Group — Domestic;
- Mr Barry Sterland, Executive Director, Macroeconomic Group — International;
- Ms Jan Harris, Executive Director, Markets Group;
- Mr Nigel Ray, Executive Director, Fiscal Group;
- Mr Rob Heferen, Executive Director, Revenue Group;
- Ms Amanda Cattermole, Acting Executive Director, Policy Coordination and Governance; and
- Mr Peter Alexander, Acting General Manager, Corporate Strategy and Services Group.

The Executive Board is supported by the Corporate Strategy and Services Group.

Australian Treasury Advisory Council

In March 2014, the Australian Treasury Advisory Council was formed to drive further organisational change. This group of respected leaders comprises a governance and advisory board for the Secretary of the Treasury to help replicate the discipline provided by a private sector governance board. The inaugural members of the Council are:

- Ms Elizabeth Bryan — Chair of Caltex;
- Ms Tracey Horton — former Dean of University of Western Australia Business School and currently Non-Executive Director, Skilled Group and President of the WA Chamber of Commerce and Industry;
- Ms Belinda Hutchinson — Chancellor of Sydney University;
- Ms Akiko Jackson — management consultant in the financial services industry;
- Mr Gabriel Makhlouf — New Zealand Treasury Secretary;
- Mr Kevin McCann — Chair of Macquarie Group; and
- Dr Michael Vertigan — who has had a long and illustrious career in the public sector and academia.

Audit Committee

The Audit Committee assists the Executive Board by independently reviewing and considering the department's operations, its risk management framework and the integrity of its financial accounts. The audit committee reviews audit issues by:

- supporting and enhancing the control framework;
- providing assurance on published financial information;
- monitoring, reviewing and reporting on compliance; and
- assisting the Secretary to comply with all legislative and other obligations.

The Treasury's Audit Committee follows the recommended best practice guidelines issued by the Australian National Audit Office (ANAO) and reviews internal and external audits relating to the Treasury. The ANAO also attends the Treasury's Audit Committee meetings as an observer, as do the Treasury's internal auditors. The audit committee comprises an independent external Chair, an external member and four internal members.

RISK MANAGEMENT

The Treasury pursues a comprehensive, coordinated and systematic approach to risk management.

- The Treasury's risk management framework aims to:
  - establish robust, pragmatic risk management practices that support business needs and provide the methodology and tools to enable effective management of risk across the Treasury;
  - develop a consistent Treasury-wide understanding of risk management;
  - foster an environment where all staff assume responsibility for managing risk with managers formally considering risks as part of the decision making process;
  - ensure that significant risks facing the Treasury have been identified, understood, documented and are being actively managed;
  - ensure that risks are assessed in a balanced way, with upside risks (opportunities) considered alongside downside risks; and
  - make sure that risk registers remain useful and practical tools for analysing risk.
- The Treasury's risk management framework is reviewed annually. The key changes made in the 2013-14 review were strengthening linkages between the consideration of risk and key departmental objectives. This was in order to inform decisions about proactively realigning the Treasury workforce, work practices, policies and culture to best manage risks related to key priorities.
- The Fraud Control Plan complies with Australian Government Fraud Control Guidelines.
- The Chief Executive Instructions put into effect the *Financial Management and Accountability Act 1997* requirements, setting out responsibilities and procedures which provide an overarching framework for transparent and accountable financial management. They also contain topics relating specifically to risk management and internal accountability.

- The Internal Audit Plan identifies services and functions for auditing and is approved by the Audit Committee and the Executive Board.
- Risk management and insurable risks are aligned through Comcover and Comcare.

The Treasury uses a range of strategies to identify and manage risks associated with the delivery of Information Technology services. New IT–enabled business solutions are assessed against key IT principles to manage IT investments strategically. The framework for delivering IT services includes:

- an IT Disaster Recovery Plan which sets out the strategies and processes to restore services if the Treasury's central computing infrastructure is partially or completely lost;
- a Business Continuity Plan for the Treasury's business, which provides a process for identifying priority IT systems to restore, along with alternative methods and processes so the Treasury can continue to function while the environment is restored;
- an IT Security Policy which addresses the requirements to protect information holdings and secure operation of the Treasury's IT resources;
- an Internet and Email Acceptable Use Policy which sets out responsibilities for appropriate use of the internet, email facilities and services;
- a Social Media Policy that helps enable external and internal engagement while ensuring protocols are in place for appropriate use of social media, and to protect Treasury's reputation;
- IT Change Control Guidelines (an internal management tool) which assists with quality assurance control over proposed changes to the technical environment and facilities; and
- Project Standards, internal standards based on the structured project management methodology, PRINCE2, which ensure correct project governance is applied to IT–enabled business projects.

Training programmes and staff notices raise staff awareness of risk management policies and procedures. All policies and procedures are available to staff on the intranet.

FRAUD PREVENTION AND CONTROL

The Treasury Fraud Control Plan accords with the *Commonwealth Fraud Control Guidelines* and the Australian National Audit Office's *Better Practice Guide on Fraud Control in Australian Government Entities*.

The Treasury Fraud Risk Assessment forms the basis of the Fraud Control Plan, which has been developed with appropriate controls, prevention, detection and investigation, and reporting standards.

The Treasury has undertaken all reasonable measures to minimise the incidence of fraud and to investigate and recover the proceeds of fraud against the department. The Treasury reports fraud information data annually to the Australian Institute of Criminology.

EXTERNAL SCRUTINY

AUDIT

The Audit Committee met six times during 2013-14. Its work included reviewing the Treasury's financial statements and a range of internal and external audit reports.

The Audit Committee's Financial Statements Subcommittee met five times during 2013-14, with three of the meetings being related to the 2012-13 financial statements and two meetings related to the 2013-14 financial statements. The subcommittee comprises members from the Treasury, the Australian National Audit Office (ANAO), the Treasury's internal audit service provider and an external representative of the Treasury Audit Committee. The subcommittee monitors production of the financial statements and helps resolve issues.

The Treasury currently engages KPMG to provide internal audit services. This involves development of internal audit programmes, conducting various internal audit reviews, and working with the audit committee to ensure internal audit recommendations are being implemented effectively.

INTERNAL AUDITS

The Treasury completed seven internal audits/reviews during 2013-14.

Loans for Future Vintage Carbon Units (LFVU) Program

This review assessed the FMA implications of issuing loans as part of the LFVU Program and engaging a third party to perform the assessment of applications, as well as ongoing management of the loan and reviewing the adequacy of the proposed Treasury governance arrangements for the initial set up and ongoing management of the LFVU Program. The report identified four recommendations that will assist the Treasury to strengthen its governance arrangements and management of the LFVU Program to satisfy the *Financial Management and Accountability Act 1997* (FMA Act) requirements.

Post Implementation Review of the Stand-up of the Clean Energy Finance Corporation (CEFC)

The Post Implementation Review assisted Treasury to develop its framework and approach to the establishment of entities. This review of Treasury's process will make the standing up any future projects, similar to the CEFC, more efficient. The report identified four recommendations to ensure the CEFC had adequate internal controls and governance processes in place to manage its operational and investment funds. These recommendations related to the time and effort required to complete administrative tasks, assisting the CEFC to understand Government obligations, internal relationship management and the wind-down process.

G20 Operations governance arrangements

This review assessed the operations stream of the G20 Finance Track, including discussions with key stakeholders and review of documentation relating to: the broad organisational and governance frameworks, project management practices and plans, scenario planning and contingency planning. The report identified 10 recommendations, which included enhanced integration between the G20 policy and operations streams, details regarding the master schedule and separate Project Definition Documents, documentation of a clear risk escalation process as part of the Risk Management Plan, and development of policies and guidelines that promote the management of stress and fatigue risks.

Review of legal and legal support services

This review considered the efficiency with which the Parliamentary and Legal Services Unit manage requests for legal advice and whether the implementation of standard operating procedures is contributing to a reduction in unnecessary requests for legal advice. The report identified three recommendations related to the investigation of potential software and application solutions to implement a user-friendly central repository for legal advice, central maintenance of all records of legal advice received, and a campaign undertaken to promote compliance with the standard operating procedures.

Statutory appointments to advisory boards and committees

This review assessed the consistency of statutory appointment practices across Treasury and the potential for efficiency improvements. The report identified three recommendations related to establishing a reporting process for upcoming expiring appointments, improving documentation management practices and implementing a standardised appointments model to increase engagement throughout Treasury.

GST, long service leave (LSL) and remuneration tribunal payments

This review assessed the appropriateness of Treasury's section 83 risk assessment which addresses compliance with payment conditions, the control framework and internal processes in relation to usage of the Treasury's special appropriations and special accounts. The report identified one recommendation regarding a section 83 risk assessment template to implement additional controls. This is when assessing the risk of section 83 breaches in making long service leave payments, GST payments and payments under the Remuneration Tribunal for the remainder of the financial year.

Review of resource allocation, planning and performance management framework.

This review differed from other internal audit reports, in that it documented analysis from the internal auditor regarding:

- recommendation of better practice principles and/or frameworks to guide consideration of resourcing models that might be considered by the Treasury;
- provision of advice on alternate resourcing models relevant to the Treasury, how they have operated elsewhere (including New Zealand and UK), and how they could be implemented within the Treasury;
- consideration of the linkages to planning, budget allocation and performance evaluation;

- identification of the relative advantages and disadvantages of each model, including with reference to the experience of others, and the relative costs and changes required to implement each model in terms of the impact on people, processes, systems and administration;
- ways to identify and advise on alternate incentive structures to support the flexible allocation of resources;
- provision of advice on bottom-up resource allocation approaches linked to organisational planning; and
- identification of evaluation mechanisms for reviewing the effectiveness of the recommended resource allocation models.

AUSTRALIAN NATIONAL AUDIT OFFICE REPORTS

In 2013-14, the ANAO completed the following audit related to the Treasury's operations.

Audit Report Number 9: Determination and Collection of Financial Industry Levies

This audit assessed:

- Treasury's consultation practices, and APRA's support, in relation to the formulation of levies, and the extent to which they were appropriate and effective;
- APRA's policies, procedures and resources in place to effectively support the implementation of the financial levies legislation, consistent with the Australian Government Cost Recovery Guidelines; and
- APRA's processes for calculating and collecting levies, including minimising the risk of cross-subsidisation between industry sectors and entities.

The ANAO tabled the report (Audit Report No. 9 2013-14) in Parliament on 7 November 2013. The ANAO has made two recommendations to improve the administration of the APRA financial industry levies. The first recommendation is aimed at the Treasury and APRA improving consultation with stakeholders about the levy methodology and its application. The second recommendation involves the two agencies' further considering aspects of the levy methodology as part of their current review.

Other audit reports

Other ANAO reports relevant to the Treasury in 2013-14 were:

Report No. 4	Confidentiality in Government Contracts: Senate Order for Departmental and Agency Contracts (Calendar Year 2012 Compliance) (Tabled 26 September 2013)
Report No. 5	Administration of the Taxation of Personal Services Income (tabled 15 October 2013)
Report No. 8	The Australian Government Reconstruction Inspectorate's Conduct of Value for Money Reviews of Flood Reconstruction Projects in Queensland (tabled 6 November 2013)
Report No. 13	Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2013 (tabled 18 December 2013)

Report No. 21	Pilot Project to Audit Key Performance Indicators (tabled 27 February 2014)
Report No. 33	Indigenous Employment in Australian Government Agencies (tabled 29 May 2014)
Report No. 34	Implementation of ANAO Performance Audit Recommendations (tabled 29 May 2014)
Report No. 35	Managing Compliance of High Wealth Individuals (tabled 4 June 2014)
Report No. 44	Interim Phase of the Audits of the Financial Statements of Major General Government Sector Agencies for the year ending 30 June 2014 (tabled 19 June 2014)

Details of audit reports are available at www.anao.gov.au.

PARLIAMENTARY COMMITTEES

Treasury's annual report will be scrutinised by the Senate Economics Committee.

In 2013-14, officials from the Treasury appeared before the following parliamentary committees:

- 16 July 2013 — Senate Rural and Regional Affairs and Transport Reference Committee, Inquiry into Ownership Arrangements of Grain Handling.
- 20-21 November 2013 — Senate Economics Legislation Committee, Budget Supplementary Estimates.
- 26 November 2013 — Senate Environment and Communications Legislation Committee: Inquiry into the Clean Energy Legislation (Carbon Tax Repeal) Bill 2013 and related bills.
- 27 November 2013 — Senate Economics Legislation Committee Public Hearing, (Inquiry into the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013).
- 5 February 2014 — Senate Select Committee into the Abbott Government's Commission of Audit.
- 10 February 2014 — Public Hearing on our Tax Treaty with Switzerland and Tax Information Exchange Agreement with Uraguay.
- 21 February 2014 — Senate Economic Reference Committee, Inquiry into the Performance of the Australian Securities and Investments Commission.
- 21 February 2014 — Senate Foreign Affairs, Defence and Trade References Committee, Inquiry into Australia's Overseas Aid and Development Assistance Program.
- 21 February 2014 — Senate Standing Committee on Economics, Tax Laws Amendment (Research and Development) Bill 2013.
- 26-27 February 2014 — Senate Economics Legislation Committee, Additional Estimates.
- 17 March 2014 — Public Hearing on our Tax Information Exchange Agreements with Brunei and Guatemala.
- 21 March 2014 — Joint Select Committee on Northern Australia.
- 15 April 2014 — Senate Select Committee into the Abbott Government's Commission of Audit.
- 8 May 2014 — House Standing Committee on Agriculture and Industry.
- 22 May 2014 — Senate Economics Legislation Committee, Inquiry into Corporations Amendment (Streamlining of Future of Financial Advice) Bill 2014.

- 30 May 2014 — House of Representatives Standing Committee on Economics, Inquiry into Foreign Investment in Residential Real Estate.
- 4-6 June 2014 — Senate Economics Legislation Committee, Budget Estimates.
- 16 June 2014 – Public Hearing on our Treaty with the US to implement the US Foreign Account Tax Compliance Act.

OMBUDSMAN COMMENTS, COURT DECISIONS AND ADMINISTRATIVE TRIBUNAL DECISIONS

Judicial and Administrative Appeals Tribunal Decisions

There were no judicial or Administrative Appeals Tribunal decisions that had, or may have, a significant impact on the operations of the Treasury in 2013-14.

Commonwealth Ombudsman

The Commonwealth Ombudsman did not issue any reports on the operations of the Treasury in 2013-14.

MANAGEMENT OF HUMAN RESOURCES

The People and Organisational Strategy Division, within the Corporate Strategy and Services Group, has primary responsibility for the Treasury's people management. The Division assists the department to set and deliver on its strategic direction and to provide a work environment that enables our people to be productive. It provides advice and delivers on organisational strategies, change management, workforce planning, organisational development and wellbeing, performance management, recruitment, people strategies, governance and audit, learning and development and employee services and policies.

In 2013-14 the key outcomes were:

- facilitating behavioural, organisational and cultural change by progressing the implementation of the recommendations from the 2011 Strategic Review, the 2013 Capability Review and the Progressing Women initiative;
- continuing the implementation of the Graduate Development Programme review to enhance workforce capability and to strengthen talent management within the department;
- ongoing development of the workforce planning framework to drive the development of strategies to attract, retain and develop a targeted, skilled and diverse workforce within a context of reducing overall resources;
- undertaking a consultative process with internal business groups to determine a comprehensive risk profile for Work Health and Safety hazards following the implementation of the *Work Health and Safety Act 2011*;
- refreshing the department's Performance Management System to ensure it continues to support and drive individual and organisational performance including mandatory performance management training for all staff; and
- producing regular workforce reports identifying trends and emerging issues along with improved data capture and workforce metrics analysis to assist with staff resource management across the Treasury.

WORKFORCE PLANNING

All recruitment, promotion, mobility, resource planning and development processes within the Treasury are aligned with the Treasury Management Model, and the Performance Management and Career Development Systems. The Treasury regularly monitors and reviews these systems to ensure they are meeting the desired outcomes.

PERFORMANCE MANAGEMENT SYSTEM

The Treasury's Performance Management System uses two frameworks to assess staff: the Work Value Matrix to assess non-SES officers and the Senior Executive Leadership Capability Framework to assess SES officers. Two performance appraisal rounds for APS and EL staff were conducted in August 2013 and February 2014. One appraisal round was held for SES officers in September 2013. Each was conducted using a rigorous process, including a benchmarking system and oversight by review panels to ensure consistency and objectivity throughout the Department.

WORKPLACE RELATIONS

The *Treasury Workplace Agreement 2011-14* came into operation from 1 July 2011 and nominally expires on 30 June 2014.

The Workplace Agreement operates in conjunction with Commonwealth legislation and Treasury policies, manuals and guidelines to define the terms and conditions of employment for staff.

On 14 May 2014 the Secretary announced the Treasury's intention to bargain with employees on a new enterprise agreement.

RECRUITMENT AND SECONDMENTS

The Treasury's recruitment activity in 2013-14 included a graduate recruitment campaign, and participation in the APSC indigenous cadetship and indigenous graduate programmes. The Treasury recruited 29 policy and corporate graduates from these processes. Three general recruitment campaigns were advertised with four staff commencing from these campaigns. One formal departmental transfer round was undertaken and 81 internal expressions of interest were managed centrally.

Treasury has actively encouraged secondment arrangements to establish mobility, networks and develop a broader skill base and perspective of the private sector and other parts of government.

As at 30 June 2014, there was a total of 40 secondments into Treasury. Of these, 27 were from the public sector and 13 from the private sector. In addition, 32 Treasury staff participated in secondments outside the department: 26 to public sector agencies, 6 to private sector organisations.

Treasury has reciprocal secondment arrangements with the New Zealand Treasury, the Australian Taxation Office, the Australian Competition and Consumer Commission and the Department of Foreign Affairs and Trade.

Treasury have staff seconded to BHP Billiton, the Australian Bankers Association and the Business Council of Australia. Treasury are looking to encourage more two way exchanges, and are investigating secondments to the four major banks.

LEARNING AND DEVELOPMENT

The Treasury has an ongoing commitment to provide career and professional development opportunities to increase the capability of individual staff and the overall capacity of the department.

During 2013-14, Treasury delivered a number of targeted and strategic development opportunities to increase workforce capability. Significant programmes offered during the year included:

- *Unrecognised Bias* workshops and coaching for SES, EL2 and EL1 staff, as part of the Progressing Women programme;
- *The Treasury Executive Leadership Programme* for experienced EL2 staff;

- *The Management Development Programme* for new and emerging managers;
- *Talking Performance* workshops for staff in both managerial and non-managerial roles;
- *Inclusive Workplace Committee Leadership Seminar Series* with guest speakers from a wide range of industry and public sector backgrounds; and
- *Introduction to Law*, for APS and EL staff in Treasury.

The Treasury continues to support staff development through the provision of scholarships and awards for postgraduate study.

- Four Treasury staff undertook PhD research at the Australian National University through the Sir Roland Wilson Foundation PhD Scholarship during 2013-14;
- The Treasury Post Graduate Study Award during 2013-14 assisted staff to undertake study at: the Australian National University, Columbia University, the University of Michigan, and the Harvard Kennedy School.
- Studies assistance was provided for staff undertaking study during semester two 2013 and semester one 2014.
- The most common fields of study in 2013-14 included Economics, Law, Public Policy, and Accounting/Finance.
- The most common institutions for study in 2013-14 were: the Australian National University, the University of Canberra, University of New South Wales, Charles Sturt University, the Canberra Institute of Technology and University of Sydney.

WELLBEING

The Treasury measures and monitors staff wellbeing through the State of the Service results, exit survey reports and human resource data. Performance is also benchmarked against the broader APS and similar private sector organisations. The People and Organisational Strategy Division provides regular reports to the Executive Board.

The Treasury promotes a workplace culture that values, supports and improves the health and wellbeing of employees. Several health and wellbeing activities were arranged during 2013-14 including influenza vaccinations and workstation assessments. Resilience coaching was also made available to staff.

The Treasury's Rehabilitation Management System has been audited and is in the process of being finalised. The audit found that the system was largely compliant.

The Treasury provides staff and their immediate family members with access to an employee assistance program (EAP). The program provides a free professional and confidential counselling service to assist staff experiencing work-related or personal problems. The employee assistance service collects generic data that provides guidance for departmental wellbeing strategies.

- 46 staff reporting new issues accessed the Treasury's EAP in 2013-14;
- Of these, 78 per cent related to personal issues and 22 per cent related to work issues; and
- The majority of the users were aged between 30 and 39.

STAFFING INFORMATION

Fifty-two staff transferred into the Treasury in December 2013 as part of the Machinery of Government changes, while 29 graduates joined the department in February 2014. Seventy seven voluntary redundancies were accepted by employees in 2013-14.

Reflecting these movements, ongoing and non-ongoing employee numbers (excluding unpaid inoperative employees) by headcount in the Treasury as at 30 June 2014 was 951.

Part-time work rates have fallen slightly over the past year, with 12.3 per cent of Treasury's operative workforce working part time at the end of 2013-14, compared with 13.5 per cent at the end of 2012-13.

As at 30 June 2014, 19.8 per cent of female employees and 4.7 per cent of male employees worked part time.

Table 2: Operative staff by classification and gender as at 30 June 2014 — based on actual headcount

	Ongoing				Non-ongoing				
	Full-time		Part-time		Full-time		Part-time		
Classification	Male	Female	Male	Female	Male	Female	Male	Female	Total
Cadet						1			1
APS1					1				1
APS2									
APS3	19	22		2		2			45
APS4	13	21		8	1	3		1	47
APS5	53	69	4	14					140
APS6	113	103	4	14					234
EL1	100	79	2	29		3			213
EL2	88	56	9	22	2	1		1	179
SES Band 1	38	16	2	3	1	1			61
SES Band 2	12	7	1	1	1				22
SES Band 3	5	2							7
Secretary	1								1
Total	**442**	**375**	**22**	**93**	**6**	**11**		**2**	**951**

Note: Inoperative staff (paid and unpaid) and staff paid by other agencies are not included.

Table 3: As at 30 June 2014 — Proportion of female representation at senior levels

SES % female representation	33.3%
'CEO' minus one % female representation	28.6%
'CEO' minus two % female representation	26.2%
'CEO' minus three % female representation	41.5%

The three layers of management below the Secretary are articulated as CEO minus one, CEO minus two and CEO minus three. This level of transparency is consistent with the ASX Corporate Governance Principle regarding gender reporting. Headcount includes staff acting as the SES classifications.

Eight staff were deployed at overseas posts (Table 4).

Table 4: Staff located at overseas posts

Overseas post	SES Band 2	SES Band 1	EL2	Total
Beijing	–	1	1	2
India	–	1	-	1
Jakarta	–	1	–	1
London	–	1	–	1
Paris	–	1	–	1
Tokyo	–	1	–	1
Washington	–	1	–	1
Total	**–**	**8**	**–**	**8**

Note: Locally engaged staff are not included.

Senior Executive Service remuneration

Remuneration and conditions for the Treasury's Senior Executive Service (SES) are determined under AWAs and section 24(1) determinations, supported by a remuneration model that determines pay levels within each SES level, based on performance (Table 4). The Treasury does not offer performance pay.

Table 5: Salary scales — SES

	September 2012		September 2013	
	Minimum	Maximum	Minimum	Maximum
Classification	$	$	$	$
SES Band 1	185,129	215,161	189,757	220,540
SES Band 2	226,900	265,576	232,573	272,215
SES Band 3	294,048	344,375	301,399	352,984

Senior Executive Service staff are appraised using the APSC Senior Executive Leadership Capability Framework to assess performance and rank each employee relative to their peers. An increase in relative ranking can lead to an increase in base salary.

Remuneration — non-SES employees

The Treasury Workplace Agreement 2011-14 determines salary rates for all non-SES staff (Table 6). The Treasury does not offer performance bonuses.

Table 6: Workplace agreement salary scales — non-SES

	July 2012		July 2013	
	Minimum	Maximum	Minimum	Maximum
Classification	$	$	$	$
APS1	42,094	45,712	43,147	46,855
APS2	48,521	51,733	49,734	53,026
APS3	54,945	58,155	56,318	59,608
APS4	61,367	64,578	62,902	66,193
APS5	68,997	73,414	70,722	75,250
APS6	77,831	94,294	79,777	96,651
EL1	101,522	116,457	104,060	119,369
EL2	124,006	142,316	127,106	145,874

Under the *Treasury Workplace Agreement 2011-14*, access to some pay points for APS6, EL1 and EL2 staff can only be determined by the remuneration committee process and are based on sustained performance under the Treasury's Performance Management System.

Senior management changes

Several senior management movements occurred in 2013-14 (Table 7).

Table 7: SES substantive movements

Reason	SES Band 3	SES Band 2	SES Band 1	Total
Engagement				
Transfer from another department		2	4	6
External promotion				
Internal promotion	1			1
Resignation	1			1
Retirement		1	7	8
Transfer to another department			2	2
Promoted to another department				
Total	2	3	13	18

ASSETS MANAGEMENT

The Treasury has an asset management framework. The framework includes:

- an asset register that records details of all assets held by the Treasury. Assets on the Treasury's register are subject to an annual stocktake to keep records accurate and up-to-date;
- an asset management guide that sets out the Treasury's policies and asset management guidelines for the day-to-day care and custody of assets. The guide is incorporated into the Treasury's Chief Executive Instructions. Further details on the Treasury's asset policies are in notes 1.15 to 1.19 of the Treasury's Financial Statements; and
- a capital management plan that sets out the Treasury's longer term asset requirements and funding sources for ongoing asset replacement and investment. The Treasury's capital budget process is integrated with strategic planning and occurs prior to the beginning of each financial year, in conjunction with the Treasury's annual operating budget process.

PURCHASING

The Treasury's purchasing activities are undertaken in accordance with Government policy and best practice. Procurement of all goods and services is consistent with the requirements of the Commonwealth Procurement Rules (CPRs). The Treasury applies the CPRs to all its activities through the Chief Executive Instructions and supporting operational guidelines.

The Treasury's purchasing processes focus on the core principle of value for money. This is achieved through:

- encouraging competitive and nondiscriminatory processes;
- using Commonwealth resources in an efficient, effective, economical and ethical manner that is consistent with the policies of the Commonwealth;
- making decisions in an accountable and transparent manner;
- considering the risks; and
- conducting a process commensurate with the scale and scope of the procurement.

Responsibility for procurement is delegated to individual groups with support from a central team of procurement specialists. The Treasury provides a central point of contact for staff seeking purchasing advice, and by providing ongoing support and training on procurement policies and procedures to staff. The Treasury's procurement framework makes appropriate financial delegates responsible for procurement. Currently, all proposed procurements valued at $10,000 or more are reviewed by the Treasury's Procurement Team to ensure due process is followed.

The Treasury publishes all contracts awarded with a value of $10,000 or more on the AusTender website at www.tenders.gov.au. An annual procurement plan lists significant procurements the department expects to undertake during the following year.

CONSULTANTS

The Treasury engages consultants where specialist skills are required that are not available in-house or when independent research, review or assessment is required. Consultants are typically engaged to investigate or diagnose an identified issue or problem; carry out defined reviews or evaluations; or provide independent advice, information or innovative solutions to assist in the Treasury's decision making.

Before engaging consultants, the Treasury takes into account the skills and resources required for the task, the skills available internally, and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with the FMA Act and related regulations including the Commonwealth Procurement Rules (CPRs) and relevant internal policies.

Providers of consultancy services are selected through the following methods:

- Open tender — a procurement procedure which publishes a request for tender, inviting all businesses that satisfy the conditions for participation to submit tenders. Commonwealth tenders are published on the Australian Government AusTender website.
- Prequalified tender — publishing an approach to market inviting submissions from all potential suppliers on:
  - a shortlist of potential suppliers that responded to an initial open approach to market on AusTender;
  - a list of potential suppliers selected from a multi-use list established through an open approach to market; or
  - a list of all potential suppliers that have been granted a specific licence or that comply with a legal requirement, where the licence or compliance with the legal requirement is essential to the conduct of the procurement.
- Limited tender — a form of restricted tendering, available only under certain defined circumstances, with a single potential supplier or suppliers being invited to bid because of their unique expertise and/or special ability to supply the goods and/or services required.
- Panel — an arrangement whereby a number of suppliers, initially selected through an open tender process, may each supply property or services to an agency as specified in the panel arrangements. Quotes are requested from suppliers that have prequalified on the agency panels to supply to the Government. This category includes standing offers and supplier panels where the supply of goods and services may be provided for a predetermined length of time, usually at a prearranged price.
- Multi-Use List — a list of prequalified potential suppliers of nominated goods and/or services, who have satisfied the conditions for inclusion. A multi-use list is a procurement tool available under the Commonwealth Procurement Rules and is intended for use in more than one procurement process.

During 2013-14, 70 new consultancy contracts were entered into involving total actual expenditure of $1,659,941.46. In addition, 11 ongoing consultancy contracts were active during the 2013-14 year, involving total actual expenditure of $42,757. These amounts include GST.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website www.tenders.gov.au.

AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES

The Treasury is required to provide details of any contract let during 2013-14 of $100,000 or more (inclusive of GST) that does not provide for the Auditor-General to have access to the contractor's premises. The Treasury must include the name of the contractor, the purpose and value of the contract, and the reason for not including standard access clauses in the contract.

The Treasury did not have any contracts over $100,000 that did not provide for the Auditor-General to have access to the contractor's premises.

EXEMPT CONTRACTS

The Treasury is required to advise if any contract in excess of $10,000 (inclusive of GST), or a standing offer, has been exempted by the Chief Executive from being published on AusTender on the basis that it would disclose exempt matters under the *Freedom of Information Act 1982*. The exempted contract and its value or standing offer must be reported to the extent that doing so does not disclose the exempt matters.

The Treasury had one contract exempt from publication on AusTender. The contract was exempt under clause 2.6 of the Commonwealth Procurement Rules.

DISABILITY REPORTING

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

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

WORKPLACE DIVERSITY

The Treasury is committed to providing an organisational culture that embraces and actively promotes diversity. Several important initiatives were introduced in 2013-14.

The Treasury launched the Progressing Women Initiative in December 2011 after staff consultations identified challenges faced by Treasury women. Progressing Women comprises a suite of strategies to widen and deepen the pool of future leaders in the Treasury by harnessing the talents of women at all levels. The strategies are based on five themes:

- leadership, governance and accountability;
- workplace policies;
- training and networks;
- performance assessment and career development; and
- measuring success.

To achieve the outcomes of the Progressing Women Initiative:

- the Inclusive Workplace Committee (IWC) met quarterly to review progress and to set milestones and priorities to drive the initiatives;
- each group committed to broadening the accountability for the progress of women by examining its own operating environment, its challenges and approach to the progress of women and presenting this back to the IWC;
- SES, EL2 and EL1 staff attended unrecognised bias awareness training to increase their understanding of institutional and individual biases and reported an increase in recognising cultural and gender bias and using more inclusive language;
- the Treasury implemented an “if not, why not?” approach to the flexible work policy; and
- a formal mentoring programme continued to provide guidance and support to high-performing EL1, EL2 and SES participants.

In December 2011, the Treasury committed to a target of 35 per cent female representation in the SES by 2016. As at 30 June 2014, 33.3 per cent of the SES were female. This is an increase of 8.9 percentage points over the 30 June 2013 figure of 24.4 per cent. This includes staff acting at the SES classifications.

In 2013-14, the Treasury continued its formal commitment to Gender Reporting. This framework is a Male Champions of Change initiative involving senior corporate and government leaders and organisations, and provides greater transparency in reporting the advancement of women into senior leadership positions. The Treasury reports on the progress of women for three layers of management. To provide consistency of reporting across sectors, gender reporting articulates the senior management relationship by reference to the ‘CEO’. The Treasury reports on the three layers of management below the Secretary, articulated as CEO minus one; CEO minus two; and CEO minus three.

In March 2014, the Treasury committed to an ‘if not, why not?’ approach to mainstreaming flexible working arrangements, whereby staff may change their working arrangements unless there is a clear business reason why that would not be suitable. Allowing flexibility with respect to where staff members work, when they work and how their roles are structured provides all staff with opportunities to make a greater contribution.

As at 30 June 2014, 12.3 per cent of Treasury staff worked part time. Sixty per cent of these staff were executive level employees or SES. Both male and female employees have used part-time work to enable them to balance work and family commitments.

As at 30 June 2014, the Treasury was finalising its revised departmental Diversity Strategy which encapsulates the Progressing Women Initiative, the Agency Multicultural Plan and updates of both the Reconciliation Action Plan and Disability Action Plan.

As at 30 June 2014, five staff identified as being Indigenous (0.5 per cent of the workforce). This compares with four staff members who identified as Indigenous in 2012-13. The Treasury has continued to support Indigenous employment (including the graduate and cadetship programmes) in 2013-14 through the Indigenous Pathways program managed by the APSC.

The Treasury employed two indigenous cadets in 2013-14 through the APSC's Indigenous Cadetship Program. The cadets are studying business, commerce, graphic design and multimedia.

The Treasury ensures that all office accommodation fit-out construction works undertaken in the tenancy comply with the *Australian Standard 1428.1 — 2001 Design for Access and Mobility* and the Building Codes of Australia 2013.

At 30 June 2014 (see Table 8 below), departmental staff comprised:

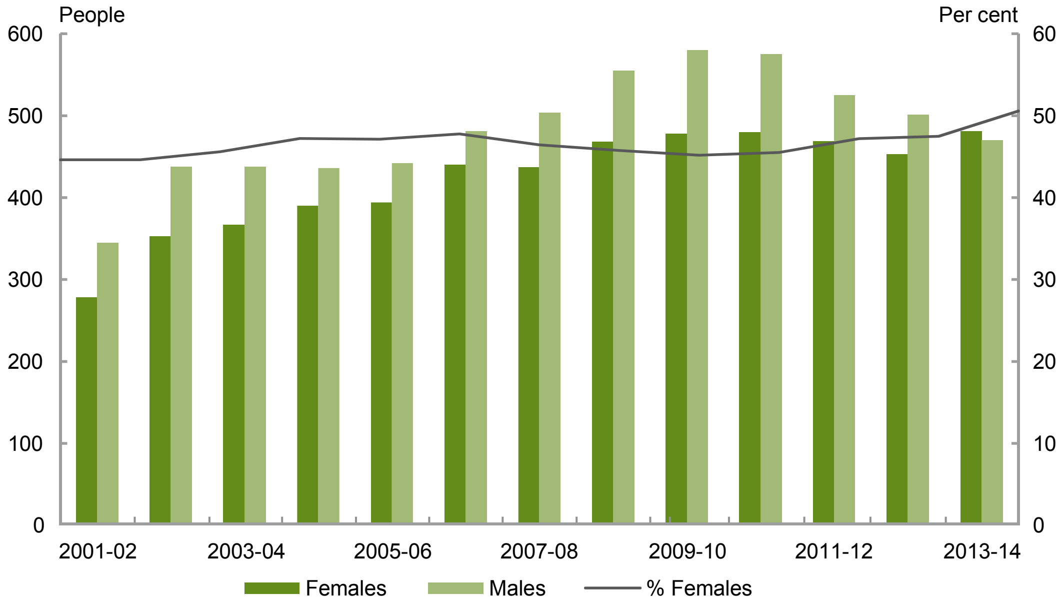
- 50.6 per cent women;
- 49.4 per cent men;
- 22.6 per cent of staff identified as being born overseas;
- 0.5 per cent who identified as Indigenous;
- 10.5 per cent who identified as having English as a second language; and
- 1.5 per cent who identified as having a disability.

Table 8: Operative and paid inoperative staff by Equal Employment Opportunity target group (as at 30 June 2014)

Classification	Female	Born Overseas	English as second Language	Indigenous	Disability
Cadet	-	-	-	1	-
APS1	1	-	-	-	-
APS2	-	-	-	-	-
APS3	26	10	6	1	1
APS4	33	9	7	-	2
APS5	83	28	16	1	1
APS6	117	54	35	-	3
EL1	111	46	21	2	-
EL2	80	44	12	-	5
SES1	20	18	2	-	1
SES2	8	2	1	-	1
SES3	2	4	-	-	-
Total	**481**	**215**	**100**	**5**	**14**

As at 30 June 2014, 50.6 per cent of the Treasury's workforce were women. This is an increase over the 30 June 2013 figure of 47.6 per cent and the first time that more than half of Treasury's workforce were women (see Chart 1 over page).

Chart 1: Treasury staff by gender 2001-2014



In the *Treasury Workplace Agreement 2011-14*, the department maintained its commitment to a range of family-friendly working arrangements, such as access to information about childcare and school holiday care through the intranet and an external service provider, access to a carer's room, and accreditation as a breastfeeding-friendly workplace.

The Treasury has continued to provide access to adaptive technologies and other practical support for staff with a disability. This included voice-activated software, the provision of sit-stand workstations and workstation height adjusters to enable effective working arrangements, and the regular provision of an interpreter through the Deaf Society of NSW. In providing the interpreter services, the Treasury connected with the JobAccess Employment Assistance Fund to gain support for staff at the Treasury with a disability. Tailored reasonable adjustment arrangements were undertaken to ensure safe and effective working arrangements for individual staff. These and other activities to assist employees with a disability are provided for under the Treasury's *Disability Action Plan 2009-2012*.

Table 9: Appointments of women to boards or equivalent of statutory and non-statutory bodies (as at 30 June 2014)

	Total number of Board positions as at 30 June	Number of women	Number of appointments made during the year	Number of appointments of women
Auditing and Assurance Standards Board	1	1	-	-
Australian Accounting Standards Board	1	-	-	-
Australian Charities and Not-for-profits Commission	1	1	-	-
Australian Charities and Not-for-profits Advisory Board	12	6	-	-
Australian Competition and Consumer Commission	10	4	3	-
Australian Competition Tribunal	9	1	-	-
Australian Energy Regulator	3	1	3	1
Australian Government Financial Literacy Board	13	3	-	-
Australian Prudential Regulation Authority	3	1	2	1
Australian Reinsurance Pool Corporation	5	4	1	1
Australian Securities and Investments Commission	5	1	-	-
Australian Statistics Advisory Council	23	2	-	-
Australian Taxation Office	4	-	2	-
Board of Taxation	10	2	3	1
Clean Energy Finance Corporation	7	2	-	-
Commonwealth Consumer Affairs Advisory Council	9	4	-	-
Commonwealth Grants Commission	5	2	2	-
Companies Auditors and Liquidators Disciplinary Board	11	3	8	1
Corporations and Markets Advisory Committee	4	2	-	-
Energy Security Council	8	1	-	-
Financial Reporting Council	17	4	7	3
Financial Sector Advisory Council	15	2	3	-
Foreign Investment Review Board	5	1	1	-
Inspector-General of Taxation	1	-	1	-
Legal Committee of Corporations and Markets Advisory Committee	2	-	-	-
National Competition Council	4	2	1	1
National Housing Supply Council	9	4	5	2

Table 9: Appointments of women to boards or equivalent of statutory and non-statutory bodies (as at 30 June 2014) (continued)

	Total number of Board positions as at 30 June	Number of women	Number of appointments made during the year	Number of appointments of women
Payments System Board	8	2	3	1
Productivity Commission	11	5	4	2
Reserve Bank of Australia	9	3	1	-
Superannuation Complaints Tribunal	26	11	-	-
Takeovers Panel	37	13	6	2
Tax Practitioners Board	8	4	-	-
Total	**296**	**92**	**56**	**16**

*Ex-officio appointments are included.

PART **FOUR**
FINANCIAL STATEMENTS

Auditor-General for Australia

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of the Treasury for the year ended 30 June 2014, which comprise: a Statement by the Departmental Secretary and Chief Finance Officer; Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Schedule of Administered Cash Flows; Schedule of Administered Commitments; Schedule of Administered Contingencies and Notes to and Forming Part of the Financial Statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Chief Executive's Responsibility for the Financial Statements

The Chief Executive of the Department of the Treasury is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive of the

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Department of the Treasury, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Department of the Treasury:

(a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997,* including the Australian Accounting Standards; and

(b) give a true and fair view of the matters required by the Finance Minister's Orders including the Department of the Treasury's financial position as at 30 June 2014 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

Note 31 "Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund" of the financial statements discloses information on the Department of the Treasury's review of its exposure to risks of not complying with statutory conditions for payments from appropriations. Non-compliance with statutory conditions may lead to a contravention of section 83 of the Constitution, which requires that no money shall be drawn from the Treasury of the Commonwealth except under an appropriation made by law. In this context, the Department of the Treasury identified that nine payments totalling $5,473 for long service leave were made in 2013–14 in contravention of section 83 of the Constitution.

Australian National Audit Office

Ian McPhee

Auditor-General

Canberra

2 October 2014

THE TREASURY

Statement by the Departmental Secretary and Chief Finance Officer

Certification of financial statements

In our opinion, the attached financial statements for the year ended 30 June 2014 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Martin Parkinson PSM
Secretary to the Treasury

Matthew King
Chief Finance Officer

Statement of Comprehensive Income

for the period ended 30 June 2014

	Notes	2014 $'000	2013 $'000
NET COST OF SERVICES			
Expenses			
Employee benefits	3A	**133,136**	122,724
Suppliers	3B	**46,421**	38,135
Grants	3C	**1,314**	23,352
Depreciation and amortisation	3D	**9,297**	13,733
Finance costs	3E	**445**	1
Write-down and impairment of assets	3F	**144**	230
Losses from asset sales	3G	**-**	24
Total expenses		**190,757**	198,199
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	4A	**9,680**	9,946
Other revenues	4B	**539**	565
Total own-source revenue		**10,219**	10,511
Gains			
Other gains	4C	**3,045**	2,420
Total gains		**3,045**	2,420
Total own-source income		**13,264**	12,931
Net cost of services		**(177,493)**	(185,268)
Revenue from Government	4D	**168,471**	174,569
Surplus / (Deficit)		**(9,022)**	(10,699)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves		**-**	-
Total other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME / (LOSS)		**(9,022)**	(10,699)

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

Statement of Financial Position

as at 30 June 2014

	Notes	2014 $'000	2013 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	6A	**655**	1,223
Trade and other receivables	6B	**63,048**	61,996
Total financial assets		**63,703**	63,219
Non-financial assets			
Land and buildings	7A	**5,721**	6,815
Plant and equipment	7B	**10,721**	11,906
Intangibles	7C	**9,314**	6,260
Other non-financial assets	7E	**2,614**	2,665
Total non-financial assets		**28,370**	27,646
Total assets		**92,073**	90,865
LIABILITIES			
Payables			
Suppliers	8A	**2,396**	2,516
Other payables	8B	**12,645**	8,499
Total payables		**15,041**	11,015
Provisions			
Employee provisions	9A	**42,654**	42,825
Other provisions	9B	**953**	-
Total provisions		**43,607**	42,825
Total liabilities		**58,648**	53,840
Net assets		**33,425**	37,025
EQUITY			
Asset revaluation reserve		**5,186**	5,186
Contributed equity		**46,153**	40,731
Retained surplus		**(17,914)**	(8,892)
Total equity		**33,425**	37,025

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

Statement of Changes in Equity

for the period ended 30 June 2014

	Retained earnings		Asset revaluation reserves		Contributed equity		Total equity	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Opening balance as at 1 July	**(8,892)**	1,807	**5,186**	5,186	**40,731**	47,959	**37,025**	54,952
Comprehensive income								
Other comprehensive income	**-**	-	**-**	-	**-**	-	**-**	-
Surplus (Deficit) for the period	**(9,022)**	(10,699)	**-**	-	**-**	-	**(9,022)**	(10,699)
Total comprehensive income	**(9,022)**	(10,699)	**-**	-	**-**	-	**(9,022)**	(10,699)
Transactions with owners								
Contributions by owners								
Equity injection appropriation[1]	**-**	-	**-**	-	**1,775**	1,839	**1,775**	1,839
Departmental capital budget appropriation	**-**	-	**-**	-	**5,266**	5,218	**5,266**	5,218
Restructuring[2]	**-**	-	**-**	-	**(1,619)**	(14,285)	**(1,619)**	(14,285)
Total transactions with owners	**-**	-	**-**	-	**5,422**	(7,228)	**5,422**	(7,228)
Closing balance as at 30 June	**(17,914)**	(8,892)	**5,186**	5,186	**46,153**	40,731	**33,425**	37,025

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

1. 2014 includes $1.595 million appropriation receivable for the Small Business function.
2. The Small Business function was gained from Department of Industry (Industry) during 2014 due to restructuring of administrative arrangements on 18 September 2013. The Standard Business Reporting (SBR) function was relinquished to the Australian Taxation Office (ATO) during 2013 due to restructuring of administrative arrangements on 11 April 2013.

Cash Flow Statement

for the period ended 30 June 2014

	Notes	2014 $'000	2013 $'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		**171,375**	183,184
Sale of goods and rendering of services		**10,057**	9,998
Net GST received from ATO		**3,674**	3,960
Other		**1,841**	592
Total cash received		**186,947**	197,734
Cash used			
Employees		**133,069**	121,763
Suppliers		**46,797**	36,046
Grants		**1,314**	23,352
Financing costs		**-**	1
Section 31 receipts transferred to OPA		**1,934**	16,081
Other		**49**	5
Total cash used		**183,163**	197,248
Net cash from (used by) operating activities	11	**3,784**	486
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of plant and equipment		**-**	21
Total cash received		**-**	21
Cash used			
Purchase of land and buildings		**2,628**	2,278
Purchase of plant and equipment		**1,456**	2,675
Purchase of intangibles		**5,714**	2,288
Total cash used		**9,798**	7,241
Net cash from (used by) investing activities		**(9,798)**	(7,220)
FINANCING ACTIVITIES			
Cash received			
Contributed equity - departmental capital budget		**5,266**	5,218
Contributed equity - equity injections		**180**	1,631
Total cash received		**5,446**	6,849
Net cash from (used by) financing activities		**5,446**	6,849
Net increase (decrease) in cash held		**(568)**	115
Cash at the beginning of the reporting period		**1,223**	1,108
Cash at the end of the reporting period	6A	**655**	1,223

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

Schedule of Commitments

as at 30 June 2014

	2014 $'000	2013 $'000
BY TYPE		
Commitments payable		
Capital commitments		
Land and buildings[1]	**-**	248
Intangibles[2]	**1,112**	716
Total capital commitments	**1,112**	964
Other commitments		
Operating leases[3]	**13,222**	20,392
Other[4]	**20,640**	9,194
Total other commitments	**33,862**	29,586
Total commitments payable	**34,974**	30,550
Commitments receivable		
Net GST receivable[5]	**(3,033)**	(2,581)
Total commitments receivable	**(3,033)**	(2,581)
Net commitments by type	**31,941**	27,969
BY MATURITY		
Commitments payable		
Capital commitments		
Within 1 year	**1,112**	964
Between 1 to 5 years	**-**	-
Total capital commitments	**1,112**	964
Operating lease commitments		
Within 1 year	**7,815**	7,259
Between 1 to 5 years	**5,407**	13,034
More than 5 years	**-**	99
Total operating lease commitments	**13,222**	20,392
Other commitments		
Within 1 year	**14,865**	3,957
Between 1 to 5 years	**5,775**	5,237
Total other commitments	**20,640**	9,194
Total commitments payable	**34,974**	30,550
Commitments receivable		
Within 1 year	**(2,120)**	(1,082)
Between 1 to 5 years	**(913)**	(1,499)
Total commitments receivable	**(3,033)**	(2,581)
Net commitments by maturity	**31,941**	27,969

1. Land and buildings commitments relate to capital works.
2. Intangible commitments relate to developed software.
3. Operating lease commitments relate to leases for office accommodation.
4. Other commitments primarily relate to contracts for operational expenses. A major component of this relates to G20.
5. Commitments are GST inclusive where relevant.

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

Schedule of Commitments (continued)

as at 30 June 2014

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

Nature of lease	General description of leasing arrangement
Leases for accommodation	Commercial — leases comprise of various periods, including both initial and options periods. Overseas estate — some commercial lease payments are adjusted annually by two per cent and residential lease payments are reviewed biannually to reflect market movements. The initial periods of office accommodation leases are still current and each may be renewed with options for a further three or five years.
Agreements for the provision of motor vehicles to Senior Executive Officers	No contingent rentals exist. No renewal or purchase options are available to the Treasury.
Leases for computer equipment and office equipment	The lessor provides all computer equipment designated as necessary in the supply contract for three years with an option to extend the term for a fixed period as agreed by both parties. The lessor provides all photocopier equipment designated as necessary in the supply contract for four years with an option to extend the term for a fixed period as agreed by both parties.

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

Schedule of Contingencies

as at 30 June 2014

	2014 $'000	2013 $'000
Contingent assets	**-**	-
Contingent liabilities	**-**	-
Net contingent assets (liabilities)	**-**	-

1. Details of contingent assets and liabilities listed above are disclosed in Note 12: Contingent assets and liabilities.

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

Administered Schedule of Comprehensive Income

for the period ended 30 June 2014

	Notes	2014 $'000	2013 $'000
NET COST OF SERVICES			
Expenses			
Grants	17A	**93,200,198**	81,432,914
Interest	17B	**4,688**	3,489
Write-down and impairment of assets	17C	**150,000**	-
Foreign Exchange Losses	17D	**420,777**	-
Other	17E	**540**	152
Total expenses		**93,776,203**	81,436,555
Income			
Revenue			
Non-taxation revenue			
Interest	18A	**3,303**	2,341
Dividends	18B	**1,310,000**	-
Sale of goods and rendering of services	18C	**990,065**	1,289,007
COAG revenue from government agencies	18D	**1,798,099**	1,521,247
Other	18E	**83,637**	37,959
Total non-taxation revenue		**4,185,104**	2,850,554
Total revenue		**4,185,104**	2,850,554
Gains			
Foreign exchange	18F	**-**	238,670
Total gains		**-**	238,670
Total income		**4,185,104**	3,089,224
Net cost of (contribution by) services		**(89,591,099)**	(78,347,331)
Surplus (Deficit)		**(89,591,099)**	(78,347,331)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		**9,663,872**	3,732,786
Total comprehensive income		**9,663,872**	3,732,786
Total comprehensive income/(loss)		**(79,927,227)**	(74,614,545)

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

Administered Schedule of Assets and Liabilities

as at 30 June 2014

	Notes	2014 $'000	2013 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	20A	**1,412**	3,719
Trade and other receivables	20B	**2,424,492**	1,730,167
Investments	20C	**26,277,406**	16,456,446
Total financial assets		**28,703,310**	18,190,332
Non-financial assets			
Other	21A	**462**	149,505
Total non-financial assets		**462**	149,505
Total assets administered on behalf of Government		**28,703,772**	18,339,837
LIABILITIES			
Payables			
Grants	22A	**636,399**	768,391
Other payables	22B	**5,055,217**	4,999,212
Unearned income	22C	**136,235**	535,934
Total payables		**5,827,851**	6,303,537
Interest bearing liabilities			
Loans	23A	**3,903,540**	3,167,335
Total interest bearing liabilities		**3,903,540**	3,167,335
Provisions			
Other provisions	24A	**3,583,296**	5,753,617
Total provisions		**3,583,296**	5,753,617
Total liabilities administered on behalf of Government		**13,314,687**	15,224,489
Net assets		**15,389,085**	3,115,348

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

Administered Reconciliation Schedule

for the period ended 30 June 2014

	2014 $'000	2013 $'000
Opening assets less liabilities as at 1 July	**3,115,348**	1,667,662
Net (cost of)/contribution by services		
Income	**4,185,104**	3,089,224
Expenses		
Payments to Non-CAC Act bodies[1]	**(84,968,203)**	(81,436,555)
Payments to CAC Act bodies	**(8,808,000)**	-
Other comprehensive income		
Revaluations transferred to reserves	**9,663,872**	3,732,786
Transfers to/from Australian Government:		
Appropriation transfers from OPA:		
Administered assets and liabilities appropriations	**25,784**	13,690
Annual appropriation for administered expenses		
Payments to Non-CAC Act bodies	**4,528**	20,732
Payments to CAC Act bodies	**8,808,000**	-
Special appropriations (limited)		
Payments to Non-CAC Act bodies	**16,526**	16,239
Special appropriations (unlimited)		
Payments to Non-CAC Act bodies	**70,571,682**	68,628,643
Special accounts - COAG Reform Fund	**15,482,471**	10,259,370
Refunds of receipts (s28 FMA)	**-**	10
Appropriation transfers to OPA		
Transfers to OPA	**(2,708,027)**	(2,876,453)
Closing assets less liabilities as at 30 June	**15,389,085**	3,115,348

1. Includes payments to the states and territories through the Nation Building Funds, refer to Note 30E.

Schedule of Administered Cash Flows

for the period ended 30 June 2014

	Notes	2014 $'000	2013 $'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services		**305,151**	611,859
Interest		**2,180**	1,759
Dividends		**150,000**	675,000
Net GST received		**-**	121
HIH Group liquidation proceeds		**26,257**	4,045
COAG receipts from government agencies		**1,797,950**	1,523,829
Revenue receipts for non-government schools		**12,007,975**	8,906,423
Other		**64,711**	26,096
Total cash received		**14,354,224**	11,749,132
Cash used			
Grant payments		**94,641,308**	78,668,586
Grants to states for non-government schools		**12,007,975**	8,906,423
Interest		**4,877**	3,918
Other		**3,200**	12,010
Total cash used		**106,657,360**	87,590,937
Net cash from (used by) operating activities	25	**(92,303,136)**	(75,841,805)
INVESTING ACTIVITIES			
Cash received			
Repayment of IMF loans		**130,899**	30,142
IMF Maintenance of Value		**230,772**	12
Total cash received		**361,671**	30,154
Cash used			
Settlement of IMF loans		**209,461**	222,734
Settlement of IMF Maintenance of Value		**230,772**	-
Settlement of international financial institution's obligations		**27,044**	25,862
Settlement of Loans to States and Territories		**25,300**	-
Payment to CAC bodies		**1,131,600**	-
Total cash used		**1,624,177**	248,596
Net cash from (used by) investing activities		**(1,262,506)**	(218,442)
Net increase (decrease) in cash held		**(93,565,642)**	(76,060,247)
Cash and cash equivalents at the beginning of the reporting period		**3,719**	1,735
Cash from Official Public Account for:			
Appropriations		**80,788,891**	68,679,314
Special Accounts		**15,482,471**	10,259,370
Total cash from Official Public Account		**96,271,362**	78,938,684
Cash to Official Public Account for:			
Appropriations		**2,708,027**	2,876,453
Total cash to Official Public Account		**2,708,027**	2,876,453
		93,567,054	76,063,966
Cash and cash equivalents at the end of the reporting period	20A	**1,412**	3,719

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

Schedule of Administered Commitments

as at 30 June 2014

	2014 $'000	2013 $'000
BY TYPE		
Commitments payable		
Capital commitments		
Investments[1]	**41,964**	137,414
Total capital commitments	**41,964**	137,414
Net commitments by type	**41,964**	137,414
BY MATURITY		
Commitments payable		
Capital commitments		
Within 1 year	**31,728**	63,509
Between 1 to 5 years	**10,236**	73,905
Total capital commitments	**41,964**	137,414
Net commitments by maturity	**41,964**	137,414

1. The nature of the capital commitments relate to the unpaid instalments of General Capital Increases in shares of the Asian Development Bank and the International Bank for Reconstruction and Development. The comparative has been updated to reflect the change in the currency used from US Dollars to Special Drawing Rights (SDR).
2. In 2012 the Treasury received an exemption from the Finance Minister relating to the commitments for grants payable to the states and territories (for current and comparative years). The budgeted information for payment of grants to the states and territories can be found in Budget Paper 3. Refer to Note 1.28 for more information.

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

Schedule of Administered Contingencies

as at 30 June 2014

	2014 $'000	2013 $'000
Contingent liabilities		
Uncalled shares or capital subscriptions[1]	**13,414,904**	13,192,174
IMF New Arrangements to Borrow (NAB)[2]	**7,164,600**	7,085,600
IMF Bilateral Loan[3]	**7,600,000**	7,700,000
Total contingent liabilities	**28,179,504**	27,977,774
Net contingent liabilities	**28,179,504**	27,977,774

1. Comprises uncalled shares or capital subscriptions in the European Bank for Reconstruction and Development (EBRD), the International Bank for Reconstruction and Development (IBRD), the Multilateral Investment Guarantee Agency (MIGA) and the Asian Development Bank (ADB). The comparative for the uncalled shares or capital subscriptions has been updated to reflect the change in the currency used from US Dollars to Special Drawing Rights (SDR).
2. The IMF NAB was disclosed as a quantifiable administered contingency in Note 24 of the 2012-13 financial statements.
3. The IMF Bilateral Loan was disclosed as an event after the reporting period in the 2012-13 financial statements.

Note: Administered contingencies are disclosed in Note 26: Administered contingent liabilities and assets. The Treasury has given financial guarantees for which the details are disclosed at Note 1.33 and Note 28: Administered financial instruments.

This 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 2014

Note 1: Summary of significant accounting policies

1.1 Objectives of the Treasury

The Treasury is an Australian Government controlled, not-for-profit entity.

The 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.

The Treasury is structured to meet one outcome:

> 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.

The reporting entity, hereafter referred to as 'the Treasury', comprises the Treasury and the Australian Government Actuary.

Activities contributing towards the outcome detailed above are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the Treasury in its own right. Administered activities involve the management or oversight by the Treasury, on behalf of the Government, of items controlled or incurred by the Government.

Departmental activities are identified under Programme 1.1. Administered activities are identified under Programmes 1.1 to 1.10 listed below:

- Programme 1.1 — Department of the Treasury
- Programme 1.2 — Payments to International Financial Institutions
- Programme 1.3 — Support for markets and business
- Programme 1.4 — General revenue assistance
- Programme 1.5 — Assistance to the states for healthcare services
- Programme 1.6 — Assistance to the states for schools
- Programme 1.7 — Assistance to the states for skills and workforce development
- Programme 1.8 — Assistance to the states for disability services
- Programme 1.9 — Assistance to the states for affordable housing
- Programme 1.10 — National partnership payments to the states

Programme 1.2 provides for administered payments to International Financial Institutions as required to:

- promote international monetary cooperation, exchange stability and orderly exchange arrangements;
- strengthen the international financial system; and

- support development objectives through the multilateral development banks.

Programme 1.3 provides for administered activities in respect of:

- insurance claims arising from the residual Housing Loans Insurance Corporation (HLIC) portfolio;
- assistance under the HIH Claims Support Scheme (HCSS);
- the Guarantee of State and Territory Borrowing in assisting state and territory governments to access funding;
- the Guarantee Scheme for Large Deposits and Wholesale Funding to promote financial system stability in Australia; and
- developing the Centre for International Finance and Regulation.

Programme 1.4 provides for administered payments of general revenue assistance to the states and territories, including payments of revenue received from the GST.

Programmes 1.5 to 1.9 provide for administered payments to the states and territories for healthcare services, schools services, skills and workforce development services, disability services and affordable housing services, according to the payment arrangements specified in the *Intergovernmental Agreement on Federal Financial Relations*.

Programme 1.10 provides for administered payments to the states and territories, according to National Partnership agreements, providing financial support for the states and territories to be spent on improving outcomes in the areas specified.

The continued existence of the Treasury in its present form and with its present programmes is dependent on government policy and on continuing appropriations by Parliament for the Treasury's policy advice, administration and programmes.

1.2 Basis of preparation of the financial statements

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are general purpose financial statements.

The Financial Statements and notes have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow to the Treasury or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard or the FMOs, income and expenses are recognised in the statement of comprehensive income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets, liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items, except where otherwise stated at Note 1.24.

1.3 Significant accounting judgements and estimates

In the process of applying the accounting policies listed in this note, the Treasury has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- the employee provision has been determined by reference to standard parameters provided by the Department of Finance;
- the fair value of land and buildings has been taken to be the market value of similar properties or depreciated replacement value as determined by an independent valuer;

- uncalled shares disclosed in the administered contingencies table, the Treasury has judged the risk of these shares being called as low for the foreseeable future. This judgment is based on historic and current performance of the International Financial Institutions. Some of the factors considered are the financial strength of the development banks (that is, most have AAA credit ratings), established risk management policies, healthy debt ratios and no adverse financial statement audit opinions; and
- the Natural Disaster Relief and Recovery Arrangements (NDRRA) liability represents the Treasury's best estimate of payments expected to be made to states and territories as at balance date under the NDRRA and is based on information provided by states and territories to the Attorney General's Department, the Commonwealth agency responsible for the administration of disaster relief. The estimates provided by states and territories are based on their assessment of the costs expected to be incurred that would be eligible for assistance under the NDRRA. Given the nature of disasters and uncertainty around the costs and timing of the reconstruction effort, the liability may require adjustment in future reporting periods.

1.4 Changes in Australian Accounting Standards

Adoption of new Australian Accounting Standard requirements

None of the new standards, amendments to standards and interpretations issued by the AASB that are applicable to the current period have had a material financial impact on the Treasury (see following page).

Standards

- *AASB 1 — First-time Adoption of Australian Accounting Standards (Compilation)*
- *AASB 2 — Share Based Payment (Compilation)*
- *AASB 3 — Business Combinations (Compilation)*
- *AASB 4 — Insurance Contracts*
- *AASB 5 — Non-current Assets Held for Sale and Discontinued Operations (Compilation)*
- *AASB 7 — Financial Instruments: Disclosures (Compilation)*
- *AASB 8 — Operating Segments (Compilation)*
- *AASB 10 — Consolidated Financial Statements (Compilation)*
- *AASB 11 — Joint Arrangements (Compilation)*
- *AASB 12 — Disclosure of Interests in Other Entities (Compilation)*
- *AASB 13 — Fair Value Measurement (Compilation)*
- *AASB 101 — Presentation of Financial Statements (Compilation)*
- *AASB 102 — Inventories (Compilation)*
- *AASB 107 — Statement of Cash Flows (Compilation)*
- *AASB 108 — Accounting Policies, Changes in Accounting Estimates and Errors (Compilation)*
- *AASB 110 — Events After the Reporting Period (Compilation)*
- *AASB 111 — Construction Contracts (Compilation)*
- *AASB 112 — Income Taxes (Compilation)*
- *AASB 116 — Property, Plant and Equipment (Compilation)*
- *AASB 117 — Leases (Compilation)*
- *AASB 118 — Revenue (Compilation)*
- *AASB 119 — Employee Benefits (Compilation)*
- *AASB 120 — Accounting for Government Grants and Disclosure of Government Assistance (Compilation)*
- *AASB 121 — The Effects of Changes in Foreign Exchange Rates (Compilation)*
- *AASB 123 — Borrowing Costs (Compilation)*
- *AASB 124 — Related Party Disclosures (Compilation)*
- *AASB 127 — Separate Financial Statements (Compilation)*
- *AASB 128 — Investments in Associates (Compilation)*
- *AASB 131 — Interests in Joint Ventures (Compilation)*
- *AASB 132 — Financial Instruments: Presentation (Compilation)*
- *AASB 133 — Earnings per Share (Compilation)*

- *AASB 134 — Interim Financial Reporting (Compilation)*
- *AASB 136 — Impairment of Assets (Compilation)*
- *AASB 137 — Provisions, Contingent Liabilities and Contingent Assets (Compilation)*
- *AASB 138 — Intangible Assets (Compilation)*
- *AASB 139 — Financial Instruments: Recognition and Measurement (Compilation)*
- *AASB 140 — Investment Property (Compilation)*
- *AASB 141 — Agriculture (Compilation)*
- *AASB 1004 — Contributions (Compilation)*
- *AASB 1023 — General Insurance Contracts (Compilation)*
- *AASB 1038 — Life Insurance Contracts (Compilation)*
- *AASB 1039 — Concise Financial Reports (Compilation)*
- *AASB 1048 — Interpretation of Standards (Principle)*
- *AABS 1049 — Whole of Government and General Government Sector Financial Reporting (Compilation)*
- *AASB 1050 — Administered Items (Compilation)*
- *AASB 1052 — Disaggregated Disclosures (Compilation)*
- *AASB 1053 — Application of Tiers of Australian Accounting Standards (Principle)*
- *AASB 1054 — Australian Additional Disclosures (Compilation)*

Future Australian Accounting Standard requirements

The following new standards, revised standards, interpretations and amending standards were issued by the Australian Accounting Standards Board prior to the sign-off date and apply to the future reporting period, they are expected to have a financial impact on the agency for future reporting periods:

- *AASB 1055 — Budgetary Reporting* — this new standard will require the Treasury to explain significant variances between original budget and actual expenditure.

1.5 Legal Compliance

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth [2014] HCA 23*, as they contribute to the larger body of law relevant to the development of Commonwealth programmes. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts. Further details of risk assessments and compliance relating to the Treasury can be found in Note 31.

During 2012-13, additional legal advice was received that indicated there could be breaches of s83 under certain circumstances with overpayments for long service leave, goods and services tax (GST) and payments under determinations of the Remuneration Tribunal. Further details relating to these items can be found in Note 31.

1.6 Revenue

Revenue from Government

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

Appropriations receivable are recognised at their nominal amounts.

Other types of revenue

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the agency retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred for the transaction can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

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

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

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

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

1.7 Gains

Resources received free of charge

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

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 1.8).

Sale of assets

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

1.8 Transactions with the Government as owner

Equity injections

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

Restructuring of administrative arrangements

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

Other distributions to owners

The FMOs require that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

1.9 Employee benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for termination benefits due within twelve months of balance date are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

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

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Treasury is estimated to be less than the annual entitlement for sick leave.

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

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

Separation and redundancy

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

Superannuation

Staff of the Treasury are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other defined contribution schemes.

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme which opened for new employees on 1 July 2005.

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

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

The liability for superannuation recognised as at 30 June 2014 represents outstanding contributions for the final fortnight of the year.

1.10 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer substantially all the risks and benefits incidental to ownership of leased assets (from the lessor to the lessee). An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

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

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

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets.

1.11 Borrowing costs

All borrowing costs are expensed as incurred.

1.12 Cash

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount. Any interest receivable is credited to revenue as it accrues. The Treasury maintains bank accounts with the Reserve Bank of Australia for administration of the receipt and payment of monies.

1.13 Financial risk management

The Treasury's activities expose it to normal commercial financial risk. As a result of the nature of the Treasury's business and Australian Government policies dealing with the management of financial risk, the Treasury's exposure to market, credit and liquidity risk is considered to be low.

1.14 Financial assets

The Treasury classifies its financial instruments as loans and receivables.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest methods less impairment. Interest is recognised by applying the effective interest rate. Collectability of debts is reviewed regularly throughout the year and at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely. Credit terms are net 30 days (2013: 30 days).

1.15 Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period. No indicators of impairment were identified for assets as at 30 June 2014.

Financial assets held at amortised cost

If there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Financial assets held at cost

If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

1.16 Financial liabilities

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

1.17 Contingent liabilities and contingent assets

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

1.18 Acquisition of assets

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

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

1.19 Property, plant and equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing 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).

Revaluations

Fair values for each class of asset are determined as shown below.

Asset class	Fair value measured at
Buildings — leasehold improvements	Estimated replacement cost of similar assets adjusted for remaining useful life.
Plant and equipment	Estimated replacement cost of similar assets adjusted for remaining useful life.

Following initial recognition at cost, buildings — leasehold improvements and plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

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

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

The Treasury received a fair value confirmation of leasehold improvements and plant and equipment assets at 30 June 2014. The fair value confirmation was performed by independent valuers Preston Rowe Paterson NSW Pty Limited (PRP) in accordance with AASB 13. PRP confirmed that net asset values materially reflected fair value at 30 June 2014.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Treasury using, in all cases, the straight line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

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

	2014	2013
Buildings — leasehold improvements	5-10 years	5-10 years
Plant and equipment:		
Computers, plant and equipment	3-10 years	3-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 3D.

Impairment

All assets were assessed for impairment at 30 June 2014. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. No indicators of impairment were found for departmental assets as at 30 June 2014 (2013: nil).

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

1.20 Intangibles

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

Software is amortised on a straight line basis over its anticipated useful life. The useful lives of the Treasury's software are 3 to 5 years (2013: 3 to 5 years).

All software assets were assessed for indications of impairment as at 30 June 2014. No indicators of impairment were identified as at 30 June 2014 (2013: nil).

1.21 Taxation/competitive neutrality

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

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

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

1.22 Foreign currency

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

1.23 Insurance

The Treasury is insured for risks through the Government's insurable risk managed fund, Comcover. Workers compensation is insured through the Government's insurable risk managed fund, Comcare Australia.

1.24 Reporting of administered activities

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

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

1.25 Administered cash transfers to and from the Official Public Account

Revenue collected by the Treasury for use by the Australian Government rather than the Treasury is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriations on behalf of the Australian Government. These transfers to and from the OPA are adjustments to administered cash held by the Treasury on behalf of the Australian Government and reported as such in the administered reconciliation schedule. The schedule of administered items largely reflects the Australian Government's transactions, through the Treasury, with parties outside the Australian Government.

1.26 Administered revenue

All administered revenues relate to the course of ordinary activities performed by the Treasury on behalf of the Australian Government.

Reserve Bank of Australia dividend

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

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

Australian Reinsurance Pool Corporation dividend

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

International Monetary Fund remuneration

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

Where the IMF's holdings of Australian Dollars fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is equal to the SDR interest rate. This rate is then adjusted to account for the financial consequences of overdue obligations to the IMF which are shared between members and reflected in Note 18 as 'burden sharing'.

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

Australia also receives interest on amounts lent to the IMF under the New Arrangements to Borrow (NAB). Interest on the NAB is paid quarterly. The NAB provides supplementary resources to the IMF.

Guarantee Scheme for Large Deposits and Wholesale Funding

Under the Guarantee Scheme for Large Deposits and Wholesale Funding, a fee is paid by Authorised Deposit Taking Institutions to the Government, to guarantee the portion of eligible deposits over $1 million and for wholesale funding issuances.

The fees are reported as a fee for service in accordance with AASB 118 *Revenue*. The Guarantee Scheme closed to new deposits on 31 March 2010.

The Guarantee of State and Territory Borrowing

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

Financial Guarantee Contracts

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

1.27 Administered capital

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

1.28 Grants

The Treasury sought and received an exemption from reporting payments to the states and territories as administered commitments as required by section 81 of the FMOs. The Treasury formed the view that these payments do not meet the definition of a commitment and should not be reported in the administered commitments schedule.

With the exception of the accounting treatment of payments to states and territories under the Natural Disaster Relief and Recovery Arrangements (NDRRA) detailed below, grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made.

The Treasury accounts for payments made to states and territories under the NDRRA by recognising a liability equal to the discounted value of estimated future payments to states and territories under the NDRRA regardless of whether or not a state or territory has completed eligible disaster reconstruction work or submitted an eligible claim under the NDRRA. As disclosed in Note 1.3, states and territories were requested to provide an estimate of costs expected to be incurred for disasters affecting states and territories that occurred prior to 1 July 2014 which would be eligible for assistance.

This accounting treatment provides readers of the financial statements with an estimate of the amount yet to be paid to states and territories for eligible disaster assistance which was not provided under the earlier accounting treatment.

Grants to states and territories

Under the federal financial relations framework, the Treasurer is responsible for payments to the states and territories, including general revenue assistance (GST and other general revenue), National Specific Purpose Payments (National SPPs) and National Partnership (NP) payments. Portfolio ministers are accountable for relevant government policies associated with the payment of NPs and other general revenue. An overview of these arrangements is available on the Council on Federal Financial Relations' website.

There are three main types of payments under the framework, as follows:

- General revenue assistance, including GST revenue payments — a financial contribution to a state or territory which is available for use by the states and territories for any purpose;
- National SPPs — a financial contribution to support a state or territory to deliver services in a particular sector; and
- NP payments — a financial contribution in respect of a NP agreement to a state or territory to support the delivery of specific projects, to facilitate reforms or to reward those jurisdictions that deliver on national reforms or achieve service delivery improvements.

The National SPPs and GST are paid under a special appropriation from the *Federal Financial Relations Act 2009*. After the end of the financial year, the Treasurer determines the amounts that should have been paid and an adjustment is made in respect of advances that were paid during the financial year. The authority to approve advance payments has been delegated to the General Manager, Commonwealth-State Relations Division.

The NP and other general revenue assistance payments are paid under the *Federal Financial Relations Act 2009* through a determination process wherein the Treasurer may determine an amount to be paid to a state or territory for the purpose of making a grant of financial assistance. Once determined, this amount must be credited to the COAG Reform Fund and the Treasurer must ensure that, as soon as practicable after the amount is credited, the COAG Reform Fund is debited for the purposes of making the grant. In addition, the Treasurer must have regard to the Intergovernmental Agreement on Federal Financial Relations. The Treasury advises the Treasurer on amounts to be determined, based on certified payment advices received from the Chief Financial Officers of Commonwealth agencies.

Payments to the states and territories through the Nation Building Funds

The *Nation-building Funds Act 2008* (the Funds Act) outlines the requirements for payments to be authorised from the three nation building funds (collectively known as 'the Funds'); the responsibilities of ministers; and the process for channelling payments to recipients through portfolio special accounts.

The three Funds are the:

- Building Australia Fund — make payments in relation to the creation or development of transport, communications, eligible national broadband network matters, energy and water infrastructure;
- Education Investment Fund — make payments in relation to the creation or development of higher education infrastructure, vocational education and training infrastructure, eligible education and research infrastructure; and
- Health and Hospitals Fund — make payments in relation to the creation or development of health infrastructure.

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

Payments to Clean Energy Finance Corporation

Payments to the Clean Energy Finance Corporation from amounts appropriated for that purpose are classified as administered expenses and equity injections of the relevant portfolio department. The appropriation to the department is disclosed in Note 30A.

Payment to the Reserve Bank of Australia (RBA)

In 2013-14, the Treasury provided a one-off $8.8 billion grant to the RBA to meet its request to strengthen its financial position to the level considered appropriate by the RBA Board.

Mirror taxes collected by state governments

On behalf of the states, the Australian Government imposes mirror taxes which replace state taxes in relation to Australian Government places that may be constitutionally invalid. Mirror taxes are collected and retained by the states, under the *Commonwealth Places (Mirror Taxes) Act 1998*. State governments bear the administration costs of collecting mirror taxes. Mirror taxes are disclosed at Note 30D.

1.29 Administered investments

Development banks

Investments in development banks are classified as 'monetary — available for sale financial assets' (refer Note 1.33). As such, the foreign currency value of investments is translated into Australian dollars (AUD) using relevant foreign currency exchange rates at balance date.

International Monetary Fund

The quota is the current value in Australian dollars of Australia's subscription to the IMF. Quota subscriptions represent a member's shareholding in the IMF and generate most of the IMF's financial resources. Twenty-five per cent of the quota increase will be paid in SDR and the remainder will be paid through issuing AUD denominated non-negotiable, non-interest bearing promissory notes.

Australian Government entities

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

The Australian Government's investment in controlled entities and companies in the Treasury portfolio are measured at their fair value as at 30 June 2014. Fair value has been taken to be the net assets of the entities as at balance date. These entities are listed below:

- Reserve Bank of Australia
- Australian Reinsurance Pool Corporation; and
- Clean Energy Finance Corporation.

Impairment of administered investments

Administered investments were assessed for impairment at 30 June 2014. No indicators of impairment were identified (2013: nil).

1.30 Promissory notes

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

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

Foreign currency gains and losses are recognised where applicable.

1.31 IMF Special Drawing Rights Allocation

The SDR allocation liability reflects the current value in AUD of the Treasury's liability to repay to the IMF the cumulative allocations of SDRs provided to Australia since joining the IMF. This liability is classified as 'Other payables' in Note 22.

1.32 Provisions and contingent liabilities

HIH Claims Support Scheme liability

The HIH Claims Support Scheme (the Scheme) was established by the Australian Government following the collapse of the HIH Group of companies in March 2001. The purpose of the Scheme is to provide financial assistance to eligible HIH policy-holders affected by the collapse of the group. Initial funding of $640 million was provided by special appropriation through the *Appropriation (HIH Assistance) Act 2001*.

HIH Claims Support Limited was established by the Insurance Council of Australia as a not-for-profit company in May 2001 to manage claims made under the Scheme and to operate the HIH Claims Support Trust on behalf of the Australian Government. As the sole beneficiary of the trust the Australian Government is entitled to any residual balance of the trust.

Since 2001, a total of 10,900 claims have been granted eligibility for assistance. In 2006, approval was sought and obtained to increase the Scheme appropriation to a total of $861 million to meet the estimated cost of the Scheme portfolio. This additional funding is provided through annual appropriations.

1.33 Administered financial instruments

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

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

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

Available-for-sale financial assets:

- investments in development banks (measured initially at cost or notional cost and then measured at fair value);
- the IMF quota (measured initially at cost or notional cost and then measured at fair value); and
- investments in government entities (measured at fair value based on net asset position of the entity at 30 June 2014).

Financial liabilities:

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

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or that are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

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

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

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

Recognition of these amounts only relates to fee revenue aspects of the financial guarantee contracts. These amounts do not reflect any expected liability under the Guarantee Scheme itself as these are considered remote and unquantifiable. Administered contingent liabilities and assets are disclosed at Note 26.

Administered financial instruments are accounted for in accordance with the accounting policies detailed above and are disclosed at Note 28.

Note 2: Events After the Reporting Period

Departmental

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of the Treasury.

Administered

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of the Treasury.

Note 3: Operating Expenses

	2014 $'000	2013 $'000
Note 3A: Employee Benefits		
Wages and salaries	**95,418**	92,274
Superannuation:		
Defined contribution plans	**6,128**	5,525
Defined benefit plans	**10,766**	10,590
Redundancies	**7,188**	51
Leave and other entitlements	**10,474**	10,990
Other	**3,162**	3,294
Total employee benefits	**133,136**	122,724
Note 3B: Suppliers		
Goods and services supplied or rendered[1]		
Information communication technology	**5,191**	6,055
Conferences and training	**9,273**	2,357
Consultants, secondees and contractors	**6,442**	6,046
Fees - Audit, Accounting, Bank and Other	**1,700**	1,433
Insurance	**561**	370
Legal	**999**	2,382
Printing	**514**	445
Property operating expenses	**11,845**	11,092
Publications and subscriptions	**1,368**	1,460
Travel	**6,383**	4,706
Other	**2,145**	1,789
Total goods and services supplied or rendered	**46,421**	38,135
Goods supplied in connection with:		
Related parties	**135**	61
External parties	**3,141**	2,712
Total goods supplied	**3,276**	2,773
Services rendered in connection with:		
Related parties	**7,153**	7,011
External parties	**27,600**	20,490
Total services rendered	**34,753**	27,501
Total goods and services supplied or rendered	**38,029**	30,274
Other suppliers		
Operating lease rentals in connection with:[2]		
Related parties	**8,070**	7,692
External parties	**1**	1
Workers compensation premiums	**321**	168
Total other suppliers	**8,392**	7,861
Total supplier expenses	**46,421**	38,135
Note 3C: Grants		
Public sector:		
Clean Energy Finance Corporation	**-**	18,383
Australian Government entities - other	**71**	139
Private sector:		
Non-profit organisations	**1,243**	4,830
Total grants	**1,314**	23,352

1. Increases in conferences and training and travel expenses relate to the G20 meetings the Treasury is hosting.
2. Operating lease rentals comprise minimum lease payments only. The comparative figures have been reclassified and do not match what was published in the 2012-13 financial statements.

Note 3: Operating Expenses (continued)

	2014 $'000	2013 $'000
Note 3D: Depreciation and amortisation		
Depreciation		
Plant and equipment	**2,798**	2,571
Buildings – leasehold improvements	**4,241**	3,091
Total depreciation	**7,039**	5,662
Amortisation		
Intangibles – computer software	**2,258**	8,071
Total amortisation	**2,258**	8,071
Total depreciation and amortisation	**9,297**	13,733
Note 3E: Finance costs		
Leases	**-**	1
Unwinding of discount[1]	**445**	-
Total finance costs	**445**	1
Note 3F: Write-down and impairment of assets		
Write-off of plant and equipment	**108**	213
Write-off of Intangibles assets	**36**	17
Total write-down and impairment of assets	**144**	230
Note 3G: Losses from asset sales		
Property, plant and equipment		
Proceeds from sale	**-**	(29)
Carrying value of asset sold	**-**	44
Selling expense	**-**	9
Total losses from asset sales	**-**	24

1. In 2014, the Treasury recognised a provision for restoration relating to part of the Treasury building in Canberra and the offices in Canberra, Sydney and Melbourne. The unwinding of the discount associated with these provisions has been recognised fully in 2013-14.

Note 4: Income

Own-Source Revenue	2014 $'000	2013 $'000
Note 4A: Sale of goods and rendering of services		
Rendering of services in connection with		
Related parties	**8,042**	9,494
External parties	**1,533**	348
Total sale of goods and rendering of services	**9,575**	9,842
Operating lease rental - external entities	**105**	104
Total sale of goods and rendering of services	**9,680**	9,946
Note 4B: Other revenue		
Legislative and Governance Forum on Consumer Affairs contributions received	**404**	341
Other	**135**	224
Total other revenue	**539**	565
Note 4C: Other gains		
Resources received free of charge	**3,045**	2,420
Total other gains	**3,045**	2,420
Note 4D: Revenue from Government		
Appropriations		
Departmental appropriations	**168,471**	174,569
Total revenue from Government	**168,471**	174,569

Note 5: Fair Value Measurements

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

Note 5A: Fair value measurements

Recurring fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2014

		Fair value measurements at the end of the reporting period using		
	Fair value $'000	Level 1 inputs $'000	Level 2 inputs $'000	Level 3 inputs $'000
Non-financial assets:				
Office Equipment	928	-	-	928
Motor Vehicles	33	-	33	-
Furniture	655	-	-	655
Personal Computers	77	-	-	77
Other IT Equipment	7,053	-	-	7,053
Land and buildings	5,721	-	-	5,721
Artworks and Heritage	104	-	104	-
Library	1,871	-	-	1,871
Total non-financial assets	16,442	-	137	16,305
Total fair value measurements of assets in the statement of financial position	16,442	-	137	16,305

Fair value measurements - highest and best use of all non-financial assets are the same as their current use.

Note 5B: Level 1 and Level 2 transfers for recurring fair value measurements

No assets were transferred between Level 1 and Level 2.

Note 5: Fair Value Measurements (continued)

Note 5C: Valuation technique and inputs for Level 2 and Level 3 fair value measurements

	Category (Level 2 or Level 3)	Fair value $'000	Valuation technique(s)[1]	Inputs used	Range (weighted average)[2]
Non-financial assets					
Motor Vehicles	**Level 2**	**33**	**Cost Approach**	**Sales of similar vehicles.**	**N/A**
Artworks and Heritage	**Level 2**	**104**	**Cost Approach**	**Sales of similar art work.**	**N/A**
Office Equipment	**Level 3**	**928**	**Cost Approach**	**Estimated replacement cost of similar assets adjusted for remaining useful life.**	**$0 - $196,589 ($3,296)**
Furniture	**Level 3**	**655**	**Cost Approach**	**Estimated replacement cost of similar assets adjusted for remaining useful life.**	**$0 - $232,144 ($11,549)**
Personal Computers	**Level 3**	**77**	**Cost Approach**	**Estimated replacement cost of similar assets adjusted for remaining useful life.**	**$0 - $2,595 ($149)**
Other IT Equipment	**Level 3**	**7,053**	**Cost Approach**	**Estimated replacement cost of similar assets adjusted for remaining useful life.**	**$0 - $3,056,442 ($12,085)**
Land and buildings	**Level 3**	**5,721**	**Cost Approach**	**Estimated replacement cost of similar assets adjusted for remaining useful life.**	**$93 - $610,795 ($66,901)**
Library	**Level 3**	**1,871**	**Cost Approach**	**Estimated replacement cost of similar assets adjusted for remaining useful life.**	**$1,871,241 ($1,872,241)**

1. No change in valuation technique occurred during the period.
2. Significant unobservable inputs only. Not applicable for assets or liabilities in the Level 2 category.

Recurring Level 3 fair value measurements — valuation processes

The Treasury procured valuation services from Preston Rowe Patterson Valuers (PRP). PRP provided a written assurance that the valuation model is in compliance with AASB 13. PRP valuations are based on the most recent comprehensive valuation of the Treasury's fixed assets. PRP has used the cost approach which reflects the amount that would be required currently to replace the service capacity of the Treasury's fixed assets. PRP has updated the depreciated replacement cost analysis relative to current replacement cost for each asset and the expended useful life to establish an appropriate estimate of fair value as at 30 June 2014.

Recurring Level 3 fair value measurements — sensitivity of inputs

The fair value estimates provided at a reporting date based on level 3 inputs are sensitive to movements in replacement cost as at the reporting date, either up or down. Adopted useful life, expended useful and remaining useful life are considered to be generally stable inputs and would not be subject to sensitivity unless the Treasury revised its policy with respect to the useful life of a particular asset class.

Note 5: Fair Value Measurements (continued)

Note 5D: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements - reconciliation for assets

	Non-financial assets						
	Office Equipment 2014 $'000	Furniture 2014 $'000	Personal Computers 2014 $'000	Other IT Equipment 2014 $'000	Land and Buildings 2014 $'000	Library 2014 $'000	Total 2014 $'000
Opening balance	998	1,146	504	7,237	6,815	1,871	18,571
Total gains/(losses) recognised in net cost of services[1]	(316)	(420)	(432)	(1,679)	(4,288)	-	(7,135)
Purchases	263	148	326	1,489	2,975	-	5,201
Settlements	(17)	(219)	(321)	6	219	-	(332)
Closing balance	928	655	77	7,053	5,721	1,871	16,305
Changes in unrealised gains/(losses) recognised in net cost of services	-	-	-	-	-	-	-

1. These gains/(losses) are presented in the Statement of Comprehensive Income under depreciation and amortisation.

Note 6: Financial Assets

	2014 $'000	2013 $'000
Note 6A: Cash and cash equivalents		
Special Accounts	**88**	100
Cash on hand or on deposit	**567**	1,123
Total cash and cash equivalents	**655**	1,223
Note 6B: Trade and other receivables		
Goods and services receivables in connection with:		
Related parties	**920**	451
External parties	**1,222**	1,342
Total goods and services	**2,142**	1,793
Appropriations receivable:		
for existing programmes	**60,240**	59,608
Total appropriations receivable	**60,240**	59,608
Other receivables:		
Net GST receivable from the ATO	**666**	595
Total other receivables	**666**	595
Total trade and other receivables (net)	**63,048**	61,996
All receivables are current assets		
Receivables (net) are aged as follows:		
Not overdue	**61,991**	61,854
Overdue by:		
0 to 30 days	**681**	32
31 to 60 days	**97**	66
61 to 90 days	**157**	43
More than 90 days	**122**	1
Total receivables (net)	**63,048**	61,996

Credit terms for goods and services were within 30 days (2013: 30 days).

Note 7: Non-Financial Assets

	2014 $'000	2013 $'000
Note 7A: Land and buildings		
Buildings – leasehold improvements		
Under construction	**263**	576
Fair value	**14,779**	11,643
Accumulated depreciation	**(9,321)**	(5,404)
Total buildings – leasehold improvements	**5,721**	6,815
Total land and buildings	**5,721**	6,815

No indicators of impairment were found for land and buildings.
No land and buildings are expected to be sold or disposed within the next 12 months.
All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.18.

Note 7B: Plant and equipment		
Plant and equipment		
Under construction	**1,225**	4,400
Fair value	**16,206**	11,638
Accumulated depreciation	**(6,710)**	(4,132)
Total plant and equipment	**10,721**	11,906

No indicators of impairment were found for plant and equipment.
No plant and equipment are expected to be sold or disposed within the next 12 months.
All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.18.

Note 7C: Intangibles		
Computer software		
Under construction	**3,216**	909
Internally developed – in use	**8,959**	7,114
Purchased	**5,644**	4,513
Accumulated amortisation	**(8,505)**	(6,276)
Total computer software	**9,314**	6,260

No indicators of impairment were found for intangibles.
No intangibles are expected to be sold or disposed of within the next 12 months.

Note 7: Non-Financial Assets (continued)

Note 7D: Reconciliation of the opening and closing balances of property, plant and equipment and computer software (2013-14)

Reconciliation of the opening and closing balances of property, plant and equipment and computer software for 2014

	Buildings – leasehold improvements $'000	Plant and equipment $'000	Computer software $'000	Total $'000
As at 1 July 2013				
Gross book value	12,219	16,038	12,536	40,793
Accumulated depreciation and impairment	(5,404)	(4,132)	(6,276)	(15,812)
Total value as at 1 July 2013	6,815	11,906	6,260	24,981
Additions:				
By purchase	3,194	1,667	5,348	10,209
By transfer from other agencies (restructuring)[1]	-	7	-	7
Depreciation / amortisation expense	(4,241)	(2,798)	(2,258)	(9,297)
Disposals:				
From disposal of operations (restructuring)	-	-	-	-
From asset sales	-	-	-	-
Other disposals	(47)	(61)	(36)	(144)
Total as at 30 June 2014	5,721	10,721	9,314	25,756
Total as at 30 June 2014 represented by:				
Gross book value	15,042	17,431	17,819	50,292
Accumulated depreciation and impairment	(9,321)	(6,710)	(8,505)	(24,536)
Total as at 30 June 2014	5,721	10,721	9,314	25,756

1. The Small Business function was gained from Department of Industry (Industry) during 2014 due to restructuring of administrative arrangements on 18 September 2013. Further details are described in Note 10: Restructuring.

Note 7: Non-Financial Assets (continued)

Note 7D: Reconciliation of the opening and closing balances of property, plant and equipment and computer software (2012-13)

Reconciliation of the opening and closing balances of property, plant and equipment and computer software for 2013

	Buildings – leasehold improvements $'000	Plant and equipment $'000	Computer software $'000	Total $'000
As at 1 July 2012				
Gross book value	9,391	15,454	43,951	68,796
Accumulated depreciation and impairment	(2,363)	(2,527)	(18,240)	(23,130)
Total as at 1 July 2012	7,028	12,927	25,711	45,666
Additions:				
By purchase	2,879	1,806	3,287	7,972
By transfer from other agencies (restructuring)	-	-	-	-
Depreciation / amortisation expense	(3,091)	(2,571)	(8,071)	(13,733)
Disposals:				
From disposal of operations (restructuring)[1]	-	-	(14,650)	(14,650)
From asset sales	(1)	(43)	-	(44)
Other disposals	-	(213)	(17)	(230)
Total as at 30 June 2013	6,815	11,906	6,260	24,981
Total as at 30 June 2013 represented by:				
Gross book value	12,219	16,038	12,536	40,793
Accumulated depreciation and impairment	(5,404)	(4,132)	(6,276)	(15,812)
Total as at 30 June 2013	6,815	11,906	6,260	24,981

1. The SBR function was relinquished to the ATO during 2013 due to restructuring of administrative arrangements on 11 April 2013. Further details are described in Note 10: Restructuring.

Note 7: Non-Financial Assets (continued)

	2014 $'000	2013 $'000
Note 7E: Other non-financial assets		
Prepayments	**2,614**	2,665
Total other non-financial assets	**2,614**	2,665
Other non-financial assets expected to be recovered in		
No more than 12 months	**2,328**	2,359
More than 12 months	**286**	306
Total other non-financial assets	**2,614**	2,665

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

Note 8: Payables

	2014 $'000	2013 $'000
Note 8A: Suppliers		
Trade creditors and accruals	**2,396**	2,516
Total suppliers	**2,396**	2,516
Suppliers expected to be settled		
No more than 12 months	**2,396**	2,516
More than 12 months	**-**	-
Total suppliers	**2,396**	2,516
Suppliers in connection with		
Related parties	**545**	358
External parties	**1,851**	2,158
Total suppliers	**2,396**	2,516

Note: Settlement was usually made within 30 days.

	2014 $'000	2013 $'000
Note 8B: Other payables		
Salaries and wages	**3,160**	2,522
Superannuation	**534**	441
Separations and redundancies	**2,625**	-
Other creditors	**3,113**	2,806
Unearned income	**3,213**	2,730
Total other payables	**12,645**	8,499
Other payables expected to be settled		
No more than 12 months	**12,645**	8,499
More than 12 months	**-**	-
Total other payables	**12,645**	8,499

Note 9: Provisions

	2014 $'000	2013 $'000
Note 9A: Employee provisions		
Leave	**42,367**	42,693
Other employee entitlements	**287**	132
Total employee provisions	**42,654**	42,825
Employee provisions expected to be settled		
No more than 12 months	**12,384**	13,649
More than 12 months	**30,270**	29,176
Total employee provisions	**42,654**	42,825
Note 9B: Other provisions		
Provision for restoration[1]	**953**	-
Total other provisions	**953**	-
Other provisions are expected to be settled in:		
No more than 12 months	**14**	-
More than 12 months	**939**	-
Total other provisions	**953**	-

	Provision for restoration $'000	Total $'000
Carrying amount 1 July 2013	**-**	**-**
Additional provisions made	**953**	**953**
Amounts reversed	**-**	**-**
Amounts used	**-**	**-**
Unwinding of discount or change in discount rate	**-**	**-**
Closing balance 30 June 2014	**953**	**953**

1. The Treasury has recognised a partial provision for restoration for the main Canberra office, as well as full provision for restoration for the small offices in Canberra, Sydney and Melbourne in 2013-14. Prior to this the Treasury did not recognise provision for restoration.

Note 10: Restructuring

Note 10A: Departmental Restructuring

	2014 Small Business Function Industry[1] $'000	2013 SBR ATO[2] $'000
FUNCTIONS ASSUMED		
Assets recognised		
Property, plant and equipment	**7**	-
Total assets recognised	**7**	-
Liabilities recognised		
Employer payables	**1,626**	-
Total liabilities recognised	**1,626**	-
Net assets/(liabilities) assumed	**(1,619)**	-
Income		
Recognised by the losing entity	**2**	-
Total Income	**2**	-
Expenses		
Recognised by the receiving entity	**2,839**	-
Recognised by the losing entity	**3,442**	-
Total Expenses	**6,281**	-
FUNCTIONS RELINQUISHED		
Assets relinquished		
Intangibles	**-**	14,650
Other non-financial assets	**-**	159
Total assets relinquished	**-**	14,809
Liabilities relinquished		
Employee provisions	**-**	524
Total liabilities relinquished	**-**	524
Net assets/(liabilities) relinquished	**-**	14,285

Note 10B: Administered Restructuring

	2014 Small Business Function Industry[1] $'000	2013 SBR ATO[2] $'000
FUNCTIONS ASSUMED		
Liabilities recognised		
Trade Creditors and accruals	**54**	-
Total liabilities recognised	**54**	-
Net assets/(liabilities) assumed	**(54)**	-
Expenses		
Recognised by the receiving entity	**215**	-
Recognised by the losing entity	**275**	-
Total expenses	**490**	-

1. The Small Business function was gained from the Department of Industry (Industry) during 2014 due to restructuring of administrative arrangements on 18 September 2013. Appropriations receivable of $1.595 million was transferred from Industry to the Treasury as an equity injection during the 2014-15 Budget (refer to the Statement of Changes in Equity).
2. The Standard Business Reporting (SBR) function was relinquished to the Australian Taxation Office (ATO) during 2013 due to restructuring of administrative arrangements on 11 April 2013.

Note 11: Cash Flow Reconciliation

	2014 $'000	2013 $'000
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	**655**	1,223
Statement of Financial Position	**655**	1,223
Discrepancy	**-**	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	**(9,022)**	(10,699)
Adjustments for non-cash items		
Depreciation / amortisation	**9,297**	13,733
Finance costs	**445**	-
Net write down of non-financial assets	**144**	230
Loss on disposal of non-current assets	**-**	24
Movements in assets and liabilities		
Assets		
(Increase) / decrease in net receivables	**550**	(6,855)
(Increase) / decrease in other non-financial assets	**51**	(322)
Liabilities		
Increase / (decrease) in provisions	**(1,353)**	949
Increase / (decrease) in other payables	**3,792**	1,221
Increase / (decrease) in supplier payables	**(120)**	2,205
Net cash from / (used by) operating activities	**3,784**	486

Note 12: Contingent Assets and Liabilities

	Studies Assistance		Total	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Contingent liabilities				
Balance from previous period	**-**	297	**-**	297
New	**-**	-	**-**	-
Liabilities recognised	**-**	-	**-**	-
Obligations expired / crystallised	**-**	(297)	**-**	(297)
Total contingent liabilities	**-**	-	**-**	-
Net contingent liabilities	**-**	-	**-**	-

Quantifiable Contingencies

The schedule of contingencies reports liabilities of $0 (2013: $0). During 2012-13, the Treasury recognised a liability in respect of studies assistance.

Remote Contingencies

The Treasury's lease on its current premises contains a make good clause which has been estimated by an independent valuer at $3.0 million. During 2013-14, the Treasury has recognised a provision for make good of $0.9 million, being recognition of partial hand back of lease space in 2015. The Treasury is committed to remaining in the Treasury building. The likelihood of the remaining make good provision being required has been deemed as remote.

As at 30 June 2014, the Treasury has a number of contracts which may give rise to contingent liabilities based on certain events occurring. The Treasury has assessed the likelihood of such events occurring as being remote and unquantifiable.

Note 13: Senior Executive Remuneration

Note 13A: Senior executive remuneration expense for the reporting period

	2014	2013
	$	$
Short-term employee benefits		
Salary	**18,459,446**	18,789,223
Allowances	**1,329,363**	1,431,890
Total short-term employee benefits	**19,788,809**	20,221,113
Post-employment benefits		
Superannuation	**3,067,859**	2,816,556
Total post-employment benefits	**3,067,859**	2,816,556
Other long-term benefits		
Annual leave accrued	**1,673,624**	1,682,513
Long-service leave	**557,032**	1,155,116
Total other long-term benefits	**2,230,656**	2,837,629
Termination benefits		
Termination benefits	**1,027,820**	-
Total termination benefits	**1,027,820**	-
Total senior executive remuneration expenses	**26,115,144**	25,875,298

1. Note 13A is prepared on an accrual basis.
2. Note 13A excludes acting arrangements and part-year service where total remuneration expensed for a senior executive was less than $195,000.
3. Note 13A includes employees posted overseas.
4. The comparative figures have been revised and do not match what was published in the 2012-13 financial statements due to new disclosure requirements. The reporting requirements can be found in the Finance Ministers Orders, which are available on www.finance.gov.au.

Note 13: Senior Executive Remuneration (continued)

Note 13B: Average annual reportable remuneration paid to substantive senior executives during the reporting period

Average annual reportable remuneration paid to substantive senior executives in 2014

Average annual reportable remuneration[1]	Substantive senior executives	Reportable salary[2]			Contributed superannuation[3]	Bonus paid[4]	Total
		Salary payments	Domestic allowances	Overseas allowances			
	No.	$	$	$	$	$	$
Total reportable remuneration (including part time arrangements):							
less than $195,000	**22**	**78,177**	**9,225**	**-**	**18,935**	**-**	**106,337**
$195,000 to $224,999	**14**	**184,103**	**139**	**-**	**28,466**	**-**	**212,708**
$225,000 to $254,999	**33**	**205,914**	**2,005**	**-**	**31,018**	**-**	**238,937**
$255,000 to $284,999	**13**	**231,898**	**1,313**	**3,884**	**36,097**	**-**	**273,192**
$285,000 to $314,999	**8**	**236,657**	**4,321**	**15,150**	**38,514**	**-**	**294,642**
$315,000 to $344,999	**3**	**274,981**	**106**	**-**	**52,199**	**-**	**327,286**
$345,000 to $374,999	**5**	**287,367**	**212**	**35,731**	**35,374**	**-**	**358,684**
$375,000 to $404,999	**3**	**297,082**	**230**	**43,080**	**44,044**	**-**	**384,436**
$405,000 to $434,999	**3**	**317,611**	**141**	**49,175**	**46,461**	**-**	**413,388**
$735,000 to $764,999	**1**	**668,883**	**-**	**-**	**89,177**	**-**	**758,060**
Total number of substantive senior executives	**105**						

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
   a) gross payments;
   b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
   c) exempt foreign employment income; and
   d) salary sacrificed amounts.
3. The 'contributed superannuation' amount is the average cost to the Treasury for the provision of superannuation benefits to substantive senior executives in that reportable band during the reporting period.
4. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The Treasury does not pay bonuses.
5. There were no reportable allowances paid in 2014.
6. Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column.
7. Employees posted overseas are included in this table.

Note 13: Senior Executive Remuneration (continued)

Average annual reportable remuneration paid to substantive senior executives in 2013

Average annual reportable remuneration[1]	Substantive senior executives	Reportable salary[2]			Contributed superannuation[3]	Bonus paid[4]	Total
		Salary payments	Domestic allowances	Overseas allowances			
	No.	$	$	$	$	$	$
Total reportable remuneration (including part time arrangements):							
less than $195,000	21	92,552	1,907	-	16,308	-	110,767
$195,000 to $224,999	21	180,491	364	572	27,634	735	209,796
$225,000 to $254,999	31	200,621	3,904	1,132	30,336	-	235,993
$255,000 to $284,999	12	226,521	5,004	4,586	35,234	-	271,345
$285,000 to $314,999	6	228,589	18	33,647	34,596	-	296,850
$315,000 to $344,999	2	264,334	133	25,992	36,779	-	327,238
$345,000 to $374,999	5	296,675	117	20,416	39,490	-	356,698
$375,000 to $404,999	5	296,564	212	52,794	41,698	-	391,268
$645,000 to $674,999	1	585,734	-	-	77,563	-	663,297
Total number of substantive senior executives	104						

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
   a) gross payments;
   b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
   c) exempt foreign employment income; and
   d) salary sacrificed amounts.
3. The 'contributed superannuation' amount is the average cost to the Treasury for the provision of superannuation benefits to substantive senior executives in that reportable band during the reporting period.
4. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The Treasury does not pay bonuses. The bonuses included in the table above relate to secondees.
5. There were no reportable allowances paid in 2013.
6. Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'salary payments' column.
7. Employees posted overseas are included in this table.
8. The comparative figures have been revised and do not match what was published in the 2012-13 financial statements. The disclosure requirements can be found in the Finance Minister's Orders, which are available on www.finance.gov.au.

Note 13: Senior Executive Remuneration (continued)

Note 13C: Other highly paid staff

The Treasury had no other highly paid staff during 2013-14 (2012-13: nil).

Note 14: Remuneration of Auditors

	2014 $'000	2013 $'000
Financial statement audit services were provided free of charge to the Treasury by the Australian National Audit Office.		
Fair value of services received		
Financial statement audit services	**440**	400
Total fair value of services received	**440**	400

No other services were provided by the auditors of the financial statements.

Note 15: Financial Instruments

	2014 $'000	2013 $'000
Note 15A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	**655**	1,223
Trade receivables	**2,142**	1,793
Total loans and receivables	**2,797**	3,016
Total financial assets	**2,797**	3,016
Financial Liabilities		
Liabilities at amortised cost		
Supplier payables	**2,396**	2,516
Other payables - other creditors	**3,113**	2,806
Total liabilities at amortised cost	**5,509**	5,322
Total financial liabilities	**5,509**	5,322
Note 15B: Net Gains or Losses on Financial Liabilities		
Financial liabilities - at amortised cost		
Interest expense	**-**	(1)
Net gains/(losses) from financial liabilities - at amortised cost	**-**	(1)
Net gains/(losses) from financial liabilities	**-**	(1)

Note 15C: Fair value of financial instruments

The net fair values of the Treasury's financial assets and financial liabilities are approximated by their carrying amounts.

Note 15: Financial Instruments (continued)

Note 15D: Credit risk

The Treasury is exposed to minimal credit risk as financial assets only include cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2014: $2,141,727 and 2013: $1,792,029). The Treasury has assessed the risk of default on payment as being minimal.

Other government agencies and staff members make up the majority of the Treasury's debtors. To aid the Treasury to manage its credit risk there are internal policies and procedures that guide employees on debt recovery techniques that are to be applied.

The Treasury holds no collateral to mitigate against credit risk.

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired 2014 $'000	Not past due nor impaired 2013 $'000	**Past due or impaired 2014 $'000**	Past due or impaired 2013 $'000
Loans and receivables				
Cash and cash equivalents	**655**	1,223	**-**	-
Trade receivables	**2,142**	1,651	**-**	142
Total	**2,797**	2,874	**-**	142

Ageing of financial assets that were past due but not impaired for 2014

	0 to 30 days $'000	**31 to 60 days $'000**	**61 to 90 days $'000**	**90+ days $'000**	**Total $'000**
Loans and receivables					
Trade receivables	**2,421**	**97**	**157**	**122**	**2,797**
Total	**2,421**	**97**	**157**	**122**	**2,797**

Ageing of financial assets that were past due but not impaired for 2013

	0 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	90+ days $'000	Total $'000
Loans and receivables					
Trade receivables	32	66	43	1	142
Total	32	66	43	1	142

Note 15: Financial Instruments (continued)

Note 15E: Liquidity risk

The Treasury's financial liabilities are payables. The exposure to liquidity risk is based on the notion that the Treasury will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to the appropriation funding mechanisms available to the Treasury and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The Treasury is appropriated funding from the Australian Government. The Treasury manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Treasury has policies in place to ensure timely payments are made when due and has no past experience of default.

Maturities for non-derivative financial liabilities 2014

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Liabilities at amortised cost						
Payables - suppliers	-	2,396	-	-	-	2,396
Other payables	-	3,113	-	-	-	3,113
Total	-	5,509	-	-	-	5,509

Maturities for non-derivative financial liabilities 2013

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Liabilities at amortised cost						
Payables - suppliers	-	2,516	-	-	-	2,516
Other payables	-	2,806	-	-	-	2,806
Total	-	5,322	-	-	-	5,322

Note 15F: Market risk

The Treasury holds only basic financial instruments that do not expose the Treasury to certain market risks, such as 'Currency risk' and 'Other price risk'.

Interest rate risk

The Treasury does not hold financial instruments that expose the Treasury to interest rate risk.

Note 16: Financial Assets Reconciliation

Financial assets	Notes	2014 $'000	2013 $'000
Total financial assets as per Statement of Financial Position		**63,703**	63,219
Less: non-financial instrument components			
Appropriation receivables	6B	**60,240**	59,608
GST receivable from the ATO	6B	**666**	595
Total non-financial instrument components		**60,906**	60,203
Total financial assets as per financial instruments note	15A	**2,797**	3,016

Note 17: Administered Expenses

	2014 $'000	2013 $'000
Note 17A: Grants		
Public sector:		
State and territory governments	**82,590,099**	79,876,326
Payment of COAG receipts from government agencies	**1,798,099**	1,521,247
Grants to international financial institutions[1]	**-**	13,928
Reserve Bank of Australia	**8,800,000**	-
Clean Energy Finance Corporation	**8,000**	-
Private sector:		
Grants to private sector	**4,000**	21,413
Total grants	**93,200,198**	81,432,914
Note 17B: Interest		
IMF charges	**4,688**	3,489
Total interest	**4,688**	3,489
Note 17C: Write-down and impairment of assets		
Other[2]	**150,000**	-
Total write-down and impairment of assets	**150,000**	-
Note 17D: Net foreign exchange losses		
IMF SDR allocation	**55,723**	-
IMF Maintenance of Value	**455,936**	-
IMF quota revaluation	**(58,492)**	-
IFIs revaluation	**(21,318)**	-
IMF new arrangement to borrow loans revaluation	**(10,335)**	-
Other	**(737)**	-
Total net foreign exchange losses	**420,777**	-
Note 17E: Other expenses		
Suppliers expenses	**540**	152
Total other expenses	**540**	152

1. Grant made to the IMF, Poverty Reduction and Growth Trust as agreed with the IMF upon Australia's receipt of funds from the IMF Gold Sale. See note 18E.
2. Reflects the Government's decision to cancel the requirement for the Australian Reinsurance Pool Corporation (ARPC) to pay the Commonwealth a $75 million dividend in January 2015 and a $75 million dividend in January 2016.

Note 18: Administered Income

Revenue	2014 $'000	2013 $'000
Non-Taxation Revenue		
Note 18A: Interest		
Gross IMF remuneration	**1,263**	1,069
Less: Burden sharing	**(36)**	(35)
Net IMF remuneration	**1,227**	1,034
Interest on loan to IMF under New Arrangements to Borrow	**880**	613
Interest on loans to states and territories	**1,196**	694
Total interest	**3,303**	2,341
Note 18B: Dividends		
Reserve Bank of Australia	**1,235,000**	-
Australian Reinsurance Pool Corporation	**75,000**	-
Total dividends	**1,310,000**	-
Note 18C: Sale of goods and rendering of services		
GST administration fees - external entities	**709,510**	708,095
Guarantee Scheme for Large Deposits and Wholesale Funding Fee	**243,497**	528,740
Guarantee of State and Territory Borrowing	**37,058**	52,172
Total sale of goods and rendering of services	**990,065**	1,289,007
Note 18D: COAG revenue from Government		
Building Australia Fund revenue	**1,198,990**	981,610
Health and Hospital Fund revenue	**492,034**	460,037
Education and Innovation Fund revenue	**-**	3,769
Interstate road transport revenue	**75,074**	75,831
Social and Community Services Sector Special Account	**32,001**	-
Total COAG receipts from government agencies	**1,798,099**	1,521,247
Note 18E: Other revenue		
HIH Group liquidation proceeds	**26,257**	4,045
IMF receipt of gold sales distribution	**37,972**	13,928
Recoveries	**1**	12,651
Other revenue	**19,407**	7,335
Total other revenue	**83,637**	37,959
Gains		
Note 18F: Net Foreign exchange gains		
IMF SDR allocation	**-**	(428,287)
IMF Maintenance of Value	**-**	59,607
IMF quota revaluation	**-**	449,572
IFIs revaluation	**-**	82,741
IMF new arrangement to borrow loans revaluation	**-**	79,340
Other	**-**	(4,303)
Total foreign exchange gains	**-**	238,670

Note 19: Administered Fair Value Measurements

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

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

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

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

Level 3: Unobservable inputs for the asset or liability.

Note 19A: Fair value measurements

Recurring fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2014

		Fair value measurements at the end of the reporting period using		
	Fair value $'000	**Level 1 inputs $'000**	**Level 2 inputs $'000**	**Level 3 inputs $'000**
Financial assets:				
Investment in Australian Government Entities:	**20,115,052**	-	-	**20,115,052**
Australian Reinsurance Pool Corporation	573,034	-	-	573,034
Clean Energy Finance Corporation	1,232,018	-	-	1,232,018
Reserve Bank of Australia	18,310,000	-	-	18,310,000
Investment in International Financial Institutions:	**6,162,354**			**6,162,354**
IMF quota	5,305,574	-	-	5,305,574
Asian Development Bank	482,066	-	-	482,066
European Bank for Reconstruction and Development	90,646	-	-	90,646
International Bank for Reconstruction and Development	227,242	-	-	227,242
International Finance Corporation	50,243	-	-	50,243
Multilateral Investment Guarantee Agency	6,583	-	-	6,583
Total financial assets	**26,277,406**	-	-	**26,277,406**
Total fair value measurements	**26,277,406**	-	-	**26,277,406**

Fair value measurements

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

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

Note 19B: Level 1 and Level 2 transfers for recurring fair value measurements

There have been no transfers between levels at the hierarchy during the year.

Note 19: Administered Fair Value Measurements (continued)

Note 19C: Valuation technique and inputs for Level 2 and Level 3 fair value measurements

	Category (Level 2 or Level 3)	Fair value $'000	Valuation technique(s)[1]	Inputs used	Range (weighted average)[2]
Financial assets:					
Investment in Australian Government Entities	Level 3	20,115,052	Net asset	Net assets of the entity	N/A
Investment in International Financial Institutions	Level 3	6,162,354	Value of shares held	Share price	N/A

1. No change in valuation technique occurred during the period.
2. Significant unobservable inputs only.

Recurring Level 3 fair value measurements — valuation process

Investments in the Australian Government entities are based on the net asset position of the entity. All are recorded at fair value using unobservable prices as there is no active market.

Investments in the International Financial Institutions are based on the share value of the relevant Institution.

All are recorded at fair value using unobservable prices as there is no active market.

Recurring Level 3 fair value measurements — sensitivity of inputs

The fair value estimates provided at a reporting date based on Level 3 inputs are sensitive to movements in net assets and share value at 30 June.

Note 19D: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements — reconciliation for assets

	Financial assets	
	Investments 2014 $'000	Total 2014 $'000
Opening balance	**16,456,446**	**16,456,446**
Total gains/(losses) recognised in other comprehensive income	9,663,872	9,663,872
Total gains/(losses) recognised in net cost of services		
IMF Quota foreign exchange gain	58,492	58,492
International Financial Institutions foreign exchange gain	21,318	21,318
Share Purchases		
Increase in investments in the International Financial Institutions	77,278	77,278
Closing balance	**26,277,406**	**26,277,406**

Note 20: Administered Financial Assets

	2014 $'000	2013 $'000
Note 20A: Cash and cash equivalents		
Cash on hand or on deposit	**1,412**	3,719
Total cash and cash equivalents	**1,412**	3,719
Note 20B: Receivables & loans		
Advances and loans:		
Loans to states and territories	**42,290**	15,794
IMF new arrangements to borrow loan	**985,033**	895,785
Total advances and loans	**1,027,323**	911,579
Other receivables:		
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable[1]	**23,018**	337,070
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	**7,712**	30,833
Guarantee of State and Territory Borrowing contractual fee receivable[1]	**113,217**	198,864
Guarantee of State and Territory Borrowing fee receivable	**2,365**	3,840
Net GST receivable from the ATO	**9**	2
IMF related moneys owing	**217**	166
Dividends receivable	**1,235,000**	225,000
Other receivables	**15,631**	22,813
Total other receivables	**1,397,169**	818,588
Total trade and other receivables (gross)	**2,424,492**	1,730,167
Receivables are expected to be recovered in:		
No more than 12 months	**692,859**	460,696
More than 12 months	**1,731,633**	1,269,471
Total receivables (gross)	**2,424,492**	1,730,167
Receivables are aged as follows:		
Not overdue	**2,424,492**	1,730,167
Total receivables (gross)	**2,424,492**	1,730,167

1. Refer Note 1.33 for details on accounting treatment and Note 22C for corresponding liability.

Note 20: Administered Financial Assets (continued)

	2014 $'000	2013 $'000
Note 20C: Investments[1]		
International financial institutions		
Asian Development Bank	**482,066**	391,780
European Bank for Reconstruction and Development	**90,646**	88,231
International Bank for Reconstruction and Development	**227,242**	220,460
International Finance Corporation	**50,243**	51,029
Multilateral Investment Guarantee Agency	**6,583**	6,684
Total international financial institutions	**856,780**	758,184
Australian Government entities		
Reserve Bank of Australia	**18,310,000**	10,012,000
Australian Reinsurance Pool Corporation	**573,034**	432,685
Clean Energy Finance Corporation[2]	**1,232,018**	6,495
Total Australian Government entities	**20,115,052**	10,451,180
Other Investments		
IMF quota	**5,305,574**	5,247,082
Total other investments	**5,305,574**	5,247,082
Total Investments	**26,277,406**	16,456,446
Investments expected to be recovered		
More than 12 months	**26,277,406**	16,456,446
Total Investments	**26,277,406**	16,456,446

1. Details of administered investments listed above are disclosed in Note 27: Administered Investments.
2. Low Carbon Australia Limited (LCAL) was integrated into the Clean Energy Finance Corporation during 2014 due to restructuring of administrative arrangements on 18 September 2013. Equity from LCAL of $68.965 million is incorporated in the total above.

Note 21: Administered Non-Financial Assets

	2014 $'000	2013 $'000
Note 21A: Other non-financial assets		
Prepayments - Infrastructure	**462**	773
Prepayments - FaHCSIA	**-**	19,841
Prepayments - Health	**-**	128,891
Total other non-financial assets	**462**	149,505
Other non-financial assets expected to be recovered		
No more than 12 months	**462**	149,505
More than 12 months	**-**	-
Total other non-financial assets	**462**	149,505

Note 22: Administered Payables

	2014 $'000	2013 $'000
Note 22A: Grants		
Public sector		
COAG grants payable	**636,399**	768,276
Other grants payable	**-**	115
Total grants	**636,399**	768,391
Total grants expected to be settled		
No more than 12 months	**636,399**	768,391
More than 12 months	**-**	-
Total grants	**636,399**	768,391
Note 22B: Other payables		
GST appropriation payable	**9**	2
IMF SDR allocation	**5,054,379**	4,998,656
IMF related monies owing	**829**	544
Other	**-**	10
Total other payables	**5,055,217**	4,999,212
Total other payables expected to be settled		
No more than 12 months	**838**	556
More than 12 months	**5,054,379**	4,998,656
Total other payables	**5,055,217**	4,999,212
Note 22C: Unearned income		
Guarantee Scheme for Large Deposits and Wholesale Funding Contractual guarantee service obligation[1]	**23,018**	337,070
Guarantee of State and Territory Borrowing contractual guarantee service obligation[1]	**113,217**	198,864
Total unearned income	**136,235**	535,934
Total unearned income expected to be settled		
No more than 12 months	**49,425**	328,042
More than 12 months	**86,810**	207,892
Total unearned income	**136,235**	535,934

1. Refer Note 1.33 for details on accounting treatment and Note 20B for corresponding receivable.

Note 23: Administered Interest Bearing Liabilities

	2014 $'000	2013 $'000
Note 23A: Loans		
IMF promissory notes[1]	**3,731,559**	3,044,851
Other promissory notes[1]	**171,981**	122,484
Total loans	**3,903,540**	3,167,335
Loans expected to be settled		
Within 1 year	**-**	-
Between 1 to 5 years	**124,839**	74,606
More than 5 years	**3,778,701**	3,092,729
Total loans	**3,903,540**	3,167,335

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

Note 24: Administered Provisions

	2014 $'000	2013 $'000
Note 24A: Other provisions		
Provision for HCS Scheme	**3,765**	6,415
NDRRA provision	**3,579,531**	5,747,202
Total other provisions	**3,583,296**	5,753,617
Other provisions expected to be settled		
No more than 12 months	**2,934,510**	2,269,439
More than 12 months	**648,786**	3,484,178
Total other provisions	**3,583,296**	5,753,617

Reconciliation of movements in other provisions	**Provision for HCS Scheme $'000**	**NDRRA provision $'000**	**Total $'000**
Carrying amount 1 July 2013	**6,415**	**5,747,202**	**5,753,617**
Additional provisions made	**-**	**211,973**	**211,973**
Amounts used	**(2,650)**	**(2,064,927)**	**(2,067,577)**
Amounts reversed	**-**	**(480,084)**	**(480,084)**
Unwinding of discount or change in discount rate	**-**	**165,367**	**165,367**
Closing balance 30 June 2014	**3,765**	**3,579,531**	**3,583,296**

Note 25: Administered Cash Flow Reconciliation

	2014 $'000	2013 $'000
Reconciliation of cash and cash equivalents as per Administered Schedule of Assets and Liabilities to Administered Cash Flow Statement		
Cash and cash equivalents as per:		
Schedule of administered cash flows	**1,412**	3,719
Schedule of administered assets and liabilities	**1,412**	3,719
Discrepancy	**-**	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	**(89,591,099)**	(78,347,331)
Adjustments for non-cash items		
Foreign exchange loss/(gain)	**420,777**	(238,670)
Movements in assets and liabilities		
Assets		
(Increase) / decrease in net receivables	**(580,127)**	1,494,349
(Increase) / decrease in other non-financial assets	**149,043**	(61,245)
Liabilities		
Increase / (decrease) in grants payable	**(131,992)**	307,180
Increase / (decrease) in unearned income	**(399,699)**	(794,170)
Increase / (decrease) in other payables	**282**	(469)
Increase / (decrease) in other provisions	**(2,170,321)**	1,798,551
Net cash from (used by) operating activities	**(92,303,136)**	(75,841,805)

Note 26: Administered Contingent Assets and Liabilities

Quantifiable administered contingencies

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

Commitments under expanded IMF New Arrangements to Borrow (NAB)

Australia has made a line of credit available to the IMF under its NAB since 1998. The NAB is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The funds are drawn upon by the IMF as needed to supplement the IMF's usual quota resources and will be repaid in full with interest.

When the expanded NAB came into effect on 11 March 2011, Australia's NAB credit arrangement increased from SDR801.3 million (A$1,313.6 million as at 30 June 2014) to SDR4,370.4 million (A$7,164.6 million as at 30 June 2014).

IMF Bilateral Loan

On 18 July 2013, Australia entered into a contingent bilateral loan with the International Monetary Fund (IMF) to provide up to SDR4.6 billion (A$7.6 billion as at 30 June 2014) to provide additional financial support for crisis prevention and resolution. It will be drawn upon by the IMF only if needed to supplement the IMF's quota and New Arrangements to Borrow (NAB) resources, and any drawings would be repaid in full with interest. The loan is initially effective for two years and can be extended for up to a further two years.

Unquantifiable administered contingencies

Contingent Liabilities

Housing Loans Insurance Corporation (HLIC) — guarantee

The Australian Government sold HLIC on 12 December 1997 and has assumed all residual contingencies. The contingent liability relates to the HLIC's contracts of mortgage insurance and any borrowings approved by the Treasurer up to the time of sale. The principal amount covered by the guarantee and the balances outstanding cannot be determined accurately.

Terrorism insurance — Australian Reinsurance Pool Corporation

The *Terrorism Insurance Act 2003* established a scheme for replacement terrorism insurance covering damage to commercial property including associated business interruption and public liability. The Australian Reinsurance Pool Corporation (ARPC) uses reinsurance premiums paid by insurers to meet its administrative expenses and to build a reserve for claims and purchase retrocession to help meet future claims. The Act provides for an Australian Government guarantee of the liabilities of the ARPC, but the Treasurer must declare a reduced payout rate to insured parties if the Australian Government's overall liability would otherwise exceed $10 billion. The minister may vary the reduction percentage but only by making it smaller.

Commitments under expanded IMF New Arrangements to Borrow (NAB)

Australia has made a line of credit available to the IMF under its NAB since 1998. During 2013-14 Australia met six calls under the NAB totalling A$209.5 million (SDR 126.4 million).

Note 26: Administered Contingent Assets and Liabilities (continued)

In 2012-13 Australia provided A$185.4 million (SDR 126.0 million) under the NAB. These calls have been recognised as loans to the IMF in Note 23. The amount that will be called by the IMF in 2014-15 cannot be determined precisely as the Fund does not publish annual estimates. It does, however, provide estimates for calls in the coming quarter. Under the IMF's most recent 'Resource Mobilisation Plan', it projects drawings for the period July to September 2014 to be SDR 36.4million (A$59.5 million as at 30 June 2014). As at the completion of these statements, the IMF has not yet called on the NAB in the current financial year.

Grants to states and territories

As the Treasury has responsibility for all payments to the states and territories under the Federal Financial Relations framework, remote and unquantifiable liabilities may exist in relation to some agreements between the relevant agency with policy responsibility and the states and territories. While the Treasury does not bear the risk of the contingent event, the resultant payment would be made and reported by the Treasury under the Federal Financial Relations framework.

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

The Australian Government has agreed to lend up to $160 million to the State Government of New South Wales (NSW) to support the loan facility to top up the James Hardie Asbestos Injuries Compensation Fund. Draw down on the loan is subject to the James Hardie Asbestos Injuries Compensation Fund requiring funds to meet its liabilities and is contingent on NSW meeting a number of conditions under the loan agreement with the Australian Government. The timing and amounts that may be drawn down by NSW cannot be determined accurately. A further $25.3 million in funding was provided to the State Government of NSW in respect of the loan facility in 2013-14 (2012-13: $0).

Contingent Assets

HIH Claims Support Scheme

As an insured creditor in the liquidation of the HIH Group, the Australian Government is entitled to payments arising from the HCSS's position in the Proof of Debt of respective HIH companies. Treasury has received payments from the HIH Estate during 2013-14; however the timing and amount of future payments are unknown and will depend on the outcome of the estimation process and the completion of the liquidation of the HIH Group.

Burden sharing in the International Monetary Fund remuneration

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

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

Note 26: Administered Contingent Assets and Liabilities (continued)

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

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

Significant Remote administered contingencies

Guarantees

The following borrowings have been guaranteed by the Australian Government and are the Treasury's policy responsibility:

Borrower	Legislation authorising guarantee	Principal covered by guarantee 2014 $'000	Balance outstanding 2014 $'000	Balance outstanding 2013 $'000
Papua New Guinea	*Papua New Guinea 1949* *Papua New Guinea 1975* *Papua New Guinea Loans Guarantee Act 1975*	**1,300**	**1,300**	1,300
Commonwealth Bank of Australia[1]	*Commonwealth Bank of Australia Act 1959* s117	**735,333**	**735,333**	750,616
Commonwealth Bank of Australia - Officers Superannuation Corporation[1]	*Commonwealth Bank of Australia Act 1959* s117	**4,356,800**	**4,356,800**	4,180,500
Guarantee Scheme for Large Deposits and Wholesale Funding	*Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008*	**14,800,000**	**14,800,000**	48,300,000
Guarantee of State and Territory Borrowing	*Guarantee of State and Territory Borrowing Appropriation Act 2009*	**15,700,000**	**15,700,000**	25,400,000
Reserve Bank of Australia[2]	*Reserve Bank of Australia Act 1959* s77	**60,778,000**	**60,778,000**	56,943,000
Total		**96,371,433**	**96,371,433**	135,575,416

1. Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various liabilities of the Commonwealth Bank of Australia (CBA), and the Commonwealth Bank Officers' Superannuation Corporation (CBOSC). The guarantee for the CBA relates to both on and off balance sheet liabilities. The guarantee of the CBOSC covers the due payments of any amount that is payable to or from Officers' of the Superannuation Fund (the Fund), by CBOSC or by CBA, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996. The guarantee of the CBA and CBOSC reflected in the above table is the value at 30 June 2014.
2. The contingent liability for the RBA, relates to the Australian Government's guarantee of the liabilities of the RBA. It is measured as the Bank's total liabilities excluding the Bank's distribution to the Commonwealth and Australian Government deposits. The major component of the Bank's liabilities are notes (that is, currency) on issue.

Note 26: Administered Contingent Assets and Liabilities (continued)

Guarantee Scheme for Large Deposits and Wholesale Funding

The Australian Government announced the guarantee of eligible deposits and wholesale funding for authorised deposit taking institutions from 12 October 2008 under the Guarantee Scheme for Large Deposits and Wholesale Funding.

The Scheme closed to new deposits from 31 March 2010. Since then, Australian authorised deposit-taking institutions have been prohibited from issuing any new guaranteed wholesale funding or accepting new guaranteed deposits above $1 million. Existing guaranteed wholesale funding is guaranteed to maturity. Depositors who covered their balances above $1 million under the Guarantee Scheme can have those funds covered to maturity for term deposits up to five years, or until October 2015 for at call deposits.

The expected liability for the Government under the Guarantee Scheme is remote and unquantifiable. Australia's financial system is considered among the strongest and best regulated in the world. Authorised deposit-taking institutions are subject to prudential regulation by APRA in accordance with international standards, which are designed to ensure that financial institutions have the capacity to meet their financial obligations. This framework requires institutions to be adequately capitalised and have appropriate risk management systems in place.

Government expenditure would arise under the guarantee only in the unlikely event that an institution failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. The impact on the Government's budget would depend on the extent of the institution's default.

As at 30 June 2014, total liabilities covered by the Guarantee Scheme were estimated at $14.8 billion, including $2.3 billion of large deposits and $12.5 billion of wholesale funding.

Guarantee of State and Territory Borrowing

The Guarantee of State and Territory Borrowing commenced on 24 July 2009 and closed to new issuances of guaranteed liabilities on 31 December 2010. Securities covered by the guarantee will continue to be guaranteed until these securities either mature or are bought back and extinguished by the issuer.

The expected liability under the guarantee is remote and unquantifiable. Government expenditure would arise under the guarantee only in the unlikely event that a state or territory failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant state or territory at a future date. The impact on the Government's budget would depend upon the extent of the default and the state or territory's ability to meet the Government's claim.

As at 30 June 2014, the face value of state and territory borrowings covered by the guarantee was $15.7 billion.

Note 27: Administered Investments

The principal activities of each of the Treasury's administered investments are as follows:

Development Banks

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to assist former communist eastern European countries committed to the principles of multi-party democracy, pluralism and market economies, to develop their private sector and capital markets. The EBRD currently operates in 35 countries from Central Europe to Central Asia and the southern and eastern Mediterranean region. It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatisation, restructuring state-owned firms and improvement of municipal services. The EBRD uses its close relationship with governments in the region to promote policies that will bolster the business environment.

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

The World Bank was established in 1944 and comprises the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The World Bank, alongside the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID), form the World Bank Group. The IBRD provides financing and technical assistance to middle income countries and creditworthy poor countries. The IDA provides grants, concessional finance and technical assistance to low income countries. The IFC supports the development of the private sector by providing direct finance to private sector operations. MIGA provides guarantee services for projects, which reduce the risks for other co-financing partners including the private sector. ICSID provides international facilities for conciliation and arbitration of investment disputes.

International Monetary Fund

The IMF is an organisation of 188 countries, working to foster global monetary cooperation and exchange rate stability, facilitate the balanced growth of international trade, and provide resources to help members in balance of payments difficulties or to assist with poverty reduction. The IMF undertakes surveillance and annual economic assessments, and provides technical assistance to member countries.

Australian Government entities

The Australian Government's investments in controlled entities and companies in the Treasury portfolio are measured at their fair value. Fair value has been taken to be the net assets of the entities as at balance date.

Note 27: Administered Investments (continued)

Reserve Bank of Australia

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

Australian Reinsurance Pool Corporation

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

Clean Energy Finance Corporation

The Clean Energy Finance Corporation (CEFC) operates under the *Clean Energy Finance Corporation Act 2012* and is dedicated to investing in the clean energy, energy efficiency and low emissions technology sectors in Australia. The CEFC's purpose is to catalyse and leverage an increased flow of finance for the commercialisation and deployment of renewable energy, low emissions and energy efficiency technologies, thus preparing and positioning the Australian economy and industry for a carbon constrained world. The CEFC's Investment Mandate issued as Ministerial Direction sets the Corporation's benchmark rate of return.

Note 28: Administered Financial Instruments

	2014 $'000	2013 $'000
Note 28A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	**1,412**	3,719
IMF related monies owing	**217**	166
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	**23,018**	337,070
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	**7,712**	30,833
Guarantee of State and Territory Borrowing contractual fee receivable	**113,217**	198,864
Guarantee of State and Territory Borrowing fee receivable	**2,365**	3,840
IMF new arrangements to borrow loan	**985,033**	895,785
Loans to States and Territories	**42,290**	15,794
Dividends receivable	**1,235,000**	225,000
Other receivables	**15,631**	22,813
Total loans and receivables	**2,425,895**	1,733,884
Available-for-sale financial assets:		
International financial institutions	**856,780**	758,184
Australian Government entities	**20,115,052**	10,451,180
IMF Quota	**5,305,574**	5,247,082
Total available-for-sale financial assets	**26,277,406**	16,456,446
Total financial assets	**28,703,301**	18,190,330
Financial Liabilities		
Financial liabilities measured at amortised cost:		
Promissory notes	**3,903,540**	3,167,335
Grant liabilities	**636,399**	768,391
IMF SDR allocation liability	**5,054,379**	4,998,656
Other payables	**829**	554
Guarantee Scheme for Large Deposits and Wholesale funding contractual guarantee service obligation	**23,018**	337,070
Guarantee of State and Territory Borrowing contractual guarantee service obligation	**113,217**	198,864
Total financial liabilities measured at amortised cost	**9,731,382**	9,470,870
Total financial liabilities	**9,731,382**	9,470,870

Note 28: Administered Financial Instruments (continued)

	2014 $'000	2013 $'000
Note 28B: Net Gains and Losses on Financial Assets		
Loans and receivables		
Guarantee Scheme for Large Deposits and Wholesale Funding fee	**243,497**	528,740
Guarantee of State and Territory Borrowing	**37,058**	52,172
Interest revenue	**2,076**	1,307
Net gains/(losses) from loans and receivables	**282,631**	582,219
Available for sale		
Interest revenue	**1,227**	1,034
Exchange gains/(loss)	**(365,791)**	671,260
Net gains/(losses) from available for sale	**(364,564)**	672,294
Net gains/(losses) from financial assets	**(81,933)**	1,254,513
Note 28C: Net Gains and Losses on Financial Liabilities		
Financial liabilities - at amortised cost		
IMF Charges	**4,688**	3,489
Exchange gains/(loss)	**(54,986)**	(432,590)
Net gains/(losses) financial liabilities - at amortised cost	**(50,298)**	(429,101)
Net gains/(losses) from financial liabilities	**(50,298)**	(429,101)

Note 28D: Credit risk

The maximum exposure to credit risk of the Treasury's administered financial assets is the carrying amount of 'loans and receivables' (2014: $2,424,490,670, and 2013: $1,730,167,480) and the carrying amount of 'available for sale financial assets' (2014: $26,277,405,051 and 2013: $16,456,445,722).

However, the international financial institutions that the Treasury holds its financial assets with, hold a minimum of AAA credit ratings. The contractual fee receivable arising from the Guarantee Scheme for Large Deposits and Wholesale Funding and Guarantee of State and Territory Borrowing that the Treasury holds relates only to prudentially regulated Authorised Deposit-taking Institutions (ADIs) and state and territory governments. These entities hold a minimum of AA credit ratings, therefore the Treasury does not consider any of its financial assets to be at risk of default.

Note 28: Administered Financial Instruments (continued)

Note 28E: Liquidity risk

The Treasury's administered financial liabilities are promissory notes, grant liabilities, the IMF SDR allocation and HIH provision. The contractual guarantee service obligation arising from the guarantee scheme for large deposits and wholesale funding and state and territory borrowing are not included as there are no liquidity risks associated with these items. They are contingent on the value of the associated contractual fee receivable. The exposure to liquidity risk is based on the notion that the Treasury will encounter difficulty in meeting its obligations associated with administered financial liabilities. This is highly unlikely due to appropriation funding through special appropriations and non-lapsing capital appropriations as well as internal policies and procedures put in place to ensure there are appropriate resources for the Treasury to meet its financial obligations.

The following tables illustrate the maturities for non-derivative financial liabilities:

Maturities for financial liabilities in 2014

	On demand $'000	**Within 1 year $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**> 5 years $'000**	**Total $'000**
Promissory notes	**-**	**-**	**-**	**124,839**	**3,778,701**	**3,903,540**
Grant liabilities	**-**	**636,399**	**-**	**-**	**-**	**636,399**
IMF SDR allocation liabilities	**-**	**-**	**-**	**-**	**5,054,379**	**5,054,379**
Other payables	**829**	**-**	**-**	**-**	**-**	**829**
Total	**829**	**636,399**	**-**	**124,839**	**8,833,080**	**9,595,147**
Maturities for financial liabilities in 2013						
	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Promissory notes	-	-	-	74,606	3,092,729	3,167,335
Grant liabilities	-	768,391	-	-	-	768,391
IMF SDR allocation liabilities	-	-	-	-	4,998,656	4,998,656
Other payables	554	-	-	-	-	554
Total	554	768,391	-	74,606	8,091,385	8,934,936

Note 28: Administered Financial Instruments (continued)

Note 28F: Market risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Treasury is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency.

The Treasury is exposed to foreign currency denominated in USD, EUR and SDR.

The following table details the effect on profit and equity as at 30 June 2014 from a 11.5 per cent (30 June 2013 from a 15.7 per cent) favourable/unfavourable change in AUD against the Treasury with all other variables held constant. The change in the risk variable has been determined by reference to standard parameters provided by the Department of Finance.

Sensitivity analysis of the risk that the entity is exposed to for 2014				
			Effect on	
	Risk variable	**Change in risk variable**	**Profit and loss 2014**	**Equity 2014**
Risk Variable		**%**	**$'000**	**$'000**
IFI Investments	Exchange rate	12	**(88,367)**	**(88,367)**
IFI investments	Exchange rate	(12)	**111,333**	**111,333**
IMF related moneys owing	Exchange rate	12	**(22)**	**(22)**
IMF related moneys owing	Exchange rate	(12)	**28**	**28**
IMF new arrangements to borrow loan	Exchange rate	12	**(101,595)**	**(101,595)**
IMF new arrangements to borrow loan	Exchange rate	(12)	**127,999**	**127,999**
Quota	Exchange rate	12	**(547,212)**	**(547,212)**
Quota	Exchange rate	(12)	**689,425**	**689,425**
Promissory notes	Exchange rate	12	**(4,862)**	**(4,862)**
Promissory notes	Exchange rate	(12)	**6,126**	**6,126**
IMF SDR allocation liability	Exchange rate	12	**(521,304)**	**(521,304)**
IMF SDR allocation liability	Exchange rate	(12)	**656,784**	**656,784**
Other liabilities	Exchange rate	12	**(86)**	**(86)**
Other liabilities	Exchange rate	(12)	**108**	**108**
Sensitivity analysis of the risk that the entity is exposed to for 2013				
			Effect on	
	Risk variable	Change in Risk variable	Profit and loss 2013	Equity 2013
Risk Variable		%	$'000	$'000
IFI Investments	Exchange rate	15	(102,882)	(102,882)
IFI investments	Exchange rate	(15)	141,204	141,204
IMF related moneys owing	Exchange rate	15	(22)	(22)
IMF related moneys owing	Exchange rate	(15)	31	31
IMF new arrangements to borrow loan	Exchange rate	15	(121,554)	(121,554)
IMF new arrangements to borrow loan	Exchange rate	(15)	166,831	166,831
Quota	Exchange rate	15	(712,007)	(712,007)
Quota	Exchange rate	(15)	977,215	977,215
Promissory notes	Exchange rate	15	6,497	6,497
Promissory notes	Exchange rate	(15)	(8,917)	(8,917)
IMF SDR allocation liability	Exchange rate	15	678,296	678,296
IMF SDR allocation liability	Exchange rate	(15)	(930,948)	(930,948)
Other liabilities	Exchange rate	15	74	74
Other liabilities	Exchange rate	(15)	(101)	(101)

Note 29: Administered Financial Assets Reconciliation

Financial assets	Notes	**2014 $'000**	2013 $'000
Total financial assets per administered schedule of assets and liabilities		**28,703,310**	18,190,332
Less: non-financial instrument components			
GST receivable		**(9)**	(2)
Total non-financial instrument components		**(9)**	(2)
Total financial assets as per financial instruments note	28A	**28,703,301**	18,190,330

Note 30: Appropriations

Note 30A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations 2014

	Appropriation Act			FMA Act					
	Annual Appropriation $'000	Appropriations reduced[1] $'000	AFM[2] $'000	Section 30 $'000	Section 31 $'000	Section 32 $'000	Total appropriation $'000	Appropriation applied in 2014 (current and prior years) $,000) $'000	Variance $'000
DEPARTMENTAL									
Ordinary annual services	176,769	-	-	-	15,228	-	191,997	(190,117)	1,880
Other services									
Equity	1,775	-	-	-	-	-	1,775	(180)	1,595
Total departmental	178,544	-	-	-	15,228	-	193,772	(190,297)	3,475
ADMINISTERED									
Ordinary annual services									
Administered items	8,805,808	(1,282)	-	-	-	-	8,804,526	(8,804,526)	-
Payments to CAC bodies[3]	18,062	-	-	-	-	-	18,062	(8,000)	10,062
Other services									
Administered assets and liabilities[4]	47,518	-	-	-	-	-	47,518	(25,784)	21,734
Total administered	8,871,388	(1,282)	-	-	-	-	8,860,044	(8,838,310)	31,796

1. Appropriation Acts (Nos. 1, 3) 2013-14: sections 10, 11, 12 and 15. Appropriation Acts (Nos. 2, 4) 2013-14: sections 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible minister may decide that part or all of a departmental appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament.
   As with departmental appropriations, the responsible minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of Appropriation Acts (Nos, 1, 3) 2013-14 and section 12 of Appropriation Acts (Nos. 2, 4) 2013-14, the appropriation is taken to be reduced to the required amount specified in Note 30F once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination, which is disallowable by Parliament.
2. Advance to the Finance Minister (AFM) — Appropriation Acts (No. 1, 3) 2013-14: section 13 and Appropriation Acts (No. 2, 4) 201: section 15.
3. Relates to payments to the Clean Energy Finance Corporation.
4. Variance relates to undrawn appropriations payable to NSW as a loan to support the James Hardie Asbestos Compensation Fund. NSW only required partial loan funding in 2013-14.

Note 30: Appropriations (continued)

Note 30A: Annual Appropriations ('Recoverable GST exclusive') (continued)

Annual Appropriations 2013

	Appropriation Act			FMA Act					
	Annual Appropriation $'000	Appropriations reduced[1] $'000	AFM[2] $'000	Section 30 $'000	Section 31[4] $'000	Section 32 $'000	Total appropriation $'000	Appropriation applied in 2013 (current and prior years) $,000) $'000	Variance $'000
DEPARTMENTAL									
Ordinary annual services	179,014	-	-	-	15,344	-	194,358	(184,883)	9,475
Other services									
Equity	1,839	-	-	-	-	-	1,839	(1,631)	208
Loans	-	-	-	-	-	-	-	-	-
Total departmental	180,853	-	-	-	15,344	-	196,197	(186,514)	9,683
ADMINISTERED									
Ordinary annual services									
Administered items	20,103	(1,458)	-	-	-	-	18,645	(20,740)	(2,095)
Payments to CAC bodies	-	-	-	-	-	-	-	-	-
Other services									
Administered assets and liabilities[3]	57,000	-	-	-	-	-	57,000	(13,691)	43,309
Total administered	77,103	(1,458)	-	-	-	-	75,645	(34,431)	41,214

1. Appropriations reduced under Appropriation Acts (Nos. 1,3) 2012-13: sections 10, 11, 12 and 15. Appropriation Acts (Nos. 2,4) 2012-13: sections 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament.
   As with departmental appropriations, the responsible minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of Appropriation Acts (Nos, 1, 3) 2012-13 and section 12 of Appropriation Acts (Nos. 2, 4) 2012-13, the appropriation is taken to be reduced to the required amount specified in Note 28E once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination, which is disallowable by Parliament.
2. Advance to the Finance Minister (AFM) — Appropriation Acts (No. 1, 3) 2012-13: section 13 and Appropriation Acts (No. 2, 4) 201: section 15.
3. Variance relates to undrawn appropriations payable to NSW as a loan to support the James Hardie Asbestos Compensation Fund. The loan funding was not required by NSW in 2012-13.
4. The comparative figues have been amended.

Note 30: Appropriations (continued)

Note 30B: Departmental and Administered Capital Budgets ('Recoverable GST exclusive')

	2014 Capital Budget Appropriations				Capital Budget Appropriations applied in 2013-14 (current and prior years)			
	Appropriation Act		*FMA Act*					
	Annual Capital Budget $'000	**Appropriations reduced[2] $'000**	**Section 32 $'000**	**Total Capital Budget Appropriations $'000**	**Payments for non-financial assets[3] $'000**	**Payments for other purposes $'000**	**Total payments $'000**	**Variance $'000**
Departmental								
Ordinary annual services								
Capital Budget[1]	**5,266**	**-**	**-**	**5,266**	**5,266**	**-**	**5,266**	**-**
Administered								
Ordinary annual services								
Capital Budget[1]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

1. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Table A: Annual appropriations.
2. Appropriations reduced under Appropriation Acts (No. 1,3,5) 2013-14: sections 10,11,12 and 15 or via a determination by the Finance Minister.
3. Payments made on non-financial assets include purchase of assets, expenditure on assets which have been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

	2013 Capital Budget Appropriations				Capital Budget Appropriations applied in 2012-13 (current and prior years)			
	Appropriation Act		*FMA Act*					
	Annual Capital Budget $'000	Appropriations reduced[2] $'000	Section 32 $'000	Total Capital Budget Appropriations $'000	Payments for non-financial assets[3] $'000	Payments for other purposes $'000	Total payments $'000	Variance $'000
Departmental								
Ordinary annual services								
Capital Budget[1]	5,218	-	-	5,218	5,218	-	5,218	-
Administered								
Ordinary annual services								
Capital Budget[1]	-	-	-	-	-	-	-	-

1. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services and are no separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Table A: Annual Appropriations.
2. Appropriations reduced under Appropriation Acts (No. 1,3,5) 2012-13: sections 10,11,12 and 15 or via a determination by the Finance Minister.
3. Payments made on non-financial assets include purchase of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

Note 30: Appropriations (continued)

Note 30C: Unspent Annual Appropriations ('Recoverable GST exclusive')

Authority	2014 $'000	2013 $'000
Departmental[1]		
Appropriation Act (No. 3) 2011-12	**-**	4,158
Appropriation Act (No. 1) 2012-13	**-**	47,153
Appropriation Act (No. 3) 2012-13[2]	**-**	3,666
Appropriation Act (No. 1) 2013-14[2]	**49,201**	-
Appropriation Act (No. 3) 2013-14	**7,473**	-
Appropriation Act (No. 4) 2013-14	**1,775**	-
Total departmental	**58,449**	54,977

Authority	2014 $'000	2013 $'000
Administered[1]		
Appropriation Act (No. 2) 2010-11	**136,544**	161,844
Appropriation Act (No. 2) 2011-12	**61,997**	61,997
Appropriation Act (No. 1) 2012-13[3]	**2**	4,185
Appropriation Act (No. 2) 2012-13	**42,705**	42,810
Appropriation Act (No. 3) 2012-13	**-**	1,000
Appropriation Act (No. 1) 2013-14[3]	**2,700**	-
Appropriation Act (No. 2) 2013-14	**47,121**	-
Appropriation Act (No. 4) 2013-14	**18**	-
Total administered	**291,087**	271,836

1. The comparative figures have been amended.
2. Cash held amounts (2014: $0.567 million, 2013: $1.123 million) are included in Appropriation Act (No. 1) for the relevant year.
3. Cash held amounts (2014: $1.412 million, 2013: $3.719 million) are included in Appropriation Act (No. 1) for the relevant year.

Note 30: Appropriations (continued)

Note 30D: Special Appropriations ('Recoverable GST exclusive')

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

The Treasury process to complete the 2013-14 financial statements identified no payments (2013: nil payments) made from the COAG Reform Fund special account that resulted in technical breaches of Section 83 of the Constitution (refer to Note 31 for more information).

			Appropriation applied	
Authority	**Type**	**Purpose**	**2014 $'000**	2013 $'000
Asian Development Bank (Additional Subscription) Act 2009 (Administered)	Limited	To provide an appropriation for an additional subscription to the ADB. The balance available (Administered) is USD$9,009,986,523 in callable shares and USD$474,307,340 in paid-in shares.	**(16,510)**	(16,239)
Federal Financial Relations Act 2009 (Administered)	Unlimited Amount	To provide an appropriation for payments of financial assistance to the states, the ACT and the NT.	**(70,346,721)**	(68,375,596)
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide an appropriation for redemption of securities by the IMF.	**-**	(37,279)
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide appropriation for Australia's obligations as a participant in the IMF's New Arrangements to Borrow.	**(209,461)**	(185,428)
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide an appropriation for the payment of charges on Special Drawing Rights issued to Australia by the IMF.	**(4,966)**	(3,954)
International Monetary Agreements Act 1947 (Administered)	Limited Amount	To provide an appropriation for Australia's purchase of additional shares in the International Bank for Reconstruction and Development. Balance available is USD$3,275,546,361 in callable shares and $214,062,283 in paid-in shares.	**(10,534)**	(9,643)
Clean Energy Finance Corporation Act 2012 (Administered)	Limited	To provide an appropriation to facilitate increased flows of finance into the clean energy sector.	**(2,000,000)**	-
Commonwealth Places (Mirror Taxes) Act 1998 (Administered)	Unlimited Amount	To provide an appropriation for the purpose of paying compensation to the States in respect of constitutionally invalid state taxes on Commonwealth Places.	**(498,150)**	(484,379)

Note 30: Appropriations (continued)

Note 30D: Special Appropriations ('Recoverable GST exclusive')

			Appropriation applied	
Authority	Type	Purpose	**2014 $'000**	2013 $'000
Superannuation Industry (Supervision) Act 1993 (Administered)	Unlimited Amount	To provide an appropriation for financial assistance to superannuation funds that have suffered an eligible loss as a result of fraudulent conduct or theft.	**-**	(16,763)
Clean Energy Act 2011 (Administered)	Unlimited Amount	Provides a mechanism to deal with climate change by encouraging the use of clean energy.	**-**	-
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide an appropriation for Special Drawing Rights sold by the RBA to the Commonwealth.	**-**	-
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide an appropriation for Australia's obligations as a participant in the IMF's Special Drawing Rights Department.	**-**	-
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide an appropriation for Australia's support of the IMF's programs.	**-**	-
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide an appropriation for Australia's support of the World Bank and Asian Development Banks Programs.	**-**	-
A New Tax System (Managing the GST Rate and Base) Act 1999 (Administered)[1]	Unlimited Amount	To provide an appropriation for payments to states if a state was under paid (Administered) GST revenue in the 2008-09 financial year.	**-**	-
Asian Development Bank Act 1966 (Administered)	Limited Amount	To provide an appropriation for payments to establish the Bank. Balance available is USD$42,500,000 in callable shares.	**-**	-
Asian Development Bank Act (Additional Subscription) Act 1972 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD$102,000,000 in callable shares.	**-**	-
Asian Development Bank Act (Additional Subscription) Act 1977 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD$258,180,000 in callable shares.	**-**	-

1 *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999* was superseded by this legislation in 2009.

Note 30: Appropriations (continued)

Note 30D: Special Appropriations ('Recoverable GST exclusive')

			Appropriation applied	
Authority	**Type**	**Purpose**	**2014 $'000**	2013 $'000
Asian Development Bank Act (Additional Subscription) Act 1983 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD$498,110,000 in callable shares.	**-**	-
Asian Development Bank Act (Additional Subscription) Act 1995 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD$1,210,246,511 in callable shares.	**-**	-
European Bank for Reconstruction and Development Act 1990 (Administered)	Limited Amount	To provide an appropriation for payments to establish the Bank. Balance available is USD$81,690,700 in callable shares.	**-**	-
Financial Agreements (Commonwealth Liability) Act 1932 (Administered)	Unlimited Amount	To provide an appropriation for payment of principal and interest on bonds issued under the *Financial Agreement Validation Act 1929*, consolidating state debts.	**-**	-
Financial Services Reform Act 2001 (Administered)	Unlimited Amount	To provide an appropriation for payment of compensation in respect to levies payable by participants in particular financial markets.	**-**	-
Financial Services Reform Act 2001 (Administered)	Unlimited Amount	To provide an appropriation for payment of compensation in respect of a loss that is connected with a financial market.	**-**	-
Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008 (Administered)	Unlimited Amount	To provide an appropriation for payment of claims under the Deed of Guarantee in accordance with the Guarantee Scheme for Large Deposits and Wholesale Funding.	**-**	-
Guarantee of State and Territory Borrowing Appropriation Act 2009 (Administered)	Unlimited Amount	To provide an appropriation for payment of claims under the Deed of Guarantee in accordance with the Guarantee of State and Territory Borrowing.	**-**	-
International Bank for Reconstruction and Development (Share Increase) Act 1988 (Administered)	Limited Amount	To provide an appropriation for the purchase of additional shares in the IBRD.	**-**	-
International Bank for Reconstruction and Development (General Capital Increase) Act 1989 (Administered)	Limited Amount	To provide an appropriation for the purchase of additional shares in the IBRD.	**-**	-

Note 30: Appropriations (continued)

Note 30D: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied 2014 $'000	Appropriation applied 2013 $'000
International Finance Corporation Act 1955 (Administered)	Limited Amount	To provide an appropriation for the subscription to the capital stock of the IFC.	**-**	-
International Finance Institutions (Share Increase) Act 1982 (Administered)	Limited Amount	To provide an appropriation for the purchase of additional shares in the IFC and the IBRD. Balance available is USD$692,927,440 in callable shares.	**-**	-
International Finance Institutions (Share Increase) Act 1986 (Administered)	Limited Amount	To provide an appropriation for the purchase of additional shares in The IFC and the IBRD.	**-**	-
International Monetary Agreements Act 1959 (Administered)	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF and increase in Australia's capital stock in the IBRD.		
International Monetary Agreements Act 1960 (Administered)	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF and increase in Australia's capital stock in the IBRD.	**-**	-
International Monetary Agreements Act 1965 (Administered)	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	**-**	-
International Monetary Agreements Act 1970 (Administered)	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	**-**	-
International Monetary Agreements Act 1974 (Administered)	Limited Amount	To provide an appropriation for payments to the IBRD. Balance available is USD$37,368,120 in callable shares.	**-**	-
International Monetary Fund (Quota Increase) Act 1983 (Administered)	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	**-**	-
International Monetary Fund (Quota Increase and Agreements Amendments) Act 1991 (Administered)	Unlimited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	**-**	-

Note 30: Appropriations (continued)

Note 30D: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied 2014 $'000	Appropriation applied 2013 $'000
Multilateral Investment Guarantee Agency Act 1997 (Administered)	Limited Amount	To provide an appropriation for payments to establish the Agency. Balance available is USD$14,827,728 in callable shares.	**-**	-
Papua New Guinea Loans Guarantee Act 1975 (Administered)	Limited Amount	To provide an appropriation for Australia's guarantee of certain public loans raised by Papua New Guinea. Balance available is AUD$3,530,000.	**-**	-
Papua New Guinea Loan (International Bank) Act 1970 (Administered)	Limited Amount	To provide an appropriation for Australia's guarantee of the loan to Papua New Guinea by the IBRD. Balance available is $1,365,000.	**-**	-
Papua New Guinea Loans Guarantee Act 1975 (Administered)	Limited Amount	To provide an appropriation for Australia's guarantee of the loan to Papua New Guinea by the IBRD.	**-**	-
Payment of Tax Receipts (Victoria) Act 1996 (Administered)	Unlimited Amount	To provide an appropriation for payments to Victoria for certain taxes collected by the Australian Government of Victoria's behalf.	**-**	-
State Grants Act 1927 (Administered)	Limited Amount	To provide an appropriation for the distribution of surplus revenue to the states.	**-**	-
States (Work and Housing) Assistance Act 1984 (Administered)	Limited Amount	To provide an appropriation for financial assistance to the States in connection with expenditure on Public Housing.	**-**	-
States (Work and Housing) Assistance Act 1988 (Administered)	Limited Amount	To provide an appropriation for financial assistance to the States in connection with expenditure on Public Housing.	**-**	-
Terrorism Insurance Act 2003 (Administered)	Unlimited Amount	To provide an appropriation for payments to the Australian Reinsurance Pool Corporation.	**-**	-
Terrorism Insurance Act 2003 (Administered)	Unlimited Amount	To provide an appropriation for payments of compensation in the acquisition of land.	**-**	-
Total			**(73,084,328)**	(69,129,281)

Note 30: Appropriations (continued)

Note 30E: Disclosure by agent in relation to Annual and Special Appropriations ('Recoverable GST exclusive')

2014	**Department of Education** National Partnership Payments and assistance to states and territories for non-government schools $'000	**Department of Education Employment and Workplace Relations** National Partnership Payments and assistance to states and territories for non-government schools $'000	**Department of the Prime Minister and Cabinet** National Partnership Payments and assistance to states and territories for non-government schools $'000	**Inspector-General of Taxation** Transaction service provider $'000
Total receipts	**9,845,312**	**2,142,747**	**19,916**	**2,416**
Total payments	**9,845,312**	**2,142,747**	**19,916**	**2,469**

2013	**Department of Education** National Partnership Payments and assistance to states and territories for non-government schools $'000	**Department of Education Employment and Workplace Relations** National Partnership Payments and assistance to states and territories for non-government schools $'000	**Department of the Prime Minister and Cabinet** National Partnership Payments and assistance to states and territories for non-government schools $'000	**Inspector-General of Taxation** Transaction service provider $'000
Total receipts	-	8,906,423	-	2,654
Total payments	-	8,906,423	-	2,594

Note 30: Appropriations (continued)

Note 30F: Reduction in Administered Items ('Recoverable GST exclusive')

2013-14 Ordinary Annual Services	**Amount required[3] - by Appropriation Act**			**Total amount required[3]**	**Total amount appropriated[4]**	**Total reduction[5]**
	Act (No.1)	**Act (No.3)**	**Act (No. 5)**			
Outcome 1	**5,393,281.45**	**8,799,133,000.00**	**-**	**8,804,526,281.45**	**8,805,808,000.00**	**1,281,718.55**

2012-13 Ordinary Annual Services	Amount required[3] - by Appropriation Act			Total amount required[3]	Total amount appropriated	Total reduction
	Act (No.1)	Act (No.3)	Act (No. 5)			
Outcome 1	4,716,947.49	13,927,931.49	-	18,644,878.98	20,103,000.00	1,458,121.02

1. Numbers in this section must be disclosed to the cent.
2. Administered items for 2013-14 were reduced to these amounts when these financial statements were tabled in Parliament as part of the department's 2013-14 annual report. This reduction is effective in 2014-15, but the amounts are reflected in Table A in the 2013-14 financial statements in the column 'Appropriations reduced' as they are adjustments to 2013-14 appropriations.
3. Amount required as per Appropriation Act (Act 1 s. 11; Act 2 s. 12).
4. Total amount appropriated in 2014.
5. Total reduction effective in 2015.

Note 31: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. During 2012-13, the Department of Finance received additional legal advice that indicated there could be breaches of s83 under certain circumstances with payments for long service leave, goods and services tax (GST) and payments under determinations of the Remuneration Tribunal.

The Treasury has continued to review its exposure to risks of not complying with statutory conditions on payments from appropriations.

The Treasury has conducted testing of payments for long service leave, GST and payments made under determinations of the Remuneration Tribunal. The testing identified that no GST or Remuneration Tribunal payments were made in contravention of s83 of the Constitution. The testing identified that nine payments totalling $5,473.06 ($5,308.23 has been recovered) for long service leave were made in 2013-14 in contravention of s83 of the Constitution. The Treasury has put in place processes to reduce the risk of any further long service leave payments being made in error.

The Treasury has reviewed its verification procedures, in consultation with the Portfolio Departments, regarding payments under the *Federal Financial Relations Act 2009* and *COAG Reform Fund Act 2008.* In addition, Internal Audit reviewed the control and quality assurance process that provides the Treasury with assurance in making National Partnership payments under these two acts. Following the review, the Treasury has implemented a risk assessment framework to determine the risk profile of each agreement and based on this what additional assurance may be required when making a payment. The Treasury has completed the risk assessment and is currently implementing additional controls, as required. Agencies will be advised about the additional controls.

As at 30 June 2014, no payments made under the *Federal Financial Relations Act 2009* and *COAG Reform Fund Act 2008* were made in 2013-14 without legal authority in contravention of s83 of the Constitution.

Note 31: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund (continued)

Appropriations	Payment amount 2013-14 $'000	Review complete?	Breaches identified			Potential breaches to date yet to be resolved		Remedial action taken or proposed
			Number	Total $'000	Recovered /offset as at 30 June 2014	Yes/No	Indicative extent	
Special appropriations								
International Monetary Agreements Act 1947 s7	-	N/A	-	-	-	No	N/A	N/A
International Monetary Agreements Act 1947 s8	4,966	Yes	-	-	-	No	N/A	N/A
International Monetary Agreements Act 1947 s8B	209,461	Yes	-	-	-	No	N/A	N/A
International Monetary Agreements Act 1947 s9	10,534	Yes	-	-	-	No	N/A	N/A
Asian Development Bank (Additional Subscription) Act 2009	16,510	Yes	-	-	-	No	N/A	N/A
Federal Financial Relations Act 2009	70,346,721	Yes	-	-	-	No	N/A	N/A
Superannuation Industry (Supervision) Act 1993	-	N/A	-	-	-	No	N/A	N/A
Special accounts								
COAG Reform Fund Act 2008	15,482,471	Yes	-	-	-	No	N/A	N/A
Clean Energy Finance Corporation Act 2012 (Administered)	1,131,600	Yes	-	-	-	No	N/A	N/A
Other appropriations								
Long Service Leave (Commonwealth employees) Act 1976	3,588	Yes	9	5	5	No	N/A	N/A

Note 32: Special Accounts and FMA Act Section 39

Note 32A: Special Accounts ('Recoverable GST exclusive')

	Actuarial Services Special Account[1]		Clean Energy Finance Corporation Special Account[2]		COAG Reform Fund Special Account[3]	
	2014	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Balance brought forward from previous period	**2,823**	2,282	**-**	-	**-**	-
Increases:						
Appropriation for reporting period	**-**	-	**2,000,000**	-	**13,684,519**	8,735,541
Other receipts from rendering of services	**1,817**	2,027	**-**	-	**-**	-
Receipts from other agencies	**-**	-	**-**	-	**1,797,952**	1,523,829
Total increases	**4,640**	4,309	**2,000,000**	-	**15,482,471**	10,259,370
Available for payments	**4,640**	4,309	**-**	-	**-**	-
Decreases:						
Departmental						
Payments made to employees	**(1,406)**	(1,377)	**-**	-	**-**	-
Payments made to suppliers	**(788)**	(109)	**-**	-	**-**	-
Total departmental	**(2,194)**	(1,486)	**-**	**-**	**-**	**-**
Administered						
Payments made to suppliers	**-**	-	**-**	-	**(15,482,471)**	(10,259,370)
Payments made to the CEFC	**-**	-	**(1,131 600)**	-	**-**	-
Repayments debited from the Special Account (FMA Act section 39)	**-**	-	**-**	-	**-**	-
Total administered	**-**	-	**(1,131,600)**	-	**(15,482,471)**	(10,259,370)
Total decreases	**(2,194)**	(1,486)	**(1,131,600)**	-	**(15,482,471)**	(10,259,370)
Total balance carried to the next period	**2,446**	2,823	**868,400**	**-**	**-**	**-**

1. Legal authority: *Financial Management and Accountability Determination 2006/34 — Actuarial Services Special Account Establishment 2006*
   Purpose: providing actuarial services and advice.
   Note: Actuarial Services Special Account was established on 1 October 2006.
   Comparatives for 2013 have been updated to reflect changes in cash flow calculations.
2. Legal authority: *Clean Energy Finance Corporation Act 2012*
   Purpose: To facilitate increased flows of finance into the clean energy sector.
3. Legal authority: *COAG Reform Fund Act 2008*
   Appropriations: *Financial Management and Accountability Act 1997*; section 21.
   Purpose: For the making of grants of financial assistance to the states and territories.

Note: The Treasury makes payments to the states and territories from the COAG Reform Fund special account based on information provided by other government departments that have policy and programme implementation responsibility.

Note 32: Special Accounts and FMA Act Section 39 (continued)

Financial System Stability Special Account (Administered)

The Treasury's 'Financial System Stability' special account established under section 70E of the *Banking Act 1959* for the making of payments authorised under specified sections of the *Banking Act 1959*, the *Insurance Act 1973* and the *Life Insurance Act 1995* and to meet expenses of administering the special account. For the years ended 30 June 2013 and 30 June 2014 this special account had nil balances and no transactions were credited or debited to the account.

Special Accounts investment of public money

For the periods 2012-13 and 2013-14, the Treasury has not used section 28 or 39 of the FMA Act in respect of all special accounts.

Services for Other Entities and Trust Money Special Account

On 26 June 2012 the Services for Other Entities and Trust Money Special Account was established under the section 20 of the FMA Act. The purpose of the account is to hold and expend amounts on behalf of persons or entities other than the Commonwealth. For the years ended 30 June 2013 and 30 June 2014 this special account had nil balances and no transactions were credited or debited to the account.

Note 33: Compensation and Debt Relief

	2014 $	2013 $
Compensation and Debt Relief - Departmental		
No 'Act of Grace' expenses were incurred during the reporting period (2013: no expenses).	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997* (2013: no waiver).	-	-
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period (2013: no payments).	-	-
No ex-gratia payments were provided for during the reporting period (2013: no payments).	-	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the *Public Service Act 1999* (PS Act) during the reporting period (2013: no payments).	-	-
Compensation and Debt Relief - Administered		
No 'Act of Grace' expenses were incurred during the reporting period (2013: no expenses).	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997* (2013: no waivers).	-	-
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period (2013: no payments).	-	-
No ex-gratia payments were provided for during the reporting period (2013: no payments).	-	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the *Public Service Act 1999* (PS Act) during the reporting period (2013: no payments).	-	-

Note 34: Reporting of Outcomes

Note 34A: Net Cost of Outcome Delivery

	Outcome 1	
	2014	2013
	$'000	$'000
Departmental		
Expenses	**190,757**	198,199
Own-source income	**13,264**	12,931
Administered		
Expenses	**93,776,203**	81,436,555
Income	**4,185,104**	2,850,554
Net cost/(contribution) of outcome delivery	**89,768,592**	78,771,269

1. Payments to the Clean Energy Finance Corporation are included in expenses above.

Note 35: Net Cash Appropriation Arrangements

	2014 $'000	2013 $'000
Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations and other comprehensive income[1]	**275**	3,034
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	**(9,297)**	(13,733)
Plus: other comprehensive income/(loss)	**-**	-
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	**(9,022)**	(10,699)

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

PART **FIVE**
APPENDICES

WORK HEALTH AND SAFETY

In accordance with the *Work Health and Safety Act 2011* the Treasury is committed to providing a safe and healthy work environment for its employees, contractors and visitors to the department. The Treasury continues to explore and implement strategies to assist staff in enhancing their personal wellbeing, with an emphasis on prevention, early intervention and education.

- In April 2014 the Treasury launched promotional material aimed at reducing the impact of stress and fatigue during peak work periods, offering holistic approaches to reduce stress and fatigue and promoting a healthy lifestyle.
- The Treasury continues to address key work health and safety risks. These are highlighted in Departmental Risk Registers in consultation with the Work Health and Safety Committee and Audit Committee. An in-depth risk review of the department's risk register occurs annually.
- The Treasury's 2014-15 Comcare premium rate has maintained a low rate of 0.34 per cent. This is considerably lower than the premium rates for all agencies combined, currently at 2.12 per cent. The Treasury's Early Intervention policy plays a key role in preventing potential compensation claims and loss of productivity. This allows staff to seek immediate treatment for illnesses and injuries which are likely to impact on their capacity to work.

Treasury staff are encouraged to contribute to a safer workplace by reporting potential hazards, incidents and accidents as soon as they occur to ensure immediate measures are put in place to assist injured employees and eliminate further risk to others. In accordance with Part 10 of the *Work Health and Safety Act 2011*, the Treasury is required to provide a report on work health and safety activities and statistics for notifiable incidents, investigations and notices.

Table 10: Work Health and Safety Act

Work Health and Safety Act 2011	Number
Deaths that required notice under section 38	0
Serious injury or illness that required notice under section 38	1
Dangerous incidents that required notification under section 38	0
Investigations conducted under Part 9	0
Notices given to The Treasury under section 191 (improvement notices)	0
Notices given to The Treasury under section 195 (prohibition notices)	0
Notices given to The Treasury under section 198 (non-disturbance)	0

The Treasury received 22 injury/incident reports from 1 July 2013 to 30 June 2014. Four of these incidents were related to contractors, one of which was reportable to Comcare.

Throughout 2013-14, ongoing risk management activities included the following:

- The provision of an Employee Assistance Program offering free, professional and confidential counselling services to employees and their immediate family members for both work and personal issues.
- Individual workstation assessments and training on ergonomics, workstation adjustment and recommended workstation practices. A total of seven employees were referred for

external workstation assessments and 132 employees received individual workstation setups conducted by trained Treasury employees.

- Manual Handling training was provided for administrative and support staff; a total of 17 staff participated.
- Partial reimbursement for employees requiring glasses for screenbased use. Five employees received this reimbursement during this period.
- The Health and Safety Committee met every three months in accordance with the *Work Health and Safety Act 2011*. The meetings monitored and reviewed health and safety measures and facilitated cooperation and communication amongst staff.
- A consultation model for work health and safety matters was developed in accordance with the requirements of the *Work Health and Safety Act 2011*.
- Timely reporting of work-related incidents ensured immediate action was taken to rectify hazards. During 2013-14, the Treasury received 22 work-related incident reports, with the majority relating to trips, slips and falls.
- Managers are encouraged to report absences which may be related to physical or psychological injury or illness to enable staff and managers to be supported. This includes assistance under the Treasury Early Intervention Policy.
- Health and Safety Representatives and their work groups are aligned to the Treasury's Group structure. There are two health and safety representatives from each Group and all of the positions are filled.
- First aid officers are located throughout the department. Staff with underlying health conditions such as epilepsy, asthma and diabetes are encouraged to inform nearby first aid officers to ensure timely and appropriate assistance is provided.
- Free influenza vaccinations are offered annually with 340 employees receiving the vaccination in March 2014.

ADVERTISING AND MARKET RESEARCH

The Treasury undertook the following advertising and market research in 2013-14.

Table 11: Advertising and market research expenditure for 2013-14

Purpose	Vendor	Cost ($)
Competition Policy Review Secretariat 'Have your say'	Adcorp Australia Ltd	34,901
Total		**34,901**

Note: These figures include GST. Payments less than $12,400 are not included in this table.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

The department's objective is to improve its environmental performance in accordance with the Energy Efficiency in Government Operations Policy while maintaining services of the highest quality.

The Treasury has an Environmental Management Plan which details its environmental policies and programmes, which accord with its agreed commitments under the Treasury Building Management Committee Green Improvement Agreement.

ENERGY MANAGEMENT

The Treasury is progressing various energy savings initiatives in the Treasury building, including the upgrade of the tenancy lighting control system.

Environmental initiatives already implemented and ongoing include:

- the procurement of five star energy rated electrical appliances;
- installation of motion sensors to control lighting in areas of infrequent use;
- the installation of double glazed windows in pilot areas, in the tenancy; and
- signage and intranet messaging to encourage employees to minimise the department's energy use.

The Treasury uses 10 per cent Greenpower in the Treasury building, determined by an existing whole of government procurement arrangement for electricity.

The Treasury used approximately 5088 mega joules of electricity per person for office tenant light and power, below the Energy Efficiency in Government Operations Policy target of 7,500 mega joules per person per annum.

In 2013-14 total tenant light and power consumption was approximately 2,005,553 kilowatt hours.

RECYCLING

Commingled and organic recycling

All tenancy kitchens have recycling stations to facilitate the segregation of waste into approved recycling streams; commingled recycling and organic waste recycling. Staff are encouraged to dispose of waste appropriately in order to maximise recycling.

During the 2013-14 reporting period the Treasury recycled 6.2 tons of commingled waste, 4.9 tons of used paper towel and 5.4 tons of organic waste. This is an increase on the previous year of approximately 5 per cent.

Paper recycling

The Treasury recycles paper and cardboard waste products. Classified waste paper is shredded, then pulped and reused in the production of paper and cardboard products.

The Treasury also participates in the recycling of toner cartridges, fluorescent lighting tubes and batteries, and the department promotes the recycling of old mobile phones, donating them to charity.

VEHICLES

In the 2013-14 financial year, the departmental fleet vehicles comprised three cars. During this period the fleet consumed approximately 2,095 litres of fuel and travelled an estimated total of 18,562 kilometres.

The department promotes and supports the biofuels/ethanol industry in Australia by using E10 blended fuel.

During the 2013-14 financial year departmental pool vehicles averaged a Green Vehicle Guide of 14; this combines air pollution and greenhouse ratings.

AIR TRAVEL

Treasury employees are encouraged to minimise air travel and fleet vehicle usage. They are instructed to undertake travel only where there is a demonstrated business need. Telepresence, teleconferencing and videoconferencing are encouraged as alternatives.

RESOURCE EFFICIENCIES

The department has rolled-out 'follow-me-print', a secure printing facility that allows staff to print documents at any available printer by authenticating themselves using a swipe card. 'Follow-me-print' automatically purges any print jobs not accessed within a set timeframe and has print consumables reduced by approximately 20 per cent. Automatic double-sided printing also reduces the amount of paper consumed.

In compliance with the *Australian Government ICT Sustainability Plan 2010-2015*, the department's general use office copy paper has a post-consumer recycled content of 50 per cent.

WATER

Treasury uses different types of water flow restriction controls and water-efficient appliances in kitchens and toilets to minimise water use.

The tenancies in the Treasury building are not separately metered for water consumption.

CARER SUPPORT

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

The Treasury's carer support framework includes:

- a nondiscriminatory definition of family in the *Treasury Workplace Agreement 2011-14*, recognising relatives by blood, marriage, strong traditional or ceremonial affinity and genuine domestic or household relationships;
- a range of family-friendly working arrangements such as access to information about childcare and school holiday care, access to a carer's room, access to carer's leave and accreditation as a breastfeeding-friendly workplace;
- using accumulated personal leave to care for sick family and household members, or a person they have caring responsibilities for. Staff may also access unpaid carer's leave to care for or support family or household members, or if an unexpected family or household emergency arises;
- access to an Employee Assistance Program. The program provides a free, professional and confidential counselling service to assist staff and their immediate family members experiencing work-related or personal problems;
- access to onsite childcare facilities in the Abacus Childcare and Education Centre which is managed by Communities@Work. As at 30 June 2014, there were 71 children from Treasury families enrolled at the Abacus Childcare and Education Centre. The centre can accommodate a total of 143 child care places;
- part-time and flexible working arrangements. At 30 June 2014, 12.6 per cent of Treasury staff worked part-time. Both male and female employees use part-time work to enable them to balance work and personal responsibilities. As at 30 June 2014, 20.4 per cent of female staff and 4.8 per cent of male staff worked part-time. Access to jobshare and flexible work arrangements help Treasury staff balance work and personal commitments.

GRANTS

Consistent with requirements in the Commonwealth Grant Guidelines, information on grants awarded by the Treasury during the period 1 July 2013 to 30 June 2014 is available at www.treasury.gov.au.

INFORMATION PUBLICATION SCHEME

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must display a plan on its website showing what information it publishes in accordance with the IPS requirements.

Treasury's IPS plan can be located on the Treasury website at www.treasury.gov.au.

AUSTRALIA AND THE INTERNATIONAL FINANCIAL INSTITUTIONS

Programme 1.2 of the Treasury Annual Report outlines various payments made by Treasury to the Asian Development Bank, the European Bank for Reconstruction and Development, the World Bank Group and the International Monetary Fund (IMF). This appendix addresses the legislation that requires further reporting on the World Bank Group and the IMF for the 2013-14 financial year, in particular:

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

Treasury is responsible for managing the Australian Government's shareholdings with the International Financial Institutions (IFIs). However, the Department of Foreign Affairs and Trade has further interactions relating to the Government's aid programme — please see their annual report for further information.

Similarly, the IMF and the World Bank Group (comprising the IBRD, the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID)) publish annual reports that provide comprehensive reviews of the operations of these institutions. The IMF and World Bank Group also make information available on their websites: www.imf.org and www.worldbank.org.

AUSTRALIA AND THE INTERNATIONAL MONETARY FUND

Mandate

The IMF's purpose (set out in Article I of its Articles of Agreement) is to: promote international monetary cooperation; facilitate the expansion of trade contributing to employment growth; promote exchange rate stability to avoid competitive devaluation; assist in the establishment of a multilateral system of payments; and make resources available to members to reduce the costs of balance of payments adjustments.

Australia's relations with the International Monetary Fund

Australia became a member of the IMF in 1947. The *International Monetary Agreements Act 1947* formalised Australia's IMF membership, and contains provisions to enable Australia to meet any obligations that may arise by virtue of its IMF membership. Australia also interacts with the IMF through: the Board of Governors; the International Monetary and Financial Committee (IMFC); the IMF Executive Board; and the IMF's Article IV consultation.

Australia's representation at the International Monetary Fund

Board of Governors

The Board of Governors is the highest authority within the IMF and consists of one Governor and one Alternate Governor for each of the 188 member countries. During 2013-14, Australia was represented by the then Treasurer of the Commonwealth of Australia, the Hon Chris Bowen MP, until 18 September 2013 when the Hon J.B. Hockey MP, Treasurer of the Commonwealth of Australia, became Australia's Governor. Since 7 March 2011, Dr Martin Parkinson, Secretary to the Treasury, has been Australia's Alternate Governor of the IMF.

Member countries cast votes as required throughout the year. The Australian Governor's votes on IMF resolutions during 2013-14 are noted in Table 12.

Table 12: Australian Governor's votes on IMF resolutions 2013-14

Resolution title	Date	Australian Governor's vote
Remuneration of IMF and World Bank Executive Directors and Alternate Executive Directors	5 September 2013	Abstained[(a)]
Activation period for NAB — 1 October 2013 to 31 March 2014	28 September 2013	Supported
Annual Meetings of the Boards of Governors — Proposed Dates and Venues for 2016 and 2017	4 November 2013	Supported
2010 Reforms and Fifteenth General Review of Quotas	22 January 2014	Supported
Activation period for NAB — 1 April 2014 to 30 September 2014	29 March 2014	Supported

(a) Note: Abstention due to the Government being in the caretaker period during the 2013 Federal election, which is consistent with past practice.

International Monetary and Financial Committee

The IMFC advises the Board of Governors on the functioning and performance of the international monetary and financial system. Its 24 members represent the full IMF membership under the same constituency arrangements that apply to the IMF Executive Board (see below).

Australia's constituency at the IMF was represented by Korea at the IMFC meetings on 12 October 2013 and 12 April 2014.

IMF Executive Board, Executive Director and constituency office

The IMF Executive Board conducts the day-to-day business of the IMF and determines matters of policy under the overall authority of the Board of Governors. Executive directors are appointed or elected by member countries or groups of countries.

The board consists of 24 executive directors. Australia belongs to a constituency of countries that shares one Executive Director position. During 2013-14, the constituency of which Australia is a member (the Asia and Pacific constituency) also comprised: Kiribati, the Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, Uzbekistan, and Vanuatu. As at 30 June 2014, Australia held 1.31 per cent of the total voting power at the IMF, and the constituency as a whole held 3.62 per cent.

The Asia-Pacific constituency Executive Director is supported by two Alternate Executive Directors and a number of senior advisers and advisers from countries represented in the constituency. By agreement between constituency members, the staffing of Australia's constituency office rotates among members. Mr Jong-Won Yoon of Korea represents our constituency as Executive Director (from 1 November 2012 for a two-year term). As at 30 June 2014 Mr Ian Davidoff of Australia was the first Alternate Executive Director and Ms Vicky Plater of New Zealand was the second Alternate Executive Director.

Australia's Article IV consultation

In accordance with Article IV of its Articles of Agreement, the IMF conducts regular discussions with the authorities of member countries on economic policies and conditions. Australia's 2013 Article IV consultation included a visit by IMF staff from 11 to 20 November 2013. During their visit they met with the Treasurer, senior Treasury officials, the Governor of the RBA and senior RBA officials. They also met with officials from other agencies in the Treasury portfolio, and representatives from the business community and unions.

The 2013 Article IV staff report for Australia was released on 10 February 2014 and is available at www.imf.org.

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

Australia's shareholding in the International Monetary Fund

A member's shareholding in the IMF is determined by its allocated quota which broadly reflects its weight in the global economy. Australia's quota as at 30 June 2014 was 3,236.4 million Special Drawing Rights (SDR) (equivalent to A$5,305.6 million as at 30 June 2014), which is 1.36 per cent of total IMF quota. Part of Australia's quota is held in reserve by the IMF in SDRs and gold, and part is held in Australia — a combination of non-interest bearing promissory notes and cash amounts held at the RBA — in Australian dollars.

Australia's financial transactions with the International Monetary Fund

Australia conducts financial transactions with the IMF to manage existing obligations. Australia's financial transactions with the IMF in 2013-14 comprised:

- payments of SDR charges and an annual assessment fee for Australia's allocation of SDRs (Table 13);
- receipts of interest on Australia's SDR holdings (Table 13);
- receipts of remuneration for Australia's contribution to IMF reserves (Table 13);
- the annual Maintenance of Value (MOV) transaction (Table 13);

- transfers and receipts to facilitate Australia's contribution to the IMF's Financial Transaction Plan (FTP) and the New Arrangements to Borrow (NAB), reflecting the borrowing and repayments of other members (Tables 5.3 and 5.4); and
- receipts of interest for Australia's NAB contributions.

These transactions were timely and efficient and are described in the following sections.

Special Drawing Rights charges, interest and assessment fee

The SDR is an international reserve asset created by the IMF to supplement the existing official reserves of member countries. Its value is based on a basket of key international currencies (the US dollar, euro, Japanese yen and pound sterling). SDRs are allocated to member countries in proportion to their IMF quotas. Each member country may choose to hold greater or fewer SDRs than its net cumulative allocation.

Australia's cumulative allocation of SDRs as at 30 June 2014 was SDR 3,083.2 million while its actual SDR holdings were SDR 2,860.8 million. Australia's SDR allocation is held by the RBA, having been sold to the RBA by the Commonwealth in exchange for Australian dollars.

The IMF levies charges on the SDRs that have been allocated to each member and pays interest on the SDRs that are held by each member.[1] In 2013-14, the Australian Government paid charges of SDR 2.9 million (A$4.8 million) on net cumulative allocations, and the RBA received SDR 2.8 million (A$4.7 million) interest on its holdings.

In addition, the IMF levies an annual assessment fee to cover the cost of operating the SDR Department, determined according to participants' net cumulative SDR allocations. Australia's annual assessment fee for the IMF's financial year ending 30 April 2014 was SDR 20,744 (A$34,096).

Remuneration

Remuneration is interest paid by the IMF to Australia for the use of its funds. It is earned on the proportion of a member's currency (25 per cent of its quota) that was paid in SDRs and is held by the IMF, and on money lent out under the FTP.[2] Australia received remuneration receipts in 2013-14 totalling SDR 780,439 (A$1.3 million).

Maintenance of Value

During 2013-14, Australia's quota remained at SDR 3,236.4 million. As the exchange rate between the Australian dollar and the SDR fluctuates throughout the year, the SDR value of the part of Australia's IMF quota held in Australian dollars is subject to change.

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

2 The basic rate of remuneration is equal to the SDR interest rate. Additional burden sharing adjustments, for the financial consequences of protracted arrears, is also applied (when applicable) to the basic rate of remuneration.

Under the IMF's Articles of Agreement, members are required to maintain the value of their quota in terms of SDRs. The adjustment required to maintain the SDR value of the quota is called the 'Maintenance of Value' (MOV) adjustment, and is settled annually following the close of the IMF's financial year on 30 April.

During the IMF's 2013-14 financial year, the value of the Australian dollar in terms of the SDR depreciated by 12.4 per cent. Thus, Australia had a MOV payable of A$455.9 million for the 2013-14 IMF financial year. This was settled in June 2014 through the issuance of a non-negotiable, non-interest bearing promissory note.

Table 13: Australia's transactions with the IMF in 2013-14 (cash basis)

	Amount in SDRs	Amount in A$
Total interest received on RBA SDR Holdings[a]	2,823,503	4,707,155
Total remuneration received for Australian holdings at the IMF	780,439	1,299,167
Total charges paid on SDR allocation	2,906,625	4,843,640
Annual assessment fee paid to SDR department	20,744	34,096
Maintenance of value transaction for 2013-2014		455,935,901

(a) Interest paid to the RBA

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

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

In 2013-14, Australia was involved in both the transfer (loans) and receipt (repayments) side of the FTP. Table 14 provides details of individual FTP transactions and resulting reserve position at the IMF.

Table 14: Australia's reserve position in the IMF, 2013-14[a]

Date	Description	Debit (SDRs)	Debit (A$)	Credit (SDRs)	Credit (A$)
Reserve position as at 30 June 2013				1,082,026,687	**1,754,258,572**
23 Dec 2013	FTP with Pakistan (loan)			29,000,000	50,443,380
5 May 2014	FTP with Ukraine (loan)			11,200,000	18,689,062
3 Jun 2014	FTP with Greece (loan)			12,000,000	19,836,514
Total FTP receipts (repayments)		211,320,500	351,803,047		
Reserve position as at 30 June 2014				922,906,187	**1,512,960,962**

(a) Because Australia's reserve position is denominated in SDRs and AUD/SDR exchange rates vary during the year, when expressed in Australian dollars, the 30 June 2014 reserve position does not exactly reflect summation of the opening position and transactions during the year.

FTP transactions (and any transfers for administrative purposes) directly impact on Australia's reserve position at the IMF. This reserve position forms part of Australia's liquid international reserves because, subject to the representation of a balance of payments need, Australia can convert its SDR-denominated reserve asset into useable currency by drawing on the IMF. With the value of receipts outweighing the value of transfers during 2013-14, the amount of Australia's reserves held by the IMF fell during the year, from SDR 1,082.0 million to SDR 922.9 million.

Australia also contributed resources under the expanded NAB in 2013-14. The NAB was activated twice during 2013-14, on 1 October 2013 and 1 April 2014, following approval by NAB participants including Australia, with each activation period lasting six months. These followed on from activation of the NAB on seven previous consecutive occasions, each for a period of six months.

In 2013-14, Australia was involved in both the transfer (loan) and receipt (repayment) sides of the NAB. Table 15 provides details of individual NAB transactions.

Table 15: Australia's NAB Transactions for 2013-14

Date	Description	Debit (SDRs)	Debit (A$)	Credit (SDRs)	Credit (A$)
31 Jul 2013	NAB with Greece (loan)			20,000,000	32,767,010
12 Nov 2013	NAB with Portugal (loan)			28,000,000	45,700,109
18 Feb 2014	NAB with Portugal (loan)			6,000,000	10,350,520
21 Mar 2014	NAB with Jamaica (loan)			6,000,000	10,218,836
5 May 2014	NAB with Ukraine (loan)			42,400,000	70,751,450
3 Jun 2014	NAB with Greece (loan)			24,000,000	39,673,028
Total NAB repayments		78,050,000	130,899,239		
Net NAB payments for 2013-14				48,350,000	78,561,716

In addition, the Australian Government earns interest on any money lent under the NAB.[3] For 2013-14, the Australian Government received interest payments on its outstanding NAB loans of SDR 528,258 (A$880,450).

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

AUSTRALIA AND THE WORLD BANK GROUP

Australia's shareholding and relations with the World Bank Group

Mandate

The World Bank Group provides financial and technical assistance to developing countries in line with its poverty reduction mandate.

Institutions of the World Bank Group and Australia's Shareholding

The World Bank Group consists of five arms: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID). For the specific roles of these institutions, please refer to the World Bank website: www.worldbank.org.

Australia is a member of all five arms of the World Bank Group. Australia's memberships of the IBRD, IFC and MIGA require the Australian Government to hold shares in these institutions. Australia's shareholdings in the IBRD, IFC and MIGA as at 30 June 2014 are set out in Table 16.

Table 16: Australian shareholdings at the World Bank Group as at 30 June 2014

	IBRD	IFC	MIGA
Shares	28,927	47,329	3,019
Value of paid-in capital ($US millions)	214.06	47.33	6.20
Value of callable capital ($US millions)	3,275.55	0.00	26.46

In 2013-14, Australia purchased an additional 1,332 shares of the IBRD, at the face value of US$160.7 million (estimated A$170.6 million as at 30 June 2014), as the third of Australia's five annual instalments agreed as part of the 2010 General Capital Increase. The paid-in component of this share purchase was approximately US$9.6 million (estimated A$10.2 million as at 30 June 2014).

Australia's cooperation with the World Bank Group

Australia's representation at the World Bank Group

Board of Governors

The highest decision-making body of the World Bank Group is the Board of Governors. This body consists of one Governor appointed by each of the 188 member countries. During 2013-14, Australia was represented by the then Treasurer of the Commonwealth of Australia, the Hon Chris Bowen MP, until 18 September 2013 when the Hon J.B. Hockey MP, Treasurer of the Commonwealth of Australia, became Australia's Governor. In 2013-14, Australia's Alternate Governor was the then Parliamentary Secretary to the Treasurer, the Hon Bernie Ripoll MP, until

18 September 2013, when the Hon Steven Ciobo MP, Parliamentary Secretary to the Treasurer, became Australia's Alternate Governor.

As Australia's Governor, the Treasurer votes on a range of issues that the Executive Board refer to Governors for their consideration. The table below outlines Governor's votes for the 2013-14 financial year.

Table 17: Australian Governor's votes on World Bank Group resolutions in 2013-14

Institution	Resolution title	Date	Australian Governor's vote
IBRD, MIGA	Nomination and Election of Executive Director	8 July 2013	Supported Mr Willcock
IBRD	Direct Remuneration of Executive Directors and their Alternates	5 September 2013	Abstained[(a)]
IBRD, IDA, IFC, MIGA	Financial Statements, Accountants' Report and Administrative Budget	11 October 2013	Supported
IBRD	Allocation of FY13 Net Income	11 October 2013	Supported
IBRD, IDA, IFC, MIGA	Proposed Dates for the 2016 and 2017 Annual Meetings	4 November 2013	Supported
IDA	Additions to Resources: Seventeenth Replenishment	5 May 2014	Supported
IBRD	Transfer from Surplus to Replenish the Trust Fund for Gaza and the West Bank	23 June 2014	Supported

(a) Note: Abstention due to the Government being in the caretaker period during the 2013 Federal election, which is consistent with past practice.

Executive Director and constituency office

The World Bank Group's Executive Boards (IBRD, IDA, IFC and MIGA), under the authority of the Board of Governors, consider and decide on loan and credit proposals made by the President, and on policy issues that guide the general operations of the World Bank Group.

Each Board currently consists of 25 Executive Directors. Australia belongs to a constituency of countries that shares one Executive Director position. In 2013-14, the constituency also included Cambodia, Kiribati, the Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Tuvalu, and Vanuatu.

By agreement among constituency members, the senior staffing of the constituency office rotates between Australia, Republic of Korea and New Zealand. Mr John Whitehead from New Zealand was the Executive Director for our constituency until 1 August 2013, when Mr Michael Willcock from Australia assumed the position. Australia also held a senior adviser position in the constituency office during 2013-14.

Australia's contributions to the World Bank Group

The World Bank Group, with 188 member countries, has extensive development expertise, knowledge, products and analytical capabilities, and commands substantial resources to foster development outcomes globally. Australia's membership of, and financial contributions to, the World Bank Group provide Australia with the opportunity to influence policies and priorities at the highest levels.

In addition to the shareholdings managed by the Treasury, in 2013-14, the Department of Foreign Affairs and Trade provided an estimated A$483 million to the World Bank Group, including A$265 million in joint activities through Australia's country, regional and global programmes. The Annual Report of the Department of Foreign Affairs and Trade provides further information on Australia's aid programme.

Australia's contributions leverage the World Bank Group's capital to support conditions for economic growth in the Indo-Pacific region, including creating conditions for trade and investment. Working with the World Bank Group on joint activities extends the reach, quality and impact of Australia's aid programme.

Operational evaluation

The World Bank Group Corporate Scorecard, published in April 2014, is a new reporting product that measures the Group's overall performance and results achieved by its clients against the World Bank Group's twin goals of ending extreme poverty and promoting shared prosperity. As a new product, it is expected that the planned development of reporting mechanisms will improve the usefulness of the Scorecard over time.

The World Bank Group Corporate Scorecard reported financial commitments of US$52.9 billion in FY2013, with US$11.1 billion in capital mobilised on commercial terms.

The Scorecard also reported independent assessments of development impact for the World Bank (comprising IBRD and IDA), rated satisfactory and above of 72 per cent (71 per cent in Fragile and Conflict-affected States), IFC at 65 per cent, and MIGA at 78 per cent. World Bank knowledge and advisory services were rated at 61 per cent and MIGA's at 76 per cent. Group-level performance on country strategies rated satisfactory or above was reported at 72 per cent.

The Scorecard also reported that client feedback on the World Bank's effectiveness and impact on results was rated 6.9 out of 10. Similarly, the IFC's investment and advisory services were rated by clients at 85 per cent and 90 per cent satisfied respectively.

The generally strong results reported in the Scorecard reinforce the findings of recent DFAT evaluations of multilateral organisations. In their assessments, the World Bank Group was rated amongst the strongest performing institutions. DFAT reported that the Australian Government can have a high degree of confidence that the World Bank Group will deliver tangible development benefits in line with Australia's development objectives, and that they represent good value for money.

RESOURCE TABLES

Table 18: Summary resource statement

		Actual available appropriation 2013-14 $'000	Payments made 2013-14 $'000	Balance remaining 2013-14 $'000
		(a)	(b)	(a - b)
Ordinary annual services[1]				
Departmental				
Departmental appropriation[2]		185,035	190,117	(5,082)
Total		185,035	190,117	(5,082)
Administered expenses				
Outcome 1		8,805,808	8,804,526	
Payment to CAC bodies		8,000	8,000	
Total		8,813,808	8,812,526	
Total ordinary annual services	**A**	8,998,843	9,002,643	
Other services[3]				
Departmental non-operating				
Equity injections		1,775	180	1,595
Total		1,775	180	1,595
Administered non-operating				
Administered assets and liabilities				
Outcome 1		47,518	25,784	
Total		47,518	25,784	
Total other services	**B**	49,293	25,964	
Total available annual appropriations and payments (A+B)		**9,048,136**	**9,028,607**	
Special appropriations				
Asian Development Bank (Additional Subscription) Act 2009			16,510	
Federal Financial Relations Act 2009			70,346,721	
International Monetary Agreements Act 1947			224,961	
Total special appropriations	**C**		70,588,192	
Special accounts[4]				
Opening balance		2,823		
Appropriation receipts		2,000,000		
Non-appropriation receipts to Special Accounts		15,484,288		
Payments made			16,616,265	
Total special account	**D**	17,487,111	16,616,265	
Total resourcing and payments (A+B+C+D)[5]		26,535,247	96,233,064	

Table 18: Summary resource statement (continued)

	Actual available appropriation 2013-14 $'000	Payments made 2013-14 $'000	Balance remaining 2013-14 $'000
Less appropriation drawn from annual or special appropriations and/or CAC Act bodies through annual appropriations credited to special accounts	2,008,000	2,008,000	
Total net resourcing for the Treasury	**24,527,247**	**94,225,064**	

1. *Appropriation Act (No. 1) 2013-14* and *Appropriation Act (No. 3) 2013-14*. This may also include Prior Year departmental appropriation and section 31 relevant agency receipts.
2. Includes an amount of $5.266 million for the Departmental Capital Budget. For accounting purposes this amount has been designated as 'contributions by owners'.
3. *Appropriation Act (No. 2) 2013-14* and *Appropriation Act (No. 4) 2013-14*.
4. Does not include 'Special Public Money' held in accounts like Other Trust Monies account (OTM), Services for other Government and Non-agency Bodies accounts (SOG), or Services for Other Entities and Trust Moneys Special accounts (SOETM).
5. Total resourcing excludes the actual available appropriation for all Special Appropriations.

Note: Details of appropriations are disclosed in Note 30 of the Financial Statements.

Table 19: Resourcing for Outcome 1

Outcome 1: Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations	Budget 2013-14 $'000	Actual expenses 2013-14 $'000	Variation 2013-14 $'000
	(a)	(b)	(a - b)
Programme 1.1: Department of the Treasury			
Departmental expenses			
Departmental appropriations[1]	175,468	176,072	(604)
Special accounts	1,269	2,194	(925)
Expenses not requiring appropriation	8,786	12,491	(3,705)
Administered expenses			
Other services (Appropriation Bill No. 1)	8,801,133	8,800,529	604
Expenses not requiring appropriation	150,000	150,000	-
Total for Programme 1.1	9,136,656	9,141,286	(4,630)
Programme 1.2: Payments to International Financial Institutions			
Administered expenses			
Special appropriations	453,007	425,465	27,542
Total for Programme 1.2	453,007	425,465	27,542
Programme 1.3: Support for markets and business			
Administered expenses			
Other services (Appropriation Bill No. 1)	4,675	4,014	661
Payment to CAC bodies	8,000	8,000	-
Total for Programme 1.3	12,675	12,014	661
Programme 1.4: General revenue assistance			
Administered expenses			
Special appropriations	50,720,000	51,090,207	(370,207)
Special accounts	1,335,790	1,300,296	35,494
Total for Programme 1.4	52,055,790	52,390,503	(334,713)
Programme 1.5: Assistance to the states for healthcare services			
Administered expenses			
Special appropriations	13,844,523	13,841,207	3,316
Total for Programme 1.5	13,844,523	13,841,207	3,316
Programme 1.6: Assistance to the states for government schools			
Administered expenses			
Special appropriations	2,080,342	2,080,342	-
Total for Programme 1.6	2,080,342	2,080,342	-

Table 19: Resourcing for Outcome 1 (continued)

	Budget 2013-14 $'000	Actual expenses 2013-14 $'000	Variation 2013-14 $'000
Programme 1.7: Assistance to the states for skills and workforce development			
Administered expenses			
Special appropriations	1,408,969	1,408,969	-
Total for Programme 1.7	1,408,969	1,408,969	-
Programme 1.8: Assistance to the states for disabilities services			
Administered expenses			
Special appropriations	1,333,917	1,301,939	31,978
Total for Programme 1.8	1,333,917	1,301,939	31,978
Programme 1.9: Assistance to the states for affordable housing			
Administered expenses			
Special appropriations	1,282,683	1,282,683	-
Total for Programme 1.9	1,282,683	1,282,683	-
Programme 1.10: National Partnership Payments to the states			
Administered expenses			
Special accounts	12,673,649	12,082,552	591,097
Total for Programme 1.10	12,673,649	12,082,552	591,097
Outcome 1 Totals by appropriation type			
Administered expenses			
Other services (Appropriation Bill No. 1)	8,805,808	8,804,543	1,265
Special appropriations	71,123,441	71,430,812	(307,371)
Special accounts	14,009,439	13,382,848	626,591
Payment to CAC bodies	8,000	8,000	-
Expenses not requiring appropriation	150,000	150,000	-
Departmental expenses			
Departmental appropriations[1]	175,468	176,072	(604)
Special accounts	1,269	2,194	(925)
Expenses not requiring appropriation	8,786	12,491	(3,705)
Total expenses for Outcome 1	94,282,211	93,966,960	315,251

	2012-13	2013-14
Average staffing level (number)	930	898

1. Departmental Appropriation combines Ordinary annual services (Appropriation Bill No. 1) and Revenue from independent sources (s31).

LIST OF REQUIREMENTS

Description	Requirement	Page/s
Introduction		
Letter of transmittal	Mandatory	iii
Table of contents	Mandatory	v-vii
Index	Mandatory	241-242
Glossary	Mandatory	238-240
Contact officer(s)	Mandatory	xii
Internet home page address and Internet address for report	Mandatory	xii
Review by Secretary		
Review by Departmental Secretary	Mandatory	3-5
Summary of significant issues and developments	Suggested	3-5
Overview of department's performance and financial results	Suggested	3-12
Outlook for following year	Suggested	3-5
Significant issues and developments — portfolio	Suggested	3-5
Departmental overview		
Role and functions	Mandatory	7-12
Organisational structure	Mandatory	13-14
Outcome and programme structure	Mandatory	15-17
Where outcome and programme structures differ from PB Statements/PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	N/A
Portfolio structure	Mandatory	15-17
Report on performance		
Review of performance during the year in relation to programmes and contribution to outcomes	Mandatory	21-71
Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	21-71
Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory	N/A
Narrative discussion and analysis of performance	Mandatory	21-71
Trend information	Mandatory	21-71
Significant changes in nature of principal functions/services	Suggested	21-71
Performance of purchaser/provider arrangements	If applicable, suggested	N/A
Factors, events or trends influencing departmental performance	Suggested	21-71
Contribution of risk management in achieving objectives	Suggested	21-71
Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	N/A

Description	Requirement	Page/s
Discussion and analysis of the department's financial performance	Mandatory	12
Discussion of any significant changes from the prior year, from budget or anticipated to have a significant impact on future operations	Mandatory	12
Agency resource statement and summary resource tables by outcome	Mandatory	228-231
Management and accountability		
Corporate governance		
Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines	Mandatory	iii
Statement of the main corporate governance practices in place	Mandatory	75
Names of the senior executive and their responsibilities	Suggested	13-14
Senior management committees and their roles	Suggested	75-76
Corporate and operational planning and associated performance reporting and review	Suggested	80-81
Approach adopted to identifying areas of significant financial or operational risk	Suggested	77-78
Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	N/A
How nature and amount of remuneration for SES officers is determined	Suggested	88
External scrutiny		
Significant developments in external scrutiny	Mandatory	79-83
Judicial decisions and decisions of administrative tribunals	Mandatory	83
Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	Mandatory	81-83
Management of human resources		
Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	84
Workforce planning, staff turnover and retention	Suggested	84
Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and AWAs	Suggested	85
Training and development undertaken and its impact	Suggested	85-86
Work health and safety performance	Suggested	211-212
Productivity gains	Suggested	3-5
Statistics on staffing	Mandatory	98-103
Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	85
Performance pay	Mandatory	N/A

Description	Requirement	Page/s
Assets management		
Assessment of effectiveness of assets management	If applicable, mandatory	91
Purchasing		
Assessment of purchasing against core policies and principles	Mandatory	92
Consultants		
The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website	Mandatory	93-94
Australian National Audit Office access clauses	Mandatory	95
Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	95
Exempt contracts	Mandatory	96
Contracts exempt from the AusTender	Mandatory	96
Financial statements		
Financial statements	Mandatory	105-207
Other information		
Work health and safety (Schedule 2, Part 4 of the *Work Health and Safety Act 2011*)	Mandatory	211-212
Advertising and market research (section 311A of the *Commonwealth Electoral Act 1918*) and statement on advertising campaigns	Mandatory	213
Ecologically sustainable development and environmental performance (section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*)	Mandatory	214-215
Compliance with agency's obligations under the *Carer Recognition Act 2010*	If applicable, mandatory	216
Grant programmes	Mandatory	217
Disability reporting — explicit and transparent reference to agency-level information available through other reporting mechanisms	Mandatory	97
Information Publication Scheme statement	Mandatory	218
Correction of material errors in previous annual report	If applicable, mandatory	N/A
Agency Resource Statements and Resources for Outcomes	Mandatory	228-231
List of requirements	Mandatory	232-234

ABBREVIATIONS AND ACRONYMS

AASB	Australian Accounting Standards Board
ABAC	APEC Business Advisory Council
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACL	Australian Consumer Law
ACNC	Australian Charities and Not-for-profit Commission
ADB	Asian Development Bank
AMP	Agency Multicultural Plan
ANAO	Australian National Audit Office
ANCP	Australian National Contact Point
ANZTPA	Australia New Zealand Therapeutic Products Agency
AOFM	Australian Office of Financial Management
APEC	Asia Pacific Economic Cooperation
APFF	Asia Pacific Financial Forum
APRA	Australian Prudential Regulation Authority
APS	Australian Public Service
APSC	Australian Public Service Commission
ARPC	Australian Reinsurance Pool Corporation
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
AWA	Australian Workplace Agreement
BAF	Business Advisory Forum
BEPS	Base Erosion and Profit Shifting
BRCWG	COAG Business Regulation and Competition Working Group
BTWG	Business Tax Working Group
CAC Act	*Commonwealth Authorities and Companies Act 1997*
CBA	Commonwealth Bank of Australia
CBOSC	Commonwealth Bank Officers' Superannuation Corporation
CEFC	Clean Energy Finance Corporation
CFR	Council of Financial Regulators
CGS	Commonwealth Government Securities
COAG	Council of Australian Governments
CPRs	Commonwealth Procurement Rules
CRF	Consolidated Revenue Fund
CSS	Commonwealth Superannuation Scheme

EBRD	European Bank for Reconstruction and Development
EL	Executive level
FATCA	*Foreign Account Tax Compliance Act*
FCA	Federal Court of Australia
FIFO	Fly-in, fly-out
FIRB	Foreign Investment Review Board
FMA Act	*Financial Management and Accountability Act 1997*
FMO	Finance Minister's Orders
FoFA	Future of Financial Advice
FOI	Freedom of Information
FPMS	Federal Payments Management System
FSAP	Financial Stability Assessment Program
FSB	Financial Stability Board
GRA	General revenue assistance
GST	Goods and services tax
GVG	Green Vehicle Guide
HCS	HIH Claims Support
HLIC	Housing Loans Insurance Corporation
IBRD	International Bank for Reconstruction and Development
ICA	*Insurance Contracts Act 1984*
IDA	International Development Association
IFC	International Finance Corporation
IGA	Intergovernmental Agreement
IMF	International Monetary Fund
IMR	Investment manager regime
IMTC	Information Management and Technology Committee
IT	Information technology
IWC	Inclusive Workplace Committee
JCPAA	Joint Committee of Public Accounts and Audit
KPMG	Klynveld Peat Marwick Goerdeler
LISC	Low income superannuation contribution
MIGA	Multilateral Investment Guarantee Agency
MIT	Managed Investment Trusts
MRRT	Minerals Resource Rent Tax
MYEFO	Mid-Year Economic and Fiscal Outlook
NAB	New Arrangements to Borrow
NDIS	National Disability Insurance Scheme
NHSC	National Housing Supply Council
NIIS	National Injury Insurance Scheme

NMETO	Net medical expenses tax offset
NP	National Partnerships
NSW	New South Wales
NTLG	National Tax Liaison Group
NZ	New Zealand
OECD	Organisation for Economic Cooperation and Development
OPA	Official Public Account
OTC	Over-the-counter
PBS	Portfolio Budget Statements
PDS	People Development System
PEFO	Pre-election Economic and Fiscal Outlook
PGSAs	Post Graduate Study Awards
PIR	Post Implementation Review
PJC	Parliamentary Joint Committee
PRRT	Petroleum Resource Rent Tax
PSS	Public Sector Superannuation Scheme
PSSap	Public Sector Superannuation accumulation plan
RBA	Reserve Bank of Australia
SBR	Standard Business Reporting
SCSI	Standing Committee on Standards Implementation
SDR	Special Drawing Rights
SES	Senior Executive Service
SNE NP	*National Partnership to Deliver a Seamless National Economy*
SPP	Specific Purpose Payment
SRC	Supervisory and Regulatory Cooperation
TES	Tax Expenditure Statement
TTAASAG	TransTasman Accounting and Auditing Standards Advisory Group
TTSOG	TransTasman Senior Officials Group
WET	Wine Equalisation Tax

GLOSSARY

Activities	The actions/functions performed by agencies to deliver government policies.
Administered item	Appropriation that consists of funding managed on behalf of the Commonwealth. This funding is not at the discretion of the agency and any unspent appropriation is returned to the Consolidated Revenue Fund (CRF) at the end of the financial year. An administered item is a component of an administered programme. It may be a measure but will not constitute a programme in its own right.
Appropriation	An amount of public money parliament authorises for spending with funds to be withdrawn from the CRF. Parliament makes laws for appropriating money under the Annual Appropriation Acts and under Special Appropriations, with spending restricted to the purposes specified in the Appropriation Acts.
APS employee	A person engaged under section 22, or a person who is engaged as an APS employee under section 72, of the *Public Service Act 1999.*
Clear read principle	Under the Outcomes arrangements, there is an essential clear link between the Appropriation Bills, the Portfolio Budget Statements (PBS), the Portfolio Additional Estimates Statements, and annual reports of agencies. Information should be consistent across these and other budget documents, and, where possible, duplication of reporting within the PBS should be avoided. This is called the clear read between the different documents. Under this principle, the planned performance in PBS is to be provided on the same basis as actual performance in the annual reports covering the same period, to permit a clear read across planning and actual performance reporting documents. Agencies should take this into account in designing their performance reporting arrangements.
Commonwealth Authorities and Companies Act 1997 (CAC Act)	The CAC Act sets out the financial management, accountability and audit obligations on Commonwealth statutory authorities and companies in which the Commonwealth has at least a direct controlling interest. A list of CAC Act bodies can be found at: finance.gov.au/financialframework/caclegislation/docs/CACbodylist.pdf.
Consolidated Revenue Fund (CRF)	The principal operating fund from which money is drawn to pay for the activities of the Government. Section 81 of the Australian Constitution provides that all revenue raised or monies received by the Executive Government forms one consolidated revenue fund from which appropriations are made for the purposes of the Australian Government.

Contractor	A person engaged by an agency, usually on a temporary basis. Treated as an employee of the agency for the purposes of programme performance reporting.
Corporate governance	The process by which agencies are directed and controlled. It is generally understood to encompass authority, accountability, stewardship, leadership, direction and control.
Departmental item	Resources (assets, liabilities, revenues and expenses) that agency chief executive officers control directly. This includes outsourced activities funded and controlled by the agency. Examples of departmental items include agency running costs, accrued employee entitlements and net appropriations. A departmental item is a component of a departmental programme.
Financial Management and Accountability Act 1997 (FMA Act)	The FMA Act sets out the financial management, accountability and audit obligations of agencies (including departments) that are financially part of the Commonwealth (and form part of the General Government Sector). A list of FMA Act agencies can be found at: finance.gov.au/financialframework/fmalegislation/docs/FMAAgenciesList.pdf.
Financial results	The results shown in the financial statements of an agency.
Grant	Commonwealth financial assistance as defined under Regulations 3A(1) and 3A(2) of the *Financial Management and Accountability Regulations 1997*.
Materiality	Takes into account the planned outcome and the relative significance of the resources consumed in contributing to the achievement of that outcome.
Mid-Year Economic and Fiscal Outlook (MYEFO)	The MYEFO provides an update of the Government's budget estimates by examining expenses and revenues in the year to date, as well as provisions for new decisions that have been taken since the Budget. The report provides updated information to allow the assessment of the Government's fiscal performance against the fiscal strategy set out in its current fiscal strategy statement.
Non-ongoing APS employee	A person engaged as an APS employee under subsection 22(2)(a) of the *Public Service Act 1999*.
Official Public Account (OPA)	The OPA is the Australian Government's central bank account held within the Reserve Bank of Australia. The OPA reflects the operations of the Consolidated Revenue Fund.
Ongoing APS employee	A person engaged as an ongoing APS employee under section 22(2)(a) of the *Public Service Act 1999.*
Operations	Functions, services and processes performed in pursuing the objectives or discharging the functions of an agency.

Outcomes	The results, impacts or consequence of actions by the Commonwealth on the Australian community. They should be consistent with those listed in agencies' Portfolio Budget Statements.
Performance information	Evidence about performance that is collected and used systematically, which may relate to appropriateness, effectiveness and efficiency and the extent to which an outcome can be attributed to an intervention. While performance information may be quantitative (numerical) or qualitative (descriptive), it should be verifiable.
Portfolio Budget Statements (PBS)	Budget-related paper detailing budget initiatives and explanations of appropriations specified by outcome and programme by each agency within a portfolio.
Programmes	An activity or groups of activities that deliver benefits, services or transfer payments to individuals, industry/business or the community as a whole and are the primary vehicles for government agencies to achieve the intended results of their outcome statements.
Public service care agency	A public service care agency is defined in section 4 of the *Carer Recognition Act 2010* to mean an agency as defined in the *Public Service Act 1999* that is responsible for the development, implementation, provision or evaluation of policies, programmes or services directed to carers or the persons for whom they care.
Senate Estimates Hearings	Senate Standing Committees hold hearings to scrutinise the appropriation bills and any explanatory documentation tabled to accompany them. Public servants are called as witnesses to hearings.
Specific Purpose Payments (SPP)	Commonwealth payments to the states for specific purposes in order to pursue important national policy objectives in areas that may be administered by the states.

INDEX