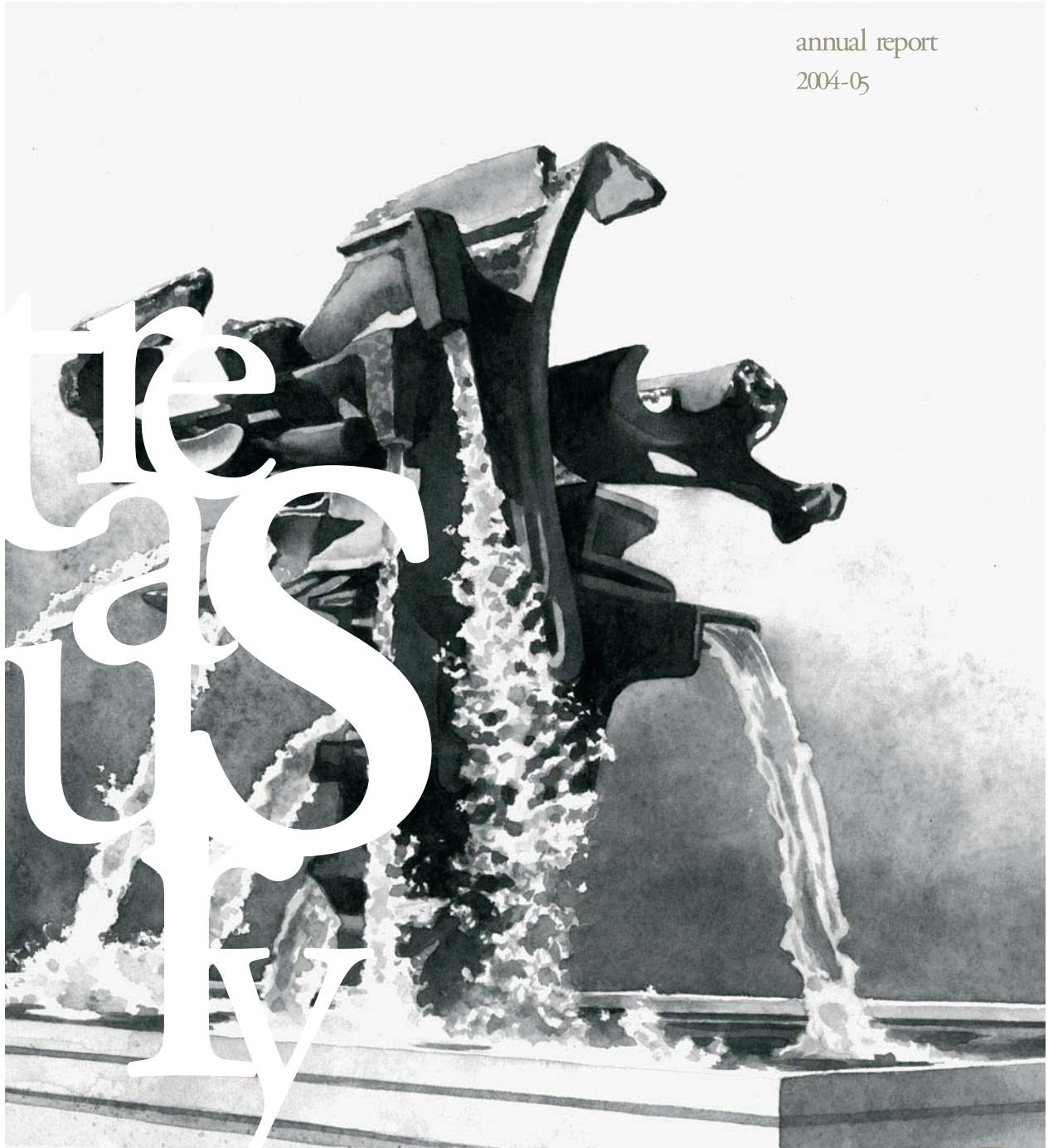


The
Treasury

annual report
2004-05



the
US
Treasury

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Australian Government

The Treasury

Office of the Secretary

29 September 2005

The Hon Peter Costello MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

I have pleasure in presenting to you the Annual Report of the Treasury for the year ended 30 June 2005. The report has been prepared under section 63 of the *Public Service Act 1999*. Subsection 63 (1) of the Act requires that a Secretary of a department is to provide a copy of the report to their Agency Minister for presentation to the Parliament.

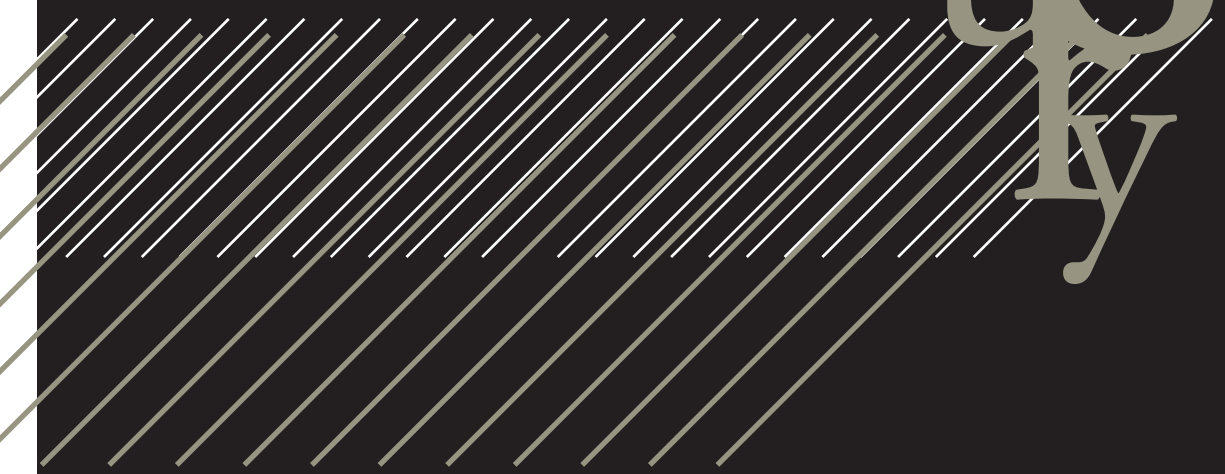
As provided in subsection 63 (2) of the Act, the Report has been prepared in accordance with guidelines approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit. These guidelines provide that a copy of the Annual Report is to be laid before each House of the Parliament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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken Henry'.

Ken Henry
Secretary to the Treasury

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Introduction and guide to the report

The 2004-05 Treasury Annual Report outlines performance against outcomes, outputs and performance information contained in the *2004-05 Portfolio Budget Statements*.

The 2004-05 Annual Report of the Treasury includes the reporting requirements and financial accounts for the Royal Australian Mint, Australian Government Actuary and the Foreign Investment Review Board. The financial accounts for the Takeovers Panel are included in this report, however, the performance reporting does not extend to the activities of the Takeovers Panel. The Takeovers Panel publishes its own annual report.

Part 1 of this report includes an overview of major outcomes during 2004-05, and outlines changes in the organisation and senior management structure of the department and other significant management initiatives undertaken over the course of the year. Charts included in Part 1 depict the Treasury portfolio and departmental outcome and output structures, and the Treasury top management structure.

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

Part 3 reports on management and accountability issues as required under the Annual Report Guidelines.

Part 4 presents the audited financial status of Treasury as required under the Annual Report Guidelines.

Part 5 of the report includes other statistical information required under the Annual Report Guidelines.

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

Other sources of information

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

Enquiries

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

The General Manager
Corporate Services Division
The Treasury
Telephone: (02) 6263 3911
Fax: (02) 6263 2948

A copy of this document can be located on the Treasury website at:
www.treasury.gov.au

PART 1

OVERVIEW

treasury

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Secretary's review

In 2004-05, through our advice and assistance to the Treasurer and portfolio ministers, we continued to make progress in pursuit of our mission to improve the wellbeing of the Australian people.

Macroeconomic outcomes

Australia's economic performance in 2004-05 was strong compared with many developed countries. GDP growth of 2.3 per cent for the year was underpinned by robust business investment and stable growth in consumption. The unemployment rate fell to 5 per cent in June 2005, the lowest in 28 years, while wage pressures and inflation remained contained. The budget outcome was stronger than expected with an underlying cash surplus of \$13.6 billion.

Australia's continued economic success is due to the implementation of credible medium-term frameworks that guide monetary and fiscal policies and to an extensive program of reforms in competition policy, the tax system, the labour market, the financial sector and corporate regulation. The challenge going forward is to sustain that strong economic performance.

Public policy priorities

This year has provided particular challenges, and opportunities, for us in advising the Government on strategic policy priorities and implementing key government policies. Our operating environment has been shaped by the federal election in October 2004; an increasing focus on whole-of-government responses to policy issues, including across levels of government; and a number of significant international events. In responding to these challenges, our touchstone has been sustainability: sustaining the impressive economic performance of recent times.

During the election period we, in conjunction with the Department of Finance and Administration, prepared the Pre-election Economic and Fiscal Outlook and a

large number of election commitment costings under the *Charter of Budget Honesty Act 1998*. The election period also afforded us an opportunity to develop advice for the Government on strategic priorities for a new parliamentary term.

In the post-election period we have been involved in the implementation of a range of Government election commitments, including processes for the establishment of the Future Fund, the establishment of the Financial Literacy Foundation within Treasury and the development and implementation of a range of revenue and superannuation measures affecting individuals and small businesses. We were also involved in the implementation of the Government's choice of superannuation fund policy. And we have been active in the development of new arrangements for corporate governance, including financial reporting; in advising the Government on responses to the recommendations of the Dawson review, the review of international taxation arrangements and the review of the tax self assessment system; and in consulting on, and developing refinements to, the regulatory arrangements for financial services.

In our role as a central policy agency we partnered other agencies in the implementation of election commitments in areas such as childcare, workplace relations and aged care. We were also heavily involved in work on the family tax benefit and the *Welfare to Work* reforms announced in the 2005-06 Budget. And we made significant contributions to the development of policy in the areas of education and training, immigration, health, climate change, drought and agricultural assistance and adjustment issues, defence and national security, energy efficiency, and industrial relations.

Work across levels of government was a theme of our work in a number of areas this year, including the simplification review of Horizontal Fiscal Equalisation, water and energy reform and national competition policy.

December 2004 brought the Boxing Day Tsunami. Treasury played a key role in establishing the Government's \$1 billion Australia-Indonesia Partnership for Reconstruction and Development.

In the Pacific area, Treasury provides advice and skilled staff to Nauru, Papua New Guinea and the Solomon Islands. These whole-of-government initiatives are directed to improving economic stability, governance and security in the Pacific region.

We continued to play an active role in international forums and institutions to influence outcomes supportive of growth enhancement and poverty reduction. We were particularly active in bilateral policy dialogue with our counterparts in the Asia-Pacific region.

To create stronger trade and investment links we engaged in negotiations with several countries on double taxation agreements, participated in the negotiation and finalisation of a number of free trade agreements and held further discussions with New Zealand on initiatives directed at moving towards a single economic market.

In much of our work, we have sought to engage with the community and key domestic and international stakeholders. Stakeholder engagement informs our advice on policy development and implementation and enables us to assist the government in raising public awareness of significant domestic and international economic issues.

For example, we continued to work on increasing public awareness of the implications of demographic change, including through public consultation on *Australia's Demographic Challenges*. We have also consulted on a range of policy proposals in the areas of taxation and markets regulation.

Our organisation

Changes in our operating environment have not only impacted on our policy priorities, but also on organisational structure. Following the election, the Financial Literacy Foundation was established as a division of the Treasury and functions associated with product safety administration and the provision of consumer information were transferred from the Treasury to the Australian Competition and Consumer Commission.

The substantial increase in the range and depth of international responsibilities of Macroeconomic Group saw the creation of an Alternative Executive Director position, with Mr David Parker assuming that role in February 2005. Our Executive Board has undergone other changes during the year with Mr David Tune and Mr Mike Callaghan taking on the roles of Executive Director Fiscal and Corporate and Executive Director Revenue Group, respectively.

The G-20 and APEC secretariat was established to develop the policy agenda and manage logistics for Australia hosting the meetings of G-20 Finance Ministers and Central Bank Governors in 2006 and the APEC Finance Ministers in 2007.

The work of one of our officers in the Pacific region has been recognised with Mr Colin Johnson receiving the award of a Public Service Medal in the 2005 Queen's Birthday Honours for his significant contribution to the economic reconstruction of a number of neighbouring nations.

To support our ongoing work on the implications of demographic change and drivers of growth, Treasury received funding in the 2005-06 Budget to develop and maintain a labour force participation modeling capacity. A new project team has been established in Revenue Group to develop that capacity.

Treasury also received additional funding to support a number of other new initiatives, such as a review of aspects of income tax self-assessment and improved accounting and auditing standards-setting arrangements through the Financial Reporting Council.

Knowledge management continued to be a major corporate focus in 2004-05, with progress in implementing electronic records management, an upgrade of the departmental intranet and the development of other systems to provide more comprehensive information management. We have also progressed a range of initiatives to improve the quality of the information in our systems and encourage information sharing.

People management systems and staff learning and development strategies were further refined during the year, while the department also developed a more explicit risk management framework. In addition, measures were put in place to ensure compliance

with new Commonwealth Procurement Guidelines and the introduction of the Australian Equivalent of International Financial Reporting Standards.

There have also been a number of changes affecting the Royal Australian Mint. It became a prescribed agency under the *Financial Management and Accountability Act 1997* from 1 July 2005 and will, as a result, have a separate annual report from 2005-06. The Royal Australian Mint building is also to be refurbished in line with the decision to retain Commonwealth-owned buildings of significance and heritage value.

Treasury received nearly 20 per cent more in government funding in 2004-05, compared to the previous year, most of which was to fund new government initiatives. Delays in fully implementing some of these new initiatives resulted in Treasury recording a significant surplus in 2004-05. These initiatives are expected to be fully implemented during 2005-06. Notwithstanding the 2004-05 surplus, careful financial management will be required to ensure that outcomes continue to be achieved within budget.

Treasury received an unqualified audit report for its financial accounts for 2004-05.

2005-06 outlook

We anticipate that in 2005-06 our broad strategic theme will again be sustainability. In particular, we expect to focus on a number of dimensions of sustainability in our work including analysing and advising on policy responses to domestic and international developments; addressing the broad components that affect potential growth, particularly in the areas of participation and productivity; seeking innovative ways to address complexity and governance issues in public policy design and implementation; influencing international policy outcomes and safeguarding Australia's sound fiscal position.

There will, of course, be new issues and unforeseeable areas of work that emerge over the course of the year. Our strength as a department lies in our ability to anticipate the major issues and to respond rapidly to those that we do not anticipate. Our achievements in 2004-05 are strong evidence of our ability to do just this. I want to thank all Treasury staff for their professionalism, flexibility and enthusiasm and for their numerous contributions to improving the wellbeing of the Australian people.

Ken Henry
Secretary to the Treasury

Corporate statement

Treasury's mission

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

Policy outcomes

In carrying out its mission, Treasury is responsible for the following policy outcomes:

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

Outcome 1: Sound macroeconomic environment

A sound macroeconomic environment is an essential foundation for strong sustainable economic growth and the improved wellbeing of Australians. It is characterised by stable prices, low interest rates, healthy economic and employment growth, and a sustainable external position.

As many influences on macroeconomic outcomes are beyond the control of the government, policy aims to improve the prospects of the Australian economy, rather than to target specific outcomes or major economic indicators. Success is judged more by medium- to long-term performance relative to Australia's past and to other countries, rather than by particular results in any year.

Treasury aims to contribute to a sound macroeconomic environment through:

- ongoing development of a deep understanding of the operations of the Australian economy and how government action might influence it;
- monitoring and assessing economic conditions and prospects, both in Australia and overseas, and by providing advice on the formulation and implementation of effective macroeconomic policy, including monetary and fiscal policy;
- providing strategic influence on Australia's international interactions, and assisting portfolio ministers in their international relations;
- assisting counterpart governments in pursuing economic stabilisation, development and improved governance in the Pacific.

Macroeconomic Group is responsible for the outputs associated with Outcome 1.

Outcome 2: Effective government spending and taxation arrangements

Government spending and taxation arrangements contribute to the overall fiscal outcome and also influence strong sustainable economic growth and the improved wellbeing of Australians.

Spending measures should be effective in meeting their stated objectives, minimise behavioural distortions and deliver significant economic and other benefits compared with costs, thus contributing to the wellbeing of Australians. Taxation measures should meet revenue and other public policy objectives and have regard to the principles of economic efficiency, horizontal and vertical equity, certainty and transparency, whilst minimising compliance and administrative costs. By meeting these objectives, taxation measures contribute to wellbeing, either directly or by providing the revenue base to finance government services.

Ongoing advice from Treasury to the portfolio ministers assists in formulating, implementing and explaining government spending and taxation decisions. Treasury does this by:

- monitoring and advising on the effective operation of the tax system;
- putting together the budget as the key strategic government planning and resource allocation tool of the government;
- providing high quality input into government consideration of expenditure programmes;
- advising on the effective financial operations of government collectively in Australia (including in relation to the Australian Government's debt management).

Responsibility for the outputs associated with Outcome 2 is shared between Fiscal Group and Revenue Group. Fiscal Group is responsible for budget policy advice and coordination and for Commonwealth-State financial policy advice. Fiscal Group also provides advice on areas of core government services such as social policy, health, education, labour market regulation, industry and environment policy, defence and national security policy. Revenue Group provides advice on taxation and retirement incomes policy, including superannuation, the aged pension and other income support arrangements. Revenue Group is also responsible for the development of tax legislation.

Outcome 3: Well-functioning markets

Well-functioning markets contribute to the achievement of high sustainable economic and employment growth and the wellbeing of Australians, by enabling resources to flow to those parts of the economy where they can be used most productively.

Well-functioning markets operate when investors and consumers have the skills, confidence and certainty to make decisions that are well-informed and free from market distortions and impediments.

Treasury contributes to well-functioning markets by providing advice on policy processes and reforms that:

- promote a secure financial system and sound corporate practices;
- remove impediments to competition in product and services markets;
- promote consumer protection and financial literacy;
- safeguard the public interest in relation to foreign investment.

The effective implementation and communication of the Government's position is also critical to achieving this outcome.

Markets Group is responsible for the outputs associated with Outcome 3.

Treasury people values

Treasury has its own people values to reflect the management approach and these are within the broader Australian Public Service framework.

Treasury people:

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

Treasury people management principles:

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

Treasury's role and capabilities

Our mission statement reflects the breadth of our ministers' responsibilities and underscores the key importance for Treasury of a strong relationship with its ministers, built on trust and effective advice. We play a central policy agency role in the development of public policy.

In assessing public policy issues we apply a broad wellbeing framework comprised of five elements:

- opportunity and freedom — that individuals have the capability to lead the lives they want to lead;
- the level of consumption possibilities available to the community over time (including the level of goods and services which are available and non-market goods such as voluntary and community work, the quality of the physical environment, health and leisure);
- the distribution of these consumption possibilities (including among different groups within society, across geographical regions and inter-generational issues);
- the overall level of risk borne by individuals and, in aggregate, by the community;
- the level of complexity confronting Australians.

The wellbeing framework, along with the range of policy responsibilities held by Treasury ministers, means that Treasury must bring a whole-of-economy approach to its advice and analysis, taking account of a broad range of issues such as freedom, opportunity and the natural environment.

To be an effective central policy agency across our full range of activities we work to ensure that we:

- effectively focus our efforts on the issues that really matter, based on our understanding of government and of our ministers' interests;
- anticipate policy developments both inside and outside the Treasury portfolio;
- bring a strong analytical approach to all issues by applying our understanding of economic principles and tools, the framework for understanding wellbeing, our knowledge of Australia and relevant international policy experience and an understanding of all relevant interests;
- remain relevant over time through an inclusive and participatory involvement in policy processes, domestic and international engagement and continued sensitivity to the changes in community values and the policy environment;
- consistently achieve results working within the government.

In broad terms, the capabilities needed in Treasury to fulfill the role and deliver the outputs are:

- leadership and governance frameworks;
- high quality analytical strengths;
- systems to support, and investments to sustain, services.

The production and delivery of outputs relies on:

- policy development which covers identifying policy issues, shaping policy approaches, managing issues during a process of change, and providing up-to-date information;

- quantitative analysis of the economy, policy options and their impacts, and of government and departmental finances;
- policy implementation and development of legislation and related instruments;
- public consultation and information in the development of policy and legislation and ongoing management of issues;
- international engagement;
- administration of policy frameworks including government arrangements, legislation and programmes.

These activities are supported by people, financial and facilities management systems; knowledge and information management systems; communications systems; and strategic leadership at multiple levels in the organisation.

Table 1: Treasury financial and staffing resources summary

	Budget 2005 \$'000	Actual 2005 \$'000	Budget 2006 \$'000
Administered expenses			
Appropriation Acts No 1 and 3	9,000	1,281	6,000
Appropriation Acts No 2 and 4	178,458	173,983	168,973
Appropriation Acts No 5 and 6	-	-	-
Special Appropriations	36,122,639	36,070,602	38,508,112
Other expenses	-	451,228	-
Total administered expenses	36,310,097	36,697,094	38,683,085
Revenue from Government			
Output Group 1.1 Macroeconomic	26,822	26,058	31,408
Output Group 2.1 Fiscal	14,208	16,476	14,126
Output Group 2.2 Revenue	39,814	39,732	43,092
Output Group 3.1 Markets	43,300	44,289	45,525
Total revenue from Government contributing to the price of departmental outputs	124,144	126,555	134,151
Revenue from other sources			
Output Group 1.1 Macroeconomic	4,385	3,677	4,413
Output Group 2.1 Fiscal	298	210	286
Output Group 2.2 Revenue	836	606	874
Output Group 3.1 Markets	44,530	57,275	44,767
Total revenue from other sources	50,049	61,768	50,340
Total revenue for departmental outputs (Total revenues from Government and other sources)	174,193	188,323	184,491
Price of departmental outputs			
Output Group 1.1 Macroeconomic	31,207	27,107	35,821
Output Group 2.1 Fiscal	14,506	14,203	14,412
Output Group 2.2 Revenue	40,650	38,439	43,966
Output Group 3.1 Markets	87,830	91,682	90,292
Total price of departmental outputs	174,193	171,431	184,491
Total estimated resourcing (Total price of outputs and administered expenses)	36,484,290	36,868,525	38,867,576
Average staffing levels (number)	890	904	934

Note: Average staffing levels include locally engaged staff.

Figure 1: Treasury portfolio outcome structure (as at 30 June 2005)

<p>Portfolio Minister — Treasurer The Hon Peter Costello MP</p> <p>Minister for Revenue and Assistant Treasurer The Hon Mal Brough MP</p> <p>Parliamentary Secretary to the Treasurer The Hon Chris Pearce MP</p>	
<p>Department of the Treasury Secretary: Dr Ken Henry</p>	<p>Outcome 1: Sound macroeconomic environment</p> <p>Outcome 2: Effective government spending and taxation arrangements</p> <p>Outcome 3: Well-functioning markets</p>
<p>Australian Bureau of Statistics Statistician: Dennis Trewin</p>	<p>Informed decision-making, research and discussion within governments and the community, based on the provision of a high quality, objective and responsive national statistical service</p>
<p>Australian Competition and Consumer Commission Chairman: Mr Graeme Samuel</p>	<p>To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets</p>
<p>Australian Office of Financial Management Chief Executive Officer: Mr Neil Hyden</p>	<p>To enhance the Commonwealth's capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time</p>
<p>Australian Prudential Regulations Authority Chairman: Dr John Laker</p>	<p>To enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety, efficiency, competition, contestability and competitive neutrality</p>
<p>Australian Securities and Investments Commission Chairman: Mr Jeffrey Lucy</p>	<p>A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers</p>
<p>Australian Taxation Office Commissioner: Mr Michael Carmody</p>	<p>Effectively manage and shape systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems</p>
<p>Corporations and Markets Advisory Committee Convenor: Mr Richard St John</p>	<p>Fair and efficient financial markets characterised by integrity and transparency, and supporting confident and informed participation of investors and consumers</p>
<p>Inspector-General of Taxation Inspector-General: Mr David Vos AM</p>	<p>Improved administration of the tax laws for the benefit of all taxpayers</p>
<p>National Competition Council President: Dr Wendy Craik</p>	<p>The achievement of effective and fair competition reforms and better use of Australia's infrastructure for the benefit of the community</p>
<p>Productivity Commission Chairman: Mr Gary Banks</p>	<p>Well informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective</p>

Figure 2: Portfolio output structure (as at 30 June 2005)

The Treasury		
	2.1 Fiscal	3.1 Markets
1.1 Economic		
1.1.1 Domestic economic policy advice and forecasting	2.1.1 Budget policy advice and coordination	3.1.1 Foreign investment policy advice and administration
1.1.2 International economic policy advice and assessment	2.1.2 Commonwealth-State financial policy advice	3.1.2 Financial system and corporate governance policy advice
	2.1.3 Industry, environment and social policy advice	
	2.2 Revenue	
	2.2.1 Taxation and income support policy advice	3.1.3 Business and consumer policy advice
		3.1.4 Actuarial services
		3.1.5 Circulating coin and like products
Productivity Commission	Australian Securities and Investments Commission	Australian Competition and Consumer Commission
1.1 Productivity Commission	1.1 Australian Securities and Investments Commission	1.1 Australian Competition and Consumer Commission
1.1.1 Government commissioned projects	1.1.1 Policy and guidance about the laws administered by ASIC	1.1.1 Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed
1.1.2 Performance reporting and other services to government bodies	1.1.2 Comprehensive and accurate information on companies and corporate activity	1.1.2 Competitive market structures and informed behaviour
1.1.3 Regulation review activities	1.1.3 Compliance monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity	
1.1.4 Competitive neutrality complaints activities	1.1.4 Enforcement activity to give effect to the laws administered by ASIC	
1.1.5 Supporting research and activities and statutory annual reporting		
Australian Prudential Regulation Authority	Australian Bureau of Statistics	Inspector General of Taxation
1.1 Australian Prudential Regulation Authority	1.1 Australian Bureau of Statistics -National Statistical Service	1.1 Inspector General of Taxation
1.1.1 Policy development	1.1.1 Economic statistics	1.1.1 Identification of issues for review and prioritisation of work program
1.1.2 Surveillance programmes	1.1.2 Population and social statistics	1.1.2 Provision of independent advice to the government on the administration of the tax laws
1.1.3 Prudential advice		
Australian Taxation Office	Companies and Markets Advisory Committee	Australian Office of Financial Management
1.1 Australian Taxation Office	1.1 Companies and Markets Advisory Committee	1.1 Australian Office of Financial Management
1.1.1 Shape, design and build administrative systems	1.1.1 Annual report and discussion papers	1.1.1 Debt management
1.1.2 Management of revenue collection and transfers	1.1.2 Recommendations and reports	National Competition Council
1.1.3 Compliance assurance and support — revenue collection		1.1 National Competition Council
1.1.4 Compliance assurance and support for transfers and regulation of superannuation funds; compliance with retirement income standards		1.1.1 Advice provided to governments on competition policy and infrastructure access issues
1.1.5 Services to governments and agencies		1.1.2 Clear, accessible public information on competition policy

**Figure 3: Treasury output structure (as at 30 June 2005)
Strong, sustainable economic growth and the improved wellbeing of Australians**

<p>Outcome 1 Sound macroeconomic environment</p>	<p>Output Group 1.1 Macroeconomic</p>	<p>1.1.1 Domestic economic policy advice and forecasting</p> <p>1.1.2 International economic policy advice and assessment</p>	<p>Domestic Economy Division Macroeconomic Policy Division</p> <p>International Economy Division International Finance Division Pacific and Assistance Division G-20 and APEC Secretariat Overseas Posts</p>
<p>Outcome 2 Effective government spending and taxation</p>	<p>Output Group 2.1 Fiscal</p> <p>Output Group 2.2 Revenue</p>	<p>2.1.1 Budget policy advice and coordination</p> <p>2.1.2 Commonwealth-State financial policy advice</p> <p>2.1.3 Industry, environment and social policy advice</p> <p>2.2.1 Taxation and income support policy advice</p>	<p>Budget Policy Division</p> <p>Commonwealth-State Relations Division</p> <p>Social Policy Division Industry, Environment and Defence Policy Division</p> <p>Business Tax Division Indirect Tax Division International Tax and Treaties Division Superannuation, Retirement and Savings Division Tax Analysis Division Tax Design Division Tax System Review Division Board of Taxation</p>
<p>Outcome 3 Well-functioning markets</p>	<p>Output Group 3.1 Markets</p>	<p>3.1.1 Foreign investment policy advice and administration</p> <p>3.1.2 Financial system and corporate governance policy advice</p> <p>3.1.3 Competition and consumer policy advice</p> <p>3.1.4 Actuarial services</p> <p>3.1.5 Circulating coin and like products</p>	<p>Foreign Investment and Trade Policy Division Foreign Investment Review Board</p> <p>Corporations and Financial Services Division Financial System Division Takeovers Panel</p> <p>Competition and Consumer Policy Division Strategy, Communications and Group Services Unit Financial Literacy Foundation</p> <p>Australian Government Actuary Royal Australian Mint</p>

Figure 4: Treasury top management structure (as at 30 June 2005)

Secretary: Ken Henry

Strategic Communications Division

General Manager: Peta Furnell

Macroeconomic Group: Executive Director Martin Parkinson

Macroeconomic Group: Alternate Executive Director David Parker

Chief Adviser, International: John Eyers

Chief Adviser, Domestic: David Gruen

Domestic Economy Division

General Manager: Steven Kennedy

Macroeconomic Policy Division

General Manager: Paul O'Mara

International Economy Division

General Manager: David Pearl

International Finance Division

General Manager: Roger Brake

Pacific and Assistance Division

General Manager: Christine Barron

G-20 and APEC Secretariat

General Manager: Gordon de Brouwer

Washington Minister-Counsellor

(Economic) Nigel Bailey

Paris

Blair Comely – OECD

Paul Lindwall – Europe

Tokyo Minister-Counsellor

(Economic) Ron Foster

Beijing Minister-Counsellor

(Financial) Stephen Joske

Jakarta Counsellor

(South East Asia Financial) Karen Whitham

Fiscal Group and Corporate Services: Executive Director David Tune

Budget Policy Division

General Manager: David Martine

Industry, Environment and Defence Division

General Manager: Maryanne Mrakovcic

Commonwealth-State Relations Division

General Manager: Michael Willcock

Social Policy Division

General Manager: Rob Heferen

Corporate Services Division

General Manager: Ian Robinson

Revenue Group: Executive Director Mike Callaghan

International Tax and Treaties Division

General Manager: Neil Motteram

Individuals and Exempt Tax Division

General Manager: Geoff Miller

Tax System Review Division

General Manager: Paul McCullough

Tax Analysis Division

General Manager: Nigel Ray

Business Tax Division

General Manager: Colin Johnson

Tax Design Division

General Manager: Deidre Gerathy

Superannuation, Retirement and Savings Division

General Manager: John Lonsdale

Indirect Tax Division

General Manager: Patrick Colmer

Board of Taxation

General Manager: Bruce Paine

Markets Group: Executive Director Jim Murphy

Foreign Investment and Trade Policy Division

General Manager: Gerry Antioch

Strategy, Communications and Group Services Division

General Manager: Angela McGrath

Financial System Division

General Manager: Chris Legg

Competition and Consumer Policy Division

General Manager: Steve French

Corporations and Financial Services Division

General Manager: Kerstin Wijeyewardene

Australian Government Actuary

General Manager: Peter Martin

The Royal Australian Mint

Controller: Vivienne Thom

Takeovers Panel

Director: Nigel Morris

Financial Literacy Foundation

Peter McCray

PART 2

PERFORMANCE REPORT

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Report on performance

The report on performance covers Treasury's administered items and departmental outputs for 2004-05.

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

Treasury's 2004-05 performance is reported at the outcome and output levels for its three policy outcomes:

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

Performance outcomes are reported against the performance information published in the Treasury section of the *2004-05 Portfolio Budget Statements*.

The Mint's performance report against outcomes and performance against the Mint service charter is included in Outcome 3, Output 3.1.5.

Outcome 1

Sound macroeconomic environment

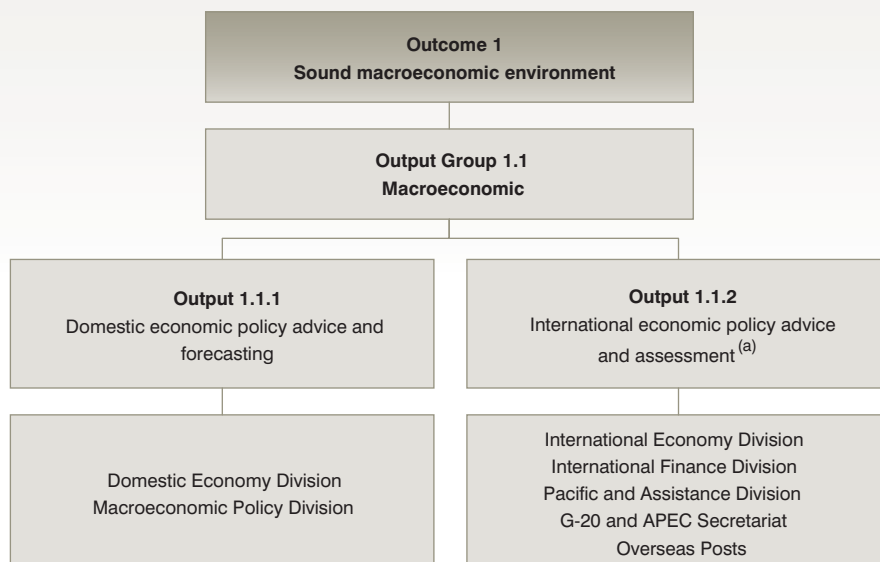
Treasury aims to contribute to a sound macroeconomic environment by monitoring and assessing economic conditions and prospects, both in Australia and overseas, and by providing advice on the formulation and implementation of effective macroeconomic policy, including monetary and fiscal policy.

Treasury also provides advice on advancing Australia's interests at international forums and institutions such as the Group of Twenty (G-20), the International Monetary Fund (IMF), the World Bank and the Asian Development Bank (ADB), and the Asia-Pacific Economic Cooperation (APEC) process. Australia is making a significant contribution to international efforts to sustain international economic stability and growth through these forums.

During 2004-05, Treasury provided strategic advice and assessments on a range of macroeconomic issues, supported by in-depth analysis of domestic and international economic developments. Its forecasts helped shape budget estimates and policy formulation. Treasury provided strategic advice on international economic policy issues, underpinning sustained growth, openness and sound governance in the global economy. Treasury also played a key role in advancing Australia's interests through international financial institutions and forums and bilaterally with a range of countries, particularly within the Pacific region.

Feedback from Treasury portfolio ministers indicated these outputs effectively contributed to their needs in influencing and formulating policy aimed at achieving a sound macroeconomic environment.

Figure 5: Outputs contributing to Outcome 1



(a) Treasury's overseas posts are a whole-of-department resource but are allocated to this output for reporting purposes.

Key priorities in 2004-05

Treasury's *2004-05 Portfolio Budget Statements* and internal planning processes identified the following key priorities for Outcome 1:

- examining domestic and international developments affecting the Australian economy and forecasting the direction of the Australian and international economies;
- assisting in identifying policies likely to improve Australia's economic growth potential and wellbeing, including improved understanding of the impact of changes in workforce participation and productivity on future growth and fiscal pressures;
- influencing international policy outcomes in favour of growth enhancement and poverty reduction, open trade and investment regimes, and market-orientated public policy based on rule of law and strong institutions through:
 - using effectively international forums (including the IMF, World Bank, Organisation for Economic Co-operation and Development (OECD), ADB, G-20, APEC, Pacific Islands Forum Economic Ministers' Meeting and the Manila Framework Group);
 - playing a lead role in the Government's initiatives to assist economic stability, development and governance in the Pacific, particularly, in Papua New Guinea, Solomon Islands and Nauru;
 - engaging directly in a policy dialogue with key counterparts in East Asia, including hosting a forum for discussion of regional macroeconomic challenges; and
 - providing technical assistance in the Asia-Pacific region.

Key outcomes in 2004-05

- Treasury established a G-20 and APEC Secretariat to develop the policy agenda and manage logistics for when Australia hosts the meetings of the G-20 Finance Ministers and Central Bank Governors in 2006 and the APEC Finance Ministers in 2007.
- In the Asia-Pacific region, Treasury engaged in policy dialogue, cooperation and institution building, including through chairing a conference of East Asian and Pacific policy makers in February. Treasury also played a key role in establishing the Government's \$1 billion Australia-Indonesia Partnership for Reconstruction and Development after the 2004 Boxing Day Tsunami.
- Economic forecasts assisted the Government with policy formulation.
- Briefing was prepared for the Treasurer on economic statistics released by the Australian Bureau of Statistics and the private sector, including advice on their implications for the economic outlook.
- The Treasurer regularly received advice from Treasury on global economic developments and emerging international risks.
- Published material included economic forecasts and analysis in budget papers, four issues of the Economic Roundup and working papers and speeches to better inform the public about economic developments and issues.

- The Economic Roundup examined Australia's continued strong growth in 2003-04 in light of the world economic recovery, compared Australian and US labour productivity, measured Australia's economic remoteness, explored the growth in imports, and reviewed Australia's net private wealth.
- For the 2005-06 Budget Paper No. 1, Statement 4 *Prosperity and Sustainability*, Treasury prepared a policy framework for meeting the challenges to economic growth and fiscal sustainability posed by the ageing Australian population.
- The Secretary, as a member of the Board of the Reserve Bank of Australia, regularly received advice on monetary policy.
- Treasury continued to help the Government to take an active role in international forums and institutions to influence outcomes supportive of sustained international economic stability, growth and development.
 - Australia actively contributed to efforts to help prevent and resolve financial crises and improve development outcomes, including by increasing the effectiveness of the multilateral development banks.
 - Australia strengthened relations with the ADB, particularly on collaboration in the Pacific region, for example, through the establishment by the ADB of the Pacific Liaison and Coordination Office in Sydney.
- Treasury provided policy advice and skilled staff to assist countries experiencing economic challenges, including Papua New Guinea, Solomon Islands and Nauru.
 - Six Treasury officers were deployed as part of the Regional Assistance Mission to the Solomon Islands (RAMSI) within the Department of Finance and Treasury.
 - A Treasury officer was deployed to undertake the role of Secretary of Finance in Nauru.
 - Five Treasury officers were deployed to PNG Treasury as part of the Enhanced Cooperation Program and two Treasury officers were deployed under the PNG-Australia Treasury Twinning Scheme.

Table 2: Financial and staffing resources summary for Outcome 1

	Budget 2005 \$'000	Actual 2005 \$'000	Budget 2006 \$'000
Administered expenses			
Appropriation Acts No 1 and 3	-	-	-
Appropriation Acts No 2 and 4	-	-	-
Appropriation Acts No 5 and 6	-	-	-
Special Appropriations	19,539	20,371	22,510
Other expenses	-	451,432	-
Total administered expenses	19,539	471,803	22,510
Revenue from Government			
Output Group 1.1 Macroeconomic			
Output 1.1.1 Domestic economic policy advice and forecasting	8,373	8,765	8,678
Output 1.1.2 International economic policy advice and assessment	18,449	17,293	22,730
Total revenue from Government contributing to the price of departmental outputs	26,822	26,058	31,408
Revenue from other sources			
Output Group 1.1 Macroeconomic			
Output 1.1.1 Domestic economic policy advice and forecasting	1,369	137	190
Output 1.1.2 International economic policy advice and assessment	3,016	3,540	4,223
Total revenue from other sources	4,385	3,677	4,413
Total revenue for departmental outputs (Total revenues from Government and other sources)	31,207	29,735	35,821
Price of departmental outputs			
Output Group 1.1 Macroeconomic			
Output 1.1.1 Domestic economic policy advice and forecasting	9,742	8,606	8,868
Output 1.1.2 International economic policy advice and assessment	21,465	18,501	26,953
Total price of departmental outputs	31,207	27,107	35,821
Total estimated resourcing for Outcome 1 (Total price of outputs and administered expenses)	50,746	498,910	58,331
Average staffing levels (number)	168	184	191

Note:

The Budget for administered expenses for 2005 is as per the 2004-05 Portfolio Additional Estimates Statements. The Actual for 2005 is as per the Audited 2004-05 Financial Statements.

The Budget for departmental price of outputs for 2005 and administered expenses and departmental price of outputs for 2006 is as per the 2005-06 Portfolio Budget Statements.

Average staffing levels include locally engaged staff.

Output 1.1.1

Domestic economic policy advice and forecasting

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

Treasury contributes to Outcome 1 by monitoring and assessing economic conditions and prospects, and by providing advice on formulating and implementing effective macroeconomic policy, including monetary and fiscal policy.

Performance information

The key performance indicators are:

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

Analysis of performance

Policy advice and inputs into policy processes

During 2004-05, Treasury advised the Treasurer and other members of the Government on a range of macroeconomic issues.

- It analysed and provided briefings on economic statistics released by the Australian Bureau of Statistics and the private sector. This included advice on implications for the economic outlook and information to assist the Treasurer in responding to the releases.
- As part of the Business Liaison Program, Treasury officers discussed issues relating to business activity with organisations in major business centres and regional Australia. The Treasurer received analysis of liaison findings and summaries appeared in the *Economic Roundup*.
- Treasury held discussions with visiting delegations from bodies such as the OECD and IMF, and briefed the Treasurer on the outcomes.
- The Treasurer received advice on fiscal policy and strategies as part of developing the 2005-06 Budget.
- In preparing advice to the Secretary as a Reserve Bank of Australia Board member, Treasury monitored economic, financial and policy developments to assess their implications for policy settings.
- Treasury also provided advice on administrative arrangements for the Reserve Bank of Australia.

- Treasury made a submission to the Senate Economics References Committee public inquiry into possible links between household debt, demand for imported goods and Australia's current account deficit.
- Treasury contributed to advising the Treasurer on the evolution and drivers of the Australian economy over time and factors likely to influence medium-term performance.

Economic forecasts

Economic forecasts inform policy settings and underpin the calculation of budget estimates of expenditure and revenue. For policy formulation purposes, macroeconomic forecasts provide an understanding of the broad developments within the economy and the balance of risks surrounding the economic outlook.

Several assumptions about key economic variables underpin Treasury's economic forecasts. In 2004-05, particular attention was paid to the strong world economy, developments in the housing sector, and movements in commodity prices and the Australian dollar.

Forecasting activity focused on 2004-05 and 2005-06, with forecasts published in the *Mid-Year Economic and Fiscal Outlook 2004-05*, the 2005-06 Budget, and the *Pre-Election Economic and Fiscal Outlook 2004*. These forecasts helped develop policy that contributed to the solid performance of the Australian economy.

Slow export growth and a moderation in domestic demand led to a revised forecast for economic growth in 2004-05 from 3½ per cent in the 2004-05 Budget to 2 per cent in the 2005-06 Budget. These forecasts were broadly consistent with the assessment of international forecasters such as the OECD and IMF.

Treasury prepared forecasts with contributions from the Joint Economic Forecasting Group, which comprises Treasury (chair), the Reserve Bank of Australia, the Department of the Prime Minister and Cabinet, the Department of Finance and Administration and the Australian Bureau of Statistics. These contributions, together with information gained from liaison with the private sector and other departments, helped improve the quality of the forecasts. Forecasts from Treasury's macroeconomic model of the Australian economy contributed to the forecasting process, and sensitivity analyses using the model were used to improve policy advice.

Contributions to public awareness and debate

Important contributions to public awareness and debate were delivered to a wide audience including international forums, foreign government agencies, tertiary institutions and the Australian public. Treasury economic publications and selected presentations are available free from www.treasury.gov.au.

Published economic forecasts, such as those contained in the *Mid-Year Economic and Fiscal Outlook* were accompanied by an update on the economic outlook to help inform the public of key developments in the domestic and international economies and the likely effects on economic growth in the short-term. The *Pre-Election Economic and Fiscal Outlook* also provided this information before the 2004 election. A more

comprehensive report on the domestic and international outlook, with a particular focus on 2005-06, was provided in Statement 3 of Budget Paper No. 1, *Economic Outlook* in the 2005-06 Budget papers.

Statement 1 of Budget Paper No. 1, *Fiscal Strategy and Budget Priorities* discussed the medium-term approach to fiscal policy, establishment of the Future Fund and the public debt position.

Statement 4 of Budget Paper No. 1, *Prosperity and Sustainability*, presented a policy framework for meeting the challenges to economic growth and fiscal sustainability posed by the ageing Australian population. Australia's successful economic performance over the past decade provides a sound basis for future national prosperity if the right choices are made. Policy choices are likely to have little effect on the numbers of people of traditional working age, so successfully meeting these challenges will require a focus on facilitating further productivity improvements and increasing the rate of labour force participation.

The *Budget Overview's* non-technical discussion made major policy developments and forecasts widely accessible.

Media and market commentators drew extensively on discussions in the Mid-Year Economic and Fiscal Outlook and Budget papers. The reports contributed significantly to public debate and helped increase public awareness about the Australian economy's current performance, prospects and challenges for the future.

The four issues of Treasury's *Economic Roundup* published in 2004-05 contained overviews of economic developments and analysis of key issues underpinning Australia's recent economic performance. In particular, the Spring *Economic Roundup* review article reflected on the continued strong growth in 2003-04, in light of the world economic recovery. Other articles covered issues including comparing Australian and US labour productivity, measuring Australia's economic remoteness, the growth in goods imports, Australia's net private wealth, structural fiscal indicators, forecasting the macroeconomy and the role of Treasury's mission statement to improve the wellbeing of the Australian people in providing public policy advice.

The working paper series included two papers arguing geography has an important influence on Australia's economic performance relative to other comparable countries, particularly the United States and New Zealand, and examining international trade patterns and volumes.

Treasury distributed quarterly updates of its macroeconomic model of the Australian economy and associated database. The model has evolved to reflect structural changes in the economy.

Bilateral meetings with a range of external delegations were held and advice was provided on forecasting methodology and economic policy development.

The Secretary and other senior Treasury officials spoke on the short-term macroeconomic outlook, fiscal and monetary policy, the medium-term fiscal strategy and longer-term challenges. The speeches dealt with policy options in response to the challenges of an ageing population, capacity constraints, determinants of Australia's better economic

performance compared to New Zealand and the scope for Australia to raise productivity levels towards the international frontier.

The speeches were to organisations such as the Australian Business Economists, the Australian Industry Group's National Industry Forum, the Economic and Social Outlook Conference, and the Sydney Institute, and are available on the Treasury website.

Reviews of economic data

Treasury liaised extensively with the Australian Bureau of Statistics, both informally through regular discussion at all levels and formally through ongoing representation on the Australian Statistics Advisory Council and the Economic Statistics User Group.

Output 1.1.2

International economic policy advice and assessment

International Economy Division, International Finance Division, Pacific and Assistance Division and the G-20 and APEC Secretariat in Macroeconomic Group are responsible for delivery of Output 1.1.2, international economic policy advice and assessment.

Macroeconomic Group contributes to Outcome 1 by providing strategic advice to government ministers on the global and regional economic outlook, Australia's economic engagement with East Asia, the global economic architecture including the international finance institutions and the development prospects and governance challenges facing Pacific economies. The group participates directly in various international forums, and provides policy advice and support to ministers and senior Australian representatives at international financial institutions. It also is responsible for administering Australia's subscriptions to international financial institutions.

A key development was Australia's endorsement as chair of the 2006 meeting of G-20 Finance Ministers and Central Bank Governors, and APEC's decision to award Australia host country status in 2007. These provide opportunities to lead the international economic and financial agenda and the global debate on measures to strengthen the foundations for economic development, growth and stability. The G-20 and APEC Secretariat was established to administer this undertaking.

Another key development was to deepen further engagement with Indonesia through the establishment of the \$1 billion Australia-Indonesia Partnership for Reconstruction and Development in response to the 2004 Boxing Day Tsunami, which includes the \$50 million Government Partnerships Fund to help Indonesia implement its economic, financial and public sector management reforms.

Performance information

The key performance indicators are:

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

- the facilitation of achievement of government objectives in international forums, including strengthening the international financial system, progressing multilateral debt relief and achieving institutional reform in the multilateral development banks; and
- timely and accurate financial transactions with international financial institutions are made with due regard to minimising cost and risk for Australia.¹

Analysis of performance

Facilitation of government objectives in international forums

International developments

With tighter macroeconomic policy settings and high oil prices, world growth has slowed moderately, following strong growth of 5.1 per cent in 2004. US growth has moderated to around trend, in line with expectations. Recent outcomes in China indicate continued strong momentum. Japan's outlook has improved recently, due to strong outcomes in the first half of 2005. The outlook for the rest of East Asia moderated as export growth eased, while the outlook for the Euro area remains subdued. Inflationary pressures in the major industrialised economies have been subdued, indicating the second round effects from higher oil and other commodity prices have not been significant.

International Monetary Fund

During 2004-05, the IMF continued to work towards a strong and stable global economy through its efforts to prevent and resolve financial crises. Australia continued to actively contribute to this debate by attending regular meetings of the International Monetary and Financial Committee Deputies, and other forums. In recent years, Australia has pushed for a review of IMF representation arrangements to address under-representation of some Asian nations. In keeping with this, Australia recognised Korea's growing economic significance by agreeing to rotate the nomination of the Executive Director to represent the constituency to which both countries belong. In November, a Korean assumed the position for the first time.

Treasury continued to support the IMF's financial activities by participating in the Financial Transactions Plan, and conducting timely and accurate financial transactions.

Treasury also helped fulfill Australia's IMF obligations through organising the annual IMF Article IV consultations in June.

Heavily Indebted Poor Countries Initiative and bilateral debt relief

Australia continued to strongly support the provision of international debt relief through the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. Under the initiative, eligible countries can qualify for exceptional debt relief once they have adopted sound policies, good governance practices and effective poverty reduction programmes.

¹ By law, the Treasurer must report to Parliament on Australia's dealings with the IMF and the World Bank. That report, which is expected to also address Australia's relations with the Asian Development Bank, will contain additional information on the last two performance measures.

At the October Annual Meetings of the IMF and the World Bank, ministers encouraged eligible countries to take the necessary actions to benefit from the HIPC initiative, and urged full creditor participation.

In November, the Australian Government forgave Ethiopia's bilateral debt to Australia of \$7.9 million. The announcement followed an IMF and World Bank determination that Ethiopia had undertaken all steps necessary under the enhanced HIPC initiative to be afforded debt forgiveness. This accords with Australia's commitment to provide 100 per cent bilateral debt relief to those heavily indebted poor countries with outstanding debts to Australia.

In November, the Australian Government joined other governments in the multilateral Paris Club and agreed to provide 80 per cent bilateral debt relief to Iraq.

At the March meeting of the Paris Club, the Australian Government joined other creditor countries in offering the governments of tsunami-affected countries a moratorium on scheduled debt repayments for 2005. The deferred payments will be repaid from 2006 to 2009.

In June, the Treasurer announced the Australian Government's support for the Group of Eight (G8) proposal to provide 100 per cent multilateral debt relief for countries eligible under the HIPC Initiative.

World Bank

The World Bank continues to focus on fighting poverty and improving living standards of people in the developing world. Australia emphasised the importance of trade in reducing poverty and the need for the World Bank to continue providing non-lending assistance to help improve governance and institutions in developing countries. Australia also worked to strengthen the World Bank's engagement in the Asia-Pacific region, including through liaising with the World Bank's Sydney office.

Australia, along with other donors, finalised the fourteenth replenishment of the International Development Association. Donors agreed to around \$45 billion (US\$34 billion), nearly 25 per cent more than the previous replenishment. Australia's contribution amounts to \$424 million, including \$36 million for the Heavily Indebted Poor Countries Initiative. Importantly, countries with the highest debt burden will receive all of their support from the International Development Association in the form of grants, with around 30 per cent of total support over the next three years expected to be in the form of grants.

In June, Paul Wolfowitz became the tenth President of the World Bank Group with unanimous support from the Bank Board.

Asian Development Bank

Australia and the Asian Development Bank signed a Memorandum of Understanding to establish the Asian Development Bank Pacific Liaison and Coordination Office in Sydney in May 2005. The Sydney Office will focus on the development of Kiribati, Nauru, Solomon Islands and Vanuatu, in the areas of aid coordination, country reporting, information dissemination and policy dialogue.

Australia welcomed the appointment of President Haruhiko Kuroda in December 2004. Australia contributed to the Bank's decision-making through representation on its Board of Directors and ministerial representation at the 2005 annual meeting in Istanbul, Turkey. Australia emphasised the importance of aid and trade reform in reducing poverty, supported President Kuroda's vision for enhanced regional cooperation, and welcomed the renewed dynamism and energy of the private sector operations of the Bank. More generally, Australia continued to encourage the Bank to continue to focus on its internal governance in order to strengthen its development effectiveness.

European Bank for Reconstruction and Development

As a shareholder in the European Bank for Reconstruction and Development, Australia continues to encourage the bank to pursue its mandate to assist countries in the transition from centrally planned to market-based economies. Australia encourages the bank to develop a graduation policy that optimises its resources by focusing on regions and sectors in the early stages of transition, and supports efforts to clarify the Code of Conduct to avoid conflicts of interest and maintain the highest ethical standards.

Organisation for Economic Co-operation and Development

Treasury officers participated in the work of OECD committees on macroeconomic and microeconomic policies, forecasting, taxation, budget policy, consumer policy, competition policy, corporate governance, insurance and private pensions, financial markets, sustainable development and investment, and capital markets. A Treasury official was elected as Vice-Chair of the committee on consumer policy and another chaired the 2004 Annual meeting of the National Contact Points for the Guidelines on Multinational Enterprises, a responsibility of the investment committee, and briefly chaired that committee's advisory group on relations with non-members. As part of the OECD's outreach activities, Treasury presented a paper on the failure of HIH to the OECD sponsored Assembly of Latin American Insurance Supervisors in Cochabamba, Bolivia.

Treasury was actively involved in convening the OECD Global Forum on Harmful Taxation on transparency and information exchange issues. The Treasurer wrote to Global Forum members inviting them to the forum in Melbourne in November 2005.

In November, Dr James Hagan led the Australian delegation to the OECD Economic and Development Review Committee's annual examination of Australia. The committee praised Australia's pursuit of broad ranging structural reforms and prudent macroeconomic policies as key factors underpinning Australia's prolonged period of good economic performance.

Treasury also actively participates in the review of other member and non-member economies, contributing to best practice policy development and exerting peer pressure on matters of significance to Australia.

The Group of Twenty

The G-20 Finance Ministers and Central Bank Governors forum² brings together policymakers with the capacity and legitimacy to shape the international economic environment. The G-20's comparative advantage lies in its relatively small but diverse membership, reflecting a balance of advanced and developing country views.

Treasury officers attended the G-20 deputies meetings in Frankfurt in October and in Chongqing in March. The former meeting was to prepare for the November G-20 Ministerial meeting, which the Treasurer and the Reserve Bank Governor attended. There the Treasurer led the discussion on combating the abuse of the financial system. The communiqué from G-20 members committed to higher standards of transparency and information exchange on tax matters. Ministers considered other issues including demographic challenges, stability and growth in the context of globalisation, regional integration in a global framework, institutional building in the financial sector and strategic directions for the international financial institutions. The meeting also endorsed Australia as chair for 2006.

Since January, Australia has been part of the G-20 management troika, comprising the previous, current, and following year's chairs (Germany, China and Australia). Treasury officials attended troika deputies' meetings in Washington in April, Chongqing in March and Beijing in June.

G-20 members participate in specially convened workshops to consider analytical and policy material relevant to Ministers and Central Bank Governors. Treasury officials represented Australia at workshops on demography and growth in Paris in July; regional economic integration in a global framework in Beijing in September; and innovative financing mechanisms for development in Rio de Janeiro in June.

Australia prepared a discussion paper for the G-20 Deputies meeting in March 2005 on demographic challenges and migration.

Four Markets Group

Through the Four Markets Group, Australia, Hong Kong, Japan and Singapore share their perspectives on macroeconomic, financial market and regulatory developments in the region.

Treasury attended the Four Markets Group meeting in Tokyo in October to discuss the macroeconomic situation of each country and the region, focusing on China, international financial reporting standards, regional and financial cooperation, and progress on bilateral trade and economic arrangements.

A Treasury paper examined the adoption of international financial reporting standards in the region, whether there was scope for greater regional convergence and the benefits that may flow from such developments. The outcome of the discussion was support by members for Australia to host a regional forum on the reporting standards.

2 G-20 members include: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom and the United States. The European Union is represented by the Council presidency and the President of the European Central Bank. The managing director of the IMF and the president of the World Bank, plus the chairpersons of the International Monetary and Financial Committee and Development Committee of the IMF and World Bank, also participate as ex-officio members.

Member countries rotate the hosting of meetings and Australia will host the October 2005 meeting. Members agreed to expand membership to include China and Korea in view of the importance of their financial markets and economies to the Asian region.

Asia-Pacific Economic Cooperation

The Treasurer received policy advice and briefings for at the eleventh APEC Finance Ministers' Meeting in Thailand in September 2004. Finance Ministers stressed that to reap the benefits of enhanced openness and integration, member economies must have in place policies and institutions that lead to sustainable, broad-based and equitable growth in the region.

The APEC Finance Ministers' process focused on establishing a framework for building sound domestic institutions in the region, emphasising development of effective and stable capital markets. Treasury led two initiatives within the Finance Ministers' process that focused on the development of future leaders and improved economic governance. These were: the APEC Future Economic Leaders' Think Tank, and Corporate Governance Pathfinder.

Treasury officers attended APEC Finance Ministers' Technical Working Group meetings in Korea in December and June. The Technical Working Group endorsed two Treasury initiatives on fiscal management and financial reform. Treasury officers also participated in an APEC Finance and Development Program dialogue in China in November, and an APEC Policy Dialogue on Remittances in Thailand in May.

In the APEC Investment Experts' Group, Treasury worked to ensure the focus was on investment liberalisation and facilitation rather than investment promotion. Treasury participated in a meeting in Korea in May 2005.

Relations with East Asia

Engagement with key Asian economies has advanced in a range of ways.

Treasury's engagement with Indonesia acquired a significant new dimension with the establishment of the \$1 billion Australia-Indonesia Partnership for Reconstruction and Development (AIPRD) in response to the 2004 Boxing Day Tsunami. The Treasurer sits on the Joint Commission of the AIPRD and the Treasury Secretary is one of five agency heads on the AIPRD Secretaries' Committee. A Treasury officer, Frank Di Giorgio, was seconded to the AIPRD Secretariat for several months during 2005.

Treasury provides advice to the Secretaries' Committee on all aspects of the programme, but focuses on the \$50 million Government Partnerships Fund, a whole-of-government programme to support Indonesia implement its programme of economic, financial and public sector management reforms. It is developing activity proposals to provide technical assistance to Indonesian counterpart agencies.

To promote ongoing engagement, senior Treasury officials gave addresses on issues of importance to Australia and East Asia, including: Australia-China economic directions; long-term trends in the Australian Economy; macroeconomic policy and structural change in East Asia; and Australia's international engagement and reform.

As part of the Government's commitment in the 2004-05 Budget to promote economic security in East Asia, Treasury hosted the inaugural conference, Macroeconomic Policy and Structural Change in East Asia in Sydney on 24 and 25 February 2005. The conference provided a forum for discussing medium-term economic policy issues with senior Treasury, Ministry of Finance and Central Bank officials from East Asia, the United States and the Pacific. It is proposed such policy dialogues become an annual event.

Treasury continued to receive delegations from the region, particularly China and Indonesia, for discussions of policy issues. Graeme Davis, Manager, Macro Dynamics Unit, visited Beijing in October 2004 to deliver a presentation to the National Reform and Development Commission on Australia's macroeconomic frameworks. Blair Comley, Australia's representative to the OECD, visited Jakarta in March to present seminars on debt management and tax reform. Geoff Miller, Manager of the Individuals and Exempt Tax Division, visited Jakarta in June to meet with staff from the Indonesian Ministry of Finance and delivered a presentation on taxation of employee non-cash benefits.

Three senior Treasury officials posted to Beijing, Jakarta and Tokyo assist understanding of conditions in regional economies. They continue to build closer contact with Treasury's counterparts in Japan, Korea, China, Hong Kong, Chinese Taipei, Indonesia, Singapore, Malaysia, Thailand and the Philippines, and, as part of the team at the relevant embassies, help enhance Australia's economic relations with the region.

Manila Framework Group

The last Manila Framework Group meeting, held on 30 November and 1 December 2004, considered four issues: risks and issues associated with global and regional economic developments and the outlook; members' policy responses to sustain growth and facilitate global adjustment; the business cycle and private-sector debt; and the future prospects of the Manila Framework Group's. Australia's options paper on the prospects concluded the forum had achieved its purpose to help manage the financial crisis and promote financial stability in East Asia. The general consensus was to disband the group; however, members hoped other forums would be as successful in promoting frank and open discussion on structural and macroeconomic stability issues.

Relations with Pacific Economies

Pacific Islands Forum Economic Ministers' Meeting

The Parliamentary Secretary to the Treasurer attended the ninth annual Pacific Islands Forum Economic Ministers' Meeting in Tuvalu in June. The meeting discussed key private sector development challenges in the Pacific including the costs of doing business, institutional reform, public enterprise governance, regional transport and economic aspects of regional integration. Australia's involvement supports Forum Island Countries in developing appropriate economic policies for achieving development goals.

Treasury preparation for this meeting reinforced the focus on core economic governance issues.

Policy advice

Economic reconstruction issues

The 2004-05 Budget allocated \$9.2 million over five years to Treasury's work on South Pacific economic governance and stabilisation. Treasury provides policy advice on economic issues relating to nations in the Pacific, particularly Solomon Islands, Papua New Guinea and Nauru, and logistical support and policy advice to officers deployed in those countries.

Solomon Islands

In January, the Financial Management Strengthening Project was introduced as the second phase of the economic governance assistance package as part of the Regional Assistance Mission to Solomon Islands. The project assists with the budget and focuses on improving fiscal management systems, strengthening tax administration, and building the capacity of local Solomon Islanders. Three Treasury officers were deployed to the project, including as Under Secretary of the Department of Finance and Treasury.

Treasury officers, deployed to the Solomon Islands Economic Reform Unit, continued to engage with government, donors and other stakeholders to identify opportunities for economic reform and facilitate its implementation.

Papua New Guinea

Under the Papua New Guinea-Australia Treasury Twinning Scheme, two Treasury officers were deployed to the PNG Treasury, and one PNG Treasury officer was deployed to work in Treasury and one PNG Treasury officer is studying at the Australian National University.

Treasury officers deployed to the PNG Treasury under the Enhanced Cooperation Program work on general economic policy issues, fiscal and taxation policy, and governance of statutory authorities and government business enterprises. Since the May 2005 PNG Supreme Court's decision on a constitutional challenge to the programme, all officers have performed advisory roles.

Nauru

As part of the Economic Advice and Governance Assistance Program, a Treasury officer was deployed as Secretary of Finance in Nauru. During the year, this officer assisted in stabilising the financial position of Nauru and developing Nauru's 2004-05 Budget.

The International Economic Policy Group

Treasury continued to play an active role in the International Economic Policy Group, which remained instrumental in maintaining a coordinated whole-of-government approach to international economic developments and consideration of relevant policy issues. The group meets approximately every six weeks, or as needed. It comprises high level officers from the Department of the Prime Minister and Cabinet, Foreign Affairs and Trade, Treasury, AusAID, the Office of National Assessments and the Reserve Bank of Australia, with other departments attending as required.

Outcome 2

Effective government spending and taxation arrangements

Effective government spending and taxation arrangements are crucial to achieving the Government's economic objectives and improving the wellbeing of Australians. Ongoing advice provided by Treasury to the portfolio ministers assists in formulating, implementing and explaining government spending and taxation decisions.

Responsibility for Outcome 2 is shared between Fiscal and Revenue Groups.

Fiscal Group focuses on the core government activities of: advising on, developing and producing the Australian Government Budget; managing debt; reviewing the funding of other levels of government, advising on core government services, such as social policy, health policy, labour market participation, industry and environment policy, and defence and national security policy. Policy advice includes attending to the need to address pressures from an ageing population by improving participation, productivity and fiscal sustainability.

During 2004-05, Treasury devoted significant resources to delivering services related to key budget products and payments to the states and territories. Treasury released the *Pre-Election Economic and Fiscal Outlook 2004*, prepared the 2005-06 Budget and the *Mid-Year Economic and Fiscal Outlook 2004-05*, administered payments to the States and contributed to the implementation of the harmonised Australian accounting standards and review of Horizontal Fiscal Equalisation methodology simplification. Treasury also advised on implementing the election commitment to introduce the Future Fund.

By providing advice on welfare to work, education and training, immigration, health, water reform, climate change, drought policy, defence and national security and industrial relations reforms, Treasury contributed significantly to policy development. Major contributions related to the Government's family tax benefit reform from the 2004-05 Budget and the *Welfare to Work* reform measures announced in the 2005-06 Budget. Work to increase public awareness of the challenges to the sustainability of demographic change, particularly public consultation on *Australia's Demographic Challenges* continued.

Revenue Group has the primary responsibility within the Australian Public Service for providing quality advice to Treasury ministers on taxation and retirement income policies and designing and delivering taxation and retirement income legislation. Policy advice and legislation are developed through an integrated process of close cooperation with the Australian Taxation Office and relevant Commonwealth departments, and wide consultation with business and community interests. The contribution to better tax policy and better tax law are key elements of Treasury's role as a central policy agency.

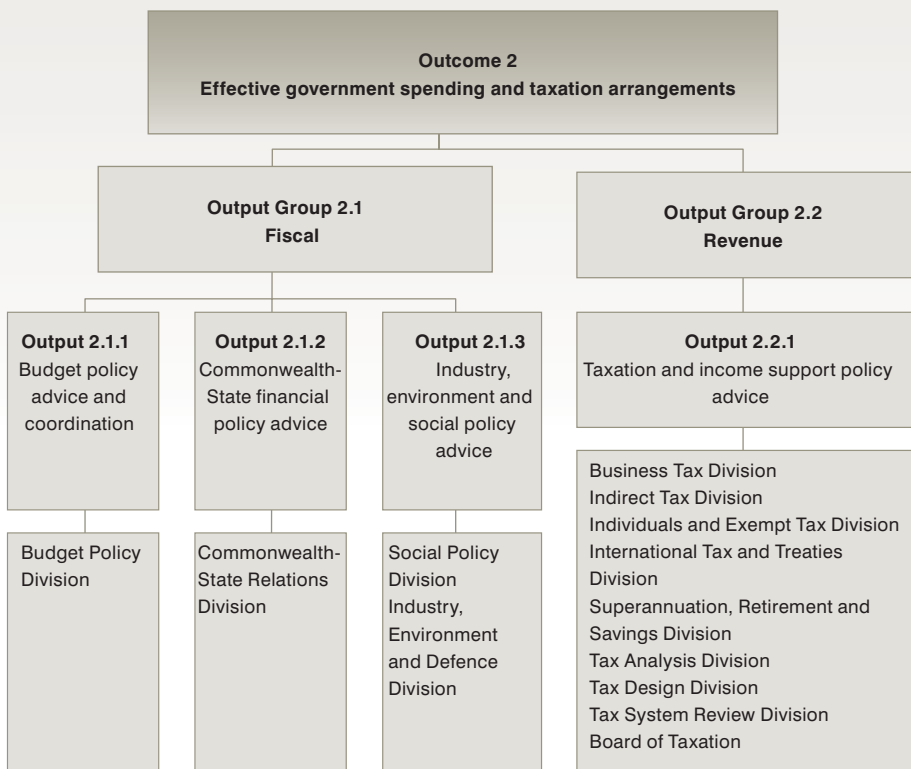
During 2004-05, Treasury devoted significant resources to tax and retirement income reform, including the taxation of financial arrangements, the review of international tax arrangements, choice of superannuation fund and abolition of the superannuation surcharge.

A longer term focus on tax reform was reflected in the significant resources Treasury devoted to the *Review of Aspects of Income Tax Self Assessment*, which reported to the Treasurer in August. This commitment was expanded as a new division implemented and further developed the reforms the Government endorsed in the review report, and this division will progress other tax administration system reforms. This systematic review is ongoing and will leverage the benefits of the 2002 relocation of the tax legislation function to Treasury.

In all, 21 taxation and superannuation bills, containing 111 measures, were introduced into Parliament. Three of these bills were introduced after the 2005-06 Budget, to give effect to Budget announcements. Eight of the 10 bills Treasury sought to have passed during the winter sittings received Royal Assent by 30 June 2005.

Further development of the consultation process, integrated tax design and quality assurance systems, and a principles-based approach to tax design were key activities. These improve the processes and outputs in developing advice and designing legislation for taxation and superannuation policies. Treasury consulted extensively with industry and other stakeholders on taxation and superannuation measures, emphasising better tax design, and including a business liaison programme with key industry associations and development of an evaluation system. Treasury also provided two reports to the Board of Taxation on consultation on announced tax measures to help the board monitor the consultation process.

Figure 6: Outputs contributing to Outcome 2



Key priorities in 2004-05

Policy advice from Fiscal and Revenue Groups covers a broad agenda. Strategies include developing specialist expertise in policy and taxation design areas, further developing key partnerships with other participants in the policy process, and focusing more on the strategic assessment of emerging core issues. Key priorities included:

- budget policies, including arrangements to distribute resources between the Commonwealth and other levels of government, consistent with sustainable public finances and macroeconomic objectives;
- government expenditure programmes, particularly those with significant economic or budgetary implications;
- policies related to the Australian Government's debt portfolio and the management of the portfolio;
- taxation policies and legislative design proposals contributing to reform of the Australian taxation system through greater efficiency, equity and transparency whilst minimising compliance and administrative costs;
- policies to promote the efficient and sustainable use of resources and improve the competitiveness and productivity of Australian industries, thereby promoting higher levels of sustainable economic growth;
- development and implementation of policies on retirement incomes, including superannuation and the age pension, and other income support arrangements promoting the wellbeing of Australians;
- production of the *Pre-Election Economic and Fiscal Outlook 2004*, *Mid-Year Economic and Fiscal Outlook 2004-05*, and 2005-06 Budget and, meeting requirements of the Charter of Budget Honesty, including for the 2004 elections;
- public consultation on the Australian Government's Discussion Paper *Australia's Demographic Challenges*;
- a review, in conjunction with the States and Territories, to consider the simplification of horizontal fiscal equalisation principles;
- implementation of decisions arising from the Australian Government's Review of Aspects of Income Tax Self Assessment;
- improved processes and outputs in developing advice on taxation and superannuation policies (including consultation processes and design of legislation);
- implementation of more decisions arising from the review of international taxation;
- further stages in legislation relating to the taxation of financial arrangements, the definition of charities, penalties for tax scheme promoters, foreign resident withholding and a substantial programme of other tax legislation; and
- preparation of costings and quantitative analysis of taxation, income support and retirement incomes policy proposals.

Key outcomes in 2004-05

Key achievements during 2004-05 were:

- Treasury provided advice on the budget outlook and priorities, and improved the capacity to understand States' longer-term expenditure and revenue pressures as a basis for advising on the impact of arrangements under the Intergovernmental Agreement.
- Treasury contributed to the development of national security policies and accountability frameworks for the Defence portfolio.
- Treasury further developed a whole-of-government balance sheet management framework including advice on the Future Fund.
- Policy advice on environmental, agricultural and natural resource management issues included the National Water Initiative, the Australian Government Water Fund, climate change, the Productivity Commission Inquiry into Energy Efficiency, a broad range of agricultural assistance and adjustment issues, drought policy and environmental and agriculture related aspects of the Government's response to the Productivity Commission's Review of National Competition Policy Reforms.
- With the Department of Finance and Administration, Treasury delivered the *Pre-Election Economic and Fiscal Outlook 2004*, (September), the *Mid-Year Economic and Fiscal Outlook 2004-05*, (December) and the 2005-06 Budget (May).
- Treasury contributed significantly to family tax benefit reform announced in the 2004-05 Budget and to *Welfare to Work* reform announced in the 2005-06 Budget. It also contributed to policy on education and training issues to improve capacity to work, particularly a national approach to vocational education and training (announced at the Council of Australian Governments) and new requirements under Specific Purpose Payments for schools.
- Public awareness of the challenges to fiscal sustainability of demographic change increased, particularly through public consultation on *Australia's Demographic Challenges*.
- Through a Commonwealth/State secretariat, Treasury undertook a simplification review of Horizontal Fiscal Equalisation, to advise Heads of Treasuries.
- Policy development covered a wide range of health issues in Medicare, the Pharmaceutical Benefits Scheme, Pharmacy Agreement, preventative health and structural reform in the aged and community care sectors.
- Advice to the Government on a range of business tax policy issues included the consolidation regime, reforms to the imputation system, taxation of financial arrangements and company loss recoupment rules.
- Treasury implemented further major reforms to the international tax arrangements announced in the 2003-04 Budget and provided advice on reforms announced in the 2005-06 Budget. These reforms reflect the outcomes of the Review of International Tax Arrangements and should modernise Australia's international tax system.

- Treasury reviewed income tax self assessment, focusing on whether the income tax laws achieve a fair balance between protecting the rights of individual taxpayers and protecting the revenue for the benefit of the Australian community. New legislation to reduce the consequences of assessment errors for taxpayers acting in good faith, provide a lower rate of interest for the period before taxpayers are notified of their error and refine the penalties regime; expose legislation relating to ATO advice and amendment periods to public consultation; and start a series of further reviews.
- Key elements of the Government's reforms to retirement incomes policy increase the security, attractiveness and accessibility of superannuation. Treasury advised the Government on implementing the choice of superannuation fund policy.
- A discussion paper was released on the Government's fuel tax credit reforms, with the view to lowering compliance costs and reducing tax on business.
- The principles-based approach to tax design was advanced, which should provide more accessible law, with greater integrity, clarity and durability.
- Treasury continued to develop integrated tax design and quality assurance systems for a holistic and collaborative approach to quality tax design.
- Improved consultation processes include development of an evaluation system to ensure the processes satisfy both the participants and Treasury.
- Treasury supported ministers' tax system governance issues, including implementation of the Uhrig Report recommendations.
- As part of the *Charter of Budget Honesty Act 1998*, the Department of Finance and Administration and Treasury coordinated the costing of election commitments for the Liberal-National Party Coalition and the Australian Labor Party leading up to the 2004 Federal Election.
- Treasury provided advice to the incoming government following the 9 October 2004 Federal Election.
- A scoping study into the development of quantitative models examined how changes to tax, income support and other policy affect labour force participation. Subsequently, the 2005-06 Budget provided funding for the Participation Modelling Project.

Table 3: Financial and staffing resources summary for Outcome 2

	Budget 2005 \$'000	Actual 2005 \$'000	Budget 2006 \$'000
Administered expenses			
Appropriation Acts No 1 and 3	-	-	-
Appropriation Acts No 2 and 4	18,710	14,235	4,272
Appropriation Acts No 5 and 6	-	-	-
Special Appropriations	36,099,792	36,047,051	38,485,602
Other expenses	-	1,803	-
Total administered expenses	36,118,502	36,063,089	38,489,874
Revenue from Government			
Output Group 2.1 Fiscal			
Output 2.1.1 Budget policy advice and coordination	3,279	3,522	4,256
Output 2.1.2 Commonwealth-state financial policy advice	3,718	5,843	2,697
Output 2.1.3 Industry, environment and social policy advice	7,211	7,111	7,173
Output Group 2.2 Revenue			
Output 2.2.1 Taxation and income support policy advice	39,814	39,732	43,092
Total revenue from Government contributing to the price of departmental outputs	54,022	56,208	57,218
Revenue from other sources			
Output Group 2.1 Fiscal			
Output 2.1.1 Budget policy advice and coordination	69	54	86
Output 2.1.2 Commonwealth-state financial policy advice	78	46	55
Output 2.1.3 Industry, environment and social policy advice	151	110	145
Output Group 2.2 Revenue			
Output 2.2.1 Taxation and income support policy advice	836	606	874
Total revenue from other sources	1,134	816	1,160
Total revenue for departmental outputs (Total revenues from Government and other sources)	55,156	57,024	58,378
Price of departmental outputs			
Output Group 2.1 Fiscal			
Output 2.1.1 Budget policy advice and coordination	3,348	3,531	4,342
Output 2.1.2 Commonwealth-state financial policy advice	3,796	3,219	2,752
Output 2.1.3 Industry, environment and social policy advice	7,362	7,453	7,318
Output Group 2.2 Revenue			
Output 2.2.1 Taxation and income support policy advice	40,650	38,439	43,966
Total price of departmental outputs	55,156	52,642	58,378
Total estimated resourcing for Outcome 2 (Total price of outputs and administered expenses)	36,173,658	36,115,731	38,548,252
Average staffing levels (number)	398	401	405

Note:

The Budget for administered expenses for 2005 is as per the *2004-05 Portfolio Additional Estimates Statements*. The Actual for 2005 is as per the Audited 2004-05 Financial Statements.

The Budget for departmental price of outputs for 2005 and administered expenses and departmental price of outputs for 2006 is as per the *2005-06 Portfolio Budget Statements*.

Average staffing levels include locally engaged staff.

Output 2.1.1

Budget policy advice and coordination

Budget Policy Division in Fiscal Group and Tax Analysis Division in Revenue Group are responsible for the delivery of Output 2.1.1, budget policy advice and coordination.

Fiscal Group and Revenue Group contribute to Outcome 2 by providing advice to Treasury portfolio ministers on budget policy issues, current and prospective trends in Australian Government revenue and major fiscal aggregates, the fiscal framework and debt policy. In addition, Fiscal Group, with the Department of Finance and Administration, coordinates preparation of budget and related documents.

Performance information

The key performance indicators are:

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

Analysis of performance

Advice on the budget outlook

During 2004-05, Treasury provided advice to the Treasurer and other portfolio ministers on the Australian Government's budget position to inform overall policy settings and provide the context for the Government's decision making. The fiscal outlook was updated in the Pre-Election Economic and Fiscal Outlook, the Mid-Year Economic and Fiscal Outlook, and the 2005-06 Budget.

As budget estimates are a joint responsibility, preparation of this advice required extensive liaison with the Department of Finance and Administration, the Australian Taxation Office and other Australian 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.

Final budget outcome for 2003-04

The *Final Budget Outcome 2003-04* was published in September 2004. In 2003-04, the Australian Government general government sector recorded an underlying cash surplus of \$8.0 billion, some \$3.5 billion more than estimated at budget time, mainly due to higher than expected tax receipts from individuals other than wage and salary earners, and lower than expected cash payments. Lower payments were partly due to slippage in a range of health grant programmes and slower take-up of newly listed drugs under the Pharmaceutical Benefits Scheme.

The accrual fiscal surplus of \$5.6 billion, some \$2.6 billion more than estimated at budget time, partly reflected higher than expected tax revenue from other individuals partly offset by lower than expected company tax revenue and accrual expenses.

Pre-election economic and fiscal outlook

In September, the Secretaries of the Treasury and Department of Finance and Administration publicly released the Pre-Election Economic and Fiscal Outlook. This provided updated information on the economic and fiscal outlook and is a requirement of the *Charter of Budget Honesty Act 1998*. In line with the Act, the outlook was released within ten days of the issue of the writ for the general election.

The Pre-Election Economic and Fiscal Outlook estimated the underlying cash surplus for 2004-05 to be \$5.3 billion, some \$2.9 billion more than at budget time. A fiscal surplus of \$3.6 billion was estimated for 2004-05, some \$2.9 billion more than at budget time.

Budget forecasts

The 2004-05 Budget, published in May, contained forecasts of the fiscal outlook for 2004-05 and the following three years. The Mid-Year Economic and Fiscal Outlook, released by the Treasurer and Minister for Finance and Administration in December 2004, forecast an underlying cash surplus of \$6.2 billion for 2004-05, some \$3.8 billion more than at budget time. This largely reflected an increase of \$5.5 billion in estimated cash receipts offsetting an increase of \$1.7 billion in payments. The increase in estimated cash receipts was driven by higher than expected company profits and stronger than expected employment outcomes. The increase in estimated cash expenditure was principally due to implementation of the Government's election commitments and other new policy measures. Major new initiatives included raising the Medicare Rebate, increasing investment in school infrastructure and increasing assistance to senior Australians. In accrual terms, the 2004-05 fiscal balance was revised up some \$4.2 billion to \$4.9 billion since the 2004-05 Budget.

The 2005-06 Budget revised up the estimated underlying cash surplus for 2004-05 by \$3.0 billion since MYEFO to \$9.2 billion, largely reflecting higher than anticipated taxation receipts from companies, small unincorporated businesses and personal investors. In accrual terms, the estimated fiscal surplus for 2004-05 was revised up by \$2.1 billion to \$7.0 billion.

Budget and financial frameworks policy advice

Treasury assisted the Government in implementing its fiscal strategy by managing budget processes and advising Treasury ministers on the overall budget strategy and priorities. Good budget processes help governments take decisions on the basis of accurate information, allowing proposals to be prioritised according to the overall budget objectives.

Debt management policy

While the Australian Office of Financial Management is responsible for operational aspects of the management of the Australian Government debt portfolio, Treasury develops advice to the Treasurer on strategic debt policy issues and relevant wider public policy issues. This includes providing advice to the Treasurer on matters where debt management issues carry implications for other arms of government policy or for the effective functioning of markets and/or the real economy. Treasury also provides advice where broader macroeconomic developments or public policy considerations may affect debt management. Treasury also plays an important role in the governance structures for the management of the Australian Government debt portfolio.

During 2004-05, Treasury worked closely with the Australian Office of Financial Management on implementing the debt issuance strategy, consistent with the outcomes of the 2003 review of the Australian Government Securities market. These issues are discussed further in the Australian Office of Financial Management's Annual Report.

Future Fund

In light of the 2004 election commitment to establish the Future Fund, Treasury with the Department of Finance and Administration, has been working on the policy's development and implementation. Work on the broad governance arrangements and initial scoping of the impact of the fund on the Government's financial position was reflected in the 2005-06 Budget.

Treasury will be responsible for implementing Future Fund policy and Fiscal Group established a team to do this in May 2005. Its main tasks are to draft enabling legislation, assist the Government in choosing the Future Fund Management Board and provide advice to the Government in formulating an investment mandate to guide the board in managing the fund.

Contribution to public debate and awareness

Budget publications

The Government's budget publications are available free at www.budget.gov.au. Widespread access to these documents helps the public keep informed of budget decisions and the fiscal outlook.

Treasury and the Department of Finance and Administration jointly prepare the Government's budget documentation. Treasury also prepares accessible summaries for non-specialist readers. These were the general budget overview, an overview of the *Welfare to Work* initiative and a budget-at-a-glance.

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

- the principal budget aggregates and the Government's fiscal strategy and objectives;
- economic assumptions underpinning the budget estimates;
- taxation revenue estimates;
- taxation 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 mid-year update around November and a final budget outcome in the following September. The charter also stipulates that an intergenerational report be produced on a five-yearly cycle.

Some changes to budget documents in the 2005-06 Budget enhanced the information available to readers. A new section in Statement 2 of Budget Paper 1, Fiscal Outlook, assessed the medium-term fiscal outlook and associated pressures and Statement 11 provided a quick reference table on the status of risks.

In 2004-05, Treasury met with representatives from countries including Korea, China, Thailand and Vietnam, interested in learning about Australia's budgeting and reporting framework. In addition, Treasury gave presentations to secondees from Papua New Guinea's Department of Finance and Administration.

Tax Expenditures Statement

Treasury prepares the annual Tax Expenditures Statement to estimate the value of concessions, benefits and incentives delivered to taxpayers through the tax system. The *2004 Tax Expenditures Statement*, published in January 2005, reported on the cost of tax expenditures with estimates and projections to 2007-08. Production of this statement assists transparency and encourages public scrutiny of government programmes delivered through the tax system.

Output 2.1.2

Commonwealth-State financial policy advice

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

Fiscal Group contributes to Outcome 2 by providing high quality advice on Commonwealth-State financial policy, including implementing the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, and on related State and Territory fiscal and taxation issues.

Fiscal Group also manages the efficient administration of payments to the States and Territories, including GST revenue, Budget Balancing Assistance, compensation for GST revenue deferred, National Competition Policy Payments and Special Revenue Assistance.

Performance information

The key performance indicators are:

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

Analysis of performance

Advice on reform of Commonwealth-State financial relations

This was the fifth year of full operation of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*. Treasury provided advice to the Treasurer on various aspects of the agreement, particularly transitional issues such as calculation of the Guaranteed Minimum Amount and abolition of State taxes listed in the Intergovernmental Agreement.

The Ministerial Council for Commonwealth-State Financial Relations

The Ministerial Council, comprising the Australian Treasurer and all State and Territory Treasurers, oversees the implementation and operation of the Intergovernmental Agreement. Treasury coordinates the agenda for the Ministerial Council. At the sixth annual meeting of the Ministerial Council, in March 2005, Treasurers discussed the Australian Government's proposal for the elimination of inefficient State taxes and review of the Horizontal Fiscal Equalisation Methodology. Other matters discussed included expected payments to the States and Territories, GST administration issues and other policy and administrative matters, including specific purpose payments. Treasury advised the Treasurer on the key issues.

The Australian Loan Council traditionally meets in March to consider each jurisdiction's expected borrowing for the next financial year. Treasury advised the Treasurer on the key issues and coordinated arrangements for this meeting, which was held in conjunction with the Ministerial Council meeting.

Heads of Treasuries

The Heads of Treasuries meetings are a forum to share information on issues common to the Australian, State and Territory governments. The Treasury Secretary and his State and Territory counterparts met three times to focus on issues arising under the Intergovernmental Agreement, economic conditions, demographics and longer-term fiscal issues, taxation and financial issues and specific purpose payments.

GST Administration Sub-committee

The GST Administration Sub-committee assists the Ministerial Council in monitoring the operation and administration of the GST. The sub-committee met three times and advised on modifications to the GST base and the Australian Taxation Office's administration of the GST. Treasury chairs the sub-committee, which comprises officials from the Australian Treasury, the Australian Taxation Office and State and Territory Treasuries. The sub-committee monitored the operation of the GST Administration Performance Agreement between the States and Territories and the Australian Taxation Office. Consistent with the terms of the agreement, the sub-committee undertook the agreement's triennial review, and discussed GST revenue receipts and payments, GST implementation and administrative issues.

Review of state taxes

Treasury chaired a working group comprising representatives from the Australian, State and Territory Treasuries to prepare a report which formed the basis for the Ministerial Council's review of the need to retain the State and Territory stamp duties listed under the Intergovernmental Agreement. Treasury also provided policy advice to the Treasurer on issues relating to the reform of these stamp duties.

Secretariat to the Review of Horizontal Fiscal Equalisation Methodology

At the 26 March 2004 meeting of the Ministerial Council for Commonwealth-State Financial Relations, a majority of the States and Territories, with Australian Government support, agreed to task the Heads of Treasuries to examine aspects of the Commonwealth Grants Commission's methodology for implementing the principle of horizontal fiscal equalisation, while maintaining the underlying principles of equalisation.

The review was guided by a steering committee, chaired by the Treasury Secretary with Treasury and the Commonwealth Grants Commission providing the secretariat. The review found that the methodology, while generally robust, could be simplified without compromising the underlying principle of horizontal fiscal equalisation.

The Ministerial Council agreed at its 23 March meeting to provide the Commonwealth Grants Commission with terms of reference to guide it in simplifying its methodology for report to the Council by 2010.

Information for the public

Treasury contributed to the Australian Government's provision of information, in television and newspaper announcements to the public on Australian Government payments to the States and Territories.

International relations

In 2004-05, Treasury continued to participate in the Organisation for Economic Co-operation and Development's Network on Fiscal Relations across Levels of Government and the International Monetary Fund's Fiscal Decentralisation Course, and presented to visiting overseas delegations on funding arrangements between the Australian Government and the States and Territories.

Payments to the States

Treasury administers a number of payments to the States and Territories, including payments under the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*. A total of \$36.3 billion was paid to the States and Territories under the Act in 2004-05 comprising GST revenue, compensation for GST revenue deferred and National Competition Policy Payments.

Goods and Services Tax Revenue

A key element of *A New Tax System*, introduced on 1 July 2000, is for the States and Territories to receive all GST revenue. GST revenue is the largest payment made by the Australian Government to the States and Territories. The Australian Government provides all GST revenue in monthly payments, consistent with relativities determined

by the Treasurer following recommendations by the Commonwealth Grants Commission and discussion at the Ministerial Council meeting. In 2004-05, the States and Territories received around \$35.3 billion in GST revenue. All payments were calculated correctly and paid on the scheduled dates.

The ATO collects GST revenue on behalf of the States and Territories and they compensate the Australian Government for the costs the Australian Taxation Office and the Australian Customs Service incur in administering and collecting GST. Payments by the States and Territories to the Australian Government in 2004-05, reflecting costs incurred, amounted to around \$588 million. Treasury monitored payments to ensure the States and Territories made full and timely payments.

Small Business Annual Payment and Lodgment of GST — Compensating the States for GST Deferred

In the 2004-05 Budget, the Government committed to compensate fully the States and Territories for the revenue impact of annual reporting and payment by taxpayers who voluntarily register for GST. Consistent with this commitment, Treasury paid around \$219 million to the States and Territories as compensation in 2004-05.

Budget Balancing Assistance

The Australian Government guaranteed that in the transitional years of tax reform, each State and Territory's budgetary position would be no worse than had the reforms to Commonwealth-State financial relations not been implemented. Treasury provides advice to the Treasurer on how much funding each State and Territory would have received under the previous system to enable the Treasurer to determine the Guaranteed Minimum Amount.

To meet its guarantee, the Australian Government pays Budget Balancing Assistance to cover any shortfall of GST revenue compared with each State and Territory's Guaranteed Minimum Amount. By 2004-05, each State and Territory's GST revenue entitlement exceeded its Guaranteed Minimum Amount, so no Budget Balancing Assistance was paid.

National Competition Policy Payments

Each State and Territory's full entitlement to National Competition Policy Payments is subject to it satisfactorily meeting conditions specified in the *Agreement to Implement the National Competition Policy and Related Reforms*. The National Competition Council assesses whether each State and Territory has met the specified conditions and provides recommendations on associated penalties, and the States and Territories have the opportunity to comment. The Government, after accepting the National Competition Council's recommendations, decided that, out of an estimated maximum level of payments in 2004-05 of \$777.9 million, it would apply permanent deductions of \$26.3 million and suspensions of \$114.1 million to the States and Territories. Actual payments to the States and Territories of \$724.4 million in 2004-05 also included adjustments finalising 2003-04 competition payments.

Budget publications

Information on the Government's financial relations with State and local governments is documented in Budget Paper No. 3, *Federal Financial Relations 2005-06*. This

document is the main public source of information on Australian Government payments to the States and Territories. It also informs the States and Territories of their expected payments in the upcoming financial year, including GST revenue, specific purpose payments and National Competition Policy Payments.

This paper also includes information on fiscal developments in the States and Territories, as well as any policy changes affecting the relationship between the Australian and State and Territory governments.

Output 2.1.3

Industry, environment and social policy advice

Industry, Environment and Defence Division and Social Policy Division in Fiscal Group are responsible for the delivery of Output 2.1.3, industry, environment and social policy advice.

Fiscal Group contributes to Outcome 2 by working with other departments and agencies to develop and provide policy advice to Treasury ministers and the Government in the areas of industry, regional assistance, agriculture, environment, defence and national security, social, labour market participation, and health policy. While other departments have major responsibility for policy and programmes in these areas, Fiscal Group focuses on improving participation, productivity and economic sustainability and competitiveness, taking account of fiscal policy objectives and broader issues relating to wellbeing.

During 2004-05, Treasury participated in a wide range of policy development processes, worked with other agencies to develop policy, provided coordination comments on policy for the consideration of Cabinet ministers, and briefed the Treasurer for his participation in Cabinet and the budget processes.

Performance information

The key performance indicators are:

- advice meets Treasury portfolio ministers' needs in administering their responsibilities and implementing government decisions as they relate to industry, environment and social policy; and
- effective presentation of relevant information to adequately inform public debate.

Analysis of performance

Advice on industry policy

Treasury provided advice on removal of the 3 per cent tariff that applied to business inputs imported under the tariff concession scheme. This measure was a key component of the \$1.8 billion 2005-06 Budget package of tax cuts for business.

Following the review of the financial health of the Australian Customs Service, Treasury provided advice to the Treasurer on the future structure of Customs' import processing charge and its alignment with the costs of processing inputs.

Treasury provided input to the Government's response to the Council of Australian Governments (COAG) and the *A Nation Charred* bushfire inquiries, and is coordinating implementation of those COAG bushfire inquiry recommendations affecting the Treasury portfolio.

Treasury provided advice to the Treasurer on Strategic Investment Coordination proposals, and participated in the Heads of Treasuries working group on major project assistance, helping to develop principles for assessing the potential economic benefits of projects. Fiscal and Markets Groups advised on the implementation of measures in response to the Prime Minister's Exports and Infrastructure Taskforce.

Involvement in implementing the Government's Energy White Paper included participating in reviews of energy technology.

Advice on agriculture policy

Input into the Government policies on agriculture required ministerial briefings, participating in interdepartmental meetings and committee work. Treasury participated in, and provided advice on, the 2005 Drought Package which includes additional support for farm businesses, simpler reassessment processes for drought declared areas and additional funding for rural financial counselling services.

Quarantine policy work included *Quarantine Border Security*, which provides funding for the enhanced level of quarantine screening announced in 2001.

Treasury also provided advice to the Treasurer on the four year continuation of the Southern Ocean Surveillance programme. This programme aims to suppress illegal fishing activities to protect Australia's sovereign interests in, and the environmental values of, the Southern Ocean.

Advice on environment policy

Advice to the Treasurer covered natural resource management issues including water, climate change and Tasmanian forest policy.

Treasury provided advice and analysis regarding water policy, including the Australian Government Water Fund, comprising the Water Smart Australia, Raising National Water Standards, and Community Water Grants programmes. This \$2 billion package invests in water infrastructure, improved collection of water data and better practices in the stewardship of Australia's scarce resources.

Work with the Australian Greenhouse Office was on the general economic framework and processes underlying production of the Intergovernmental Panel on Climate Change Special Report on Emission Scenarios. Treasury provided significant input into the Carbon Capture Storage regulatory framework and the risk management of long-term carbon dioxide storage.

Advice on defence and national security policy

Advice on defence and national security issues covered defence capability projects, property management issues and the deployment of Australian Defence Force personnel. Policy development processes included participating in the Secretaries' Committee

on National Security to enhance the rigour of policy proposals going to the National Security Committee of Cabinet.

Treasury also provided advice on domestic security arrangements and other issues relating to the Attorney-General's portfolio and participated in related policy development processes. This included preparations for Commonwealth Games security and helping oversee the implementation of the recommendations of the *Report of the Inquiry into Australian Intelligence Agencies*.

Interdepartmental Committee processes covered Defence Capability Plan projects, aviation security, Defence funding, and Defence property management and disposal. Treasury sought to improve ministers' oversight of Defence procurement by assisting in implementing the 2003 Defence Procurement Review's recommendations and being a member of the Defence Materiel Organisation's Advisory Board.

Advice on social policy

Treasury contributed to policy development processes across a broad range of social policy issues.

In particular, Treasury contributed to the development of the *Welfare to Work* package, announced in the 2005-06 Budget, which seeks to encourage those who have the capacity to do so to participate more in the workforce.

Treasury also provided advice to the Treasurer on:

- changes to the family payments system, including measures to reduce the number of Family Tax Benefit overpayments;
- a range of education issues, including the development of the 2005-08 Schools Agreements, and the Commonwealth-State Agreement on Vocational Education and Training;
- immigration issues including border security, the 2005-06 migration programme, management of the expiring Temporary Protection Visa caseload and detention arrangements of illegal fishers; and
- indigenous policy issues.

Treasury also provided policy advice for the Government's response to the House of Representatives Standing Committee on Family and Community Affairs Report *Every Picture Tells a Story: inquiry into child custody arrangements in the event of family separation*, including the Family Law reforms announced in the 2005-06 Budget.

Advice on labour market participation policy

Economic advice to the Government included the impacts of various workplace relations reform options. Treasury's continued contribution to workplace relations issues will focus on successful implementation of announced reforms, especially on the operation of the Fair Pay Commission and further award rationalisation.

Treasury assisted with the Government's submission and other related work associated with the Australian Council of Trade Unions' application to the Australian Industrial Relations Commission to increase minimum award rates of pay.

During 2004-05, Treasury contributed to, and continued the development of, policy proposals to address the ageing of the population. For example, *Outcomes of the Consultations on Australia's Demographic Challenges* provides a summary of the views arising from the mid-2004 consultation process. The general consensus was that actions the Government is taking now are correct because it takes time to address attitudinal issues, and to plan for a workforce to deliver the services required in the future.

The *Welfare to Work* package is a critical step in meeting the challenges of an ageing population. Treasury will continue to be involved in implementing and assessing these measures, and advising on Job Network and other employment services.

Treasury provided advice on the Productivity Commission's report into the economic and fiscal implications of the future ageing of Australia's population. The final report was publicly released on 12 April 2005.

Treasury also contributed to a number of conferences on labour force participation and demographic change, and discussed demographic challenges with both OECD and International Monetary Fund missions.

Development of labour market data is ongoing and Treasury is a member of the steering committees on Poverty and Disadvantage, the Household, Income and Labour Dynamics in Australia survey, Labour Statistics Advisory Group of the Australian Bureau of Statistics and the National Ageing Statistics Unit of the Australian Bureau of Statistics.

Advice on health policy

Policy development processes spanned a range of health and aged care issues. Treasury participated in interdepartmental committees and advised the Treasurer on Medicare, the Pharmaceutical Benefits Scheme, Veterans' health issues, various public health initiatives and residential aged care. Engagement in these areas assisted the Treasurer's involvement in several significant Government initiatives during the year.

Interdepartmental committees provided advice to the Government on renegotiation of the Community Pharmacy Agreement and the Pathology Quality and Outlays Agreement; implementation of reforms to residential aged care; development of enhanced financial and performance reporting requirements for the Australian Health Care Agreements; and a number of public health initiatives, including renegotiation of the Public Health Outcome Funding Agreements, immunization policy, strategies targeting obesity and smoking, and addressing the potential risks of an influenza pandemic.

Two Treasury officers were seconded to the Prime Minister's Health Taskforce during the year. The taskforce reported to the Prime Minister on a range of system-wide matters of concern to the Government.

Output 2.2.1

Taxation and income support policy advice

Revenue Group provides a wide range of services to Treasury ministers to support their roles in delivering effective taxation arrangements and retirement income policies. Specific group outputs include overall strategic advice, policy and legislation advice, revenue forecasting, policy costing and provision of information services.

Eight divisions contribute to Output 2.2.1. The Business Tax Division, Indirect Tax Division, Individuals and Exempt Tax Division, International Tax and Treaties Division, Superannuation, Retirement and Savings Division and the Tax System Review Division are responsible for the delivery of taxation and income support policy advice. Tax Analysis Division prepares revenue forecasting, costings and quantitative analysis of taxation policy proposals. Tax Design Division develops strategic investment projects and provides key services, including management of the taxation legislation programme and group budget reporting to other Revenue Group divisions, the Treasury Executive and ministers.

During 2004-05 Revenue Group provided secretariat services to the Board of Taxation. The Board of Taxation publishes its own annual report on its website.

Performance information

- Advice meets Treasury portfolio ministers' needs in administering their responsibilities and implementing government decisions relating to taxation and income support policy.
- Relevant information should be presented effectively, including in the budget documentation and other publications, to adequately inform public debate.
- Legislation is delivered according to government programmes.

Analysis of performance

Business Taxation

Policy advice on business taxation issues covered the consolidation regime, imputation system reforms, taxation of financial arrangements and company loss recoupment rules.

Consolidation

Treasury consulted with the business sector and provided advice on the consolidation regime to make refinements to overcome practical concerns and to clarify interactions with other parts of the income tax law. The Minister for Revenue and Assistant Treasurer extended the time for consolidated groups to make certain irrevocable choices and announced modifications to the fraction rules regulating use of losses transferred to a consolidated group.

The Office of Parliamentary Counsel and Treasury developed the legislation and accompanying explanatory material for amendments to the consolidation regime in *Tax Laws Amendment (2004 Measures No. 6) Act 2005*, which received Royal Assent on 21 March, and *Tax Laws Amendment (2004 Measures No. 7) Act 2005*, which received Royal Assent on 1 April.

Imputation system

Treasury provided policy advice to modify the share capital tainting rules and refine the franking deficit tax offset rules. The modifications will ensure the share capital tainting rules are not triggered when amounts contributed to an insurance company by its members are transferred to the company's share capital account, or when amounts arising from a debt-for-equity swap are transferred to a company's share capital account.

Refinements to the franking deficit tax offset rules respond to industry concerns and will remove uncertainties and practical difficulties.

The Office of Parliamentary Counsel and Treasury developed the legislation and accompanying explanatory material for amendments to the simplified imputation system regime included in *Tax Laws Amendment (2004 Measures No. 6) Act 2005*, which received Royal Assent on 21 March. These amendments ensure the simplified imputation provisions interact appropriately with other parts of the law. They insert anti-avoidance provisions that prevent certain tax exempt entities from engaging in franking trading, and clarify the application of the franking deficit tax offset rules to life insurance companies.

The Office of Parliamentary Counsel and Treasury developed the legislation and accompanying explanatory material for amendments to the imputation system included in *Tax Laws Amendment (2005 Measures No. 2) Act 2005*, which received Royal Assent on 29 June. These amendments assist small business taxpayers by allowing private companies to pay franked distributions in their first year of operations, without having their franking deficit tax offset reduced.

Taxing of financial arrangements

Treasury continued to advance a major tax law reform project to improve tax accounting for financial arrangements. Treasury held several rounds of targeted confidential consultations with key industry and professional bodies, and issued an information paper in December.

Treasury also provided advice and consulted taxpayers on improving the taxation of foreign currency transactions. The Office of Legislative Drafting and Treasury developed Income Tax Assessment Amendment Regulations 2005 (No. 2), which were registered on 27 April.

The tax treatment of specific redeemable preference shares now is clearer. The previous law raised the cost of finance and placed Australian companies at a disadvantage in international capital markets. The Income Tax Assessment Amendment Regulations 2004 (No. 3) was gazetted on 31 August and the Income Tax Assessment Amendment Regulations 2005 (No. 3) was gazetted on 26 May.

Treasury continued to develop legislation to restore fairness and neutrality to the taxation of capital protected borrowing arrangements. Confidential consultation targeted both financial institutions and other taxpayers. Consultation on draft legislation to reduce compliance costs for small businesses with at call loans significantly helped improve the draft legislation.

Company loss recoupment reforms

The Office of Parliamentary Counsel and Treasury prepared the exposure draft legislation and explanatory material relating to the simplified loss recoupment reforms for companies, released in February. These reforms will help business by making it easier for widely held companies to satisfy the continuity of ownership test and removing the same business test for companies with a total income of more than \$100 million. Treasury consulted with the business sector on the exposure draft legislation.

Tax exempt asset financing reforms

The tax exempt asset financing reforms will improve the taxation framework for these arrangements between the private sector and tax exempt entities. Treasury provided advice on the reforms and consulted extensively with the business sector and representatives of the State and Territory Governments on the exposure draft legislation. The March confidential discussion paper to stakeholders canvassed alternative ways to progress the reforms.

Effective life caps for buses and trucks

Treasury provided advice on introducing effective life caps for buses, light commercial vehicles, trucks and truck trailers in the income tax law. The legislation and accompanying explanatory material for the amendment was included in the *Tax Laws Amendment (2005 Measures No. 1) Act 2005* which received Royal Assent on 29 June.

Taxation treatment of business 'blackhole' expenditures

The Review of Business Taxation identified the need for an appropriate treatment for blackhole expenditures (expenses not recognised under the income tax laws). Treasury provided advice on a systematic treatment of business expenditures to allow deductions for these expenditures. The Government announced this measure in the 2005-06 Budget.

Simplified tax system

Legislation to give effect to the 2004 election commitment to introduce a 25 per cent entrepreneurs' tax offset for certain small businesses in the simplified tax system and extend eligibility by removing the requirement for these taxpayers to use cash accounting was included in *Tax Laws Amendment (2004 Measures No. 7) Act 2005* which received Royal Assent on 1 April.

International Taxation

Several measures give effect to aspects of the Government's Review of International Tax Arrangements reforms.

- The *New International Tax Arrangements (Managed Funds and Other Measures) Act 2005* allows Australian managed funds to become more internationally competitive, increasing their attractiveness to non-residents.
- The *New International Tax Arrangements (Foreign-owned Branches and Other Measures) Act 2005* improves the competitiveness in Australia of foreign businesses that operate through Australian branches, and assists businesses with more internationally competitive employment arrangements by clarifying the treatment of shares and other like benefits given to employees under employee share schemes.

- Consultation on exposure draft legislation and explanatory material on a new tax treatment of dividends paid to foreign shareholders in Australian companies out of foreign profits is underway.

These measures should make investment in Australian multinational companies more attractive to foreign investors and encourage foreign businesses to establish regional holding companies in Australia.

Treasury also provided advice to the Government on its 2005-06 Budget decision to reform the capital gains tax treatment of non-residents and remove the quarantining of foreign losses and foreign tax credits.

In its lead role in protecting Australia's taxation system through enhanced global governance arrangements directed at greater financial transparency and effective exchange of tax information, Treasury sent staff to a number of key OECD meetings in preparation for Australia's hosting of the Global Forum on Harmful Tax Practices in Melbourne in November 2005. The OECD is the key international forum progressing this initiative. This work complements other initiatives directed at global financial stability, money laundering activities, terrorist financing and drug trafficking.

Tax treaties

The Government's tax treaty programme of 20 countries is important in promoting closer economic cooperation between Australia and other countries by eliminating possible barriers to trade and investment caused by overlapping taxing jurisdictions. Tax treaties offer protection for Australian businesses investing offshore, and reduce or eliminate double taxation of income flows between treaty partner countries. They also create a framework through which tax administrations can combat international fiscal evasion. During the year, negotiations with five countries, including Italy, the Netherlands and New Zealand, resulted in three tax treaties being concluded at officials' level.

Treasury provided advice on various international agreements, including free trade agreements and privileges and immunities agreements, being negotiated by the Government.

Personal taxation

Advice to the Government on the design and implementation of a number of personal tax measures sought to promote economic growth, participation in the workforce and good governance.

Reductions in personal income tax

The 2005-06 Budget included tax cuts worth \$21.7 billion over four years. These were in addition to the 2004-05 Budget tax cuts. The 2005-06 Budget tax cuts were included in *Tax Laws Amendment (Personal Income Tax Reduction) Act 2005*, which received Royal Assent on 12 August 2005. The key changes were:

- dropping the lowest marginal tax rate from 17 to 15 per cent from 1 July 2005;
- increasing the 42 per cent threshold to \$63,001 from 1 July 2005, then increasing it again to \$70,001 from 1 July 2006; and

- increasing the 47 per cent threshold to \$95,001 from 1 July 2005. This is higher than the \$80,001 as announced in the 2004-05 Budget. It will increase again to \$125,001 from 1 July 2006.

Introduction of the 30 per cent Child Care Tax Rebate

Treasury advised the Government and helped develop legislation on a non-means tested tax offset of 30 per cent of out-of-pocket child care costs. It is for a maximum of \$4,000 per child per year, for those taxpayers who receive Child Care Benefit for approved care and meet the associated work/training/study test. The offset is non-refundable, however, taxpayers with insufficient tax liability to absorb the whole offset can transfer any unused amount to their spouse.

This measure was included in *Tax Laws Amendment (2005 Measures No. 4) Bill 2005*, introduced into Parliament on 23 June.

Introduction of the mature age worker tax offset

The mature age worker tax offset of up to \$500 is available to workers aged 55 and over, with effect from the 2004-05 income year. Eligibility is based on net income from working and the offset rewards the personal effort of continuing to earn a salary, or wages or conducting a business. Mature age workers will be eligible for some offset if they derive net income from working that is less than \$63,000 from 2005-06 or \$58,000 in 2004-05.

This measure was included in *Tax Laws Amendment (2005 Measures No. 1) Act 2005*, which received Royal Assent on 29 June.

Fringe benefits tax amendments

Treasury played a key role in developing a number of fringe benefits tax amendments which broaden access to certain fringe benefits tax exemptions.

Establishment of new general deductible gift recipient categories

Treasury provided advice on the implementation of five new deductible gift recipient general categories to cover war memorials, disaster relief, animal welfare, charitable services and educational scholarships. This will allow taxpayers to claim an income tax deduction for certain gifts of money or property to those organisations that are endorsed as deductible gift recipients under the new categories. The streamlining enables organisations seeking tax deductible status to be considered under the consistent framework provided by the general categories.

Incentives to encourage philanthropy

Measures included in the *Tax Laws Amendment (2005 Measures No. 3) Act 2005* which received Royal Assent on 29 June increase flexibility for charitable funds, ancillary funds and prescribed private funds to encourage charitable giving in Australia.

Mutuality principle to be restored

Affected not-for-profit organisations will continue to benefit from the mutuality principle even though organisations cannot distribute to members. Treasury helped the Government introduce amendments that would restore mutuality to organisations that, under a longstanding Australian Taxation Office practice, had relied on the principle to exclude certain member receipts from assessable income. The amendments affect clubs,

professional organisations and friendly societies. The Full Federal Court decision in the Coleambally case made these amendments necessary.

Tax administration

Treasury provided advice on, and developed legislation on systemic issues in tax system administration, including the assessment process, Australian Taxation Office rulings and advice, compliance and enforcement, tax offences and penalties, tax collection and recovery systems, tax relief, tax identity, disclosure of taxpayer information, record keeping obligations, and tax agent matters. Tax administration systems must contribute to the tax policy outcomes Parliament intends and avoid the pitfalls of unnecessary risk, complexity and high transaction costs.

Review of aspects of income tax self assessment

The *Report on Aspects of Income Tax Self Assessment*, finalised in August 2004, focused on whether the income tax laws achieve a fair balance between protecting the rights of individual taxpayers and protecting the revenue for the benefit of the whole Australian community. Treasury examined a range of issues, including the statutory timeframes for amending assessments, duration of the audit process, reliance by taxpayers on Australian Taxation Office advice and aspects of the general interest charge. All of the report's recommendations will be implemented progressively.

The *Tax Laws Amendment (Improvements to Self Assessment) Act (No. 1) 2005* and *Shortfall Interest Charge (Imposition) Act 2005* received Royal Assent on 29 June. It reduces the consequences of errors in assessment for taxpayers acting in good faith, by providing for a lower rate of interest for the period before taxpayers are notified of their error and by refining the penalty regime.

A second round of legislation covering Australian Taxation Office advice and amendment periods, was exposed to public comment with a view to introducing it into Parliament in 2005-06. These measures will increase taxpayer certainty by improving the reliance taxpayers can place on advice and bringing forward the point where taxpayers' assessments are considered to be final.

A series of further reviews on issues arising from the report, relate to:

- specific provisions that expose taxpayers to open-ended review periods, to identify those that could have a set period before a taxpayer's liability is considered to final;
- Commissioner discretions that determine a taxpayer's liability, to increase certainty by recommending replacement tests that a taxpayer can apply at the time of lodgment;
- taxpayer elections, to establish guidelines for framing those elections in the law;
- possible application of the Review of Self Assessment recommendations to all federally administered taxes; and
- the possibility of reducing the volume of law that individuals and small businesses with very simple affairs need to access.

Superannuation, retirement and savings

Treasury provided advice to the Government on the revenue aspects of superannuation, retirement and savings policy in particular, and the development of effective retirement and savings policy in general.

Choice of superannuation fund and portability

Since 1 July 2005, choice of superannuation fund has been available to the superannuation industry, employers and employees. The *Superannuation Legislation Amendment (Choice of Superannuation Funds) Act 2005* received Royal Assent on 29 June, and clarifies the operation of the choice regime.

Treasury also developed regulations under the choice of fund legislation (the Superannuation Guarantee (Administration) Amendment Regulations 2005 (No. 1), the Superannuation Industry (Supervision) Regulations 2005 (No. 1) and the Superannuation Guarantee (Administration) Amendment Regulations 2005 (No. 2)) to prescribe a number of matters including the life insurance requirements for superannuation funds used by employers when employees do not choose a fund.

Treasury assisted in amending regulations to remove a restriction on the portability of superannuation accounts. Compulsory portability of superannuation accounts came into effect on 1 July 2004, but generally only applied to 'inactive' accounts (broadly, accounts where no employer contributions have been made for six months). Under the Superannuation Industry (Supervision) Amendment Regulations 2005 (No. 3), from 1 July 2005, portability no longer will be restricted to inactive accounts.

Abolition of superannuation surcharge

The Superannuation Laws Amendment (Abolition of Surcharge) Bill 2005 gave effect to the Government's 2005-06 Budget announcement to abolish the superannuation surcharge from 1 July 2005. This aims to simplify the operation of the superannuation system, boost the savings of affected individuals and provide incentives for people to make additional voluntary savings through superannuation.

A more flexible and adaptable retirement income system

In consultation with industry and other organisations, Treasury developed regulations to give effect to the remaining measure announced in *A more flexible and adaptable retirement income system*, released in February 2004. The regulations (the Superannuation Industry (Supervision) Amendment Regulations 2005 (No. 2)) allow those who have reached their preservation age to access their superannuation through a non-commutable income stream without having to retire permanently from the workforce. This increases flexibility and choice in the transition to retirement. It took effect from 1 July 2005.

Review of provision of defined benefit pensions by small superannuation funds

After consulting with industry and other organisations, Treasury prepared a discussion paper on the provision of defined benefit pensions by small superannuation funds and provided advice to Government.

Police and Preservation Review

Treasury reviewed the superannuation preservation rules applying to police. The independent chair was Mr Gary Potts and the report was provided to the Government on 13 May.

Cross-border superannuation arrangements

Treasury assisted the Government in negotiating and implementing superannuation double coverage provisions in social security treaties. Double superannuation coverage arises where an employee is sent from one country to work temporarily in another country and the employer is required to pay superannuation contributions for the employee in both countries. If a social security agreement that includes double coverage provisions is in place, the employer only pays contributions in the employee's home country.

Two such agreements with Croatia and Chile began on 1 July 2004, and a bilateral agreement with Belgium began on 1 July 2005. An agreement with Ireland was signed in June and is expected to begin on 1 January 2006. Negotiations with a number of other countries also occurred during the year. A delegation from Korea visited Canberra for an information exchange in May and Treasury officials, with staff from the Department of Family and Community Services, conducted the first formal round of negotiations with Japan in Tokyo during June, which followed an information exchange in Australia in January.

Treasury also was involved in bilateral negotiations and information exchanges in Europe, and reached an in-principle agreement with Switzerland in October. Also in October Treasury had information exchange sessions with Sweden, Hungary, Germany and Latvia. Initial discussions with Italy occurred in July.

Superannuation guarantee reporting requirement

Legislation gave effect to the Government's decision to remove the requirement for employers to report superannuation contributions made for employees under the *Superannuation Guarantee (Administration) Act 1992*. This removes the requirement for contributions made on or after 1 January. Employees still will receive information on their superannuation contributions from their superannuation funds, and many employees will receive information more regularly on pay slips.

The necessary amendments in the *Tax Laws Amendment (Superannuation Reporting) Act 2004* received Royal Assent on 14 December.

Superannuation guarantee Budget measures

Treasury provided policy advice on 2005-06 Budget measures to amend the superannuation guarantee arrangements to reduce the incidence of double payment and clarify the position of payments of wages received after employment ceases.

Indirect taxation

Ongoing policy advice on fuel tax credits, GST, excise and petroleum resource rent tax issues included the wine equalisation tax, the GST treatment of administrative arrangements, entity structures and cross-border issues, excise collections and changes to the petroleum resource rent tax.

Fuel tax reforms

Since the Government announced its policy framework for fuel tax reform, Treasury has begun working with the Australian Taxation Office and relevant industry and community groups to implement these policies.

On 27 May, Treasury released a discussion paper on the proposed legislative framework to give effect to the Government's fuel tax credit reforms announced in *Securing Australia's Energy Future*. The reform aims to lower compliance costs, reduce tax on business and remove the incidence of fuel tax on a range of businesses and households.

Excise

Introduction of fuel tax reforms provides a timely opportunity to review the entire Schedule to the *Excise Tariff Act 1921*. To facilitate this, Treasury released a discussion paper on 2 June. The review aims to reduce compliance costs for excise manufacturers and other excise stakeholders, importers and administering authorities, and determine whether the Schedule can be streamlined. Public consultation is underway.

Treasury contributed to the review of tourist shopping administrative arrangements. It will examine options to improve the delivery and administration of the tourist refund function and inwards and outwards duty free shops (including sealed bag arrangements).

Wine equalisation tax

The close economic relationship between Australia and New Zealand underpinned Treasury work with relevant stakeholders to implement the 2005-06 Budget measure to extend the wine producer rebate to New Zealand wine producers who export wine to Australia. The relevant legislation, *Tax Laws Amendment (2005 Measures No. 4) Bill 2005*, was introduced into Parliament on 23 June.

Goods and Services Tax

Legislation addressed GST transitional issues in long-term non-reviewable contracts and targeted consultation helped in developing this legislation. A mechanism allows parties to long-term non-reviewable contracts to take into account the impact of the changes to The New Tax System. The legislation in *Tax Laws Amendment (Long-term Non-reviewable Contracts) Act 2005* received Royal Assent on 22 February, and accompanying regulations came into effect on 11 March and 9 April.

Residents of charitable retirement villages and serviced apartments in retirement villages are more certain about how the GST law applies to them and their retirement village operators. The measure in *Tax Laws Amendment (Retirement Villages) Act 2004* received Royal Assent on 14 December.

Other enacted legislation dealt with several GST integrity concerns, including the application of GST to supplies of real property. The legislation removes unintended outcomes that arise from the interaction of various provisions. The measure in *Tax Laws Amendment (2005 Measures No. 2) Act 2005* received Royal Assent on 29 June.

Other enacted legislation ensures GST applies to supplies to Australian residential rental properties belonging to landlords not in Australia. The legislation ensures comparable GST treatment for all owners of Australian residential rental properties. The measure in *Tax Laws Amendment (2004 Measures No. 6) Act 2005* received Royal Assent on 21 March.

Other enacted legislation prevents certain non-resident enterprises from registering and obtaining refunds of GST input tax credits without having to fully remit GST for supplies relating to goods and services consumed in Australia. The measure in *Tax Laws Amendment (2005 Measures No. 1) Act 2005* received Royal Assent on 29 June.

The 2004-05 Budget announced a range of small businesses could pay and report GST annually and apply private use apportionment on an annual basis. Treasury provided advice on these changes which will reduce compliance costs for small businesses. The measure in *Tax Laws Amendment (Small Business Measures) Act 2004* received Royal Assent on 13 December.

Petroleum Resource Rent Tax

Treasury implemented the 2004-05 Budget measure to introduce an offshore petroleum exploration incentive to encourage exploration in these areas. A 50 per cent increase in eligible deductions of exploration expenditure incurred in remote areas could help offset the taxpayer's petroleum resource rent tax liability. The measure in *Tax Laws Amendment (2004 Measures No. 7) Act 2005* received Royal Assent on 1 April.

The petroleum industry made a number of requests for amendments to the petroleum resource rent tax to lower compliance costs, improve administration and remove inconsistencies. Treasury advised on these changes and the Government announced them in the 2005-06 Budget. Targeted consultation will help in developing the legislation to implement them.

Timor Sea

In the negotiations between Australia and Timor-Leste on the maritime boundary, Treasury's advice focused on the distribution of taxation revenue from the proposed development of the Greater Sunrise gas field which straddles the Joint Petroleum Development Area and the adjacent area of sole Australian jurisdiction.

Community consultation

Treasury consults to gather information about the practical operation of the taxation system and improve the quality and effectiveness of proposed changes to the system. Consultation processes are evaluated for their effectiveness.

The emphasis on enhanced community consultation continued, with a business liaison programme with peak bodies on tax system issues and extensive consultation on individual measures. Three times a year, Treasury prepares reports on consultation on announced tax measures and provides these to the Board of Taxation. The timing of the federal election resulted in two reports being provided to the Board in 2004-05. The reports are published on the Treasury website.

The reports indicated consultation occurred on nearly all announced measures other than minor or technical ones or where timing constraints existed. In general, feedback from those consulted was positive. Some concerns were raised about the time allowed for consultation in some cases, and Treasury is working to improve this, as far as possible within the constraints of the legislation programme timeframes.

The coherent principles approach to tax design

Treasury has developed a new principles-based approach to the design of tax law, known as the coherent principles approach. The new approach aims to develop tax law that is as certain, but less involved and more flexible than the current black letter law approach. The approach was used to develop amendments to the employee share scheme provisions. In this case, the policy was to avoid triggering a tax point when the underlying relationships between the employees, their employer company and the employees' shares are unchanged, despite the company restructuring. The coherent principles approach makes this policy intention the basis of the amended law, to preserve the taxation arrangements of the employee's discounted shares. The measure in Subdivision DA of Division 13A of Part III of the *Income Tax Assessment Act 1993* received Royal Assent on 1 April. An article on the coherent principles approach to tax design appeared in the Autumn 2005 edition of *Economic Roundup*.

Publications

Budget documents

Treasury contributed to the preparation of Budget documents on taxation measures, which are published on the budget website www.budget.gov.au.

Informing the public on taxation and superannuation policies

An ongoing role for Treasury is to communicate Government taxation and superannuation policy to relevant industries, key stakeholders and the public. Treasury consulted extensively in 2004-05 to gather information, including on the practical impacts of possible policy and legislative changes.

Treasury also prepares and issues consultation papers for public comment as part of its communication processes. These papers are provided directly to key industry associations and representatives, and are available on Treasury's website for public comment.

Treasury officials also presented papers at relevant industry and academic conferences and responded to inquiries from the general public.

Outcome 3

Well-functioning markets

A well-functioning market economy and financial system is integral to the continued economic development of Australia and the wellbeing of the Australian people.

Improving the operation of markets is intended to underpin stronger sustainable economic growth and enhanced living standards for all Australians.

The efficient operation of Australia's product and services markets is supported by a combination of laws, institutions, policies and administrative practices. Treasury provides advice to the Government on forming and implementing policies to support well-functioning markets. Treasury's advice and other outputs help maintain and improve markets so investors and consumers can have confidence and certainty in making decisions that are well informed and free from market distortions and impediments. Treasury also provides the executive for the Takeovers Panel, assists the Royal Australian Mint through representation on its advisory board and is represented on the advisory board of the Australian Government Actuary.

Markets Group is responsible for providing advice on policy processes and reforms that: promote a secure financial system and sound corporate practices; remove impediments to competition in product and services markets; and safeguard the public interest in matters such as consumer protection and foreign investment.

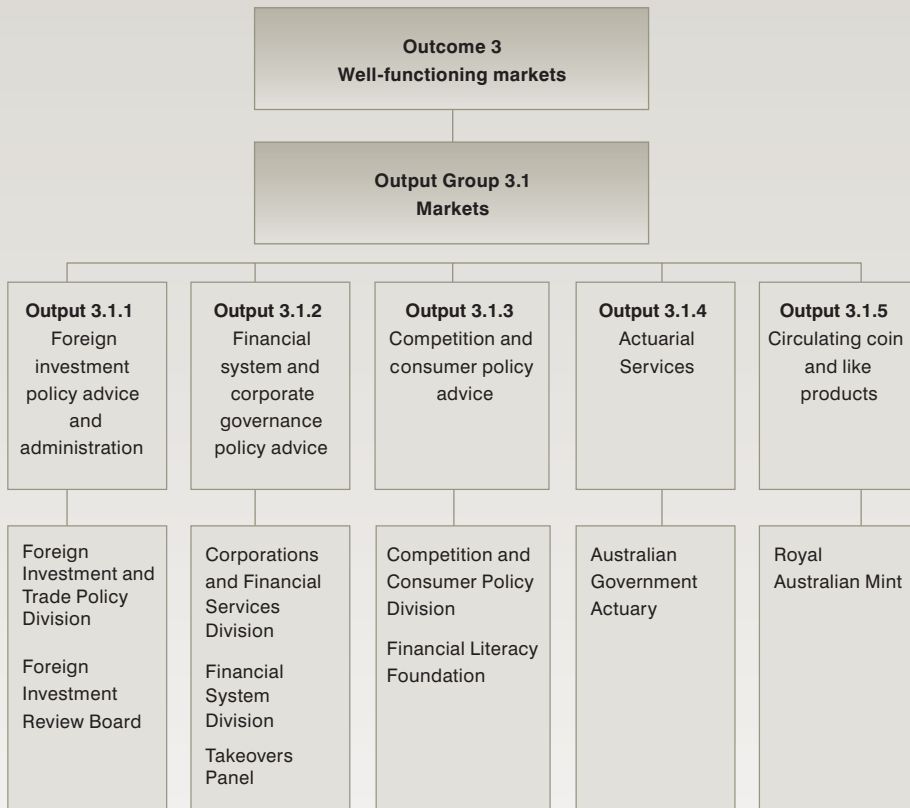
In 2004-05, Markets Group, under Outcome 3, contributed to government decisions and objectives through providing advice on a range of issues affecting the operation of markets. In relation to financial markets, that included advice on issues such as the prudential framework, market access and pricing, market integrity and investor protection, company law and corporate governance issues, corporate insolvency and corporate financial reporting. For markets more generally, Markets Group provided advice on structural reforms of key sectors and the operation of competition and consumer policy, including in relation to issues of financial literacy. Markets Group also provided professional actuarial services, and advice on foreign investment and trade policy.

On the international front, Markets Group contributed to the finalisation of negotiations on the Australia-United States Free Trade Agreement (AUSFTA) which entered into force on 1 January 2005. Markets Group also contributed to the commencement of negotiations for a further four Free Trade Agreements with, the Association of Southeast Asian Nations (ASEAN) in partnership with New Zealand, the United Arab Emirates, Malaysia, and China.

Another important part of Markets Group's activities is its involvement in consultations, particularly in areas where reforms or new Government measures are proposed. Markets Group consults with other Australian Government agencies, State and Territory governments, industry, the general public and other stakeholders on various issues related to the support of well-functioning markets.

Feedback from Treasury portfolio ministers indicated that these outputs effectively contributed to their needs in formulating and implementing policies in support of well-functioning markets.

Figure 7: Outputs contributing to Outcome 3



Key priorities in 2004-05

Markets Group advice covered a broad agenda including issues such as corporate governance, market integrity, financial system safety, financial product safety, competition and consumer policy, and protecting the national interest under Australia's foreign investment policy. Strategies for delivery of outputs included: developing specialist expertise; proactively identifying emerging issues, reform options and priorities; and developing and maintaining effective working relationships both within Treasury and with key stakeholders. Treasury's *2004-05 Portfolio Budget Statements* and internal planning processes identified the following key priorities for 2004-05:

- continuing to provide advice on ongoing and emerging policy issues in the general insurance sector, including the recommendations of the HIH Royal Commission, implementation of the *Medical Indemnity (Prudential Supervision and Product Standards) Act 2003*, and reforms to improve the availability and affordability of various classes of insurance;

- advising the Government in relation to Australia's participation in the International Monetary Fund (IMF) Financial Sector Assessment Program (FSAP), to which the Government agreed in late 2004;
- providing policy advice to the Government on initiatives to more closely integrate the Australian and New Zealand markets, including in the area of prudential supervision of banking;
- continuing to provide policy advice in relation to the HIH Claims Support Scheme and the Australian Reinsurance Pool Corporation;
- progressing international cooperation in financial market regulation, including bilateral efforts to promote the recognition of national regulatory frameworks covering financial products and service providers;
- participating in formulating policy to progress structural reform in key sectors of the economy;
- implementing Dawson Review recommendations on competition provisions in the *Trade Practices Act 1974*;
- contributing to the Doha round of negotiations in the World Trade Organization (WTO) and coordinating Treasury's involvement in negotiations for the Free Trade Agreement with the United States;
- developing policy and providing advice on financial reporting requirements applying to the corporate sector, including advising the Government on issues surrounding the adoption of International Financial Reporting Standards in Australia;
- implementing reforms covering independence of auditors, legislative backing for auditing standards, new oversight arrangements for the Financial Reporting Council and more broadly, issues surrounding strengthening the regulatory framework for corporate insolvency and corporate governance;
- improving operational effectiveness through addressing practical issues faced by industry with financial services regulation and enhancing disclosure of fees and costs in relation to certain financial products;
- progressing international cooperation in financial market regulation, corporate governance, financial reporting and corporate insolvency;
- coordinating implementation of the Uhrig recommendations for Treasury portfolio agencies;
- implementing the Consumer and Financial Literacy Taskforce recommendations. This strategy included the establishment of the Financial Literacy Foundation within Treasury during the year. The Foundation has been established to deliver the Government's commitment to help all Australians increase their financial knowledge and better understand their options and the choices they can make in using and managing their money; and
- developing new graphic and text health warnings on tobacco products.

Key outcomes in 2004-05

- Treasury had ongoing involvement in the implementation of the Superannuation Safety reforms and advised the Government on the outcomes of the review of Part 23 of the *Superannuation Industry (Supervision) Act 1993*. Collectively, these measures should enhance the safety of the superannuation system.
- Treasury developed the legislative package that implemented the Government's response to the Review of Financial Sector Levies. Treasury then provided advice to the Government on the levy determinations for the 2005-06 year, the first to be made under the new framework.
- Treasury continued to develop, in conjunction with the New Zealand Ministry of Economic Development, a model for recognising trans-Tasman security offerings. As co-chair of the Trans-Tasman Council on Banking Supervision, Treasury also contributed to the development of proposals for greater harmonisation in banking regulation in Australia and New Zealand.
- Treasury led the Australian Government's involvement in the first meeting of the Financial Services Committee under the AUSFTA. A range of issues that would lead to the further integration of the Australian and US financial services sectors were discussed.
- Treasury developed the Trade Practices Amendment (Personal Injuries and Death) Bill 2004, introduced into Parliament on 9 December 2004. This will prevent the *Trade Practices Act 1974* being used to undermine State and Territory tort law reforms designed to address the availability and affordability of certain classes of insurance. The Bill was supported by the majority of State and Territory Governments.
- Treasury provided substantial input to the review of competitive neutrality in the medical indemnity insurance market, announced by the Government in December 2004, and advised and assisted the Government in its response to the review. Legislation to address the competition issues identified in the review was introduced into Parliament in April 2005.
- Treasury developed the Trade Practices Legislation Amendment Bill (No. 1) 2004 which implements the Government's response to the independent review of the competition provisions (Part IV) of the *Trade Practices Act 1974* (the Dawson Review).
- Treasury also developed the Trade Practices Amendment (National Access Regime) Bill 2005, which implements the Government's final response to the Productivity Commission's review of the National Access Regime for infrastructure facilities of national significance.
- Treasury provided advice on the Productivity Commission's inquiry relating to the review of National Competition Policy (NCP) reforms and is continuing to work closely with the National Competition Policy Review Secretariat established within the Department of the Prime Minister and Cabinet to develop a future reform framework that will be progressed through the Council of Australian Governments (COAG) NCP review.

- Treasury provided advice to the Government on key transport issues including the adequacy of rail and port infrastructure associated with coal exports, the implementation of the Government's national land transport plan, *AusLink*, and airport and international aviation regulation.
- Treasury provided policy advice on energy market reform, including proposed changes to establish a new national institutional and regulatory framework for the electricity and gas markets. Treasury developed the *Trade Practices Amendment (Australian Energy Market) Act 2004* and contributed to the COAG Australian Energy Market Agreement.
- Treasury played a key role in successful negotiations for separate Free Trade Agreements with the United States and Thailand, both of which entered into force on 1 January 2005. The Singapore Free Trade Agreement entered into force on 28 July 2004. During the year, Treasury was also involved in evaluating free trade studies and conducting negotiations with the United Arab Emirates, Malaysia, ASEAN and China.
- As part of monitoring the implementation of legislative reforms made to the corporate governance and financial reporting framework — including the transition to International Financial Reporting Standards in Australia — Treasury consulted with industry stakeholders and the accounting supervisory bodies.
- Treasury provided advice on regulatory frameworks that support consumer confidence and product safety. Indeed, a major focus was providing advice on the review of Australia's product safety framework.
- Treasury provided the Secretariat to a Consumer and Financial Literacy Taskforce, which was formed to establish the first national strategy for consumer and financial literacy in Australia. This strategy included the establishment of the Financial Literacy Foundation within Treasury during the year. The Foundation was established to deliver the Government's commitment to help all Australians to increase their financial knowledge and better understand their options and the choices they make in using and managing their money.

Other key outcomes in 2004-05 were:

- the Australian Government Actuary contributed to policy development by providing specialist actuarial and related advice to the Government, its departments and agencies;
- the Takeovers Panel continued to provide the mechanism for resolving disputes and raising the standards of market behaviour in takeovers; and
- the Royal Australian Mint continued to operate successfully in producing numismatic and circulating coins for Australia.

Table 4: Financial and staffing resources summary for Outcome 3

	Budget 2005 \$'000	Actual 2005 \$'000	Budget 2006 \$'000
Administered expenses			
Appropriation Acts No 1 and 3	9,000	1,281	6,000
Appropriation Acts No 2 and 4	159,748	159,748	164,701
Appropriation Acts No 5 and 6	-	-	-
Special Appropriations	3,308	3,180	-
Other expenses	-	(2,007)	-
Total administered expenses	172,056	162,202	170,701
Revenue from Government			
Output Group 3.1 Markets			
Output 3.1.1 Foreign investment policy advice and administration	3,857	4,229	4,019
Output 3.1.2 Financial system and corporate governance policy advice	20,765	21,048	22,283
Output 3.1.3 Competition and consumer policy advice	18,678	19,012	19,223
Output 3.1.4 Actuarial Services	-	-	-
Output 3.1.5 Circulating coin and like products	-	-	-
Total revenue from Government contributing to the price of departmental outputs	43,300	44,289	45,525
Revenue from other sources			
Output Group 3.1 Markets			
Output 3.1.1 Foreign investment policy advice and administration	104	72	106
Output 3.1.2 Financial system and corporate governance policy advice	583	191	586
Output 3.1.3 Competition and consumer policy advice	502	126	505
Output 3.1.4 Actuarial Services	1,500	1,597	1,500
Output 3.1.5 Circulating coin and like products	41,841	55,289	42,070
Total revenue from other sources	44,530	57,275	44,767
Total revenue for departmental outputs (Total revenues from Government and other sources)	87,830	101,564	90,292
Price of departmental outputs			
Output Group 3.1 Markets			
Output 3.1.1 Foreign investment policy advice and administration	3,961	4,349	4,125
Output 3.1.2 Financial system and corporate governance policy advice	21,348	19,324	22,869
Output 3.1.3 Competition and consumer policy advice	19,180	12,015	19,728
Output 3.1.4 Actuarial Services	1,500	1,476	1,500
Output 3.1.5 Circulating coin and like products	41,841	54,518	42,070
Total price of departmental outputs	87,830	91,682	90,292
Total estimated resourcing for Outcome 3 (Total price of outputs and administered expenses)	259,886	253,884	260,993
Average staffing levels (number)	324	319	338

Note:

The Budget for administered expenses for 2005 is as per the *2004-05 Portfolio Additional Estimates Statements*. The Actual for 2005 is as per the Audited 2004-05 Financial Statements.

The Budget for departmental price of outputs for 2005 and administered expenses and departmental price of outputs for 2006 is as per the *2005-06 Portfolio Budget Statements*.

Average staffing levels include locally engaged staff.

Output 3.1.1 Foreign investment and trade policy advice and administration

During 2004-05, the renamed Foreign Investment and Trade Policy Division in Markets Group was responsible for the delivery of Output 3.1.1, foreign investment and trade policy advice and administration.

Markets Group contributes to Outcome 3 by providing advice on foreign investment proposals, providing executive support to the Foreign Investment Review Board and making decisions under the *Foreign Acquisitions and Takeovers Act 1975* (FATA) and Australia's foreign investment policy under authorisations provided by the Treasurer, consistent with policy. It also advises the Government on foreign investment and trade policy as it relates to Australia's participation in multilateral and bilateral agreements on investment.

Performance information

The key performance indicators are:

- advice meets Treasury portfolio ministers' needs in fulfilling their responsibilities;
- Government policy is appropriately represented and Australia's negotiating position is pursued effectively in international forums;
- Australia's commitments are implemented on investment in the Australia-United States Free Trade Agreement (AUSFTA);
- the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises are promoted, and the responsibilities of the National Contact Point for the Guidelines are fulfilled;
- proposals are processed efficiently to meet the needs of ministers, the Foreign Investment Review Board, foreign investors and their agents. Performance is currently regarded as satisfactory if,
 - at least 90 per cent of the proposals received each year are processed within 30 days of receipt,
 - responses are provided, on average, to email and mail inquiries within five days and immediately to general telephone inquiries;
- Treasury effectively disseminates and explains the foreign investment policy to improve the standard of applications and compliance with policy requirements, thus reducing the proportion of foreign investment proposals requiring interim or final orders;
- Treasury undertakes a programme of compliance checks on previous proposals subject to conditions — possibly leading to prosecutions, but aimed at an overall reduction in non-compliance with policy; and
- ministerial correspondence is handled satisfactorily.

Analysis of performance

Advice on and processing of individual foreign investment proposals

The majority of proposals received require notification to the Treasurer under the FATA. Proposals are examined to determine whether they conform with the general and particular requirements of Australia's foreign investment policy. Under the FATA, a proposal can be prohibited where it is inconsistent with policy and involves national interest concerns.

Where a foreign person enters into an agreement to acquire an interest in Australian urban land they are required to notify the Treasurer under section 26A of the FATA. Where proposals are consistent with policy, no objections are usually raised. For the majority of real estate cases applicants are required to comply with specified conditions. Where a foreign person proposes to acquire a substantial interest — defined as 15 per cent or greater interest, or a 40 per cent or more aggregate interest by several foreign persons, foreigners and any associates — in an Australian corporation valued above \$50 million (\$800 million for a US enterprise, except in prescribed sensitive sectors), they are required to notify the Treasurer under section 26 of the FATA. No objections are usually raised, provided that the proposal is not deemed contrary to the national interest. Other proposals, including the establishment of a new business and direct investments by foreign governments and their agencies, are notifiable only under policy and therefore action is not enforceable under the FATA.

Arrangements are in place under which the Treasurer delegates authority to senior Treasury staff for decision-making on certain types of proposals that do not involve issues of high sensitivity. The majority of proposals (around 95 per cent) are decided under the authorisation provided by the Treasurer.

Treasury considered around 4,913 proposals in 2004-05, slightly fewer than in 2003-04. Of the total number of proposals received, about 88 per cent were decided within 30 days of receipt and 120 involved the issue of final, interim or divestment orders, mainly for real estate. This is a similar proportion to the number of orders issued last year. Treasury also received around 40,000 telephone inquiries and 2,000 written and email inquiries during the year, which were, on average, responded to within five days. In examining large or otherwise significant proposals, State and Australian Government departments and authorities with responsibilities relevant to the proposed activity are consulted to provide advice and comment to assist in assessing the implications of proposals.

During 2004-05, the Foreign Investment Review Board provided advice to portfolio ministers on a number of larger, more important or sensitive foreign investment cases requiring ministerial decisions against associated legislation and policy. These included significant proposals such as Xstrata Plc's proposed takeover, BHP Billiton's ultimately successful takeover of Western Mining Resources Limited, and San Miguel Corporation's takeover of National Foods Limited. The Foreign Investment Review Board, established in 1976 to advise the Treasurer, continued its role of overseeing the functions of the division on a weekly basis.

Compliance standards

Treasury's efforts through 2004-05 to strengthen compliance focused on three broad elements:

- developing a new case management system and integrated online application facility to improve application accuracy and reduce processing times;
- enhancing communication about foreign investment policy to foreign investors, their agents, industry associations and other government agencies involving a continuing programme of targeted public speeches, ongoing improvements to the Foreign Investment Review Board website and the development of easy-to-follow written materials; and
- monitoring compliance with foreign investment policy through a rolling programme. Treasury examined around 2,900 decided proposals in 2004-05, to ensure fulfilment of conditions and monitors all major conditional business sector approvals. Targeted follow-up is also carried out in the real estate sector ranging from routine checking of compliance with conditions to more complex investigations based on information received and interagency cooperation. In some instances, this resulted in punitive action against foreign parties, including prosecution.

Representation in international forums

Treasury provides policy input on international investment issues in multilateral forums, such as the World Trade Organization (WTO) and OECD, in regional forums such as Asia-Pacific Economic Cooperation (APEC), and bilaterally through free trade agreements, investment protection and promotion agreements and other bilateral partnerships.

Free trade agreements/closer economic cooperation

Concluded agreements

Negotiations on the AUSFTA were finalised in February 2004 and the Agreement entered into force on 1 January 2005. The Agreement liberalises trade in goods and services, including professional and financial services, and Australia's foreign investment policy as it applies to US investors.

The AUSFTA preserves the main features of Australia's foreign investment policy, including the Government's ability to screen all investment of major significance. It also provides a strong framework of legal protections for investors. The Investment Chapter provides investors of both countries with national treatment and most-favoured nation treatment when investing in the other country. These commitments will ensure that Australian investors are treated no less favourably than domestic investors in the United States or investors from third countries investing in the United States, except in areas specifically exempted. An article outlining foreign investment issues in the AUSFTA was published in the Summer 2004-05 edition of the *Economic Roundup*.

The Australia-Thailand Free Trade Agreement was signed in Canberra on 5 July 2004, and entered into force on 1 January 2005. The agreement benefits Australian investors inter alia, by providing for majority Australian ownership in a number of sectors and sub-sectors, including mining, and by providing Australian investors with legal protection against expropriation.

New negotiations

During 2004-05, Australia announced the commencement of Free Trade Agreement (FTA) negotiations with the Association of Southeast Asian Nations (ASEAN) in partnership with New Zealand; the United Arab Emirates (UAE); Malaysia; and China.

- On 30 November 2004, Australia, New Zealand and ASEAN leaders announced the commencement of negotiations on an FTA. All leaders committed to a comprehensive agreement covering both goods and services and the progressive elimination of all forms of barriers to trade. Negotiations are expected to take two years.
- On 15 March 2005, Australia and the UAE announced the commencement of negotiations on a bilateral FTA. Both countries agreed to work towards concluding a comprehensive and liberalising FTA in 2006.
- On 7 April 2005, Australia and Malaysia agreed to launch FTA negotiations. The decision to begin negotiations on an FTA follows consideration of comprehensive scoping studies into the likely impact of a bilateral economic agreement.
- On 18 April 2005, Australia and China agreed to launch negotiations on an FTA. The decision to proceed to negotiations followed Australia's formal recognition of China as a market economy and the completion of a joint feasibility study, which found that an FTA would provide substantial economic benefits to both countries.

Other agreements

On 18 April 2005, Australia and Indonesia announced the development of a bilateral Trade and Investment Framework.

On 20 April 2005, Australia and Japan announced the commencement of an FTA feasibility study. The study will examine the pros and cons of a bilateral FTA, as part of measures to advance economic relations between the two countries.

On 19 May 2005, Australia and India announced the start of work on a Trade and Economic Framework Agreement.

During 2004-05, Australia signed an investment treaty with Turkey and completed negotiations with Mexico, with the intention to sign in the near future.

Organisation for Economic Co-operation and Development

Foreign Investment and Trade Policy Division represented Australia at the meetings of the OECD's Investment Committee. The Committee addresses policy issues facing OECD and non-OECD countries in attracting investment and maximising its associated social benefits.

Treasury is responsible for implementing and promoting the OECD Guidelines for Multinational Enterprises in Australia. This voluntary code for responsible business conduct is recommended by governments to multinational enterprises operating in or from the 30 OECD member countries and eight non-member adhering countries. The principles and standards for responsible business behaviour cover employment, industrial standards, disclosure, the environment, human rights and bribery.

Each adhering country has a national contact point to ensure effective implementation and promotion. The General Manager, Foreign Investment and Trade Policy Division,

who is also Executive Member of the Foreign Investment Review Board, is the Australian National Contact Point. In 2004-05, the programme focused on four outcomes:

- continuing constructive dialogue established with non-government organisations and engaging interested parties on key issues arising from implementing the guidelines;
- initiating outreach to the business community to promote the Guidelines and increasing efforts to establish a network of business contacts for consultation;
- continuing contact with officials from other government agencies to discuss the Guidelines and other corporate social responsibility initiatives; and
- enhancing promotional efforts through the review and upgrade of the website www.ausncp.gov.au and continuing efforts to incorporate the Guidelines into domestic corporate governance and social responsibility reporting frameworks.

At the OECD Annual Meeting of National Contact Points in June, the Australian National Contact Point tabled a detailed report (prepared in consultation with business, labour and other non-government organisations) on its activities during the year and attended an OECD roundtable on the interaction between the Guidelines and developing countries.

In June 2005, the Australian National Contact Point received a submission from several Australian and overseas non-government organisations alleging that a UK-controlled multinational had breached the Guidelines in respect of its operations in Australia. At the end of June 2005, the matter was still under active consideration.

Asia-Pacific Economic Cooperation

During 2004-05, Treasury revised and updated the investment chapter of the annual APEC Individual Action Plan, and contributed to peer reviews of the investment chapters of China, the United States, Chile and Peru.

In early 2005, Treasury increased its role in APEC's trade and investment liberalisation agenda when it filled the vacant convenorship of the Investment Experts Group. It is expected that our leading role in this Group will form a significant part of Treasury's contribution to the development of key policy themes and priorities in the lead up to 2007, the year Australia hosts APEC.

Liaison with Department of Foreign Affairs and Trade

A dedicated Trade Policy Unit was formed in mid-2005 to coordinate Treasury's involvement in bilateral, regional and multilateral trade matters. Treasury provided specialised advice to the Department of Foreign Affairs and Trade on Australia's involvement in the WTO Working Group on Trade and Investment and the WTO Doha round of negotiations on the General Agreement on Trade and Services. Treasury also provides advice to the Department of Foreign Affairs and Trade on Australia's negotiation of bilateral and regional free trade agreements and bilateral investment treaties. A model Australian investment protection and promotion agreement text provides the basis for negotiating investment agreements. Australia has 19 bilateral investment treaties in force.

Output 3.1.2

Financial system and corporate governance policy advice

The Financial System Division and Corporations and Financial Services Division in Markets Group, with the Takeovers Panel, were responsible for the delivery of Output 3.1.2, financial system and corporate governance policy advice.

Markets Group provided advice on the prudential framework, market access and pricing, market integrity and investor protection, company law and corporate governance issues, corporate insolvency, corporate financial reporting, the responsible portfolio agencies, and currency.

Performance information

The key performance indicators are:

- advice meets Treasury portfolio ministers' needs in administering their responsibilities and implementing Government decisions as they relate to financial system and markets issues;
- effective presentation of relevant information to inform public debate;
- statutory and other procedural requirements are met;
- secretariat services provided to advisory bodies are effective;
- representation and/or liaison by Treasury officers with other agencies, private sector organisations and international bodies, are assessed by participants as effective;
- ministerial correspondence is handled satisfactorily; and
- the Takeovers Panel achieves intended results.

Analysis of performance

Treasury provided advice and programme support to Treasury portfolio ministers, and engaged with other agencies on issues relating to financial institutions, financial markets and issues concerning corporate disclosure, governance and insolvency. Treasury also processed related ministerial correspondence, published relevant information and met other procedural requirements. It provided effective support services to advisory bodies, liaised and consulted with stakeholders and represented the Australian Government at various meetings.

Financial system reform

Superannuation

Treasury provided advice to the Government on possible enhancements to Part 23 of the *Superannuation Industry (Supervision) Act 1993* (SIS Act), following a public review of these provisions. The Government subsequently released an outcomes paper containing recommendations for legislative change. Part 23 of the SIS Act provides for financial assistance to superannuation funds that suffer loss due to fraudulent conduct or theft.

The *Superannuation Safety Amendment Act 2004* introduced a universal licensing regime for trustees of superannuation funds regulated by the Australian Prudential Regulation

Authority (APRA). These reforms commenced on 1 July 2004, with a two-year transition period for existing trustees. Treasury has been liaising with APRA and industry stakeholders to ensure a smooth transition to the new licensing regime.

Corporations regulations were made that provide for enhanced fee disclosure. They promote consumer understanding of fees and costs through standardised presentation and allow for better comparability between superannuation funds.

Response to the collapse of the HIH Group

Treasury has been assisting the Government in the consideration of issues raised by Professor Kevin Davis in the Study of Financial System Guarantees (Davis Report). To help facilitate the public consultation process after the release of the Davis Report, the Government prepared a discussion paper outlining the key issues and questions on which it sought public comment. Treasury coordinated the public consultation process. Submissions were received from industry groups and participants, consumer organisations and individuals.

Treasury continued to progress the recommendations of the HIH Royal Commission, including work to implement the key findings of the Review of Discretionary Mutual Funds and Direct Offshore Foreign Insurers and to review the application of merits review of APRA decisions.

The final report of the Review of the *Insurance Contracts Act 1984* was released in January 2005.

Review of financial sector levies

Treasury provided advice in relation to the development and passage of legislation to implement the Government's response to the recommendations of the Review of Financial Sector Levies. It also consulted with industry on the possible implications of the new levy determination framework for levies paid by various types of financial sector entities. The amended legislative framework allows greater flexibility in the determination of the financial sector levies through which regulated entities in the financial sector fund the cost of the operations of APRA and certain other activities.

Money laundering

Treasury continued to assist the Attorney-General's Department in formulating proposals to implement the recommendations of the Financial Action Task Force on Anti-money Laundering (FATF). Treasury consulted with financial sector representatives on the potential implications of the revised anti-money laundering and counter-terrorism financing standards and possible legislative approaches, and remains in close contact with other Government departments and regulators.

Medical indemnity reform

Treasury provided substantial input to the review of competitive neutrality in the medical indemnity insurance market, announced by the Government in December 2004. Treasury engaged Mr Graham Rogers to conduct the review and provided secretariat support, together with the Department of Health and Ageing. Treasury also published the review report. The review found that the Incurred But Not Reported (IBNR) indemnity scheme gave participating insurers a competitive advantage. The Government accepted the review's recommendations in May 2005. Legislation to

give effect to the Government's decision was introduced into Parliament in April 2005. The package will require insurers participating in the IBNR indemnity scheme to make competitive advantage payments, and will also reduce the contribution doctors make towards the cost of the IBNR indemnity scheme through United Medical Protection (UMP) support payments.

Professional indemnity and public liability insurance

Treasury closely monitored developments and responded to issues in public liability and professional indemnity insurance markets.

Treasury provided policy advice and support for a ministerial meeting on insurance issues. Treasury worked with the States and Territories through the Insurance Issues Working Group and participated in the development of a framework for national cooperation in administering professional standards legislation.

Treasury developed the Trade Practices Amendment (Personal Injuries and Death) Bill 2004, introduced into Parliament on 9 December 2004. The amendments, which were supported by the majority of State and Territory Governments, will prevent individuals and the Australian Competition and Consumer Commission in a representative capacity from bringing actions for damages for personal injury or death resulting from contraventions of Division 1 of Part V (the misleading and deceptive conduct and other unfair practices provisions) of the *Trade Practices Act 1974*. This will prevent the Trade Practices Act being used to undermine State and Territory tort law reforms.

Natural disaster insurance

Treasury has been working with the Insurance Council of Australia to progress the insurance recommendations contained in several recent reports to the Government on natural disasters. The reports include: the Council of Australian Governments (COAG) report, *Natural Disasters in Australia: Reforming mitigation, relief and recovery arrangements*; the COAG National Inquiry on Bushfire Mitigation and Management; and the House of Representatives Select Committee on 2002-03 bushfires (the Nairn report).

Payments system reforms

Treasury continued to support the Reserve Bank of Australia's payments system reforms through a technical amendment to the *Payment Systems (Regulation) Act 1998*. The Payment Systems (Regulation) Amendment Bill 2005 received Royal Assent in June 2005 and allows the Act to operate as intended. Specifically, the amendment ensures that payment system participants complying with Reserve Bank standards are not inadvertently in conflict with the competition provisions of the *Trade Practices Act 1974*.

HIH Claims Support Scheme

Treasury provided policy advice on the management of the HIH Claims Support Scheme and its future. Treasury has implemented the Government's decision to restructure the HIH Claims Support Scheme. The eligibility assessment and claims management functions have been contracted to one service provider who acts as an agent for the Government. Arrangements are being finalised for the sale and transfer of HIH Claims Support Limited from the Insurance Council of Australia to Commonwealth ownership.

Financial services refinements

Treasury assisted the Government to prepare proposed refinements to the regulatory regime, then consulting widely on their implementation. These refinements were set out in a Proposals Paper entitled *Refinements to Financial Services Regulation*, released in May 2005.

International liaison

IMF Financial Sector Assessment Program

Treasury advised the Government in relation to Australia's participation in the International Monetary Fund (IMF) Financial Sector Assessment Program (FSAP), to which the Government agreed in late 2004. The FSAP involves assessments of Australia's observance of various international standards and codes relating to financial sector regulation, and analysis of financial system soundness, governance framework and official oversight and regulation of the financial system. The FSAP is well underway and expected to be completed in June 2006. Treasury is coordinating Australia's participation in the FSAP and maintains close contact with the IMF and Australia's financial sector regulators.

Financial Action Task Force mutual evaluation

Treasury assisted the Attorney-General's Department in relation to the Financial Action Task Force (FATF) mutual evaluation of Australia's anti-money laundering and counter-terrorist financing regime. Treasury contributed to Australia's self-assessment questionnaire in late 2004 and organised the on-site visit by the team of FATF assessors in March 2005. The evaluation is expected to be completed in October 2005.

Treasury was represented at FATF meetings in 2004-05 and was in regular contact with Australia's financial sector and money laundering regulators in relation to FATF issues.

Organisation for Economic Co-operation and Development (OECD)

Treasury was represented at Organisation for Economic Co-operation and Development (OECD) Insurance Committee meetings and provided advice to the OECD on medical indemnity, corporate governance and natural disasters. In addition, a Treasury officer was involved in OECD Insurance Committee outreach activities in Bolivia.

Trade

Treasury is the lead agency in advancing Australia's interests in the Financial Services Committee (FSC) under the AUSFTA. The first meeting of the FSC was held in June and discussed a range of issues that would lead to the closer integration of the Australian and US financial services sectors. The US agreed to further consider the issues raised by Australia in a meeting in scheduled for early 2006.

Treasury participated in negotiations on financial services for the World Trade Organization Doha round, and contributed to work being done by the Department of Foreign Affairs and Trade to progress free trade agreements with China, the ASEAN region, Malaysia and the United Arab Emirates.

Joint Trans-Tasman Council on Banking Supervision

Treasury provided policy advice and support to the Government on trans-Tasman banking regulation matters, including for the annual meeting between the Australian Treasurer and New Zealand Minister of Finance.

The Secretary to the Treasury, together with the Secretary to the New Zealand Treasury, is the Joint Chair of the Joint Trans-Tasman Council on Banking Supervision, established by the Australian Treasurer and the New Zealand Minister of Finance on 17 February 2005. Membership of the Council also comprises APRA, the Reserve Bank of Australia and the Reserve Bank of New Zealand (RBNZ). Treasury provided secretariat support to this Council.

As a member of the Council, Treasury has been involved in work on promoting a joint approach to trans-Tasman banking supervision, including on legislative changes that may be required to ensure APRA and the RBNZ can support each other in the performance of their current regulatory responsibilities at least regulatory cost.

Financial Reporting Standards

Treasury participated in a Trans-Tasman Accounting Standards Advisory Group with representatives from the Financial Reporting Council, Australian Accounting Standards Board, Financial Reporting Standards Board (New Zealand), Accounting Standards Review Board (New Zealand) and officials from the New Zealand Ministry of Economic Development. Markets Group is working toward consistency in financial reporting frameworks and the implementation of International Financial Reporting Standards in both countries.

Securities offerings

Treasury progressed work on a mutual recognition arrangement governing offers of securities and managed investment scheme interests between Australia and New Zealand. The proposed regime will allow issuers to offer securities in both Australia and New Zealand using the same offer documents and offer structure, with minimal additional obligations. Further steps towards adoption of the proposed regime are expected to be achieved in 2005-06.

Takeovers Panel

The Takeovers Panel contributed to well-functioning securities markets in Australia by resolving 31 applications, based on the policy and purposes of the Takeovers Chapter of the *Corporations (Repeals, Consequential and Transitional) Act 2001*, that is, ensuring that the acquisition of control over voting shares in listed companies takes place in efficient, competitive and informed markets. The Panel also fosters the confidence and efficiency of the market by publishing Guidance Notes setting out how the Panel is likely to address specific issues if they come before it. In 2004-05, the Panel published revised versions of a number of its Guidance Notes to keep them relevant to current market practices.

Financial Reporting Panel

Provision for the establishment of a Financial Reporting Panel is made in Part 13 of the *Australian Securities and Investments Commission Act 2001*, which commenced on

1 January 2005. Panel members are appointed by the Minister. Treasury has been engaged in the acquisition and fit-out of premises and other preparatory work in readiness for the Panel's commencement of operations. Treasury will provide executive support for the Panel.

Currency

Treasury chaired and served on the Royal Australian Mint Advisory Board. In the 2005-06 Budget, funding of \$41.2 million over three years was provided to fund the refurbishment of the Royal Australian Mint buildings. This is the first major upgrade to the Mint buildings since construction in 1965.

Treasury also prepared currency determinations for the Perth Mint's numismatic coin programmes.

Company law and corporate governance

Corporate Law Economic Reform Program 9

Treasury continues to monitor the implementation of the *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004*, and consulted with the Australian Securities and Investments Commission and industry stakeholders regarding its implementation.

International Financial Reporting Standards

Treasury provided advice to the Government regarding Australia's adoption of International Financial Reporting Standards and issues surrounding their implementation. Treasury also consulted with the Australian Accounting Standards Board, Financial Reporting Council, accounting supervisory bodies, industry groups and individual companies on this issue.

Statutory and other procedural requirements

Financial sector levies

Treasury consulted with industry and provided advice to the Government in relation to the determination of financial sector levies (which primarily support the Australian Prudential Regulation Authority's operations) for the 2005-06 financial year. These were the first levies to be determined under the new levy determination framework.

Ministerial decisions under statutes

Under the Corporations Act, portfolio ministers have a significant role in ensuring market integrity. Treasury provided ongoing policy advice in relation to ministerial powers to disallow the operating rules of markets and clearing and settlement facilities and approve new market applications.

Treasury advised on applications for financial assistance under Part 23 of the SIS Act. Part 23 provides for financial assistance to superannuation funds that suffer loss due to fraudulent conduct or theft. In 2004-05, the Government made 79 determinations, granting approximately \$7 million in financial assistance.

In 2004-05, Treasury advised on and prepared associated instruments on: eight applications under the *Financial Sector (Shareholdings) Act 1998*; two applications under

section 63 of the *Banking Act 1959*; three applications under the *Insurance Acquisitions and Takeovers Act 1991*; and two applications under the *Financial Sector (Transfers of Business) Act 1999*.

Appointments

Treasury processed appointments to the Australian Accounting Standards Board, the Australian Reinsurance Pool Corporation Board, the Australian Securities and Investments Commission, the Companies Auditors and Liquidators Disciplinary Board, the Corporations and Markets Advisory Committee and its legal subcommittee, the Financial Reporting Council, the Financial Sector Advisory Council, the Life Insurance Actuarial Standards Board, the Payments System Board, the Superannuation Complaints Tribunal, and the Takeovers Panel.

Secretariat services

Treasury provided secretariat services to the Ministerial Council for Corporations, which met three times during 2004-05. Treasury also assisted the Parliamentary Secretary to fulfil the Government's obligations under the Corporations Agreement 2002.

Treasury provided secretariat support for the Financial Reporting Council, a stakeholder body that provides broad oversight of the accounting and audit standard setting process, including the Australian Accounting Standards Board. Treasury also provided secretariat support for the Trans-Tasman Accounting Standards Advisory Group.

Treasury provided secretariat support to the Financial Sector Advisory Council, which brings together a range of senior financial market participants to provide advice to the Government on policies to facilitate the growth of a strong and competitive financial factor.

Treasury provided secretariat services to the HIH Assistance Review Panel.

Output 3.1.3

Competition and consumer policy advice

Competition and Consumer Policy Division, the Financial Literacy Foundation and the Strategy, Consumer and Group Services Division (now the Strategy, Communications and Group Services Unit) were responsible for the delivery of Output 3.1.3, competition and consumer policy advice.

Markets Group provided advice on policy issues and the legislative framework for the development and operation of competition and consumer policy, and markets more broadly, including the competition and consumer provisions of the *Trade Practices Act 1974* and structural reform of key sectors, including those providing essential infrastructure.

Markets Group also contributed to Output 3.1.3 by implementing the Government's decision to establish the Financial Literacy Foundation under its Election 2004 Policy, *Super for All and Understanding Money*. The Foundation's key objectives are to raise awareness of financial literacy and its benefits, and provide consumers and stakeholders with well-organised and accessible information to enable them to use financial literacy programmes and resources.

Performance information

The key performance indicators are:

- advice meets Treasury portfolio ministers' needs in discharging their responsibilities under legislation and in implementing Government decisions in relation to competition and consumer policy;
- statutory and other procedural, administrative and reporting requirements are met;
- effective representation and/or liaison with other agencies, private sector organisations and international bodies promotes competitive, efficient and well-informed markets;
- effective presentation of relevant information to inform consumers and businesses;
- secretariat services provided to advisory bodies are effective;
- implementation of the Super Choice initiative; and
- ministerial correspondence is handled satisfactorily.

Analysis of performance

Competition policy

During 2004-05, Treasury provided advice on a range of issues affecting Australia's competition framework.

Treasury developed the Trade Practices Legislation Amendment Bill (No. 1) 2004 which implements the Government's response to the independent review of the competition provisions (Part IV) of the *Trade Practices Act 1974* and their administration (the Dawson Review). The Bill was introduced into Parliament on 17 February 2005. (An earlier version of the Bill was introduced on 24 June 2004.) The reforms aim to improve the competition and authorisation provisions and administration of the Trade Practices Act by including a voluntary formal clearance process for mergers, direct application to the Australian Competition Tribunal for merger authorisation and a notification process to facilitate collective bargaining by small businesses with large businesses.

Treasury also advised on the Government response to the March 2004 report by the Senate Economics References Committee, *The effectiveness of the Trade Practices Act 1974 in protecting small business*. The Government response was released on 23 June 2004, and a three-month consultation process with State and Territory governments commenced on the same day. Since then, Treasury has been developing the Trade Practices Legislation Amendment (Small Business Protection) Bill 2005 to implement the Government response.

Treasury developed the Trade Practices Amendment (National Access Regime) Bill 2005, which implements the Government's final response to the Productivity Commission's review of the National Access Regime for infrastructure facilities of national significance. The Bill was introduced into the House of Representatives on 2 June 2005 and is expected to be debated in the 2005 Spring sittings.

Treasury has an advisory, reporting and coordination role for the Government's implementation of National Competition Policy (NCP). During 2004-05, Treasury provided advice to ministers on NCP payments to the State and Territory governments, sector-specific reforms and inter-jurisdictional issues. During 2004-05, the Productivity Commission released its inquiry report on NCP arrangements. The report was commissioned to inform the 2005 Council of Australian Governments' (COAG) review of NCP, scheduled to be completed by the end of 2005. Treasury is now working closely with the NCP Review Secretariat within the Department of the Prime Minister and Cabinet to develop a future reform framework that will be progressed through the COAG NCP Review.

Treasury prepared policy advice on issues concerning energy market reform. Treasury has worked with the Department of Industry, Tourism and Resources and State and Territory governments towards implementing the COAG Australian Energy Market Agreement 2004, which will create a new national institutional and regulatory framework for Australia's energy markets. In particular, Treasury has been actively involved in processes to enable the new Australian Energy Regulator's operations to commence on 1 July 2005.

Treasury's policy advice on transport covered a diverse range of issues including the adequacy of rail and port infrastructure associated with coal; the Government's national land transport plan, *AusLink*; conditions in international aviation markets; and international cargo liner shipping. Treasury was also involved in the Australian Competition Tribunal's review of the Parliamentary Secretary to the Treasurer's decision regarding declaration of airside services at Sydney Airport.

Treasury also provided policy advice on a range of telecommunications issues and issues relating to the digital broadcasting regulatory review process.

Treasury coordinates and advises the Government on preparation of terms of reference for Productivity Commission research and inquiries. In 2004-05, this involved four public inquiries and three commissioned research references.

Treasury had extensive dealings with other agencies, private sector organisations and international bodies, and contributed to the development of competition and regulatory frameworks in Organisation for Economic Co-operation and Development (OECD) member and non-member countries, through involvement in OECD competition committees and Asia-Pacific Economic Cooperation (APEC) work. Treasury has also been involved in negotiating competition chapters in free trade agreements with several countries.

Consumer policy

In 2004-05, Treasury provided advice to the Government on regulatory frameworks that support consumer confidence and help consumers to participate actively in the market. A major focus was providing advice on the review of Australia's product safety framework. On 16 March 2005, the Productivity Commission was asked to undertake a research study into Australia's consumer product safety system. The final report of the Commission is expected by 16 January 2006. The study has been endorsed by the Ministerial Council on Consumer Affairs (MCCA) and will examine the impacts of

various reform options for the Australian consumer product safety system as set out in the MCCA discussion paper, *Review of the Australian consumer product safety system*.

Treasury continued to provide secretariat support to the MCCA. The Parliamentary Secretary to the Treasurer, representing the Commonwealth, commenced as Chair of the Ministerial Council in September 2004. Treasury has also continued to provide secretariat support to the Commonwealth Consumer Affairs Advisory Council. The Council was strengthened during the year through a merger with the Electronic Commerce Expert Group, leading to some members of that group becoming Council representatives.

During 2004-05, Treasury participated in international consumer policy meetings including the OECD workshop on consumer redress held in Washington in April 2005.

Treasury has worked with relevant Commonwealth agencies to assess Australia's compliance with the OECD *Guidelines for protecting consumers across borders from fraudulent and deceptive commercial practices*. To this end, Australia has completed the first part of an OECD questionnaire in relation to these guidelines.

On 21 April 2005, the Treasurer announced that the Australian Government would be making an amendment to the *Trade Practices Act 1974* to respond to the increased use of component pricing in a number of industries.

Consumer information

In December 2004, consumer product safety regulatory functions were transferred to the Australian Competition and Consumer Commission (ACCC). The major work carried out by staff up until the time of their transfer included developing regulations allowing for a new consumer product information standard for tobacco products.

Staff and resources associated with the Consumer Information Programme were also transferred to the ACCC. The Treasury maintained its role in providing consumer policy advice. It is anticipated that the remaining elements of the Consumer Information Programme will be transferred to the ACCC in 2005-06. These include:

- the ConsumersOnline website, which is the Government's one-stop shop for consumer information;
- an indigenous consumer website; and
- the ScamWatch website, which provides information on targeting scams.

Financial Literacy Foundation

The Financial Literacy Foundation was launched in June 2005, and will take forward a national strategy to deliver the Government's commitment to help all Australians increase their financial knowledge and better understand their options and the choices they can make in using and managing their money.

Key elements of the national strategy are to:

- implement an Australia-wide information and awareness-raising campaign;
- incorporate financial literacy programmes in schools and workplaces;

- establish a website to serve as a portal for financial literacy education and information resources; and
- conduct original research to build understanding of both influences on community attitudes to financial literacy and best practice approaches to extending and measuring literacy.

The Foundation is a division of Treasury. Its financial and administrative arrangements are consistent with the legislative and departmental requirements which apply to all divisions.

The Financial Literacy Advisory Board was established in June 2005 to provide independent expert advice, guidance and strategic direction on financial literacy issues. It consists of 10 high-profile members who are leaders in their respective fields and is chaired by Mr Paul Clitheroe. Board members have been appointed by the Minister for Revenue and Assistant Treasurer in consultation with the Prime Minister and Treasurer.

Treasury has assisted in the implementation of Superannuation Choice in the area of consumer protection and education. The Financial Literacy Foundation has worked collaboratively with the Australian Taxation Office and the Australian Securities and Investments Commission on the implementation of Super Choice, including the information campaign, call centre and website.

Appointments

Treasury processed appointments to the Australian Competition Tribunal, Australian Competition and Consumer Commission, National Competition Council, Health Services Advisory Committee, Commonwealth Consumer Affairs Advisory Council and the newly established Australian Energy Regulator.

Output 3.1.4 Actuarial services

The Australian Government Actuary is responsible for the delivery of Output 3.1.4, actuarial services.

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

The office has an ongoing support role.

Performance information

The key performance indicator is:

- efficient provision of high quality professional services, with income from consultancy fees relative to total costs meeting specified quantitative criteria.

Analysis of performance

The Australian Government Actuary operates in a competitive and contestable market for actuarial services. Income from consultancy services relative to total costs is therefore a primary indicator of performance. The Australian Government Actuary operates a

special account to ensure its financial operations are managed properly and transparently. At 30 June 2005 the account was in a sound financial position.

Feedback from clients has generally been positive, consistent with an ongoing demand for services.

Consultancy services

Australian Government Actuary consultancy services typically involve analysing uncertain future financial flows using financial modelling techniques, documenting the analysis and presenting the results to clients.

Departments which sought advice included Defence; Attorney-General's; Education, Science and Training; Family and Community Services; Health and Ageing; Veterans' Affairs; and Finance and Administration. Centrelink, the Health Insurance Commission and the Australian Taxation Office also sought advice.

Feedback from these agencies indicates that they were generally very satisfied with the advice received, and its value as an input in achieving their objectives.

Services to Treasury

The Australian Government Actuary contributed its technical expertise on a range of policy issues, including long-term care, medical indemnity arrangements, the superannuation system and insurance matters.

Treasury funded this work which accounted for around 15 per cent of the office's total revenue for the year.

Operational outcomes

The office operates under the direction of an internal management board comprising three senior Treasury officers, including the Australian Government Actuary. This board reviews financial performance and oversees the strategic direction of the office.

Output 3.1.5 Circulating coin and like products

The Mint is a semi-autonomous operating division of Treasury, responsible for producing circulating and numismatic coin for Australia. The Mint also produces a range of high quality collector coins together with minted non-coin products including medallions. The Mint's collector coin and minted non-coin business is commercial, within government-set parameters.

In 2004-05, the Government provided funding of \$2.165 million as part of a five-year capital replacement program.

Performance information

Key performance indicators are:

- advice meets Treasury portfolio ministers' needs in administering their responsibilities and implementing government decisions as they relate to coinage and Royal Australian Mint operations;
- produces circulating coin to Reserve Bank of Australia forecasts;
- meets financial performance targets; and
- maintains the National Coin Collection and the Royal Australian Mint's visitors' gallery, and promotes public understanding about the cultural and historical significance of coins.

Analysis of performance

Treasury and the Mint provided advice on a range of currency related matters including coin designs.

The supply of circulating coin in 2004-05 was high and deviated considerably from original forecast. Despite this, the coin was delivered on time. Increased demand raised the value of the seigniorage to \$102.5 million (from \$59.098 million in 2003-04).

For 2004-05, the Mint's operating profit before company tax and net of seigniorage was \$0.961 million. The profit was lower than in previous years due to overly optimistic forecasting of numismatic products leading to write offs of packaging and excess finished product. A focus for 2005-06, is to improve planning and forecasting, including introducing more rigorous planning for all products and product reviews.

Sales of corporate and overseas product increased by 48 per cent to \$2.350 million, partly due to foreign coin production orders.

The Mint was selected as the official supplier of coins and medals for the Melbourne 2006 Commonwealth Games. In March, the Treasurer released the first coins, the Queen's Baton Relay coins. In May, the M2006 Commonwealth Games Uncirculated Coin Collection was released; when finished it will include 16 individual sport coins highlighting the 16 individual sports showcased at the Games.

The Mint announced the 2005 winner of the Secondary Student Design Competition. Kelly Just from Victoria designed a coin featuring Australia's fauna imitating the actions of athletes in the Melbourne 2006 Commonwealth Games. This coin will be released into circulation later in 2005.

In August, the Bicentenary of Tasmania 'H' Mintmark coin was released. The Mint's mintmark machine was taken to Hobart to strike this coin, and the event created a great deal of excitement with hundreds of people lining up to obtain this coin. Strong sales through the mail order and corporate channels followed.

The theme for the 2005 year sets was to commemorate 60 years since the end of the Second World War. The 'Dancing Man' on the \$1 coin and the family greeting the returned prisoner of war on the 20 cent coin generated substantial community interest. The interest in these sets reflects the strong performance of themes of national and

historic significance. This was reinforced with the release of the 2005 \$1 mintmark coin commemorating 90 years since the Gallipoli landings. The 'G' mintmark release sold out in two weeks.

A new three-year coin gold series was released in July, highlighting three of Australia's most endangered birds. The Cassowary was the 2004 release; the Mallee Fowl will be the 2005 release; and the South Eastern Red Tailed Black Cockatoo will be the 2006 release.

The Mint attended a variety of coin shows and public exhibitions including the Royal Victorian Agricultural Exhibition, the Pacific Explorer Stamp Show as well as the Brisbane ANDA Coin Note and Stamp Show. Once again the Mint's portable mintmark press proved a strong attraction at these shows.

The Mint's capital equipment is being upgraded in a five-year programme. Four new circulating presses and a robot for bagging were installed.

Visitor numbers increased for the second consecutive year. Two major public events celebrated the Mint's fortieth anniversary. The Parliamentary Secretary launched a special exhibition showing every pre-decimal Australian gold coin. Valued at over \$7 million, it remained in place until the end of August 2005. The public was invited into the factory areas on two open days in April. Many of the 4,627 visitors travelled to Canberra especially for the chance to watch coining operations at close hand.

In May, the Government announced the refurbishment of the Mint building. The refurbishment will be through an integrated construction package, including the Department of Finance and Administration building owner base building works and Mint tenant fitout works. The project, starting in 2006, will take three years and cost around \$40 million.

Refurbishment will ensure compliance with Government accommodation standards and promote environmental policy initiatives. The fitout will provide for a standard commercial office, modern light industrial manufacturing environment and contemporary museum and gallery — refurbishment will better equip the Mint to respond to changing and fluctuating operational requirements and provide a level of public facilities in line with other national institutions.

The Mint was purpose built to produce Australia's decimal coinage and has not had a substantial upgrade since its original construction in 1965; refurbishment will ensure the continued economic viability of this landmark building and extend its useful life by some 25 years.

Customer service charter

The Mint's customer service charter is available in hard copy and on its website.

Customer complaints are managed within the context of the Mint's overall Quality Management System that meets with the ISO9001-2000 Quality System certification. Complaints are dealt with according to the Australian Standard AS 4269-19951 Complaints Handling. Relevant staff are trained in all aspects of customer service.

Mint staff regularly meet collectors and dealers. In addition, the public can raise matters directly with the Mint in letters, phone calls and emails to two dedicated email addresses.

Table 5: Australian decimal coin issued by Treasury

Year	\$2 \$'000	\$1 \$'000	50c \$'000	20c \$'000	10c \$'000	5c \$'000	2c \$'000	1c \$'000	Total \$'000
1965-92	395,960	319,780	217,625	161,303	93,532	84,652	48,793	31,162	1,352,807
1992-93	16,460	7,150	50	56	4,000	3,874	-	-	31,590
1993-94	26,100	24,075	2,349	280	2,440	5,716	-	-	60,960
1994-95	39,000	37,600	9,920	3,080	3,240	5,540	-	-	98,380
1995-96	27,000	32,200	8,000	1,040	-	4,140	-	-	72,380
1996-97	26,800	24,300	6,960	3,160	-	4,360	-	-	65,580
1997-98	22,200	20,500	4,320	4,340	820	4,660	-	-	56,840
1998-99	32,400	18,900	7,480	7,180	5,740	5,920	-	-	77,620
1999-00	64,000	23,200	15,930	10,700	7,080	6,210	-	-	127,120
2000-01	31,600	16,000	8,760	9,660	7,320	7,300	-	-	80,640
2001-02	67,200	37,400	27,080	18,020	11,520	10,680	-	-	171,900
2002-03	48,000	23,300	9,640	4,780	4,680	5,020	-	-	95,420
2003-04	33,800	12,300	8,920	7,700	7,360	6,600	-	-	76,740
2004-05	8,760	10,880	15,960	17,001	26,094	59,000	-	-	137,695
Total	839,280	607,585	342,994	248,300	173,826	213,672	48,793	31,162	2,505,672

Table 6: Circulating coin production 2004-05

Denomination	Design	Date of Coin	Alloy	Pieces (millions)
5c	Standard	2004	Cupro-Nickel	97.750
5c	Standard	2005	Cupro-Nickel	50.042
10c	Standard	2004	Cupro-Nickel	62.040
10c	Standard	2005	Cupro-Nickel	28.976
20c	Standard	2004	Cupro-Nickel	47.971
20c	Standard	2005	Cupro-Nickel	1.600
20c	WWII	2005	Cupro-Nickel	21.677
50c	Standard	2004	Cupro-Nickel	10.600
50c	Student	2004	Cupro-Nickel	10.577
50c	WWII	2005	Cupro-Nickel	11.033
\$1	Standard	2004	Aluminium Bronze	8.717
\$1	WWII	2005	Aluminium Bronze	10.607
\$2	Standard	2004	Aluminium Bronze	16.807
\$2	Standard	2005	Aluminium Bronze	6.335
Total				384.732

Table 7: Visitor numbers

	2000-01	2001-02	2002-03	2003-04	2004-05
Total visitor numbers	186,597	208,429	182,104	188,262	195,697

Production figures for proof and special coins, medal, medallions and circulating coin for other countries are available at www.ramint.gov.au.

Strategic Communications Division

Strategic Communications Division assists in the achievement of Treasury's outcomes by providing services in relation to: Cabinet liaison, parliamentary liaison, ministerial correspondence, ministerial briefing coordination, issues management, and freedom of information requests. It also undertakes Treasury-wide projects directed at enhancing the services provided to ministers, including on knowledge and information management and quality assurance. Since December 2004, the division has also provided secretariat services to the Executive Board.

Key priorities in 2004-05

The key priorities were to:

- ensure the delivery of appropriate services to Treasury ministers;
- monitor and manage issues, in partnership with relevant policy areas in groups;
- implement measures endorsed by the Executive Board to improve issues and knowledge management in Treasury.

Key outcomes in 2004-05

The key outcomes achieved were:

- provision of issues management services and support across Treasury;
- continued enhancement of Treasury's knowledge management and quality assurance capabilities;
- an upgrade of the electronic tracking system for advice sent to ministers;
- enhanced reporting of ministerial correspondence; and
- integration of secretariat services to the Executive Board into the division.

Corporate Services Division

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

Corporate services include information technology, information and records management, information technology training, publishing, web page and other communications support, human resource management, financial and accounting services, and contracting, security and facilities management.

Key priorities in 2004-05

Corporate Services Division priorities identified in the 2004-05 Corporate Plan were to:

- continue to progress knowledge management initiatives, including continuing to implement electronic records management, enhancing the departmental intranet and continuing the development of departmental internet sites;
- promote a risk management framework across the Treasury;
- negotiate and implement Treasury's fourth certified agreement and Australian workplace agreement framework;
- enhance further human resource and financial information management systems;
- develop further Treasury's internal financial management processes, including the implementation of a long-term capital management plan;
- implement Treasury's 2003-06 Workplace Diversity Programme;
- maintain and expand information technology applications to support departmental operations;
- continue to ensure the security of the information technology network and systems, including a re-accreditation of the internet gateway;
- enhance professional development programmes for staff at all levels to strengthen organisational capability; and
- recruit and retain a capable and agile workforce, including graduates.

Key outcomes in 2004-05

- Knowledge management continued to be a major focus with implementation of the Electronic Records Management System completed in December.
 - With its volume of email holdings and transactions increasing rapidly, Treasury sought to identify and test a facility to manage and store the data. Planning for, and testing of the Email Vault began in early 2005. The system will be commissioned in October, and will minimise the impact on network performance, reduce backup times, provide enhanced retrieval processes for archived email and ensure minimal email losses in the event of a major network outage.

- Treasury's 44 websites are a primary mechanism for disseminating information to the public. In 2004-05, three new websites were released to support government policy priorities. In addition, the 2005-06 Budget website, the online version of the 2003-04 Treasury Annual Report, and the Australian Office of Financial Management website were redesigned to improve navigation and usability.
- Initiatives to develop and promote Treasury's risk management framework included implementing risk assessment pilots in two groups, developing risk management guidelines, developing contract risk assessments and continuing risk management training.
- The 2004-2006 Treasury Certified Agreement came into operation on 20 September. It aims to improve the flexibility of working conditions in Treasury and help make Treasury a more satisfying and rewarding place in which to work. Conditions and pay adjustments matching those contained in the new agreement were incorporated in Australian Workplace Agreements for non-SES employees. Staff at APS 6, EL1 and EL2 levels have access to additional pay points, as determined by the Remuneration Committee System. The system uses demonstrated performance, skills and responsibilities as the primary factors in arriving at relative rankings of staff.
- Treasury's Human Resource Management Systems were enhanced to improve the delivery of client services, particularly the reporting of staffing information, security vetting, performance management and remuneration processes. These systems are supported by a third party reporting tool, TM1, providing senior managers and relevant staff with desktop access to tailored and timely management information. Increasingly, managers and staff are using Job Office, Treasury's online recruitment system.
- Treasury continued to develop its internal financial management processes with the upgrade and improvement of systems and development of more robust procedures in line with better practice guidelines for the public sector. Treasury also reviewed its accounting treatment of financial accounts to ensure they complied with the new Australian Equivalent International Accounting Standards.
- A draft capital management plan identifies major long-term capital expenditure and raises awareness of capital budgeting and asset management processes throughout Treasury.
- Progress on implementing the 2003-06 Workplace Diversity Programme was monitored and recorded against the performance indicators. A higher percentage of staff are accessing flexible working arrangements, with more staff choosing to work part time, including at the senior executive level. In 2004-05, Treasury revised its home-based work policy to assist staff and managers manage the process more effectively. An external service provider can help staff manage their caring responsibilities by providing better access to information and services.

- Information technology application development included developing a new website and database to support the Foreign Investment area. The new system will allow overseas investment applications in Australian real estate to be registered online. The ministerial, facilities management and security breaches systems also were enhanced to improve performance.
- Treasury's internet gateway and information technology platform received re-accreditation on 11 February 2005. This process involved progressively revising all information technology security governance, including the disaster recovery and business continuity plans, threat risk assessment and related documentation.
- Following a report on Treasury's professional development framework the Executive Board agreed to a review of the department's studies assistance policy and the introduction of executive coaching. Treasury's capability framework aligns learning and development opportunities with current and future capability requirements.
- In 2004-05, priorities for learning and development included leadership skills, policy advising, economics, law, performance management, the Treasury seminar series and training in corporate systems. New courses offered for the first time included a tax policy framework course and a macroeconomic policy course.

PART 3

MANAGEMENT AND ACCOUNTABILITY

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Corporate governance

Treasury's corporate governance practices comply with statutory and other external requirements, and aim to achieve sound administrative and financial management practice. They are designed to ensure efficient, effective and ethical use of Treasury's resources.

Key aspects of Treasury's corporate governance practices include:

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

The Executive Board is the primary decision-making body. The Audit Committee is the other body that ensures accountability.

The Treasury Management Model sets out the role accountabilities of the five levels of the Treasury management structure. Treasury's management levels and primary role accountabilities are:

- Secretary: accountable for the department's management and strategic leadership;
- Executive Director: accountable for a group's management and strategic leadership;
- General Manager: accountable for a division's management and strategic leadership;
- Manager: accountable for a unit's management and leadership; and
- Adviser and Analyst: accountable for provision of technical expertise and team leadership and contributions to unit outputs.

Senior management committees and their roles

The Executive Board

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

- organisational development — shaping 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 allocating resources — meeting current and future work priorities.

The Executive Board members as at 30 June 2005 were:

- Dr Ken Henry, Secretary to the Treasury;
- Dr Martin Parkinson, Executive Director, Macroeconomic Group;
- Jim Murphy, Executive Director, Markets Group;
- Mike Callaghan, Executive Director, Revenue Group;
- David Tune, Executive Director, Fiscal Group;
- Dr David Parker, Alternative Executive Director, Macroeconomic Group; and
- Ian Robinson, General Manager, Corporate Services Division.

Audit Committee

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

- supporting and enhancing the control framework;
- ensuring the objectivity and reliability of published financial information;
- monitors and evaluates Treasury's Risk Management Strategies; and
- helping the Secretary to comply with all legislative and other obligations.

Treasury's Audit Committee follows the recommended best practice guidelines issued by the Australian National Audit Office (ANAO). The ANAO also attends Treasury Audit Committee meetings as an observer. The Audit Committee reviews internal and external audits relating to Treasury and the Mint.

The Audit Committee members as at 30 June 2005, were Dr David Parker (who assumed the Chair from 20 May 2005), Steve French, Ian Robinson, Mike Rawstron, David Martine and Jim Kropp (who was appointed as the external representative from 18 February 2005). The Audit Committee met eight times during 2004-05.

Remuneration committees

Remuneration committees are established within the Executive, Corporate Services and the four policy groups in Treasury to recommend to the Secretary the determination of salary rates available under Australian Workplace Agreements for APS6, EL1 and EL2 staff.

The Executive Board determines each remuneration committee's membership and the Executive Director of the relevant group chairs each remuneration committee. The committee comprises the Chair, the Principal Adviser, Corporate Strategy and all general managers in the group. One general manager from another group is included to promote consistency of ratings between groups.

Senior management

Details of Treasury's management structure is set out in Figure 4, in Part 1.

Corporate planning and reporting

Treasury's internal corporate planning and reporting framework is an integrated system linked to the department's financial management, human resource and business management systems.

The Executive Board sets the broad strategic direction for the department. The corporate plan articulates this direction and provides context for policy group operational plans and Corporate Services Division. The corporate plan includes an identity statement based on Treasury's mission statement and people values, sets out Treasury's outcomes and outputs, and identifies high-level priorities for the following year.

Groups and divisions prepare operational plans at the beginning of the financial year. They identify key priorities, performance information, risks, relationships and financial information.

The Information Technology Infrastructure Statement of Direction is a three-year plan setting out Treasury's strategic directions in managing and accessing Treasury's information technology. Underpinning the Statement of Direction is the Application Systems Forward Work Plan which identifies Treasury's systems development for the next year. The plan is linked to corporate and operational plans.

Treasury meets its external reporting responsibilities through its Portfolio Budget Statements and annual report.

The Corporate Services Division uses a Balanced Scorecard Performance Reporting Framework to enable the division to measure overall business performance against the four perspectives of customer satisfaction, financial efficiency and effectiveness, operational efficiency and effectiveness, and staff learning and growth. The division reports progress twice a year.

Risk management

Under the *Financial Management and Accountability Act 1997*, Treasury meets its specific risk management requirements through a single, integrated approach. The Risk Management Implementation Plan and Corporate Policy and Framework for Managing Risk establish the key risk management objectives and communicate the risk policy framework.

The approach has four key components.

- The Fraud Control Plan complies with Australian Government Fraud Control Guidelines.
- The Chief Executive's Instructions put into effect the Financial Management and Accountability Act 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. It incorporates issues raised by the ANAO in its audit of Treasury's financial statements, and where appropriate, recent ANAO reports on cross-agency matters, upcoming management

issues, policy evaluations, previous internal audits and strategic risk management issues.

- Risk management and insurable risks are aligned through Comcover and Comcare.

Treasury strategies aim to identify and manage risks associated with the delivery of information technology services. Information technology governance includes:

- The IT Disaster Recovery Plan sets out the strategies and processes to restore services if Treasury's central computing infrastructure is lost completely or partially. The plan aims to restore services within an appropriate timeframe.
- Business Continuity Plans for Treasury's information technology application systems. Set out alternate methods and processes to use so Treasury can continue to work while the environment is restored.
- The IT Security Policy addresses the requirements to protect information holdings and secure operation of Treasury information technology resources. The policy is based on the protective security policies and standards in the Australian Protective Security Manual, the Draft Australian Communications Security Instruction — Electronic Security Instructions 33(A) and ANAO recommendations.
- The Internet and Email Acceptable Use Policy sets out responsibilities for appropriate use of the Internet, email facilities and services. This policy refers to the Australian Public Service Values and Code of Conduct, the *Public Service Act 1999*, other relevant Australian Government legislation, and the Treasury IT Security Policy.
- Website Development Standards and Guidelines based on ISO 9001 and ACSI 33, and International Standards Organisation and Defence Signals Directorate guidelines to ensure compliance with best practice website security.
- IT Change Control Guidelines (an internal management tool) assists with quality assurance control over proposed changes to the technical environment and facilities. This change control process involves reviewing proposed variations and clearing them before releasing changes in the production environment.
- IT Risk Management Strategy, developed in accordance with Defence Signals Directorate guidelines identifies technical risks associated with Treasury's information technology infrastructure and management practices.
- Applications Development and Project Standards, internal standards based on the Structured System Development Methodology PRINCE 2 for system development, provide a phased system development life cycle to ensure correct project governance is applied to systems development.
- Applications Systems Forward Work Plan is prepared on an annual basis in consultation with the Executive Board, General Managers and client representatives. It identifies applications systems development and enhancement requirements for a 12-month period and facilitates priority setting and resource allocation in relation to approved information technology applications projects.

Staff awareness of risk management policies and procedures is raised through training programmes and departmental staff notices. All policies and procedures are available to staff in hard copy and on the Intranet.

Ethical standards and accountability

Treasury has its own agency values reflecting and supporting the way it functions within the Australian Public Service legislative framework. Treasury's people values are closely aligned with the Australian Public Service values and are embedded in the Treasury Management Model and Performance Management System.

The Treasury Certified Agreement and Australian Workplace Agreements contain a commitment from employees to uphold Treasury values and comply with the Code of Conduct.

Internal learning and development programmes, such as leadership programmes, the APS1-5 Treasury Certificate in Business Services, the graduate development programme and performance management system workshops also reinforce the values and behaviours expected of staff within both the department and the broader public sector.

Treasury has taken steps to establish and maintain ethical standards through developing policies such as the Fraud Control Plan, the Chief Executive's Instructions, Conflict of Interest Guidelines, Consultant Engagement and Management Guidelines and the Internet and Email Acceptable Use Policy.

Treasury places a strong emphasis on those activities which support an ethical culture and promote fraud control awareness. An established pattern of ethical behaviour by staff will significantly reduce the risk of any fraudulent activity occurring. It also permits greater reliance on staff integrity of when considering the need for controls in areas where it may not be cost effective to implement detailed control activities. Consequently, Treasury has developed an ethics and fraud awareness education programme to maintain a strong ethical working environment and fraud control.

The Chief Executive's Instructions establish Treasury's financial administrative framework under the Financial Management and Accountability Act. The Chief Executive Instructions provide the basis for effective, efficient, ethical and accountable use and management of Commonwealth money and property. Treasury reviews and updates the instructions regularly.

The Chief Executive's Instructions provide a user-friendly approach to financial management processes and provide staff with guidance to assist them to comply with legislation and Treasury's ethical standards.

All corporate governance policies and procedures are available on the Intranet.

Senior executive service remuneration

All Treasury senior executive service employees hold an Australian Workplace Agreement.

Since September 2000, senior executive service employees have been appraised using the Australian Public Service Commission's Senior Executive Leadership Capability Framework. That involves making individual rankings against each of the five criteria of the framework, then arriving at an overall ranking for the employee, which reflects their performance relative to their peers.

An increase in relative ranking based on longer-term performance can lead to an increase in base salary. See Table 10 for details of senior executive service salary scales. Additional information on remuneration and performance pay is set out in Note 16: Executive Remuneration in Part 4 of the Financial Statements.

Corporate governance — the Mint

The Mint's Advisory Board is responsible for ensuring good corporate governance, advising on corporate strategy and providing guidance and oversight to the Mint's senior management team.

Advisory Board members as at 30 June 2005 were: Jim Murphy, Executive Director, Markets Group, Treasury (Chair); Vivienne Thom, Controller, Royal Australian Mint; Michael Del Gigante, Chief Operating Officer, Defence Housing Authority; and Ross Macdiarmid, Chief Executive Officer, Australian Capital Tourism Corporation.

The senior management team comprises the Controller and the Directors of Marketing, Operations, and Finance and Systems.

Risk management

The Mint's internal policies and procedures identify, plan for and manage the risks associated with the business of manufacturing circulating and numismatic coin for Australia. These policies and procedures are consistent with the Treasury Chief Executive Instructions, and the Treasury Audit Committee reviews the recommendations of all the Mint's internal and external audits.

Under the *Financial Management and Accountability Act 1997*, the Mint meets its specific risk management requirements through a single, integrated approach. In 2004, the Mint completed its business risk assessment and developed a Risk Management Implementation Plan to establish key risk areas and develop management plans.

The Mint's Fraud Control Plan complies with Australian Government Fraud Control Guidelines.

The Internal Audit Plan identifies services and functions for auditing. It incorporates issues raised by the ANAO in its audit of the Mint's financial statements and recent reports on cross-agency matters, upcoming management issues, policy evaluations, previous internal audits and strategic risk management issues.

In 2004-05, the focus on information technology governance increased:

- An IT Disaster Recovery Plan sets out the strategies and processes to restore services if the Mint's computing infrastructure is completely or partially lost. The plan aims to restore services within an appropriate timeframe. The development of the plan is ongoing and will be completed within 2005-06.
- Information technology backup and restoration methods are being implemented and tested to ensure services are not interrupted for extended periods or totally lost during server problems.
- Authentication and encryption used for domain accounts, dial in and Virtual Private Network (VPN) connections are being reviewed, and the firewall configuration improved.

- An Internet and Email Acceptable Use Policy sets out responsibilities of users of the Internet, email facilities and services. The policy refers to the Australian Public Service Values and Code of Conduct, the *Public Service Act 1999*, and other relevant Australian Government legislation.
- Improved IT Change Control Guidelines provide quality assurance of proposed changes to the technical environment and facilities, mainly through deploying software patches and service packs.

The Mint's Quality Management System certification against the International Standard ISO 9001-2000 continued during the year, with SAI Global conducting the annual surveillance audit and confirming that the Mint Quality System complies with the requirements. The system has been developed further as an integrated management tool to include the environmental, security and occupational health and safety management aspects.

As part of the proposed refurbishment of the Mint building, consultants GHD Pty Ltd were engaged to undertake a comprehensive security review of deficiencies in physical and personnel security, including internal and external threats, and to recommend remedial action to comply with the Commonwealth Protective Security Manual. The recommendations are being incorporated into the design documentation for the refurbishment.

Internal and external scrutiny

Audit

The Audit Committee convened eight times in 2004-05. Its work included reviewing and updating the Treasury Fraud Control Plan, reviewing the department's financial statements and reviewing a range of internal and external audit reports.

The Audit Committee's Financial Statements sub-committee convened three times in 2004-05, and consisted of staff from the Treasury, Australian National Audit Office (ANAO) and the internal audit service provider. The sub-committee monitors the production of the financial statements, and acts as a forum for the resolution of issues.

Treasury engaged Deloitte Touche Tohmatsu to develop the 2004-05 Internal Audit Plan. The Audit Committee, assisted by Deloitte, has a continuous improvement approach to audit services and regularly reviews Treasury's audit programme, and scrutinises recommendations arising from completed internal audits, as well as relevant ANAO reviews.

Internal audits — Treasury

Treasury completed seven internal audits/reviews during 2004-05.

Fraud risk assessment and Fraud Control Plan

The Treasury's Fraud Control Plan 2004-06 was developed to comply with the *Commonwealth Fraud Control Guidelines*, the ANAO Better Practice Guide for Fraud

Control in Australian Government Agencies, Treasury's obligations pursuant to the *Financial Management and Accountability Act 1997*, and the Australian and New Zealand Standard on Risk Management (AS/NZS 4360:2004).

The review identified and consolidated a list of significant fraud risks, and fraud control strategies were implemented to counter possible fraud.

Review of the Foreign Investment Policy Division's Information Technology (IT) upgrade project

The review identified lessons learned from the upgrade project and recommended improvements for future project management. The key outcome was emphasis on better and more effective project governance, strategic oversight, risk management and progress monitoring arrangements.

Review of existing Australian Workplace Agreements (AWA) processes and procedures

The review assessed the effectiveness and efficiency of AWA administration, including the processes for approval and lodgment of AWAs.

The audit established that Treasury maintains effective control procedures for all significant aspects of AWA administration, although areas for improved recordkeeping were identified. New recordkeeping processes will rectify this.

Review of existing service level agreements with other bodies within the Treasury portfolio

The review examined the operations of the service level agreements between Treasury and external portfolio bodies to provide corporate services, review cost recovery arrangements and assess Treasury's performance against the key performance indicators in the service level agreements.

The review identified that the operation of the service level agreements is adequately monitored and fees are charged appropriately, however, cost recovery varied due to different pricing methods, and reporting against key performance indicators was on an exception basis. The key outcome of the review was to develop a new costing approach for service level agreements. Treasury has agreed to implement the recommendations of the review.

Audit of accounts payable

The audit determined the risks associated with the use and management of accounts payable and assessed the adequacy and effectiveness of the controls in place to mitigate those risks.

Treasury maintains effective control procedures in relation to accounts payable. The review made a number of recommendations on payment of invoices and raising of purchase orders.

Audit of payroll and personnel

The audit determined the risks associated with the payroll and personnel cycle and assessed the adequacy and effectiveness of the controls in place to mitigate those risks.

Treasury maintains effective control procedures for the payroll and personnel cycle. The review made recommendations on accounts receivable and payable for employees transferring in and out of the department. Treasury agreed with the recommendations and has implemented new control procedures.

Review of Australian Equivalents to International Financial Reporting Standards Implementation

The internal audit provided reasonable assurance that Australian Equivalents to International Financial Reporting Standards had been applied appropriately within Treasury, and provided the Department of Finance and Administration with independent certification that the balances were accurate and changes to Treasury's accounting policies appropriate.

Treasury calculated correctly the opening account balances for 2004-05, in accordance with the standards.

Internal audits — the Mint

The Mint engaged Ernst & Young as internal auditors. Three ongoing audits commenced in 2003-04 were completed in 2004-05.

Business Risk Assessment

The audit reviewed the Mint's Business Risk Assessment against the Mint's Risk Assessment Framework. A key outcome was to update the Business Risk Assessment to reflect changes in the Mint's control environment. The Mint now uses the plan to determine priorities and methods for controlling risks.

Relevant risk information from the risk assessments was used in developing the Fraud Control Plan, the Business Continuity Plan and internal audit planning.

Fraud Control Plan

This audit reviewed and updated the Mint's Fraud Control Plan in accordance with legislative requirements. The plan uses data developed during the Business Risk Assessment.

Business Continuity Plan

The audit assisted the Mint with aspects of business continuity planning and disaster recovery planning in line with the Australian National Audit Office's better practice guide *Business Continuity Management Keeping the Wheels in Motion* as well as Standards Australia handbook *Business Continuity Management*.

The audit identified key business processes and their critical supporting resources. The auditors, in consultation with management, are developing continuity strategies and a business continuity management framework will support the documentation of plans and procedures. A draft business continuity plan will be finalised in the new financial year.

Australian National Audit Office reports

The Australian National Audit Office conducted two performance audits specific to Treasury's operations in 2004-05.

Audit Report No. 38: Payment of goods and services tax to the States and Territories

In view of the large amount of public money being paid to the States in GST revenue, Report No. 38: Payment of Goods and Services Tax to the States and Territories assessed the adequacy and effectiveness of processes and procedures used by Treasury in making GST payments.

The audit did not identify any errors in Treasury's calculation of Guaranteed Minimum Amount or in Treasury's payment of Budget Balancing Assistance and GST to the States. Nevertheless, it found scope to improve processes to reduce the risk of errors in the future.

Treasury agreed with its three recommendations, but qualified one concerning the adoption of more comprehensive and systematic verification procedures. It considers existing procedures are adequate, but will document its processes more thoroughly in future to allow for third-party verification of payments.

ANAO Report No. 11: Commonwealth Entities' Foreign Exchange Risk Management

The Australian National Audit Office completed its performance audit of the new Commonwealth Foreign Exchange Risk Management Policy (Report No. 11: Commonwealth Entities' Foreign Exchange Risk Management). Treasury agreed with the relevant recommendation, that the Department of Finance and Administration improve central agency consideration of entities' requests for exemption from the prohibition on hedging by seeking, with Treasury, to expedite consideration of requests and provision of advice to relevant Ministers.

Other Australian National Audit Office reports relevant to Treasury and the Mint's operations in 2004-05 are:

- Report No. 3: Management of internal audit in Commonwealth organisations;
- Report No. 6: Performance management in the Australian Public Service;
- Report No. 7: Administration of taxation rulings follow-up audit;
- Report No 10: The Senate Order for departmental and agency contracts (calendar year 2003 compliance);
- Report No. 13: Superannuation payments for independent contractors working for the Australian Government;
- Report No. 15: Financial management of special appropriations;
- Report No. 20: The Australian Taxation Office's management of the Energy Grants (Credits) Scheme;

- Report No. 21: Audits of the financial statements of Australian Government entities for the period ending 30 June 2004;
- Report No. 22: Investment of public funds;
- Report No. 26: Measuring the efficiency and effectiveness of e-government;
- Report No. 37: Management of business support service contracts;
- Report No. 38: Payment of goods and services tax to the State and Territories;
- Report No. 41: Administration of security incidents, including the conduct of security investigations;
- Report No. 42: Commonwealth debt recovery follow-up review;
- Report No. 46: Management of trust monies in Commonwealth Authorities and Companies (CAC) Act Entities;
- Report No. 49: Administration of fringe benefits tax;
- Report No. 52: Legal Services Arrangements in the Australian Public Service;
- Report No. 55: Workforce planning;
- Report No. 56: Interim phase of the audit of financial statements of general government sector entities for the year ending 30 June 2005; and
- Report No. 57: Purchasing procedures and practices.

Treasury's Audit Committee follows Australian National Audit Office best practice guidelines by actively reviewing relevant matters raised in performance audit reports, and overseeing follow-up action. Details of audit reports are available at www.anao.gov.au.

Fraud

In 2004-05, three new cases of fraud in Treasury concerned the submission of false information by claimants seeking compensation from the HIIH Claims Support Scheme. Recovery action is in hand in two of the cases and repayment of money owed has been agreed in the third case.

The Mint experienced a credit card fraud of \$10,565.44 by a customer. Credit card procedures were reviewed in light of this incident.

Ombudsman comments, court decisions, administrative tribunal decisions

Ombudsman

The Ombudsman received five complaints about Treasury in 2004-05. In three matters, the Ombudsman determined he had no jurisdiction under paragraph 5(2)(a) of the *Ombudsman Act 1976* (the Act) to investigate actions taken by a Minister. In one matter, the Ombudsman declined to investigate the matter under subsection 6(1A) of the Act until such time as the complainant had lodged a complaint with the Secretary. In another matter about the procedures of the Foreign Investment Review

Board in directing a foreign person to dispose of an interest in Australian urban land, the Ombudsman agreed that legal powers to prosecute existed and recommended that clearer guidelines for issuing such directions be adopted in the future.

The Ombudsman received two complaints about the Mint in 2004-05. In both matters the Ombudsman declined to investigate the complaint under subparagraph 6(1)(b)(iii) of the Act on the grounds that an investigation, or further investigation, of the action was not warranted having regard to all the circumstances.

Courts and proceedings

Freedom of information — McKinnon vs Secretary, Department of Treasury

In January 2005, Mr McKinnon appealed to the Full Court of the Federal Court the decision of the President of the AAT in the matter of McKinnon vs Treasury 2004 AATA 1364 (see below), contending that the AAT had misdirected itself in determining that there were reasonable grounds for the issuance of conclusive certificates by the Treasurer under the *Freedom of Information Act 1982*. On 2 August 2005, a majority decision dismissed the appeal, determined that the decision was correctly made in accordance with the law and awarded costs to Treasury. On 26 August 2005, Mr McKinnon sought leave to appeal the Full Court's decision to the High Court.

Administrative Appeals Tribunal

There were three matters relating to the Treasury in the Administrative Appeals Tribunal (AAT) during 2004-05.

In 2003, applications were made to the AAT for review of two decisions by the department regarding the partial withholding of information in response to requests under the *Freedom of Information Act 1982*, for material in relation to bracket creep and the First Home Owners Scheme, respectively. The Treasurer issued certificates under subsection 36(3) that disclosure of the documents not released under both requests would be contrary to the public interest.

These matters were considered together in 2004, and the AAT affirmed that there was at least one reasonable ground for the claim that the release of each document (except for two documents) covered by the Treasurer's conclusive certificates was contrary to the public interest. An appeal against this decision to the Full Court of the Federal Court was lodged in 2005.

An application was made to the AAT in 2004, for review of a decision by the department regarding partial withholding of information in response to a request under the *Freedom of Information Act 1982*, for material in relation to the adequacy of the superannuation guarantee. The AAT granted a consent order in May 2005, for Treasury to release some further (but not all) material prior to the matter being heard, and as a result the applicant withdrew the appeal.

An application was made to the AAT in 2005, for review of a decision by the department regarding the withholding in full of information in response to a request under the *Freedom of Information Act 1982*, for material in relation to the applications to, and clarification of foreign ownership restrictions as determined by, the Foreign Investment Review Board. The AAT found that there were grounds to uphold the exemptions claimed by Treasury.

Management of human resources

In 2004-05, Treasury continued to strengthen its people management systems and their integration with Treasury's business and management systems. Treasury's people management systems include the Treasury Management Model, the Performance Management System and the Career Development System. These systems are underpinned by Treasury people management principles and values. The values define the way staff work in Treasury and provide the basis for people management systems and processes.

Key 2004-05, workforce initiatives included:

- The Treasury Certified Agreement 2004-06 was certified with strong support from staff in September 2004. The Agreement and associated Australian Workplace Agreement framework aim to improve the flexibility of working conditions and to help make Treasury a more satisfying and rewarding place in which to work.
- In the February 2005 appraisal cycle, staff who met specific criteria could elect to have an informal performance appraisal. The informal appraisals complement the formal appraisals which are conducted at least annually for all staff.
- In 2004-05, the Professional Development Framework was extended to include semester-long training programmes in economics for non-economists and law for non-lawyers, as well as specialised training and information sharing seminars by the policy groups.

Performance management

The Performance Management System works within a clearly articulated capability framework aligned to the recruitment strategies, professional development framework and Career Development System to ensure a consistent approach across the organisation.

Treasury's Performance Management System is based on the principles of fairness, transparency and consistency. Processes include context setting for all senior executive service staff with the key messages cascading to all staff. Workshops to develop skills in managing appraisal meetings and ensure an understanding of the system are offered before each appraisal round. A hotline provides individual advice and assistance.

Appraisal meetings are held twice a year, with regular informal feedback encouraged, to minimise surprises at appraisal time and develop a productive way of managing staff. Appraisals are conducted against clearly defined capability frameworks. Upward feedback is encouraged through several channels, providing input to appraisals of managers.

Review panels oversee the outcomes of appraisals to ensure consistency, with cross-group representatives providing an additional focus on consistency.

As part of the implementation of the 2004-2006 Treasury Certified Agreement, informal appraisals were offered for the first time in February as an option for staff members who met specified criteria. Informal appraisals are conducted in a similar manner to the formal appraisals, however, appraisal outcomes are not rated. The administrative

workload for informal appraisals is reduced as there are no pay outcomes and less emphasis on gathering feedback.

An evaluation indicated a high level of satisfaction with the process and the opportunity for a more informal process. Around 24 per cent of non-senior executive service and 88 per cent of senior executive service staff participated in the informal option.

Treasury Certified Agreement

The 2004-2006 Treasury Certified Agreement came into operation on 20 September 2004, replacing the previous agreement, which nominally expired on 3 September 2004.

The Certified Agreement provides for increased pay rates (Table 11), conditions of service, including options for leave and attendance, allowing staff more flexibility in planning their personal commitments, and reinforces initiatives that foster skills and career development, and a healthy work environment.

As part of the remuneration and conditions framework, Treasury continued the programme of Australian Workplace Agreements for employees classified at APS6, Executive Level 1 (EL1) and Executive Level 2 (EL2). The performance based pay model has salary levels above those available under the Certified Agreement but conditions of service are identical to those in the Certified Agreement.

The processes for renewing the Certified Agreement and Australian Workplace Agreements involved direct consultation with all Treasury staff and the Workplace Relations Committee, and culminated in the Secretary offering staff a new agreement on 9 August 2004. Staff voted on the offer and some 82 per cent accepted it.

Workplace relations

Treasury continues to consult extensively with staff on workplace matters and the Certified Agreement reinforces staff involvement in decision making. The primary conduit for consultation is the Workplace Relations Committee, elected by all Treasury staff and comprising eight members. The committee meets regularly with the Secretary to discuss a wide range of employment-related matters.

The Certified Agreement and Australian Workplace Agreements contain procedures to resolve disputes and also provide for direct consultation with staff as appropriate.

A network of staff advisers assists staff with issues relating to performance appraisal, remuneration, Australian Workplace Agreements or relations with managers. This network complements other staff support processes, such as human resources advisers and an employee assistance programme delivered by an external provider.

Recruitment and succession planning

Graduate recruitment forms a major part of Treasury's recruitment and succession planning strategy. In 2004-05, Treasury staff attended university career fairs and economic society information sessions, undertook presentations to final year students and distributed *Graduate Careers in the Treasury* brochures to university careers centers and faculties. In addition, a broad marketing campaign appeared in major national newspapers and on several university Intranet sites.

A graduate careers section on Treasury's website provides information on the Graduate Development Programme and outlines the role and expectations of Treasury graduates. Treasury is an attractive employer of graduates, with a high retention rate of around 65 per cent after three years. The graduate intake was 45 in 2004, and 33 in 2005.

Job seekers can lodge their applications for graduate campaigns, bulk-round recruitment, job-specific recruitment exercises and Treasury's non-ongoing and general employment registers via the Internet.

Recruitment information and procedures to assist applicants, managers, referees and selection committees were complemented by the delivery of interviewer/interviewee skills training courses.

Human Resources and the strategy units in the policy groups work closely on workforce planning to recruit appropriately skilled staff. Workforce diagnostic information is used in staffing reports for the Executive Board and the Staffing Committee.

Learning and development

Treasury's professional development framework aims to ensure that the 'right' people receive the 'right' training at the 'right' time.

Investment in people is closely linked to Treasury's identified capability needs. Initiatives that demonstrate how the framework responds to changing business needs include changes to the performance appraisal capability framework to reflect knowledge management initiatives, and new processes and updated programmes to improve the quality of written work in the department, particularly to ministers. The framework works in tandem with the Performance Management and Career Development Systems to match staff needs and expectations with departmental learning and development priorities.

To facilitate these processes, managers are encouraged to think critically about the development needs of individual staff in the context of departmental capability requirements, the potential contribution of employees to the department and the operational requirements of the work area.

Learning and development strategies

A major strategy in developing leadership skills has been the Executive Level Development Programme. The programme aims to develop leadership capabilities and equip managers to meet their roles. Each programme is continuously reviewed with feedback incorporated into subsequent programmes. Since June 2003, 81 staff have completed the Executive Level Development Programme.

Senior executives have ready access to a suite of development opportunities including the Australian Public Service Commission courses. Executive coaching launched in June 2005 provides an additional means of skills development and access to an external 'sounding board'.

Policy advising workshops continue to be offered regularly and as demand dictates. The workshops, facilitated by senior staff from Treasury and other agencies, receive very positive feedback from participants, and complement on-the-job experience.

A semester-long course, Introduction to Economics, was offered by the Research School of Social Sciences, Australian National University (ANU) following the success of the first course held in November 2003. The course is closely aligned to Treasury's core business and includes participation from guest lecturers. Feedback and a longer term evaluation with participants and managers of the first course resulted in some changes including the opportunity of accreditation to specified postgraduate courses at the Australian National University.

Planning commenced for delivery of the second semester-long course Introduction to Law, following an evaluation of the first programme completed in July 2004. The first programme led to some participants gaining accreditation towards other courses at ANU.

Training courses offered to staff by internal and external presenters are tailored to the needs of the organisation. Each course is evaluated, with evaluation outcomes feeding into the development of the next course. The courses are mapped against the capability framework to ensure development opportunities are available against the capabilities across all classifications.

A comprehensive Graduate Development Programme is provided to Treasury's graduates to develop necessary skills and knowledge to work effectively in Treasury and the broader Australian Public Service. The programme includes on-the-job coaching, and in-house courses such as advanced writing, economics for non-economists, policy development, presentation skills and communicating with influence. The programme also includes external courses such as the Senate and Legislative Process, observation at Budget Question Time and networking seminars arranged by the Australian Public Service Commission. The programme is refined through feedback from graduates, managers and the Graduate Managers Forum which the graduate team attends every three months. In November the graduate recruitment and development processes were reviewed and a number of new initiatives were implemented. These included new programmes such as effective teamwork, an enhanced giving and receiving feedback workshop and focused guidance to graduate managers.

The Treasury Certificate in Business Services Programme, designed for executive support, administrative and corporate services staff at the APS1-5 levels is in its third year. The eight modules provide participants with a greater understanding of their work context, Treasury's structure and mission and participants' skills and potential.

Treasury has established a mentoring programme for new staff recruited to the department. Volunteers who attended the Executive Level Development Programme Coaching Skills module are matched with new recruits to mentor them. The pilot programme is offered to new recruits up to and including the EL1 level. Subject to evaluation outcomes and availability of mentors, the programme may be extended to more senior recruits.

In 2004-05, Treasury's four policy groups organised a number of internal workshops and divisional policy seminars to share and disseminate information to staff.

- Revenue Group delivered two 3-day Tax Policy Framework Courses for new staff in Revenue Group.

- Macroeconomic Group developed and delivered a new Macroeconomic Policy Course which was offered to all staff in Treasury. Macroeconomic Group also offered specific training courses, such as Eviews (an econometrics package).
- Fiscal Group held a series of internal seminars on relevant emerging policy issues and Treasury's role as a central policy agency. Fiscal Group considered the application of Treasury's wellbeing framework to its core policy responsibilities.

The Treasury Seminar Series continued with prominent guest speakers presenting current economic issues and research. An average of 64 staff attended each of the 21 seminars.

Staff also attend a wide range of conferences, seminars and workshops providing subject specific training.

Information technology and systems training

Treasury staff have access to a range of information technology training programmes including Microsoft Office, Web, TRIM, SAP and in-house developed systems. Short, structured and tailored training modules continue to be the preferred method of learning.

In 2004-05, 325 staff attended Microsoft Office training, and 136 staff attended training on the Ministerial, Contracts Register and Minute Register systems. Post-course evaluations indicated an 88 per cent level of satisfaction with the training provided.

In March, staff involved in preparing documentation for the 2005-06 Budget received tailored training. Staff from Treasury, the department of Finance and Administration and other agencies attended these training sessions. Post-course evaluation indicated an 86 per cent level of satisfaction with the training provided.

Client feedback on the relevance of the Introduction to Treasury Computing course was very positive with 80 new staff attending the course in their first week at Treasury. Evaluations indicated a 91 per cent satisfaction with the training provided.

A new training programme was developed to assist staff use voice activated software. The one-on-one training meets the individual needs of the eight affected staff.

Implementation of TRIM electronic records management was completed in December. Some 422 staff attended training on the electronic records management system and 69 staff attended recordkeeping information sessions so they could better understand and meet their obligations under the *Archives Act 1983*.

Some 138 staff attended in-house training programmes on the Financial Management Information System (SAP R/3) and the internal budgeting and report tool (TM1). System upgrades and improvements in functionality ensure the high level of financial reporting continues. Evaluations indicated high satisfaction at over 95 per cent with the training provided.

External learning and development opportunities

Treasury encourages participation in external learning and activities, and its processes facilitate access.

Assistance for part-time study and postgraduate study awards help develop organisational capability. Around 100 staff access studies assistance each semester and a small number of staff who meet the selection criteria receive postgraduate study awards. The selection criteria for postgraduate study awards includes a cost recovery provision should recipients decide not to return to the department following the completion of their study.

Treasury entered into an agreement with the Australian National University to enable selected staff to undertake short-term research projects as a Visiting Fellow at the university. The arrangement develops links between the two organisations at the operational and senior management levels, and provides opportunities for academics to work closely with Treasury economists on current economic issues. One staff member has begun a three month project under this arrangement.

Treasury also entered into an agreement with the Cape York Institute for Policy and Leadership (Griffith University) to enhance Treasury's policy capabilities on indigenous affairs and provide the Cape York Institute with the opportunity to work closely with Treasury economists on current policy issues. Two Treasury officers have begun a year-long secondment with the Cape York Institute.

Five Treasury staff attended the Australian Public Service Commission managed Career Development Assessment Centre. Feedback received from participants was positive.

Treasury has sponsored three participants to the Australian and New Zealand School of Government since its inception in 2003. Two staff completed the Executive Fellows Programme, another completed the Executive Master of Public Administration, and a third staff member is starting the Executive Master of Public Administration.

Treasury encourages participation in overseas scholarships including the Young Leaders' Programme, a 12 month scholarship to study in Japan, and the Ecole National d'Administration, a scholarship to study at France's premier school of public administration. Both scholarships are highly competitive with limited places and rigorous selection criteria. Treasury staff members successfully secured a place in each.

Treasury's staff development costs totalled \$2.4 million in 2004-05. This figure includes participant salary and on costs, registration fees of external training courses, and external providers' development and presentation costs.

Staffing information

There was a slight increase in Treasury's on-going and non-ongoing staff in 2004-05, up from 805 in 2003-04, to 827 in 2004-05. The number of new graduates decreased in 2004-05, down from 45 in 2003-04, to 33 in 2004-05.

Table 8: Operative and paid inoperative staff by classification and gender (as at 30 June 2005)^(a)

Classification	Ongoing				Non-ongoing				Total
	Full Time		Part Time		Full Time		Part Time		
	Male	Female	Male	Female	Male	Female	Male	Female	
Cadet	1								1
APS1		2							2
APS2		3		1		2		2	8
APS3	27	31		5	3	7		1	74
APS4	16	37		4	1	2			60
APS5	50	58		5		1			114
APS6	74	70	2	13		1			160
EL1	95	61	4	15	3	2			180
EL2	101	38	4	13	2		1		159
SEB1	32	10		2					44
SEB2	13	3		1	1	1			19
SEB3	5								5
Secretary	1								1
Total	415	313	10	59	10	16	1	3	827

(a) Includes staff located outside Canberra.

Note: Staff paid by other agencies are not included in this table.

Table 9: Staff located at overseas posts

Overseas Post	SES Band 1	EL2	Total
Beijing	1	0	1
Jakarta	0	1	1
Paris	1	1	2
Tokyo	1	0	1
Washington	1	0	1
Total	4	2	6

Note: Locally engaged staff are not included in tables.

Senior Executive Service — remuneration and performance appraisal

Remuneration and conditions for Treasury senior executives are determined under Australian Workplace Agreements, supported by a remuneration model that determines pay levels within each senior executive service level, based on performance.

Table 10: Salary scales — SES

Classification	4 September 2003		20 September 2004	
	Maximum	Minimum	Maximum	Minimum
	\$	\$	\$	\$
SES Band 1	133,760	104,175	138,973	116,053
SES Band 2	172,281	134,178	177,449	147,932
SES Band 3	224,169	174,589	230,894	192,484

Note: This table includes Treasury and the Mint SES salary scales. Treasury and the Mint senior executives do not receive performance bonuses.

Since September 2000, senior executives have been appraised using the Australian Public Service Commission's Senior Executive 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.

A change in Treasury's remuneration policy in September 2002, discontinued senior executives' access to a private plated vehicle, with provisions made for a payment in lieu. A small number of continuing leases for private plated vehicles still operate. Senior executives may have access to airline lounge membership and mobile phones. Some may also have home office facilities, if appropriate.

Remuneration — employees other than SES

The Treasury 2004-06 Certified Agreement determines salary rates for all non-senior executive service staff.

Table 11: Certified Agreement salary scales — non-SES

Classification	4 September 2003		9 September 2004	
	Maximum \$	Minimum \$	Maximum \$	Minimum \$
APS1	32,814	30,102	35,298	32,505
APS2	37,327	34,919	39,947	37,467
APS3	42,143	39,735	44,907	42,427
APS4	46,958	44,550	49,867	47,387
APS5	53,582	50,271	56,689	53,279
APS6	60,204	56,893	63,510	60,100
EL1	74,653	67,218	78,393	70,735
EL2	91,510	83,081	95,755	87,073

Note: Salary levels under the Certified Agreement are determined on the basis of performance appraisal under Treasury's Performance Appraisal System.

Treasury remuneration policy provides for access to pay rates higher than those in the Certified Agreement to all employees classified as APS6, EL1 and EL2, through Australian Workplace Agreements.

Table 12: APS6, EL1 and EL2 additional pay points

Classification	Staff eligible 2004-05	Staff receiving additional pay point	Maximum additional pay point	Minimum additional pay point
		2004-05	2004-05	2004-05
			\$	\$
APS6	160	72	72,812	68,472
EL1	180	104	89,927	84,545
EL2	159	121	109,894	100,469
Total	499	297		

Note: Four EL2 and one EL1 staff have salary rates which fall outside the pay structure.

Salary levels under Australian Workplace Agreements are determined by the Secretary based on remuneration committee recommendations. The Performance Management System measures all staff performance, as well as relevant skills and responsibilities.

Senior management changes

Senior management movements in 2004-05 within Treasury are shown in Tables 13 and 14.

Table 13: SES commencements

Reason for commencement	SES Band 3	SES Band 2	SES Band 1	Total
Appointment	0	0	1	1
Internal promotion	3	9	7	19
Transfer from other agencies	0	0	1	1
Promotion from other agencies	0	0	1	1
Term engagement	0	2	0	2
Non-ongoing specific term engagement	0	0	0	0
Total	3	11	10	24

Table 14: SES cessations

Reason for movement	SES Band 3	SES Band 2	SES Band 1	Total
Resignation	0	0	1	1
Retirement	0	0	0	0
Promotion	0	0	1	1
External transfer	0	0	1	1
Total	0	0	3	3

In 2004-05, three new Executive Directors were promoted and appointed to the Executive Board. They were:

- Mike Callaghan, Revenue Group;
- David Tune, Fiscal Group; and
- Dr David Parker, Alternate Executive Director, Macroeconomic Group.

Management of human resources — the Mint

The Mint's workload and organisational arrangements were steady throughout the year.

Issues raised in the 2003 staff survey continue to be addressed. A monthly staff newsletter was introduced to improve communication across the organisation and several cross-functional teams are addressing specific process improvements and enhancing cross-area cooperation.

A competency based system to progress through the APS4 pay points, depending on staff having the relevant skills, was introduced for mechanical trades staff. This should benefit both staff and the organisation through improved staff skilling and retention, and will be extended to other classifications where appropriate.

Performance Management System

The Mint's Performance Management System provides a framework for improving organisational performance by linking and aligning individual, team and organisational objectives and results. It also provides a means to recognise good performance and manage results.

Royal Australian Mint Certified Agreement and Values

The 2004-05 Royal Australian Mint Agreement negotiated under section 170LJ of the *Workplace Relations Act 1966* will expire at the end of December.

The 2004-05 agreement delivered a 4.25 per cent increase from 3 February 2005. The increase will be funded in part by productivity initiatives and discontinuation of performance management bonus payments.

The agreement commits all parties and encourages other parties to commit to the Mint's values which are consistent with Australian Public Service values. The values are also embedded in the performance management system.

The Mint's Work Level Standards were reviewed and found to be broadly consistent with Australian Public Service-wide standards and work value indicators.

Table 15: The Mint Certified Agreement salary scales — non-SES

Classification	From 3 February 2005	
	Maximum \$	Minimum \$
Apprentice	32,339	16,602
APS1	34,587	31,292
APS2	39,271	35,965
APS3	44,180	39,271
APS4	48,813	44,894
APS5	54,159	48,813
APS6	64,172	55,803
EL1	79,949	69,345
EL2	95,291	79,949

Workplace relations

The Mint has a range of formal and informal consultative arrangements including the Mint Consultative Forum which meets regularly. It is chaired by the Controller and comprises management representatives, elected employee representatives and representatives of the Community and Public Sector Union and the Australian Manufacturing Workers Union.

The agreement commits to discussing workplace issues in a spirit of cooperation and trust, and ensuring employees receive information on workplace issues affecting them, including business progress and the impacts of new programmes. The agreement also allows employees to contribute their views on these issues.

Recruitment and succession planning

The Mint's retention rates, particularly for professionals and skilled tradespeople, were more fluid than in previous years. Recruitment activity for 2004-05 resulted in 10 new ongoing staff and 21 new non-ongoing staff, with an end result of seven more staff at 30 June.

To address the acute shortage of skilled tradespeople, the Mint increased its apprenticeship intake through normal recruitment processes and offered trade apprenticeships to current production employees. This initiative was very successful — three youths and two mature age people started apprenticeship training programmes in January, bringing the number of apprentices to seven.

Training

The Mint's training and development programme provides training to improve staff skills, knowledge and attitude, to increase their competence and performance. With the acquisition of highly sophisticated capital equipment, technical training of existing staff has a high priority.

To ensure the Mint retains its capability to produce high quality coin, three staff traveled to Germany for pre-acceptance training on a new high-speed coining press and an automated uncirculated coin press. Three technicians from Germany came to the Mint to train staff and extensive in-house training was provided on vision systems which facilitate selective gold plating. A senior officer went on a study tour of Munich Mint, Stuttgart Mint and Berlin Mint. Two senior officers also attended interstate conferences on Maintenance and Facilities operations. On-the-job training is important in developing competencies and occupational health and safety awareness programmes, with external providers or the Mint's own staff providing the expertise. Extensive staff training for Streamline MPR system continued throughout the year. Additionally, a number of staff attended relevant training courses provided by the Australian Public Service Commission.

The cost for external training courses for the Mint was \$70,000 excluding Streamline training, salary and travel costs.

Staffing information

All staff are employed under the *Public Service Act 1999*.

Table 16: The Mint operative and paid inoperative staff by classification and gender (as at 30 June 2005)

Classification	Ongoing				Non-ongoing				Total
	Full-time		Part-time		Full-time		Part-time		
	Male	Female	Male	Female	Male	Female	Male	Female	
Apprentice	0	0	0	0	7	0	0	0	7
APS1	2	3	0	0	2	1	0	0	8
APS2	11	15	0	0	0	0	0	0	26
APS3	18	1	0	0	1	0	1	1	22
APS4	10	6	0	0	0	1	0	0	17
APS5	4	0	0	0	0	0	0	0	4
APS6	11	4	0	0	0	1	0	0	16
EL1	9	1	0	0	1	1	0	0	12
EL2	3	0	0	1	0	0	0	0	4
SEB1	0	0	0	0	0	0	0	0	0
SEB2	0	1	0	0	0	0	0	0	1
SEB3	0	0	0	0	0	0	0	0	0
Total	68	31	0	1	11	4	1	1	117

Details of the Mint's Senior Executive Service remuneration and performance pay are included in the Treasury performance pay table in the Senior Executive Service remuneration and performance appraisal section of the report.

Purchasing

Treasury's new procurement framework for goods and services includes a new suite of Request for Tender and draft contract templates (with user guides), delegate submission templates, various new and updated guidance documents (including a revised Risk Management Guide, a Tender Evaluation Plan template and a Guide to Negotiating Contracts), and the *Treasury Procurement Procedures Manual*. A series of tailored procurement seminars accompanied the introduction of the new framework.

Involvement in government forums on procurement ensures Treasury maintains procurement expertise and complies with government policy and guidelines. Information on the Treasury's Intranet was upgraded significantly to reflect the new procurement framework and contemporary procurement practices. The site also contains links to relevant Australian Government procurement policies.

In 2004-05, Treasury enhanced the Contracts Register System to provide stronger links between it and Treasury's Financial Management Information System (SAP). The enhancements will improve Treasury's ability to comply with government reporting requirements.

The Royal Australian Mint also has developed its internal policies and procedure manuals for the procurement of goods and services, consistent with the Treasury Chief Executive Instructions and the Commonwealth Procurement Guidelines. Responsibility for procurement is devolved to line managers, with a contract manager providing assistance.

The Royal Australian Mint/Treasury has addressed issues raised by Ernst & Young in their 2002-03 review of tendering and contracting arrangements. Ongoing training ensures compliance of tendering processes and specification development.

Assets management

Treasury manages both current and non-current assets in accordance with guidelines set out in the Chief Executive Instructions and Australian Accounting Standards.

Treasury's non-current assets are subject to an annual stocktake to ensure the records are accurate. Revaluations until 30 June 2002, were performed on a deprival basis but since then, all revaluations have been done using the fair value method of valuation required by the Australian Accounting Standard AASB 1041 *Revaluation of non-current assets and the Finance Ministers Orders*. All assets were tested for impairment with no adjustment to the carrying values required.

The Royal Australian Mint manages four types of fixed asset classes: plant and equipment, leasehold improvements, intangibles and the National Coin Collection. These assets have a value of \$13.643 million and are managed in accordance with the guidelines in the Chief Executive Instructions. Plant and equipment and intangibles were tested for impairments to ensure records were accurate for the transition to Australian equivalent international accounting standards. The Australian Valuation Office valued assets that were at cost, using the fair value method.

Consultancies

Consistent with the Commonwealth Procurement Guidelines (CPGs) and the Chief Executive Instructions, Treasury and the Mint engage consultants and contractors on the basis of:

- value for money;
- open and effective competition;
- ethics and fair dealing;
- accountability and reporting;
- national competitiveness and industry development; and
- support for other Australian Government policies.

Typically, consultants are engaged to investigate or diagnose a defined issue or problem; carry out defined research, reviews or evaluations; provide independent advice; and provide information or creative solutions to assist the Treasury and the Mint manage their decision-making. The most common reasons for engagement of consultancy services are:

- unavailability of specialist in-house resources in the short timeframe allowed;
- the need for an independent study or review; and
- specialist skills and knowledge not available in-house.

The selection methods used for consultancies are categorised in column five of Table 18.

Treasury continued to implement initiatives to improve the management of Treasury's contracts and consultancies throughout the year. Following the introduction of the revised *Commonwealth Procurement Guidelines* in January 2005, Treasury delivered a number of procurement seminars to assist Treasury staff increase their knowledge and understanding of the new procurement framework. The Contracts Register System reporting was enhanced to align with the revised parliamentary and government reporting procedures. In addition, Treasury reviewed its contract templates to ensure full compliance with legislation and government procurement policies.

In 2004-05, Treasury introduced additional guidelines to assist staff distinguish between non-consultancy and consultancy contracts. A review of contracts between 1 July 2003 and 30 June 2005, identified a number of contracts were incorrectly identified as consultancy contracts. As a result, the number consultancy contracts reported in 2004-05 is significantly less than in previous financial years. The amended 2003-04 consultancy table has been republished in this Annual Report in Part 5: Other Statistical Information under Corrections to the 2003-04 Treasury Annual Report.

During 2004-05, 27 new consultancy contracts valued at \$10,000 and over were entered into involving total actual expenditure of \$1,333,307. In addition, nine ongoing consultancy contracts valued at \$10,000 and over were active during the year involving total actual expenditure of \$543,959.

Table 17: Total number and expenditure of new and ongoing consultancies \$10,000 and over in 2004-05 by output group^(a)

Output Group		Consultancies number	Cost \$
1.1	Macroeconomic	4	37,950
2.1	Fiscal	2	35,525
2.2	Revenue	13	749,473
3.1	Markets	10	862,643
	Corporate Services Division	4	44,072
	Royal Australian Mint	3	147,603
Total		36	1,877,266

(a) Table 17 shows the total expenditure and number of consultancies \$10,000 and over for 2004-05. This table does not correspond with Table 18 which shows the total value of consultancies over \$10,000. All amounts are GST inclusive.

Table 18: List of consultancies over \$10,000 in 2004-05 by output group

Consultant Name	Description	Contract price	Selection process(1)	Justification (2)
Output Group 1.1 (Macroeconomic)				
Australian National University	Provide professional services relating to the Pacific and Asia regions	46,200	Direct engagement	e
Dr Michael Edward Carnahan	Provide professional services in relation to Pacific Issues	13,200	Direct engagement	e
Dr Satish Chand	Provide professional services relating to Pacific and Asia regions	24,750	Direct engagement	e
TFG International Pty Ltd	Provide professional services relating to a capacity scan of the Papua New Guinea Departments of Treasury and Finance	10,000	Direct engagement	e
Total Output Group 1.1		94,150		
Output Group 2.1 (Fiscal)				
Dr Arthur John McHugh	Review of selected Commonwealth Grants Commission cost weights	26,400	Direct engagement	e
Total output Group 2.1		26,400		
Output Group 2.2 (Revenue)				
Creating Coherence Pty Ltd	Provide advice, as a member of a Board Reference Group, to the Board of Taxation on fully identifying the inoperative provisions of the <i>Income Tax Assessment Act 1936</i> and the <i>Income Tax Assessment Act 1997</i>	12,250	Direct engagement	e
Creating Coherence Pty Ltd	Provide tax law and development services to Treasury	176,400	Direct engagement	e
Lixstar Pty Ltd	Provide advice, as a member of a Board Reference Group, to the Board of Taxation on fully identifying the inoperative provisions of the <i>Income Tax Assessment Act 1936</i> and the <i>Income Tax Assessment Act 1997</i>	16,500	Direct engagement	e
Monash University	Provide research services and advice on issues identified by Revenue Group; communicate research outcomes at seminars and other forums; and contribute to working group discussions on tax policy and tax law issues	60,000	Direct engagement	e
Mr Anthony Slater, QC	Provide advice, as a member of a Board Reference Group, to the Board of Taxation on fully identifying the inoperative provisions of the <i>Income Tax Assessment Act 1936</i> and the <i>Income Tax Assessment Act 1997</i>	30,800	Direct engagement	e
Mr Gary Potts	Review of Superannuation Preservation rules as they apply to police	17,000	Direct engagement	c

Table 18: List of consultancies over \$10,000 in 2004-05 by output group
(continued)

Consultant Name	Description	Contract price	Selection process (1)	Justification (2)
Output Group 2.2 (Revenue) (continued)				
Professor Richard Vann	Provide advice, as a member of a Board Reference Group, to the Board of Taxation on fully identifying the inoperative provisions of the <i>Income Tax Assessment Act 1936</i> and the <i>Income Tax Assessment Act 1997</i>	16,500	Direct engagement	e
SoftLaw Corporation Limited	Identify all explicit cross references in Commonwealth legislation to candidate inoperative provision of the <i>Income Tax Assessment Act 1936</i> and the <i>Income Tax Assessment Act 1997</i>	51,573	Direct engagement	a,e
SoftLaw Corporation Limited	Provide legislative quality assurance services on the Review of Self Assessment draft legislation relating to rulings	29,260	Select	c
University of NSW	Provide advice, as a member of a Board Reference Group, to the Board of Taxation on fully identifying the inoperative provisions of the <i>Income Tax Assessment Act 1936</i> and the <i>Income Tax Assessment Act 1997</i>	223,905	Select	e
University of NSW	Conduct post-implementation review of small business capital gains tax concessions	69,595	Direct engagement	c
Webb Martin Pty Ltd	Evaluate the post-implementation review of small business capital gains tax concessions	217,412	Select	c
Total Output Group 2.2		921,195		
Output Group 3.1 (Markets)				
Ernst & Young	Undertake a verification audit of an application for assistance under the HIH Claims support scheme	14,353	Direct engagement	c,e
Finity Consulting	Actuarial review of the HIH Claims Support Scheme	203,500	Direct engagement	b,c,e
Graham E Rogers	Review of competitive neutrality in medical indemnity insurance industry	76,500	Direct engagement	c,e
Pricewaterhouse Coopers	Provide audit services for the HIH Claims support Scheme	225,000	Select	c,e
Walter Turnbull Pty Ltd	Review of the management of HLIC Old Book by GE Mortgage Insurance Services	30,059	Direct engagement	c
Total Output Group 3.1		549,412		

Table 18: List of consultancies over \$10,000 in 2004-05 by output group
(continued)

Consultant Name	Description	Contract price	Selection process (1)	Justification (2)
Corporate Services				
Mr Jim Kropp	Provide consultancy services as an external representative member of the Treasury Audit Committee	36,000	Select	e
Swinburne University of Technology	Design, develop and deliver Ethics and Fraud Awareness Education programme	35,000	Open	e
Walter and Turnbull	Undertake an impact analysis of Australian equivalent of international financial reporting standards	26,812	Select	b
Total Corporate Services		97,812		
Royal Australian Mint				
Ernst & Young	Provide internal audit services	125,355	Open	e
GHD Pty Ltd	Provide architectural design for refurbishment	246,286	Open	e
Information Management Solutions Pty Ltd	Provide consultancy services to develop Dirks Methodology Recordkeeping Documentation	42,372	Open	e
Total Royal Australian Mint		414,013		
Total consultancies over \$10,000		2,102,982		

Note: All amounts are GST inclusive.

- (1) Explanation of selection process terms:
- i Direct engagement includes the engagement of: a consultant selected from a pre-qualified panel arrangement; a recognised and pre-eminent expert; a consultant who had previously undertaken closely related work for the department; or a consultant known to have the requisite skills where the value of the project did not justify the expense or delay associated with seeking tenders.
 - ii Select tenders are invited from a short list of competent suppliers. This category is applied where there is a known limited market for the services required, and when value for money would not be achieved through a full open tender process.
 - iii If a consultancy is let for advertising and market research that consultancy will be reported in both the 'Consultancy' and 'Advertising and Market Research' categories of this report.
- (2) Justification of decision to use consultancy:
- (a) Need for rapid access to latest technology and expertise in its application.
 - (b) Specialist in-house resources unavailable in time allowed.
 - (c) Need for an independent study or review.
 - (d) Need for a change agent or facilitator.
 - (e) Specialist skills or knowledge not available in-house.

Workplace diversity

Treasury seeks to provide an organisational culture that embraces and promotes diversity amongst its staff. Valuing diversity and fostering an inclusive culture both enriches Treasury's work environment and its policy advice, and facilitates integration of diversity principles into people management systems. Treasury values underpin these systems.

Treasury continues to implement and monitor its Workplace Diversity Programme, launched in 2003. Data from the 2005 staff opinion survey will help in assessing performance against the programme indicators and objectives. This assessment also will inform the review of the program in 2006.

At 30 June 2005, Treasury's staff included:

- 47 per cent women;
- 17 per cent born overseas;
- 7 per cent with English as a second language;
- 0.8 per cent who identify as being Aboriginal or a Torres Strait Islander; and
- 2 per cent who identify as having a disability. (See Table 19.)

Treasury's fourth Certified Agreement, demonstrates Treasury's ongoing commitment to family friendly and work/life balance practices, including flexible working arrangements and leave. In 2004-05, part-time employment continued to grow, with 73 part-timers, including three at SES level. This compares with 52 part-timers in 2003-04. Treasury staff returning from parental or maternity leave have access to part-time work where operational requirements permit.

Treasury provides breastfeeding facilities to assist new mothers return to work. The Australian Breastfeeding Association accredited Treasury as a breastfeeding-friendly workplace, with appropriate equipment and standards. The carer's room is well used, especially by staff caring for children in emergency situations. Treasury is trialing an external service provider to assist staff with a range of information including elder care, childcare and care for dependants with disabilities.

Staff have access to home-based work through the revised Home-based Work Policy. Several people have formally accessed this provision to perform duties from home in particular circumstances, such as a graduated return to work.

Treasury is examining initiatives for developing a flexible employment framework which promotes workforce participation for older workers. In developing these initiatives, Treasury is drawing on the findings of the Intergenerational Report and the Management Advisory Committee report on Organisational Renewal, as well as data collected in the 2005 Staff Opinion Survey. Using flexible work arrangements, older employees are able to smooth the transition from full-time work into retirement. These work arrangements help address such issues as the loss of corporate knowledge.

A number of Treasury staff serve as Workplace Harassment Contact Officers and their training is updated as required. Information on their role and availability to discuss issues is on the Intranet.

Treasury has a continuing cadet from the National Indigenous Cadetship Program and is participating in the Australian Public Service Commission Whole-of-government Indigenous Graduate Recruitment Program.

Table 19: Operative and paid inoperative staff by EEO target group

Classification	Female	Born overseas	ESL	AATSI	Disability
Cadet	0	0	0	1	0
APS1	2	0	0	0	0
APS2	8	1	0	0	0
APS3	44	21	5	2	1
APS4	43	10	5	0	2
APS5	64	29	6	2	2
APS6	84	25	13	1	4
EL1	78	25	10	1	2
EL2	51	20	11	0	3
SEB1	12	7	3	0	1
SEB2	5	3	1	0	0
SEB3	0	0	0	0	0
Secretary	0	0	0	0	0
Total	391	141	54	7	15

Note: For categories other than gender, identification is on a voluntary basis.

Disability Action Plan

Treasury's Disability Action Plan 2001 was developed initially in consultation with staff, lodged with the Human Rights and Equal Employment Commission and made accessible to the general public through www.hreoc.gov.au. The plan has since been reviewed and updated in line with the Australian Government Disability Strategy and the *Disability Discrimination Act 1992*.

Considerable assistance is provided for employees with special needs. Special equipment is purchased, such as voice recognition software, and individually tailored training is made available. Tutoring in written communication is provided as needed, as well as counselling and translators for hearing impaired staff.

Chart 1: Number of new entrant graduates



Chart 2: Number of SES staff members



Chart 3: Treasury staff levels

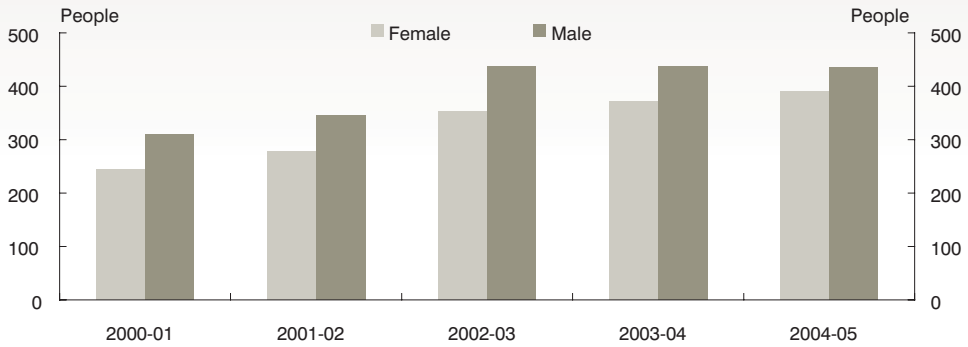


Table 20: EEO in appointments to boards (or equivalent) of statutory and non-statutory bodies (as at 30 June 2005)

	Total positions filled as at 30 June	Number from EEO target groups	Number of appointments made during the year	Number of appointments from EEO target groups
Australian Accounting Standards Board	1	0	0	0
Australian Competition and Consumer Commission	12	3	0	0
Australian Competition Tribunal	16	2	6	0
Australian Energy Regulator	3	0	3	0
Australian Prudential Regulation Authority	3	0	0	0
Australian Reinsurance Pool Corporation	5	2	2	1
Australian Securities and Investments Commission	3	1	2	1
Australian Statistics Advisory Council	23	5	17	3
Auditing and Assurance Standards Board	1	1	1	1
Board of Taxation	10	1	2	0
Business Regulation Advisory Group	10	5	0	0
Commonwealth Consumer Advisory Council	12	3	12	3
Companies Auditors and Liquidators Disciplinary Board	12	0	7	0
Corporations and Markets Advisory Committee	12	7	8	5
Financial Literacy Foundation	10	4	10	4
Financial Reporting Council	18	3	4	1
Financial Sector Advisory Council	9	1	3	1
Foreign Investment Review Board	3	1	1	1
HIH Assistance Review Panel	3	2	0	0
Health Services Advisory Committee	11	2	4	1
Inspector-General of Taxation	1	0	0	0
Legal Sub-Committee of the Corporations and Markets Advisory Committee	13	5	6	5
Life Insurance and Actuarial Standards Board	7	0	4	0
National Competition Council	4	1	1	0
Payments System Board	8	1	1	0
Productivity Commission	8	2	0	0
Reserve Bank of Australia Board	9	1	0	0
Superannuation Complaints Tribunal	19	9	3	1
Takeovers Panel	47	17	7	1
Tax Agents' Boards	18	2	0	0
Total	311	81	104	29

Note: In this table, the only EEO target group notified was women.

Workplace diversity — the Mint

The Mint respects and appreciates the cultural diversity of its workforce. Some 44 per cent of staff come from countries where English is not the spoken language, and 7 per cent of employees were born in overseas countries where English is the first language.

The Workplace Diversity Programme continues to formalise the Mint's commitment to ensuring employees in identified groups have fair access to recruitment, training and promotion opportunities. As a new initiative, this year the Mint encouraged mature adult workers to apply for apprenticeship training courses. A number applied and were accepted. Staff who chose to continue to work past the age of 65 were given support to do so.

Under the Agency Leave Agreement staff can use personal leave to care for an immediate family member who is sick — this helps staff balance work, family and other caring responsibilities. Applications for part-time work are supported, and flexible working hours are available to fit in with family commitments. Executive level employees are able to make use of flexible working hours. The 2004-05 Agency Agreement provides that entitlement to paid maternity leave qualifies staff to an additional two weeks' paid leave. The maternity leave and the additional leave may be taken at half pay.

Table 21: The Mint operative and paid inoperative staff by EEO target group

Classification	Female	Born overseas	ESL	AATSI	Disability
Apprentice	0	1	0	0	0
APS1	4	5	5	0	0
APS2	15	25	25	0	1
APS3	2	7	5	0	0
APS4	7	8	5	0	1
APS5	0	2	2	0	0
APS6	5	5	3	0	0
EL1	2	7	5	0	0
EL2	1	2	1	0	0
SESB1	0	0	0	0	0
SESB2	1	1	0	0	0
SESB3	0	0	0	0	0
Total	37	63	51	0	0

Note: For categories other than gender, identification is on a voluntary basis.

PART 4

FINANCIAL STATEMENTS

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treasury



Auditor-General for Australia



INDEPENDENT AUDIT REPORT

To the Treasurer

Matters relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements published in both the annual report and on the website of the Department of the Treasury for the year ended 30 June 2005. The Department's Chief Executive is responsible for the integrity of both the annual report and its web site.

The audit report refers only to the financial statements, schedules and notes named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements in the Department's annual report.

Scope

The financial statements and Chief Executive's responsibility

The financial statements comprise:

- Statement by the Chief Executive and Chief Finance Officer;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Commitments and Contingencies;
- Schedule of Administered Items; and
- Notes to and forming part of the Financial Statements

of the Department of the Treasury for the year ended 30 June 2005.

The Department's Chief Executive is responsible for preparing financial statements that give a true and fair presentation of the financial position and performance of the Department of the Treasury, and that comply with accounting standards, other mandatory financial reporting requirements in Australia, and the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*. The Department's Chief Executive is also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, accounting standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Department's financial position, and of its performance as represented by the statements of financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Chief Executive.

Independence

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

Audit 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*; and
- (b) give a true and fair view of the Department of the Treasury's financial position as at 30 June 2005 and of its performance and cash flows for the year then ended, in accordance with:
 - (i) the matters required by the Finance Minister's Orders; and
 - (ii) applicable accounting standards and other mandatory financial reporting requirements in Australia.

A handwritten signature in black ink, appearing to read 'Steve Chapman', with a horizontal line extending from the end of the signature.

Steve Chapman
Acting Auditor-General

Canberra
19 September 2005

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 2005 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.



Ken Henry
Secretary to the Treasury

19 September 2005



Michael Burton
Chief Finance Officer

19 September 2005

Statement of financial performance

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
REVENUES			
Revenues from ordinary activities			
Revenues from Government	4A	126,555	102,370
Goods and services	4B	60,117	44,863
Interest	4C	479	236
Revenue from sale of assets	4D	81	37
Other revenues	4E	1,091	2,301
Revenues from ordinary activities		188,323	149,807
EXPENSES			
Expenses from ordinary activities (excluding borrowing costs expense)			
Employees	5A	86,951	83,588
Suppliers	5B	79,013	59,387
Depreciation and amortisation	5C	4,888	4,820
Write-down and impairment of assets	5D	189	515
Value of assets sold	5E	80	31
Expenses from ordinary activities (excluding borrowing costs expense)		171,121	148,341
Borrowing costs expense	7A	124	165
Operating surplus/(deficit) from ordinary activities		17,078	1,301
Net surplus/(deficit) from ordinary activities before income tax			
		17,078	1,301
Income tax equivalent expense	7B	186	990
Net surplus/(deficit) attributable to the Australian Government		16,892	311
Net credit/(debit) to asset revaluation reserve accounting standard AASB 1041 <i>Revaluation of Non-Current Assets</i>	13A	3,020	535
Total revenues, expenses and valuation adjustments attributable to the Australian Government and recognised directly in equity		3,020	535
Total changes in equity other than those resulting from transactions with the Australian Government as owner		19,912	846

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

Statement of financial position

as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
ASSETS			
Financial assets			
Cash	8A	12,883	15,405
Receivables	8B	37,509	20,068
Total financial assets		50,392	35,473
Non-financial assets			
Land and buildings	9A	8,128	6,870
Infrastructure, plant and equipment	9B	14,944	11,192
Inventories	9D	21,224	15,532
Intangibles	9C	1,805	2,086
Other non-financial assets	9E	8,747	9,225
Total non-financial assets		54,848	44,905
Total assets		105,420	80,378
LIABILITIES			
Interest bearing liabilities			
Leases	10	1,422	2,330
Total interest bearing liabilities		1,422	2,330
Provisions			
Employees	11A	31,087	29,032
Other provisions	11B	152	117
Total provisions		31,239	29,149
Payables			
Suppliers	12A	2,587	6,070
Other payables	12B	7,524	3,265
Total payables		10,111	9,335
Total liabilities		42,772	40,814
NET ASSETS		62,468	39,564
EQUITY			
Asset revaluation reserve	13A	9,037	6,017
Contributed equity	13A	12,230	9,241
Retained surpluses	13A	41,201	24,306
Total equity		62,468	39,564
Current assets		53,743	54,835
Non-current assets		51,497	25,543
Current liabilities		25,152	23,655
Non-current liabilities		17,620	17,159

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

Statement of cash flows

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
OPERATING ACTIVITIES			
Cash received			
Goods and services		26,749	28,438
Appropriations		109,597	98,037
Face value - circulating coin		137,696	76,740
Net GST received from ATO		4,802	4,504
Other		-	1,450
Total cash received		278,844	209,169
Cash used			
Employees		85,001	78,482
Suppliers		89,909	61,298
Seigniorage - circulating coins		98,927	59,889
Borrowing costs		124	165
Net GST paid to ATO		2,682	2,734
Other		5	920
Total cash used		276,648	203,488
Net cash from/(used by) operating activities	14	2,196	5,681
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of property, plant and equipment		81	25
Total cash received		81	25
Cash used			
Purchase of property, plant and equipment		5,725	3,980
Purchase of intangibles		449	246
Total cash used		6,174	4,226
Net cash from/(used by) investing activities		(6,093)	(4,201)
FINANCING ACTIVITIES			
Cash received			
Appropriations - contributed equity		2,965	11,127
Return of contributed equity - ARPC		-	5,000
Other cash received		-	3
Total cash received		2,965	16,130
Cash used			
Repayment of debt		1,590	1,416
Dividends paid		-	5,000
Payment of contributed equity - ARPC		-	5,000
Total cash used		1,590	11,416
Net cash from/(used by) financing activities		1,375	4,714
Net increase/(decrease) in cash held		(2,522)	6,194
Cash at beginning of the reporting period		15,405	9,211
Cash at the end of the reporting period	8A	12,883	15,405

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

Schedule of commitments

as at 30 June 2005

	2005	2004
	\$'000	\$'000
BY TYPE		
Capital commitments		
Infrastructure, plant and equipment ¹	1,163	3,823
Total capital commitments	1,163	3,823
Other commitments		
Operating leases ²	66,685	80,317
Other ³	18,915	13,178
Total other commitments	85,600	93,495
Commitments receivable		
GST receivable	(5,897)	(6,841)
Other	-	(494)
Total commitments receivable	(5,897)	(7,335)
NET COMMITMENTS	80,866	89,983
BY MATURITY		
Capital commitments		
One year or less	1,163	3,823
Total capital commitments	1,163	3,823
Operating lease commitments		
One year or less	7,766	7,460
From one to five years	30,457	28,416
Over five years	23,008	37,869
Total operating lease commitments	61,231	73,745
Other commitments		
One year or less	6,061	8,996
From one to five years	12,411	3,419
Total other commitments	18,472	12,415
NET COMMITMENTS BY MATURITY	80,866	89,983

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

Note: Commitments are GST inclusive where relevant.

1 Plant and equipment commitments are primarily contracts for purchases of coin presses and furniture and fittings.

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

Nature of lease	General description of leasing arrangement
Leases for accommodation	<p>Commercial — leases comprise various periods, including both initial and options periods.</p> <ul style="list-style-type: none"> Overseas estate — commercial lease payments are adjusted annually by two per cent and residential lease payments are reviewed bi annually 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. Australian estate — residential lease payments are reviewed bi annually to reflect market movements.
Agreements for the provision of motor vehicles to Senior Executive Officers	<ul style="list-style-type: none"> No contingent rentals exist. No renewal or purchase options are available to the Treasury.
Leases for computer equipment and office equipment	<ul style="list-style-type: none"> 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.

3 Other commitments includes commitments for consultants, building services and other commitments.

Schedule of contingencies

as at 30 June 2005

	Claims for damages or costs ¹		Other		TOTAL	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contingent liabilities						
Balance from previous period	400	400	120	-	520	400
New	20	-	145	120	165	120
Obligations expired	(400)	-	(120)	-	(520)	-
Total contingent liabilities	20	400	145	120	165	520
Total contingent gains	-	-	-	-	-	-
NET CONTINGENT LIABILITIES	20	400	145	120	165	520

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

Note: Departmental remote and unquantifiable contingencies are disclosed in Note 15: Contingent liabilities and assets.

1 The amount represents an estimate of the Treasury's liability based on precedent cases. The Treasury is defending the claims.

Schedule of administered items

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Revenues administered			
on behalf of Government			
for the year ended 30 June 2005			
Non-taxation revenue			
Interest	22	3,940	8,781
Dividends	22	694,000	2,264,000
Goods and services	22	591,922	541,877
Other sources of non-taxation revenue	22	184,313	106,506
Total revenues administered		1,474,175	2,921,164
Expenses administered			
on behalf of Government			
for the year ended 30 June 2005			
Grants	23	36,224,215	34,045,036
Net foreign exchange losses/(gains)	23	448,386	(440,061)
Other	23	24,493	117,846
Total expenses administered		36,697,094	33,722,821

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

Schedule of administered items (continued)

as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Assets administered			
on behalf of Government			
as at 30 June 2005			
Financial assets			
Cash	24	9,089	3,288
Receivables	24	485,755	974,886
Loans	24	14,805	78,855
Investments	24	14,954,009	15,655,679
Non-financial assets			
Grant prepayments	24	219,400	374,223
Other	24	2,222	2,539
Total assets administered		15,685,280	17,089,470
Liabilities administered			
on behalf of Government			
as at 30 June 2005			
Payables			
Loans	25	3,871,107	3,882,650
Grants	25	10,000	12,500
Other payables	25	903,352	1,010,846
Provisions			
Other provisions	25	334,873	448,600
Total provisions and payables		5,119,332	5,354,596
Total liabilities administered		5,119,332	5,354,596
Net assets administered			
on behalf of Government	26	10,565,948	11,734,874
Current assets		731,240	1,414,520
Non-current assets		14,954,040	15,674,950
Current liabilities		94,101	149,964
Non-current liabilities		5,025,231	5,204,632

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

Administered cash flows

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
OPERATING ACTIVITIES			
Cash received			
GST administration fees		591,922	541,877
Interest		3,940	8,781
IMF remuneration		37,019	36,927
Dividends		1,338,466	1,300,000
GST received from ATO		4,026	3,293
Other		103,217	63,744
Total cash received		2,078,590	1,954,622
Cash used			
Grant payments		36,069,855	33,879,335
Other		111,755	152,491
Total cash used		36,181,610	34,031,826
Net cash from/(used in) operating activities		(34,103,020)	(32,077,204)
INVESTING ACTIVITIES			
Cash received			
IMF		-	805,034
PNG loan principal repayment		64,051	64,051
Total cash received		64,051	869,085
Cash used			
Settlement of IMF obligations		-	221,334
Settlement of IFI obligations		9,222	237,655
Total cash used		9,222	458,989
Net cash from/(used in) investing activities		54,829	410,096
Net increase/(decrease) in cash held		(34,048,191)	(31,667,108)
Cash at the beginning of reporting period		3,288	5,665
Cash from official public account for appropriations		36,194,381	34,033,498
Transfer from other entities (Finance - Whole Of Government)		-	-
Cash to official public account for appropriations		2,140,389	2,368,767
Cash at end of reporting period	24	9,089	3,288

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

Administered commitments

as at 30 June 2005

	2005	2004
	\$'000	\$'000
BY TYPE		
Other commitments		
Other	6,782	-
Total other commitments	6,782	-
Total commitments receivable	-	-
NET ADMINISTERED COMMITMENTS	6,782	-
BY MATURITY		
Other commitments		
One year or less	3,663	-
From one to five years	3,119	-
Total other commitments	6,782	-
Total commitments receivable	-	-
NET ADMINISTERED COMMITMENTS BY MATURITY	6,782	-

Note: All 2004-05 commitments are GST inclusive where relevant.
This schedule should be read in conjunction with the accompanying notes.

Administered contingencies

as at 30 June 2005

	Guarantees		Indemnities		Uncalled shares or capital subscriptions ²		Claims for damages or costs ¹		Warranties		Letters of comfort		TOTAL		
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	
Administered contingent liabilities															
Balance from previous period	-	-	-	-	7,865,855	8,111,660	75	-	-	-	-	-	-	7,865,930	8,111,660
New	-	-	-	-	-	-	-	75	-	-	-	-	-	-	75
Re-measurement	-	-	-	-	(770,296)	(245,805)	-	-	-	-	-	-	-	(770,296)	(245,805)
Liabilities crystallised	-	-	-	-	-	-	(75)	-	-	-	-	-	-	(75)	-
Total contingent liabilities	-	-	-	-	7,095,559	7,865,855	-	75	-	-	-	-	-	7,095,559	7,865,930
Total contingent gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET CONTINGENT LIABILITIES	-	-	-	-	7,095,559	7,865,855	-	75	-	-	-	-	-	7,095,559	7,865,930

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

Note: Administered remote and unquantifiable contingencies are disclosed in Note 27: Administered contingent liabilities and assets.

1 The opening balance represents a litigation matter in relation to HIH Claims Support Trust and was an estimate of the Treasury's liability based on precedent cases. In 2004-05 the case was settled.

2 Other guarantees comprise of EBRD, IBRD, MIGA and ADB uncalled shares.

Statement of activities administered on behalf of Government

The major administered activities of the Treasury are directed towards achieving the three outcomes described in Note 1 to the Financial Statements. Details of planned activities for the year can be found in the Treasury Portfolio Budget Statements, Portfolio Additional Estimates Statements and Portfolio Supplementary Additional Estimates Statements for 2005-06, that have been tabled in Parliament.

Notes to and forming part of the financial statements

for the period ended 30 June 2005

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Note 1: Summary of significant accounting policies

1.1 Objectives of the Treasury

The Treasury is structured to meet three outcomes:

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

The Treasury aims to improve the wellbeing of the Australian people. It does so by providing sound and timely advice to the Government, based on objective and thorough analysis of options, and by assisting Treasury portfolio ministers in the administration of their responsibilities and implementation of government decisions.

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

Activities contributing towards the outcomes 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. For these purposes, the HHH Claims Support Limited (HCS) and the HHH Claims Support Scheme Trust have been included in the administered schedules.

Departmental activities are identified under four Output Groups. Outcome 1 has one output group, 1.1 Macroeconomic. Outcome 2 has two output groups, 2.1 Fiscal and 2.2 Revenue. There is one output group in Outcome 3, 3.1 Markets.

The output groups comprise the following outputs:

- Output Group 1.1 Macroeconomic — Outputs 1.1.1 and 1.1.2
- Output Group 2.1 Fiscal — Outputs 2.1.1, 2.1.2 and 2.1.3
- Output Group 2.2 Revenue — Output 2.2.1
- Output Group 3.1 Markets — Outputs 3.1.1, 3.1.2, 3.1.3, 3.1.4 and 3.1.5

All outputs under Output Groups 1 and 2 provide services on a not-for-profit basis.

Under Output Group 3.1, Outputs 3.1.1, 3.1.2 and 3.1.3 also provide services on a not-for-profit basis. Output 3.1.4, that relates to the Australian Government Actuary, operates via a special account. Output 3.1.5, that relates to the Mint, provides services on a not-for-profit basis and also operates via a special account.

1.2 Basis of accounting

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

The statements have been prepared in accordance with:

- Finance Minister's Orders (FMO's) for reporting periods ending on or after 30 June 2005;
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board (AASB); and
- Consensus Views of the Urgent Issues Group (UIG).

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

Assets and liabilities are recognised in the statement of financial position when, and only when, it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments and the schedule of contingencies (other than unquantifiable or remote contingencies, which are reported at Note 15).

Revenues and expenses are recognised in the statement of financial performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

The continued existence of the department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the department's administration and programs.

Administered revenues, expenses, assets and 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 agency items, except where otherwise stated at Note 1.22.

1.3 Changes in accounting policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 2003-04.

1.4 Revenue

Revenues from Government

Amounts appropriated for departmental outputs appropriations for the year (less any current year savings and reductions offered in Portfolio Additional Estimates Statements) are recognised as

revenue, 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.

Resources received free of charge

Services received free of charge are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised at their fair value when the asset qualifies for recognition, unless received from another government agency as a consequence of a restructuring of administrative arrangements. (Refer to Note 1.5)

Other revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts or other agreements to provide services. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

1.5 Transactions by the Government as owner

Equity injections

Amounts appropriated designated as 'equity injections' (less any savings offered up in Portfolio Additional Estimates Statements) are recognised directly in Contributed Equity as at 1 July or later date of effect of the appropriation.

Restructuring of administrative arrangements

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

Other distributions to owners

The FMO's require that distributions to owners be debited to contributed equity unless in the nature of a dividend.

1.6 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 wages and salaries (including non-monetary benefits) and annual leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

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 long service leave has been determined by reference to the work of an actuary as at 30 June 2003. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

No provision has been made for separation and redundancy benefit payments during the year or comparative year.

Superannuation

Staff of the Treasury are members of the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

The Treasury makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the Treasury's employees.

1.7 Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the beginning of the lease term and a liability recognised at the same time and for the same amount. The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased assets. The net present value of future net outlays in respect of surplus space under non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

1.8 Borrowing costs

All borrowing costs are expensed as incurred except to the extent that they are directly attributable to qualifying assets, in which case they are capitalised. The amount capitalised in a reporting period does not exceed the amounts of costs incurred in that period.

1.9 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

1.10 Other financial instruments

Accounting policies for financial instruments are stated at Note 21A.

1.11 Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues 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 agency's accounts immediately prior to the restructuring.

1.12 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 of less than \$2,000 and computer equipment of less than \$1,000, 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

Basis

Leasehold improvements, plant and equipment are carried at valuation. Revaluations are undertaken at fair value; up to 30 June 2002 they were done on a deprival basis. This was required by Australian Accounting Standard AASB 1041 Revaluation of Non-Current Assets.

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

Asset class	Fair value measured at:	Deprival value measured at:
Leasehold improvements	Depreciated replacement cost	Depreciated replacement cost
Plant and equipment	Market selling price	Depreciated replacement cost

The Treasury performed a valuation of leasehold improvements, infrastructure, plant and equipment and heritage assets on 1 July 2004. The valuation was performed by Preston Rowe Paterson NSW Pty Limited and was based on valuing the assets at fair value. The financial effect of this change in policy relates to those assets recognised at fair value for the first time in the current period where the measurement basis for fair value is different to that previously used for deprival values. The financial effect of the change is given by the difference between the fair values obtained for these assets in the current period and the deprival values recognised at the end of the previous period. The financial effect by class is as follows:

Asset class	Adjustment	Contra account
Leasehold improvements	\$1,380,000 increase	Asset revaluation reserve
Plant and equipment	\$1,640,000 increase	Asset revaluation reserve

The financial effect was to increase the carrying amount of property, plant and equipment by \$3,020,000.

The fair values shown as at 30 June 2005, were confirmed by Preston Rowe Paterson NSW Pty Limited.

The Mint performed a valuation of infrastructure, plant and equipment on 30 June 2004, to provide valuations at 1 July 2003 and 30 June 2004. The valuation was performed by the Australian Valuation Office and was based on valuing the assets at fair value. The financial effect of this change in policy relates to those assets recognised at fair value for the first time in the current period where the measurement basis for fair value is different to that previously used for deprival values. The financial effect of the change is given by the difference between the fair values obtained from these assets in the current period and the deprival values recognised at the end of the previous period. The financial effect by class is as follows:

Asset class	Increment/(decrement) (to asset class)	Contra account
Property, plant and equipment	2004: \$535,000	Asset revaluation

The financial effect was to increase the carrying amount of property, plant and equipment by \$535,000.

Under both deprival and fair value assets, which are surplus to requirements, are measured at their net realisable value.

Frequency

Formal valuations of leasehold improvements, plant and equipment are carried out at least once every five years. The fair values of all assets not subject to a formal valuation in any given year are reviewed and the carrying amounts adjusted where they are materially different from fair value.

Acquisitions subsequent to the valuation are valued at historic cost.

Conduct

All valuations are conducted by independent qualified valuers.

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. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation rates are generally based on the remaining useful lives determined by valuation or as per the following schedule:

	2004-05	2003-04
Computers, plant and equipment	3-10 years	3-10 years
Leasehold improvements	5-10 years	5-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years
Capitalised software	3-5 years	3-5 years
Factory machinery	10-20 years	10-20 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 5C.

1.13 Impairment of non-current assets

Non-current assets carried at up-to-date fair value at the reporting date are not subject to impairment testing.

1.14 Intangibles

The Treasury's intangibles comprise externally acquired software and internally developed software for internal use. These assets are carried at cost.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Treasury's software are:

	2004-05	2003-04
Internally developed software	2-5 years	2-5 years

1.15 Inventories

Inventories held for resale are valued at the lower of cost and net realisable value. Work in progress and finished goods are brought to account to include direct costs and a proportion of direct labour and overheads. All precious metals are purchased and brought to account at cost and expensed as used. Indirect materials are expensed at time of purchase.

Inventories not held for resale are valued at cost, unless they are no longer required, in which case they are valued at net realisable value.

1.16 Taxation/competitive neutrality

The Treasury is exempt from all forms of taxation except for Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). The Mint is liable for FBT and GST on sales of products and via a tax equivalent payment to the Treasury for Payroll Tax and Company Income Tax. Company Income Tax became applicable for the first time in 1998-99, as a result of the competitive neutrality arrangements.

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 except for receivables and payables.

1.17 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.

1.18 Insurance

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

1.19 Rounding

Amounts are rounded to the nearest \$1,000 except in relation to the following items:

- act of grace payments and waivers;
- appropriations, special accounts and special public monies;
- remuneration of executives;

- remuneration of auditors; and
- remote administered contingencies.

1.20 The Mint — seigniorage and repurchase of circulating coins

Seigniorage is collected by the Mint on behalf of the Australian Government. Seigniorage represents the difference between the face value of coinage sold to the Reserve Bank of Australia and its cost of production to the Mint.

The Mint repurchases circulating coins on behalf of the Australian Government. The costs incurred by the Mint in repurchasing circulating coins are offset to an extent by the sale of scrap metal and the balance is supplemented by the Australian Government through a reduction in the total amount paid to the Australian Government.

The revenues from circulating coin sales are not directly available to be used by the Mint for its own purposes and are remitted to the Australian Government's Official Public Account.

1.21 The Mint — economic dependency

The Mint is economically dependent on the Reserve Bank of Australia for the purchase of circulating coin.

1.22 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 to the greatest extent possible of Accounting Standards, Accounting Interpretations and UIG Consensus Views.

1.23 Administered cash transfers to and from Official Public Account (OPA)

Administered appropriations received or receivable from the OPA are not reported as administered revenues or assets respectively. Similarly, administered receipts transferred or transferable to the OPA are not reported as administered expenses or payables. These transactions or balances are internal to the Administered entity.

These transfers of cash are reported as administered (operating) cash flows and in the administered reconciliation table in Note 26.

Accounting policies which are relevant to administered activities are disclosed below.

1.24 Revenue

All administered revenues are revenues relating to the core operating activities performed by the Treasury on behalf of the Australian Government.

Reserve Bank of Australia dividend

Dividends from the Reserve Bank of Australia are recognised when a determination is made by the Treasurer. Dividend revenue is brought to account once the right to control the income stream is established. On this basis, the Reserve Bank of Australia's dividend for 2004-05 will be recognised in Treasury's Financial Statements in 2005-06.

Interest on Papua New Guinea loan

The interest on the outstanding principal amount is paid annually in arrears, due on 30 June every year until paid in full.

International Monetary Fund remuneration

Remuneration is interest paid by the International Monetary Fund (IMF) to Australia for the use of its funds. It includes the proportion of the quota that was paid in special drawing rights and held by the Fund and money lent out under the Financial Transaction Plan.

Payments under *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*

The outcome of the taxation reform process is a taxation system which provides a stable and equitable revenue source to fund governmental services essential to the wellbeing of Australians. Special appropriations relating to this legislation fall under three categories, namely, GST Revenue Payments to the states and territories, Budget Balancing Assistance Grants and National Competition Policy Payments.

1.25 Administered capital

Appropriations of 'administered capital' are recognised in administered equity when the amounts appropriated by Parliament are drawn down.

1.26 Grants

The Treasury administers a number of grant schemes on behalf of the Government.

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.

Grants to states and territories

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

The largest payment is the provision of GST revenue. The Australian Government pays to the States and Territories all GST collected, and commenced monthly payments of GST revenue to the States and Territories in July 2000. GST revenue payments to the States and Territories in 2004-05 were distributed in accordance with relativities recommended by the Commonwealth Grants Commission. The Treasury also administered General Revenue Assistance payments to the States and Territories consisting of Budget Balancing Assistance, National Competition Policy Payments and Special Revenue Assistance in 2004-05.

Budget Balancing Assistance arises from the Australian Government's guarantee that in each of the transitional years following the introduction of the GST, each State and Territory budgetary position will be no worse off than had the reforms in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* not been implemented. No payments were made in 2004-05.

National Competition Policy Payments to the states and territories are conditional on the States and Territories meeting their obligations under the agreement to implement the National Competition Policy and related reforms.

Special Revenue Assistance was provided to the ACT in recognition that certain Commonwealth-state financial relations differ from Commonwealth-ACT financial relations in certain specific respects.

As a consequence of the Australian Taxation Office (ATO) collecting GST for distribution to the States and Territories, the States and Territories make payments to the Australian Government to meet the agreed costs incurred in administering the GST. The Treasury is responsible for collection of GST administration fees from the States and Territories.

A new First Home Owners Scheme commenced on 1 July 2000. Under the First Home Owners Scheme, a grant of \$7,000 is available to eligible applicants who are buying or building their first home. The First Home Owners Scheme is administered by the States on the basis of principles agreed to by all jurisdictions in the Intergovernmental Agreement.

On 9 March 2001, the Australian Government announced that an additional \$7,000 grant, fully funded by the Australian Government, would be available for first home owners building or purchasing new but previously unoccupied homes before 31 December 2001. In December 2001, the Government announced a phase down of the additional grant making it available for a further six months, from 1 January 2002, at a reduced rate of \$3,000 per grant. The additional grant ceased on 30 June 2002, while the original scheme will continue to offer \$7,000 grants to eligible first home buyers. The Government also announced that more liberal construction commencement and completion requirements will apply to additional First Home Owners Scheme grants for contracts made on or after 9 October 2001.

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.

1.27 Administered investments

Development banks

Investments in development banks are classified as non-monetary assets and owing to their nature, these investments are not revalued. As such, these investments are recognised at historical cost where the information is available. Where historical cost records are not readily available, a notional cost has been established at 30 June 1993 by reference to the development banks' financial statements and exchange rates at that time.

Initial investments in the Asian Development Bank (prior to 1995), the International Finance Corporation (prior to 1991) and the International Bank for Reconstruction and Development (prior to 1988) have been recognised at notional cost. Any subsequent capital subscriptions to these development banks have been recognised at historical cost.

Investments in the European Bank for Reconstruction and Development and the Multilateral Investment Guarantee Agency are recognised at historical cost.

International Monetary Fund

The quota is the current value in Australian dollars of Australia's subscription to the International Monetary Fund.

The Special Drawing Rights allocation liability reflects the current value in Australian dollars of the liability to repay to the International Monetary Fund. This is classified as 'Other payables'.

Portfolio agencies

The Australian Government's investment in other controlled authorities and companies in this portfolio is valued at the aggregate of the Australian Government's share of the net assets and net liabilities of each entity as at 30 June 1997. Where Australian Government entities controlled by the portfolio came into existence after 30 June 1997, the investment is valued at the Australian Government's share of capital contributions by Government at the date of inception.

1.28 Promissory notes

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

Where promissory notes have been issued in foreign currencies, they are translated at the spot rate at balance date. Foreign currency gains and losses are recognised where applicable.

1.29 Mortgage insurance policies written by the Housing Loans Insurance Corporation up to 12 December 1997

The Australian Government sold the Housing Loans Insurance Corporation on 12 December 1997. Terms and conditions of the sale included that the Australian Government shall remain responsible for the mortgage insurance policies written up to the time of the sale.

The sale of the Housing Loans Insurance Corporation was conducted by the Office of Asset Sales and Information Technology Outsourcing.

Accounting policies adopted are:

Premiums

Premiums comprise amounts charged to the policy holder or other insurer, excluding amounts collected on behalf of third parties, principally stamp duties. The earned portion of premiums received and receivable is recognised as revenue. Premiums are treated as earned from the date of attachment of risk.

Premiums received in respect of insured loans are apportioned over a number of years in accordance with an actuarial determination of the pattern of risk in relation to the loans. Premium amounts carried forward in this way are credited to 'Provision for Unearned Premiums'.

Recoveries

Claims incurred recoveries and a receivable for outstanding recoveries are recognised in respect of insurance policies. The asset is assessed on an actuarial basis and covers recoveries incurred but not yet received, incurred but not yet reported and the anticipated direct and indirect costs of settling those claims. The asset (Housing Loans Insurance Corporation premiums receivable) has been recognised in Note 24, based on the estimated discounted future cash flows.

Claims

Claims incurred expense and a liability for outstanding claims are recognised in respect of insurance policies. The liability is assessed on an actuarial basis and covers claims incurred but not yet paid, incurred but not yet reported and the anticipated direct and indirect costs of settling those claims. The liability has been recognised based on the estimated discounted future cash flows.

Acquisition Costs

A portion of acquisition costs relating to unearned premium revenue is deferred in recognition that it represents future benefits. Deferred acquisition costs are amortised on an actuarial basis over the reporting periods expected to benefit from the expenditure.

1.30 Provisions and contingent liabilities

HIH Claims Support Scheme liability

HIH Claims Support Limited was established by the Insurance Council of Australia as a not-for-profit company to provide Australian Government funded assistance to policy holders suffering financial hardship as a result of the collapse of the HIH Group of companies, and the appointment on 15 March 2001 of the Provisional Liquidators of the HIH Group Companies. The HIH Claims Support Trust was established in order to perform its obligations under the *Commonwealth Management Agreement* dated 6 July 2001. As the beneficiary of this trust, the Australian Government is entitled to any residual balance of the trust, after the collection of recoveries and making of payments to claimants.

An actuarial assessment was conducted by an independent actuary as at February 2005, and the results of the review indicated that the overall cost of the scheme discounted to present value is estimated to be \$800 million. This estimate incorporates an allowance for future inflation and provides for the estimated costs of both the claim handling expenses and the scheme management fees.

Following a strategic review, the Scheme was closed to new applications on 27 February 2004, however the Australian Government has established a Gateway facility for special circumstance claims. Future applications will continue to be lodged under the Gateway, but at a substantially reduced level.

HHH Claims Support Limited was wound-out of the Scheme at the end of August 2004, and a new claims manager took over the claims management, payment and recovery services from 1 September 2004.

The Australian Government will continue to assess the estimated liability in future years. Further assessments will also include quantifying possible recoveries to be made by the new claims manager (which will be acting as an agent of the Australian Government).

Note 2: Adoption of Australian Equivalents to International Financial Reporting Standards from 2005-2006

The Australian Accounting Standards Board has issued replacement Australian Accounting Standards to apply from 2005-06. The new standards are the Australian Equivalents to International Financial Reporting Standards (AEIFRS). The International Financial Reporting Standards are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005-06, but continue to apply in the meantime, including reporting periods ending on 30 June 2005.

The purpose of issuing AEIFRS is to enable Australian reporting entities reporting under the *Corporations Act 2001* to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards more widely used overseas.

For-profit entities complying with AEIFRS will be able to make an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRS) as well as a statement that the financial report has been prepared in accordance with Australian Accounting Standards.

AEIFRS contain certain additional provisions that will apply to not-for-profit entities, including Australian Government agencies. Some of these provisions are in conflict with IFRS, and therefore the Treasury will only be able to assert that the financial report has been prepared in accordance with Australian Accounting Standards.

AAS 29 *Financial Reporting by Government Departments* will continue to apply under AEIFRS.

Accounting Standard AASB 1047 *Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards* requires that the financial statements for 2004-05 disclose:

- an explanation of how the transition to AEIFRS is being managed;
- narrative explanations of the key policy differences arising from the adoption of AEIFRS;
- any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to IFRS; and
- if the impacts of the above are not known or reliably estimable, a statement to that effect.

Where an entity is not able to make a reliable estimate, or where quantitative information is not known, the entity should update the narrative disclosures of the key differences in accounting policies that are expected to arise from the adoption of AEIFRS.

The purpose of this Note is to make these disclosures.

Management of the transition to AEIFRS

The Treasury developed a plan for the implementation of Australian Equivalents to International Financial Reporting Standards. The Implementation Strategy Report was tabled and approved by the Audit Committee who is tasked with oversight of the transition to and implementation of

AEIFRS. The Implementation Strategy Report also addresses the risks to successful achievement of the objectives and includes strategies to keep implementation on track to meet deadlines. The Chief Finance Officer is formally responsible for the project and reports regularly to the Audit Committee on progress against the formal plan approved by the Committee.

The Treasury engaged a subject matter expert to assist in the implementation of AEIFRS. As part of the implementation plan and for the smooth transition to AEIFRS, the following key tasks were completed.

- A gap analysis was completed in October 2004, addressing the Treasury's accounting policy differences between the current AASB standards and AEIFRS;
- System changes, including FMIS, operational procedures and processes, were identified to enable Treasury to report under the AEIFRS, including those necessary to capture data under both sets of rules for 2004-05. This included the testing and implementation of those changes; and
- A transitional balance sheet as at 1 July 2004 under AEIFRS was audited and presented to the Audit Committee on 20 May 2005.

The Treasury's 2004-05 balance sheet under AEIFRS will be reported to the Department of Finance and Administration in line with their reporting deadlines, that is 30 September 2005.

Major changes in accounting policy

The Treasury believes that the first financial report prepared under AEIFRS that is at 30 June 2006, will be prepared on the basis that the Treasury will be a first time adopter under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Changes in accounting policies under AEIFRS are applied retrospectively that is as if the new policy had always applied except in relation to the exemptions available under AASB 1. This means that an AEIFRS compliant balance sheet had to be prepared as at 1 July 2004. This will enable the 2005-06 financial statements to report comparatives under AEIFRS.

The Treasury has elected to apply the exemptions allowed by AASB 1 on items relating to AASB 132 *Financial Instruments: Presentation and Disclosure*, AASB 139: *Financial Instruments: Recognition and Measurement* and AASB 1023: *General Insurance Contracts*. Opening balances for these items have not been restated.

Changes to major accounting policies are discussed in the following paragraphs.

Management's review of the quantitative impacts of AEIFRS represents the best estimates of the impacts of the changes as at reporting date. The actual effects of the impacts of AEIFRS may differ from these estimates due to:

- continuing review of the impacts of AEIFRS on the Treasury operations;
- potential amendments to the AEIFRS and AEIFRS Interpretations; and

- emerging interpretation as to the accepted practice in the application of AEIFRS and the AEIFRS Interpretations.

Property plant and equipment

It is expected that the 2005-06 *Finance Minister's Orders* will continue to require property plant and equipment assets to be valued at fair value in 2005-06.

The impact of this change on these financial statements would be to recognise an increment on the re-valued assets.

Accordingly, Note 9 reflects these changes.

Intangible Assets

The Treasury currently recognises internally-developed software assets on the cost basis. The carrying amounts include amounts that were originally measured at deprival valuation and subsequently deemed to be cost under transitional provisions available on the introduction of AAS 38 *Revaluation of Non-current Assets* in 2000-01 and AASB 1041 of the same title in 2001-02.

The Australian Equivalent on Intangibles does not permit intangibles to be measured at valuation unless there is an active market for the intangible. The Treasury's internally-developed software is specific to the needs of the Treasury and is not traded. Accordingly, the Treasury will derecognise the revaluation component of the carrying amount of these assets on adoption of the Australian Equivalent.

Impairment of Non-Current Assets

Treasury's policy on impairment of non-current assets is at Note 1.13.

Under AEIFRS these assets will be subject to assessment for impairment and, if there are indications of impairment, an assessment of the degree of impairment. (Impairment measurement must also be done, irrespective of any indications of impairment, for intangible assets not yet available for use). The impairment test is that the carrying amount of an asset must not exceed the greater of (a) its fair value less costs to sell and (b) its value in use. 'Value in use' is the net present value of net cash inflows for cash generating units of the Treasury and depreciated replacement cost for other assets which would be replaced if Treasury were deprived of them.

An impairment assessment of the Treasury's assets indicated that no adjustments will be required.

Decommissioning, Restoration and Make-good

When assessing accommodation leases for the preparation of the opening balance sheet, no obligations under the leases for make-good were determined.

Inventory

The Treasury recognises inventory not held for sale at cost, except where no longer required, in which case net realisable value is applied.

The new Australian Equivalent standard will require inventory held for distribution for no consideration or at a nominal amount to be carried at the lower of cost or current replacement cost.

An assessment was made and it was found that in all instances the current replacement cost of inventory was equal or greater than the original cost. Therefore no adjustment was required.

Income tax equivalents

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Statement of Financial Position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

Employee benefits

The provision for long service leave is measured at the present value of estimated future cash outflows using market yields as at the reporting date on national government bonds.

The 2003-04 financial reports noted that the AEIFRS standards may require the market yield on corporate bonds to be used. The AASB has decided that a deep market in high quality corporate bonds does not exist and therefore national government bonds will be referenced.

AEIFRS require that annual leave that is not expected to be taken within 12 months of balance date is to be discounted. After assessing the staff leave profile, the Treasury reduced its employee provision liability by \$23,408.

Administered items

Assessment of the administered assets and liabilities of the Treasury indicate that there are no adjustments due to the transition to AEIFRS.

Financial instruments

AEIFRS include an option for entities not to restate comparative information in respect of financial instruments in the first AEIFRS report. It is expected that the FMO's will require entities to use this option. Therefore, the amounts for financial instruments presented in the Treasury's 2004-05 primary financial statements are not expected to change as a result of the adoption of AEIFRS.

The Treasury will be required by AEIFRS to review the carrying amounts of financial instruments at 1 July 2005 to ensure they align with the accounting policies required by AEIFRS. It is expected that the carrying amounts of financial instruments held by Treasury will not materially change as a result of this process.

Reconciliation of impacts — AGAAP to AEIFRS

	2005	2004
	\$'000	\$'000
Reconciliation of departmental equity		
Total departmental equity under AGAAP	62,468	39,564
Adjustments to accumulated results	23	3,043
Total equity under AEIFRS	62,491	42,607
Reconciliation of Departmental Accumulated Results		
Total Departmental Accumulated Results under AGAAP	41,201	24,306
Adjustments to employee provisions	23	23
Total accumulated results under AEIFRS	41,224	24,329
Reconciliation of departmental reserves		
Total departmental reserves under AGAAP	9,037	6,017
Adjustments	-	3,020
Total reserves under AEIFRS	9,037	9,037
Reconciliation of departmental contributed equity		
Total departmental contributed equity under AGAAP	12,230	9,241
Adjustments	-	-
Total contributed equity under AEIFRS	12,230	9,241
Reconciliation of net surplus from ordinary activities for the year ended 30 June 2005		
Total departmental surplus under AGAAP	16,892	
Adjustments	-	
Total net surplus under AEIFRS	16,892	

Note: 30 June 2005 total represents the accumulated impacts of AEIFRS from the date of transition.

Note 3: Events occurring after balance date

The Reserve Bank of Australia has calculated a dividend of \$1.363 billion in respect of its results for the year ended 30 June 2005 (\$0.694 billion 2003-04). The Treasurer will ratify the payment in accordance with the recommendation of the Reserve Bank of Australia's Board of Directors. As a consequence, the Treasury will record this dividend income in its accounts for the year ended 30 June 2006 in accordance with its accounting policy (Note 1.24).

On 1 July 2005 the Royal Australian Mint was prescribed as an agency under the *Financial Management and Accountability Act 1997* and as such will cease to be consolidated in the Treasury annual report from this date, however it will remain within the Treasury portfolio.

Note 4: Operating revenues

	2005	2004
	\$'000	\$'000
Note 4A: Revenue from Government		
Appropriations		
Departmental outputs	124,144	99,965
Revenues from prior year	2,411	2,405
Total revenues from Government	126,555	102,370
Note 4B: Goods and services		
Provision of goods to:		
Related entities	37,384	17,885
External entities	17,262	21,776
Rendering of services to:		
Related entities	5,420	2,927
External entities	(4)	2,275
Operating lease rental	55	-
Total goods and services	60,117	44,863
Note 4C: Interest		
Interest on deposits	479	236
Note 4D: Revenue from sale of assets		
Infrastructure, plant and equipment	81	23
Intangibles	-	14
Total revenue from sale of assets	81	37
Note 4E: Other revenues		
Other	623	1,895
Resources received free of charge	468	406
Total other revenues	1,091	2,301

Note 5: Operating expenses

	2005 \$'000	2004 \$'000
Note 5A: Employee expenses		
Wages and salary	63,252	59,461
Superannuation	13,100	11,293
Leave and other entitlements	7,566	9,930
Separation and redundancies	24	106
Workers compensation premiums	506	662
Other	2,503	2,136
Total employee expenses	86,951	83,588
Note 5B: Supplier expenses		
Provision of goods from:		
Related entities	282	698
External entities	40,280	27,717
Rendering of services from:		
Related entities	13,364	8,732
External entities	17,070	14,658
Operating lease rentals ¹	8,017	7,582
Total supplier expenses	79,013	59,387
Note 5C: Depreciation and amortisation		
Depreciation		
Other infrastructure, plant and equipment	1,717	1,346
Buildings - leasehold improvements	735	831
Total depreciation	2,452	2,177
Amortisation		
Intangibles - computer software	815	1,080
Assets held under finance lease	1,621	1,563
Total amortisation	2,436	2,643
Total depreciation and amortisation	4,888	4,820
Note 5D: Write down and impairment of assets		
Financial assets		
Receivables - bad and doubtful debt expense	9	1
Non-financial assets		
Infrastructure, plant and equipment	148	514
Intangibles	32	-
Total write down and impairment of assets	189	515
Note 5E: Value of assets sold		
Infrastructure, plant and equipment	80	19
Intangibles	-	12
Total value of assets sold	80	31

1 These comprise minimum lease payments only.

Note 6: Business operations

The Mint operates via a special account. Payments made from this account are for the purposes of business operations. The balance of the special account is disclosed at Note 31G.

During 2004-05 the Australian Government Actuary's business operation status was revoked by the Minister for Finance and Administration. The Australian Government Actuary continues to operate via a special account and the balance of the special account is disclosed at Note 31G.

Note 7: Borrowing cost expense/Competitive neutrality expense

	2005	2004
	\$'000	\$'000
Note 7A: Borrowing costs expense		
Leases	124	165
Total borrowing costs expense	124	165
Note 7B: Competitive neutrality expense		
Bank deposit interest equivalent	(479)	(236)
Payroll tax equivalent	416	374
Australian income tax equivalent	186	990
Total competitive neutrality expense	123	1,128

Note 8: Financial assets

	2005	2004
	\$'000	\$'000
Note 8A: Cash		
Cash:		
Special accounts	9,290	12,666
Departmental (other than special accounts)	3,593	2,739
Total cash	12,883	15,405
Note 8B: Receivables		
Goods and services	1,555	2,421
Less: Provision for doubtful debts	(5)	(5)
Total goods and services	1,550	2,416
Net GST receivable from the ATO	623	395
Interest	479	286
Appropriations receivable - undrawn	33,197	16,333
Other	1,660	638
Total receivables (net)	37,509	20,068
All receivables are current assets		
Receivables (gross) are aged as follows:		
Not overdue	35,833	18,571
Overdue by:		
Less than 30 days	1,499	1,381
30 to 60 days	16	34
61 to 90 days	6	19
More than 90 days	160	68
Total receivables (gross)	37,514	20,073
The provision for doubtful debts is aged as follows:		
Current	-	(5)
Overdue by:		
More than 90 days	(5)	-
Total provision for doubtful debts	(5)	(5)

Note 9: Non-financial assets

	2005 \$'000	2004 \$'000
Note 9A: Land and buildings		
Leasehold improvements - at cost		
At cost	613	-
Accumulated amortisation	(12)	-
Total leasehold improvements - at cost	601	-
Leasehold improvements - at 2005 valuation		
At valuation (fair value)	10,514	-
Accumulated amortisation	(2,987)	-
Total leasehold improvements - at 2005 valuation	7,527	-
Leasehold improvements - at 2002 valuation		
At valuation (deprival)	-	9,953
Accumulated amortisation	-	(3,083)
Total leasehold improvements - at 2002 valuation	-	6,870
Total land and buildings (non-current)	8,128	6,870
Note 9B: Infrastructure, plant and equipment		
Plant and equipment - at cost		
At cost	5,049	6,930
Accumulated depreciation	(217)	(2,057)
Total plant and equipment - at cost	4,832	4,873
Plant and equipment - at 2005 valuation		
At valuation (fair value)	7,320	-
Accumulated depreciation	(932)	-
Total plant and equipment - at 2005 valuation	6,388	-
Plant and equipment - at 2004 valuation		
At valuation (fair value)	2,900	2,905
Accumulated depreciation	(530)	-
Total plant and equipment - at 2004 valuation	2,370	2,905
Plant and equipment - at 2002 valuation		
At valuation (deprival)	-	2,510
Accumulated depreciation	-	(1,387)
Total plant and equipment - at 2002 valuation	-	1,123
Plant and equipment under finance lease		
Under finance lease	2,722	4,884
Accumulated amortisation	(1,368)	(2,593)
Total plant and equipment under finance lease	1,354	2,291
Total infrastructure, plant and equipment (non-current)	14,944	11,192
Note 9C: Intangibles computer software		
Externally acquired (in progress)	-	209
At cost	6,963	7,859
Accumulated amortisation	(5,158)	(5,982)
Total computer software	1,805	2,086
Total intangibles (non-current)	1,805	2,086

All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.12. In 2004-05 the revaluations were performed by an independent valuer, Preston Rowe Paterson NSW Pty Limited. The revaluations in 2003-04 were performed by an independent valuer, the Australian Valuation Office.

Revaluation increments of \$1,380,000 for leasehold improvements (2004: \$0) and \$1,640,000 for property, plant and equipment (2004: \$535,000) was made to the asset revaluation reserve.

Note 9: Non-financial assets (continued)

Table A: Reconciliation of the opening and closing balances of property, plant, and equipment and intangibles

	Land \$'000	Buildings on freehold land \$'000	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
As at 1 July 2004:						
Gross book value	-	-	9,953	17,229	8,068	35,250
Accumulated depreciation/amortisation	-	-	(3,083)	(6,037)	(5,982)	(15,102)
Opening net book value	-	-	6,870	11,192	2,086	20,148
Additions						
By purchase	-	-	613	4,994	566	6,173
By finance lease	-	-	-	684	-	684
Net revaluation increment/(decrement)	-	-	1,380	1,640	-	3,020
Depreciation/amortisation expense	-	-	(735)	(3,338)	(815)	(4,888)
Disposals						
From disposal of entities or operations (including restructuring)	-	-	-	(3)	-	(3)
Other disposals	-	-	-	(225)	(32)	(257)
As at 30 June 2005:						
Gross book value	-	-	11,127	17,991	6,963	36,081
Accumulated depreciation/amortisation	-	-	(2,999)	(3,047)	(5,158)	(11,204)
Closing net book value	-	-	8,128	14,944	1,805	24,877

Note 9: Non-financial assets (continued)

Table B: Property, plant and equipment and intangibles at valuation

	Land \$'000	Buildings on freehold land \$'000	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
As at 30 June 2005:						
Gross book value	-	-	10,514	10,220	-	20,734
Accumulated depreciation/amortisation	-	-	(2,987)	(1,462)	-	(4,449)
Closing net book value	-	-	7,527	8,758	-	16,285
As at 30 June 2004:						
Gross book value	-	-	9,953	5,415	-	15,368
Accumulated depreciation/amortisation	-	-	(3,083)	(1,387)	-	(4,470)
Closing net book value	-	-	6,870	4,028	-	10,898

Note: This table does not include assets purchased in 2003-04 or 2004-05 financial years as these assets are held at cost.

Table C: Property, plant and equipment and intangibles held under finance lease

	Land \$'000	Buildings on freehold land \$'000	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
As at 30 June 2005:						
Gross book value	-	-	-	2,722	-	2,722
Accumulated depreciation/amortisation	-	-	-	(1,368)	-	(1,368)
Closing net book value	-	-	-	1,354	-	1,354
As at 30 June 2004:						
Gross book value	-	-	-	4,884	-	4,884
Accumulated depreciation/amortisation	-	-	-	(2,593)	-	(2,593)
Closing net book value	-	-	-	2,291	-	2,291

Note 9: Non-financial assets (continued)

Table D: Property, plant and equipment and intangibles under construction

	Land \$'000	Buildings on freehold land \$'000	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
As at 30 June 2005:						
Gross book value	-	-	550	-	-	550
As at 30 June 2004:						
Gross book value	-	-	-	-	-	-

Note 9: Non-financial assets (continued)

	2005	2004
	\$'000	\$'000
Note 9D: Inventories		
Raw materials	11,003	7,577
Work in progress (cost)	1,680	2,155
Finished goods (cost)	8,541	5,800
Total inventories	21,224	15,532
Note 9E: Other non-financial assets		
Coin collection - at valuation	5,396	5,396
Prepayments	2,998	3,829
Other	353	-
Total other non-financial assets	8,747	9,225

Note: Other non-financial assets except for the coin collection and prepayments are current assets.

Note 10: Interest bearing liabilities

	2005	2004
	\$'000	\$'000
Note 10: Leases		
Finance lease commitments:	1,422	2,330
Payable		
Within one year or less	780	1,633
In one to five years	806	853
Minimum lease payments	1,586	2,486
Deduct: future finance charges	(164)	(156)
Net lease liability	1,422	2,330
Lease liability is represented by:		
Current	691	1,530
Non-current	731	800
Lease liability	1,422	2,330

Finance leases exist in relation to certain major office equipment assets. The leases are non-cancellable and for fixed terms averaging three years, with a maximum of five years. The interest rate implicit in the leases averaged 7.51 per cent (2004: 5.66 per cent). The Treasury guarantees the residual values of all assets leased. There are no contingent rentals.

Note 11: Provisions

	2005	2004
	\$'000	\$'000
Note 11A: Employee provisions		
Salaries and wages	216	-
Leave	30,681	28,880
Superannuation	46	-
Aggregate employee benefit liability	30,943	28,880
Other employee entitlements	144	152
Aggregate employee benefit liability and related on-costs	31,087	29,032
Current	14,198	12,790
Non-current	16,889	16,242
Note 11B: Other		
Fees and sales in advance	152	117

Note: All other provisions are current liabilities.

The disclosure below for the Australian High Commission Britain — Locally Engaged Staff — Pension Scheme (London Pension Scheme (LPS)) is for note purposes only and is not recognised in the financial statements. Figures for accrued and vested benefits are based on the latest LPS actuarial valuation prepared for funding purposes as at 1 July 2004, updated by the Fund actuary for expected membership movement up to 30 June 2005. The comparative figures are based on an actuarial assessment as at 1 July 2003, updated by the actuary for membership data up to 30 June 2004. Plan assets have been valued by the actuary as at 30 June 2005, based on actual balances as at 31 May 2005, and comparatives are as per the 30 June 2004, based on actual balances as at 31 May 2004.

From 1 July 2005, the fund will be fully reported by the Department of Foreign Affairs and Trade and no further disclosure will be made in the Treasury Annual Report.

	Date measured	2005	Date measured	2004
Accrued benefits	30 June 2005	150,898	30 June 2004	123,360
Plan assets	30 June 2005	131,737	30 June 2004	115,486
Net assets		(19,161)		(7,874)
Vested benefits	30 June 2005	133,519	30 June 2004	110,187

The above figures represent approximately one per cent of the total value of the fund representing the proportion of the fund attributable to the Treasury as advised by Department of Foreign Affairs and Trade.

Note 12: Payables

	2005	2004
	\$'000	\$'000
Note 12A: Supplier payables		
Trade creditors	2,587	6,070
Total supplier payables	2,587	6,070
All supplier payables are current liabilities		
Note 12B: Other payables		
Other tax liabilities	959	1,364
Other creditors	6,565	1,901
Total other payables	7,524	3,265

Note: All other payables are current liabilities. Settlement of payables is usually made net 30 days.

Note 13: Equity

	Accumulated results		Asset revaluation reserve		Contributed equity		Total equity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Note 13A: Analysis of equity								
Opening balance as at 1 July	24,306	23,995	6,017	5,482	9,241	4,076	39,564	33,553
Net surplus	16,892	311	-	-	-	-	16,892	311
Net revaluation increment	-	-	3,020	535	-	-	3,020	535
Transactions with owner:								
Distributions to owner:								
Returns of capital:								
Other - ARPC capital return	-	-	-	-	-	(5,000)	-	(5,000)
Contributions by owners								
Appropriations (equity injections)	-	-	-	-	2,965	11,127	2,965	11,127
Restructuring	3	-	-	-	24	(962)	27	(962)
Closing balance as at 30 June	41,201	24,306	9,037	6,017	12,230	9,241	62,468	39,564
Total equity attributable to the Australian Government	41,201	24,306	9,037	6,017	12,230	9,241	62,468	39,564

Note 13: Equity (continued)

In 2004-05, as a result of restructuring, the Treasury relinquished responsibility for administration of product safety and related consumer information functions to the Australian Competition and Consumer Commission (ACCC) effective from 26 October 2004.

In 2003-04, as a result of restructuring, the Treasury relinquished responsibility for AXISS Australia (AXISS) on 1 July 2003, the Inspector-General of Taxation (IGT) on 1 July 2003, and the Australian Reinsurance Pool Corporation (ARPC) on 1 July 2003.

In respect of the functions relinquished, the following assets and liabilities were transferred by the Treasury:

	2005 \$'000	2004 \$'000
Note 13B: Restructuring		
ACCC		
Total assets relinquished	97	-
Total liabilities relinquished	(121)	-
Net assets relinquished	(24)	-
AXISS		
Total assets relinquished	-	752
Total liabilities relinquished	-	-
Net assets relinquished	-	752
IGT		
Total assets relinquished	-	2
Total liabilities relinquished	-	-
Net assets relinquished	-	2
ARPC		
Total assets relinquished	-	208
Total liabilities relinquished	-	-
Net assets relinquished	-	208
Net decrease in departmental net assets during the year	(24)	962

Note 14: Cash flow reconciliation

	2005	2004
	\$'000	\$'000
Reconciliation of cash per statement of financial position to statement of cash flows		
Cash at year end per statement of cash flows	12,883	15,405
Statement of financial position items comprising above cash:		
Financial asset - cash	12,883	15,405
Reconciliation of net surplus to net cash from operating activities		
Net surplus/(deficit)	16,892	311
Restructuring	24	(285)
Depreciation/amortisation	4,888	4,820
Loss on disposal of non-current assets	1	508
Net write down of non-financial assets	180	-
Borrowing costs expense	-	165
(Increase)/decrease in net receivables	(17,441)	(5,043)
(Increase)/decrease in other non financial assets	478	(1,124)
(Increase)/decrease in inventories	(5,692)	(114)
Increase/(decrease) in provisions	2,090	4,518
Increase/(decrease) in other payables	4,259	(238)
Increase/(decrease) in supplier payables	(3,483)	2,163
Net cash from/(used by) operating activities	2,196	5,681

Note 15: Contingent liabilities and assets**Quantifiable contingencies**

The schedule of contingencies reports liabilities in respect of claims for damages/costs of \$20,000 (2004: \$400,000). The amount represents an estimate of the Treasury's liability based on precedent cases. The Treasury is defending the claim.

The schedule of contingencies also reports liabilities in respect of other costs totaling \$145,000 (2004: \$120,000). The amount represents an estimate of the Treasury's liability in respect of studies assistance.

Unquantifiable contingencies

As at 30 June 2005, the Treasury had a number of legal claims against it. The Treasury has denied liability and is defending the claims. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these claims.

The courts may award legal costs against the Treasury in the event it is unsuccessful in an action before the courts. Because of the uncertainty over the outcome of outstanding and pending court cases, duration of court cases and the legal costs of the opposing party, these costs cannot be reliably measured.

Remote contingencies

The Treasury has no remote contingencies.

Note 16: Executive remuneration

Total remuneration includes actual salary, all allowances, employer superannuation component, vehicle costs and an estimate of the non-salary component of the Senior Executive Service package.

	2005	2004
The number of executives who received or were due to receive total remuneration of \$100,000 or more:		
\$100,000 to \$109,999	-	1
\$110,000 to \$119,999	3	1
\$120,000 to \$129,999	1	1
\$130,000 to \$139,999	2	1
\$140,000 to \$149,999	1	2
\$150,000 to \$159,999	5	5
\$160,000 to \$169,999	2	4
\$170,000 to \$179,999	4	11
\$180,000 to \$189,999	8	8
\$190,000 to \$199,999	9	8
\$200,000 to \$209,999	5	2
\$210,000 to \$219,999	8	2
\$220,000 to \$229,000	3	1
\$230,000 to \$239,999	5	3
\$240,000 to \$249,999	6	-
\$250,000 to \$259,999	1	6
\$260,000 to \$269,999	1	-
\$270,000 to \$279,999	1	2
\$290,000 to \$299,999	4	2
\$300,000 to \$309,999	1	-
\$310,000 to \$319,999	2	-
\$330,000 to \$339,999	1	-
\$340,000 to \$349,999	1	1
\$350,000 to \$359,999	1	-
\$370,000 to \$379,999	2	-
\$460,000 to \$469,999	1	1
	78	62
Aggregate amount of total remuneration of executives as shown above	\$17,139,661	\$12,453,986
Aggregate amount of separation and redundancy / termination benefit payments during the year to executives shown above	\$0	\$0

Note 17: Remuneration of auditors

	2005	2004
	\$'000	\$'000
Financial statement audit services are provided free of charge to the Treasury.		
The fair value of the services provided was:		
Treasury	319	296
Royal Australian Mint	125	110
Total	444	406

Note: In addition to the amounts disclosed above, there is an additional amount of auditor remuneration totalling \$23,800 relating to the 2005-06 financial statements audit, arising from work done on the opening balance sheet to be prepared under Australian equivalents to International Financial Reporting Standards. The above amounts are exclusive of GST.

Note 18: Average staffing levels

	2005	2004
Treasury	782	766
Locally engaged staff	7	6
Royal Australian Mint	115	110
Total	904	882

Note: Locally engaged staff relate to overseas posts. These staff are engaged by the Department of Foreign Affairs and Trade (DFAT) on behalf of the Treasury. Costs for these staff are recovered by DFAT through a Service Level Agreement with the Treasury.

Note 19: Act of grace payments, waivers and defective administration scheme

	2005	2004
	\$	\$
Administered		
No 'act of grace' payments were made during the reporting period. (2004 - two payments made)	-	2,092,275
No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2004 - no waivers made)	-	-
Total	-	2,092,275
Departmental		
No 'act of grace' payments were made during the reporting period. (2004 - no payments made)	-	-
No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2004 - no waivers made)	-	-
One payments were made under s73 of the <i>Public Service Act 1999</i> during the reporting period. (2004: no payments made)	17,965	-
Total	17,965	-

Note 20: Consolidation

	Treasury		Royal Australian Mint		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenues from ordinary activities	126,555	102,666	-	110	126,555	102,776
Revenues from Government	5,609	5,206	54,508	39,657	60,117	44,863
Goods and services	-	-	479	236	479	236
Interest	81	30	-	7	81	37
Revenue from sale of assets	789	1,485	302	410	1,091	1,895
Other revenues						
Total revenues from ordinary activities	133,034	109,387	55,289	40,420	188,323	149,807
Expenses from ordinary activities (excluding borrowing costs expense)						
Employees	79,185	76,228	7,766	7,360	86,951	83,588
Suppliers	33,437	30,283	45,576	29,104	79,013	59,387
Depreciation and amortisation	3,898	4,204	990	616	4,888	4,820
Write-down and impairment of assets	188	-	1	1	189	1
Value of assets sold	80	158	-	387	80	545
Total expenses from ordinary activities (excluding borrowing costs expense)	116,788	110,873	54,333	37,468	171,121	148,341
Borrowing costs expense	124	165	-	-	124	165
Net surplus/(deficit) from ordinary activities before equivalent income tax	16,122	(1,651)	956	2,952	17,078	1,301
Income tax expense equivalent	-	-	186	990	186	990

Note: The above amounts have been consolidated into the Treasury's balances shown in these financial statements.

Note 20: Consolidation (continued)

	Treasury		Royal Australian Mint		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Net surplus/(deficit) attributable to the Australian Government	16,122	(1,651)	770	1,962	16,892	311
Net credit/(debit) to asset revaluation reserve	3,020	-	-	535	3,020	535
Total revenues, expenses and valuation adjustments attributable to the Australian Government and recognised directly in equity	3,020	-	-	535	3,020	535
Total changes in equity other than those resulting from transactions with the Australian Government as owner	19,142	(1,651)	770	2,497	19,912	846

Note: The above amounts have been consolidated into the Treasury's balances shown in these financial statements.

Note 20: Consolidation (continued)

	Treasury		Royal Australian Mint		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
ASSETS						
Financial assets						
Cash	4,982	4,014	7,901	11,391	12,883	15,405
Receivables	36,035	17,601	1,474	2,467	37,509	20,068
Total financial assets	41,017	21,615	9,375	13,858	50,392	35,473
Non-financial assets						
Land and buildings	7,954	6,870	174	-	8,128	6,870
Infrastructure, plant and equipment	8,499	8,200	6,445	2,992	14,944	11,192
Inventories	-	-	21,224	15,532	21,224	15,532
Intangibles	1,156	1,627	649	459	1,805	2,086
Other non-financial assets	2,019	1,795	6,728	7,430	8,747	9,225
Total non-financial assets	19,628	18,492	35,220	26,413	54,848	44,905
Total assets	60,645	40,107	44,595	40,271	105,240	80,378
LIABILITIES						
Interest bearing liabilities						
Leases	1,422	2,330	-	-	1,422	2,330
Total interest bearing liabilities	1,422	2,330	-	-	1,422	2,330
Provisions						
Employees	28,150	26,183	2,937	2,849	31,087	29,032
Other provisions	-	-	152	117	152	117
Total provisions	28,150	26,183	3,089	2,966	31,239	29,149

Note: The above amounts have been consolidated into the Treasury's balances shown in these financial statements.

Note 20: Consolidation (continued)

	Treasury		Royal Australian Mint		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Payables						
Suppliers	2,344	2,957	243	3,113	2,587	6,070
Other payables	2,026	1,898	5,498	1,367	7,524	3,265
Total payables	4,370	4,855	5,741	4,480	10,111	9,335
Total liabilities	33,942	33,368	8,830	7,446	42,772	40,814
NET ASSETS	26,703	6,739	35,765	32,825	62,468	39,564
EQUITY						
Asset revaluation reserve	3,644	624	5,393	5,393	9,037	6,017
Contributed equity	3,652	2,828	8,578	6,413	12,230	9,241
Retained surpluses/(Accumulated deficits)	19,407	3,287	21,794	21,019	41,201	24,306
Total equity	26,703	6,739	35,765	32,825	62,468	39,564

Note: The above amounts have been consolidated into the Treasury's balances shown in these financial statements.

Note 21: Financial instruments

Note 21A: Terms, conditions and accounting policies

Financial instruments	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instruments (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial assets			
Cash — at bank	8A	Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured. Deposits are recognised at their nominal amounts. Interest on cash at bank is credited to revenue as it accrues.	The Treasury maintains bank accounts with the Reserve Bank of Australia for the administration of petty cash and for the receipt and payment of monies. The Mint maintains its own commercial accounts for the conduct of its business operations.
Receivables for goods and services	8B	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are net 30 days (2004: 30 days).
Interest receivable	8B	Interest is accrued as it is earned.	Under the Government's national competition policy the Mint earns interest equivalent to the daily bank balance at a rate of two per cent. This amount is netted against tax payable to the Government under the policy.
Appropriations receivable — undrawn	8B	These are recognised at their nominal amounts.	Amounts appropriated by the Parliament in the current or previous years which are available to be drawn down by the Treasury. Also includes amounts to be appropriated by the Parliament in a future year for services provided in previous years under a purchasing, workload or similar agreement.

Note 21: Financial instruments (continued)

Note 21A: Terms, conditions and accounting policies (continued)

Financial instruments	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instruments (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Finance lease liabilities	10	Liabilities are recognised at the present value of minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rates implicit in the leases.	At reporting date, the Treasury had finance leases with terms averaging three years and a maximum term of five years. The interest rate implicit in the leases averaged 7.51 per cent (2004: 5.66 per cent). The lease assets secure the lease liabilities.
Trade creditors and accruals	12A	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	All creditors are entities that are not part of the Australian Government legal entity. Settlement is usually made net 30 days.

Note 21: Financial instruments (continued)

Financial instrument	Notes	Floating interest rate	Fixed interest rate maturing in:						Non-interest bearing	Total	Weighted average effective interest rate		
			1 year or less		1 to 5 years		> 5 years						
			2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000				2005 \$'000	2004 \$'000
Note 21B: Interest rate risk													
Financial assets													
Cash at bank	8A	-	-	-	-	-	-	12,883	15,405	12,883	15,405	2.00	2.00
Receivables (gross):													
Goods and services	8B	-	-	-	-	-	-	1,555	2,421	1,555	2,421	-	-
Other	8B	-	-	-	-	-	-	2,283	1,033	2,283	1,033	-	-
Interest	8B	-	-	-	-	-	-	479	286	479	286	2.00	2.00
Appropriations	8B	-	-	-	-	-	-	33,197	16,333	33,197	16,333	-	-
Total financial assets		-	-	-	-	-	-	50,397	35,478	50,397	35,478	n/a	n/a
TOTAL ASSETS								105,240	80,378	105,240	80,378	n/a	n/a
Financial liabilities													
Finance lease liabilities	10	-	-	691	1,530	731	800	-	-	1,422	2,330	7.51	5.66
Trade creditors	12A	-	-	-	-	-	-	2,587	6,070	2,587	6,070	-	-
Other liabilities	12B	-	-	-	-	-	-	7,524	3,265	7,524	3,265	-	-
Total financial liabilities		-	-	691	1,530	731	800	10,111	9,335	11,533	11,665	n/a	n/a
TOTAL LIABILITIES								42,772	40,814	42,772	40,814	n/a	n/a

Note 21: Financial instruments (continued)

	Notes	2005		2004	
		Total	Aggregate	Total	Aggregate
		carrying amount \$'000	net fair value \$'000	carrying amount \$'000	net fair value \$'000
Note 21C: Net fair values of financial assets and liabilities					
Departmental financial assets					
Cash at bank	8A	12,883	12,883	15,405	15,405
Receivables (net):					
Goods and services	8B	1,550	1,550	2,416	2,416
Other	8B	2,283	2,283	1,033	1,033
Interest	8B	479	479	286	286
Appropriations	8B	33,197	33,197	16,333	16,333
Total financial assets		50,392	50,392	35,473	35,473
Financial liabilities (recognised)					
Finance lease liabilities	10	1,422	1,422	2,330	2,330
Trade creditors	12A	2,587	2,587	6,070	6,070
Other liabilities	12B	7,524	7,524	3,265	3,265
Total financial liabilities (recognised)		11,533	11,533	11,665	11,665

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

The net fair values of the finance leases are based on discounted cash flows using current interest rates for liabilities with similar risk profiles.

The net fair values for trade creditors and other liabilities are approximated by their carrying amounts.

Note 21D: Credit risk exposures

The Treasury's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of financial position.

The Treasury has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

Note 22: Revenues administered on behalf of Government

	2005 \$'000	2004 \$'000
Interest		
Interest on Papua New Guinea loan	3,637	7,991
Other interest	303	790
Total interest	3,940	8,781
Dividends		
Reserve Bank of Australia	694,000	2,264,000
Total dividends	694,000	2,264,000
Goods and services		
GST administration fees - external entities	591,922	541,877
Total goods and services	591,922	541,877
Other revenues		
Gross IMF remuneration	39,202	37,823
Less: Burden sharing	(2,188)	(2,168)
Net IMF remuneration	37,014	35,655
Write back of HCS Scheme	21,647	-
Royal Australian Mint - monies in excess of requirements	104,620	59,266
Increased investment in Australian Government entities	14,917	5,000
Other revenues	6,115	6,585
Total other revenues	184,313	106,506
Total revenues administered on behalf of Government	1,474,175	2,921,164

Note 23: Expenses administered on behalf of Government

	2005 \$'000	2004 \$'000
Grants		
Grants to State and Territory Governments	36,221,000	34,036,840
Other grants	3,215	8,196
Total grants	36,224,215	34,045,036
Net foreign exchange loss/(gain)		
IMF SDR allocation	(103,423)	14,107
IMF maintenance of value	(152,523)	(355,414)
IMF quota revaluation	711,343	(97,028)
Other foreign exchange	(7,011)	(1,726)
Total net foreign exchange loss/(gain)	448,386	(440,061)
Other expenses		
IMF charges	20,371	15,310
HLIC claims ¹	(878)	(1,380)
HCS Scheme claims ²	-	101,824
Decreased investment in Australian Government entities	5,000	-
Other expenses	-	2,092
Total other expenses	24,493	117,846
Total expenses administered on behalf of Government	36,697,094	33,722,821

1 HLIC claims expenses include payments and management fees.

2 HCS Scheme claims expenses include payments and management fees.

Note 24: Assets administered on behalf of Government

	2005	2004
	\$'000	\$'000
Financial assets		
Cash		
Administered bank accounts - The Treasury	9,089	3,288
Receivables		
GST appropriation receivable	128	(86)
HLIC premiums receivable	3,120	3,864
IMF related moneys owing	5,724	5,730
IMF MOV receivable	152,523	-
RBA dividend receivable	319,534	964,000
Other receivables	4,726	1,378
Total receivables (net)	485,755	974,886
Receivables (gross) are aged as follows:		
Current	485,755	974,886
Total receivables (gross)	485,755	974,886
Loan		
Loan to Papua New Guinea	14,805	78,855
Maturity schedule for the loan as at 30 June 2005 is as follows:		
Payable: Within one year	14,805	64,051
In one to two years	-	14,804
Total loan	14,805	78,855
Investments		
International financial institutions		
Asian Development Bank	287,069	287,069
European Bank for Reconstruction and Development	84,824	85,068
International Finance Corporation	69,144	69,144
International Bank for Reconstruction and Development	259,049	259,049
Multilateral Investment Guarantee Agency	10,694	10,694
Total international financial institutions	710,780	711,024
Quota		
International Monetary Fund	6,183,416	6,894,759
Australian Government entities		
Reserve Bank of Australia	8,035,042	8,035,042
Australian Securities and Investments Commission	16,184	4,267
Corporations and Markets Advisory Committee	332	332
Australian Reinsurance Pool Corporation	-	5,000
Australian Prudential Regulation Authority	8,255	5,255
Total Australian Government entities	8,059,813	8,049,896
Total investments	14,954,009	15,655,679
Non-financial assets		
Prepayments		
Prepayment of grants to State and Territory Governments	219,400	374,223
Other		
Deferred acquisition costs	111	327
Other prepayments	2,111	2,212
Total other	2,222	2,539
Total non-financial assets	221,622	376,762
Total assets administered on behalf of Government	15,685,280	17,089,470

Note 25: Liabilities administered on behalf of Government

	2005	2004
	\$'000	\$'000
Loans		
IMF promissory notes	3,807,615	3,807,614
Other promissory notes	63,492	75,036
Total loans	3,871,107	3,882,650
Maturity schedule for loans is as follows:		
Payable: Within one year	2,138	7,022
In one to two years	1,603	1,776
In two to five years	1,603	1,776
In more than five years	3,865,763	3,872,076
Total loans	3,871,107	3,882,650
Grants		
IMF - poverty reduction and growth facility	10,000	12,500
Maturity schedule for grants is as follows:		
Payable: Within one year	2,500	2,500
In one to two years	2,500	2,500
In two to five years	5,000	7,500
In more than five years	-	-
Total grants	10,000	12,500
Total grants	10,000	12,500
Other payables		
Net GST payable to ATO	128	(86)
IMF Special Drawing Rights allocation	899,016	1,002,439
IMF related monies owing	3,731	2,849
Other	477	5,644
Total other payables	903,352	1,010,846
Other provisions		
Provision for insurance claims	5,965	8,240
Provision for unearned premiums	858	2,377
Provision for HCS Scheme	328,050	437,983
Total other provisions	334,873	448,600
Total other provisions and payables	1,238,225	1,459,446
Total liabilities administered on behalf of Government	5,119,332	5,354,596

Note 26: Administered reconciliation table

	Notes	2005 \$'000	2004 \$'000
Opening administered assets less administered liabilities at 1 July		11,734,874	10,878,755
Plus administered revenues		1,474,175	2,921,164
Less administered expenses		(36,697,094)	(33,722,821)
Administered transfers to/from Australian Government			
Appropriation transfers from OPA:			
Annual appropriations administered expenses		182,330	183,778
Special appropriations (unlimited)		36,012,052	34,071,053
Transfers to OPA		(2,140,389)	(2,597,055)
Closing administered assets less administered liabilities		10,565,948	11,734,874

Note 27: Administered contingent liabilities and assets

Quantifiable administered contingencies

Quantifiable administered contingencies that are not remote are disclosed in the schedule of administered items as quantifiable administered contingencies.

Unquantifiable administered contingencies

Terrorism insurance —Australian Reinsurance Pool Corporation (ARPC)

The Australian Government's Scheme for replacement terrorism insurance commenced on 1 July 2003 and will operate until commercial insurance and reinsurance providers recommence provision of terrorism insurance. The scheme covers commercial property and infrastructure facilities and associated business interruption and public liability. The scheme provides for a pool of funds (initially planned to accumulate to about \$300 million) funded by reinsurance premiums paid to the ARPC. The pool is supplemented by a bank line of credit of \$1 billion, underwritten by the Commonwealth, as well as a Commonwealth indemnity of \$9 billion, giving aggregate cover of up to \$10.3 billion when the pool is fully funded. Under the *Terrorism Insurance Act 2003* the Commonwealth guarantees the payment of liabilities incurred by the ARPC. The Treasurer has the ability to declare a reduced payout rate to insured parties if, in the absence of such a declaration, the Commonwealth's liability would exceed \$10 billion. While the guarantee to the ARPC is unlimited, the pro-rata reduction will be used to try to limit the Commonwealth's exposure to \$10 billion. The ARPC may recoup payouts under the Scheme by increasing premiums for terrorism reinsurance, and pass these funds on to the Commonwealth. However such repayments to the Commonwealth may take some years.

Contingent gain

As a beneficiary of the HIIH Claims Support Trust, the Australian Government will be entitled to the residual balance of the Trust, after the collection of recoveries and making of payments to claimants. Due to the inherent uncertainty regarding the measurement of the recoveries, it is not possible to quantify these amounts at this time.

Under a policy adopted by the Executive Board of the IMF since 1986, an amount equal to overdue charges and an allocation to the Special Contingent Account have been generated each quarter by downward adjustment to the rate of IMF remuneration paid to the Treasury and other member countries. This charge, known as burden sharing is levied on member countries to cover the financial consequences to the IMF of overdue obligations. 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.

As there is considerable and inherent uncertainty around the timing and amounts of burden sharing to be refunded to Treasury this contingent asset cannot be reliably measured and as such is recorded as an unquantifiable contingent asset.

Note 27: Administered contingent liabilities and assets (continued)

Remote administered contingencies

Guarantees

The following borrowings have been guaranteed by the Australian Government in respect of Authorities within the Treasury portfolio:

Borrower	Legislation authorising guarantee	Principal covered by guarantee 2005	Balance outstanding 2005	Balance outstanding 2004
Papua New Guinea	PNG Act 1949-75 and PNG Loans Guarantee Act 1975	5,170,000	5,170,000	5,170,000
Housing Loans Insurance Corporation	HLIC Act 1965	5,397,000	5,397,000	5,087,000
Commonwealth Bank of Australia ^a	CBA Act 1959 s117	9,316,000,000	9,316,000,000	9,316,000,000
Commonwealth Bank of Australia - Officers' Superannuation Fund ^a	CBA Act 1959 s117	3,511,000,000	3,511,000,000	3,459,600,000
Reserve Bank of Australia ^b	RBA Act s77	46,828,000,000	46,828,000,000	44,455,000,000
Total		59,665,567,000	59,665,567,000	57,240,857,000

- a 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 September 2004 and 30 June 2004 respectively. At the time of finalisation of these statements the 30 June 2005 figure was not reliably measurable.
- b The contingent liability for the Reserve Bank of Australia (RBA), relates to the Australian Government's guarantee of the liabilities of the RBA. It is measured as the Bank's total liabilities excluding capital, reserves and Australian Government deposits. The major component of the Bank's liabilities are notes (that is, currency) on issue. As at 30 June 2005, notes on issue totalled \$35.6 billion.

HIH Claims Support Scheme

The Australian Government has a number of indemnities and guarantees in respect of the HIH Support Scheme.

Note 28: Administered investments

The principal activities of each of Treasury's administered investments are as follows:

Development Banks

Investments in development banks are classified as non-monetary assets and owing to their nature, these investments are not revalued. As such, these investments are recognised at historical cost where the information is available. Where historical cost records are not readily available, a notional cost has been established at 30 June 1993 by reference to the development banks' financial statements and exchange rates at that time.

Initial investments in the Asian Development Bank (prior to 1995), the International Finance Corporation (prior to 1991) and the International Bank for Reconstruction and Development (prior to 1988) have been recognised at notional cost. Any subsequent capital subscriptions to these development banks have been recognised at historical cost.

Investments in the European Bank for Reconstruction and Development and the Multilateral Investment Guarantee Agency are recognised at historical cost.

International Monetary Fund

The quota is the current value in Australian dollars of Australia's subscription to the International Monetary Fund.

The Special Drawing Rights allocation liability reflects the current value in Australian dollars of the liability to repay to the International Monetary Fund. This is classified as 'Other payables'.

Portfolio agencies

The Australian Government's investment in other controlled authorities and companies in this portfolio is valued at the aggregate of the Australian Government's share of the net assets and net liabilities of each entity as at 30 June 1997. Where Australian Government entities controlled by the portfolio came into existence after 30 June 1997, the investment is valued at the Australian Government's share of capital contributions by Government at the date of inception.

Note 29: Administered financial instruments

Note 29A: Terms, conditions and accounting policies

Financial instruments	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instruments (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial assets		Financial assets are recognised when control over future economic benefits can be established and the amount of the benefit can be reliably measured.	
Cash	24	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	The Treasury maintains bank accounts with a commercial bank for the purposes of administering mortgage insurance policies written by the Housing Loans Insurance Corporation (HLIC) up to 12 December 1997 and a bank account for administering the wrap-up of the final accounts and other minor details up to the point of wind-up or sale of the HLIC.
International Monetary Fund monies owing	24	Amounts owing from the International Monetary Fund are credited to revenue as they accrue.	Where the IMF's holdings of Australian dollars fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is equal to the Special Drawing Rights (SDR) interest rate. This rate is then adjusted for burden sharing. Remuneration is calculated and paid at the end of the IMF's financial quarters. An annual adjustment (MOV) is made to the IMF's holdings of member's currencies (Quota) to maintain their value in terms of the Special Drawing Rights (SDR). In 2005 this adjustment gave rise to a receivable.
Loan receivable	24	The loan to Papua New Guinea is measured at the amount lent. Collectibility of amounts outstanding is reviewed at balance date. Provision is made for bad and doubtful loans where collection of the loan or part thereof is considered to be less than rather than more likely. In rare circumstances, loan repayment may be waived. Interest is credited to revenue as it accrues.	The loan to Papua New Guinea is made under contract with the principal and interest components of the loan to be repaid in full by 30 June 2006. The interest rate on the loan is fixed at 6.80 per cent per annum.

Note 29: Administered financial instruments (continued)

Note 29A: Terms, conditions and accounting policies (continued)

Financial instruments	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instruments (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial assets (continued)			
RBA dividend receivable	24	Dividends owing from the RBA are recognised at the time of declaration and are measured at their nominal amount. Receivable amounts are paid to Treasury within twelve months. Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	With regards to the Reserve Bank Board's advice and in accordance with s30 of the <i>Reserve Bank Act 1959</i> , the Treasurer is able to determine what portion of the RBA's earnings is made available as a dividend to Government.
Financial liabilities			
Grant liabilities	25	Grants are recognised to the extent that: * the services required to be performed by the grantee have been performed; or * the grant eligibility criteria have been satisfied and settlement is outstanding.	This represents Australia's contribution to the Poverty Reduction and Growth Facility (PRGF), previously known as the Enhanced Structural Adjustment Facility (EASF), of the IMF. The PRGF will enable the IMF to provide concessional funding to support medium term macroeconomic adjustment and structural reforms in low income countries. The PRGF will assist Australia to promote its international economic and aid interests with developing countries in the Asian region. Australia's contribution involves \$30 million to be paid in annual instalments of \$2.5 million over a 12 year period.
International Monetary Fund (IMF) Special Drawing Right (SDR) allocation liability	25	This liability is recognised as a monetary liability. It is valued at the Australian dollar equivalent of its liability in Special Drawing Rights. Interest expense is recognised as it accrues.	The SDR allocation liability reflects the current value in Australian dollars of the Treasury's liability to repay to the IMF Australia's cumulative allocations of SDRs. Interest is payable to the IMF in relation to the amount of SDR holdings that are below Australia's net cumulative allocations.

Note 29: Administered financial instruments (continued)

Note 29A: Terms, conditions and accounting policies (continued)

Financial instruments	Notes	Accounting policies and methods (including recognition criteria and measurement basis)	Nature of underlying instruments (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial liabilities (continued)			
Loans - promissory notes	25	The promissory notes are measured at nominal face value.	The Treasury has on issue promissory notes to the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the European Bank for Reconstruction and Development (EBRD) and the Multilateral Investment Guarantee Agency (MIGA). These promissory notes are in relation to undrawn paid-in capital subscriptions. Promissory notes have a 30 June value of \$3.9 billion. Only EBRD ADB possess an established drawdown schedule. The promissory notes are non-interest bearing.
Unrecognised financial liabilities			
Other guarantees	27	The amounts guaranteed by the Australian Government have been disclosed in Note 27. At the time of completion of the financial statements, there was no reason to believe that the guarantees would be called upon and recognition of a liability was therefore not required.	The Guarantees are in relation to the Reserve Bank of Australia, Papua New Guinea, Commonwealth Bank of Australia, Commonwealth Bank of Australia Officers Superannuation Fund, Housing Loan Insurance Corporation and the HIH Claims Support Scheme.
Indemnities	27	The maximum amount payable under the indemnities given is disclosed in the schedule of contingencies. At the time of completion of the financial statements, there was no reason to believe that the indemnities would be called upon, and recognition of the liability was therefore not required.	The Australian Government has a number of indemnities in respect of the HIH Claims Support Scheme.

Note 29: Administered financial instruments (continued)

Note 29B: Administered interest rate risk

Financial instrument	Note	Floating interest rate		Fixed interest rate maturing in						Non-interest bearing		Total		Weighted average effective interest rate		
		2005 \$'000	2004 \$'000	1 to 5 years		1 to 5 years		> 5 years		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 %	2004 %	
				2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000							
Financial assets																
Cash	24	4,711	3,288	-	-	-	-	-	4,378	-	9,089	3,288	4.34	4.19		
IMF monies owing	24	-	-	-	-	-	-	158,247	5,730	158,247	5,730	5,730	-	-		
Loan to PNG	24	-	-	14,805	64,051	-	14,804	-	-	14,805	78,855	78,855	6.80	6.80		
RBA dividend receivable	24	-	-	-	-	-	-	319,534	964,000	319,534	964,000	964,000	-	-		
Other receivables	24	-	-	-	-	-	-	7,974	5,156	7,974	5,156	5,156	-	-		
Total		4,711	3,288	14,805	64,051	-	14,804	490,133	974,886	509,649	1,057,029					
Total assets										15,685,280	17,089,470					
Financial liabilities																
Grant liabilities	25	-	-	-	-	-	-	10,000	12,500	10,000	12,500	12,500	-	-		
IMF allocation liability	25	899,016	1,002,439	-	-	-	-	-	-	899,016	1,002,439	1,002,439	3.31	2.32		
Loans:																
Promissory notes	25	-	-	-	-	-	-	3,871,107	3,882,650	3,871,107	3,882,650	3,882,650	-	-		
Other liabilities	25	-	-	-	-	-	-	339,209	457,007	339,209	457,007	457,007	-	-		
Total		899,016	1,002,439	-	-	-	-	4,220,316	4,352,157	5,119,332	5,354,596					
Total liabilities										5,119,332	5,354,596					
Liabilities																
unrecognised indemnity	27	-	-	-	-	-	-	59,665,567	57,240,857	59,665,567	57,240,857	57,240,857	n/a	n/a		

Note 29: Administered financial instruments (continued)

Note 29C: Net fair values of financial assets and liabilities

	Note	2005		2004	
		Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
Administered financial assets					
Cash	24	9,089	9,089	3,288	3,288
IMF related monies owing	24	158,247	158,247	5,730	5,730
Loan to Papua New Guinea	24	14,805	14,805	78,855	78,855
RBA dividend receivable	24	319,534	319,534	964,000	964,000
Other receivables	24	7,974	7,974	5,156	5,156
Total financial assets		509,649	509,649	1,057,029	1,057,029
Financial liabilities (recognised)					
Grant liabilities	25	10,000	10,000	12,500	12,500
IMF allocation liability	25	899,016	899,016	1,002,439	1,002,439
Loans - promissory notes	25	3,871,107	3,871,107	3,882,650	3,882,650
Other financial liabilities	25	339,209	339,209	457,007	457,007
Total financial liabilities (recognised)		5,119,332	5,119,332	5,354,596	5,354,596
Financial liabilities (unrecognised)					
Guarantees	27	59,665,567	59,665,567	57,240,857	57,240,857
Total financial liabilities (unrecognised)		59,665,567	59,665,567	57,240,857	57,240,857

Financial assets

The net fair values of cash and non-interest-bearing monetary financial assets approximate their carrying amounts. The net fair value of loans receivable are based on discounted cash flows using current interest rates for assets with similar risk profiles. The loan to Papua New Guinea is carried at cost which is above their net fair value. It is intended that all loans will be held until maturity.

Financial liabilities

The net fair values of unrecognised guarantees and indemnities are subsequently below the Government's maximum exposure because the likelihood that they will be called upon has been assessed as remote.

The net fair values for trade creditors and grant liabilities are short-term in nature and are approximated by their carrying amounts.

Note 30: Administered consolidation

	Treasury		HCS Scheme		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
REVENUE:						
Interest						
Interest Papua New Guinea loan	3,637	7,991	-	-	3,637	7,991
Other interest	42	56	261	734	303	790
Total interest	3,679	8,047	261	734	3,940	8,781
Dividends						
Reserve Bank of Australia	694,000	2,264,000	-	-	694,000	2,264,000
Total dividends	694,000	2,264,000	-	-	694,000	2,264,000
Goods and services						
GST administration fees						
- external entities	591,922	541,877	-	-	591,922	541,877
Total goods and services	591,922	541,877	-	-	591,922	541,877
Other sources of non-taxation revenue						
Gross IMF remuneration	39,202	37,823	-	-	39,202	37,823
Less: Burden sharing	(2,188)	(2,168)	-	-	(2,188)	(2,168)
Net IMF remuneration	37,014	35,655	-	-	37,014	35,655
Write back of HCS scheme	21,647	-	-	-	21,647	-
Royal Australian Mint	104,620	59,266	-	-	104,620	59,266
Increased investment in Australian Government entities	14,917	5,000	-	-	14,917	5,000
Other revenues	6,115	6,585	-	-	6,115	6,585
Total other revenues	184,313	106,506	-	-	184,313	106,506
Total revenues administered on behalf of Government	1,473,914	2,920,430	261	734	1,474,175	2,921,164

Note 30: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
EXPENSES:						
Grants						
Grants to State and Territory Governments	36,221,000	34,036,840	-	-	36,221,000	34,036,840
Other grants	3,215	8,196	-	-	3,215	8,196
Total grants	36,224,215	34,045,036	-	-	36,224,215	34,045,036
Net foreign exchange loss / (gain)						
IMF SDR allocation	(103,423)	14,107	-	-	(103,423)	14,107
IMF maintenance of value	(152,523)	(355,414)	-	-	(152,523)	(355,414)
IMF quota revaluation	711,343	(97,028)	-	-	711,343	(97,028)
Other foreign exchange	(7,011)	(1,726)	-	-	(7,011)	(1,726)
Total net foreign exchange loss/(gain)	448,386	(440,061)	-	-	448,386	(440,061)
Other expenses						
IMF charges	20,371	15,310	-	-	20,371	15,310
HLIC claims ¹	(878)	(1,380)	-	-	(878)	(1,380)
HCS Scheme claims ²	-	101,824	-	-	-	101,824
Decreased investment in Australian Government entities	5,000	-	-	-	5,000	-
Other expenses	-	2,092	-	-	-	2,092
Total other expenses	24,493	117,846	-	-	24,493	117,846
Total expenses administered on behalf of Government	36,697,094	33,722,821	-	-	36,697,094	33,722,821

1 HLIC claims expenses include payments and management fees.

2 HCS scheme claims expenses include payments and management fees.

Note 30: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
ASSETS: Financial assets						
Cash						
Administered bank accounts						
Department of the Treasury	5,341	829	3,748	2,459	9,089	3,288
Receivables						
Repayment of subsidies	-	-	-	-	-	-
GST appropriation receivable	128	(86)	-	-	128	(86)
HLIC premiums receivable	3,120	3,864	-	-	3,120	3,864
IMF related moneys owing	5,724	5,730	-	-	5,724	5,730
IMF maintenance of value receivable	152,523	-	-	-	152,523	-
RBA dividend receivable	319,534	964,000	-	-	319,534	964,000
Other receivables	4,671	-	55	1,378	4,726	1,378
Total receivables (net)	485,700	973,508	55	1,378	485,755	974,886
Loans						
Loan to Papua New Guinea	14,805	78,855	-	-	14,805	78,855
Investments						
International financial institutions						
Asian Development Bank	287,069	287,069	-	-	287,069	287,069
European Bank for Reconstruction and Development	84,824	85,068	-	-	84,824	85,068
International Finance Corporation	69,144	69,144	-	-	69,144	69,144
International Bank for Reconstruction and Development	259,049	259,049	-	-	259,049	259,049
Multilateral Investment Guarantee Agency	10,694	10,694	-	-	10,694	10,694
Total international financial institutions	710,780	711,024	-	-	710,780	711,024
Quota						
International Monetary Fund	6,183,416	6,894,759	-	-	6,183,416	6,894,759

Note 30: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Australian Government entities	8,035,042	8,035,042	-	-	8,035,042	8,035,042
Reserve Bank of Australia						
Australian Securities and Investments Commission	16,184	4,267	-	-	16,184	4,267
Corporations and Markets Advisory Committee	332	332	-	-	332	332
Australian Reinsurance Pool Corporation	-	5,000	-	-	-	5,000
Australian Prudential Regulation Authority	8,255	5,255	-	-	8,255	5,255
Total Australian Government entities	8,059,813	8,049,896	-	-	8,059,813	8,049,896
Total investments	14,954,009	15,655,679	-	-	14,954,009	15,655,679
Non-financial assets						
Prepayment of grants to State and Territory Governments	219,400	374,223	-	-	219,400	374,223
Deferred acquisition costs	111	327	-	-	111	327
Other prepayments	3,700	3,488	(1,589)	(1,276)	2,111	2,212
Total non-financial assets	223,211	378,038	(1,589)	(1,276)	221,622	376,762
Total assets administered on behalf of Government	15,683,066	17,086,909	2,214	2,561	15,685,280	17,089,470

Note 30: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
LIABILITIES:						
Loans						
IMF promissory notes	3,807,615	3,807,614	-	-	3,807,615	3,807,614
Other promissory notes	63,492	75,036	-	-	63,492	75,036
Total loans	3,871,107	3,882,650	-	-	3,871,107	3,882,650
Grants						
IMF - poverty reduction and growth facility	10,000	12,500	-	-	10,000	12,500
Subsidies						
Provision for direct assistance payments	-	-	-	-	-	-
Total subsidies	-	-	-	-	-	-
Total grants	10,000	12,500	-	-	10,000	12,500
Other payables						
Net GST payable to ATO	128	(86)	-	-	128	(86)
IMF SDR allocation	899,016	1,002,439	-	-	899,016	1,002,439
IMF related monies owing	3,731	2,849	-	-	3,731	2,849
Other	374	4,933	103	711	477	5,644
Total other payables	903,249	1,010,135	103	711	903,352	1,010,846
Other provisions						
Provision for insurance claims	5,965	8,240	-	-	5,965	8,240
Provision for unearned premiums	858	2,377	-	-	858	2,377
Provision for HCS scheme	328,050	437,983	-	-	328,050	437,983
Total other provisions	334,873	448,600	-	-	334,873	448,600
Total other provisions and payables	1,238,122	1,458,735	103	711	1,238,225	1,459,446
Total liabilities administered on behalf of Government	5,119,229	5,353,885	103	711	5,119,332	5,354,596
Net assets administered on behalf of Government	10,563,837	11,733,024	2,111	1,850	10,565,948	11,734,874

Note 31: Appropriations

Note 31A: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations

	Administered Expenses			Departmental		Total
	Outcome 1	Outcome 2	Outcome 3	Expenses	Outputs	
	\$	\$	\$	\$	\$	\$
2004-05 (Current period)						
Balance carried from previous period	-	-	-	16,873,643		16,873,643
Adjusted balance carried from previous period	-	-	-	16,873,643		16,873,643
<i>Appropriation Act (No. 1) 2004-05</i>	-	-	9,000,000	109,064,000		118,064,000
<i>Appropriation Act (No. 3) 2004-05</i>	-	-	-	13,944,000		13,944,000
<i>Appropriation Act (No. 5) 2004-05</i>	-	-	-	1,800,000		1,800,000
Adjustment to appropriations on change of entity function (FMA s32)	-	-	-	(663,786)		(663,786)
Sub-total 2004-05 annual appropriation	-	-	9,000,000	124,144,214		133,144,214
Appropriations to take account of recoverable GST (FMA s30A)	-	-	44,500	2,977,806		3,022,306
Annotations to 'net appropriations' (FMA s31) ¹	-	-	-	4,958,426		4,958,426
Total appropriations available for payments	-	-	9,044,500	148,954,089		157,998,589
Cash payments made during the year (GST inclusive)	-	-	(1,325,084)	(117,219,036)		(118,544,120)
Balance of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations	-	-	7,719,416	31,735,053		39,454,469
<i>Represented by:</i>						
Cash at bank and on hand	-	-	-	2,793,279		2,793,279
Departmental appropriations receivable	-	-	-	28,380,942		28,380,942
GST receivable from the ATO	-	-	-	625,895		625,895
Receivables - goods and services - GST receivable from customers	-	-	-	26,571		26,571
Payables - suppliers - GST portion	-	-	-	(91,634)		(91,634)
Undrawn, unexpired administered appropriations	-	-	7,719,416	-		7,719,416
Total	-	-	7,719,416	31,735,053		39,454,469

Note 31: Appropriations (continued)

Note 31A: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations (continued)

	Administered Expenses			Departmental Outputs			Total
	Outcome 1	Outcome 2	Outcome 3				
	\$	\$	\$			\$	
2003-04 (Comparative period)							
Balance carried from previous period	-	-	2,238,408	14,586,438		16,824,846	
Appropriation Act (No. 1) 2003-04	-	-	10,000,000	100,362,000		110,362,000	
Appropriation Act (No. 3) 2003-04	-	-	-	4,603,000		4,603,000	
Appropriation Act (No. 5) 2003-04	-	-	-	800,000		800,000	
Appropriations to take account of recoverable GST (FMA s30A)	-	-	57,750	3,560,095		3,617,845	
Annotations to 'net appropriations' (FMA s31)	-	-	-	5,041,921		5,041,921	
Adjustments to opening balance	-	53,826	(2,238,408)	-		(2,184,582)	
Adjustment of appropriations on change of entity function (FMA s32)	-	-	-	(5,800,000)		(5,800,000)	
Appropriation lapsed	-	(53,826)	(6,591,936)	-		(6,645,762)	
Total appropriation available for payments	-	-	3,465,814	123,153,454		126,619,268	
Payments made during the year (GST inclusive)	-	-	(3,465,814)	(106,279,811)		(109,745,625)	
Balance carried to the next period	-	-	-	16,873,643		16,873,643	

1 Appropriation Acts 1 and 3 (for the ordinary annual services of government) authorise the supplementation of Treasury's annual net appropriation by amounts received in accordance with agreements made under section 31 of the *Financial Management and Accountability Act 1997* between the Finance Minister and the Treasurer or their delegated or authorised officials.

Doubt has arisen as to whether the Treasury's section 31 agreements covering the periods July 1998 to March 2005 were effective at law because our signatory may not have had an express delegation or authority for signing the agreements. To put the matter beyond doubt, the Treasury's current agreement was revised on 30 June 2005 to capture all monies that were subject to prior agreements to the extent they may have been ineffective.

The period and amounts covered by the agreements are set out below.

	1998-1999						2000-2001			2002-2003			2003-2004		2004-2005		Total	
	pre-accrual budgeting		pre-accrual budgeting		pre-accrual budgeting		pre-accrual budgeting		pre-accrual budgeting		pre-accrual budgeting		pre-accrual budgeting		pre-accrual budgeting		pre-accrual budgeting	
Receipts affected	653,044	653,044	4,261,000	2,621,000	2,621,000	3,456,000	3,456,000	4,036,011	4,036,011	5,041,921	5,041,921	19,415,932	4,958,426	4,958,426	24,374,358	24,374,358		
Spent	-	-	-	-	-	-	-	-	-	(2,542,289)	(2,542,289)	(2,542,289)	-	-	(2,542,289)	(2,542,289)		
Unspent	653,044	653,044	4,261,000	2,621,000	2,621,000	3,456,000	3,456,000	4,036,011	4,036,011	2,499,632	2,499,632	16,873,643	4,958,426	4,958,426	21,832,069	21,832,069		

Note: Legal advice indicates that in the circumstances a court is unlikely to conclude that the doubtful agreements are invalid for the purposes of determining whether there has been a breach of section 83 of the Constitution.

Note 31: Appropriations (continued)

Note 31B: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations

Particulars	Administered			Non-operating			Total
	Outcome 1 SPPs	Outcome 2 SPPs	Outcome 3 SPPs	Equity	Loans	Previous years' outputs	
2004-05 (current period)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance carried from previous period	-	-	-	-	-	-	400,986
Adjusted balance carried from previous period	-	-	-	-	-	-	400,986
<i>Appropriation Act (No.2) 2004-05</i>	-	16,414,000	159,799,000	2,165,000	-	5,216,000	7,223,000
<i>Appropriation Act (No.4) 2004-05</i>	-	2,296,000	-	800,000	-	-	172,000
Sub-total 2004-05 annual appropriation	-	18,710,000	159,799,000	2,965,000	-	5,216,000	7,395,000
Departmental adjustments	-	-	-	-	-	(400,000)	-
Total appropriations available for payments	-	18,710,000	159,799,000	2,965,000	-	4,816,000	7,795,986
Cash payments made during the year (GST inclusive)	-	(14,235,000)	(159,748,390)	(2,965,000)	-	(4,816,000)	(7,795,986)
Balance of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations	-	4,475,000	50,610	-	-	-	-
Represented by:							
Undrawn, unexpended administered appropriations	-	4,475,000	50,610	-	-	-	-
Total	-	4,475,000	50,610	-	-	-	-
							4,525,610
							4,525,610

Note 31: Appropriations (continued)

Note 31C: Acquittal of authority to draw cash from the consolidated revenue fund — Special Appropriations (unlimited amount)

A New Tax System (Commonwealth-State) Financial Arrangements Act 1999

	2005 \$	2004 \$
	Outcome 2	
<i>Purpose:</i> An Act under which the Australian Government guaranteed that in the transitional years following the introduction of tax reform, each State's budgetary position would be no worse off than had the reforms not been implemented.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	(35,892,228,319)	(33,695,331,536)
Appropriations credited to Special Accounts	-	-
Refunds credited (net) (FMA s30)	-	-
Total charged to appropriation	(35,892,228,319)	(33,695,331,536)
Budget estimate	36,319,192,000	33,477,854,000

Appropriation (HIH) Act 2001

	2005 \$	2004 \$
	Outcome 3	
<i>Purpose:</i> An Act to provide Australian Government funded assistance to policy holders suffering financial hardship as a result of the failure of the HIH group companies and the appointment of the provisional liquidators of the HIH group companies.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	(92,540,902)	(126,000,000)
Appropriations credited to Special Accounts	-	-
Refunds credited (net) (FMA s30)	-	-
Total charged to appropriation	(92,540,902)	(126,000,000)
Budget estimate	127,242,000	131,709,000

Note 31: Appropriations (continued)

Note 31C: Acquittal of authority to draw cash from the consolidated revenue fund — Special Appropriations (unlimited amount)

Asian Development Bank (Additional Subscription) Act 1995

Purpose: An Act is to represent an instrument of subscription whereby Australia agrees to purchase 102,370 additional shares. The ADB assists with the economic and social development of countries in the Asian Pacific region by providing financial and technical assistance for projects and programs.

All transactions under this Act are recognised as administered items.

Cash payments made during the year

Appropriations credited to Special Accounts

Refunds credited (net) (FMA s30)

Total charged to appropriation

Budget estimate

	2005	2004
	\$	\$
Outcome 1		
	(4,655,773)	(4,655,773)
	-	-
	-	-
	(4,655,773)	(4,655,773)
	4,656,000	4,656,000

International Monetary Agreements Act 1947

Purpose: An Act 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 the balance of payments adjustment.

All transactions under this Act are recognised as administered items.

Cash payments made during the year

Appropriations credited to Special Accounts

Refunds credited (net) (FMA s30)

Total charged to appropriation

Budget estimate

	2005	2004
	\$	\$
Outcome 1		
	(19,489,312)	(236,548,916)
	-	-
	-	-
	(19,489,312)	(236,548,916)
	19,539,000	236,008,000

Note 31: Appropriations (continued)

Note 31C: Acquittal of authority to draw cash from the consolidated revenue fund — Special Appropriations (unlimited amount)

Superannuation Industry (Supervision) Act 1993

	2005	2004
	\$	\$
Outcome 3		
	(3,188,026)	(9,858,747)
	-	-
	-	-
Total charged to appropriation	(3,188,026)	(9,858,747)
Budget estimate	3,308,000	10,000,000

Purpose: An Act to provide the framework for providing financial assistance to superannuation funds that had suffered an eligible loss, that is a loss as a result of fraudulent conduct or theft.

All transactions under this Act are recognised as administered items.

Cash payments made during the year

Appropriations credited to Special Accounts

Refunds credited (net) (FMA s30)

Total charged to appropriation

Budget estimate

Totals for unlimited special appropriations

	2005	2004
	\$	\$
	(36,012,102,332)	34,072,394,972
	-	-
	-	-
Total charged to appropriation	(36,012,102,332)	34,072,394,972
Budget estimate	36,473,937,000	33,860,227,000

Cash payments made during the year

Appropriations credited to Special Accounts

Refunds credited (net) (FMA s30)

Total charged to appropriation

Budget estimate

Note 31: Appropriations (continued)

Note 31D: Acquittal of authority to draw cash from the consolidated revenue fund — Special Appropriations (Refund Provisions)

For the periods 2003-04 and 2004-05, Treasury has not used section 28 of the FMA Act or any other legislative provisions allowing for refunds to be paid.

Note 31E: Acquittal of authority to draw cash from the consolidated revenue fund — Special Appropriations (Section 39 of the FMA Act)

For the periods 2003-04 and 2004-05, Treasury has not used section 39 of the FMA Act.

Note 31F: Acquittal of authority to draw cash from the consolidated revenue fund — Special Appropriations (other disclosures)

The special appropriations listed below are administered in nature and the responsibility of the Treasury and were not used in the current reporting period or the previous reporting period and are therefore not shown in separate tables.

Limited	
Act	Purpose
<i>Asian Development Bank Act 1966</i>	Payments and promissory notes to establish the Bank. Balance available is USD\$42,500,000 in callable shares.
<i>Asian Development Bank (Additional Subscription) Act 1972</i>	Subscribe to 2,550 (paid-in) and 10,200 (callable) shares. Balance available is USD\$102,000,000 in callable shares.
<i>Asian Development Bank (Additional Subscription) Act 1977</i>	Subscribe to 2,869 (paid-in) and 25,818 (callable) shares. Balance available is USD\$258,180,000 in callable shares.
<i>Asian Development Bank (Additional Subscription) Act 1983</i>	Subscribe to 2,622 (paid-in) and 49,811 (callable) shares. Balance available is USD\$498,110,000 in callable shares.
<i>European Bank for Reconstruction and Development Act 1990</i>	Payments and promissory notes to establish the Bank. Balance available is USD\$81,690,700 in callable shares.
<i>International Financial Institutions (Share Increase) Act 1982</i>	For payments for additional shares of capital stock in the International Finance Corporation (IFC) and the International Bank for Reconstruction and Development (IBRD). Balance available is USD\$692,927,440 in callable shares (IBRD).
<i>International Monetary Agreements Act 1974</i>	Making payments, including for promissory notes, to the International Bank for Reconstruction and Development (IBRD). Balance available is USD\$37,638,120 in callable shares (IBRD).
<i>Multilateral Investment Guarantee Agency Act 1997</i>	Payments of capital and on securities issued to establish the Agency. Balance available is USD\$14,827,728 in callable shares.
<i>Papua New Guinea Loans Guarantee Act 1975</i>	Continuation of guarantees under the <i>Papua New Guinea Act 1949-75</i> . Balance available is AUD\$5,170,000.
Unlimited	
Act	Purpose
<i>Financial Agreements (Commonwealth Liability) Act 1932</i>	Payment of principal and interest on bonds issued under the <i>Financial Agreement Validation Act 1929</i> , consolidating State debts.
<i>Financial Management and Accountability Act 1997</i>	Payments of refunds not elsewhere appropriated.
<i>Housing Loans Insurance Corporation (Transfer of Assets and Abolition) Act 1996</i>	Payments for amounts arising from claims made before the transfer period leading to the abolition of the HLIC.
<i>Mint Employees Act 1964</i>	Top up superannuation entitlements.
<i>Payment of Tax Receipts (Victoria) Act 1996</i>	Payment to Victoria of certain taxes collected by the Australian Government on Victoria's behalf.
<i>States Grants Act 1927</i>	Distribution of surplus revenue to the States.

Note 31: Appropriations (continued)

Note 31F: Acquittal of authority to draw cash from the consolidated revenue fund — Special Appropriations (other disclosures)(continued)

The disclosure below is for note purposes only and is not recognised in the financial statements.

Commonwealth Places (Mirror Taxes) Act 1998

The Treasury is responsible for administering the above Act for the purpose of paying compensation to the States in respect of constitutionally invalid States taxes levied on Commonwealth places. Under the Act, the Australian Government is liable to pay to a State amounts equal to amounts received by the Australian Government (including amounts received by a State on behalf of the Australian Government) under an applied law of the State. During the current reporting period and previous reporting period the States collected and retained the following taxes pursuant to the Act.

	2005	2004
	Actual	Actual
	\$	\$
Total mirror tax collection	306,725,426	312,010,000

Note 31: Appropriations (continued)**Note 31G: Special Accounts****Royal Australian Mint and Coinage (Departmental)**

Legal authority: *Financial Management and Accountability Act 1997: s20*

Purpose: a) *Payment of goods and services, salaries and expenses incurred for activities entered into by the Mint approved by the Treasurer.*
b) *Repayment of capital funds and payment of moneys in excess of requirements to consolidated revenue fund.*

	2005	2004
	\$	\$
<i>This account is non-interest bearing</i>		
Balance carried from previous period	11,526,739	5,457,000
Appropriation Act (No. 2) current period	2,165,000	6,100,000
Costs recovered from provision of goods	20,233,668	21,884,217
GST credits (FMA s30A)	2,682,074	1,805,608
Other receipts		
Goods - provision of goods to related entities	137,696,000	77,453,090
Services - rendering of services to related entities	-	819,080
Available for payments	174,303,481	113,518,995
Payment made to the Australian Government for seigniorage	(97,563,078)	(59,034,386)
Payments made for competitive neutrality	(1,364,265)	(854,838)
Payments made to employees	(7,677,840)	(6,869,765)
Payments made to suppliers	(54,869,408)	(32,848,463)
Other payments	(4,807,442)	(2,384,804)
Balance carried to next period	8,021,448	11,526,739
<i>Represented by:</i>		
Cash held by the Royal Australian Mint	7,900,533	11,390,865
Add: Receivables - goods and services - GST receivable from customers	84,199	106,178
Add: Receivables - net GST receivable from the ATO	36,716	29,696
Total balance carried to the next period	8,021,448	11,526,739

Note 31: Appropriations (continued)

Note 31G: Special Accounts (continued)

Australian Government Actuary (Departmental)

Legal authority: Financial Management and Accountability Act 1997: s20

Purpose: for receipt of all moneys and payment of all expenditure related to the operation of the Australian Government Actuary.

	2005	2004
	\$	\$
<i>This account is non-interest bearing</i>		
Balance carried from previous period	1,283,803	1,386,343
Costs recovered from services	6,126	44,392
GST credit (FMA s30A)	14,514	7,908
Realised investments	-	-
Other receipts from rendering of services	1,633,424	1,254,389
Available for payments	2,937,867	2,693,032
Payments made to employees	(1,005,385)	(887,681)
Payments made to suppliers	(563,938)	(521,548)
Balance carried to next period	1,368,544	1,283,803
<i>Represented by:</i>		
Cash held by the Australian Government Actuary	1,388,558	1,281,906
Add: Receivables - goods and services - GST receivable from customers	19,951	17,538
Less: Other payables - net GST payable to the ATO	(38,859)	(15,179)
Less: Payable - suppliers - GST portion	(1,106)	(462)
Total balance carried to the next period	1,368,544	1,283,803

Note 31: Appropriations (continued)**Note 31G: Special Accounts (continued)****Trustee Companies (ACT) Deposits Trust Fund (Departmental)***Legal authority: Financial Management and Accountability Act 1997: s20**Purpose: for administering the Trustee Companies Act 1947 in relation to trustee companies.*

	2005	2004
	\$	\$
<i>This account is non-interest bearing</i>		
Balance carried from previous period	120,000	120,000
Other receipts from rendering of services	8,400	4,650
Available for payments	128,400	124,650
Payments made to suppliers	(8,400)	(4,650)
Balance carried to next period	120,000	120,000
<i>Represented by:</i>		
Securities held by Treasury	120,000	120,000
Total balance carried to the next period	120,000	120,000

Note 31: Appropriations (continued)

Note 31G: Special Accounts (continued)

Lloyd's Deposit Fund (Departmental)

Legal authority: Financial Management and Accountability Act 1997: s20

Purpose: to meet the costs of the judicial management and wind-up in the event the company ceases to trade.

	2005	2004
	\$	\$
<i>This account is non-interest bearing</i>		
Balance carried from previous period	2,000,000	2,000,000
Other receipts from provision of goods	165,000	180,000
Available for payments	2,165,000	2,180,000
Payments made to suppliers	(165,000)	(180,000)
Balance carried to next period	2,000,000	2,000,000
<i>Represented by:</i>		
Securities held by Treasury	2,000,000	2,000,000
Total balance carried to the next period	2,000,000	2,000,000

Note 31G: Special Accounts (continued)**Services for other Governments and non agency bodies special account (Departmental)**

The Treasury has a 'Services for other Governments and non-agency bodies special account' established under section 20 of the *Financial Management and Accountability Act 1997* (FMA Act). The purpose of this special account is for the expenditure in connection with services performed on behalf of other Governments and bodies that are not Agencies under the FMA Act. For the years ended 30 June 2004 and 30 June 2005 this special account had nil balances and no transaction were credited or debited to the account.

Other trust moneys special account (Departmental — Special Public Money)

The Treasury has a 'Other trust moneys special account' established under section 20 of the FMA Act. The purpose of this special account is for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Australian Government. Any money held is thus special public money under section 16 of the FMA Act. For the years ended 30 June 2004 and 30 June 2005 this special account held monies advanced to the Treasury by Comcare for the purpose of distributing compensation payments made in accordance with the *Safety Rehabilitation and Compensation Act 1998*. Where the Treasury makes payments against accrued sick leave entitlements pending determination of an employee's claim, permission is obtained in writing from each individual to allow Treasury to recover the payments from the monies in the account. During 2004-05 Treasury obtains the employees consent to permission prior to the determination of the claim which allows the Treasury to recover the payments from the monies when received. In this respect only overpayments and errors in payments are special public monies and credited to the account accordingly until returned to Comcare.

	2005	2004
	Actual	Actual
	\$	\$
Balance carried forward from previous year	29,287	30,742
Receipts during the year	24,664	61,059
Available for payments	53,951	91,801
Payments made	(53,951)	(62,514)
Balance carried forward to next year held by the entity	-	29,287

Other trust moneys special account (Administered — Special Public Money)

The Treasury has a 'Other trust moneys special account' established under section 20 of the FMA Act. The purpose of this special account is for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Australian Government. Any money held is thus special public money under section 16 of the FMA Act.

For the year ended 30 June 2005 this special account held monies in relation to HIIH recoveries received from the HIIH Claims Manager (Wyatt Gallagher Bassett), which were recovered from third parties in relation to claims made by persons insured by HIIH. These recoveries comprise a portion which is due to third parties (non-Commonwealth) and part to the Commonwealth. Receipts and subsequent payments relating to third parties (non-Commonwealth) are treated as special public monies.

	2005	2004
	Actual	Actual
	\$	\$
Balance carried forward from previous year	-	-
Receipts during the year	407,588	-
Available for payments	407,588	-
Payments made	(407,588)	-
Balance carried forward to next year held by the entity	-	-

Note 31H: Special Accounts investment of public money

For the periods 2003-04 and 2004-05, Treasury has not used section 39 of the FMA Act or section 18 and 19 of the CAC Act in respect of this Special Account.

Note 32: Reporting of outcomes

The Treasury uses a process of cost allocation to estimate the allocation of shared costs. The cost of each output is comprised of direct and indirect costs. Direct costs are assigned to outputs according to detailed cost profiles. Indirect costs that comprise corporate and overhead items such as information technology, accommodation and human resource management are allocated to outputs based on a (cost driver) consumption basis. This basis of allocation is consistent with the basis used for previous years.

Note 32: Reporting of outcomes (continued)

Note 32A: Net cost of outcome delivery

	Outcome 1		Outcome 2		Outcome 3		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Expenses								
Administered expenses	471,803	(424,751)	36,063,089	33,883,112	162,202	264,460	36,697,094	33,722,821
Departmental expenses	27,107	23,922	52,642	53,328	91,682	72,246	171,431	149,496
Total expenses	498,910	(400,829)	36,115,731	33,936,440	253,884	336,706	36,868,525	33,872,317
Costs recovered from provision of goods and services to the non-government sector								
Administered	365	-	230	-	1,634	-	2,229	-
Departmental	3,276	1,838	122	599	35	376	3,433	2,813
Total costs recovered	3,641	1,838	352	599	1,669	376	5,662	2,813
Other external revenues								
Administered								
Interest	3,637	7,991	-	-	303	790	3,940	8,781
Dividends	694,000	2,264,000	-	-	-	-	694,000	2,264,000
Fees/levies collected	-	-	591,922	541,877	-	-	591,922	541,877
Premiums received	-	-	-	-	1,519	3,205	1,519	3,205
Remuneration payments	37,014	35,655	-	-	-	-	37,014	35,655
Other revenue	9,155	4,792	5,420	940	128,976	61,914	143,551	67,646
Total administered	743,806	2,312,438	597,342	542,817	130,798	65,909	1,471,946	2,921,164
Departmental								
Interest on all cash deposits	-	-	-	-	479	236	479	236
Revenue from disposal of assets	23	7	38	15	20	15	81	37
Other	262	147	349	231	480	1,517	1,091	1,895
Related goods and services revenue	2,415	1,105	305	639	40,084	19,474	42,804	21,218
External goods and services revenue	977	1,121	124	582	16,212	22,348	17,313	24,051
Total departmental	3,677	2,380	816	1,467	57,275	43,590	61,768	47,437
Total other external revenues	747,483	2,314,818	598,158	544,284	188,073	109,499	1,533,714	2,968,601
Net cost/(contribution) of outcome	(252,214)	(2,717,485)	35,517,221	33,391,557	64,142	226,831	35,329,149	30,900,903

Outcomes 1, 2 and 3 are described in Note 1.1. Net costs shown include intra-government cost that are eliminated in calculating the actual budget outcome. Refer to Outcome 1 — Resourcing table on page 23, Outcome 2 — Resourcing table on page 40, and Outcome 3 — Resourcing table on page 68.

Note 32: Reporting of outcomes (continued)

Note 32B: Major classes of departmental revenues and expenses by output group and outputs

	Output Group 1.1		Output Group 1.1		Outcome 1	
	Output 1.1.1		Output 1.1.2		Total	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental expenses						
Employees	6,204	6,409	12,930	10,102	19,134	16,511
Suppliers	2,049	1,976	4,729	4,295	6,778	6,271
Depreciation and amortisation	320	339	767	716	1,087	1,055
Write down of assets	16	-	37	-	53	-
Value of assets sold	7	13	14	28	21	41
Borrowing costs expense	10	14	24	30	34	44
Income tax equivalent expense	-	-	-	-	-	-
Total Departmental expenses	8,606	8,751	18,501	15,171	27,107	23,922
Funded by:						
Revenues from Government	8,765	8,049	17,293	12,587	26,058	20,636
Revenue from disposal of assets	7	2	16	5	23	7
Interest revenue	-	-	-	-	-	-
Sale of goods and services	72	210	3,320	1,881	3,392	2,091
Other non-taxation revenues	58	39	204	108	262	147
Total Departmental revenues	8,902	8,300	20,833	14,581	29,735	22,881

Note 32: Reporting of outcomes (continued)

Note 32B: Major classes of departmental revenues and expenses by output group and outputs (continued)

	Output Group 2.1		Output Group 2.1		Output Group 2.1		Output Group 2.2		Output 2	
	Output 2.1.1		Output 2.1.2		Output 2.1.3		Output 2.2.1		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental expenses										
Employees	2,576	2,883	2,228	1,809	5,892	5,905	28,289	27,913	38,985	38,510
Suppliers	806	980	872	1,525	1,290	1,646	8,598	8,508	11,566	12,659
Depreciation and amortisation	135	143	109	87	246	284	1,410	1,488	1,900	2,002
Write down of assets	7	-	5	-	12	-	68	-	92	-
Value of assets sold	3	6	2	3	5	11	29	57	39	77
Borrowing costs expense	4	6	3	4	8	12	45	58	60	80
Income tax equivalent expense	-	-	-	-	-	-	-	-	-	-
Total Departmental expenses	3,531	4,018	3,219	3,428	7,453	7,858	38,439	38,024	52,642	53,328
Funded by:										
Revenues from Government	3,522	3,574	5,843	3,064	7,111	7,447	39,732	36,259	56,208	50,344
Revenue from disposal of assets	2	1	2	1	5	2	29	11	38	15
Interest revenue	-	-	-	-	-	-	-	-	-	-
Sale of goods and services	29	77	24	47	55	161	321	801	429	1,086
Other non-taxation revenues	23	16	20	11	50	33	256	171	349	231
Total Departmental revenues	3,576	3,668	5,889	3,123	7,221	7,643	40,338	37,242	57,024	51,676

Note 32: Reporting of outcomes (continued)

Note 32C: Major classes of Administered revenues and expenses by outcome

	Outcome 1		Outcome 2		Outcome 3		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Administered revenues								
Interest	3,637	7,991	-	-	303	790	3,940	8,781
Dividends	694,000	2,264,000	-	-	-	-	694,000	2,264,000
Goods and services	-	-	591,922	541,877	-	-	591,922	541,877
Other	46,534	40,447	5,650	940	132,129	65,119	184,313	106,506
Total administered revenues	744,171	2,312,438	597,572	542,817	132,432	65,909	1,474,175	2,921,164
Administered expenses								
Grants	-	-	36,061,287	33,883,112	162,928	161,924	36,224,215	34,045,036
Net foreign exchange (gains)/losses	448,386	(440,061)	-	-	-	-	448,386	(440,061)
Other	23,417	15,310	1,802	-	(726)	102,536	24,493	117,846
Total administered expenses	471,803	(424,751)	36,063,089	33,883,112	162,202	264,460	36,697,094	33,722,821

Note 33: Related party transactions

	2005	2004
	Actual	Actual
	\$'000	\$'000
Other income		
Profit share	-	-

PART 5

OTHER STATISTICAL INFORMATION

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Occupational health and safety

Treasury seeks to provide a safe and healthy work environment for its employees, and to promote initiatives to help staff maintain a healthy lifestyle.

Each year, Treasury conducts a health month to raise awareness about health issues. In September 2004, 296 staff participated in the health month programme. Staff were offered free health assessments, with the opportunity to have their cholesterol, glucose, blood pressure, body mass index and waist-to-hip ratio measured by a registered nurse. The assessment included individualised discussions of programmes for positive lifestyle change. Some 240 staff also attended seminars on emotional resilience, exercise, stress, nutrition and tackling psychological injury in the workplace. These seminars were well received by staff.

Treasury's Employee Assistance Program, provided by Davidson Trahaire Corpsych, provides confidential counselling on work-related and personal matters to all Treasury staff and their families.

In 2004-05, Davidson Trahaire Corpsych developed and released two online resources, *capdirect*[™] and *managerAssist*[™], to complement the Employee Assistance Program.

- The *capdirect*[™] website was launched in September 2004. The website helps staff and their families with personal issues which may affect work by providing easy access to information on stress, depression, anxiety, conflict, work/life balance, career development and management techniques. The website includes a confidential, 24-hour online email counselling service maintained by Davison Trahaire Corpsych. Eighty-five staff are registered users of the site.
- *managerAssist*[™], is an online consultative resource for staff management issues. Treasury staff and their families can receive confidential counselling on work-related and personal matters.

Treasury's Occupational Health and Safety Committee receives six-monthly reports from Davidson Trahaire Corpsych. The reports enable the committee to monitor current use of the services provided by Davidson Trahaire Corpsych and identify emerging workplace issues. The Occupational Health and Safety Committee meets on a quarterly basis to discuss occupational health and safety issues and policies, staff wellbeing, health and safety performance reporting, accommodation issues and incident reports.

Treasury's health and safety representatives conducted quarterly workplace inspections to assess and rectify any workplace hazards.

Treasury's 26 first-aid officers are trained and fully equipped to administer first aid. Two fully equipped first-aid rooms are available for staff to use when unwell or in emergencies.

In 2004-05, Treasury's Comcare premium rate continued to decrease relative to the average Commonwealth agency rate. The amount for 2004-05, was 0.85 per cent of payroll (including figures for the Royal Australian Mint, the Australian Office of Financial Management and the Australian Government Actuary). This figure was considerably lower than the average rate of 1.67 per cent for the Commonwealth as a whole.

During 2004-05, Treasury received 41 incident reports, nine resulted in compensation claims, with three of these yet to be determined. All reported incidents are investigated thoroughly to assess the risk to employees and to determine what action if any, is required. No notices were given under sections 29, 46 and 47 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*.

As a preventive measure, staff were offered workstation set-up training throughout the year to help them understand ergonomic principles, workplace practices/ techniques, exercise and workstation adjustment. Forty-one staff participated in this training programme. One-on-one workstation assessments were also available, with 125 assessments completed in 2004-05.

Free influenza vaccinations were offered to staff to help minimise exposure to influenza infection. Some 247 staff took advantage of this offer.

Free screen-based eyesight tests were made available, and 30 staff sought appointments. Staff who are prescribed glasses for the use of screen-based equipment can seek reimbursement for a portion of the cost.

As part of the induction process, all new staff were briefed on occupational health and safety, including information on emergency procedures, employee assistance, incident reporting, first-aid officers, correct workstation set-up, eyesight testing and health activities.

As part of the 2004-2006 Certified Agreement, 694 employees took advantage of Treasury's Healthy Lifestyle Payment. This one-off annual payment of \$400 is available to contribute to activities such as stress management and relaxation, gym membership, quit smoking workshops and/or similar activities which promote a healthy lifestyle. To complement this initiative, Treasury also ran a number of onsite health activities throughout the year including pilates, posture and flexibility, and aerobics classes.

Occupational health and safety — The Mint

The Mint is committed to providing a safe and healthy workplace for employees, contractors and visitors, and takes all reasonable steps to control or eliminate hazards and minimise the risks associated with production and day-to-day activities.

During the past year, the Occupational Health and Safety Committee and the Designated Work Groups raised safety awareness by regular safety inspections, and identified hazards and implemented remedial measures to eliminate or reduce risks and hazards by consulting with staff. Risk assessments are done on all plant, equipment and tasks, and a further risk assessment is conducted after remedial measures are implemented. All data is stored on an electronic data base.

The Mint continues to have Comcare self audit status. After many years of being in the National Safety Council 5 Star Program, the Mint will put its occupational health and safety audit out to tender.

The Mint's Health Surveillance programme ensures all staff, whose normal occupations expose them to hazardous materials, are tested appropriately. The programme monitors occupational overexposure to chromium and nickel. Staff exposed to noise must have hearing tests, and free influenza vaccinations were offered. The Mint's Employee

Assistance Program remains with Davidson Trahaire Corpysch who provides a support service to the Mint staff and their immediate family members. The Mint recognises that healthy staff are more productive, and actively promotes activities which lead to a healthy lifestyle. An annual subsidy of \$100 for health related lifestyle expenses is provided to staff.

The Mint continues to comply with the provisions of the *Occupational Health and Safety (Commonwealth Employment) Act (1991)* and has not received directives or provisional improvement notices under any section of the Act.

Freedom of information

Treasury handles Freedom of Information matters for Treasury, the Mint, the Foreign Investment Review Board, the Takeovers Panel, and the Australian Office of Financial Management.

Under section 8 of the *Freedom of Information Act 1982*, Treasury must report on its activities. The Australian Competition Tribunal's statement then follows. The Tribunal is a separate agency within the Treasury portfolio but does not publish an annual report.

Treasury — statement

Section 8 of the *Freedom of Information Act 1982* requires Treasury to publish detailed information about:

- how it is organised and what decision making powers it has;
- what arrangements it makes for public involvement in its work;
- what types of documents it holds; and
- how the public can obtain access to these documents.

The following information addresses these requirements.

Organisation of Treasury

Details of Treasury's organisational and top management structure are set out in Part 1, Figure 4 of this report. Treasury's functions and the decision-making powers exercised in carrying out those functions are described in the Departmental Overview and Corporate Governance sections of this report.

Details of the organisation and structure of the Foreign Investment Review Board and the Takeovers Panel are published separately in the annual reports of each of those bodies.

Treasury delegations and authorisations

The Treasurer, other Ministers and the Secretary to the Treasury have delegated certain powers to officials, or have authorised officials to act on their behalf, under Acts of Parliament and agreements. These delegations and authorisations stand in force until renewed, and are listed below:

- The Treasurer has the discretionary power to guarantee the borrowings of some Commonwealth statutory authorities, and in some cases, to delegate his guarantee powers to Treasury officers. The Treasurer has delegated his powers to guarantee the borrowings of Australian National Railways to the General Manager, Commonwealth-State Relations Division; Manager, Intergovernmental Agreement Unit; and Manager, State Finances and Reporting Unit.
- Under section 21 of the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*, the Treasurer has delegated the power to make payments to the States under sections 18 and 19 of the Act to the Executive Director, Fiscal and Corporate; General Manager, Commonwealth-State Relations Division; and General Manager, Budget Policy Division.
- Under subclause 7(5) of Schedule 1 to the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*, the Treasurer has delegated the functions under subclauses (1), (3) and (4) of clause 7 of Schedule 1 to the Executive Director, Fiscal and Corporate; General Manager, Commonwealth-State Relations Division; and General Manager, Budget Policy Division.
- Under the *Disposal of Forfeited Articles Direction 1999*, the Treasurer has delegated certain powers to the Controller, Royal Australian Mint and Senior Manager, Currency Operations, Reserve Bank of Australia, pursuant to the definition of 'an authorised person' in subsection 3(1) of the *Crimes (Currency) Act 1981*.
- Under the *Crimes (Currency) Authorisation 1999*, the Treasurer has delegated certain powers to the General Manager, Corporations and Financial Services Division; the Controller, Royal Australian Mint; and the Senior Manager, Currency Operations, Reserve Bank of Australia, pursuant to the definition of 'an authorised person' in subsection 3(1) of the *Crimes (Currency) Act 1981*.
- Under the *Currency Delegation 1999*, the Treasurer has delegated the power to determine the issue price of coins of certain denominations under subsection 14A(2) of the *Currency Act 1965*, to the Executive Director, Markets Group and the General Manager, Corporations and Financial Services Division.
- The authority to approve a range of essentially administrative matters provided for under the Gold Corporation Agreement between the Commonwealth and Goldcorp Australia relating to gold, platinum and silver coins is delegated to the Executive Director, Markets Group and the General Manager, Corporations and Financial Services Division.
- Under subsections 22(1) and 21A(2) of the *Foreign Acquisitions and Takeovers Act 1975*, the Treasurer has authorised the General Manager, Managers and Assistant Managers of the Foreign Investment and Trade Policy Division to act on his behalf to approve and conditionally approve various proposals and, in specific circumstances, to make an order.
- The Treasurer has delegated to Treasury officials the authority to vote on routine matters arising from the Treasurer's Governorship of the International Monetary Fund, the World Bank Group, the Asian Development Bank and the European Bank for Reconstruction and Development.

- The Treasurer has authorised the Secretary to enter into agreements with the Minister for Finance and Administration under section 31 of the *Financial Management and Accountability Act 1997*.
- The Treasurer has authorised the Secretary, Executive Directors and the General Manager, Corporate Services Division to approve payments under the Compensation for Detriment Caused by Defective scheme on his behalf.
- The Minister for Revenue and Assistant Treasurer, on behalf of the Treasurer, has delegated power to the Executive Director, Markets Group and the General Manager Financial System Division under subsection 9A(2) of the *Australian Prudential Regulation Authority Act 1988* (APRA Act), to approve APRA to enter into an agreement to provide prudential regulation of advice services for a fee.
- Under subsection 35(1) of the *Archives Act 1983*, the Assistant Treasurer, on behalf of the Treasurer, has delegated to the General Manager, Corporations and Financial Services Division the authorisation to arrange to exempt records from the open access period.
- The Assistant Treasurer has authorised Treasury officials to make interest payments to Lloyd's under section 92Q of the *Insurance Act 1973*.
- Under subsections 147(2) and 601DC(2) of the *Corporations Act 2001*, the Parliamentary Secretary to the Treasurer has delegated the powers to consent to a name being available to a body corporate, to the General Manager, Corporations and Financial Services Division.
- Under subsection 56(2) of the *Archives Act 1983*, the Minister for Finance and Administration has delegated to the Treasurer, the Secretary to the Treasury and other departmental officers the authorisation to approve access to records not in the open access period.
- The Minister for Finance and Administration has delegated certain powers under the *Financial Management and Accountability Act 1997*, and the *Financial Management and Accountability Regulations 1997*, to the Secretary who has subdelegated them to Treasury officials. The Secretary holds powers in his own right under the *Financial Management and Accountability Act 1997*, and these have also been delegated to Treasury officials.
- The Secretary has authorised SES officers within Treasury under subsection 23(1) of the *Freedom of Information Act 1982*, to make decisions regarding initial requests for access to documents. Executive Directors are authorised under section 23 to consider and make decisions on applications for internal review.
- Under the following legislation the Secretary has delegated to nominated Treasury officials certain of his responsibilities and decision-making powers as an employer: *Public Service Act 1999*; *Public Service Regulations 1999*; *Public Service Classification Rules 2000*; *Public Service Commissioner's Directions 1999*; *Long Service Leave (Commonwealth Employees) Act 1976*; *Maternity Leave (Commonwealth Employees) Act 1973*; and *Safety, Rehabilitation and Compensation Act 1988*.

Arrangements for outside participation

People or organisations outside the Australian Government administration may participate in forming policy or administering enactments and schemes for which Treasury is responsible. They can do this by writing to Treasury portfolio ministers, the Secretary to the Treasury, or agencies in the Treasury portfolio. In addition, the Treasury website includes details of current public consultations, reviews and enquiries, with details about how to make submissions.

Consultation arrangements

Community consultation enables Treasury to be better informed when providing advice to the Government.

Treasury officers conduct regular private discussions with companies and organisations to monitor, analyse and report on economic conditions and prospects. They provide regular briefings and analysis of liaison findings to the Treasurer. Treasury also conducts general consultation for a number of reasons, including to understand more fully how developments in the economy affect different areas of the community and to understand more fully business developments as an input to economic forecasting.

Treasury also engages in consultation to inform the development and implementation of specific policy proposals, including a comprehensive consultation program on substantive tax policy proposals. By being fully informed of the effects of specific proposals, Treasury can better advise the government on how to best meet its objective and minimise any unintended consequences.

Treasury takes a number of different approaches to liaison and consultation depending on the time available or commercial and other sensitivities surrounding an issue. For example, the business liaison programme generally uses face-to-face meetings, but where this is not possible, phone calls are made. In tax design and legislation Treasury liaises with peak bodies on issues relating to the tax system as a whole, with specialists stakeholder groups focusing on more specific areas of tax, and consults with stakeholders on specific measures. Three times a year Treasury prepares a consultation report with details of the consultation strategy for announced tax measures and the progress of the consultation. This report is provided to the Board of Taxation and published on the Treasury website.

Consultation on policy proposals may be broad with submissions invited from the general public or targeted with submissions sought from specific stakeholders, representative focus groups or technical experts with knowledge in the relevant field. These consultations are based on publicly available documents such as discussion or issues papers. At times targeted consultation may be conducted on a confidential basis owing to the sensitivity of particular proposals. Sensitivity can sometimes preclude consultation on a particular measure.

When engaging in community consultation, the Treasury seeks to involve an appropriate range of stakeholders; ensure all participants have an opportunity to contribute to the consultation; endeavour to provide realistic timeframes for participants to contribute; acknowledge, respect and seek to understand the views of participants and provide feedback on those views where possible. While consultation will not always result in a consensus, it assists Treasury to provide advice to the Government that both alerts it to

community concerns and balances the competing factors that affect the wellbeing of the Australian people.

Additionally, the following arrangements allow bodies outside the Australian Government administration to participate in advising on policy and administering enactments or schemes.

Australian Office of Financial Management Advisory Board

The Australian Office of Financial Management (AOFM) Advisory Board is a non-statutory advisory body established by the Secretary to the Treasury in December 2000, to advise on the activities of the AOFM. The board comprises seven members: the Secretary, the AOFM Chief Executive Officer, a senior Treasury official, a senior officer of the Department of Finance and Administration and three experts drawn from the financial sector. The outside appointments are for three years and members may be reappointed.

The accountability of the AOFM Advisory Board is to the Secretary to the Treasury who is the Chair of the Board. The Board performs an advisory role and does not possess executive powers or decision-making authority in its own right. The Board provides general counsel and guidance to the Secretary on all aspects of operational debt policy matters and the performance of the AOFM generally. It reviews the financial statements, legislative and policy compliance, and management recommendations on matters requiring ministerial approval.

Board of Taxation

The Treasurer established the Board of Taxation, a non-statutory advisory body, in August 2000, to advise on the design and operation of Australia's tax laws, ensuring full and effective community consultation in designing and implementing tax legislation.

The board comprises ten members, seven are drawn from the business and community sectors, including the chair. These members are appointed on a part-time basis and with a view to their ability personally to contribute a broad range of relevant business, practitioner and broader community knowledge and experience to the development of the tax system. The appointments are for two years and members may be reappointed. The Secretary to the Treasury, the Commissioner of Taxation and the First Parliamentary Counsel serve as ex officio members.

The Board of Taxation provides advice to the Treasurer on:

- the quality and effectiveness of tax legislation and processes for its development, including community consultation and other aspects of tax design;
- improvements to the general integrity and functioning of the tax system;
- research and other studies it commissions on topics approved or referred by the Treasurer; and
- other tax matters referred to it by the Treasurer.

Treasury provides the secretariat support.

Business Regulation Advisory Group

The Business Regulation Advisory Group is a non-statutory consultative body of nine part-time members, appointed from the Australian business community and the legal and accounting professions. These members provide advice on initiatives under the Government's Corporate Law Economic Reform Program.

The Corporate Law Economic Reform Program refocuses and improves laws governing Australian corporations and the financial markets to promote business and economic development. The Business Regulation Advisory Group provides an ongoing means of direct consultation with the business community on program position papers and draft legislation.

Commonwealth Consumer Affairs Advisory Council

The Commonwealth Consumer Affairs Advisory Council is a non-statutory body established by the Minister for Financial Services and Regulation in May 1999, and reappointed by the Parliamentary Secretary to the Treasurer in February 2002, to provide independent advice on current and emerging consumer issues.

The Commonwealth Consumer Affairs Advisory Council comprises eight members, including the chair. Members present a range of consumer perspectives and all serve as individuals rather than as representatives of organisations or interest groups.

The Commonwealth Consumer Affairs Advisory Council meets regularly to investigate, advise on and report to the Minister on consumer issues the Minister refers to them.

Corporations and Markets Advisory Committee

The Corporations and Markets Advisory Committee was established under Part 9 of the *Australian Securities Commission Act 1989* (the ASC Act). It continues under section 261 of the *Australian Securities and Investments Commission Act 2001* (the ASIC Act).

The Corporations and Markets Advisory Committee is a body corporate, comprising part-time members appointed by the Treasurer. Members are selected from throughout Australia on the basis of their knowledge of or experience in business, company administration, financial markets, law, economics or accounting. The chairman of the Australian Securities and Investments Commission is an ex officio member of the Advisory Committee by the operation of section 147 of the ASIC Act.

The committee, on its own initiative or when requested by the Minister, provides advice and recommends on such matters connected with:

- a proposal to make or amend corporations legislation (except excluded provisions);
- the operation or administration of the corporations legislation (except excluded provisions);
- law reform on corporations legislation (except excluded provisions);
- companies or a segment of the financial products and financial services industry; and
- a proposal to improve the efficiency of financial markets.

In fulfilling these functions, the committee seeks to stimulate and lead public debate to enhance the standards for corporations and participants in financial markets, and propose suitable regulatory reform when necessary.

The committee is assisted by its legal subcommittee.

Electronic Commerce Expert Group

The Electronic Commerce Expert Group is a non-statutory body that advises the Parliamentary Secretary on consumer issues in e-commerce. It comprises 12 members who represent both industry and consumer interests. The group leads the development and promotion of the Building Consumer Sovereignty in Electronic Commerce: A Best Practice Model for Business and dispute resolution in e-commerce.

Treasury provides secretariat support.

Financial Literacy Foundation Advisory Board

The Financial Literacy Foundation Advisory Board is a non-statutory body established by the Minister for Revenue and Assistant Treasurer, the Hon Mal Brough MP, on 6 June 2005. The Board provides independent expert advice, guidance and strategic direction to the Financial Literacy Foundation on financial literacy issues.

The Advisory Board currently comprises 10 members, including the chairman, who are leaders in their respective fields and bring strength and experience in financial literacy matters. The members are appointed in their own right and not in their capacity as representatives of organisations or interest groups. Members are appointed on a part-time basis and do not receive sitting fees. Appointments are for a period of 12 months and may be renewed.

Financial Sector Advisory Council

The Financial Sector Advisory Council is a non-statutory body established in April 1998 by the Treasurer as part of the Government's response to the Financial System Inquiry. The council provides advice to the Government on policies to facilitate the growth of a strong and competitive financial system. The Treasurer appoints members in their personal capacity for two years, subject to their continued involvement in the relevant area of the financial sector.

The council can act on its own motion or as a government reference. Financial Sector Advisory Council submissions and recommendations to Treasury ministers are confidential.

Treasury provides secretariat support.

Foreign Investment Review Board

The Foreign Investment Review Board is a non-statutory body that advises the Government on foreign investment policy and its administration. The board comprises four members; three, including the chair, are drawn from the business and community sectors. These members are appointed on a part-time basis. The General Manager of the Foreign Investment and Trade Policy Division also serves on the board as an executive member.

The board:

- examines proposals by foreign interests for acquisitions of new investment projects in Australia and, against the background of the Government's foreign investment policy, makes recommendations to the Treasurer on those proposals;
- advises the Government on foreign investment matters generally;
- fosters an awareness and understanding, both in Australia and abroad, of the Government's foreign investment policy;
- provides guidance, where necessary, to foreign investors so their proposals conform with the policy; and
- monitors and ensures compliance with foreign investment policy.

The board's functions are advisory only. Responsibility for the Government's foreign investment policy and for making decisions on proposals rests with the Treasurer.

Financial Services Reform Implementation Consultative Committee

The Financial Services Reform Implementation Consultative Committee assists in developing regulations for the *Financial Services Reform Act 2001*, which introduced a harmonised licensing, disclosure and conduct framework for the financial services industry. The committee includes participants from 40 key interest groups representing the financial services industry and consumers.

Categories of documents held by the Treasury

Treasury holds correspondence, analysis and policy advice by Treasury officers, comments on Cabinet submissions and drafts of these and other documents. Every six months Treasury posts an indexed list of its policy file titles at www.treasury.gov.au.

Treasury holds representations made to Treasury ministers on matters falling within their portfolio responsibilities, including:

- economic, fiscal and monetary policy;
- international economic conditions;
- Commonwealth-State financial relations;
- taxation and excise;
- superannuation;
- microeconomic reform;
- competition policy;
- consumer affairs;
- corporate regulation;
- financial sector policy and regulation;
- foreign investment in Australia and free trade agreements; and
- activities of portfolio agencies.

Treasury holds files dealing with policy and administration in areas falling within the responsibilities of the Treasury portfolio detailed in the annual report.

Documents on internal departmental administration

Treasury documents relating to staff and departmental organisation and operation include personal records, organisation and staffing records, financial and expenditure records, and internal operations such as office procedures and instructions.

Treasury holds documents relating to grants that the Government provides to other levels of government and to certain organisations under the programmes it administers.

A detailed listing of Treasury documents published during the year and available on request (publications, papers and annual reports) is available at www.treasury.gov.au.

Facilities for access to documents

If a member of the public requests a document and Treasury approves access, Treasury will provide copies of documents after the applicant pays any charges.

Alternatively, applicants may arrange to inspect documents at the Treasury, Langton Crescent, Parkes, ACT between 9.00 am and 5.00 pm, Monday to Friday (except public and public service holidays).

Freedom of information applications and initial contact points

Strategic Communications Division coordinates requests under the *Freedom of Information Act 1982* (the Act). Applicants seeking access under the Act to Treasury documents should apply in writing to:

The Secretary
The Treasury
Langton Crescent
PARKES ACT 2600
Attention: Freedom of Information Coordinator

An application fee of \$30 or a written request, pursuant to subsection 30A(1) of the Act, that the application fee be waived should accompany requests. Telephone inquiries should be directed to the Freedom of Information Coordinator, telephone (02) 6263 2976, between 9.00 am and 5.00 pm Monday to Friday (except public or public service holidays).

Officers of the SES in Treasury can grant or refuse requests for access to documents under section 23 of the *Freedom of Information Act 1982*. In accordance with section 54 of the Act, an applicant may, within 30 days of receiving notification of a decision under the Act, apply to the Secretary to the Treasury, seeking an internal review of a decision to refuse a request. The prescribed fee of \$40 should accompany the application. Executive Directors are authorised under section 23 to consider and make decisions on applications for internal review.

Freedom of information activity

In 2004-05, Treasury and the Treasurer received 37 requests for access to documents under the *Freedom of Information Act 1982*, compared with 26 requests in the previous year. Further details are set out in Table 22.

Table 22: Freedom of Information statistics 2004-05

Description	Number
Requests received	
On hand at 1 July 2004	5
Received	37
Breakdown across Treasury	
Treasurer	5
Executive	1
Fiscal Group	1
Revenue Group	9
Macroeconomic Group	2
Markets Group	18
Corporate Services Division	1
Action on requests	
Access in full	6
Access in part	7
Access refused or no documents located	9
Transferred in whole	1
Withdrawn/Lapsed	7
Current as at 30 June 2005	11
Internal review	
Applications	2
Review by Administrative Appeals Tribunal	
Outstanding at 1 July 2004	2
New applications	1
Withdrawn	1
Fees and charges	
Total application fees collected	\$1,150
Total charges collected	\$6,748
Total application fees and charges collected	\$7,898

Note: A new request does not include an internal review or an appeal to the Administrative Appeals Tribunal. Section 16 of the Freedom of Information Act provides that, as far as possible, the most appropriate agency will deal with a Freedom of Information request, regardless of which agency receives it. Details relating to reviews by the Administrative Appeals Tribunal are provided in Part 3, Internal and External Scrutiny section of this report.

Australian Competition Tribunal statement

The tribunal is an agency within the Treasury portfolio. As it does not publish an annual report its section 8 statement follows.

Establishment

The tribunal was established under *the Trade Practices Act 1965* and continues under the *Trade Practices Act 1974*.

Organisation

The tribunal consists of a president and such number of deputy presidents and other members as the Governor-General appoints. A presidential member must be a federal court judge. Other members must have knowledge of, or experience in industry, commerce, economics, law or public administration. For the purposes of hearing and determining proceedings, the tribunal is constituted by a presidential member and two non-presidential members. Currently, all presidential members are judges of the Federal Court of Australia.

The Federal Court of Australia manages the tribunal's funds and provides registry services and administrative support. The registry receives documents, arranges tribunal sittings and undertakes general administration.

Functions and powers

The tribunal is a review body that re-hears or reconsiders matters. It may perform all the functions and exercise all the powers of the original decision-maker to affirm, set aside or vary the original decision.

The tribunal hears applications for review of determinations of the Australian Competition and Consumer Commission, granting or revoking authorisations that permit conduct and arrangements (including company mergers and acquisitions) that otherwise would be prohibited under the Trade Practices Act because of their anti-competitive effect.

The tribunal hears applications for review of certain decisions on access matters under the Trade Practices Act's regime to facilitate third party access to the services of certain essential facilities of national significance. The tribunal also hears applications for review of determinations of the Australian Competition and Consumer Commission on exclusive dealing. The tribunal also hears applications for review of certain decisions under the Trade Practices Act's regime for non-conference ocean carriers.

Arrangements for outside participation

Tribunal review proceedings, except under special circumstances, are public.

When a new review application is made to the tribunal, the tribunal ascertains who made submissions to, or registered their interest with the Australian Competition and Consumer Commission or the National Competition Council on the decision. The tribunal directs the applicant to serve the application on each interested party. At the same time, these parties are advised when the application will first come before the tribunal, and whether they have leave to intervene in the proceedings.

The tribunal may permit a person to intervene in the proceedings before it. Participants may appear on their own behalf or represent a firm or association, subject to the tribunal's approval, or, be represented by a barrister or solicitor.

Categories of documents the tribunal holds

The tribunal maintains the following categories of documents:

- documents lodged with the registrar on particular proceedings, including applications, notices of appearance, statements of facts and contentions, and witness statements;
- correspondence concerning particular tribunal proceedings;
- tribunal decisions and reasoning;
- reports on tribunal inquiries into shipping matters;
- register of applications made to the tribunal;
- documents concerning administrative and financial aspects of the tribunal's operations; and
- general correspondence.

The public may inspect the following categories of documents free of charge:

- documents lodged with the registrar in respect of particular proceedings (except where the Act or the tribunal restricts public access on the ground of confidentiality);
- tribunal decisions and reasoning;
- reports on tribunal inquiries into shipping matters; and
- register of applications made to the tribunal.

The public can obtain copies of the above four categories of documents after paying the fees set out in the Trade Practices Regulations.

Facilities for access to documents

Facilities are provided to access documents from 9.00 am to 4.00 pm, Monday to Friday (except public and public service holidays).

If an applicant does not live in Sydney, alternative arrangements could reduce the inconvenience to the applicant.

Freedom of information applications and initial contact points

General inquiries relating to freedom of information should be directed to:

Registrar
Australian Competition Tribunal
Level 16
Law Courts Building
Queens Square
SYDNEY NSW 2000
Telephone: (02) 9230 8567
Facsimile: (02) 9230 8535
DX: 613 – Sydney

The Registrar of the Tribunal, as principal officer, can deny access to a document under the *Freedom of Information Act 1982*.

Freedom of information activity

The tribunal did not receive any requests for access to documents under the *Freedom of Information Act 1982* in 2004-05.

Advertising and market research

The following table sets out amounts paid by Treasury and the Mint on advertising and market research in 2004-05.

Table 23: 2004-05 expenditure for advertising and market research

Vendor	Purpose	Cost (\$)
Treasury		
HMA Blaze Pty Limited	Advertising for Treasury recruitment	203,545
HMA Blaze Pty Limited	Commonwealth/State Information Campaign	122,715
HMA Blaze Pty Limited	Notice of public meeting - Consumer Financial Literacy	34,203
HMA Blaze Pty Limited	Advertising for appointments on the Superannuation Complaints Tribunal	28,837
HMA Blaze Pty Limited	Advertising for graduate recruitment	25,969
HMA Blaze Pty Limited	Advertising for appointments on the Financial Reporting Panel	17,636
HMA Blaze Pty Limited	Advertising for appointments on the Auditing and Assurance Standards Board	15,732
HMA Blaze Pty Limited	Advertising for appointments on the Australian Accounting Standards Board	14,946
HMA Blaze Pty Limited	Advertising Tender Process for G-20	8,688
HMA Blaze Pty Limited	Media releases for Takeovers Panel, and Takeovers Panel - Matters	4,247
Hobsons Australia	Advertising for graduate recruitment	6,200
Unimail	Advertising for graduate recruitment	5,500
Total Treasury		488,218
Royal Australian Mint		
Canberra FM Radio Pty Ltd	Advertising tourist gallery	13,834
Grey Worldwide Canberra Pty Ltd	Advertising program for numismatic products	7,149
HMA Blaze Pty Ltd	Advertising recruitment, tender notices and non-campaign material	18,665
Informer Multimedia	Advertising tourist gallery	1,995
Sensis Pty Ltd	Advertising tourist gallery	3,454
TW Media Pty Ltd	Advertising numismatic products and tourist gallery	7,950
Universal McCann	Advertising numismatic products, tourist gallery, recruitment, tender notices and non-campaign material	99,433
Total Royal Australian Mint		152,480
Total		640,698

Note: Approximately \$34,000 was expended during the financial year on government and gazettal notices. In addition Treasury contributed \$3.3 million towards the Super Choice advertising campaign that was jointly run by the Australian Taxation Office (ATO), the Australian Securities and Investments Commission and the Treasury. This amount will be disclosed as part of the Advertising and Market Research table within the ATOs Annual Report.

Ecologically sustainable development

Treasury participates in government forums on environmental matters and uses waste minimisation and energy and water conservation strategies.

Treasury constantly reviews information on property and environmental management through its membership of industry groups including the Australian Property Institute and the Facilities Management Association of Australia.

Energy management

Treasury has reduced its overall energy consumption, in line with Australian Government energy consumption targets.

A building management system provides energy management reports so that Treasury, as one of three tenants in the building, can separately monitor, profile and diagnose its energy consumption to achieve more effective and environmentally-friendly outcomes.

Electricity supplies provide instant readings of kilowatt consumption, load, power factor correction, and line voltage.

Lights operate during normal working hours via timer switches that control all general lighting in the building. Manually operated switches turn on lights in specific areas for up to two hours after normal business hours. High performance light fittings are 35 per cent more efficient than standard fittings with low ballasts.

Environmental management system

Treasury's Environmental Management System, implemented in December 2002, complies with International Standard ISO 14001.

Recycling

Treasury recycles glass, plastics, tins, paper and cardboard products. A local recycling firm collects desktop and workplace containers of paper and cardboard products. Classified waste paper is pulped and paper hand towels are recycled. Staff kitchen facilities use a recycle bin system that simplifies the separation of recyclable items that previously went to landfill. This has reduced considerably the amount of waste sent to landfill.

Compost recycling

All of Treasury's staff kitchens have sealed compost waste containers for organic recycling of compost waste. In 2004-05 Treasury recycled over 2770 kilograms of compost, around 73 per cent more than last year.

Procurement practices

Treasury purchases goods and services in accordance with environmental procurement policy as set out in the *Commonwealth Procurement Guidelines*. This ensures goods and services are:

- environmentally sound in manufacture;
- reusable or recyclable;

- designed and made for reliability and long life; and
- environmental best practice in energy efficiency and or energy consumption.

Paper made from 80 per cent recycled fibre is used in the reproduction areas, and Treasury actively encourages all areas to purchase and use recycled paper and stationery products.

Treasury participates in the Cartridges 4 Planet Ark programme to recycle toner cartridges and deliver old cartridges to a recycling outlet. Cartridges that cannot be reused are broken down and recycled so they can be made into new products. This ensures cartridges do not end up at landfill.

Water usage

Tenants within Treasury building are not metered separately for water consumption. The overall water consumption for the building in 2004-05 was 14,373 Kl (measured April to April), compared with 17,150 Kl in 2003-04. Awareness of water conservation issues was raised through staff notices.

Environment report — The Mint

Energy management

The Mint continued with sound energy management practices, sustaining the recent gains in energy savings. During the year electricity consumption was down by 2 per cent and gas consumption increased slightly by 1 per cent. With the aging building and plant, further reducing energy consumption is increasingly difficult. The proposed building refurbishment program will incorporate more energy efficient designs and fit-outs.

Environmental management system

The environment management system as part of the integrated management system was developed further to meet the requirements of the International Standard ISO14001 and to comply with *National Environment Protection Measures (Implementation) Act 1998*. The Mint engaged URS Australia Pty Ltd, an environmental consulting agency, to assess the effectiveness of the system and it concluded that the Mint was meeting the relevant legal requirements and scored 60 per cent or higher in 14 out of 17 elements of the standard. The Mint has setup an Environmental Management Group to monitor and further develop environmental procedures and practices.

The Mint's comprehensive waste management and movement programme meets the requirements of relevant regulations. The internal controls of the Mint's waste management programme include monitoring and control of atmospheric emissions, wastewater treatment and recovery of precious metals.

Water usage

Water usage during the year increased by about 10 per cent, mainly due to increased activity. Use of rainwater for landscape irrigation is being investigated as part of the Mint refurbishment project.

Discretionary grants

Treasury administered one discretionary grant in 2004-05. Treasury paid \$5,000 to the Economic Society of Australia as a financial contribution towards the cost of the 2005 Conference of Economists.

Corrections to the 2003-04 Treasury Annual Report

In 2004-05, Treasury reviewed new and existing contracts entered into between 1 July 2003 and 30 June 2005. The review identified that a number of non-consultancy contracts were incorrectly defined and reported as consultancy contracts.

Table 18: Total number and expenditure on consultancies \$10,000 and over in 2003-04, by output group, and Table 19: List of consultancies \$10,000 and over in 2003-04, by output group are republished to correct errors reported in the *Treasury Annual Report 2003-04*. The republished tables omit incorrectly defined contracts that were previously published as consultancy contracts in the *Treasury Annual Report 2003-04*.

Treasury has since introduced guidelines to assist staff classify contracts and distinguish consultancy contracts from non-consultancy contracts.

During 2003-04, Treasury and the Mint engaged 31 consultancies valued at \$10,000 and over involving total actual expenditure of \$1,427,620.

Table 18: Total number and expenditure on consultancies \$10,000 and over in 2003-04 by output group^(a)

Output Group		Consultancies number	Cost \$
1.1	Macroeconomic	1	38,688
2.1	Fiscal	1	179,550
2.2	Revenue	10	438,838
3.1	Markets	13	623,572
	Corporate Services Division	3	45,925
	Royal Australian Mint	3	101,047
Total		31	1,427,620

(a) Note: Table 18 shows the actual expenditure and number of consultancies \$10,000 and over for 2003-04. This table does not correspond with Table 19 which shows the total value of consultancy contracts of \$10,000 or more, entered into during the year. All amounts are GST inclusive.

Table 19: List of consultancies over \$10,000 in 2003-04 by output group

Consultant	Project	Contract price	Selection process (1)	Justification (2)
Output Group 1.1 (Macroeconomic)				
Dr Mardi Dungey	Provide econometrics training for Domestic Economy Division	59,520	Select	e
Total Output Group 1.1		59,520		
Output Group 2.1 (Fiscal)				
Taylor Nelson Sofres Australia Pty Ltd	Provide advice relating to public consultations and demographic challenges	199,502	Select	e
Total Output Group 2.1		199,502		
Output Group 2.1 (Revenue)				
BDO Kendalls	Evaluate and report on the <i>Income Tax Assessment Act 1997</i>	30,800	Select	c, e
Creating Coherence Pty Ltd	Provide consultancy services relating to tax law design and development	172,800	Direct engagement	e
Creating Coherence Pty Ltd	Identify the inoperative provisions of <i>Income Tax Assessment Act 1936</i> and the <i>Income Tax Assessment Act 1997</i>	20,000	Direct engagement	e
Dubedi Pty Ltd	Provide secretariat support for the charities definition working group	63,360	Direct engagement	b, d
JP Sustainable Solutions Pty Ltd	Provide secretariat support for the charities definition working group	19,800	Direct engagement	b, d
KPMG Australia	Provide services on taxation on certain aspects of BELC income	109,670	Select	e
Queensland University of Technology	Conduct research on charitable legal/tax issues	30,000	Direct engagement	e
Ms Marie Spencer	Review submissions on consultation on the definition of a charity	20,790	Direct engagement	e
Unisearch Ltd	Review the <i>Income Tax Assessment Act 1997</i>	37,600	Select	c, e
University of Canberra (NATSEM)	Provide social policy research services	54,324	Direct engagement	e
Total Output Group 2.1		559,144		

Table 19: List of consultancies over \$10,000 in 2003-04 by output group
(continued)

Consultant	Project	Contract price	Selection process (1)	Justification (2)
Output Group 3.1 (Markets)				
Chant Link and Associates	Provide research services on consumer and financial literacy for the Consumer and Financial Literacy Taskforce	250,000	Select	e
Clayton Utz	Provide consultancy services for the review of the <i>Insurance Contracts Act 1984</i>	82,500	Select	e
Clayton Utz	Provide legal advice on HIH Assistance Scheme — Insurance Programs	450,000	Open	e
Mr Gary Potts	Advise on discretionary mutual funds and direct offshore foreign insurance	24,750	Direct engagement	c
KPMG Australia	Review the Mint's transfer price model and community service obligations	16,500	Direct engagement	e
Mr Alan Cameron AM	Review the <i>Insurance Contract Act 1984</i>	70,000	Select	c
Mr Robert Lynn	Review of Auditor independence for Financial Reporting Council	36,000	Direct engagement	e
Prentice Parbery Barilla	Provide advice on schemes of arrangement in the HIH Group liquidation	25,000	Direct engagement	e
Tall Poppies Research and Marketing Pty Ltd	Provide research for the Consumer Information Program relating to information products	60,000	Select	e
Trowbridge Deloitte Ltd	Actuarial review of Commonwealth's liabilities under the HIH Claims Support Scheme	178,200	Direct engagement	e
Trowbridge Deloitte Ltd	Prepare an international marketing report of Australian tort law reforms	33,000	Select	e
University of Melbourne	Undertake a technical study of Financial System Guarantees	100,000	Direct engagement	c, e
Watson Wyatt Australia Pty Ltd	Provide change management services for the restructure of HIH Claims Support Scheme	444,600	Open	d, e
Total Output Group 3.1		1,770,550		

Table 19: List of consultancies over \$10,000 in 2003-04 by output group
(continued)

Consultant	Project	Contract Price	Selection Process (1)	Justification (2)
Corporate Services				
Clynes Hales Walker Pty Ltd	Review Treasury video conferencing and audio visual facilities	13,750	Direct engagement	e
iCognition Pty Ltd	Prepare policy and guidelines for electronic document and records management	11,000	Direct engagement	e
Mr Tony Ayres	Provide consultancy services as external representative on the Treasury Audit Committee	24,000	Direct engagement	e
Total Corporate Services		48,750		
Royal Australian Mint				
Ernst & Young	Provide internal audit	76,961	Direct engagement	e
HBA Consulting	Review of work level standards	11,880	Direct engagement	b, e
Score International	Conduct Staff attitude survey	12,206	Select	b, e
Total Royal Australian Mint		101,047		
Total consultancies over \$10,000		2,738,513		

Note: All amounts are GST inclusive.

(1) Explanation of selection process terms:

- i Direct engagement includes the engagement of: a consultant selected from a pre-qualified panel arrangement; a recognised and pre-eminent expert; a consultant who had previously undertaken closely related work for Treasury; or a consultant known to have the requisite skills where the value of the project did not justify the expense or delay associated with seeking tenders.
- ii Select tenders are invited from a short list of competent suppliers. This category is applied where there is a known limited market for the services required, and when value for money would not be achieved through a full open tender process.
- iii If a consultancy is let for advertising and market research that consultancy will be reported in both the 'Consultancy' and 'Advertising and Market Research' categories.

(2) Justification of decision to use consultancy:

- a Need for rapid access to latest technology and expertise in its application.
- b Specialist in-house resources unavailable in time allowed.
- c Need for an independent study or review.
- d Need for a change agent or facilitator.
- e Specialist skills or knowledge not available in-house.

Abbreviations and acronyms

AASB	Australian Accounting Standards Board
AAT	Administrative Appeals Tribunal
ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
ADB	Asian Development Bank
AEIFRS	Australian Equivalents to International Financial Reporting Standards
AIRPD	Australia-Indonesia Partnership for Reconstruction and Development
ANAO	Australian National Audit Office
AOFM	Australian Office of Financial Management
APEC	Asia-Pacific Economic Cooperation
APRA	Australian Prudential Regulation Authority
APS	Australian Public Service
ARPC	Australian Reinsurance Pool Corporation
ASEAN	Association of Southeast Asian Nations
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
AUSFTA	Australia-United States Free Trade Agreement
AWA	Australian Workplace Awards
CAC	Commonwealth Authorities and Companies
CBA	Commonwealth Bank of Australia
CBOSC	Commonwealth Bank Officers' Superannuation Corporation
COAG	Council of Australian Governments
CPGs	Commonwealth Procurement Guidelines

EASF	Enhanced Structural Adjustment Facility
EL1	Executive Level 1
EL2	Executive Level 2
FATA	<i>Foreign Acquisitions and Takeovers Act 1975</i>
FATF	Financial Action Task Force
FBT	Fringe Benefits Tax
FMA	<i>Financial Management and Accountability Act 1997</i>
FMO	Finance Minister's Orders
FRC	Financial Reporting Council
FSAP	Financial Sector Assessment Program
FSC	Financial Services Committee
G-20	Group of Twenty
G8	Group of Eight
GST	Goods and Services Tax
HCS	HIH Claims Support Limited
IBNR	Incurred But Not Reported
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ISO	International Standards Organisation
IT	Information Technology
LPS	London Pension Scheme
MCCA	Ministerial Council on Consumer Affairs
MIGA	Multilateral Investment Guarantee Agency
NCP	National Competition Council

OECD	Organisation for Economic Co-operation and Development
OPA	Official Public Account
PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
PNG	Papua New Guinea
PRGF	Poverty Reduction and Growth Facility
RAMSI	Regional Assistance Mission to the Solomon Islands
RBNZ	Reserve Bank of New Zealand
SDR	Special Drawing Rights
SEB	Senior Executive Band
SES	Senior Executive Service
The Mint	Royal Australian Mint
UAE	United Arab Emirates
UIG	Urgent Issues Group
UK	United Kingdom
UMP	United Medical Protection
US	United States
VPN	Virtual Private Network
WTO	World Trade Organisation

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