



THE TREASURY

ANNUAL REPORT
2010-11

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Australian Government

The Treasury

**Dr Martin Parkinson PSM
Secretary**

13 October 2011

The Hon Wayne Swan MP
Deputy Prime Minister and Treasurer
Parliament House
CANBERRA ACT 2600

Dear Deputy Prime Minister and Treasurer

I am pleased to present the annual report of the Treasury for the year ended 30 June 2011.

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

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

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

In addition, and as required by the Commonwealth Fraud Control Guidelines, I certify that I am satisfied that the Treasury has in place appropriate fraud control mechanisms that meet the Treasury's needs and that comply with the guidelines applying in 2010-11.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Martin Parkinson'.

Martin Parkinson
Secretary to the Treasury

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INTRODUCTION AND GUIDE TO THE REPORT

The Treasury Annual Report 2010-11 outlines performance against outcomes, programs and performance information contained in the *Portfolio Budget Statements 2010-11* and *Portfolio Additional Estimates Statements 2010-11*.

The 2010-11 annual report includes the reporting requirements and financial accounts for the Australian Government Actuary and the Foreign Investment Review Board. The financial accounts for the Financial Reporting Panel and the Takeovers Panel are included in this report; however, the performance reporting does not extend to the activities of the Financial Reporting Panel or the Takeovers Panel as they publish their own annual reports.

Part 1 includes a summary of significant issues and developments during 2010-11, and an overview of the Treasury's performance. The departmental overview in Part 1 details the Treasury's role and functions, senior management structure, organisational structure and portfolio structure.

Part 2 provides an analysis of performance against the Treasury's policy outcome and programs.

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

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

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

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

Other sources of information

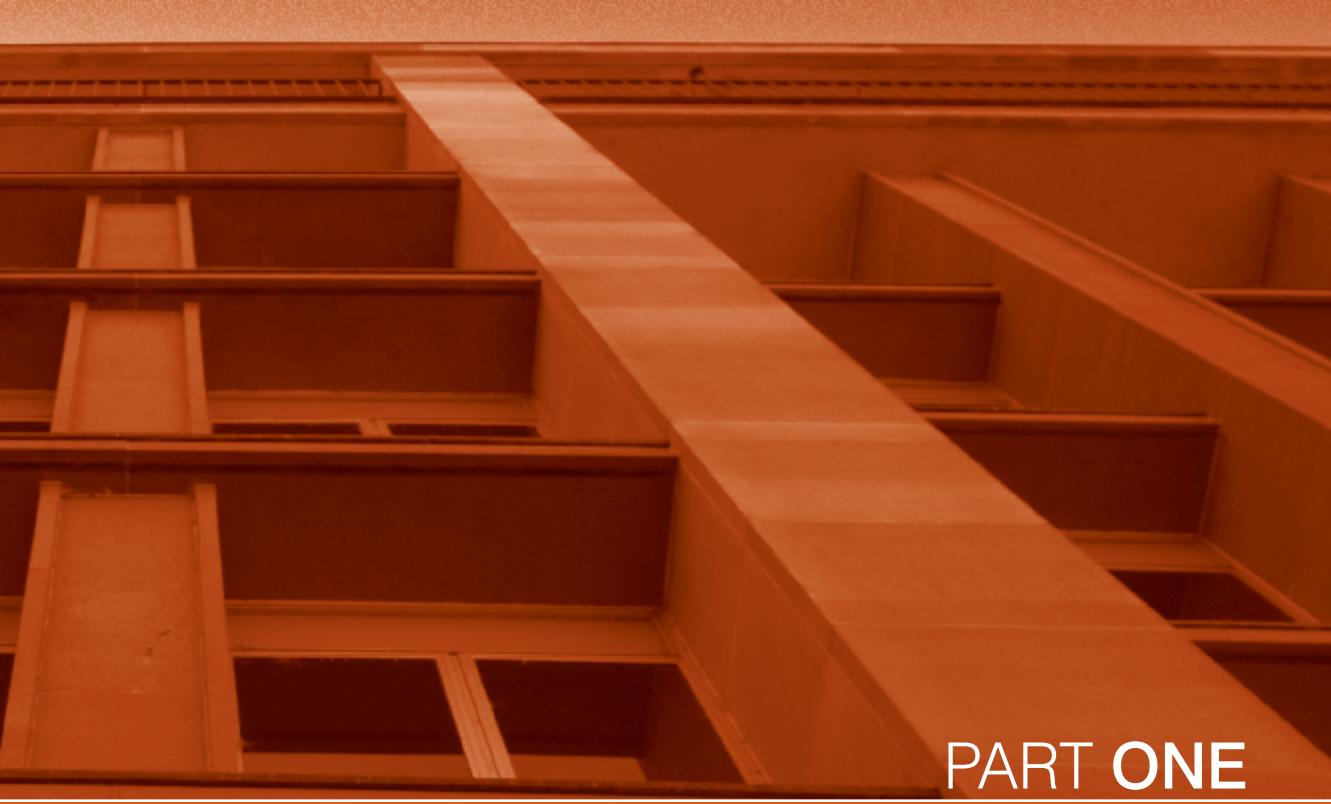
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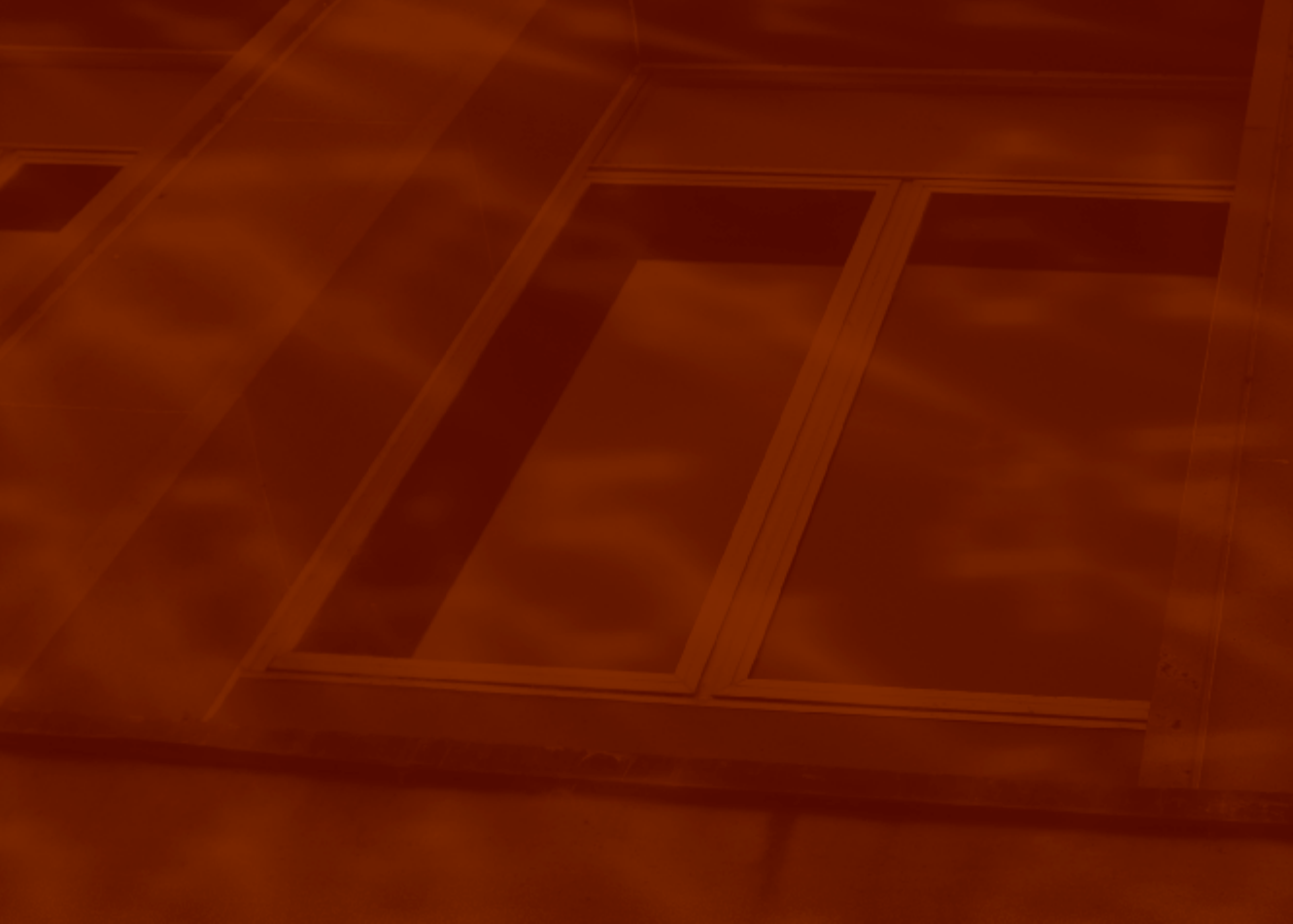
A copy of this document can be located on the Treasury website at www.treasury.gov.au.



PART ONE

OVERVIEW





SECRETARY'S REVIEW



The Treasury has continued to pursue its goal of improving the wellbeing of all Australians through providing quality advice to government and assisting in the implementation of key policy initiatives.

Significant achievements in 2010-11

The Treasury's achievements in the past year include the release of the Pre-Election Economic and Fiscal Outlook report, and assisting the Government in delivering the 2010-11 Mid-Year Economic and Fiscal Outlook and the 2011-12 Budget.

During 2010-11, the Treasury made several substantial contributions to the development of the Clean Energy Future package that was announced in July 2011. The Treasury prepared the *Strong Growth, Low Pollution: Modelling a Carbon Price* report which informed debate on the effects of a carbon price on the economy. The Treasury also contributed to the development of key elements in the package including the design of the carbon price mechanism, the delivery of assistance to households through tax reform and transfer payment increases, and measures to ensure the security of energy supply in the transition to a carbon constrained environment.

Macroeconomic outcomes

The Treasury provided advice on the performance and outlook of the Australian economy in the context of an uncertain international environment. This included advice on the implications for the economy of the devastating natural disasters that hit Australia, Japan and New Zealand in early 2011 and the impact of Australia's high terms of trade and appreciating exchange rate on growth in the mining and non-mining sectors of the economy. In addition to advising on macroeconomic policy to manage demand and ensure stable and sustainable growth, the Treasury continued to provide advice on policies to raise productivity and participation and enhance Australia's medium-term growth potential by expanding the supply side of the economy.

As well as strengthening IMF and World Bank governance and legitimacy, the Treasury worked actively in the G20 to help build a strong, sustainable and balanced global economy, promote Australia's interests and contribute to reforms to global financial architecture which will yield a safer and more resilient global economy. The Treasury was also an active participant in the Financial Stability Board and its efforts to strengthen international regulatory financial arrangements.

Effective government spending arrangements

Effective government spending arrangements are essential to sustaining a strong fiscal outlook, supporting strong sustainable economic growth and improving the wellbeing of Australians.

In early 2010-11, the Treasury, with the Department of Finance and Deregulation, released the Pre-Election Economic and Fiscal Outlook report, consistent with requirements under the *Charter of Budget Honesty Act 1998*.

The Treasury also assisted the Government in delivering the 2011-12 Budget, and the package of measures announced in January 2011 in response to the natural disasters experienced over the 2010-11 summer period. The natural disasters had a significant impact on the Australian economy and the Government's fiscal position, though the Budget still projected a return to surplus in 2012-13.

The global economic transformation currently underway, and reflected in the rapid growth of China, India and other countries in our region, provides Australia with huge opportunities and some challenges. The Budget outlined the adjustments confronting Australia and highlighted the importance of policies that facilitate, rather than resist, that adjustment. This holds true for both those sectors benefitting directly from the growth of Asia, and those forced to adjust to a higher exchange rate and greater competition for skilled labour. The opportunities available to Australia are significant and should underpin strong medium-term growth.

Given the unprecedented mining investment boom, adherence to the fiscal strategy and fiscal consolidation will be important to supporting strong low inflationary growth.

Early in 2011, the Treasury, with the Department of Finance and Deregulation, provided a submission to the Joint Select Committee on the Parliamentary Budget Office. The 2011-12 Budget also provided funding for the establishment of a Parliamentary Budget Office (PBO) and the department has assisted in the development of the establishing legislation and preparing documented methodology to assist the PBO in its operations. The PBO will provide independent and non-partisan analysis of the budget cycle, fiscal policy and the financial implications of policy proposals.

The Treasury has established a secretariat to support the GST Distribution Review. The Review will consider whether the distribution of the GST and the current form of horizontal fiscal equalisation will ensure that Australia is best placed to respond to long-term trends and structural change in the economy while maintaining confidence in the financial relationships within the Australian Federation.

The Treasury also continues to assist the Government in implementing its agenda in the area of Australia's workforce needs and measures to boost participation, as well as investments in infrastructure, education and the health system.

Effective taxation and retirement income arrangements

In 2010-11, 63 tax and superannuation measures were introduced into the Parliament in 25 bills. These included amendments to tax law to: bring certain alternative fuels used for transport purposes into the fuel taxation regime; remove the eligibility for the low income tax offset on unearned income for minors; phase out the dependent spouse tax offset; and make changes to the statutory formula method used to value car fringe benefits.

The Treasury provided advice on proposals for personal tax reform included in the Clean Energy Future package. It also advised on, and implemented legislation for, the first stage of not-for-profit sector reforms, the superannuation components of the stronger, fairer, simpler tax reform and the Stronger Super reforms.

The Treasury also provided secretariat services and policy advice to the Government's Policy Transition Group responsible for the detailed design of the Minerals Resource Rent Tax and the extension to the Petroleum Resource Rent Tax. Following the Government's acceptance of the Policy Transition Group's recommendation, the Treasury consulted on legislation design and released draft legislation and explanatory materials for the Minerals Resource Rent Tax for public consultation. The Treasury continued to provide policy advice on a range of reforms for small business and trust income including increasing the small business instant asset write-off thresholds and providing policy advice on implementing change to the taxation of trust income following the High Court's decision in the *Commissioner of Taxation v Bamford (2010) 240 CLR 481*.

Achieving well functioning markets

Well functioning markets underpin strong, sustainable economic growth and enhanced living standards. The Treasury supports well functioning markets through providing advice to government on regulatory and competition reforms aimed at improving resource allocation, productivity and international competitiveness.

This includes the implementation of a single national consumer policy framework through the Australian Consumer Law, maintaining the effectiveness of Australia's competition law framework, and promoting the efficient use and development of nationally significant infrastructure, including the National Broadband Network. This work also includes providing advice on the reform of utilities, infrastructure and housing markets, and the regulatory frameworks for securities markets, financial markets, financial advice, corporate governance and consumer credit.

During 2010-11, the Treasury implemented reforms to strengthen the efficiency, competitiveness and stability of Australia's financial sector through the Government's Competitive and Sustainable Banking package and Stronger Super reforms. The Treasury also worked closely with the Foreign Investment Review Board to ensure that the foreign investment screening framework maintains the right balance between protecting Australia's national interest and ensuring that Australia remains an attractive destination for foreign capital.

Another focus in 2010-11 was the delivery of Standard Business Reporting, a multi-agency initiative led by the Treasury to reduce the compliance reporting burden experienced by business in reporting to government. The Treasury also assisted with the transfer of responsibility for the supervision of Australia's domestic licensed financial markets from the Australian Securities Exchange Ltd to the Australian Securities and Investments Commission and the granting of a licence to a new market operator who is expected to commence trading in late 2011.

2011-12 outlook

The Australian economy continues to benefit from strong growth in Asia, and demand for Australia's mineral resources will continue to support growth in the mining and related industries. However, it is expected that conditions in other parts of the economy will continue to be weighed down by the high exchange rate, cautious household spending behaviour and tightened macroeconomic policy settings. The international economic outlook is extremely volatile, with significant public debt challenges in a number of advanced economies, particularly in Europe and the US. Without strong political leadership in key North Atlantic economies, it is likely this volatility will persist for some time. Indeed, in a worst case scenario, failure to comprehensively respond to the underlying competitiveness and structural fiscal problems in the North Atlantic could have significant implications for global economic growth. The Treasury's advice will continue to focus on capitalising on the opportunities presented by strong growth in the Asia region and facilitating associated structural changes taking place in the economy while helping to manage volatility and fallout from the ongoing sovereign debt crisis. The Treasury will also continue to actively pursue Australia's interest in international and regional economic forums.

Ensuring that our financial system remains robust, competitive and dynamic is essential to promoting macroeconomic stability and market confidence. The Treasury will continue monitoring prudential frameworks applying to the banking sector, insurers and superannuation funds, and advising on reforms to improve Australia's productivity and competitiveness. The Treasury will also continue supporting the independent Natural Disaster Insurance Review, which is scheduled to report to the Government by 30 September 2011. The Treasury will also participate in the Council of Financial Regulators' work to strengthen Australia's financial market infrastructure.

In 2011-12, the Treasury will assist the Government to implement its Clean Energy Future package, in particular measures to assist the transition of the energy sector and other industries to an emissions-constrained environment.

The Government held a Tax Forum on 4-5 October 2011 bringing together representatives of the community, business, unions and government, as well as academics and other tax experts, to discuss directions for further tax reform. The Forum built on the work done in the Australia's Future Tax System Review and the tax reforms the Government has already announced. Follow up work from the Forum is expected to be an important element of the Treasury's work during 2011-12.

In 2011-12, the Treasury will also be progressing not-for-profit sector reforms including the establishment of an Australian Charities and Not-for-profits Commission, better targeting of not-for-profit tax concessions and the introduction of a statutory definition of charity.

Our organisation

The Treasury is committed to nurturing and strengthening its core organisational capabilities and is constantly seeking better ways of doing business. Our strengths as a department continue to lie in our highly dedicated and professional staff.

In relation to our financial performance, the Treasury ended 2010-11 with a surplus of \$2.4 million, compared to a \$5.5 million surplus in 2009-10. The Treasury received an unqualified audit report on the 2010-11 financial statements from the Australian National Audit Office.

Two scholarships were awarded to Australian National University economics students who demonstrated strong economic skills and an interest in pursuing a career in public policy. The scholarships are promoted widely through the Australian National University's networks to increase awareness of the Treasury as an employer of choice for economics graduates. Internships are offered to Treasury scholarship recipients.

Kenneth Lac from the Australian Prudential Regulation Authority was awarded the Young Leaders Program Scholarship to Japan. The program offers potential public sector leaders the opportunity to develop their knowledge of global, regional and Japanese politics and economies, public administration and policies. Participants in the program are encouraged and supported to develop strong long-lasting relationships and networks with Japan and other countries around the world. Kenneth will commence his 12-month program at the National Graduate Institute for Policy Studies in Japan during 2011.

The Treasury has played an active role in the establishment of the Sir Roland Wilson Foundation Scholarship Program. Recipients of the PhD scholarships will be high performing public servants with a strong commitment to public policy and a career in the Australian Public Service. Studies will be undertaken at the Australian National University on topics of relevance and enduring interest to the APS with recipients receiving a scholarship to support their studies and an associated overseas field trip.

Sharon McCluskey was one of two recipients of the EXPAND Senior Executive Assistant / Personal Assistant award in 2010. The award was presented at the EXPAND 2010 Annual Conference and Awards night and places the spotlight on the contribution that Executive Assistants make in the APS on a daily basis.

Our achievements over the past 12 months demonstrate our ongoing commitment to pursue outcomes that will ensure that the wellbeing of future generations of Australians is at least as high as the wellbeing we enjoy today.

I want to thank all Treasury staff for their continuing professionalism, enthusiasm and adaptability in facing the considerable challenges and opportunities that lie before us.

Finally, I would like to recognise the contribution of my predecessor, Dr Ken Henry AC. Dr Henry ably led the Treasury for a decade, including through the turmoil of the global financial crisis. At all times he ensured the Treasury's focus was on the national interest and on the wellbeing of all Australians.

Martin Parkinson
Secretary to the Treasury

DEPARTMENTAL OVERVIEW

THE TREASURY'S MISSION

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

POLICY OUTCOME

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

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

The Treasury has four policy groups that contribute to achieving this outcome:

- Macroeconomic Group;
- Fiscal Group;
- Revenue Group; and
- Markets Group.

Macroeconomic Group

Macroeconomic Group provides advice on a sound macroeconomic environment that is an essential foundation for strong, sustainable economic growth and the improved wellbeing of Australians.

Macroeconomic Group contributes to a sound macroeconomic environment by providing careful monitoring and analysis of economic conditions in Australia and overseas which forms the basis of quality macroeconomic policy advice to portfolio ministers.

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

Macroeconomic Group is also responsible for payments to international financial institutions as outlined in Program 1.2 on pages 87 and 88.

Fiscal Group

Fiscal Group provides advice on effective government spending arrangements that contribute to the overall fiscal outcome, influence strong sustainable economic growth and improve the wellbeing of Australians.

Effective spending measures should meet their stated objectives, minimise behavioural distortions and deliver significant economic and other benefits compared with costs.

Fiscal Group provides policy advice to portfolio ministers to promote government decisions that further these objectives.

Fiscal Group takes a whole-of-government and whole-of-economy perspective in developing its advice on the fiscal strategy and spending arrangements across and within portfolios.

Fiscal Group is also responsible for the efficient payment of general revenue assistance, National Specific Purpose Payments and National Partnership Payments to the States and Territories as outlined in programs 1.4 to 1.10 on pages 91 to 104.

Revenue Group

Revenue Group provides advice on effective tax and retirement income arrangements that contribute to the overall fiscal outcome, influence strong sustainable economic growth and lead to the improved wellbeing of Australians.

Tax measures should meet revenue or other public policy objectives and meet the principles of economic efficiency, horizontal and vertical equity, and transparency whilst minimising compliance and administrative costs. By meeting these objectives, tax measures contribute to wellbeing, either directly or by providing the revenue base to finance government services.

Revenue Group provides policy advice to government to promote government decisions that further these objectives.

Revenue Group takes a whole-of-government and whole-of-economy perspective in developing its tax and retirement income policies.

Markets Group

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

Well functioning markets enable the most efficient use of resources and maximise consumer confidence in markets, thereby enhancing community benefits from economic activity.

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

Markets Group also maintains the operations of the Australian Government Actuary, the Financial Reporting Panel and the Takeovers Panel, and provides business management for Standard Business Reporting.

Markets Group is also responsible for payments to support markets and business as outlined in Program 1.3 on pages 89 and 90.

Treasury support services

To support the Treasury's policy outcomes, Corporate Services Group and the Organisational Strategy Unit provide key services to assist with systems and facilities which provide essential support and organisational backup to the groups.

Corporate Services Group is responsible for providing corporate services, products and advice including accommodation and facilities management; management of administrative support; financial management; human resource management, training and development; information management and technology services; media management and monitoring; ministerial and parliamentary support; procurement; print and web publishing; internal and external communications; security; travel and managing freedom of information requests.

The Organisational Strategy Unit functions include facilitating high level policy coordination and whole-of-department corporate strategy; providing support to the Secretary, the Executive Board and the Audit Committee, including oversight of departmental structures and systems; designing and facilitating whole-of-department policy discussions; coordinating organisational strategy initiatives; overseeing the risk management framework; and undertaking and assisting with departmental reviews.

TREASURY PEOPLE VALUES

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

Treasury people:

- strive for excellence;
- value teamwork, consultation and sharing of ideas;
- value diversity among our people;
- treat everyone with respect;

- exhibit honesty in all our dealings; and
- treat colleagues with fairness.

Treasury people management principles are:

- open, two-way communications at all levels;
- clearly define accountabilities;
- work performance is the basis for remuneration, which is determined by fair and transparent processes; and
- facilitation of an appropriate work and private life balance.

THE TREASURY'S ROLE AND CAPABILITIES

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

The Treasury is engaged in a wide range of issues that affect the lives of Australians, from macroeconomic policy settings to micro-economic reform, climate change to social policy, as well as tax policy and international agreements and forums. The Treasury has a program delivery role in supporting markets and business, and providing Commonwealth payments to the State and Territory governments.

A review of the Treasury's wellbeing framework was undertaken during 2010-11. A key objective of the review was to further develop the department's understanding of wellbeing and thereby build capacity to deliver its mission.

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

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

The Treasury brings a whole-of-economy approach to providing advice to government based on an objective and thorough analysis of options. To facilitate that analysis, we have identified five dimensions that directly or indirectly have important implications for wellbeing and are particularly relevant to the Treasury. These dimensions are:

- The set of opportunities available to people. This includes not only the level of goods and services that can be consumed, but good health and environmental amenity, leisure and

intangibles such as personal and social activities, community participation and political rights and freedoms.

- The distribution of those opportunities across the Australian people. In particular, that all Australians have the opportunity to lead a fulfilling life and participate meaningfully in society.
- The sustainability of those opportunities available over time. In particular, consideration of whether the productive base needed to generate opportunities (the total stock of capital, including human, physical, social and natural assets) is maintained or enhanced for current and future generations.
- The overall level and allocation of risk borne by individuals and the community. This includes a concern for the ability, and inability, of individuals to manage the level and nature of the risks they face.
- The complexity of the choices facing individuals and the community. Our concerns include the costs of dealing with unwanted complexity, the transparency of government and the ability of individuals and the community to make choices and trade-offs that better match their preferences.

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

The Treasury utilises and develops its technical expertise, knowledge base and support systems to deliver on our priorities. To maximise our potential, we nurture and strengthen our core organisational capabilities and consistently seek better ways to do business.

Our organisational capabilities are:

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

FINANCIAL PERFORMANCE

The Treasury received an unqualified audit report on the 2010-11 financial statements from the Australian National Audit Office. These statements can be found in Part 4 on pages 149 to 262.

Departmental

The Treasury ended 2010-11 with an attributable surplus of \$2.4 million, compared to a \$5.5 million surplus in 2009-10. Employee expenses increased by \$0.9 million from 2009-10, which was associated with a small staffing increase.

The Treasury's net asset position decreased by \$1.7 million in 2010-11, mainly due to a small reduction in other payables.

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

Administered

The Treasury incurred \$87 billion in administered expenses in 2010-11 compared to \$89 billion in 2009-10. The \$2 billion decrease relates to a small reduction in grants paid to the States and Territories that the Treasury provides under the *Intergovernmental Agreement on Federal Financial Relations*.

The Treasury's administered net assets reduced by \$10 billion in 2010-11. This is mainly due to a decrease in the value of financial assets and a decrease in payables.

Figure 1: Treasury senior management structure (as at 30 June 2011)

Secretary: Dr Martin Parkinson	
Executive Director (Policy Coordination and Governance): Mr Richard Murray	
Corporate Services Group Group General Manager: Mr Steve French Financial and Facilities Management Division General Manager: Mr Rob Donnelly Ministerial and Communications Division General Manager: Ms Mary Balzary	Human Resources Division General Manager: Ms Pamela Henderson Information Management and Technology Services Division General Manager: Mr Peter Alexander
Macroeconomic Group: Executive Director (Domestic), Dr David Gruen	
Macroeconomic Group: Executive Director (International/Special Envoy), Mr Mike Callaghan	
Domestic Economy Division General Manager: Dr Steve Morling Macroeconomic Policy Division General Manager: Mr Tony McDonald Macroeconomic Modelling Division General Manager: Ms Meghan Quinn International and G20 Division General Manager: Mr Bill Brummitt International Finance and Development Division General Manager: Mr Patrick Colmer Overseas Posts Washington Mr David Pearl	Paris Mr Matthew Flavel London Ms Kerstin Wijeyewardene Tokyo Ms HK Holdaway Beijing Mr Adam McKissack Jakarta Mr Neil Richardson New Delhi Mr Matt Crooke
Fiscal Group: Executive Director, Mr Nigel Ray	
Budget Policy Division General Manager: Ms Jan Harris Commonwealth-State Relations Division General Manager: Mr Peter Robinson	Industry, Environment and Defence Division General Manager: Ms Luise McCulloch Social Policy Division General Manager: Mr Chris Foster (A/g)
Revenue Group: Executive Director, Mr Rob Heferen	
International Tax and Treaties Division General Manager: Mr Mike Rawstron Tax Analysis Division General Manager: Ms Maryanne Mrakovcic Business Tax Division General Manager: Mr Paul McCullough Tax System Division General Manager: Mr Gerry Antioch	Personal and Retirement Income Division General Manager: Mr Martin Jacobs (A/g) Indirect Tax Division General Manager: Ms Brenda Berkeley Board of Taxation Secretariat Secretary: Mr Roger Paul
Markets Group: Executive Director, Mr Jim Murphy	
Foreign Investment and Trade Policy Division General Manager: Ms Deidre Gerathy Financial System Division General Manager: Mr John Lonsdale Infrastructure, Competition and Consumer Policy Division General Manager: Mr Paul McBride (A/g) Corporations and Capital Markets Division General Manager: Mr James Chisholm	Retail Investor Division General Manager: Ms Sue Vroombout Standard Business Reporting General Manager: Mr Greg Divall Australian Government Actuary General Manager: Mr Peter Martin Takeovers Panel Director: Mr Allan Bulman

Figure 2: Treasury outcome and program structure (as at 30 June 2011)

Outcome 1:	Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations
Program 1.1: Department of the Treasury	
Macroeconomic Group	Domestic Economy Division Macroeconomic Policy Division Macroeconomic Modelling Division International and G20 Division International Finance and Development Division Overseas Posts
Fiscal Group	Budget Policy Division Commonwealth-State Relations Division Industry, Environment and Defence Division Social Policy Division
Revenue Group	Business Tax Division Indirect Tax Division International Tax and Treaties Division Personal and Retirement Income Division Tax Analysis Division Tax System Division Board of Taxation Secretariat
Markets Group	Foreign Investment and Trade Policy Division Financial System Division Infrastructure, Competition and Consumer Policy Division Corporations and Capital Markets Division Retail Investor Division Standard Business Reporting Australian Government Actuary Takeovers Panel
Treasury support services	Corporate Services Group Organisational Strategy Unit
Program 1.2: Payments to International Financial Institutions	
Macroeconomic Group: International Finance and Development Division	
Program 1.3: Support for Markets and Business	
Markets Group: Financial System Division	
Program 1.4: General Revenue Assistance	
Fiscal Group: Commonwealth-State Relations Division	
Program 1.5: Assistance to the States for Healthcare Services	
Fiscal Group: Commonwealth-State Relations Division	
Program 1.6: Assistance to the States for Government Schools	
Fiscal Group: Commonwealth-State Relations Division	
Program 1.7: Assistance to the States for Skills and Workforce Development	
Fiscal Group: Commonwealth-State Relations Division	
Program 1.8: Assistance to the States for Disabilities Services	
Fiscal Group: Commonwealth-State Relations Division	
Program 1.9: Assistance to the States for Affordable Housing	
Fiscal Group: Commonwealth-State Relations Division	
Program 1.10: National Partnership Payments to the States	
Fiscal Group: Commonwealth-State Relations Division	

Figure 3: Treasury portfolio outcome and program structure (as at 30 June 2011)

<p>Portfolio Minister — Deputy Prime Minister and Treasurer The Hon Wayne Swan MP</p> <p>Assistant Treasurer and Minister for Financial Services and Superannuation The Hon Bill Shorten MP</p> <p>Parliamentary Secretary to the Treasurer The Hon David Bradbury MP</p>	
<p>Department of the Treasury Secretary: Dr Martin Parkinson</p>	
<p>Outcome 1:</p> <p>Program 1.1:</p> <p>Program 1.2:</p> <p>Program 1.3:</p> <p>Program 1.4:</p> <p>Program 1.5:</p> <p>Program 1.6:</p> <p>Program 1.7:</p> <p>Program 1.8:</p> <p>Program 1.9:</p> <p>Program 1.10:</p>	<p>Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations</p> <p>Department of the Treasury</p> <p>Payments to International Financial Institutions</p> <p>Support for Markets and Business</p> <p>General Revenue Assistance</p> <p>Assistance to the States for Healthcare Services</p> <p>Assistance to the States for Schools</p> <p>Assistance to the States for Skills and Workforce Development</p> <p>Assistance to the States for Disabilities Services</p> <p>Assistance to the States for Affordable Housing</p> <p>National Partnership Payments to the States</p>
<p>Australian Bureau of Statistics Statistician: Mr Brian Pink</p>	
<p>Outcome 1:</p> <p>Program 1.1:</p>	<p>Informed decisions, research and discussion within governments and the community by leading the collection, analysis and provision of high quality, objective and relevant statistical information</p> <p>Australian Bureau of Statistics</p>
<p>Australian Competition and Consumer Commission Chairman: Mr Graeme Samuel AC</p>	
<p>Outcome 1:</p> <p>Program 1.1:</p>	<p>Lawful competition, consumer protection, and regulated national infrastructure markets and services through regulation, including enforcement, education, price monitoring and determining the terms of access to infrastructure services</p> <p>Australian Competition and Consumer Commission</p>
<p>Australian Office of Financial Management Chief Executive Officer: Mr Robert Nicholl</p>	
<p>Outcome 1:</p> <p>Program 1.1:</p>	<p>The advancement of macroeconomic growth and stability, and the effective operation of financial markets, through issuing debt, investing in financial assets and managing debt, investments and cash for the Australian Government</p> <p>Australian Office of Financial Management</p>

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

Australian Prudential Regulation Authority	
Chairman: Dr John Laker AO	
Outcome 1:	Enhanced public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety and efficiency, competition, contestability and competitive neutrality
Program 1.1:	Australian Prudential Regulation Authority
Australian Securities and Investments Commission	
Chairman: Mr Greg Medcraft	
Outcome 1:	Improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks
Program 1.1:	Research, policy, compliance, education and information initiatives
Program 1.2:	Enforcement/deterrence
Outcome 2:	Streamlined and cost-effective interaction and access to information for business and the public, through registry, licensing and business facilitation services
Program 2.1:	Legal infrastructure for companies and financial services providers
Program 2.2:	Banking Act and Life Insurance Act, unclaimed moneys and special accounts
Australian Taxation Office	
Commissioner: Mr Michael D'Ascenzo AO	
Outcome 1:	Confidence in the administration of aspects of Australia's taxation and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing noncompliance with the law
Program 1.1:	Australian Taxation Office
Program 1.2:	Tax Practitioners Board
Program 1.3:	Australian Business Register
Program 1.4:	Australian Valuation Office
Program 1.5:	Product Stewardship Waste (Oil) Scheme
Program 1.6:	Cleaner Fuels Grant Scheme
Program 1.7:	Australian Screen Production Incentive
Program 1.8:	Research and Development Tax Offset
Program 1.9:	Private Health Insurance Rebate
Program 1.10:	Superannuation Coordination Scheme
Program 1.11:	Superannuation Guarantee Scheme
Program 1.12:	Fuel Tax Credits Scheme
Program 1.13:	Education Tax Refund
Program 1.14:	National Urban Water and Desalination Plan
Program 1.15:	National Rental Affordability Scheme
Program 1.16:	First Home Saver Accounts
Program 1.17:	Baby Bonus
Program 1.18:	Interest on Overpayment and Early Payments of Tax
Program 1.19:	Bad and Doubtful Debts and Remissions
Program 1.20:	Other Administered
Commonwealth Grants Commission	
Secretary: Mr John Spasojevic	
Outcome 1:	Informed Government decisions on fiscal equalisation between the States and Territories through advice and recommendations on the distribution of GST revenue and health care grants
Program 1.1:	Commonwealth Grants Commission

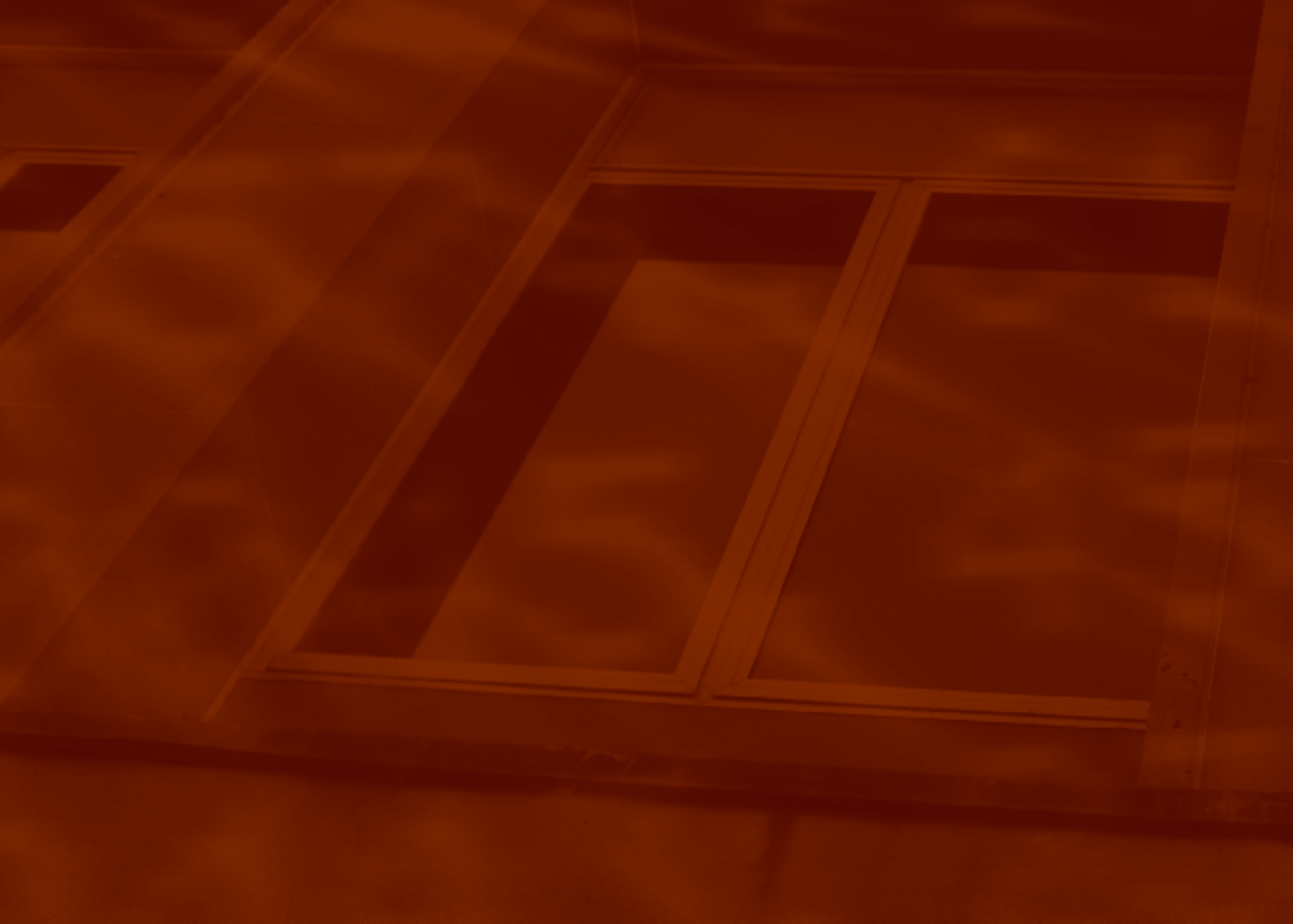
Figure 3: Treasury portfolio outcome and program structure (continued)

Corporations and Markets Advisory Committee	
Convenor: Ms Joanne Rees	
Outcome 1:	Informed decisions by Government on issues relating to corporations regulation and financial products, services and markets through independent and expert advice
Program 1.1:	Corporations and Markets Advisory Committee
Inspector-General of Taxation	
Inspector-General: Mr Ali Noroozi	
Outcome 1:	Improved tax administration through community consultation, review and independent advice to Government
Program 1.1:	Inspector-General of Taxation
National Competition Council	
President: Mr David Crawford	
Outcome 1:	Competition in markets that are dependent on access to nationally significant monopoly infrastructure, through recommendations and decisions promoting the efficient operation of, use of and investment in infrastructure
Program 1.1:	National Competition Council
Office of the Auditing and Assurance Standards Board	
Chairman: Ms Merran Kelsall	
Outcome 1:	The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements
Program 1.1:	Auditing and Assurance Standards Board
Office of the Australian Accounting Standards Board	
Chairman: Mr Kevin Stevenson	
Outcome 1:	The formulation and making of accounting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions
Program 1.1:	Australian Accounting Standards Board
Productivity Commission	
Chairman: Mr Gary Banks AO	
Outcome 1:	Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective
Program 1.1:	Productivity Commission
Royal Australian Mint	
Chief Executive Officer: Mr Ross MacDiarmid	
Outcome 1:	The coinage needs of the Australian economy, collectors and foreign countries are met through the manufacture and sale of circulating coins, collector coins and other minted like products
Program 1.1:	Royal Australian Mint

PART TWO

REPORT ON PERFORMANCE

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INTRODUCTION

The report on performance covers the Treasury's departmental and administered items for 2010-11.

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

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

The Treasury's 2010-11 performance is reported at the program level for its policy outcome:

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

Performance outcomes for each program are reported against the objectives, deliverables and key performance indicators published in the *Treasury Portfolio Budget Statements 2010-11* and the *Treasury Portfolio Additional Estimates Statements 2010-11*.

The key strategies for 2010-11 are to provide advice on:

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

- administration of a range of payments to the States and Territories which are reported in Programs 1.4 to 1.10.

An assessment of this advice is included under each program.

PROGRAM 1.1: DEPARTMENT OF THE TREASURY

The Treasury has four policy groups that contribute to the achievement of program 1.1:

- Macroeconomic Group;
- Fiscal Group;
- Revenue Group; and
- Markets Group.

These groups are supported by Treasury support services that provide key services to assist with systems and facilities which provide essential support and organisational backup to the policy groups.

PROGRAM OBJECTIVE

The objectives of program 1.1 are to:

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

PROGRAM KEY PERFORMANCE INDICATORS

The key performance indicators are:

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

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

MACROECONOMIC GROUP

Overview

Macroeconomic Group contributed to a strong macroeconomic environment in Australia by providing quality policy advice and sound analysis of both domestic and international developments affecting the Australian economy. The Group advised the Government on a wide range of matters relating to the performance of the Australian economy, including current economic conditions and the outlook for the Australian economy, monetary and fiscal policies, and current and prospective international economic issues.

Macroeconomic Group examined the implications of a multiple speed global economy, the evolving sovereign debt crisis in Europe, natural disasters at home and abroad, conservative household spending behaviour and the effect of Australia's high terms of trade and appreciating exchange rate on growth in the mining and non-mining sectors.

Macroeconomic Group continued to contribute to improving the global economic environment and advancing Australia's domestic and international interests. The Group provided high quality economic analysis and advice, supported active Australian engagement with global and regional forums, helped utilise Australia's strong bilateral relationships and deployed Treasury staff to overseas posts. The Group expanded its strategic analysis and advice on developments within key regional partners, particularly China and India.

Macroeconomic Group, through active engagement with the G20, advanced important initiatives including strengthening the legitimacy, credibility and effectiveness of international financial institutions, strengthening international standards for the regulation of the financial system, contributing to a strong, sustainable and balanced global economy and improving international development outcomes.

Through its activities, Macroeconomic Group assisted Treasury ministers in their work and contributed to improving the wellbeing of the Australian people.

Group deliverables

Macroeconomic Group's key deliverables are to advise on:

- domestic and international developments affecting the Australian economy and forecasts of the direction of the Australian and international economies;
- the setting of sound macroeconomic policies in the current environment;
- Australia's involvement in the G20 processes, particularly in regard to the G20 Framework for Strong, Sustainable and Balanced Growth, to develop better cooperation on common international policy challenges;
- supporting and enhancing the effectiveness of international financial institutions, particularly the International Monetary Fund (IMF) and World Bank;
- ongoing work with the Indonesian Government through the Australia-Indonesia Partnership for Reconstruction and Development;
- improving the linkages between the priorities of the G20, the Asia-Pacific Economic Cooperation (APEC), Asia-Europe Meeting and East Asia Summit processes;
- ongoing deeper economic engagement strategies with China and India, reflecting the importance of these countries in the international economy; and
- supporting government initiatives to develop well-functioning economic ministries in the southwest Pacific.

Group outcomes

Macroeconomic Group's key outcomes were:

- providing analysis, preparing macroeconomic forecasts, and assisting in the formulation of policy solutions, taking into account domestic and international fiscal consolidation, the evolving sovereign debt crisis in Europe, Australia's high terms of trade and exchange

rate appreciation, the impacts of natural disasters, the uneven global economic recovery and structural reform challenges;

- contributing to the Clean Energy Future package and the formulation of the *Strong growth, low pollution: modelling a carbon price* (SGLP) report;
- delivering presentations and published material, including economic forecasts and analysis, in budget papers, the Treasury's *Economic Roundup* and working papers to increase public awareness of economic issues and developments;
- assisting the Government to manage and influence changing global conditions and advance Australia's international economic interests through engagement with international and regional institutions and forums, including the G20 and the Financial Stability Board; and
- broadening and deepening engagement with key Asian and Pacific economies through policy dialogue, cooperation, research and capacity building.

Analysis of performance

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During 2010-11, the Treasury advised the Deputy Prime Minister and Treasurer, other members of government and relevant stakeholders on a range of macroeconomic issues:

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

Economic modelling

The Treasury's economic modelling contributed to the development of evidence based policy analysis. Economic modelling, such as computable general equilibrium modelling, provides a mechanism by which complex implications of policies across the whole economy can be assessed and used to inform policy design.

In 2010-11, the Treasury modelled the impacts of carbon pricing to inform the development of the Government's Clean Energy Future package. Comprehensive modelling of the international, domestic, sectoral and distributional effects of a carbon price was published on 10 July 2011 in the SGLP report.

The Treasury worked closely with the Department of Climate Change and Energy Efficiency to produce Australia's greenhouse gas emission projections.

Economic forecasting

Economic forecasts prepared by the Treasury informed policy settings and underpinned the calculation of expenditure and revenue budget estimates. For policy formulation purposes, macroeconomic forecasts provide an assessment of prospective developments within the economy and the risks surrounding the economic outlook.

The Treasury discussed economic forecasts with the Joint Economic Forecasting Group. This group, chaired by the Treasury, comprises the Reserve Bank of Australia (RBA), the Department of the Prime Minister and Cabinet, the Department of Finance and Deregulation, and the Australian Bureau of Statistics (ABS). These discussions, together with information gained from liaison with the private sector and other departments, helped in the development of the forecasts. Forecasts from the Treasury's macroeconomic model of the Australian economy, TRYM, contributed to the forecasting process, and sensitivity analysis conducted using the model helped inform policy advice.

Treasury officials liaised extensively with the ABS, both formally through ongoing representation on the Australian Statistics Advisory Council and the Economic Statistics User Group, and informally through regular discussions, to review economic data and ensure its accuracy for use in economic forecasting activities.

The Treasury's forecasting activity focused on 2010-11, 2011-12 and 2012-13 with forecasts published in the 2010-11 MYEFO and the 2011-12 Budget.

2011-12 Budget papers

The Treasury contributed to public awareness and debate on economic policy issues through its economic analysis in the annual budget papers, the 2010-11 MYEFO and the 2010 PEFO statements.

Published forecasts in PEFO, MYEFO and the 2011-12 Budget were accompanied by an update on the economic outlook to help inform the public of key developments in the domestic and international economies and their likely effects on short-term economic growth.

The 2011-12 Budget forecasts reflected uneven economic conditions. Strong demand for global natural resources were seen to drive a high terms of trade and a rapid expansion in mining investments and exports, while the appreciation of the Australian dollar, legacy effects of the global financial crisis, cautious consumer behaviour and tighter fiscal and monetary policy were seen to weigh on the non-natural resource sectors of the economy. Forecasts for 2011-12 were largely unchanged in the 2010-11 MYEFO and revised downwards in the 2011-12 Budget. This reflected the negative impact of natural disasters on the economy and weakness in household demand.

Statement 2 of Budget Paper No. 1, *Economic Outlook* provided a comprehensive report on the domestic and international outlook. The paper outlined a favourable medium-term outlook, with strong economic conditions in the region supporting Australia's terms of trade and non-rural exports. Natural disasters were expected to have a temporary impact on

Australia's economic growth in the first half of 2011. It was recognised that conditions would remain challenging in those sectors that are not benefitting — either directly or indirectly — from the resources boom.

Statement 4 of Budget Paper No. 1, *Opportunities and Challenges of an Economy in Transition* outlined the changing international economic landscape, including Asia's re-emergence and the influence this development will have on the structure of the Australian economy. Beyond strong demand for mineral resources, the paper predicted that the rise in the Asian middle class will drive global consumer markets and lead to broader economic opportunities for Australia. The paper suggested that nurturing policy settings that build productive capacity and maintain flexibility are key to ensuring lasting prosperity and a rise in living standards.

Economic publications and speeches

- The Treasury's *Economic Roundup* included research articles and speeches that provided detailed analysis and policy recommendations on commodity price volatility, the Australian banking system, economic and financial trends over the next 15 years, taxation, superannuation, economic forecasting, fiscal policy and the structural budget balance, the 2010 Intergenerational report, transport investment, China and mineral resource demand, as well as a regular summary of the key findings from the Treasury's Business Liaison Program.
- Senior Treasury officials encouraged broader understanding of domestic and international macroeconomic issues by speaking with a range of organisations on topics including the economic outlook, national savings, macroeconomic forecasting, sustaining growth in living standards, the resources boom and structural change, climate change mitigation, and the challenges facing Australia over the next decade. The speeches were delivered to organisations including the Australian Chamber of Commerce and Industry, the Australia and New Zealand School of Government, the Committee for Economic Development of Australia, CPA Australia, the Australian Business Economists, Skills Australia, the Economics Society of Australia and the Melbourne Institute Public Economics Forum.

International policy advice

The Treasury worked towards enhancing international economic cooperation, particularly through the G20, helped advance Australia's international priorities, and provided high quality economic analysis and advice on the implications for the Australian economy of international developments, including the evolving European sovereign debt crisis and the weak US economic recovery.

To achieve these outcomes, the Treasury supported active Australian participation in global and regional forums, assisted the Deputy Prime Minister and Treasurer at international meetings, and helped strengthen bilateral relations. Treasury officials posted to Washington DC, London, Beijing, Jakarta, Tokyo and the Organisation for Economic Cooperation and Development (OECD) contributed to analysis on regional economic and policy developments, helped strengthen relations with key institutions in their countries of accreditation and facilitated high-level meetings.

G20

The Treasury worked with the Deputy Prime Minister and Treasurer to shape the G20 agenda and influence the outcomes of the G20 Seoul Leaders' Summit and the three G20 Finance Ministers and Central Bank Governors' meetings held during 2010-11. During 2010, an official from the Treasury was seconded to the Korean G20 Secretariat to assist with preparations for the Seoul Summit.

The Treasury co-chaired the G20 Working Group on IMF Quota and Governance Reform (with South Africa). This working group advised G20 Finance Ministers and Leaders on reforming the IMF's governance structure to enhance its legitimacy and effectiveness. These reforms were endorsed by G20 Leaders at the Seoul Summit and agreed by IMF Governors in December 2010. The Treasury also supported financial inclusion by co-chairing (with Brazil) the G20 Access Through Innovation sub-group of the G20 Financial Inclusion Experts Group. The Treasury was also actively involved in the G20 working groups dealing with strengthening the Framework for Strong, Sustainable and Balanced Growth, reforming the international monetary system, reducing excessive commodity price volatility and strengthening international development outcomes.

The Treasury supported and provided advice on agreed G20 outcomes including a modernised IMF with greater representation for dynamic emerging market and developing countries; and measures to strengthen the international financial system, including new bank capital and liquidity standards.

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Financial Stability Board (FSB)

The Treasury participates in the Plenary Meetings of the FSB and is a member of the FSB's Standing Committee on Standards Implementation. The committee is responsible for promoting and improving adherence to international prudential, supervisory and regulatory standards. The Treasury chaired the FSB peer review of the Mexican financial system, and advised the Government on the key issues considered by the FSB, including the FSB's peer review of the Australian financial system (due to be released before the end of 2011).

International financial institutions

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

During 2010-11, the Treasury ensured that Australia fulfilled its commitment, as agreed by G20 Leaders, to increase the resources available to the IMF through expanding the IMF's ability to supplement its quota resources by borrowing from member countries and institutions under the New Arrangements to Borrow. The Treasury supported the World Bank Group's role in improving the living standards of the world's poor by providing advice to the World Bank's Executive Board and supporting Australia's attendance at the World Bank Spring and Annual meetings.

The Treasury provided advice on key World Bank Group developments during 2010-11, including the Sixteenth Replenishment of the International Development Association,

and assisted in the development of the *International Financial Institutions Legislation Amendment Act 2010*. This allowed for Australia's subscription to the International Bank for Reconstruction and Development capital increases, and adoption of amendments to the International Finance Corporation Articles of Agreement and the Convention Establishing the Multilateral Investment Guarantee Agency.

Regional development banks

The Treasury continued to support the Asian Development Bank's (ADB) efforts to promote development in the Asia-Pacific region. The Treasury encouraged strong contributions to the next replenishment of the Asian Development Fund and supported reforms underway at the ADB as well as the re-election of the ADB President Kuroda.

The Treasury further supported the European Bank for Reconstruction and Development (EBRD) work to help economies in Europe and Central Asia transition to open, market economies. The Treasury contributed to the decision making process at the EBRD through representation on the Board of Directors.

Official development assistance

The Treasury provided advice on general development and aid issues including Australia's multilateral and bilateral aid programs, new expenditure initiatives, and the framework for Australia's aid budget. The Treasury worked closely with the Australian Agency for International Development (AusAID) on the Independent Review of Aid Effectiveness. The Treasury also participated in the Development Effectiveness Steering Committee, an interdepartmental committee convened to assist in strengthening the effectiveness of Australia's overseas development assistance.

Relations with Asia

Towards strengthening Australia's understanding of regional economic developments and to improve effectiveness and linkages between the G20 and regional forums, the Treasury continued to broaden and deepen its engagement with key regional organisations and partners by:

- working to improve the effectiveness of the APEC Finance Ministers' Process and supporting Australia's engagement with the Asia-Pacific region by delivering a capacity building workshop on the APEC Infrastructure Pathfinder Initiative, launching the APEC Pilot Public Private Partnerships Mentoring Scheme, and undertaking technical workshops to build support for the Asia Regional Fund Passport;
- working to strengthen regional financial cooperation through the East Asia Summit process and delivering workshops focusing on strengthening the institutional development and functioning of securities market supervisory agencies in Laos, Cambodia and Vietnam;
- supporting the attendance of the Deputy Prime Minister and Treasurer at meetings with senior Chinese officials in Beijing including the Vice Premier, the Chairman of the National Development and Reform Commission, the Governor of the People's Bank of China, the Minister of Finance, and the Chairman of the China Investment Corporation; supporting

the hosting of the Chairman of the National Committee of the Chinese People's Political Consultative Conference as a Guest of Government; hosting an annual bilateral Macroeconomic Dialogue and co-hosting a forecasting workshop with China's State Information Centre in Beijing; recognising the growing importance of China to Australia by setting up a China policy unit to improve the understanding and quality of analysis on economic developments in China;

- participating in the third annual India-Australia economic policy dialogue with the Indian Ministry of Finance and establishing a new position of Minister-Counsellor (Economic) at the Australian High Commission in New Delhi to facilitate Australia's international engagement and contribute to the provision of quality economic advice;
- assisting the Deputy Prime Minister and Treasurer's hosting of Indonesia's Vice President during his Guest of Government visit to Australia and deepening relations with the Fiscal Policy Office of the Indonesian Ministry of Finance through the Government Partnership Fund to strengthen Indonesian economic policy advising capabilities and develop lasting institutional relationships with the Ministry;
- participating in the seventh annual economic policy dialogue hosted by the Japanese Ministry of Finance; and
- supporting the Deputy Prime Minister and Treasurer's attendance at the Korea-Australia Business Dialogue and meeting with counterparts from the Korean Ministry of Strategy and Finance at the Australia-Korea Strategic Economic Dialogue.

Relations with the Pacific

The Treasury continued to promote economic management and development in the Pacific by providing advice to Pacific Economic Ministers. The Treasury supported the attendance of the Parliamentary Secretary to the Treasurer at the 2010 Pacific Islands Forum Economic Ministers' Meeting.

The Treasury advised ministers and agencies on economic and fiscal issues relating to the Pacific, particularly the Solomon Islands and Papua New Guinea (PNG), where deployed officials work to build sustainable and effective economic ministries. The Treasury also provided support to Vanuatu and the Seychelles through seconded officials to AusAID.

The Treasury provided assistance to PNG, under the *Joint Understanding between PNG and Australia on further cooperation on the PNG Liquefied Natural Gas Project*, to assist PNG in considering the establishment of a transparent and well governed sovereign wealth fund.

The Treasury hosted three officials from the Pacific region (two from PNG and one from the Solomon Islands) and also supported two officials from the Australian Treasury to the PNG Treasury for short-term programs.

FISCAL GROUP

Overview

Fiscal Group aims to ensure government spending arrangements are effective. This is crucial to influencing strong sustainable economic growth and the improved wellbeing of Australians. Ongoing advice to portfolio ministers from the Treasury assists in formulating, implementing and explaining government spending decisions. Fiscal Group provides advice on:

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

Fiscal Group is also involved in preparing the Commonwealth Budget and other financial related papers required under the Charter, including the intergenerational report.

Fiscal Group works with other departments and agencies to develop and provide policy advice to Treasury portfolio ministers and the Government on industry, climate change and environment, and defence and national security. Fiscal Group also works with other departments in areas such as early childhood and families, education and skills, social housing, Indigenous policy, labour markets, immigration and health policy. While other departments have primary responsibility for policy and programs in these areas, Fiscal Group focuses on improving productivity and competitiveness and ensuring sustainable economic growth, taking account of fiscal policy objectives and broader issues relating to wellbeing.

During 2010-11, the Treasury participated in a wide range of policy development processes, worked with other agencies to develop policy approaches, including the Government's Clean Energy Future package, provided advice for Cabinet ministers, and briefed the Deputy Prime Minister and Treasurer for his participation in Cabinet and the budget processes. Fiscal Group also assisted in preparing briefings for other Treasury portfolio ministers.

Fiscal Group provided advice on Commonwealth-State financial policy, arrangements related to state and territory fiscal and tax issues, and managed the administration of payments to the States and Territories (the States). Since 1 January 2009, under the Intergovernmental Agreement, the Treasury has been responsible for administering National Specific Purpose Payments (National SPPs), National Partnership payments, goods and

services tax (GST) payments and other general revenue assistance to the States. Details of these payments can be found in programs 1.4 to 1.10 on pages 91 to 104.

Group deliverables

Fiscal Group's key deliverables are to advise on:

- fiscal strategy which aims to ensure fiscal sustainability over the economic cycle;
- effective government spending arrangements which contribute to improving the wellbeing of Australians;
- strategies that address intergenerational challenges, including social, fiscal and environmental sustainability; and
- Commonwealth-State financial relations, including the progress of the Council of Australian Government's (COAG) reform agenda.

Fiscal Group also coordinates the preparation of the Commonwealth Budget and other documents required under the Charter and supports Commonwealth-State relations through the coordination and delivery of various Commonwealth-State forums.

In addition, Fiscal Group also provides secretariat support to the GST Distribution Review and to the Advisory Panel on the Economic Potential of Senior Australians.

Group outcomes

Fiscal Group's key outcomes were:

- advising on the Clean Energy Future package;
- advising on the fiscal outlook and on delivering the Government's fiscal strategy;
- advising on budget priorities consistent with the medium-term fiscal strategy;
- preparing, with the Department of Finance and Deregulation, the 2010 Economic Statement and the 2010 PEFO (July 2010), the Final Budget Outcome 2009-10 (September 2010), the 2010-11 MYEFO (November 2010) and the 2011-12 Budget (May 2011);
- advising the Deputy Prime Minister and Treasurer, in consultation with the Australian Office of Financial Management (AOFM), on debt issuance and debt policy issues, including the future of the Commonwealth Government Securities (CGS) market and the Government's financing needs;
- advising on operational issues relating to the Future Fund and the three Nation-building Funds;
- advising on issues associated with the development of a Parliamentary Budget Office;
- continuing to implement the framework for federal financial relations which commenced on 1 January 2009, including advising on the development of new National Partnerships and other agreements;

- payments to the States totalling over \$85 billion including five National SPPs in healthcare, schools, skills and workforce development, disability services and affordable housing, GST payments and other general revenue assistance and National Partnership payments;
- providing secretariat support for the Ministerial Council for Federal Financial Relations on policy issues relevant to both the Australian Government and the States;
- providing secretariat support to the GST Distribution Review;
- advising on, and monitoring the First Home Owners Boost and the Guarantee of State and Territory Borrowing;
- providing assistance in the development of the sustainable population strategy;
- providing secretariat support for the Advisory Panel on the Economic Potential of Senior Australians;
- advising on industry, climate change and environment, and defence and national security. The Treasury was engaged in a diverse range of issues and processes, including climate change mitigation and adaptation policy; and
- advising on social, education, Indigenous, labour market, immigration and health policy, including contributing to the development of the *National Health Reform Agreement*, providing advice on the development of the Building Australia's Future Workforce package in the 2011-12 Budget, several reforms to immigration policy and Indigenous policy. Fiscal Group also worked with other agencies to progress the service delivery reform in the Human Services Portfolio and progress government reforms in relation to problem gambling.

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Analysis of performance

Advice on the fiscal and budget strategies

During 2010-11, the Treasury provided advice to the Deputy Prime Minister and Treasurer and other portfolio ministers on the Australian Government's budget position over the forward estimates and medium-term to inform overall policy settings and provide the context for the Government's decision making. The fiscal outlook was updated in the 2010-11 MYEFO and the 2011-12 Budget.

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

The 2010-11 MYEFO was released by the Deputy Prime Minister and Treasurer and Minister for Finance and Deregulation on 9 November 2010. This updated the fiscal estimates published in the 2010-11 Budget.

The 2011-12 Budget, published in May 2011, reported that the budget was still on track to return to surplus in 2012-13, despite the significant economic impact of natural disasters in 2010-11.

The Treasury assisted the Government in implementing its fiscal strategy by managing budget processes and advising the Deputy Prime Minister and Treasurer on the overall budget strategy and priorities. In particular, the Treasury provided advice to the Government on the medium-term fiscal strategy in the context of returning the budget to surplus once economic growth is at or above trend.

Contribution to public debate and awareness

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.

The Treasury and the Department of Finance and Deregulation jointly prepare the Government's budget documentation. The Treasury also prepares accessible summaries for non-specialist readers. This year, these were the *Budget Overview*, *Budget at a Glance*, *Building Australia's Future Workforce: trained up and ready for work*, *Delivering better hospitals, mental health and health services*; and *Investing in Australia's Regions*.

Generally, the 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;
- tax revenue estimates;
- tax expenditure estimates; and
- the conduct of Commonwealth-State financial relations.

Reporting requirements are set out in the Charter 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 before 31 January and a final budget outcome the following September.

The *Final Budget Outcome 2009-10* was published in September 2010. In 2009-10, the Australian Government general government sector recorded an underlying cash

deficit of \$54.8 billion. This outcome was around \$2.3 billion better than estimated at the 2010-11 Budget, reflecting lower than expected cash receipts and lower than expected cash payments.

Information on the Government's financial relations with State and Local Governments is in the 2011-12 Budget, Budget Paper No. 3, *Australia's Federal Relations*. This paper, produced by the Treasury, is the main public source of information on Australian Government payments to the States and Local Governments. It also informs the States of their expected payments in the upcoming financial year.

This budget paper also includes information on fiscal developments in the states, as well as any policy changes affecting the relationship between the Australian and State Governments.

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

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

Debt management policy

In consultation with the AOFM, the Treasury provided advice to the Deputy Prime Minister and Treasurer on debt issuance and debt policy issues. This included advice on the future of the CGS market, drawing on the deliberations of a panel of financial market participants and financial regulators.

In the 2011-12 Budget, the Government clarified its objectives with regard to the future of the CGS market. Maintaining liquidity in the CGS market to support the three and ten year bond futures market will continue to be the Government's primary objective, in particular as Australian banks prepare for the 2015 commencement of the Basel III liquidity requirements.

Treasury Bond issuance in 2011-12 is expected to be around \$51 billion. The face value of securities offered at each tender will be between \$500 million and \$1.2 billion. In addition, Treasury Notes will be offered at regular tenders to support the within-year financing task. It is planned at least \$10 billion of Treasury Notes on issue will be kept at all times so as to maintain a liquid market. In 2011-12, Treasury Indexed Bond issuance is expected to be around \$2 billion. Specific details of the Government's forward debt issuance program in 2011-12 are on the AOFM website at www.aofm.gov.au.

The Treasury also provided, along with the AOFM, advice on an efficient and effective issuance program, and managing and optimally structuring the debt portfolio. The Treasury also provided advice to the Deputy Prime Minister and Treasurer on issues affecting the Government's debt management operations including the performance and functioning of the Commonwealth debt market, Future Fund and Nation-building Funds.

Future Fund and Nation-building Funds

During 2010-11, the Treasury continued to provide policy advice to portfolio ministers on operational issues relating to the Future Fund and the three Nation-building Funds. Further information regarding the performance of the Future Fund is at www.futurefund.gov.au.

Australia's Federal Financial Relations

The Commonwealth is working in partnership with the States in a number of key reform areas benefitting all Australians. Significant progress has been made in implementing the reform agenda through the Intergovernmental Agreement. The framework has proved to be flexible and able to facilitate reform activity, including health reform.

A review of agreements under the framework was conducted by Heads of Treasuries over the course of 2010. The review was considered by COAG at its February 2011 meeting. A key finding of the review is that the underlying principles of the Intergovernmental Agreement provide a strong foundation for pursuing the COAG reform agenda. Still, while significant work has been undertaken by all levels of government to implement the Intergovernmental Agreement, some challenges remain.

The review found that the Intergovernmental Agreement's underlying principles should be strengthened where necessary to sharpen the focus on outcomes, improve responsiveness and enhance public accountability. The outcomes of the review provide a basis for addressing the challenges that remain, to ensure that the federal financial relations framework remains sustainable and mutually beneficial. Implementation of the review's recommendations has commenced.

General revenue assistance

Under the Intergovernmental Agreement, the Commonwealth makes payments to the States equivalent to the revenue received from the GST. GST revenue is paid on a monthly basis, distributed in accordance with relativities determined by the Deputy Prime Minister and Treasurer, following recommendations by the Commonwealth Grants Commission and discussion at the Ministerial Council meeting.

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

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

Details on general revenue assistance are provided under Program 1.4 on pages 91 and 92.

Payments for Specific Purposes (National SPPs and National Partnerships)

The five National SPPs are in healthcare, schools, skills and workforce development, disability services and affordable housing. These are associated with six national agreements, including the *National Indigenous Reform Agreement*, which contain mutually-agreed objectives, outcomes and performance indicators, and which clarify the roles and responsibilities that guide the Commonwealth and the States in the delivery of services in these sectors.

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

Details on National SPPs and National Partnerships are provided under Programs 1.5 to 1.10 on pages 93 to 104.

Ministerial Council for Federal Financial Relations

The Ministerial Council, comprising the Commonwealth Treasurer and all State and Territory Treasurers, considers ongoing reform of federal financial relations and oversees the Intergovernmental Agreement. The Treasury advised the Deputy Prime Minister and Treasurer in relation to these matters and provided secretariat support to the Ministerial Council. The website for the Ministerial Council is www.federalfinancialrelations.gov.au.

At Ministerial Council meetings held in 2010-11, Treasurers focused on the key issues: monitoring the state and national economies; monitoring progress under the COAG reform agenda; and considering the financing aspects of the health reforms.

GST Distribution Review

On 30 March 2011, the Commonwealth Government announced a review of the distribution of the GST (the Review).

The Review will consider whether the distribution of the GST and the current form of horizontal fiscal equalisation will ensure that Australia is best placed to respond to long-term trends and structural change in the economy while maintaining confidence in the financial relationships within the Australian Federation.

The Review is being conducted by the Hon Nick Greiner AC, the Hon John Brumby and Mr Bruce Carter and will present its final report to the Deputy Prime Minister and Treasurer by September 2012, with an interim report to be provided by February 2012. The Treasury has established a secretariat to support the Review. The secretariat includes officials seconded from the Commonwealth Grants Commission and State Treasuries.

In 2010-11, the panel commenced its first round of consultations with States and Territories. On 1 July 2011 it released an Issues Paper seeking public submissions, due 14 October 2011.

Further information on the Review is available online at www.gstdistributionreview.gov.au.

Australian Loan Council

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

In 2009-10, the Loan Council expanded to include reporting on the macroeconomic implications of infrastructure investments, and to take on an oversight function of the Commonwealth guarantee of State and Territory borrowing.

Heads of Treasuries

At the Heads of Treasuries meetings, the treasuries of the Australian and State Governments share information on common issues. The Secretary to the Treasury and his state counterparts met five times in 2010-11 to discuss the general operation of the Federal Financial Relations framework, current economic conditions and the fiscal outlook, and tax and financial issues.

GST Administration Sub-committee

The Treasury chairs this sub-committee, which comprises officials from the Treasury, the ATO and State Treasuries. The sub-committee met once in 2010-11. The sub-committee assisted the Ministerial Council in the development of a revised performance agreement that will continue to be monitored and discussed GST revenue and payments, GST policy and administrative issues.

Industry, Climate Change and Environment, and Defence and National Security

Industry and regional policy

The Treasury advised on industry assistance, export assistance, science and innovation, arts, sports and regional policy issues. This included advice on publicly funded science and science workforce matters, and the development of a National Cultural Policy.

The Treasury also participated in interdepartmental committee meetings and forums during 2010-11, including the implementation of the national tourism strategy, the Government's response to the Productivity Commission's review of Australia's Anti-Dumping and Countervailing System, progressing the Murray-Darling Basin Plan, development of the sustainable population strategy, the strategic review of Geoscience Australia, and Export Finance and Insurance Corporation proposals.

Climate change and environment policy

The Treasury advised the Deputy Prime Minister and Treasurer on climate change issues, including carbon pricing and the Clean Energy Future package, low emissions technologies and energy efficiency, renewable energy and alternative fuels, energy security and international engagement on climate change issues.

The Treasury worked closely with the Department of Climate Change and Energy Efficiency on the design of the Clean Energy Future package. It advised on the design of the scheme and the production of the documentation surrounding the announcement of the scheme. The Treasury also provided advice on the design of the assistance package for households and industry.

The Treasury also advised the Deputy Prime Minister and Treasurer on environmental and agricultural issues including environmental stewardship and protection, waste policy, biosecurity, drought policy and natural resource management issues.

The Treasury's advice covered the temporary suspension of live cattle exports, the Government's response to the Montara commission of inquiry, and Australia's Antarctic Territory. Additional advice was on specific agricultural commodity issues including wheat, fisheries, logging and other primary industries.

During 2010-11, the Treasury also contributed to interdepartmental committees dealing with water policy, marine protected areas, forestry, biosecurity and drought.

42 Defence and National Security policy

The Treasury advised on a range of defence and national security issues, including the Coordinated National Security Budget process and advice to support the Secretary in his role as a member of the Defence Strategic Reform Advisory Board.

The Treasury has continued to participate in the Secretaries' Committee on National Security that examines and advises on proposals considered by the National Security Committee of Cabinet. It also participated in interdepartmental processes concerning Defence Capability Plan projects, Defence estate, and various aspects of domestic security arrangements.

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

Social policy

During 2010-11, the Treasury:

- worked with other agencies to develop a package of assistance for households to accompany the introduction of a carbon price;
- worked with other agencies to progress the Government's problem gambling reforms;
- worked with other agencies to progress the Social Inclusion agenda, including the Government's approach to reducing homelessness;
- provided policy advice on the Commonwealth response to the natural disasters of the 2010-11 summer, and on natural disaster recovery policy more broadly;
- provided policy advice supporting the development of the child care reforms announced in the 2010-11 Budget, and was involved in the implementation of the Government's Paid Parental Leave scheme;

- participated in the Steering Committee for the Review of Military Compensation Arrangements; and
- worked with other agencies to develop the Building Australia's Future Workforce package of measures to support participation in the labour market and skills development.

Education policy

The Treasury undertook further significant work on skills policy during 2010-11, working collaboratively with the Department of Education, Employment and Workplace Relations (DEEWR) and other departments on skills policy advice, such as the Building Australia's Future Workforce package of measures announced in the 2011-12 Budget. The department also worked collaboratively to ensure effective implementation of a range of election commitments in relation to schools and higher education policy.

Indigenous policy

The Treasury played a significant role in providing advice on Indigenous policy. The Treasury was involved in cross-departmental work on the Government's commitment to closing the gap in Indigenous disadvantage. The Treasury has focused on the COAG Reform Agenda and the Single Indigenous Budget Submission process. The Treasury also worked closely with other agencies, states and territories and the Productivity Commission to finalise and release the first Indigenous Expenditure Report for COAG.

Labour market programs and participation

The Treasury advised on a range of employment and participation issues, including the Building Australia's Future Workforce package to support improved labour force participation of key groups, as well as working with DEEWR on the future improvements to employment services delivered through Job Services Australia and Disability Employment Services.

Workplace relations

The Treasury worked closely with DEEWR to develop a whole-of-government approach to the 2011 Minimum Wage Review and prepare submissions to the Minimum Wage Panel's final minimum wage decision.

Immigration policy

Advice was provided on several reforms to immigration policy that the Government progressed, including those arising from the review of the Migration Occupations in Demand List, the review of the General Skilled Migration points test and the changes to the composition of the 2010-11 Migration Program. The reforms were designed to enhance the contribution of immigration to the productive capacity of the economy and help to address emerging demands for skilled labour during the economic recovery.

Health policy

A National Health Reform Agreement was finalised with all States and Territories in August 2011. The Treasury assisted in developing the *National Health Reform Agreement*, including the reforms to the financial framework and the modelling of healthcare costs.

The Treasury worked closely with other agencies to develop a *National Mental Health Reform* package for the 2011-12 Budget. A cornerstone of this package was better coordination and integration of mental health services and a greater focus on prevention and early intervention initiatives for children and youth.

The Treasury also advised the Treasurer on Medicare, the Pharmaceutical Benefits Scheme, the Medicare Benefits Schedule, private health insurance, and aged and community care.

Australian Government Service Delivery Reform

The Treasury worked closely with other policy agencies in progressing the Government's commitments to service delivery reform in the Human Services Portfolio, and contributed to developing a more strategic approach to managing fraud and compliance efforts across health and social welfare payments.

Advisory Panel on the Economic Potential of Senior Australians

The Treasury provided secretariat support to the Advisory Panel on the Economic Potential of Senior Australians to prepare a series of reports to government and conduct targeted consultations.

REVENUE GROUP

Overview

Revenue Group aims to contribute to effective taxation and retirement income arrangements that are crucial to the Government's objectives for the economy and the wellbeing of Australians. Contributing to better tax policy and better tax law are key elements of the Treasury's role as a central policy agency.

Revenue Group has primary responsibility for providing high-quality advice to Treasury portfolio ministers on tax and retirement income policies and legislation. The Treasury designs policy options and legislative proposals to make the Australian tax system more efficient, fair and transparent, and minimise compliance and administration costs. Advice is formulated through an integrated process, which includes consultation with business and community bodies, and close cooperation with the ATO and relevant Commonwealth departments.

During 2010-11, tax and retirement income policy considerations were integral to the Treasury's advice to assist the Government to improve the tax and transfer system. Revenue Group developed legislation giving effect to measures announced in the 2010-11 and 2011-12 Budgets to ensure the budget's sustainability, including bringing certain alternative fuels used for transport purposes into the fuel taxation regime, removing minors' eligibility for the low income tax offset on unearned income, phasing out the dependent spouse tax offset, and making changes to the statutory formula method used to value car fringe benefits. Revenue Group also developed medium term revenue projections as an input to the medium term analysis undertaken in Statement 3 of Budget Paper No. 1, *Fiscal Strategy and Outlook* in the 2011-12 Budget.

The Treasury continued to advise the Government on tax reform initiatives following on from the release of *Stronger, Fairer, Simpler: a tax plan for our future*, including preparing for the Tax Forum that was held on 4-5 October 2011.

In the 2011-12 Budget, the Government announced improvements to the low income tax offset and a small business tax package including a \$5,000 immediate deduction for motor vehicles. The Treasury also advised on a range of other business, personal and indirect tax policy issues, including the temporary flood and cyclone reconstruction levy and assistance provided to small businesses and primary producers affected by the floods and cyclones, the establishment of an Australian Charities and Not-for-profits Commission, better targeting of not-for-profit tax concessions, Stronger Super reforms, taxation of non-renewable resources, and the Clean Energy Future package.

The Treasury represented Australia as the Chair of the Global Forum on Transparency and Exchange of Information on Tax Matters. It also provided secretariat services to the Board of Taxation. The Board of Taxation publishes its own annual report at www.taxboard.gov.au.

Group deliverables

Revenue Group's key deliverables are to advise on:

- implementation of the Government's taxation and retirement income reform agenda including introduction of taxation on non-renewable resources, improving retirement incomes and simplifying the tax system;
- the costs and impacts of tax and retirement income proposals, measures and expenditures, including their distributional impact and overall efficiency; and
- Australia's role as Chair of the Global Forum on Transparency and Exchange of Information on Tax Matters, a modernised tax treaty network and revised international tax rules which enhance Australia's international attractiveness but address risks from harmful tax jurisdictions while furthering Australia's interests in the Pacific and Asia.

Group outcomes

Revenue Group's key outcomes were:

- advising the Government on further tax reform initiatives to follow on from the Stronger, Fairer, Simpler package of May 2010, including the Tax Forum that was held on 4-5 October 2011;
- regularly revising tax revenue estimates and analysis, taking into account changes in the domestic economy in the face of continuing global uncertainty, and incorporating these into the overall fiscal outlook and strategy in the Economic Statement, PEFO, MYEFO and the 2011-12 Budget;
- advising on and implementing legislation for business tax proposals, including providing advice and policy support on the taxation of non-renewable resources, amending the taxation of financial arrangements rules, providing advice and developing legislation on improvements to the company loss recoupment rules, providing advice on giving

designated infrastructure projects improved access to tax losses, providing advice and developing legislation granting capital gains tax (CGT) relief for special disability trusts, advising on and developing legislation to implement a small business tax reform package and interim changes to the taxation of trust income, developing legislation to exempt from income tax clean up and recovery grants paid to small businesses and primary producers affected by the floods in Australia during the summer of 2010-11;

- advising on proposals for personal tax policy reform, including increasing the tax free threshold as part of the Clean Energy Future package, increasing the amount of the low income tax offset delivered through the year in 2011-12, phasing out the dependent spouse tax offset, removing minors' eligibility for the low income tax offset on unearned income, implementing the temporary flood and cyclone reconstruction levy, and extending the education tax refund to include uniform expenses, advising on and implementing legislation for philanthropy tax policy, including the first stage of not-for-profit sector reform, undertaking a scoping study for a national not-for-profit regulator, establishing an Australian Charities and Not-for-profits Commission, better targeting of not-for-profit tax concessions, introducing a statutory definition of charity, starting negotiations with the states and territories on national not-for-profit reform, restating the 'in Australia' special conditions applying to tax concession entities, improving the integrity of public ancillary funds, as well as specifically listing organisations in the tax law as deductible gift recipients, advising on and implementing legislation for fringe benefits tax and non-cash benefits reform, including amendments to the statutory formula for valuing car fringe benefits, extending fly-in-flyout concessions to Australians working overseas, and developing proposals for reform of the income tax treatment of non-cash benefits;
- advising on and implementing legislation for superannuation and retirement income policies, including the superannuation components of the stronger, fairer, simpler tax reform, the Stronger Super reforms, legislation to give effect to the Memorandum of Understanding between Australia and New Zealand to establish a retirement savings portability scheme, and legislation to allow superannuation funds to use tax file numbers to identify members' accounts;
- advising on, developing and implementing legislation for Australia's international tax arrangements. This reflects efforts to maintain the integrity of the tax base while providing a competitive and modern international tax system, including recommendations from the Board of Taxation's *Review of the Foreign Source Income Anti-Tax-Deferral Regimes*, and the Johnson Report;
- progressing tax treaty negotiations with key investment partners and concluding tax information exchange agreements with several other jurisdictions;
- contributing to global efforts to address tax transparency and harmful tax regimes, including through representing Australia as the Chair of the Global Forum on Transparency and Exchange of Information on Tax Matters;
- advising on and implementing legislation on a range of indirect tax measures, including recommendations from the Board of Taxation's *Review of the Legal Framework for the Administration of the Goods and Services Tax*, and replacing the biannual Determination

mechanism for exempting taxes, fees and charges from GST, as well as advising the Government on a range of other GST policy issues;

- monitoring the operation and administration of the GST through the activities of the GST Policy and Administration Sub-group;
- advising on and implementing legislation on the taxation of certain alternative fuels, and advising on and developing legislation on the fuel tax arrangements for the Clean Energy Future package;
- providing quantitative advice underpinning taxation proposals included in the 2011-12 Budget, including changes to the fringe benefits tax on cars; phasing out the dependent spouse rebate; changes to excess superannuation contributions caps; removing eligibility for the low income tax offset for minors; increased resources for taxation compliance; and development of the temporary flood and cyclone reconstruction levy;
- providing quantitative advice, including analysis of the distributional considerations and revenue impacts of the Government's Clean Energy Future package including the carbon pricing mechanism and related household and industry assistance and adjustment programs;
- coordinating the 2010 Tax Expenditures Statement publication and providing quantitative advice on estimates of tax expenditures;
- providing secretariat support to the Board of Taxation, including to its reviews of the tax treatment of Islamic finance products, the consolidation rights to future income and residual tax cost setting rules, the tax arrangements applying to collective investment vehicles, the venture capital limited partnership regime, review of the Tax Issues Entry System and post-implementation reviews into certain aspects of the consolidation regime and of the Tax Design Review Panel recommendations; and
- providing secretariat support to the Superannuation Advisory Committee, which met twice during 2010-11.

Analysis of performance

Further tax reform

The Treasury has been working to foster a more system-wide approach to policy development that recognises the close links between different parts of the tax system. A series of policy workshops, seminars and cross-group collaborations has been used to deepen understanding of these issues.

Tax revenue estimates and analysis

The Treasury, in collaboration with the ATO, provided the Government with timely monitoring, analysis and estimation of tax revenues as the Australian economy continued to recover from the global financial crisis. Revisions to expected tax revenue in 2010-11 and over the forward estimates reflected gradual recovery in the domestic economy against the backdrop of an uncertain global environment, and were made at each of the economic

and fiscal outlook releases through 2010-11 (Economic Statement, PEFO, MYEFO and the 2011-12 Budget). The Treasury provided revenue estimates into the medium-term as an input into the medium-term analysis undertaken in Statement 3 of Budget Paper No. 1, *Fiscal Strategy and Outlook* in the 2011-12 Budget.

Business tax reform

Taxation of non-renewable resources

The Treasury provided secretariat services and policy advice to the Government's Policy Transition Group (PTG) responsible for the detailed design of the Minerals Resource Rent Tax and the extension to the Petroleum Resource Rent Tax. Following the Government's acceptance of the PTG's recommendations, the Treasury convened the Resource Tax Implementation Group to consult on legislative design and released draft legislation and explanatory material for public consultation.

Amendments to the taxation of financial arrangements provisions

The Treasury provided policy advice, consulted and developed legislation to refine the taxation of financial arrangements provisions. Some of the refinements were included in *Tax Laws Amendment (2010 Measures No. 4) Act 2010* which received Royal Assent on 7 December 2010.

Tax treatment of certain Upper Tier 2 capital instruments

The Treasury provided policy advice, consulted and developed regulations to ensure that certain Upper Tier 2 perpetual subordinated notes are not precluded from being classified as a debt interest under the debt/equity tax rules. The regulations were made on 10 March 2011.

Company loss recoupment rules

The Treasury provided advice on improvements to the company loss recoupment rules announced in the 2011-12 Budget and developed draft legislation to improve the company loss recoupment rules for companies that have multiple classes of shares. These improvements will make it easier for companies to access prior year losses by modifying the continuity of ownership test so that ownership does not need to be traced through certain superannuation entities. They will also remove a range of technical deficiencies in the modified ownership tracing rules for widely held companies. A technical deficiency in the low value asset exclusion under the loss integrity rules will also be removed.

Access to losses for designated infrastructure projects

The Treasury provided policy advice on allowing designated infrastructure projects improved access to tax losses. Infrastructure projects designated to be of national significance will have tax losses associated with the project uplifted at the long term government bond rate and not subject to the same business test or continuity of ownership test.

Special disability trusts

The Treasury provided advice on extending the measure announced in the 2009-10 Budget to encourage the uptake of special disability trusts (SDT). The extensions included backdating the 2009-10 Budget measure, which provides a CGT main residence exemption to SDT, to apply from the 2006-07 income year and providing a CGT exemption for assets transferred into an SDT for no consideration.

Scrip for scrip alignment

The Treasury provided advice and developed legislation to make it easier for takeovers and mergers regulated by the *Corporations Act 2001* to qualify for the CGT scrip for scrip rollover. This measure was contained in *Tax Laws Amendment (2010 Measures No. 4) Act 2010*, which received Royal Assent on 7 December 2010. The legislation carves out takeover bids and schemes of arrangement from the participation requirements of the CGT scrip for scrip rollover where the bid complies with, or the scheme has been approved under, the *Corporations Act 2001*.

CGT treatment of water entitlements and termination fees

The Treasury provided advice and developed legislation to provide a CGT rollover for taxpayers who replace an entitlement to water with one or more different entitlements. This measure was contained in *Tax Laws Amendment (2010 Measures No. 4) Act 2010*, which received Royal Assent on 7 December 2010. The legislation allows infrastructure operators to restructure their arrangements with member irrigators without immediate CGT consequences. In addition, the legislation enables taxpayers to include any termination fees they incur in relation to an asset in the asset's cost base.

Confidentiality of taxpayer information

The *Tax Laws Amendment (Confidentiality of Taxpayer Information) Act 2010* received Royal Assent on 17 December 2010. The legislation rationalised multiple secrecy and disclosure provisions from various tax laws into a new framework in the *Taxation Administration Act 1953*. The disclosure of taxpayer information is prohibited, except in specified circumstances.

Tax agent services regulatory reform

The Treasury continued to provide policy advice and developed options for the regulation of financial planners providing tax agent services within the context of financial planning advice. An options paper was released on 29 November 2010, and on 7 April 2011 the Assistant Treasurer and Minister for Financial Services and Superannuation announced that industry representatives agreed to a broad set of principles that would be used to develop detailed regulatory arrangements for financial planners who provide tax agent services as part of financial planning advice.

Small business

The Treasury continued to provide policy advice on a range of reforms for small business. Some of these reforms operate from the 2012-13 income year and include increasing the small business instant asset write-off threshold to \$5,000 (subsequently increased to

\$6,500 as part of the Clean Energy Future package), simplifying the depreciation rules for small business and providing an early cut to the company tax rate. In addition, the Treasury is developing legislation on the 2011-12 Budget announcements to provide small businesses with an accelerated initial deduction for motor vehicles and to abolish the Entrepreneurs' Tax Offset.

Further, the Treasury provided policy advice and developed legislation that provides cash flow assistance to small business and other eligible taxpayers through reduced Pay As You Go income tax instalments for the 2011-12 income year. The measure was included in the *Tax Laws Amendment (2011 Measures No. 4) Act 2011* which received Royal Assent on 27 June 2011.

Interim changes to improve the taxation of trust income

The Treasury consulted with the community and provided policy advice on implementing changes to the taxation of trust income, identified by the Board of Taxation following the High Court's decision in the *Commissioner of Taxation v Bamford (2010) 240 CLR 481*. Further, the Treasury provided policy advice and developed legislation to allow trust beneficiaries to continue to use the primary production averaging and farm management deposits provisions in a loss year. Both measures were included in the *Tax Laws Amendment (2011 Measures No. 5) Act 2011* which received Royal Assent on 29 June 2011.

Film Tax Offsets

The Treasury provided policy advice and developed legislation to make two changes to the eligibility criteria for accessing the film tax offsets. The minimum qualifying expenditure threshold for the post, digital and visual effects offset was reduced from \$5 million to \$500,000. The requirement for films with qualifying Australian production expenditure of less than \$50 million to have at least 70 per cent of the total of all the company's production expenditure on the film as qualifying Australian production expenditure, in order to qualify for the location offset, was removed. The measure, included in *Tax Laws Amendment (2010 Measure No. 5) Act 2010* received Royal Assent on 29 June 2011.

Natural Disasters — Clean up and recovery grants

The Treasury provided policy advice and developed legislation to exempt from income tax clean up and recovery grants paid to small businesses and primary producers affected by the floods in Australia during the summer of 2010-11 and by Cyclone Yasi. The measure, included in *Tax Laws Amendment (2011 Measures No. 1) Act 2011*, received Royal Assent on 25 May 2011.

National Rental Affordability Scheme

The Treasury developed legislation and consulted on amendments to the tax law to address issues arising from the interaction between the legislation governing the National Rental Affordability Scheme (NRAS) and the tax law provisions that provide the NRAS tax offset. The amendments introduced the concept of an NRAS consortium and ensured that in certain situations the structure of an NRAS consortium does not prevent the ultimate investors in NRAS from receiving the NRAS tax offset. The amendments were in the *Tax Laws Amendments (2011 Measures No. 5) Act 2011*, which received Royal Assent on 29 June 2011.

Personal tax policy reform

Clean energy future tax reforms

The Treasury, together with the Department of Families, Housing, Community Services and Indigenous Affairs, advised on the development of a package to assist Australian households with the move to a Clean Energy Future. This package involves tax cuts delivered through simplification reforms to the personal income tax system, which include increasing the statutory tax free threshold.

Increasing the amount of the low income tax offset delivered through the year

The Treasury advised on and amended regulations on the 2011-12 Budget measure to increase the proportion of the low income tax offset that people are able to receive during the year instead of on assessment of their tax returns in 2011-12. This proportion has increased from 50 per cent in 2010-11 to 70 per cent in 2011-12.

Phasing out the dependent spouse tax offset

The Treasury advised on and implemented legislation on the 2011-12 Budget measure to phase out the dependent spouse tax offset.

Removing minors' eligibility for low income tax offset on unearned income

The Treasury advised on and implemented legislation on the 2011-12 Budget measure to remove minors' eligibility for the low income tax offset on unearned income. The amendments mean that from 1 July 2011 minors (children under 18 years of age) will no longer be able to use the low income tax offset to reduce the amount of income tax they pay on unearned income, such as dividends, interest, rent, royalties and other income from property.

Taxpayer standard deduction for the cost of work related expenses and managing tax affairs

The Treasury advised the Government and undertook public consultation on the design of the 2010-11 Budget measure to provide individual taxpayers with a standard deduction for work-related expenses and the cost of managing tax affairs from 1 July 2012.

Fifty per cent tax discount on up to \$1,000 of interest

The Treasury advised the Government on the design of the 2010-11 Budget measure to introduce a 50 per cent tax discount for interest income. The Treasury developed a public discussion paper that outlined the proposed design of the measure, released for consultation in July 2011.

Superannuation contributions mandated by law no longer limit people's eligibility for financial assistance

The Treasury advised on amendments to the definition of reportable employer superannuation contributions. The amendments mean that contributions to superannuation that are mandated by law, industrial agreement or trust fund, are not considered income when assessing eligibility for government financial assistance.

Denying deductions against Government assistance payments

The Treasury advised the Government on its response to the High Court decision in *Commissioner of Taxation v Anstis* and developed legislation to give effect to the 2011-12 Budget measure to disallow deductions against government assistance payments. This will mean that from 1 July 2011, individual taxpayers will be precluded from claiming a tax deduction for expenses they incur in gaining a government assistance payment.

Temporary flood and cyclone reconstruction levy

On 27 January 2011, the Government announced the introduction of a temporary levy in response to the damage caused by the natural disasters that occurred in early 2011. The Treasury advised the Government on the development and implementation of the temporary flood and cyclone reconstruction levy, which was included in the 2011-12 Budget.

Including uniform expenses for the education tax refund

The Treasury provided advice to the Government and implemented legislation on the measure to extend the education tax refund to include school uniforms, commencing in 2011-12.

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Rebalancing support for private health insurance

The Treasury continued to advise the Government on its measure, announced in the 2009-10 Budget, to means test the private health insurance rebate and increase the Medicare levy surcharge.

Reform of the car fringe benefits rules

The Treasury advised the Government on the 2011-12 Budget measure to reform the current statutory formula method for determining the taxable value of car fringe benefits. The reform replaces the current statutory method of different rates determined by distance travelled with a single rate that applies regardless of the distance travelled. The reform implemented another recommendation of the Australia's Future Tax System review.

Reform of the income tax treatment of non-cash benefits and the extension of the fringe benefits tax exemption for fly-in-fly-out arrangements to Australians working overseas

The Treasury advised the Government on the measures announced during 2010-11 to extend the existing fringe benefits tax exemption for fly-in-fly-out arrangements to Australians working overseas in remote areas. Prior to these changes, transport from an employee's usual place of residence to their usual place of employment (where this occurs in a remote area in Australia) is exempt from fringe benefits tax provided under a fly-in-fly-out arrangement.

The extension of the domestic concession to overseas remote areas brought the treatment of Australians working in remote areas overseas in line with Australians working in remote areas of Australia.

The Government also announced that it has tasked the Treasury with preparing a discussion paper on reforming the income tax treatment of non-cash benefits to resolve long outstanding anomalies with the current rules.

Philanthropy tax policy

Scoping study for national not-for-profit regulator

In the 2010 election period, the Government committed to undertaking a scoping study for a national 'one-stop shop' regulator for the not-for-profit sector. As part of the scoping study, the Government released a consultation paper on 21 January 2011 which sought stakeholder comment on the goals of national regulation, the scope of national regulation and the functions and form of a national regulator. The Treasury was tasked with undertaking the scoping study and a Final Report (*Final Report: Scoping study for a national not-for-profit regulator*) was presented to government in April 2011.

Not-for-profit reforms

The Treasury advised the Government on the first stage of its not-for-profit reform agenda announced in the 2011-12 Budget. The reforms include:

- establishing the Australian Charities and Not-for-profits Commission from 1 July 2012 — the Commission will initially be responsible for determining the legal status of groups seeking charitable, public benevolent institution, or other not-for-profit status for all Commonwealth purposes. The Commission will also implement a 'report-once use-often' reporting framework for charities, provide education and support for the sector on technical matters, and establish a public information portal by 1 July 2013;
- introducing a statutory definition of 'charity' — the definition will apply across all Commonwealth agencies from 1 July 2013 and is based on the 2001 *Report of the Inquiry into the Definition of Charities and Related Organisations*, taking account of the findings of recent judicial decisions;
- better targeting the not-for-profit tax concession — to reform the use of tax concessions by unrelated businesses run by not-for-profit entities;
- starting negotiations with the states and territories on national regulation and a new national regulator for the sector, as the greatest reduction in red tape can only be achieved with national coordination; and
- undertaking further reviews of the regulation of the not-for-profit sector, including reviews of the company limited by guarantee entity structure, not-for-profit fundraising, and the governance obligations appropriate for not-for-profit entities — the need for these reviews was identified through the scoping study for a national not-for-profit regulator.

Superannuation and retirement income policy reform

2011-12 Budget superannuation measures

The Treasury provided policy advice for the Government's 2011-12 Budget measures, and developed legislation for and implemented some of the measures. These measures included:

- improving the regulation of the self managed superannuation fund (SMSF) sector and increasing the SMSF levy by \$30 with effect from the 2010-11 income year;
- developing a facility for the online registration of SMSF auditors;
- reducing the minimum payment amounts for account-based pensions by 25 per cent for 2011-12 to phase out the draw-down relief provided in 2008-09, 2009-10 and 2010-11;
- providing eligible individuals with the option to have excess concessional superannuation contributions taken out of their superannuation fund and assessed at their marginal tax rate, rather than incurring excess contributions tax;
- extending the pause to the indexation of the income threshold for the superannuation co-contribution scheme; and
- allowing superannuation fund trustees and retirement savings account providers to make greater use of tax file numbers to locate member accounts and facilitate the consolidation of multiple member accounts.

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Consultation on Stronger, Fairer, Simpler superannuation reforms

The Treasury consulted on implementation issues for the Government's announcements to provide higher concessional contributions caps for those aged 50 or over with superannuation balances of less than \$500,000 and on the introduction of a new low income earner government contribution for those with income less than \$37,000.

Trans-Tasman retirement savings portability

The Treasury continues to work with New Zealand officials to finalise legislation to allow Australians and New Zealanders to take their retirement savings with them when they move across the Tasman.

Once enacted, the scheme will permit transfers between certain Australian superannuation funds and New Zealand KiwiSaver schemes. Participation in the scheme will be voluntary for eligible funds, as well as for individuals wishing to transfer their retirement savings.

The approach will maintain the integrity of the Australian and New Zealand retirement savings systems.

Super System Review

The Treasury provided advice to help the Government deliver a comprehensive response to recommendations of the Super System (Cooper) Review. The response covers:

- creating a new simple, low cost default superannuation product (MySuper);
- raising the standards and duties of those involved in the superannuation system, particularly those managing default superannuation funds in which the majority of Australians have their superannuation savings invested;
- providing the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC) and the ATO with improved regulatory powers (including the setting of prudential standards, and registration of self managed superannuation fund auditors); and
- making the processing of everyday transactions easier, cheaper and faster (SuperStream).

Revenue Group worked with Markets Group in providing this advice.

The Treasury assisted the Government in undertaking consultations with stakeholders on the implementation of the reforms.

- The Peak Consultative Group was chaired by Mr Paul Costello and comprised of representatives of key industry, employer and consumer groups, as well as representation from relevant Government agencies to provide input on the design and implementation of the reforms. The Peak Consultative Group met on a regular basis from February 2011 to May 2011.
- The Peak Consultative Group was supported by several working groups to allow for more detailed discussions with relevant private and public sector experts on the practical and technical design, and implementation issues.

Following the conclusion of consultations, the Treasury provided advice to the Government on implementation details.

The Treasury developed legislation and implemented new rules for SMSF investment in collectables and personal use assets that ensure the investments are not made for current day purposes.

Other superannuation measures

The Treasury provided policy advice and developed legislation on other superannuation issues, including:

- streamlining the process for superannuation funds claiming deductions for the cost of total and permanent disability insurance premiums; and
- allowing the proceeds of crime to be recovered from superannuation.

International tax arrangements

International tax arrangements

The *International Tax Agreements Amendment (No. 1) Act 2011* modified the structure of the *International Tax Agreements Act 1953* (the Act) to streamline it and remove the majority of the existing schedules to the Act. The modifications do not alter the entry into force or application of Australia's tax treaties, but removes duplication as copies of tax treaties are available publicly. The amending Act also gave the force of law in Australia to recently signed bilateral agreements with Aruba, Chile, the Cook Islands, Guernsey, Malaysia, Samoa and Turkey.

Review into Australia's foreign source income anti-tax deferral regime

The former Government announced it would reform the foreign source income attribution rules. The reforms will better balance the integrity objective of the rules with other objectives such as efficiency, equity, simplicity and low compliance costs. The reforms maintain the controlled foreign company rules as the primary set of rules to counter tax deferral arrangements, and repealed Foreign Investment Fund and deemed present entitlement rules. Legislation repealing the Foreign Investment Fund rules and the deemed present entitlement rules received Royal Assent on 14 July 2010.

Recognising that a small opportunity for deferral may still be present, a more targeted anti-avoidance rule (the anti-roll-up rule) is being developed. The proposed Foreign Accumulation Fund rule will target the most abusive cases of deferral that may occur outside the controlled foreign company rules. A further round of exposure draft legislation dealing with the Accumulation Fund rule was released on 17 February 2011. This follows on from the initial exposure draft legislation that was released on 28 April 2010. Exposure draft legislation to modernise the controlled foreign company rules was also released on 17 February 2011. This legislation follows on from two Treasury consultation papers released during the previous year. Public consultation has occurred on these reforms with the legislation continuing to be developed.

Codification of the tax treatment of certain sovereign investments

The Government announced on 20 August 2009 that it would codify the current administrative practice that exempts from Australian taxation certain income arising from investments made by foreign governments. The application of this principle in Australia is limited to income arising from non-commercial investments. The objectives of this project are to encourage investment in Australia through greater certainty surrounding the tax consequences of these investments and to reduce the compliance and administrative costs associated with current arrangements. A discussion paper detailing two proposed options was released for public comment on 20 April 2011. These options were developed following two previous discussion papers that were previously released in June 2010 and in November 2009.

Investor Manager Reforms

Following a review and report of the Australian Financial Centre Forum (*Australia as a Financial Centre: Building on Our Strengths 2009*), the Government announced in principle support for the development of an investment manager regime (IMR). The IMR is intended to provide clear and comprehensive statutory rules for taxing nonresident investment into Australian and foreign assets.

On 17 December 2010, the Government announced amendments to clarify the treatment of previous income years. On 19 January 2011, the Government announced as part of the proposed IMR, that it would clarify the tax positions of foreign funds which engage the services of Australian investment advisors to invest in non-Australian assets.

The Government has also asked the Board of Taxation (a non-statutory advisory body charged with contributing a business and broader community perspective to improving the design of taxation laws and its operation) to report on the design of an IMR. The Board is expected to report to the Government in September 2011.

Tax treaty negotiations

Australia has a tax treaty network of over 40 treaties. Bilateral tax treaties promote closer economic cooperation by eliminating possible barriers to trade and investment by overlapping tax 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 2010-11, the Treasury continued to progress the Government's tax treaty negotiation program and negotiations were held with India and Switzerland.

New tax treaties with Chile and Turkey, and an amending Protocol with Malaysia, were enacted and given the force of law in Australia. Work to progress negotiations with several other countries occurred.

Tax policy advice was provided on various international agreements the Government is negotiating, including free trade agreements, film co-production agreements, and proposed agreements with potential tax privileges and immunities. The Treasury also contributed to international tax treaty policy development and capacity-building through its work with the OECD's Committee on Fiscal Affairs.

Tax information exchange agreements and international transparency

Tax information exchange agreements

Australia continued to make significant progress in securing tax information exchange agreements with low tax jurisdictions, including signing tax information exchange agreements with Liechtenstein, Mauritius, and Montserrat. Tax information exchange agreements provide a legal basis for bilateral exchange of tax information, for both civil and criminal tax purposes, and are an important measure to combat offshore tax evasion.

Australia has been active in international efforts to address tax transparency and the use of secrecy for tax evasion purposes, and is involved in G20 and OECD efforts to improve global exchange of information for tax purposes. In August 2009, the Global Forum on Transparency and Exchange of Information was reinvigorated with a renewed mandate to conduct peer reviews of its members' commitment to international standards on tax transparency commitments. Australia was elected as chair and also participates on the peer review group which is responsible for assessing member compliance with the international standards. These standards have been endorsed by the United Nations and provide for the removal of secrecy and other interests that may prevent the exchange of information on tax matters between jurisdictions.

The peer reviews commenced in early 2009 and will continue until 2012 when it is anticipated that most of the Global Forum's 101 member countries and jurisdictions would have undergone some level of review. As these reviews are approved by the Global Forum they will be made public. As an active contributor to the work of the Global Forum, Australia was one of the first countries to undertake a comprehensive review of its implementation of the international standards on tax transparency and exchange of information. The review commenced in March 2010 and concluded in early 2011. The review found that Australia meets the international standards but made a number of recommendations including to improve record keeping in respect of nominees.

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International representation

The Treasury represented Australia on the OECD's Committee on Fiscal Affairs and its associated working parties and forums dealing with international tax matters, particularly on developing comprehensive tax treaty policy and the harmful tax practices initiative. In addition, the Treasury represented Australia at the annual meetings of the United Nations Committee of Experts on International Cooperation in Tax Matters and the Global Forum for Transparency and Exchange of information for Tax purposes. The Treasury also provided an instructor to an OECD course on tax treaty issues.

Indirect tax policy reform

Review of the legal framework for the application of the GST

The *Tax Laws Amendment (2010 Measures No. 5) Act 2011* implemented further measures from this review. The Treasury is consulting on remaining measures and drafting of other measures is proceeding.

Review of the GST financial supplies provisions

Consultation on measures arising from this review took place in late 2010. Drafting on these measures is proceeding, consistent with a scheduled start date of 1 July 2012.

Review of the application of the GST to cross-border transactions

The Treasury released a consultation paper on implementing measures from this review in February 2011. Drafting on these measures is proceeding, consistent with a scheduled start date of 1 July 2012.

12 month export period for recreational boats

The measure was implemented in the *Tax Laws Amendment (2011 Measures No. 3) Act 2011*, which received Royal Assent on 27 June 2011.

Australian taxes, fees and charges

The *Tax Laws Amendment (2011 GST Measures No. 2) Act 2011*, which received Royal Assent on 27 June 2011, implemented a new self assessment mechanism for exempting Australian taxes, fees and charges from the GST.

Review of GST governance arrangements

A review of the governance arrangements for monitoring the operation and administration of the GST was undertaken and a number of improvements to the existing arrangements were agreed to by the States and Territories.

Excise and customs duty

The Treasury developed legislation to phase in excise and excise-equivalent customs duty on liquefied petroleum gas, liquefied natural gas and compressed natural gas used for transport purposes, over a five year transitional period, beginning 1 December 2011 and ending 1 July 2015. The legislation also ensures that current arrangements for renewable diesel, biodiesel, methanol, and ethanol continue. The *Taxation of Alternative Fuels Legislation Amendment Act 2011*, the *Excise Tariff Amendment (Taxation of Alternative Fuels) Act 2011*, the *Customs Tariff Amendment (Taxation of Alternative Fuels) Act 2011* and the *Energy Grants (Cleaner Fuels) Scheme Amendment Act 2011* received Royal Assent on 29 June 2011.

Clean Energy Future package

The Treasury provided policy advice and developed legislation on the fuel tax arrangements under the Clean Energy Future package. The Clean Energy Future package was announced by the Government on 10 July 2011.

Quantitative advice

Securing a clean energy future

The Treasury provided ongoing advice on the Government's Clean Energy Future package. This included advice on the impact of the changes on the consumer price index and price changes faced by different household segments. Advice was also provided on the design and quantum of household assistance delivered through the transfer system and personal tax reform. Special consideration was given to the distributional impact of the scheme on the cost of living and assistance measures which would most effectively help the most vulnerable households during the transition to the scheme.

Tax Expenditures Statement

The Treasury coordinated the 2010 Tax Expenditures Statement publication and provided quantitative advice in respect of the estimates of tax expenditures (that is, the value of concessional taxation treatment) associated with areas of taxation policy where concessional treatment is applied.

Consultation for tax and superannuation measures

During 2010-11, the Treasury continued to develop enhanced consultation processes for tax and superannuation measures.

Consultation on tax and retirement incomes policy continued to be extensive, with public consultation on new measures occurring at both the policy design and legislative design stages. The Treasury published discussion papers, draft legislation and draft explanatory materials on its website for comment.

The Treasury also published submissions made to consultation processes on its website, except when confidentiality was requested.

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In addition, the Treasury also posted consultation summaries on its website for a number of new legislative measures introduced into Parliament. These outline the issues raised in consultation, changes resulting from consultation and, where possible, reasons why certain suggestions were not adopted. Consultation summaries also invite feedback on the consultation process to inform the Treasury, so it continuously improves its consultation practices and arrangements.

The Tax Design Advisory Panel allows the Government, in appropriate circumstances, to develop tax and superannuation legislation by teams involving the Treasury, the ATO and the private sector, as represented by members of the panel.

Progress towards principle-based tax design and miscellaneous amendments

Principle-based tax design

The Australia's Future Tax System report recommended that the Government commit to a principle-based approach as a way of addressing the growing volume and complexity of tax legislation, and as a way of helping those laws be interpreted consistently with their policy objectives. On 5 August 2010, the then Assistant Treasurer in an address to the Australian Economic Forum re-affirmed the Government's commitment to principle-based tax design.

The principle-based approach aims to design and express law using operative principles that focus on intended outcomes, rather than prescribing in detail all the possible circumstances intended to be captured.

Miscellaneous amendments and technical corrections

Measures making miscellaneous amendments and technical corrections to the taxation laws were included in the *Tax Laws Amendment (2011 Measures No. 2) Act 2011*, which received Royal Assent on 27 June 2011.

Issues raised through the Tax Issues Entry System are addressed in miscellaneous amendment packages. The Tax Issues Entry System website (www.ties.gov.au) is jointly operated by the ATO and the Treasury and allows tax professionals and the general public to raise issues on the care and maintenance of the tax system.

Tax advice privilege and the Tax System Advisory Board

Tax advice privilege

On 15 April 2011, the Assistant Treasurer and Minister for Financial Services and Superannuation released a discussion paper on the appropriateness of establishing a tax advice privilege. The paper considers an Australian Law Reform Commission recommendation to shield certain tax advice documents from the information-gathering powers of the Commissioner of Taxation, and canvasses the implications of establishing such a privilege. Comments on the discussion paper were sought by 15 July 2011.

Tax System Advisory Board

During the 2010 election period, the Government announced that it would establish a Tax System Advisory Board. On 21 January 2011, the Assistant Treasurer and Minister for Financial Services and Superannuation released a discussion paper outlining different ways the Government could establish the Board. Submissions closed on 11 March 2011. The Government formed a Consultation Panel to consider the submissions and provide advice about the best way of proceeding with this commitment, and asked for advice by 30 June 2011.

Secretariat support to the Board of Taxation

The Treasury provided secretariat support to the Board of Taxation, including to its reviews of the tax treatment of Islamic finance products, the consolidation rights to future income and residual tax cost setting rules, the tax arrangements applying to collective investment vehicles, the venture capital limited partnership regime, review of the Tax Issues Entry System and post-implementation reviews into certain aspects of the consolidation regime and of the Tax Design Review Panel recommendations.

Secretariat support to the Superannuation Advisory Committee

The Treasury provided secretariat support to the Superannuation Advisory Committee, which met twice during 2010-11.

Management of legislation program

Advice to the Government on tax policy and legislation was timely, influential and of high quality, enabling the Government to make informed decisions in responding to the global financial crisis and developing a range of other business, personal, indirect, international and personal income tax measures.

The Government's updated forward work program for tax measures was published on the Treasury website in February 2011. The program sets out the consultation planned for announced tax measures.

A total of 25 tax bills containing 63 measures were introduced into Parliament in 2010-11. Of these, six bills containing 18 measures had been introduced into Parliament previously but lapsed when Parliament was prorogued for the 2010 election.

Legislation was introduced for 45 measures not previously introduced into Parliament. Twelve of 22 prospective measures (55 per cent) were introduced within 12 months of being announced, and eleven of 16 retrospective measures (68 per cent) were introduced within six months of announcement. Another seven measures were not announced before being introduced.

The measures introduced into Parliament included seven international tax agreements. Tax agreements are tabled with the Joint Standing Committee on Treaties for a public consultation process and reporting to Parliament before introduction, adding an average of about six months to the time taken from announcement to introduction.

MARKETS GROUP

Overview

Markets Group contributes to Australia's continuing economic development and the wellbeing of its people by fostering a well functioning market economy, a secure financial system, and foreign investment consistent with Australia's national interest. Improving the operation of markets works to enhance consumer and investor confidence, and foster a secure financial system and sound corporate practices.

The efficient operation of Australia's product and services markets is supported by a combination of laws, institutions, policies and administrative practices. The Treasury provides advice to the Government on developing and implementing policies to maintain and improve markets, so that investors and consumers can have confidence and certainty in making decisions that are well-informed and free from market distortions and impediments. The Treasury also provides advice to remove impediments to competition in product and services markets, and safeguard the public interest in matters such as consumer protection.

The Treasury also supports the operations of the Australian Government Actuary, the Takeovers Panel and the Financial Reporting Panel.

A key focus for the Treasury in 2010-11 was providing policy analysis and advice to improve Australia's productivity and international competitiveness, and deepen the supply potential of the economy in the wake of the global financial crisis and global recession. These policies focused on promoting economic growth and supporting employment, ensuring the financial system remained robust and dynamic, and ensuring that regulatory frameworks promoted macroeconomic stability and market confidence.

The Treasury also continued to monitor and provide advice on the general prudential framework applying to the banking sector, insurers and superannuation funds. The Treasury participated actively in international forums, such as the G20 and Financial Stability Board, to enhance the regional and global financial architecture. In addition, the Treasury provided advice on foreign investment and trade policy, and continued to participate in negotiating free trade agreements. During 2010-11, the Treasury continued to pursue sound regulatory and structural reforms to foster well functioning markets in key infrastructure, energy, housing, financial and labour markets. This included work to further the COAG reform agenda to reduce the regulatory burden on business, including a national approach to consumer policy and consumer credit; housing supply and affordability; and Standard Business Reporting (SBR).

The multi-agency SBR program was delivered on time and within budget on 1 July 2010. During 2010-11, the program focused on management of take-up targets, and the ongoing operation, maintenance and governance of the SBR solution. Participating SBR agencies include the ABS, APRA, ASIC, the ATO, and all State and Territory government revenue offices.

Group deliverables

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

- measures to promote competition, macroeconomic stability and market confidence, including providing advice on the prudential frameworks applying to the banking, insurance and superannuation sectors;
- financial sector reform options, including fostering the efficient flow of funds into, and within, the Australian economy;
- how to best influence and implement G20 decisions to strengthen the financial regulatory system;
- international cooperation in financial system regulation, corporate governance, financial reporting, auditing and corporate insolvency;
- financial services and corporate reform addressing emerging issues in investor protection, corporate governance and reporting, and market integrity;
- further reforms to executive remuneration arrangements, including simplifying remuneration reports;
- initiatives to position Australia as a leading financial services centre in the Asia-Pacific region, arising from the Government response to the Australian Financial Centre Forum's report, *Australia as a Financial Centre: Building on Our Strengths*;

- key planks in the COAG reform agenda designed to reduce the regulatory burden facing business including a national law for consumer policy, national consumer credit law and as the lead agency in the multi-agency SBR initiative;
- assisting the implementation of the National Broadband Network, including on structural reforms to maximise competition in the national telecommunications market;
- implementation of the Government's Clean Energy Future package impacting on the energy sector;
- managing incoming foreign investment to ensure that the national interest is protected and encourage free flows of investment;
- representation of Australia's interests on investment and financial service issues in negotiating free trade agreements and the Doha Round and, in relation to investment, in multilateral forums such as the OECD and APEC;
- issues relating to the availability and affordability of insurance and reinsurance, and implementing the Government's response to the Natural Disaster Insurance Review; and
- actuarial matters through the Australian Government Actuary which provides actuarial services to government, the Treasury and other agencies.

Group outcomes

Markets Group's key outcomes for 2010-11 were:

- implementing the Super System Review to optimise retirement benefits, improve competition, lower costs and fees and foster confidence in superannuation;
- advancing a Housing Supply and Affordability Reform agenda, involving the examination of a range of factors that influence housing supply and demand in Australia;
- leading key reforms of the COAG Business Regulation and Competition Working Group to progress reforms in some of the 27 areas where duplicate and inconsistent regulation across jurisdictions imposes an unnecessary burden on business;
- developing legislative amendments to implement the Government's commitment to reform the unconscionable conduct and mergers and acquisitions provisions of the *Competition and Consumer Act 2010*, which were introduced as part of the Competition and Consumer Legislation Amendment Bill 2011 on 15 June 2011;
- developing draft prohibitions on anti-competitive price signalling and information disclosures to the *Competition and Consumer Act 2011*, which the Government has stated will initially apply to the banking sector, introduced into the Parliament in the Competition and Consumer Amendment Bill (No. 1) 2011 on 24 March 2011;
- implementing the Australian Consumer Law, which replaces provisions in 20 Commonwealth, State and Territory laws with a single national consumer law that commenced on 1 January 2011. A range of resources were developed to support the implementation process;
- fostering competition and stability in the banking industry by implementing the Government's Competitive and Sustainable Banking System package;

- developing legislation to amend the *National Consumer Credit Protection Act 2009* to give effect to the Government's credit card reforms announced in December 2010;
- implementing the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011*, which commenced on 1 July 2011, and associated regulations to strengthen Australia's remuneration framework;
- implementing the *Corporations Amendment (Sons of Gwalia) Act 2010*, which commenced on 18 December 2010. The legislation reversed the effects of the High Court decision in *Sons of Gwalia* and *Margaretic*;
- implementing the *Corporations Amendment (No.1) Act 2010*, which commenced on 13 December 2010. The legislation made reforms to expand ASIC's information-gathering powers and better regulate access to company registers and unsolicited offers to purchase finance products off-market;
- implementing the Government's decision to transfer responsibility for supervision of Australia's domestic licensed financial markets from market operators to ASIC, which took effect on 1 August 2010;
- implementing the Government's decision to support financial market competition in Australia; providing advice, in consultation with ASIC, on granting a licence on 4 May 2011 to the first potential market operator proposing to provide competition for trading shares listed on the Australian Securities Exchange;
- implementing the Future of Financial Advice reforms to improve the quality of financial advice provided to Australians through the removal of conflicts of interest and ensuring financial advisers act in the best interests of clients;
- progressing the Government's initiative to position Australia as a leading financial services centre in the Asia-Pacific region, including work to develop an Asia Region Funds Passport;
- progressing proposals considering natural disasters and insurance, particularly in relation to establishing a standard definition of 'flood' and developing a key facts sheet for home building, and home and contents insurance policies;
- providing advice, in consultation with the Foreign Investment Review Board, on significant and high profile foreign investment cases of national interest and trade policy matters, dealing with global investment, trade flows and trends, foreign government investment and trade policy responses and the implications for Australia;
- contributing to free trade agreement negotiations with Japan, China, Korea, Malaysia, the Gulf Cooperation Council and the Trans-Pacific Partnership Agreement (which involves Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the United States and Vietnam);
- achieving closer economic integration through initiatives that further progress the development of a single economic market between Australia and New Zealand. In August 2009, the Australian and New Zealand Prime Ministers agreed on principles for developing cross-border economic initiatives and a range of shared practical outcomes in the areas of insolvency law, financial reporting policy, financial services policy, competition policy, business reporting, corporations law, personal property securities law, intellectual property law, and consumer policy;

- leading the ongoing governance of SBR, including the strategic direction, stakeholder take-up, architectural leadership and international collaboration. SBR aims to provide a quicker and easier way for businesses to fulfil their government reporting requirements; and
- continuing to provide advice relating to the currency system and maintaining successful operations of the Australian Government Actuary and the Financial Reporting Panel.

Analysis of performance

Stronger Super

Markets Group worked with Revenue Group in providing advice on the Government's response to the recommendations of the review into the governance, efficiency, structure and operation of Australia's superannuation system (Super System Review). Further details are on page 55.

Infrastructure policy

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The Treasury provided advice on the Government's investment in infrastructure projects announced in the 2010-11 Budget. The Secretary to the Treasury is a member of Infrastructure Australia, the Government's key advisory body on nationally significant infrastructure. The Treasury is engaged in the activities of the COAG Infrastructure Working Group, including the Private Public Partnership sub-group.

The Treasury provided advice on the interaction of the Government's climate change policies and the Australian energy market. The Treasury was actively engaged in the work of the Standing Committee of Officials of the Ministerial Council on Energy/Standing Council on Energy and Resources which provides advice on ongoing energy market reforms.

The Treasury worked with the Department of Infrastructure, Transport, Regional Development and Local Government to progress COAG reforms in the transport sector to improve market-based frameworks and promote greater competition.

The Treasury provided advice to Ministers on a number of matters arising under the National Access Regime in Part IIIA of the *Competition and Consumer Act 2010*. Ministers received recommendations on five certification matters and one declaration matter during 2010-11.

The Treasury continues to work with the Department of Broadband, Communications and the Digital Economy, the Australian Competition and Consumer Commission (ACCC) and other central agencies on implementing the Government's National Broadband Network policy, and providing advice on reform in the national telecommunications market.

The Treasury also continued to work with the Department of Broadband, Communications and the Digital Economy on ensuring the efficient allocation of radio-frequency spectrum, including through the switchover to digital television.

The Treasury leads key activities of the COAG Housing Supply and Affordability Reform Working Party, which is responsible for reporting to COAG through the Ministerial Council for Federal Financial Relations on issues such as planning and zoning, infrastructure charges and an audit of underutilised land.

The Treasury also contributed to the Government's National Urban Policy paper, *Our Cities, Our Future: A national urban policy for a productive, sustainable and liveable future*. The Treasury advised the Government on funding for housing measures in, and announced after, the 2011-12 Budget.

Competition policy

The Treasury contributed to key outputs in the Government's competition policy legislative reform program.

The Treasury provided advice to the Government on draft prohibitions on anti-competitive price signalling and information disclosures to the *Competition and Consumer Act 2010*, which the Government has stated will initially apply to the banking sector, introduced into the Parliament in the Competition and Consumer Amendment Bill (No. 1) 2011 on 24 March 2011.

The Treasury provided advice to the Government on clarifications to the mergers and acquisitions provisions of the *Competition and Consumer Act 2010* to address creeping acquisitions, introduced into the Parliament as part of the Competition and Consumer Legislation Amendment Bill 2011 on 15 June 2011.

The Treasury provided advice on key competition and regulatory reforms of the COAG Business Regulation and Competition Working Group. This included progressing reforms in some of the 27 areas where duplicate and inconsistent regulation across jurisdictions unnecessarily burdens business. It also included supporting the Parliamentary Secretary to the Treasurer in his role as chair of the Business Regulation and Competition Working Group Competition Sub-Committee, which oversees the eight competition reform areas, including national transport, road pricing, national energy markets and access to infrastructure.

The Treasury provided advice to the Government on improving the competitiveness of Australia's national telecommunications sector, including in relation to legislation that encourages the structural separation of Telstra and that establishes NBN Co. as a wholesale-only supplier.

The Treasury coordinates the Productivity Commission's work program and advises departments and the Government on preparing terms of reference for reviews. In 2010-11, the Productivity Commission commenced three public inquiries and four commissioned studies.

The Treasury represents Australia at international forums on competition policy, and is a member of the OECD Competition Committee. The Treasury is also a member of the APEC Economic Committee and coordinates the competition policy work stream.

Consumer policy

In 2010-11, the Treasury provided advice to the Government on the consumer policy framework including implementation of the Australian Consumer Law.

The Treasury developed legislation to implement the Australian Consumer Law. The Australian Consumer Law replaces provisions in 20 Commonwealth, State and Territory laws with a single national consumer law and commenced on 1 January 2011.

The Australian Consumer Law Act includes a single set of provisions about unfair practices and fair trading, national unfair contract terms, new consumer guarantees provisions, new provisions dealing with unsolicited consumer agreements, simple national laws for lay-by agreements, a new national product safety regime and new provisions on information standards that will apply to services as well as goods. The Australian Consumer Law also includes new civil penalties, enforcement powers and consumer redress options.

The Treasury worked with both national and State and Territory regulators during 2010-11 to implement a new policy and enforcement framework for the Australian Consumer Law.

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The Treasury also provided advice to the Government to clarify the unconscionable conduct provisions of the *Competition and Consumer Act 2010*.

The Australian Consumer Survey, commissioned by the Treasury on behalf of the Standing Committee of Officials of Consumer Affairs, benchmarked consumer and business awareness, knowledge and experience of Australia's consumer laws prior to the implementation of the Australian Consumer Law. This national survey collected sufficient data to establish a suitable evidence base for future consumer policy and research.

The Treasury represents Australia in international forums on consumer policy. The Treasury is a member of the OECD Committee on Consumer Policy. The Treasury contributed to the development of the OECD's *Consumer Policy Toolkit*, which was published in July 2010. The Treasury also developed a *Companion to the OECD Consumer Policy Toolkit*, which placed the OECD work in an Australian context. The Treasury also contributed to the establishment of the OECD's Working Group on Consumer Product Safety.

The Treasury continued to provide secretariat support to the Ministerial Council on Consumer Affairs and to the Commonwealth Consumer Affairs Advisory Council.

National regulation of credit

The National Consumer Credit Protection laws came into force on 1 July 2010. The legislation gives effect to the COAG agreement of October 2008 to transfer responsibility for consumer credit regulation to the Australian Government.

The National Consumer Credit Protection laws:

- replace the State and Territory administered Uniform Consumer Credit Code with a nationally consistent consumer credit framework;

- introduce a national credit licensing system with both entry standards and ongoing conduct requirements for all persons engaging in credit activities; and
- require lenders, and those intermediaries who provide credit assistance, to meet responsible lending obligations, so that borrowers are not provided with products that are unsuitable.

During 2010-11, the Treasury commenced consideration of Phase 2 of the National Credit Reforms with the release, in July 2010, of the Phase 2 Green Paper, *National Credit Reform: Enhancing Confidence and Fairness in Australia's Credit Law*.

The Treasury developed legislation to enhance the regulation of credit card lending announced under the Competitive and Sustainable Banking System reforms. The *National Consumer Credit Protection Amendment (Home Loans and Credit Cards) Act 2011*, introduced a number of reforms including bans on unsolicited credit limit offers and 'over limit' fees unless consumers expressly consent to them, and a requirement for lenders to apply repayments to higher interest debts first.

Financial system reform

Financial sector crisis management

A key focus of activities during 2010-11 was providing policy analysis and advice to improve Australia's productivity and international competitiveness, and deepen the supply potential of the economy in the wake of the global financial crisis and the global recession. These policies focused on promoting economic growth and supporting employment, ensuring the financial system remained robust and dynamic, and the regulatory framework promoted macroeconomic stability and market confidence.

Treasury officials continued to participate in the work of the G20, contributing to the development of key global reforms to financial regulation, including strengthened standards for capital and liquidity. The Treasury also contributed to the work of other international bodies to foster international cooperation in financial system regulation, corporate governance, financial reporting, auditing and corporate insolvency.

Regulation of particular market sectors addressed in those forums included hedge funds, credit rating agencies and over-the-counter derivatives.

In the case of financial reporting, the Treasury worked with the Financial Reporting Council on regional and international initiatives to promote convergence to International Financial Reporting Standards.

Domestically, the Treasury progressed further initiatives to address regulatory concerns emerging from the crisis.

On 12 December 2010, the Government released the *Competitive and Sustainable Banking System* reform package to foster competition and stability in the banking sector. The package introduced three broad streams of reforms: to empower consumers to get a

better deal; to help smaller lenders put more competitive pressure on the big banks; and to secure Australia's financial system, providing a sustainable flow of credit to households and businesses.

The Treasury worked with Australia's financial regulators to develop the reforms and is currently undertaking consultations and working on legislation to introduce these reforms.

The Treasury also provided advice on Australia's financial sector crisis management arrangements, including the operation of the Guarantee of Large Deposits and Wholesale Funding (Guarantee Scheme), and the Financial Claims Scheme (FCS).

The Guarantee Scheme enabled Australian authorised deposit-taking institutions to continue to raise funds and to provide credit throughout the crisis. The Government closed the Guarantee Scheme on 31 March 2010 following advice from the Council of Financial Regulators (comprising representatives of the Treasury, APRA, ASIC and the RBA) that it was no longer required.

The FCS provides depositors and insurance policyholders with timely access to funds if a financial institution fails. Depositor claims are currently capped at \$1 million, a level which reflected the need to reassure depositors and the market at the time it was set. The Government has committed to review these arrangements by October 2011.

On 12 December 2010, the Government confirmed that the FCS would remain in place permanently. The Government also announced that it had been working with the Council of Financial Regulators to review the cap on the scheme.

On 27 May 2011, the Government released an FCS consultation paper which considered whether amendments would be required to the FCS in the new, post-crisis environment. The Council of Financial Regulators advised the Government that the FCS in its current form is largely appropriate to the post-crisis landscape. However, it has suggested some narrowing of the scheme from the settings that were put in place during the crisis, particularly in relation to the cap on the size of protected deposits and refinements to the existing framework. On 11 September 2011, the Government announced a new cap of \$250,000 will apply from 1 February 2012.

The Treasury continued to participate in the work of the Council of Financial Regulators and liaised with other government agencies to monitor developments in the global and domestic financial markets and provide policy advice. It continued to monitor developments in key overseas financial markets to inform policy considerations.

Financial market infrastructure

On 8 April 2011, the Deputy Prime Minister and Treasurer referred a number of issues relating to financial market infrastructure regulation to the Council of Financial Regulators. The Treasury is chair of this working group, which also comprises representatives of APRA, ASIC and the RBA. The working group is considering potential measures which could be introduced to ensure Australia's regulatory system for financial market infrastructure continues to protect the interests of Australian issuers, investors and markets participants, including under a scenario where the Australian Securities Exchange is part of a foreign-domiciled group.

Market supervision and competition

On 1 August 2010, the *Corporations Amendment (Financial Market Supervision) Act 2010* and the *Corporations (Fees) Amendment Act 2010* commenced, giving effect to the Government's decision to transfer responsibility for the supervision of Australia's domestic licensed financial markets from market operators to ASIC. The associated Regulations and ASIC's Market Integrity Rules, which together provide the detail of the new regulatory framework, also commenced at that time.

In 2010-11, the Treasury progressed the Government's decision, announced in March 2010, to support financial market competition in Australia. This included working closely with ASIC to develop the *ASIC Market Integrity Rules (Competition in Exchange Markets) 2011*. Following advice from the Treasury and ASIC, on 4 May 2011, the Assistant Treasurer and Minister for Financial Services and Superannuation granted a licence to ChiX Australia Pty Ltd as an alternative securities exchange to boost competition in Australia's financial market. The Treasury also assisted in the development of a cost recovery framework for market supervision in a multi-market operator environment.

Financial services reforms

Financial advice reform

In April 2010, the Government announced the Future of Financial Advice reforms, which focused on improving the quality of advice and enhancing retail investor protection. The reforms included a ban on conflicted remuneration structures, the introduction of a best interest's duty for people providing personal advice, and a compulsory renewal obligation for ongoing advice relationships. The reforms are designed to tackle conflicts of interest that have led to high profile corporate collapses such as Storm Financial, Opes Prime and WestPoint.

Following the initial public information sessions held in July 2010, the Treasury held a series of targeted meetings with stakeholders and a second round of public information sessions in February and March 2011. On 28 April 2011, the Government released an information pack outlining further details of the reforms, particularly in relation to the compulsory renewal obligation and the payment of insurance commissions.

The Government is moving ahead with the implementation of the reforms and expects to introduce legislation into Parliament before the end of 2011.

Statutory Compensation Scheme Review

As part of the Future of Financial Advice reforms, a review of the cost and benefits of a statutory compensation scheme for financial services is being undertaken by Mr Richard St. John. In April 2011, Mr St. John released a consultation paper seeking feedback on a range of options including more rigorous administration of the professional indemnity insurance arrangements, a strengthening of capital requirements and introduction of a last resort scheme. Mr St. John is expected to report to government on these issues in 2012-13.

Reforming flood insurance: Clearing the waters

On 4 April 2011, in response to the number of natural disasters, the Government released the proposals paper *Reforming flood insurance: Clearing the waters*. The Treasury is in the process of developing two of the key proposals from the paper, the introduction of a standard definition of 'flood' and a key facts sheet for home building, and home and contents insurance policies. The two proposals being developed are expected to reduce the adverse outcomes faced by consumers when a natural disaster strikes. This will occur through increased consumer knowledge and awareness regarding insurance policies.

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Shorter Product Disclosure Statements

In 2008, the Minister for Finance and Deregulation and the then Minister for Superannuation and Corporate Law created the Financial Services Working Group, comprising officials from the Treasury, the Department of Finance and Deregulation and ASIC. The Group officially completed its main project in June 2010 by introducing simplified and shortened product disclosure statements for margin loans, superannuation funds and simple managed investment schemes.

Shorter Product Disclosure Statements (SPDS) for margin loans are four pages, while for both superannuation products and simple managed investment schemes, SPDS's are reduced to only eight pages.

An SPDS for margin loans came into operation from 1 January 2011, with regulated superannuation and simple managed investment scheme SPDS's transitioning to the new regime from 22 June 2011. SPDS's provide retail clients with short and simple to read disclosure documents which still contain the key information consumers need to be aware of before choosing to acquire an investment product.

Australian Financial Centre Forum

In September 2008, the Government commissioned a panel of experts — the Australian Financial Centre Forum — to identify the key priority areas necessary to position Australia as a leading financial centre in the Asia-Pacific region.

The Australian Financial Centre Forum's report, *Australia as a Financial Centre: Building on Our Strengths*, was released in January 2010. On 11 May 2010, the Government announced its response to the recommendations, providing in-principle or direct support for nearly all 19 recommendations. This included recommendations on the taxation of financial

services, such as the Board of Taxation reviewing Islamic financial products and collective investment vehicles, and regulation of financial services such as the development of an Asia Region Funds Passport and a financial services regulatory online gateway for potential overseas investors.

The Asia Region Funds Passport was discussed at an APEC policy dialogue in Kuala Lumpur in October 2010, leading to endorsement of continued work by the APEC Finance Ministers at their meeting in Kyoto in November 2010. Further work, led by the Treasury, is continuing amongst APEC economies on the technical design of the Passport model.

Financial sector trends and structures

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

Corporations regulation reforms

Executive remuneration

Following the Government's announcement in April 2010 that it would introduce a package of reforms to strengthen Australia's remuneration framework, the Treasury developed and implemented these reforms through the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* and associated Regulations. The reforms address many of the recommendations made by the Productivity Commission in its inquiry into Australia's executive remuneration framework.

Unsolicited share offers

In September 2010, the Government reintroduced the Corporations Amendment (No. 1) Bill 2010. The Bill includes measures to address unsolicited share offers by changing rules regarding the access and use of information held on share registers. It also amended ASIC's search warrant powers and its ability to access information obtained through telecommunications intercepts in relation to serious offences.

Sons of Gwalia

In September 2010, the Government reintroduced the Corporations Amendment (Sons of Gwalia) Bill 2010. The Bill reversed the effects of the High Court decision in *Sons of Gwalia and Margaretic*, which provided that shareholder compensation claims did not rank below the claims of unsecured creditors.

Insolvency regulation

On 2 June 2011, the Parliamentary Secretary to the Treasurer and Attorney-General jointly released an options paper, *A Modernisation and Harmonisation of the Regulatory Framework Applying to Insolvency Practitioners in Australia*. The options paper examines reforms to address possible misconduct in the insolvency profession and to improve the value for money for recipients of insolvency services.

Trustee companies

In 2010-11, in consultation with industry and the States and Territories, the Treasury continued to implement the national regulation of trustee companies. The *Corporations and Other Legislation Amendment (Trustee Companies and Other Measures) Act 2011* came into effect in April/May 2011.

Audit quality

The former Chairman of the Financial Reporting Council released a Treasury consultation paper *Audit Quality in Australia: A Strategic Review* on 5 March 2010 for a two-month consultation period.

The Treasury's paper identified the key drivers of audit quality in Australia with a view to assessing whether any measures should be taken to address any real or perceived threats to these drivers of audit quality.

The Treasury's consultation paper has been well received by stakeholders who have endorsed the Treasury's key finding that Australia's audit regulation framework is robust and stable, that the framework is in line with international best practice and that no fundamental changes to the framework are required.

After undertaking an analysis of the submissions, the Treasury completed its consultations with key stakeholders by holding roundtable discussions with stakeholders during November 2010. The consultative process identified a number of important reforms to enhance audit quality which the Government is now progressing through draft legislation.

Advice on, and processing of, individual foreign investment proposals

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

Foreign persons are required to notify the Deputy Prime Minister and Treasurer when entering into an agreement to acquire an interest in certain types of Australian real estate or a substantial interest¹ in an Australian business or corporation valued above \$231 million².

1 A substantial interest is defined as an interest of 15 per cent or more for an individual foreign person, or an interest of 40 per cent or more for two or more foreign persons, and their associates.

2 Under the Australia-US Free Trade Agreement, higher thresholds apply for US investors. From 1 January 2011, the threshold is \$1,005 million except for acquisitions involving a US government entity or in prescribed sensitive sectors.

All foreign governments and their related entities should notify and get prior approval before making a direct investment in Australia, regardless of the value of the investment. Foreign governments and their related entities also need to notify and get prior approval to start a new business or to acquire a real estate interest (except when buying land for diplomatic or consular requirements).

During 2010-11, the Foreign Investment Review Board (a non-statutory body which advises the Deputy Prime Minister and Treasurer on foreign investment matters) provided advice to the Deputy Prime Minister and Treasurer on major proposals. The General Manager of the Foreign Investment and Trade Policy Division is the Executive Member of the Foreign Investment Review Board.

Proposals are initially examined by the Treasury, in its role as secretariat to the Foreign Investment Review Board. Under the Deputy Prime Minister and Treasurer's authorisation, senior Treasury officers make decisions on less complex proposals that are not highly sensitive; this accounts for the majority of proposals. The Treasury also undertakes associated compliance work.

In examining large or otherwise significant proposals, the Treasury consults with Commonwealth and State government departments and authorities with responsibilities relevant to the proposed activity, to assist in assessing the implications of proposals. While the majority of proposals proceed without objection, the Deputy Prime Minister and Treasurer has powers under the Act to prohibit proposals that are contrary to the national interest, or to raise no objections to them subject to conditions that are considered necessary to ameliorate national interest concerns. Most proposals are decided within the 30 day statutory period.

Additional information on Australia's foreign investment screening arrangements, including statistics on foreign investment, is provided on the Foreign Investment Review Board's website at www.firb.gov.au.

Advice on investment and trade policy

The Treasury provides advice to the Government on general foreign investment and trade policy matters. This includes advice on global investment and trade flows and trends, foreign government investment and trade policy responses, and the implications for Australia. The Treasury also provides advice on Australia's participation in multilateral, regional and bilateral investment and trade agreements.

Representation in international forums

The Treasury provides policy input on international investment issues in multilateral forums such as the World Trade Organization and the OECD, in regional forums such as APEC, and bilaterally through free trade agreements, Investment Promotion and Protection Agreements, and other bilateral partnerships. The Treasury is involved in negotiating investment, financial services and competition related provisions in free trade agreements.

Trade agreements/closer economic cooperation

Concluded negotiations

The Investment Protocol to the Australia-New Zealand Closer Economic Relations Trade Agreement was signed on 16 February 2011. The Investment Protocol is an extension of the Closer Economic Relations Trade Agreement and complements existing bilateral initiatives that are designed to establish a single economic market. The Treasury was the lead agency in the negotiations.

The Treasury was active in developing the Association of Southeast Asian Nations (ASEAN) Australia-New Zealand Free Trade Agreement Economic Cooperation Work Program, including investment policy reviews for interested ASEAN countries.

Continuing negotiations

The Treasury continued its involvement in Australia's ongoing free trade agreement negotiations with Japan, China, Korea, Malaysia, the Gulf Cooperation Council and the Trans-Pacific Partnership Agreement (which involves Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the United States and Vietnam). The Treasury participated in these negotiations together with the Department of Foreign Affairs and Trade and a range of other Australian Government agencies.

In November 2010, Indonesia and Australia agreed to commence negotiation of an Indonesia-Australia Comprehensive Economic Partnership Agreement and in May 2011, India and Australia launched negotiations to conclude a Comprehensive Economic Cooperation Agreement. Formal negotiations have not yet begun but the Treasury has assisted with preparatory work.

In addition to participating in negotiations, the Treasury provides specialised advice to the Department of Foreign Affairs and Trade on Australia's involvement in the World Trade Organization Doha round of negotiations on the General Agreement on Trade in Services.

OECD Investment Committee

Australia is represented at OECD Investment Committee meetings by a senior executive of the Foreign Investment and Trade Policy Division. The committee enhances the contribution of international investment to growth and sustainable development worldwide, by advancing investment policy reform and international cooperation.

The committee also oversees the operation of the OECD Guidelines for Multinational Enterprises, a voluntary code providing recommendations for responsible business conduct in labour relations, human rights, the environment, bribery, tax and consumer welfare. As a member of the OECD, the Government promotes and implements the guidelines. This responsibility rests with the Treasury and is performed by the Australian National Contact Point, who is a senior executive of the Foreign Investment and Trade Policy Division. During 2010-11, a consultation process took place with stakeholders with a view to revising the guidelines, a revision of the guidelines supported by Australia was endorsed by OECD Ministers in late May 2011. A key outcome of the review was the addition of a human rights

chapter in the guidelines. A strategy is being put in place to publicise the new guidelines to Australian multinational enterprises.

In 2010-11, the Australian National Contact Point received three specific instance complaints under the guidelines. One involved the operations of an Australian multinational operating in Mozambique. This matter was transferred to the United Kingdom National Contact Point as the corporation involved is dual listed on the Australian Stock Exchange and the London Stock Exchange with the corporate responsibility for the Mozambique corporation being in London. The second matter concerned the industrial and employment practices of a multinational mining corporation in Australia. This matter was finalised when, despite the offer of the Australian National Contact Point to mediate, the mining corporation declined to meet with trade union officials on a face-to-face basis regarding the complaint. The third matter, concerning an Australian-based mining corporation operating in Argentina, is still in the discovery phase.

APEC

The Treasury represented Australia's interests in APEC as a member of APEC's Investment Expert's Group, the key focus of which is to encourage APEC members to enhance the environment for investment in their economies and improve transparency.

The 2010-11 work program included:

- continuing analysis of reform of investment policies;
- APEC funded projects, sponsored and managed by Australia, which are designed to benchmark performance improvement in removing barriers to investment (notably a project undertaken by the World Bank for APEC entitled Investing Across Borders which is a benchmarking report on foreign direct investment regulation across APEC and other countries); and
- developing, then getting APEC ministers and leaders to endorse, a number of action plans within the overarching APEC Investment Facilitation Action Plan. Australia also undertook a revision of the Investment Facilitation Action Plan for APEC's Investment Experts Group.

The Treasury also participated in investment reform capacity-building projects targeting APEC economies undertaken by the Australian APEC Study Centre and Melbourne APEC Finance Centre.

The Treasury is also a member of the APEC Economic Committee and coordinates the competition policy work stream.

International liaison

International Financial Reporting Standards regional policy forum

The fifth International Financial Reporting Standards (IFRS) Regional Policy Forum, which was held in Indonesia in May 2011, was attended by many jurisdictions from the Asia-Oceania region. Australia actively participated in the forum through representatives

from the Treasury, the accounting standard setters, the auditing standard setters and professional accounting bodies. The theme of the forum was 'Towards One Global Standard: The Challenges and Opportunities of IFRS Adoption in the Asia-Oceania Region'.

Coordination of business law with New Zealand

In August 2009, the Australian and New Zealand Prime Ministers agreed to principles and a range of shared medium-term practical outcomes for developing the Single Economic Market. The principles are:

- persons in Australia or New Zealand should not have to engage in the same process or provide the same information twice;
- measures should deliver substantively the same regulatory outcomes in both countries in the most efficient manner;
- regulated occupations should be able to operate seamlessly between each country;
- both Governments should seek to achieve economies of scale and scope in regulatory design and implementation;
- products and services supplied in one jurisdiction should be able to be supplied in the other;
- the two countries should seek to strengthen joint capability to influence international policy design; and
- outcomes should seek to optimise net Trans-Tasman benefits.

The range of shared outcomes include insolvency law, financial reporting policy, financial services policy, competition policy, business reporting, corporations law, personal property securities law, intellectual property law and consumer policy.

A Trans-Tasman Outcomes Implementation Group comprising senior officials from the Australian and New Zealand Governments has been tasked with overseeing and, wherever possible, accelerating the progress of the reform agenda. The Treasury and the Ministry of Economic Development currently co-chair the group. In 2010-11, completed Single Economic Market Outcomes proposals included:

- for-profit entities that are publicly accountable (including both groups and individual subsidiaries) are only required to prepare a single set of financial statements;
- financial reporting standards bodies in Australia and New Zealand have functional equivalence; and
- cross-membership between the ACCC and the New Zealand Commerce Commission at associate member level.

Trans-Tasman Accounting and Auditing Standards Advisory Group

The Trans-Tasman Accounting and Auditing Standards Advisory Group comprises representatives from the accounting and auditing standard setters, the professional accounting bodies, and the policy makers of both Australia and New Zealand.

The Trans-Tasman Accounting and Auditing Standards Advisory Group's focus is to ensure that the financial reporting and auditing frameworks of both countries do not unnecessarily impede Trans-Tasman business activity. During 2010-11, the group progressed a range of reforms designed to ensure greater commonality and alignment between the two frameworks.

Trans-Tasman Council on Banking Supervision

The Trans-Tasman Council on Banking Supervision reports to the Deputy Prime Minister and Treasurer and the New Zealand Minister of Finance on promoting a joint approach to deliver a seamless regulatory environment for banking services. The Secretaries to the Treasuries of Australia and New Zealand jointly chair the council, its membership also includes senior officials from the financial system regulators.

The Treasury has pursued the council's work program, focusing on improved cooperation on crisis management.

OECD Insurance and Private Pensions Committee

The Treasury has provided the Australian representative to the OECD Insurance and Private Pensions Committee, which also includes the Working Party on Private Pensions and the Working Party on Government Experts on Insurance. In 2010-11, the committee focused on issues arising in the financial crisis that were relevant to insurance sectors and private pension funds across member countries. These included crisis resolution options, corporate structures, consumer protection and accounting standards. It also undertook further work on the OECD guidelines on insurer corporate governance in cooperation with the International Association of Insurance Supervisors.

Standard Business Reporting International Forum

The SBR International Forum is jointly chaired by the Treasury's SBR General Manager and a representative from the Netherlands Government. In May 2011, officials from Australia, the Netherlands, Taiwan, the UK and Singapore, along with representatives of the software development community and several major accounting firms, met at an SBR International Forum in the Netherlands. This Forum brought together countries that are developing, or are interested in developing, an SBR program. Members explored the latest developments in SBR and shared their respective country's experiences.

Takeovers Panel

The Takeovers Panel contributed to well functioning securities markets in Australia by dealing with 28 applications, which are essentially disputes relating to takeovers made under the Takeovers Chapter of the *Corporations Act 2001* and other control transactions. The panel, a peer review body with regulatory functions, has 52 members who are specialists in mergers and acquisitions either as investment bankers, lawyers, company directors or other professionals. In resolving disputes, the panel helps to ensure that acquisition of control over voting shares in listed and widely-held companies occurs in an efficient, competitive and informed market, security holders and directors are given enough information and security holders have a reasonable and equal opportunity to participate in any benefits of

a proposal. The panel also publishes guidance notes to help foster market confidence and efficiency.

In 2010-11, the panel:

- considered a number of applications alleging association including Viento Group Limited, Brockman Resources Limited, CMI Limited and Bentley Capital Limited;
- considered a number of high profile applications including Leighton Holdings Limited; and
- updated three existing guidance notes and amended the guidance note on Frustrating Action to include a modified 'put up or shut up' exception.

Financial Reporting Panel

The Financial Reporting Panel is an alternative dispute resolution body which determines contested issues between ASIC and reporting entities concerning the application of accounting standards in financial reports. The panel provides an alternative to legal action, which is potentially both a costly and lengthy process. In 2010-11, ASIC referred four matters to the panel for determination.

The matters were each concluded in about two months, at minimal expense to the companies and ASIC. The panel's written determinations were publicly released in October 2010. The panel ruled in favour of ASIC in two of the matters and in favour of the firms in the other two.

Standard Business Reporting

SBR is a multi-agency initiative to reduce the business-to-government reporting burden. Led by the Treasury, participating agencies include the ABS, APRA, ASIC, the ATO and all State and Territory government revenue offices. The government side of SBR was implemented on 1 July 2010 and 2010-11 has focused on leading the ongoing governance of SBR, including the strategic direction, stakeholder take-up, architectural leadership and international collaboration.

SBR has been co-designed by Australian and State and Territory government agencies in partnership with business, software developers, accountants, bookkeepers and other business intermediaries across Australia. It aims to simplify financial reporting to government, and make it a natural by-product of accounting and financial software.

SBR has established ongoing communication and collaboration with the Netherlands, New Zealand, Singapore, Taiwan, the United States, the United Kingdom and the European Union, recognising the need to ensure, where possible, that its business-to-government reporting definitions are consistent with other countries.

Governments across Australia have endorsed SBR. It formed part of COAG's broader agenda for deregulation, under the oversight of the Business Regulation and Competition Working Group chaired by the Minister for Finance and Deregulation and the Minister for Small Business.

During 2010-11, the program supported, maintained and extended the main components of the SBR solution:

- taxonomies (the single language used to enable business software to send reports to government agencies);
- core services (the system which ensures that a report from business software is delivered to the relevant agency, and receipts and messages are returned); and
- the single secure sign on for businesses, AUSkey. AUSkey is positioned to be the single key for businesses to access government online services.

SBR commenced on 1 July 2010 with participating agencies able to accept lodgments of reports. During 2010-11, SBR engaged with key software developers to encourage and support the development of SBR-enabled financial/accounting and payroll software products for use by businesses and reporting professionals.

A number of recommendations have been made regarding the potential expansion of SBR to other business areas. These recommendations appear in the review into Australia's Future Tax System, the report into the reform of Australian Government administration, the review into Australia's superannuation system and Productivity Commission reports on the review of the regulatory burdens of business and the contribution of the not-for-profit sector. SBR has commenced working with several government agencies to explore the potential re-use of SBR to further reduce the business-to-government reporting burden.

Currency

The Treasury provided advice to Treasury portfolio ministers on a range of currency-related matters. It chaired the Royal Australian Mint Advisory Board to assist the Mint to develop its policy and administer its initiatives. The Treasury also assisted the Perth Mint in relation to its currency determinations (legislative instruments) which are tabled in Parliament before the release of numismatic (collector) coins.

Statutory and other procedural requirements

Financial sector levies

During 2010-11, the Treasury, in conjunction with APRA, consulted with industry and provided advice to the Government on the determination of financial sector levies which primarily support APRA's operations.

Review of need for *Terrorism Insurance Act 2003*

On 1 July 2003, the Government established a terrorism insurance scheme to minimise the wider economic impacts that flowed from the withdrawal of terrorism insurance following the terrorist attacks of September 2001. The *Terrorism Insurance Act 2003* requires the Act be reviewed at least once every three years, if it is to continue in operation. The 2009 Review recommended some minor refinements to the scheme. Following the Government's agreement, the Treasury is working with the Australian Reinsurance Pool Corporation to implement the review's recommendations. The Act will be reviewed again in 2012.

Appointments

The Treasury advised ministers on appointments to a range of statutory portfolio bodies.

Secretariat services

The Treasury provided secretariat services to the Ministerial Council for Corporations (MINCO), which met once during 2010-11. The Treasury also assisted ministers to fulfil the Government's obligations under the Corporations Agreement 2002. A streamlining project initiated by COAG in 2011 resulted in changes to the ministerial council system. MINCO now operates as the Legislative and Governance Forum for Corporations (meeting as the Ministerial Council for Corporations). Most work priorities and operational arrangements are continuing as with the former MINCO. However, work performed by MINCO that did not fall within the new terms of reference, ceased or was transferred to other agencies.

The Treasury provided secretariat support for the Financial Reporting Council, which met four times during 2010-11. This statutory body provides strategic oversight of the accounting and audit standard-setting processes, including the Australian Accounting Standards Board (AASB) and the Auditing and Assurance Standards Board (AUASB), and monitors the effectiveness of Australia's auditor independence requirements. The AASB deals with the setting of accounting standards for the public and private sectors of the Australian economy, while the AUASB focuses on the development and formulation of Australian Auditing Standards. The 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 sector.

The Treasury also provided secretariat support for the COAG Business Regulation and Competition Working Group Competition sub-committee, which is chaired by the Parliamentary Secretary to the Treasurer. The sub-committee oversees the eight competition reform areas under the *National Partnership to Deliver a Seamless National Economy* and met four times in 2010-11.

Australian Government Actuary

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 2011, the account was in a sound financial position.

Demand for service was again high during 2010-11.

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, Employment and Workplace Relations; Families, Housing, Community Services and Indigenous Affairs; Health and Ageing; Finance and Deregulation and Veterans' Affairs. Centrelink and the ATO also sought advice.

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

Services to the Treasury

The Australian Government Actuary contributed its technical expertise on policy issues, including the superannuation system and insurance matters. The Australian Government Actuary was appointed to assist the Natural Disaster Insurance Review in March 2010.

The Treasury funded this work which accounted for around 10 per cent of the office's total revenue for the year.

Operational outcomes

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

TREASURY SUPPORT SERVICES

To support the Treasury's policy outcome, Corporate Services Group and the Organisational Strategy Unit provide key services to assist with systems and facilities providing essential support and organisational backup to the policy groups.

Corporate Services Group is responsible for providing corporate services, products and advice including accommodation and facilities management; management of administrative support; financial management; human resource management, training and development; information management and technology services; media management and monitoring; ministerial and parliamentary support; procurement; print and web publishing; internal and external communications; security; travel and managing freedom of information (FOI) requests.

The Organisational Strategy Unit functions include facilitating high level policy coordination and whole-of-department corporate strategy; providing support to the Secretary, the Executive Board and the Audit Committee, including oversight of departmental structures and systems; designing and facilitating whole-of-department policy discussions; coordinating organisational strategy initiatives; overseeing the risk management framework; and undertaking and assisting with departmental reviews.

CORPORATE SERVICES GROUP

Corporate Services Group's mission is to provide efficient and effective corporate services, products and advice to the Treasury, Treasury portfolio ministers and other clients to enable them to meet their objectives.

The four divisions in the group are Financial and Facilities Management, Human Resources, Information Management and Technology Services, and Ministerial and Communications.

Key priorities

The key priorities in 2010-11 were to:

- coordinate events associated with the 2011-12 Budget;
- ensure compliance with the amended FOI legislation;
- undertake the Education Tax refund communication campaign;
- negotiate and implement a competitive and flexible workplace agreement;
- commence development of a workforce planning strategy that meets organisational needs and incorporates the APS reform agenda;
- extend existing childcare facilities for Treasury staff;
- review the Treasury's capital management plan in line with new net cash arrangements;
- transition personnel security vetting to the Australian Government Security Vetting Agency;
- refresh the desktop environment and improve the availability of IT infrastructure;
- commence redevelopment of the internet and intranet, and strengthen record keeping; and
- deliver data management and reporting tools to support forecasting activities.

Key outcomes

The key outcomes were:

- successful event, publication (print and online) and media relations support for several major government announcements and initiatives, including the 2011-12 Budget;
- effective management of FOI Act requests, implementation of the Treasury's information publication scheme and provision of FOI advice;
- successful delivery of the Education Tax refund communication campaign;
- implementation of the Treasury Workplace Agreement 2011-2014;
- implementation of refreshed leadership, management and technical development programs;

- implementation of more flexible performance management and career development arrangements to meet business needs;
- completion of the extension of childcare facilities for Treasury staff;
- ongoing payment and financial reporting arrangements under the Federal Financial Relations reforms;
- completion and audit of the 2009-10 financial statements with no major issues raised;
- the capital management plan reviewed;
- ongoing management of personnel security vetting provided by the Australian Government Security Vetting Agency;
- major upgrades and enhancements to the Department's data network, email system, electronic data storage facilities and active directory environment;
- refreshing the Department's desktop computers, including an upgrade to the standard operating environment;
- improvements to the availability and capacity of IT infrastructure, including enhanced disaster recovery arrangements; and
- commencing the development of a new information management and technology strategy, to be launched in late 2011.

ORGANISATIONAL STRATEGY UNIT

The Organisational Strategy Unit seeks to link policy strategy with organisational strategy to maintain the capacity of the department to deliver on its mission.

Key priorities

The key priorities in 2010-11 were to:

- provide high-level services to the Secretary and the Executive Board to support and enable key forums within the Treasury's governance framework;
- establish, coordinate and support processes within the department to develop and progress an ongoing strategic policy dialogue;
- undertake and support departmental reviews relating to organisational issues;
- ensure the effectiveness, efficiency and conformity to legislative and accountability requirements of the Treasury's activities, systems and processes; and
- continue to provide a policy implementation monitoring and advising capability.

Key outcomes

The key outcomes were:

- providing secretariat support to the Executive Board and the Audit Committee;
- organising the ongoing policy dialogue across the department, including arranging policy strategy meetings and senior executive service (SES) forums;
- undertaking data analysis on the recruitment, retention and progression of women in the Treasury;
- evaluating the effectiveness of administrative and executive support arrangements implemented following a review of these services;
- reviewing the Treasury's capacity to understand and analyse issues relating to China;
- developing a new risk management framework and associated products to further improve risk management and corporate planning in the Treasury;
- managing a database of election commitments during the 2010 election campaign; and
- coordinating significant briefing products, including for the 2010 Economic Statement, the Secretaries' Board, the Secretaries' Committee on service delivery and Tri-Treasury meetings with New Zealand and the United Kingdom.

PROGRAM 1.2: PAYMENTS TO INTERNATIONAL FINANCIAL INSTITUTIONS

PROGRAM OBJECTIVE

The objectives of Program 1.2 are to:

- make payments to the IMF, under the *International Monetary Agreements Act 1947*, to promote international monetary cooperation, exchange stability and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustments; and
- make payments to other international financial institutions, as required, to facilitate the achievement of government objectives in international forums. This includes strengthening the international financial system, support for development objectives through the multilateral development banks, and multilateral debt relief.

PROGRAM DELIVERABLES

The program deliverables are:

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

KEY PERFORMANCE INDICATORS

The key performance indicators are:

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

ANALYSIS OF PERFORMANCE

Australia makes significant financial commitments to international financial institutions to support their operations.

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

The Treasury conducted routine financial transactions to manage existing obligations. These were timely and efficient (see Table 1 below).

Table 1: Financial transactions with international financial institutions in 2010-11

	Nature of transaction	Number of transactions	\$'000
Receipts			
IMF net remuneration	Revenue	4	3,713
Payments			
IMF special drawing rights allocation charges	Expense	4	18,734
IMF financial transaction plan	Financing transaction	4	315,051
IMF new arrangements to borrow	Financing transaction	1	225,137
Asian Development Bank general capital increase	Investing transaction	1	18,687

PROGRAM 1.3: SUPPORT FOR MARKETS AND BUSINESS

PROGRAM OBJECTIVE

The objectives of Program 1.3 are to:

- make payments in respect of insurance claims arising from the residual Housing Loans Insurance Company Limited portfolio. The Housing Loans Insurance Company Limited pre-transfer contract portfolio will be managed to ensure all liabilities arising from claims under this portfolio are met and any related debts are recovered;
- make payments of assistance to eligible HIH insurance policy holders under the HIH Claims Support Scheme. Work is now focused on finalising remaining claims so assistance can be paid, and the claims portfolio wound-up; and
- make loan payments to New South Wales to assist it to provide funding to the Asbestos Injuries Compensation Fund if required, to address an expected funding shortfall. This will assist the Asbestos Injuries Compensation Fund to continue making upfront compensation payments to victims of asbestos related diseases.

PROGRAM DELIVERABLES

The program deliverables are:

- payments of claims arising from the Housing Loans Insurance Company Limited old book and assistance under the HIH Claims Support Scheme are made according to agreed schedules; and
- payments to New South Wales under the loan arrangements are made according to agreed schedules.

KEY PERFORMANCE INDICATORS

The key performance indicators are:

- payments of claims arising from the Housing Loans Insurance Company Limited old book and assistance under the HIH Claims Support Scheme are accurately determined and are made according to agreed schedules; and
- the loan facility to New South Wales is a temporary contingency measure for the provision of financing to the Asbestos Injuries Compensation Fund, where the Fund is not able to obtain financing in the short term from James Hardie under the Amended and Restated Final Funding Agreement. The facility will assist the Fund in the short-term to avoid entering into the rationing of payment to claimants.

ANALYSIS OF PERFORMANCE

- Payments made from the Housing Loans Insurance Corporation Limited met the cost of administering and meeting the Commonwealth's obligations arising from ongoing management of the residual portfolio of lenders' mortgage insurance contracts.
- Payments made to the HIH Claims Support Scheme met the costs of operating the scheme and providing assistance to eligible policyholders. The Treasury continues to work closely with the HIH administrators, McGrathNicol+Partners, and the contracted claims manager, Gallagher Bassett Services Pty Ltd, to settle remaining claims.
- All payments were accurately determined, in accordance with industry best practice and government regulations, and made in a timely manner.
- No loan payments were made to New South Wales in relation to the Asbestos Injuries Compensation Fund.

PROGRAM 1.4: GENERAL REVENUE ASSISTANCE

PROGRAM OBJECTIVE

The objectives of Program 1.4 are to make general revenue assistance payments to the States and Territories. General revenue assistance payments consist of:

- payments of revenue received from the GST, which in accordance with the *Intergovernmental Agreement on Federal Financial Relations* (Intergovernmental Agreement) the Commonwealth administers on behalf of the States, and which are provided without conditions for each State and Territory to spend according to their own budget priorities;
- payments to the Australian Capital Territory to assist in meeting the additional municipal costs which arise from Canberra's role as the national capital and to compensate for the additional costs resulting from the national capital planning influences on the provision of water and sewerage services;
- payments to Western Australia to compensate for the loss of royalty revenue resulting from the removal in the 2008-09 Budget of the exemption of condensate from crude oil excise;
- payments to Western Australia of a share of royalties collected by the Commonwealth under the *Offshore Petroleum (Royalty) Act 2006* in respect of the North West Shelf oil and gas project off the coast of Western Australia;
- payments to the Northern Territory in lieu of royalties on uranium mining in the Ranger Project Area due to the Commonwealth's ownership of uranium in the Northern Territory; and
- payments to New South Wales and Victoria to compensate for Commonwealth taxes paid by Snowy Hydro Ltd in proportion to the States' shareholdings.

Elements of this program are linked to the Resources, Energy and Tourism portfolio.

PROGRAM DELIVERABLES

The program deliverables are:

- general revenue assistance payments to the States and Territories are made according to the payment arrangements specified in the Intergovernmental Agreement.

KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Treasury will make general revenue assistance payments to the States and Territories that reflect the requirements, amounts and timeframes specified in the Intergovernmental Agreement; and
- the Treasury will provide GST revenue data on a monthly, quarterly and annual basis, and will maintain a schedule of estimates of annual net GST receipts, in accordance with the requirements of the Intergovernmental Agreement.

ANALYSIS OF PERFORMANCE

In accordance with the Intergovernmental Agreement, total general revenue assistance payments of \$47.0 billion were made to the States and Territories in 2010-11. Payments included:

- GST payments to the States and Territories totalling \$45.9 billion;
- payments to Western Australia of a share of royalties collected by the Commonwealth under the *Offshore Petroleum (Royalty) Act 2006* totalling \$0.9 billion; and
- other general revenue assistance payments totalling \$0.1 billion.

The Treasury also recouped \$0.7 billion in GST administration costs in 2010-11.

Monthly, quarterly and annual GST revenue data was provided by the twentieth of each month in accordance with the requirements of the Intergovernmental Agreement.

All payments were accurately determined and made in a timely manner.

PROGRAM 1.5: ASSISTANCE TO THE STATES FOR HEALTHCARE SERVICES

PROGRAM OBJECTIVE

The objectives of Program 1.5 are:

- the Government provides financial support for the States and Territories to be spent in the delivery of healthcare services.

This program also has links to the Health and Ageing portfolio.

PROGRAM DELIVERABLES

The program deliverables are:

- payments to the States and Territories are made according to the payment arrangements specified in the Intergovernmental Agreement.

KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Treasury will transfer to each State and Territory the amounts of their monthly and annual entitlements under the National Healthcare SPP and will make the payments on the dates specified in the Intergovernmental Agreement;
- the Treasury will provide advice to the States and Territories on the components of each payment prior to each payment being made;
- the States and Territories are required to spend the National Healthcare SPP in the healthcare sector. Each State and Territory Treasurer will provide a report to demonstrate expenditure of the National Healthcare SPP within the healthcare sector in accordance with the Intergovernmental Agreement. The Treasury will review these reports provided by the States and Territories.

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2010-11 financial support for the States and Territories in the delivery of healthcare services.

- Payments under the National Healthcare SPP were \$12.0 billion.
- All payments were accurately determined and made in a timely manner, in accordance with the payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the States and Territories prior to each payment being made.

To demonstrate the National Healthcare SPP has been spent in the relevant sector, each State and Territory will provide a report to the Ministerial Council within six months of 30 June 2011, disclosing relevant information in accordance with the Intergovernmental Agreement.

It should be noted that:

- In August 2011, agreement was reached between the Commonwealth and the States on the National Health Reform Agreement which will deliver major reforms to the organisation, funding and delivery of health and aged care.
- National Health Reform funding will commence from 1 July 2012 replacing the National Healthcare SPP. National Health Reform funding will be paid into a *National Funding Pool* to support public hospital and public health services.

PROGRAM 1.6: ASSISTANCE TO THE STATES FOR SCHOOLS

PROGRAM OBJECTIVE

The objectives of Program 1.6 are:

- the Government provides financial support for the States and Territories to be spent in the delivery of government school services.

Although the Treasury makes payments for non-government schools, the funding and expense for the non-government schools component relates to the Education, Employment and Workplace Relations portfolio.

PROGRAM DELIVERABLES

The program deliverables are:

- payments to the States and Territories are made according to the payment arrangements specified in the Intergovernmental Agreement.

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KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Treasury will transfer to each State and Territory the amounts of their monthly and annual entitlements under the National Schools SPP (government schools component) and will make the payments on the dates specified in the Intergovernmental Agreement;
- the Treasury will provide advice to the States and Territories on the components of each payment prior to each payment being made; and
- the Treasury will review the acquittal report provided by each State and Territory on their expenditure in the schools sector.

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2010-11 financial support for the States and Territories in the delivery of government schools services.

- Payments under the National Schools SPP (government schools component) payments were \$3.6 billion.
- All payments were accurately determined and made in a timely manner, in accordance with the payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the States and Territories prior to each payment being made.

To demonstrate that the National Schools SPP (government schools component) was spent in the relevant sector, each State and Territory Treasurer will provide a report to the Ministerial Council within six months of 30 June 2011, disclosing relevant information in accordance with the Intergovernmental Agreement.

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

PROGRAM OBJECTIVE

The objectives of Program 1.7 are:

- the Government provides financial support for the States and Territories to be spent in the delivery of skills and workforce development services.

This program also has links to the Education, Employment and Workplace Relations portfolio.

PROGRAM DELIVERABLES

The program deliverables are:

- payments to the States and Territories are made according to the payment arrangements specified in the Intergovernmental Agreement.

KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Treasury will transfer to each State and Territory the amounts of their monthly and annual entitlements under the National Skills and Workforce Development SPP and will make the payments on the dates specified in the Intergovernmental Agreement;
- the Treasury will provide advice to the States and Territories on the components of each payment prior to each payment being made; and
- the Treasury will review the acquittal report provided by each State and Territory on their expenditure in the delivery of skills and workforce development services.

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2010-11 financial support for the States and Territories in the delivery of skills and workforce development services.

- Payments under the National Skills and Workforce Development SPP were \$1.3 billion.
- All payments were accurately determined and made in a timely manner in accordance with payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the States and Territories prior to each payment being made.

To demonstrate that the Skills and Workforce Development SPP was spent in the relevant sector, each State and Territory Treasurer will provide a report to the Ministerial Council within six months of 30 June 2011, disclosing relevant information in accordance with the Intergovernmental Agreement.

PROGRAM 1.8: ASSISTANCE TO THE STATES FOR DISABILITY SERVICES

PROGRAM OBJECTIVE

The objectives of Program 1.8 are:

- the Government provides financial support for the States and Territories to be spent in the delivery of disability services.

This program also has links to the Families, Housing, Community Services and Indigenous Affairs portfolio.

PROGRAM DELIVERABLES

The program deliverables are:

- payments to the States and Territories are made according to the payment arrangements specified in the Intergovernmental Agreement.

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KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Treasury will transfer to each State and Territory the amounts of their monthly and annual entitlements under the National Disability Services SPP and will make the payments on the dates specified in the Intergovernmental Agreement;
- the Treasury will provide advice to the States and Territories on the components of each payment prior to each payment being made; and
- the Treasury will review the acquittal report provided by each State and Territory on their expenditure in the delivery of disability services.

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2010-11 financial support for the States and Territories in the delivery of disability services.

- Payments under the National Disability SPP were \$1.1 billion.
- All payments were accurately determined and made in a timely manner in accordance with the payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the States and Territories prior to each payment being made.

To demonstrate that the National Disability SPP was spent in the relevant sector, each State and Territory will provide a report to the Ministerial Council within six months of 30 June 2011, disclosing relevant information in accordance with the Intergovernmental Agreement.

It should be noted that from 1 July 2011, the Commonwealth will make an adjustment to ensure that the changes to Commonwealth and State roles and responsibilities for aged care and disability services, as part of the National Health Reform arrangements, are budget neutral. Subject to further negotiations on elements of the National Health Reform arrangements, it is anticipated that the adjustment to achieve budget neutrality will be made to either the National Healthcare SPP or the National Disability SPP.

PROGRAM 1.9: ASSISTANCE TO THE STATES FOR AFFORDABLE HOUSING

PROGRAM OBJECTIVE

The objectives of Program 1.9 are:

- the Government provides financial support for the States and Territories to be spent in the delivery of affordable housing services.

This program also has links to the Families, Housing, Community Services and Indigenous Affairs portfolio and the Health and Ageing portfolio.

PROGRAM DELIVERABLES

The program deliverables are:

- payments to the States and Territories are made according to the payment arrangements specified in the Intergovernmental Agreement.

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KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Treasury will transfer to each State and Territory the amounts of their monthly and annual entitlements under the National Affordable Housing SPP and will make the payments on the dates specified in the Intergovernmental Agreement;
- the Treasury will provide advice to the States and Territories on the components of each payment prior to each payment being made; and
- the Treasury will review the acquittal report provided by each State and Territory on their expenditure in the delivery of affordable housing.

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2010-11 financial support for the States and Territories in the delivery of affordable housing services.

- Payments under the National Affordable Housing SPP were \$1.2 billion.
- All payments were accurately determined and made in a timely manner in accordance with the payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the States and Territories prior to each payment being made.

To demonstrate that the National Affordable Housing SPP was spent within the relevant sector, each State and Territory will provide a report to the Ministerial Council within six months of 30 June 2011, disclosing relevant information in accordance with the Intergovernmental Agreement.

PROGRAM 1.10: NATIONAL PARTNERSHIP PAYMENTS TO THE STATES

PROGRAM OBJECTIVE

The objectives of Program 1.10 are:

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

This program also has links to the portfolios of Agriculture, Fisheries and Forestry; Attorney-General's; Broadband, Communications and the Digital Economy; Climate Change and Energy Efficiency; Defence, and Veteran's Affairs; Education, Employment and Workplace Relations; Families, Housing, Community Services and Indigenous Affairs; Finance and Deregulation; Health and Ageing; Infrastructure, Transport, Regional Development and Local Government; Prime Minister and Cabinet; Resources, Energy and Tourism; and Sustainability, Environment, Water, Population and Communities.

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PROGRAM DELIVERABLES

The program deliverables are:

- payments to the State and Territories will be made on the basis set out in each of the National Partnership agreements and any related agreements.

KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Treasury will make payments to the States and Territories that reflect the requirements, the amounts and timeframes set out in each of the National Partnership agreements and any related agreements. These payments will only be made upon the Commonwealth Treasury's receipt of relevant authorisations in respect of the achievement of milestones, performance benchmarks or payment schedules as set out in the relevant National Partnership agreement;
- the Treasury will provide advice to the States and Territories on the components of each payment prior to each payment being made; and
- the Treasury will review the acquittal report provided by each State and Territory on their expenditure under each of the National Partnership agreements.

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2010-11 financial support for the States and Territories in improving outcomes in areas specified in National Partnership agreements.

National Partnership payments for 2010-11 were \$23.2 billion comprising:

- payments to support state health services of \$1.9 billion;
- payments to support state education services of \$6.4 billion;
- payments to support state skills and workforce development related services of \$0.4 billion;
- payments to support state community services of \$1.7 billion;
- payments to support affordable housing services of \$2.3 billion;
- payments to support state infrastructure services of \$3.7 billion;
- payments to support state environmental services of \$0.3 billion;
- payments to support other state services of \$0.2 billion; and
- contingent payments to the States of \$6.3 billion.

These payments include amounts for non-government schools and local government.

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

All payments were determined and made in a timely manner in accordance with the payment arrangements specified in the Intergovernmental Agreement.

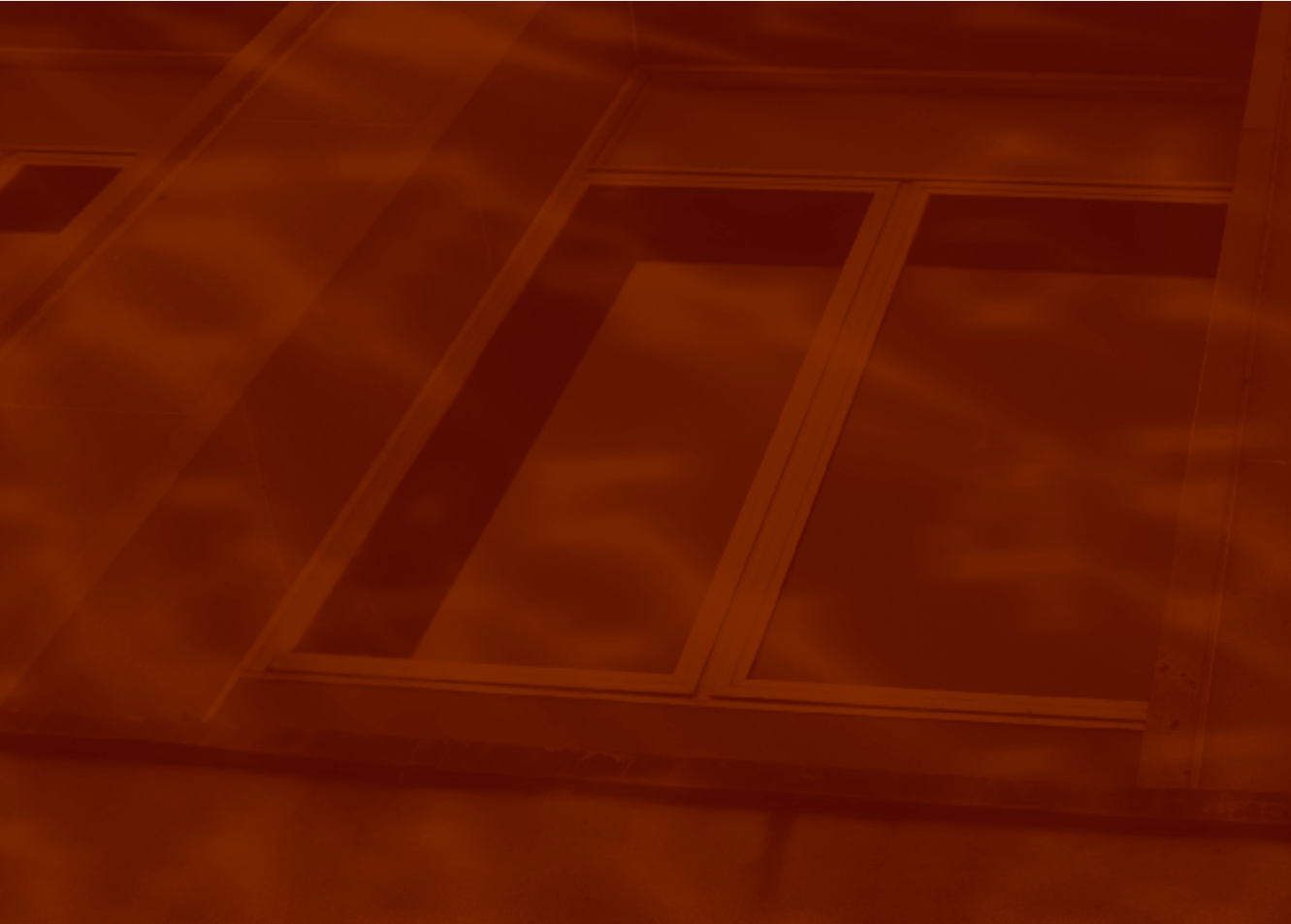
Advice was provided to the States and Territories prior to each payment being made.



PART THREE

MANAGEMENT AND ACCOUNTABILITY

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CORPORATE GOVERNANCE

The 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 the Treasury's resources.

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

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

The Executive Board is the Treasury's primary decision-making body. The Audit Committee assists the Executive Board by independently reviewing and considering the department's operations, its risk management framework and the integrity of its financial accounts.

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

- the Secretary is accountable for the Treasury's management and strategic leadership;
- executive directors are accountable for a group's management and strategic leadership;
- general managers are accountable for a division's management and strategic leadership;
- managers are accountable for a unit's management and leadership; and
- advisors and analysts are accountable for providing technical expertise and team leadership, and contributing to unit outputs.

SENIOR MANAGEMENT COMMITTEES AND THEIR ROLES

Executive Board

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

- organisational development — shaping the Treasury's future;
- policy development and coordination — involving major and/or new economic policy issues, generally with implications that involve more than one group;

- corporate governance — ensuring the efficient, effective and ethical use of resources; and
- planning and allocation of resources — meeting current and future work priorities.

The Executive Board members as at 30 June 2011 were:

- Dr Martin Parkinson, Secretary;
- Dr David Gruen, Executive Director, Macroeconomic Group;
- Mr Mike Callaghan, Executive Director, Macroeconomic Group;
- Mr Jim Murphy, Executive Director, Markets Group;
- Mr Nigel Ray, Executive Director, Fiscal Group;
- Mr Rob Heferen, Executive Director, Revenue Group;
- Mr Richard Murray, Executive Director, Policy Coordination and Governance; and
- Mr Steve French, Group General Manager, Corporate Services Group.

The Executive Board is supported by the Secretary to the Board and the Organisational Strategy Unit.

Audit Committee

The Audit Committee reviews audit issues by:

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

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

The Audit Committee met six times during 2010-11. The membership for the meeting on 3 June 2011 included Mr Richard Murray (Chair), Mr Geoff Miller, Mr David Woods, Mr Steve French, Mr Roger Paul, Mr Tony McDonald and Mr Bruce Jones (the external representative). As at 30 June 2011, the membership of the Audit Committee was being adjusted to further enhance its independence and seniority, including the appointment of an independent Chair.

Staffing committee

The staffing committee is chaired by the Group General Manager of Corporate Services Group and comprises a representative from each group, including the General Manager of Human Resources Division. The aim of the committee is to ensure the Treasury maintains and develops a sufficiently skilled and deployed workforce to deliver the Treasury's mission.

Activities include guiding and monitoring a workforce planning strategy to meet the Treasury's organisational needs, based on advice from the Executive Board on departmental priorities, managing the bulk recruitment and transfer rounds, and determining the need for specialist recruitment processes.

Remuneration committees

Remuneration committees are established within the Executive, Corporate Services Group and the four policy groups in the Treasury to recommend to the Secretary the determination of salary rates available under individual arrangements for APS6, EL1 and EL2 employees.

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 General Manager Human Resources Division and all general managers within the group. One general manager from another group is included to promote consistency of outcomes between groups.

SENIOR MANAGEMENT STRUCTURE

The Treasury's senior management structure is detailed in Figure 1 on page 15.

CORPORATE PLANNING AND REPORTING

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

The Executive Board sets the broad strategic direction for the Treasury through its *Strategic Framework*. The *Strategic Framework* sets out the Treasury's mission, role, policy responsibilities, key priorities, risks, values and capabilities.

The Treasury meets its external reporting responsibilities through its portfolio budget statements and annual report.

RISK MANAGEMENT

The Treasury pursues a comprehensive, coordinated and systematic approach to risk management. It supports managers to anticipate uncertain events, exploit opportunities and respond appropriately to potential weaknesses. The approach has five key components.

- The Treasury's risk management framework was reviewed in 2010-11 and the department has implemented recommendations to maintain best practice and further embed risk management in the Treasury's work processes and culture. The updated risk management framework is consistent with the Australian/New Zealand Standard for Risk Management and aims to:
 - establish robust, yet pragmatic, risk management practices that support business needs and provide the methodology and tools to enable effective management of risk across the Treasury;
 - develop a consistent Treasury-wide understanding of risk management;
 - foster an environment where all staff assume responsibility for managing risk and where managers formally consider risks as part of the decision making process; and
 - ensure that significant risks facing the Treasury have been identified, understood, documented and are being actively managed.
- The Fraud Control Plan complies with Australian Government Fraud Control Guidelines.
- The Chief Executive Instructions put into effect the *Financial Management and Accountability Act 1997* requirements, setting out responsibilities and procedures which provide an overarching framework for transparent and accountable financial management. They also contain topics relating specifically to risk management and internal accountability.
- The Internal Audit Plan identifies services and functions for auditing. The plan incorporates issues raised by the ANAO in its audit of the 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.

The Treasury uses a range of strategies to identify and manage risks associated with the delivery of IT services. New IT-enabled business solutions are assessed against key IT principles to manage strategically IT investments. A range of plans deliver IT services, including:

- the IT Disaster Recovery Plan sets out the strategies and processes to restore services if the Treasury's central computing infrastructure is lost completely or partially;
- the Business Continuity Plan for the Treasury's IT application systems sets out alternative methods and processes, so the 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 the Treasury's IT resources;
- the Internet and Email Acceptable Use Policy sets out responsibilities for appropriate use of the internet, email facilities and services;

- the IT Change Control Guidelines (an internal management tool) assist with quality assurance control over proposed changes to the technical environment and facilities; and
- Project Standards, internal standards based on the structured project management methodology, PRINCE2, ensure correct project governance is applied to IT-enabled business projects.

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

ETHICAL STANDARDS AND ACCOUNTABILITY

The Treasury places a strong emphasis on activities which are designed to support an ethical culture. The Treasury Management Model underpins the accountability and governance frameworks and incorporates the department's mission and values. These values are consistent with, and enhance, the Australian Public Service (APS) values.

The Treasury Workplace Agreement contains a commitment from employees to be aware of, and observe the Treasury's and APS values. The Treasury Performance Management System, along with the APS Code of Conduct, provides mechanisms for ensuring individual values and behaviors align with these shared corporate values and behaviours.

The Treasury's Personal Accountability Framework encapsulates departmental policies and guidelines into a single framework covering all aspects of behaviour, conduct and values. The framework provides a guide on how these responsibilities should translate into working relationships and standards of ethical and personal behaviour. The Framework is available on the intranet and is promoted to all staff at training and induction programs.

During the induction process, new staff also receive information on the Australian Public Service Commission's (APSC) Ethics Advisory Service and undertake an APS and Treasury accountabilities workshop, which provides participants with an understanding of the APS values and code of conduct, Treasury accountabilities and values, and corporate governance frameworks.

Under the Commonwealth Fraud Control Guidelines, the Treasury must conduct ethics and fraud awareness training. This is offered regularly to all staff, and reflects the department's commitment to maintaining an ethical culture, and promoting fraud awareness. The ethics and fraud awareness training provides attendees with an understanding of ethics, ethical challenges, resolution of ethical problems and prevention of fraud in the Commonwealth.

The Chief Executive Instructions establish the Treasury's internal policies and rules which apply the principles and requirements of the Financial Management and Accountability (FMA) Act, FMA Regulations and FMA Orders. They provide the basis for the management and effective, efficient, and ethical use of Commonwealth money, property and other resources. The Treasury reviews and updates the instructions regularly.

The Chief Executive Instructions also provide a user-friendly approach to financial management processes and guide staff so they can comply with legislation and ethical standards. Information on Financial Management Delegations is communicated to new staff during their induction, and additional training and regular financial management forums are conducted for divisional support officers. A two-day financial management workshop is delivered twice a year to assist staff in understanding the APS Financial Management Framework.

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

SENIOR EXECUTIVE SERVICE REMUNERATION

Terms and conditions for all of the Treasury's senior executive service staff are contained in either Australian Workplace Agreements or individual section 24(1) determinations made by the Secretary.

Senior executive service staff are appraised using the APSC Senior Executive Leadership Capability Framework. That involves making individual rankings against the framework's five criteria, then arriving at an overall relative ranking for the person, which reflects performance.

An increase in ranking based on longer-term performance can lead to an increase in base salary (see Table 4 on page 132). Additional information on remuneration is set out in Note 12: Executive remuneration in the Financial Statements on pages 202 to 205.

EXTERNAL SCRUTINY

AUDIT

The Audit Committee met six times in 2010-11. Its work included reviewing the Treasury's financial statements and a range of internal and external audit reports.

The Audit Committee's Financial Statements sub-committee met three times. The sub-committee comprises members from the Treasury, the ANAO, the Treasury's internal audit service provider and an external representative of the Treasury Audit Committee. The sub-committee monitors production of the financial statements and helps resolve issues.

The Treasury engaged KPMG to develop the 2011-12 internal audit program. KPMG works with the Audit Committee to continuously improve audit services by regularly reviewing the audit program and scrutinising internal audit recommendations, as well as relevant ANAO reviews.

INTERNAL AUDITS

The Treasury completed nine internal audits/reviews during 2010-11.

Goods and services tax processes

This review assessed the Treasury's controls and business processes in place to capture goods and services tax information and assist in the accurate preparation of business activity statements, in accordance with better practices principles issued by the ANAO. The Treasury has agreed to implement three recommendations to further improve its control environment.

Fringe benefits tax processes

This review assessed the Treasury's controls and business processes in place to capture fringe benefits tax (FBT) information and to assist in the preparation of FBT returns in accordance with FBT legislation. The Treasury has agreed to implement three recommendations to further improve its control environment.

Network user access management

This review is conducted annually to provide assurance that the Treasury's current network user access management processes are in line with organisational requirements and are appropriate to prevent unauthorised actions and/or access to data. The review found a significant improvement in processes and controls since the previous review, and raised one minor recommendation where controls could be further improved, which the Treasury has agreed to implement.

Risk management

This review assessed the Treasury's risk management framework for consistency with the current Australian/New Zealand standard and made recommendations to maintain best practice and further embed risk management in the Treasury's work processes and culture. A new risk management framework has been approved by the Treasury Executive Board.

Single points of failure in the Treasury network

This review assessed to what extent the Treasury is exposed to discontinuity of service due to a single point of failure and whether the current Information and Communications Technology Disaster Recovery Plan appropriately considers single points of failure risk. The Treasury has agreed to implement three recommendations to further reduce risks to the Treasury network.

Business continuity arrangements

This review assessed whether recommendations in a 2007-08 review to improve the Treasury's business continuity arrangements had been implemented appropriately and whether any additional changes were required to accord with better practice principles for business continuity. The Treasury has agreed to implement the two business improvement recommendations made by the review.

Commonwealth payments to states and territories

This review tested key controls over the arrangements for Commonwealth payments to the states and territories and provided a risk assessment of the federal financial framework estimates process. The review made two recommendations to further improve the control environment for the estimates process, which the Treasury has agreed to implement.

Credit card arrangements

This review assessed the effectiveness of controls in place for the use and management of departmental credit cards to mitigate the risk of inappropriate and/or unauthorised expenditure. The review found that controls and procedures were appropriate to manage risks and made no recommendations for improvement.

Compliance with Freedom of Information Publication Scheme

This review assessed the business processes developed by the Treasury to implement the Information Publication Scheme, which requires agencies to take a proactive approach in publishing information so that greater openness and transparency in government is established. The review found that the Treasury was sufficiently prepared to adopt the new disclosure requirements for the Information Publication Scheme from the official starting date of 1 May 2011.

AUSTRALIAN NATIONAL AUDIT OFFICE REPORTS

In 2010-11, the ANAO did not conduct any performance audits that related to the Treasury's operations.

Other audit reports

Other ANAO reports relevant to the Treasury in 2010-11 were:

- Report No. 7: *Senate Order for Departmental and Agency Contracts (Calendar Year 2009 Compliance)*
- Report No. 11: *Direct Source Procurement*
- Report No. 14: *Capitalisation of Software*
- Report No. 22: *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2010*
- Report No. 20: *Administration of the Wine Equalisation Tax*
- Report No. 27: *Restoring the Balance in the Murray-Darling Basin*
- Report No. 31: *Administration of the Superannuation Lost Members Register*
- Report No. 33: *The Protection and Security of Electronic Information Held by Australian Government Agencies*
- Report No. 38: *Management of the Certificate of Compliance Process in FMA Act Agencies*
- Report No. 45: *Administration of the Luxury Car Tax*
- Report No. 49: *Fuel Tax Credits Scheme*
- Report No. 54: *Interim Phase of the Audit of Financial Statements of Major General Government Sector Agencies for the year ending 30 June 2011*

The Audit Committee follows ANAO better practice guidelines by actively reviewing relevant matters raised in audit reports, and overseeing follow-up action. Details of audit reports are available at www.anao.gov.au.

PARLIAMENTARY COMMITTEES

In 2010-11, officials from the Treasury appeared before the following Parliamentary Committees.

- 21 October 2010 — Senate Economics Legislation Committee, Estimates (Supplementary Budget Estimates)
- 26 October 2010 — Senate Legal and Constitutional Affairs Legislation Committee, Corporations Amendment (Sons of Gwalia) Bill 2010
- 26 October 2010 — Senate Standing Committees on Legal and Constitutional Affairs, Corporations Amendment (Sons of Gwalia) Bill 2010
- 3 November 2010 — Senate Economics Legislation Committee, Corporations Amendment (No. 1) Bill 2010

- 22 November 2010 — Senate Select Committee on the Scrutiny of New Taxes, Inquiry into a National Mining Tax
- 13 December 2010 — Senate Economics References Committee, Competition within the Australian banking sector
- 15 December 2010 — Senate Economics Legislation Committee, Federal Financial Relations Amendment (National Health and Hospitals Network) Bill 2010
- 9 February 2011 — Senate Economics References Committee, Augmented tax assessments
- 24 February 2011 — Senate Economics Legislation Committee, Estimates (Additional Estimates)
- 4 March 2011 — Parliamentary Joint Committee on Corporations and Financial Services, Inquiry into Small and Medium Business Access to Finance
- 9 March 2011 — Senate Economics References Committee, Competition within the Australian banking sector
- 9 March 2011 — Senate Economics Legislation Committee, Tax Laws Amendment (2010 Measures No. 5) Bill 2010
- 10 March 2011 — Senate Economics References Committee, Impacts of supermarket price decisions on the dairy industry
- 11 March 2011 — Senate Economics Legislation Committee, Tax Laws Amendment (Temporary Flood and Cyclone Reconstruction Levy) Bill 2011
- 24 March 2011 — Senate Select Committee on the Scrutiny of New Taxes, Inquiry into a Carbon Tax
- 12 April 2011 — Senate Economics Legislation Committee, Foreign Acquisitions Amendment (Agricultural Land) Bill 2010
- 5 May 2011 — Senate Select Committee on Reform of the Australian Federation
- 13 May 2011 — Senate Economics References Committee, State government insurance and flood levy
- 1 and 2 June 2011 — Senate Economics Legislation Committee, Budget Estimates
- 9 June 2011 — Senate Select Committee on the Scrutiny of New Taxes, Inquiry into a Carbon Tax

FRAUD PREVENTION AND CONTROL

No cases of fraud were reported to the Australian Federal Police in 2010-11.

The Treasury's Fraud Control Plan, reviewed in November 2010, accords with the Commonwealth Fraud Control Guidelines issued under regulation 19 of the Financial Management and Accountability Regulations 1997.

The Treasury has appropriate fraud control, prevention, detection, investigation and reporting standards in place, and collects and reports annual fraud control data.

OMBUDSMAN COMMENTS, COURT DECISIONS AND ADMINISTRATIVE TRIBUNAL DECISIONS

Ombudsman comments

There were no major issues raised by the Ombudsman during 2010-11.

Courts and proceedings

Competition and Consumer Act — Access to Services — Fortescue Metals Group Ltd

On 13 June 2006, Fortescue Metals Group (FMG) applied to the Australian Competition Tribunal for a review of the former Treasurer's deemed decision under Part IIIA of the *Trade Practices Act 1974* (now the *Competition and Consumer Act 2010*) not to declare BHP Billiton as the operator of the Mt Newman rail line.

In November 2007 and January 2008, a subsidiary of FMG, the Pilbara Infrastructure Pty Ltd, lodged three further applications for railway services in the Pilbara region of Western Australia. These railway services included the Hamersley and Robe River lines operated by Rio Tinto, and the Goldsworthy line operated by BHP Billiton. In October 2008, the Treasurer declared each of the Hamersley, Goldsworthy and Robe River railway services for 20 years. BHP Billiton and Rio Tinto subsequently applied to the Australian Competition Tribunal for a review of those declaration decisions. A review of the Hamersley, Goldsworthy and Robe River railway services declaration decisions was conducted in conjunction with the review of the Mt Newman decision. The Australian Competition Tribunal handed down its decision on these matters on 30 June 2010.

The Tribunal decided to:

- affirm the former Treasurer's deemed decision not to declare the Mt Newman railway;
- vary the Treasurer's decision to declare the Robe River railway, reducing the period of declaration from 20 to 10 years;
- set aside the Treasurer's decision to declare the Hamersley railway; and
- affirm (unvaried) the Treasurer's decision to declare the Goldsworthy railway.

In August 2010, FMG applied to the Full Federal Court for review of the Tribunal's decisions in relation to the Hamersley and Robe River railways. Rio Tinto also applied for review of the Robe River decision. On 4 May 2011, the Full Federal Court dismissed FMG's appeals and allowed Rio Tinto's, on the basis that the previous decision-makers had adopted an incorrect interpretation of one of the statutory criteria for declaration. Both FMG and the National Competition Council have lodged applications for special leave to appeal the Full Federal Court's decision to the High Court. As of 30 June 2011, these applications had not been heard.

Corporations Act — Takeovers Panel Declaration of Unacceptable Circumstances under s657A and Orders under s657D — CMI Limited

On 22 February 2011, the Takeovers Panel made a declaration of unacceptable circumstances in relation to affairs of CMI Limited and orders vesting shares, acquired in CMI Limited by Tinkerbell Enterprises Pty Ltd as trustee for the Leanne Catelan Trust (Tinkerbell), in the Commonwealth for sale. On 10 March 2011, a review panel affirmed the initial panel's decision.

On 5 April 2011, Tinkerbell applied to the Federal Court for review of the initial panel's decision pursuant to s5 and 16 of the *Administrative Decisions (Judicial Review) Act 1977* and section 39B(1A)(c) of the *Judiciary Act 1903*. On 31 May 2011, Tinkerbell amended its application to include a judicial review of the review panel's decision.

The hearing of the judicial review was held on 20 September 2011.

Income Tax Assessment Act 1997 — Deductions Against Income From Youth Allowance — Commissioner of Taxation v Anstis

Symone Anstis claimed a deduction for \$920 of work-related self-education expenses which she incurred while receiving Youth Allowance as a university student. The ATO denied the deduction in keeping with the view expressed in its Income Tax Ruling TR 98/9, that education expenses are not deductible against various Commonwealth educational assistance schemes.

Ms Anstis appealed against the decision in the Administrative Appeals Tribunal, which upheld the decision of the ATO. Ms Anstis appealed again to the Federal Court. On 1 April 2009, Ryan J held in *Symone Anstis v Federal Commissioner of Taxation* that Ms Anstis was entitled to a tax deduction for her education expenses.

The Commissioner appealed, and on 4 November 2009, the Full Federal Court upheld the decision of Ryan J.

On 23 April 2010, the High Court granted the Commissioner special leave to appeal against the decision of the Full Federal Court. A hearing took place on 29 July 2010.

On 11 November 2010, the High Court unanimously dismissed the appeal by the Commissioner of Taxation. The Court held that Youth Allowance payments amounted to assessable income under the *Income Tax Assessment Act 1997*, as they fell within the concept of 'ordinary income'. As Ms Anstis' entitlement to Youth Allowance arose from her undertaking full-time study, the Court considered the expenses claimed were incurred in gaining or producing her assessable income. The Court also held that the expenses were not of a private or domestic nature and were deductible under section 81 of the *Income Tax Assessment Act 1997*.

In response to the High Court decision, the Australian Taxation Office automatically amended the tax assessments of taxpayers that received Youth Allowance between

2006-07 and 2009-10 by providing them with a \$550 deduction for each year they were eligible. The Government announced in the 2011-12 Budget that it would disallow deductions against all government assistance payments from 1 July 2011. Individuals that received Youth Allowance in the 2010-11 income year will be able to claim a deduction for self-education expenses if they have a record of their expenses.

Administrative appeals tribunal decisions

There has not been any decision of the Administrative Appeals Tribunal relating to the Treasury in 2010-11.

MANAGEMENT OF HUMAN RESOURCES

The Human Resources Division delivers strategic and professional human resource management advice and services that enable the Treasury to continue to recruit, develop and manage its staff to deliver high performance and to provide a supportive work environment.

In 2010-11, the key outcomes were to:

- negotiate and implement a competitive and flexible workplace agreement;
- establish Treasury specific childcare facilities for Treasury staff;
- ensure workforce and wellbeing strategies facilitate working arrangements to support work/life balance;
- recruit and retain sufficient skilled and motivated staff to deliver efficient and effective services, products and advice;
- review graduate recruitment, development and retention strategies;
- support the reform initiatives that are critical to the *Blueprint for the Reform of Australian Government Administration* recommendations on leadership and talent management, workplace relations and human capital;
- provide staff with appropriate professional and career development;
- investigate flexible delivery of training options; and
- streamline the Performance Management System and associated administrative arrangements.

120 PEOPLE MANAGEMENT SYSTEMS

The Treasury updated its People Management Systems in July 2010 releasing a new Performance Management System Handbook. The new version implemented outcomes from the Treasury Organisational Review further outlining accountabilities and governance as well as increasing flexibility around the Performance Management System and Career Development System.

All recruitment, promotion, mobility, resource planning and development processes within the Treasury are aligned with the Treasury Management Model, the Performance Management and Career Development Systems.

THE TREASURY MANAGEMENT MODEL

In 2010-11, the Executive Board considered the recommendations from the Treasury Organisational Review for improving the governance of the department and reaffirmed the role and function of the Executive Board. A diagram was added to the Treasury Management Model that defines the important dimensions of leadership and management

of the department, with an objective of providing clearer guidance to staff on the role of the Executive Board and the committees which support it.

The Treasury Management Model seeks to maximise the Treasury's effectiveness as a central policy agency by ensuring that the Treasury has the right people in the right jobs doing the right work. The Treasury Management Model underpins accountability and governance frameworks and incorporates the Treasury's mission and values, the approach to organising the department to achieve desired objectives, the key people systems and the development of management capability.

The Treasury Management Model includes people management principles which encourage open, two way communication at all levels, clearly defined accountabilities, fair and transparent processes and the facilitation of an appropriate work and private life balance.

PERFORMANCE MANAGEMENT SYSTEM

The Treasury's Performance Management System underpins the department's capacity to achieve its mission by strengthening individual capabilities and aligning individual values and behaviors with shared corporate values and behaviors. Performance management in the Treasury provides a means for improving individual and organisational performance, as well as supporting individual skills development and career planning.

Performance is measured through a defined capability framework called the Work Value Matrix, which outlines the general set of behavioural standards expected across specified criteria at each classification level. Performance for non-SES staff is assessed against seven criteria outlined in the Work Value Matrix. Performance for SES officers is assessed against the five criteria outlined in the Senior Executive Leadership Capability Framework. These frameworks provide the basis for appraisals, and also underpin recruitment processes, the Professional Development Framework and the Career Development System.

Ratings against each capability contribute to an overall performance appraisal rating, which determines the base rate of pay for staff employed under the Treasury Workplace Agreement.

During 2010-11, a number of processes aimed at supporting the underlying principles of fairness, transparency and consistency in the Performance Management System were conducted, including:

- SES Context Setting Meetings held to discuss key messages relevant to the upcoming appraisal cycle. Group and divisional context setting meetings followed to communicate these key messages.
- Workshops and information sessions for staff and managers delivered before each appraisal round to provide information on the appraisal process and assist staff to develop skills in giving and receiving feedback. Case study sessions were offered to managers and staff to facilitate a shared understanding of the Work Value Matrix and its application.

- All appraisals were subject to oversight by review panels. Review panels held at the divisional level examined the outcomes of appraisals to ensure consistency and reasonableness in the application of the framework across each division. Each group nominated a divisional review panel to host a cross-group representative to ensure objectivity and consistency in the applications of the Work Value Matrix and ratings.
- General Managers were reminded of the importance of seeking staff feedback on managers to inform their appraisals.

REMUNERATION COMMITTEES

Remuneration committees are established in each Group to make recommendations to the Secretary in relation to the allocation of pay points for APS6, EL1 and EL2 staff.

Each remuneration committee considers a range of relevant factors in arriving at balanced judgements about the relative value of skills and outputs of staff in their group and to the Treasury as a whole. The committees maintain robust processes in order to make these judgements. The predominant factor in determining the allocation of pay points will be demonstrated sustained performance.

Cross-group representatives and the General Manager of Human Resources Division attended group remuneration committees to facilitate consistency of remuneration committee recommendations across groups. The Human Resources Division provided the Executive Board with departmental and group data and analysis to inform departmental outcomes.

Aggregate data on remuneration committee outcomes was provided on the Treasury intranet.

CAREER DEVELOPMENT SYSTEM

The Career Development System is a key element of the Treasury's people management system and seeks to foster a shared individual and organisational responsibility for career development. The system applies to all staff, including temporary employees and secondees with at least six months continuous service, and provides staff with the opportunity to consider and clarify career aspirations and receive career development guidance from their manager-one-removed.

Information on the Career Development System for both staff and managers-one-removed is provided on the intranet and in the Performance Management System booklet to assist in preparing for career development discussions.

In 2010-11, the Career Development System was adapted to create greater flexibility for divisional support staff. These changes followed the 2011 Treasury Post-Implementation Review of Executive and Administrative Support Services and provided divisional support staff with the opportunity to seek career development advice from either their manager-one-removed or other relevant staff with an aim of fostering targeted career advice and support.

TREASURY WORKPLACE AGREEMENT

Negotiations for a new Treasury Workplace Agreement commenced in March 2011 with a staff notice providing a Notice of Employee Representational Rights and information on processes for appointing bargaining representatives. Fourteen staff nominated as bargaining representatives, two of whom were Community and Public Sector Union workplace delegates. A union official also attended bargaining meetings.

The workplace agreement team met regularly with bargaining representatives and communicated and consulted with staff through information sessions, meetings, the workplace agreement intranet site, staff bulletins and staff notices.

Bargaining representatives agreed to the offer being presented to staff at information sessions in late April 2011 and following formal approval processes, the ballot was held on 15 June 2011. The *Treasury Workplace Agreement 2011-14* was supported by staff with 88 per cent of staff who voted, supporting the agreement.

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

The new agreement provides for increased pay rates of 4 per cent from 1 July 2011, 2.5 per cent from 1 July 2012 and 2.5 per cent from 1 July 2013. The agreement incorporates many of the APSC's model clauses to assist in the government's aim of achieving consistency between agencies.

WORKPLACE RELATIONS

The Treasury consults extensively with staff on workplace matters, and the workplace agreement reinforces staff involvement in decision making. Consultation primarily occurs through the Workplace Relations Committee, elected by Treasury staff and comprising eight members. The committee meets regularly with Human Resources Division staff to discuss employment terms and conditions, and meetings with the Secretary encourage dialogue on issues of importance to staff. Terms of Reference for the Workplace Relations Committee reflect a principles based approach to workplace relations.

The Treasury Workplace Agreement and individual arrangements provide access to procedures to resolve disputes and directly consult with staff as appropriate.

RECRUITMENT AND SUCCESSION PLANNING

The Treasury's recruitment activity in 2010-11 included two major recruitment campaigns, selection processes for senior executives at the Band 1, 2 and 3 levels, a graduate campaign, an internship program, an indigenous cadetship program and 71 individual recruitment processes. A total of 208 employment opportunities were filled from advertised vacancies. The Treasury recruited 63 graduates in 2010-11.

Graduate recruitment forms a major part of the Treasury's recruitment and succession planning strategies. In 2010-11, Treasury staff attended 13 university career fairs. Brochures entitled 'Your future. Australia's future' were distributed to university careers centres and faculties. In addition, advertisements were placed in university career guides, online graduate publications and university career web pages. The program was also advertised in Indigenous media.

During December 2010 and January 2011, the Treasury engaged 18 interns. The Treasury Internship Program targets such disciplines as economics, commerce, law, finance and accounting and involves a 6 to 12 week paid placement which exposes students to public policy.

Job seekers can access selection documentation and lodge applications via the Treasury's internet careers portal. The portal also allows candidates to register for general and non-ongoing employment, and former staff to register as alumni for short-term employment and project work.

The Treasury developed an intranet solution for advertising and managing internal vacancies in June 2010. This functionality was successfully utilised throughout the year, with 30 internal vacancies advertised.

The recruitment service provider's panel was finalised in June 2010, and throughout the year has been utilised for scribing services, placement of non-ongoing staff and extends to executive search functions.

In May 2011, the APSC launched the online redeployment register, a new way to foster cooperation and collaboration between agencies in recruiting and redeploying change-affected APS employees. The Treasury utilises this functionality when notifying employment opportunities.

Information and guidelines for secondees to the Treasury were finalised in June 2011. Staff were seconded to the Treasury for various policy initiatives, such as the Implementation Taskforce for the Australian Charities and Not-for-profits Commission and the GST Distribution Review.

LEARNING AND DEVELOPMENT

The Treasury's Professional Development Framework provides the basis for establishing learning and development strategies to develop staff in their current and future roles, and incorporates a broad range of elements including the APS values, whole-of-government initiatives, the labour market and skill shortages, departmental functions, priorities and organisational capabilities, and the Treasury's people management systems.

The Treasury's total investment in off-the-job professional development totalled over \$5.2 million in 2010-11, representing an average of five days of development per staff member. This figure represents 2.9 per cent of departmental operating costs and includes participant salary and ongoing costs, registration fees for internal and external training courses and external providers' development, delivery and evaluation costs.

Learning and development strategies

The Treasury provided an extensive array of learning and development opportunities designed to develop and enhance individual and organisational capabilities. These ranged from in-house one or two day workshops, development programs, and mentoring and coaching programs to external opportunities such as studies assistance, postgraduate study awards, short-term research projects and participation in broader public sector development initiatives.

A range of professional development workshops were offered through the Treasury's learning and development calendar, including APS and Treasury accountabilities, writing and grammar skills, managing workloads, presentation skills, negotiation skills, representational skills, problem solving and providing oral advice. Two day policy advising workshops delivered by senior internal and external presenters used case studies and hypothetical's to develop policy advising capabilities of analysts and executive level staff. All workshops were tailored to the Treasury's current operating environment with detailed evaluations conducted to ensure programs were effective in delivering the desired outcomes and objectives.

The Treasury continues to support and provide input into the development of reform initiatives that are critical to the *Blueprint for the Reform of Australian Government Administration* agenda. During 2010-11, Treasury staff participated in programs that were established under strategic partnerships between the Government and the Australian National University such as the Australian National Institute for Public Policy. The Treasury maintains close relationships with the APSC on the development and direction for the establishment of a Strategic Centre for Leadership.

Several in-house postgraduate courses were managed by the Treasury during 2010-11. In March 2011, 26 participants, including 15 participants from other departments, commenced a two year Graduate Diploma in Economic Studies. The course is delivered by Monash University and is tailored specifically for public sector agencies, with a focus on public policy. The course is targeted at staff qualified in disciplines other than economics and facilitates an understanding of economic frameworks and public policy issues.

Semester-long Introduction to Law and Introduction to Economics courses continued to be delivered in-house by the Australian National University. The aim of these programs is to provide staff without existing tertiary qualifications in these fields an understanding of the fundamental principles of law and economics. Evaluations for both courses reflect high levels of satisfaction with the quality of teaching and impact of the courses on staff knowledge and understanding.

A key element of the Professional Development Framework is leadership and management development. The Executive Leadership Program, targeted at experienced EL2 staff, aims to enhance the leadership and strategic thinking skills of executive level staff within the Treasury context and provide the necessary skills to fulfil their leadership roles under the Treasury Management Model. In 2010-11, 17 staff participated in the program that consisted of 15 contact days. Final evaluation reports inform recommendations on the development of future programs.

The Management Development Program is designed to provide new and emerging managers with the practical tools and skills to equip them to fulfill their roles under the Treasury Management Model and assist in building their capacity for future advancement. Twenty four staff participated in the seven day program during 2010-11. All participants considered that the course had a positive impact on their skills development, with all indicating that the program met or exceeded their expectations.

The 12-month Graduate Development Program continued to combine on-the-job training with formal in-house courses, such as advanced writing, APS and Treasury accountabilities, presentation and negotiation skills, and economics for graduates without economics qualifications. The program also included external courses, such as Introduction to the Senate and participation in key events, such as the budget lock-up where budget material is provided under embargo to registered media officers. A review of the Treasury Graduate Program commenced in April 2011 with broad consultation across the department. The review considered the effectiveness of graduate recruitment retention and development strategies and identified possible options for improvement. The outcomes of the review were considered by the Executive Board and recommendations will be implemented during 2011-12.

The Treasury SES Executive Coaching Panel was increased in 2010-11 following a tender selection process. The panel is designed to provide Treasury SES staff with the opportunity to access confidential, targeted and expert guidance on specific issues or to assist in longer-term skills development. The Treasury seeks evaluative feedback from participants and liaises with coaches to oversight the program and to identify any systemic issues of importance to the department.

Two induction seminars were offered in October 2010 and March 2011, with a total of 87 new staff attending. The seminars incorporated a welcome from the Secretary, an overview of each of the departmental groups, and sessions on Occupational Health and Safety, the Social Committee, the Workplace Relations Committee and the Employee Assistance Program. Additional support for new staff was also provided through the New Starters Support Program and briefing sessions on other services offered by the Treasury.

The Treasury Seminar Series continued with 23 prominent guest speakers presenting perspectives on current economic and public policy issues. The Treasury's four policy groups also continued to offer seminars on specific policy issues.

IT initiatives and training

In 2010-11, internal IT training attracted 1,889 participants. It covered the Microsoft Office suite of programs, as well as in-house systems, record-keeping, security, electronic filing using TRIM, publication projects, the financial management information system SAP, and the budgeting and reporting tool TM1. Training was also provided in the use of Blackberry and remote access tokens.

Customised training in Excel, VBA and Project catered to special needs and projects.

External learning and development opportunities

In addition to providing internal learning and development opportunities, the Treasury encourages staff to participate in a range of external learning and development activities. In 2010-11, these included postgraduate qualifications and research projects, as well as attendance at Career Development Assessment Centres, Australian and New Zealand School of Government (ANZSOG) programs, and various conferences, seminars and workshops of relevance to the Treasury. The ANZSOG Executive Fellows Program was completed by one senior executive officer and one officer commenced the ANZSOG program in Executive Masters in Public Administration.

One senior executive staff member participated in the National Security College SES Program while other staff attended Security College Workshops. The college is a specialist postgraduate school aimed at enhancing the functioning of the national security community, strengthening networks of cooperation between practitioners and non-government experts, contributing to the development of a new generation of strategic analysts and achieving effective outreach to business and the wider community.

During 2010-11, Treasury staff attended 601 external training courses, conferences or seminars of relevance to the department. Participants attending external training programs, conferences and seminars were asked to complete online evaluation forms which then informed attendance at future courses.

Studies assistance provided financial assistance and study leave for staff undertaking approved study relevant to the Treasury. An average of 109 staff accessed studies assistance each semester in 2010-11, with the study primarily undertaken in economics, law, commerce and public policy.

Two staff completed Short-Term Economic Research Projects at the Australian National University as part of an ongoing Memorandum of Understanding between the Treasury and the University. The projects offer 36 month research secondments to the Australian National University in which participants undertake research projects of direct relevance to the Treasury.

One year Treasury Scholarships in Economics were offered to two students enrolled in the Australian National University's Bachelor of Economics Program.

WELLBEING

The Treasury measures and monitors staff wellbeing indicators through staff opinion surveys, exit survey reports and human resource data. Performance is also assessed against the Staff Wellbeing Framework to monitor agency health and identify potential risks to organisational capability. Performance is also benchmarked against the broader APS and similar private sector organisations. The Human Resources Division provides regular reports to the Executive Board, the Workplace Relations Committee, the Health and Safety Committee and staff on the results and strategies developed to improve performance.

State of the service results

The agency-specific employee survey results for the Treasury were strong, with satisfaction levels more favourable than the APS average in a number of key areas, including employee job satisfaction, immediate manager effectiveness, quality of senior leadership, valuing of staff contribution, satisfaction with learning and development opportunities and respect within work groups.

The Treasury's results for employee engagement were higher than that for the APS. Treasury staff enjoy their work, are motivated to do the best possible work and are more likely to receive a sense of being valued for their work.

Work-life balance

An area for improvement is satisfaction with work-life balance. The Treasury results (68 per cent) were slightly lower than those recorded for the APS as a whole (73 per cent). This issue continues to be of ongoing concern to the Treasury and remains an important focus for the Executive Board. Key strategies to address this issue include providing flexible work arrangements, providing additional resources to priority work areas, and increasing mobility and flexibility to meet peak demands through departmental transfer rounds.

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Resilience program

To respond to work-life balance concerns, the Treasury seeks to identify anticipated peak work periods and offers divisions the opportunity to take part in a customised Emotional Resilience Program.

The program aims to increase resilience by enhancing people's ability to cope with dynamic and complex work situations. The program also provides useful strategies for managing sustained pressure and deadlines, communication, resilience and team building.

A refresher resilience training course was provided to staff in the Budget Policy Division in February 2011, to assist them in the lead up to the budget cycle.

Feedback from staff was positive, particularly in the area of improved stress management capacity.

Employee assistance program

The Treasury provides staff and their immediate family members with access to an employee assistance program. The program provides a free professional, and confidential counselling service to assist staff who are experiencing work-related or personal problems. The employee assistance service also collects generic data that provides guidance for departmental wellbeing strategies. To complement this service, the eapdirect™ website offers easy access to information on stress, depression, anxiety, work-life balance, career development and management techniques. The employee assistance provider also offers managerAssist®, an advisory service that helps managers deal with work issues and personal difficulties.

During 2010-11, the service provider has undertaken three seminars for staff covering issues relating to stress management and building better relationships. In 2010-11, 8.5 per cent of Treasury staff accessed the service. This rate is down slightly from 2009-10 where the access rate was 9.3 per cent. The APS agency average access rate for 2010-11 was similar at 8.5 per cent.

Child Care Centre

In 2010-11, the Treasury built childcare facilities for Treasury staff, within the on-site Abacus Childcare and Education Centre managed by the Department of Finance and Administration. The Abacus Childcare and Education Centre is operated by Communities@Work, a community based not-for-profit organisation based in the ACT. The centre is accredited with a high quality rating through the Australian Government's National Childcare Accreditation Council. Services offered by the centre include excursions and events for families, in addition to child care.

The centre offers 143 child care places, in total, including the additional 64 full time places made available by the expansion and renovation of the facility. A total of 59 children from Treasury families were in care at the centre at 30 June 2011. The expansion of the facility increased the educator-to-child ratio from 1:5 to 1:4. As well as expanding the childcare capacity of the centre, extensive renovations also included an upgraded kitchen facility, staff toilets and an expansion of the outdoor play areas. The renovations were completed within the recently promulgated ACT Childcare Services Standards.

The renovated childcare facility was officially opened on 10 February 2011, by Dr Ken Henry AC the former Secretary of the Treasury and Mr David Tune, Secretary of the Department of Finance and Deregulation. In attendance were Mr Gary Rake, CEO, National Capital Authority, and representatives from the Treasury, the Department of Finance and Deregulation, Abacus Childcare and Education Centre, ACT Government Children's Policy and Regulation Unit, the project management firm Point Project Management and the builder, SMI. As part of the celebrations, children from the Treasury and the Department of Finance and Deregulation presented their own paintings of the two departmental buildings to the Departmental Secretaries.

Health and wellbeing program

In 2010-11, the Health and Wellbeing Program was delivered throughout the year in recognition of the need to address wellbeing on an ongoing basis and provide staff with greater opportunity to access a broader range of activities and seminars.

A total of 18 activities were facilitated (including health assessments) with approximately 1,000 staff attending these sessions overall. Participation rates for activities were high, with 302 staff participating in individual health assessments, 100 staff participating in the financial planning seminar, 63 staff participating in the sleep basics seminar and 104 staff participating in the 10,000 steps challenge. A further 53 staff participated in the outdoor Treasury boot camp.

Lifestyle payment and corporate gym memberships

To assist employees in undertaking initiatives towards maintaining a healthy lifestyle, an annual lifestyle payment of \$500 was made available for activities such as gym memberships, sporting apparel and relaxation programs. The Treasury has corporate gym memberships with eight participating gyms, providing Treasury employees with a reduced membership fee. In 2010-11, 939 lifestyle payments were made.

STAFFING INFORMATION

Ongoing and non-ongoing employee numbers in the Treasury decreased from 1,063 in 2009-10 to 1,053 in 2010-11 (refer to Table 2 below). The number of EL1 and EL2 employees decreased by 12 and 20 respectively during the year, while APS4 employees decreased by 12. Between 2009-10 and 2010-11 the number of APS6 employees increased by 31 and the number of part-time female staff increased from 90 to 95. Full-time male staff decreased from 535 to 528.

Table 2: Operative and paid inoperative staff by classification and gender as at 30 June 2011

Classification	Ongoing				Non-ongoing				Total
	Full-time		Part-time		Full-time		Part-time		
	Male	Female	Male	Female	Male	Female	Male	Female	
Cadet	–	1	–	–	3	–	–	–	4
APS1	–	2	–	–	–	–	–	–	2
APS2	1	–	–	2	–	–	–	–	3
APS3	45	44	–	3	3	1	1	–	97
APS4	15	26	–	15	1	1	–	–	58
APS5	86	68	1	8	2	1	–	–	166
APS6	108	96	6	17	3	1	–	–	231
EL1	104	74	5	23	2	1	1	2	212
EL2	101	47	9	23	6	–	1	1	188
SES Band 1	49	9	1	3	2	1	–	–	65
SES Band 2	12	7	–	1	–	–	–	–	20
SES Band 3	6	–	–	–	–	–	–	–	6
Secretary	1	–	–	–	–	–	–	–	1
Total	528	374	22	95	22	6	3	3	1,053

Note: Staff paid by other agencies are not included.

Table 3: Staff located at overseas posts as at 30 June 2011

Overseas post	SES Band 2	SES Band 1	EL2	Total
Beijing	–	1	–	1
India	–	–	1	1
Jakarta	–	1	–	1
London	–	1	–	1
Paris	–	1	–	1
Tokyo	1	–	–	1
Washington	–	1	–	1
Total	1	6	–	7

Note: Locally engaged staff are not included.

Senior Executive Service Remuneration

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

Table 4: Salary scales — SES

Classification	September 2009		September 2010	
	Minimum \$	Maximum \$	Minimum \$	Maximum \$
SES Band 1	168,609	195,960	173,667	201,839
SES Band 2	206,652	241,878	212,852	249,134
SES Band 3	267,808	313,645	275,842	323,054

Senior executives are appraised using the APS SES Capability Framework to assess performance and rank each employee relative to their peers. An increase in relative ranking can lead to an increase in base salary.

Remuneration — non-SES employees

The *Treasury Workplace Agreement 2009-11* determines salary rates for all non-SES staff (refer to Table 5 below). The Treasury does not offer performance pay.

Table 5: Workplace agreement salary scales — non-SES

Classification	November 2009		July 2010	
	Minimum	Maximum	Minimum	Maximum
	\$	\$	\$	\$
APS1	38,790	42,124	39,488	42,882
APS2	44,712	47,671	45,517	48,530
APS3	50,632	53,590	51,543	54,554
APS4	56,550	59,509	57,568	60,580
APS5	63,581	67,651	64,725	68,869
APS6	71,721	86,892	73,012	88,456
EL1	93,552	107,316	95,236	109,247
EL2	114,271	131,145	116,328	133,505

Under the *Treasury's Workplace Agreement 2009-11*, access to some pay points for APS6, EL1 and EL2 staff can only be determined by the remuneration committee process and are based on sustained performance under the Treasury's Performance Management System.

Senior management changes

Several senior management movements occurred in 2010-11 (refer to Table 6 below).

Table 6: SES commencements and cessations

Reason	SES Band 3	SES Band 2	SES Band 1	Total
Engagement	1	1	5	7
External promotion	–	–	–	–
Internal promotion	–	5	5	10
Resignation	–	–	–	–
Retirement	–	1	–	1
Transfer to another department	1	1	3	5
Promoted to another department	–	1	–	1
Total	2	9	13	24

During 2010-11, seven SES commenced in the Treasury.

There were ten internal promotions, half of these were EL2s promoted to the SES Band 1 level, while the other half were SES Band 1 level promoted to the SES Band 2 level.

Of the seven cessations over the period, five SES transferred to other departments, one SES was promoted to another department and one SES retired. Mr Neil Hyden retired after 45 years in the Australian Public Service, the majority of this time was spent in the Treasury.

In 2010-11, the Government appointed Dr Martin Parkinson as the new Secretary to the Treasury following the departure of the former Secretary, Dr Ken Henry AC. Dr Henry spent almost 27 years at the Treasury, including 10 years as the Treasury Secretary.

ASSETS MANAGEMENT

The Treasury has developed an asset management framework to manage the Treasury's assets. The framework includes:

- an asset register that records details of all assets held by the Treasury. Assets on the Treasury's asset register are subject to an annual stocktake to keep records accurate and up-to-date;
- an asset management guide that sets out the Treasury's asset policies and asset management guidelines for the day-to-day care and custody of assets. The asset management guide is incorporated into the Treasury's Chief Executive Instructions. Further details on the Treasury's asset policies are in notes 1.14 to 1.18 of the Treasury's Financial Statements on pages 176 to 179; and
- a capital management plan that sets out the Treasury's longer term asset requirements and funding sources for ongoing asset replacement and investment. The Treasury's capital budget process is integrated with strategic planning and occurs prior to the beginning of each financial year, in conjunction with the Treasury's annual operating budget process. In determining the capital budget, the Treasury considers the level of funding available for asset purchases, immediate and longer term asset replacement requirements and organisational opportunities that an investment in new assets can address.

PURCHASING

The Treasury's procurement framework reflects the core principle governing Australian Government procurement — value for money. Procurement of all goods and services, including consultancies, is consistent with the requirements of the Commonwealth Procurement Guidelines. The Treasury applies the guidelines to all its activities through the Chief Executive Instructions and supporting operational guidelines.

The Treasury's procurement policies and processes help ensure the Treasury undertakes competitive, non-discriminatory procurement processes; uses resources efficiently, effectively, ethically and economically; and makes decisions in an accountable and transparent manner.

Responsibility for procurement is devolved to individual policy groups with support from a central team of procurement specialists. The Treasury supports the decentralised approach to procurement by providing information and training about procurement policies and procedures to all staff, and maintaining a single point of contact for staff to seek advice on the guidelines, Chief Executive Instructions and tendering processes. The Treasury has also developed standard tendering and contracting documentation to ensure procurement practices are consistent across the department.

The Treasury's procurement framework makes appropriate financial delegates responsible for procurement. Currently, all proposed procurements valued at \$10,000 or more are reviewed by the Treasury's Procurement and Contracts Team to ensure due process is followed.

The Treasury publishes information about significant procurements the department expects to undertake during the following year in an annual procurement plan, available on the AusTender website at www.tenders.gov.au.

CONSULTANTS

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 in its decision-making. The most common reasons to engage consultants are:

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

Providers of consultancy services are selected through open tender, select tender, direct sourcing or panels. These processes are detailed in the note to Table 7 on page 140.

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

During 2010-11, 77 new consultancy contracts were entered into involving total actual expenditure of \$4,197,680. In addition, 37 ongoing consultancy contracts were active during 2010-11, involving total actual expenditure of \$2,949,672. These amounts include GST.

Several consultancy contracts let in 2010-11 were valued at \$10,000 or more (refer to Table 7 below).

Table 7: List of new consultancies over \$10,000 in 2010-11

Consultant name	Description	Contract price \$	Selection process ⁽¹⁾	Justification ⁽²⁾
Australian Government Solicitor	Legal services for the Takeovers Panel	\$50,000	Select tender	A
Australian Government Solicitor	Legal services relating to cost recovery for litigation process	\$12,000	Open tender	A
Australian Government Solicitor	Tied legal advice on bail-in mechanism in Australia	\$15,000	Direct sourcing	A
Australian Government Solicitor	Provide legal advice in relation to Roy Morgan Pty Ltd v Commissioner of Taxation	\$28,600	Panel	A
Australian Government Solicitor	Provide constitutional advice on public health insurance rebate charges	\$14,394	Direct sourcing	A
Australian Government Solicitor	Tied legal advice — not-for-profit reform	\$19,802	Direct sourcing	A

Table 7: List of new consultancies over \$10,000 in 2010-11 (continued)

Consultant name	Description	Contract price \$	Selection process ⁽¹⁾	Justification ⁽²⁾
Australian Government Solicitor	Provide legal and probity advice for Centre for International and Financial Regulation	\$17,307	Open tender	A
Bernard William Fraser	Conduct an account portability feasibility study	\$77,000	Direct sourcing	A
Blake Dawson	Provide legal advice and training relating to intellectual property	\$36,633	Open tender	B
Blake Dawson	Draft letters of assurance for the Banking Reform Community Awareness and Education Campaign	\$20,000	Open tender	B
Clayton Utz	Legal services relating to the HIH Claims Support Scheme	\$40,000	Direct sourcing	A
Clayton Utz	Provide legal advice on property law relating to mining and petroleum products	\$22,000	Panel	A
CSIRO Discovery	Provide modelling of the transportation sector	\$59,950	Direct sourcing	A
Deloitte Touche Tohmatsu	Provide advice on Investor Manager Regime	\$12,669	Panel	A
DLA Piper Fox	Legal advice on the <i>Trade Practices Amendment Act 2009</i> (Cartels Act)	\$20,000	Open tender	B
DLA Piper Fox	Provide legal advice on the closure of the HIH Claims Support Scheme and HIH Claims Support Ltd	\$23,100	Panel	B
Ernst and Young	Provide accounting advice on Sino Strategic International Ltd	\$15,300	Select tender	A
Ernst and Young	Provide accounting advice on BBX Property Investment Fund Ltd	\$15,300	Select tender	A
General Advisory Pty Ltd	Natural disaster insurance review for damage or loss associated with flood and other disasters	\$52,000	Direct sourcing	B
GFK Blue Moon Quantitative Research	Evaluative market research for the Banking Reform Community Awareness and Education Campaign	\$299,750	Select tender	A
GFK Blue Moon Research and Planning	Provide market research services for the Education Tax Refund Communication Campaign	\$660,000	Select tender	A

Table 7: List of new consultancies over \$10,000 in 2010-11 (continued)

Consultant name	Description	Contract price \$	Selection process⁽¹⁾	Justification⁽²⁾
Greenwoods and Freehills Pty Ltd	Provide advice on tax consolidation rights	\$75,900	Panel	A
Hall and Partners Open Mind Pty Ltd	Evaluative market research for the Banking Reform Community Awareness and Education Campaign	\$369,578	Select tender	C
Hall and Partners Open Mind Pty Ltd	Conduct product research for Standard Business Reporting	\$109,615	Panel	A
Ian Robinson	Manage the 2012 Graduate intake and intern process	\$30,000	Direct sourcing	A
Infront Systems	Provide consultancy services relating to replacement of the PABX	\$79,500	Select tender	B
IPP Consulting Pty Ltd	Provide security risk review of portfolio agencies	\$38,390	Open tender	C
KPMG – Canberra	Provide internal audit services	\$359,578	Panel	A
KPMG – Canberra	Provide internal audit services for the HIH Claims Support Scheme	\$55,252	Panel	A
Monash University	Provide computable general equilibrium modeling	\$79,000	Direct sourcing	A
Ogilvy and Mather (Sydney) Pty Ltd	Banking Reform Community Awareness and Education Campaign — specialist services for culturally and linguistically diverse communication	\$248,963	Select tender	A
PricewaterhouseCoopers	Consultancy services for research and reports for Australian Financial Centre Taskforce	\$76,000	Select tender	A
PricewaterhouseCoopers	Provide assistance to post-implementation review of the Tax Design Review Panel	\$20,000	Direct sourcing	A
PricewaterhouseCoopers	Provide advice relating to the transfer of public health funding responsibilities to the Commonwealth	\$737,172	Open tender	A
PricewaterhouseCoopers	Tax design advisory services for the review of Australia's transfer pricing rules and treaty prices	\$30,000	Open tender	A

Consultant name	Description	Contract price \$	Selection process ⁽¹⁾	Justification ⁽²⁾
Richard Vann	Assist the Board of Taxation in its review of the tax treatment of Collective Investment Vehicles	\$70,000	Direct sourcing	A
ROAM Consulting Pty Ltd	Analysis of electricity generation sector	\$308,352	Select tender	A
Shane Carroll and Associates	Provide accountabilities workshops	\$60,000	Select tender	A
Sinclair Knight Merz Pty Ltd	Provide consultancy services relating to the analysis of the electricity generation sector	\$162,907	Select tender	B
Sweeney Research Pty Ltd	Provide a National Consumer Survey for the Standing Committee of Officials on Consumer Affairs	\$327,888	Select tender	B
Vinten Browning	Provide creative agency services to support the Education Tax Refund Communication Campaign	\$996,815	Select tender	A
Vinten Browning	Creative agency services for the Banking Reform Community Awareness and Education Campaign	\$2,828,000	Select tender	A
Wise Technology Management	Collaboration and information sharing project – implementation of sharepoint 2010	\$50,000	Direct sourcing	A

Note: All amounts include GST.

(1) Explanation of selection process terms:

Open tender — a procurement procedure which publishes a request for tender, inviting all businesses that satisfy the conditions for participation to submit tenders. Public tenders are generally sought from the Australian Government AusTender website.

Select tender — a procurement procedure which allows the procuring agency to select potential suppliers and invite them to submit tenders (including through multiuse lists). This process may only be used in certain defined circumstances.

Direct sourcing — a form of restricted tendering, available only under certain defined circumstances, with a single potential supplier or suppliers being invited to bid due to their unique expertise and/or special ability to supply the goods and/or services sought.

Panel — an arrangement whereby a number of suppliers, initially selected through an open tender process, may each supply property or services to an agency as specified in the panel arrangements. Quotes are sought from suppliers that have prequalified on the agency panels to supply to the government. This category includes standing offers and supplier panels where the supply of goods and services may be provided for a predetermined length of time, usually at a prearranged price.

(2) Justification for decision to use consultancy:

A — skills currently unavailable within agency;

B — need for specialised or professional skills; and

C — need for independent research or assessment.

AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES

The Treasury is required to provide details of any contract let during 2010-11 of \$100,000 or more (inclusive of GST) that does not provide for the Auditor-General to have access to the contractor's premises. The Treasury must include the name of the contractor, purpose and value of the contract, and reason for not including standard access clauses in the contract.

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

EXEMPT CONTRACTS

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

The Treasury did not have any contracts that were exempted from being published on AusTender.

WORKPLACE DIVERSITY

The Treasury is committed to providing an organisational culture that embraces and actively promotes diversity. The Workplace Diversity Program demonstrates the Treasury's commitment to providing a work environment that recognises the value of staff with different backgrounds, perspectives and experiences to contribute to a vibrant organisation equipped to achieve the Treasury's objectives.

The Treasury's diversity profile is moderately stable (refer to Table 8 below). At 30 June 2011, departmental staff included:

- 45 per cent women;
- 26 per cent born overseas;
- 12 per cent with English as a second language; and
- 2 per cent who identify as having a disability.

Table 8: Operative and paid inoperative staff by EEO target group (as at 30 June 2011)

Classification	Female	Born overseas	English as a second language	Aboriginal and Torres Strait Islander	Disability
Cadet	1	–	–	3	–
APS1	2	1	–	–	–
APS2	2	–	–	–	1
APS3	48	26	17	–	2
APS4	42	16	11	–	2
APS5	77	42	26	–	4
APS6	114	52	26	1	3
EL1	100	70	30	2	3
EL2	71	46	13	–	4
SES Band 1	13	15	2	–	4
SES Band 2	8	2	1	–	–
SES Band 3	–	2	–	–	–
Total	478	272	126	6	23

The Treasury has an Indigenous Employment Strategy, which is current until 2012. Six staff identify as being Indigenous (0.6 per cent of the workforce). This compares with four staff members identifying in 2009-10. The Treasury's Reconciliation Action Plan Report is due to be updated later this year. Progress made against the reconciliation plan was reported in early 2011. Part of this progress included lectures by several high profile Indigenous speakers. The department continues to participate in Indigenous graduate and cadet selection processes, coordinated by the APSC, and have four Indigenous cadets.

During the year, the Treasury held celebratory events to recognise and support diversity in the workplace. Reconciliation Week and the National Aborigines and Islanders Day Observance Committee (NAIDOC) Week were observed. The Treasury has a current Disability Action Plan which is operational until 2012, when it will be subject to review. Staff were invited to participate in celebratory events in recognition of International Women's Day. Ms Leah Armstrong, Chief Executive Officer of Reconciliation Australia, provided a dynamic and informative address delighting the large audience of both women and men.

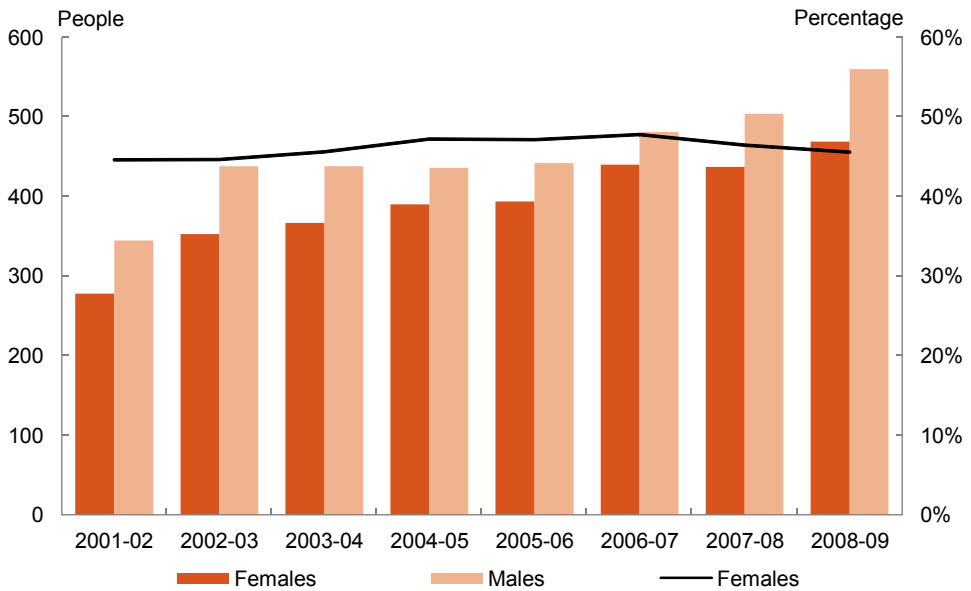
To support workforce diversity, the Treasury offers flexible working arrangements and a family-friendly work environment. The Treasury is accredited as a breastfeeding friendly workplace and a carers room is provided to assist staff with parental or other caring responsibilities. The Treasury continues to offer two 30-minute daily breaks for nursing mothers working full-time, as well as one 30-minute break to nursing mothers working less than 20 hours per week. Current information available on the intranet includes child care, school holiday care and resources for carers. The department continues to provide staff with access to an external service provider to assist with information on care requirements, including childcare.

At 30 June 2011, 12 per cent of Treasury staff worked part-time. Half of these are executive level staff or higher. In addition to part-time work, Treasury staff can access job-share arrangements and may apply for home-based work.

The Treasury's Mature Age Employment Strategy is regularly reviewed to ensure it meets the needs of a diverse workforce. The strategy is designed to support mature age workers to actively participate in the workforce and facilitate the transition to retirement.

The Treasury has eight Workplace Harassment Contact Officers to assist employees who may require support. State of the Service Employee Survey results continued to confirm that the Treasury records low levels of bullying and harassment compared with the APS average.

Chart 1: Treasury staff levels



Women remain marginally under-represented in the overall Treasury workforce. The percentage of women increased from 44.6 per cent at 30 June 2002 to 47.8 per cent at 30 June 2007. By 30 June 2011, this percentage had declined to 45.4 per cent, approximately the same percentage at 30 June 2003.

Table 9: Appointments of women to boards or equivalent of statutory and non-statutory bodies (as at 30 June 2011)

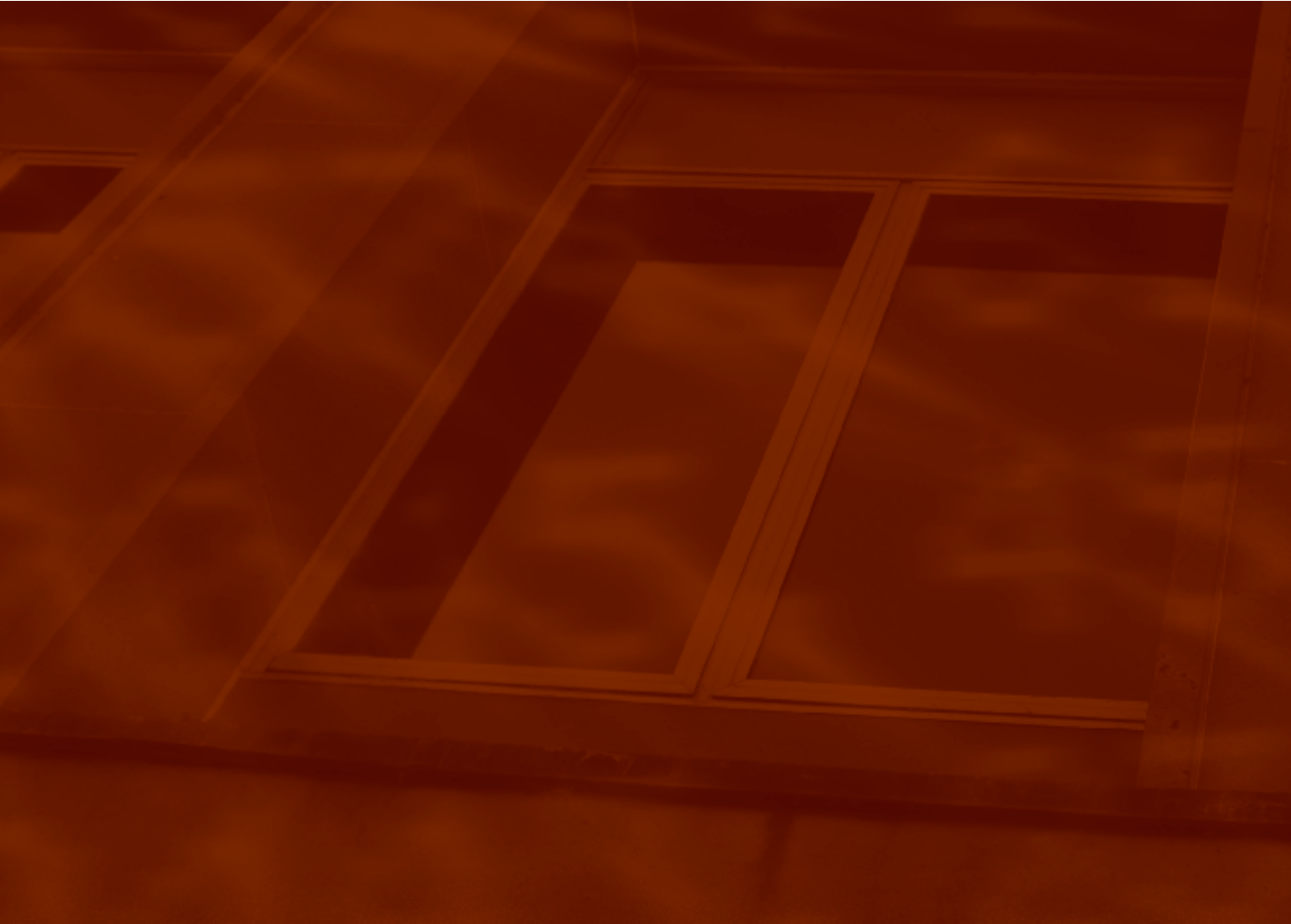
	Total positions filled as at 30 June	Number of women	Number of appointments made during the year	Number of appointments of women
Auditing and Assurance Standards Board	1	1	–	–
Australian Accounting Standards Board	1	–	–	–
Australian Competition and Consumer Commission	10	2	1	–
Australian Competition Tribunal	12	1	1	–
Australian Energy Regulator	3	1	2	1
Australian Government Financial Literacy Board	12	3	–	–
Australian Prudential Regulation Authority	3	–	1	–
Australian Reinsurance Pool Corporation	7	3	2	1
Australian Securities and Investments Commission	5	1	1	–
Australian Statistics Advisory Council	15	6	4	1
Board of Taxation	10	3	4	2
Commonwealth Consumer Affairs Advisory Council	8	4	8	4
Commonwealth Grants Commission	3	–	1	–
Companies Auditors and Liquidators Disciplinary Board	12	–	7	–
Corporations and Market Advisory Committee	11	5	8	3
Financial Reporting Council	18	4	6	2
Financial Reporting Panel	9	1	9	1
Financial Sector Advisory Council	13	2	4	2
Foreign Investment Review Board	4	1	1	1
HIH Claims Support Limited	4	–	–	–
InspectorGeneral of Taxation	1	–	–	–
Legal Committee of Corporations and Market Advisory Committee	9	5	2	1
National Competition Council	4	1	–	–
Payments System Board	7	1	1	–
Productivity Commission	14	7	6	2
Reserve Bank of Australia	9	2	2	1
Superannuation Advisory Committee	13	4	5	–
Superannuation Complaints Tribunal	20	10	–	–
Takeovers Panel	54	15	19	7
Tax Practitioners Board	11	2	1	1
Total	303	85	96	30



PART FOUR

FINANCIAL STATEMENTS

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Auditor-General for Australia



INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of the Treasury for the year ended 30 June 2011, which comprise: a Statement by the Departmental Secretary and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Schedule of Asset Additions; Schedule of Administered Items and Notes to and Forming Part of the Financial Statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

The Secretary's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Independence

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

Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Department of the Treasury's financial position as at 30 June 2011 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

As explained in notes 25 and 26 of the financial statements, as a result of errors during the assessment process, the Department of the Treasury has breached section 83 of the Constitution which requires that no money shall be drawn from the Treasury of the Commonwealth except under an appropriation made by law.

Further, as explained in notes 25 and 26 of the financial statements, the Treasury is aware there is a risk of a breach of section 83 of the Constitution where payments are made from special appropriations and special accounts in circumstances where the payments do not accord with conditions included in the relevant legislation, and has advised that these circumstances will continue to be investigated.

Australian National Audit Office



Ian McPhee

Auditor-General

Canberra

13 October 2011

THE TREASURY

Statement by the Departmental Secretary and Chief Financial Officer

Certification of financial statements

In our opinion, the attached financial statements for the year ended 30 June 2011 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Martin Parkinson
Secretary to the Treasury



Rob Donnelly
Chief Financial Officer

Statement of comprehensive income
for the period ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
EXPENSES			
Employee benefits	3A	119,553	118,613
Supplier expenses	3B	42,958	48,315
Grants	3C	3,077	2,986
Depreciation and amortisation	3D	12,015	4,368
Finance costs	3E	56	35
Write-down and impairment of assets	3F	108	28
Net losses from sale of assets	3G	-	37
TOTAL EXPENSES		177,767	174,382
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	8,623	12,607
Other revenues	4B	726	742
Total own-source-revenue		9,349	13,349
Gains			
Sale of assets	4C	22	-
Other gains	4D	549	546
Total gains		571	546
TOTAL OWN-SOURCE INCOME		9,920	13,895
Net cost of services		167,847	160,487
Revenue from Government	4E	158,268	165,939
Surplus / (Deficit) attributable to the Australian Government		(9,579)	5,452
TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT		(9,579)	5,452

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

Note: The Treasury is no longer funded for depreciation resulting in comprehensive income attributable to the Treasury of \$2.436 million in 2011 (2010: \$5.452 million). Please refer to Note 29 for the income (loss) attributable to the Treasury.

Balance sheet
as at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	5A	836	1,196
Trade and other receivables	5B	78,211	77,254
Total financial assets		79,047	78,450
Non-financial assets			
Land and buildings	6A	7,878	8,714
Plant and equipment	6B	8,395	7,620
Intangibles	6C	31,117	36,711
Other non-financial assets	6D	2,336	1,799
Total non-financial assets		49,726	54,844
TOTAL ASSETS		128,773	133,294
LIABILITIES			
Payables			
Suppliers	7A	3,204	1,662
Other payables	7B	8,193	12,098
Total payables		11,397	13,760
Interest bearing liabilities			
Leases	8	-	40
Total interest bearing liabilities		-	40
Provisions			
Employee provisions	9	38,714	39,110
Total provisions		38,714	39,110
TOTAL LIABILITIES		50,111	52,910
NET ASSETS		78,662	80,384
EQUITY			
Asset revaluation reserve		5,246	5,246
Contributed equity		46,621	38,764
Retained surplus		26,795	36,374
TOTAL EQUITY		78,662	80,384

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

Statement of changes in equity as at 30 June 2011

	Retained earnings		Asset revaluation reserve		Contributed equity		Total equity	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July	36,374	30,922	5,246	5,246	38,764	34,243	80,384	70,411
Comprehensive income	(9,579)	5,452	-	-	-	-	(9,579)	5,452
Surplus / (Deficit) for the period	(9,579)	5,452	-	-	-	-	(9,579)	5,452
Total comprehensive income	(9,579)	5,452	-	-	-	-	(9,579)	5,452
of which:								
Attributable to the Australian Government	(9,579)	5,452	-	-	-	-	(9,579)	5,452
Transactions with owners:								
Contributions by owners:								
Equity injection appropriation	-	-	-	-	1,395	4,521	1,395	4,521
Departmental capital budget appropriation	-	-	-	-	6,462	-	6,462	-
Sub-total transactions with owners	-	-	-	-	7,857	4,521	7,857	4,521
Closing balance as at 30 June	26,795	36,374	5,246	5,246	46,621	38,764	78,662	80,384
Closing balance attributable to the Australian Government	26,795	36,374	5,246	5,246	46,621	38,764	78,662	80,384

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

Cash flow statement
for the period ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		171,132	183,103
Goods and services		9,302	14,034
Net GST received from ATO		3,637	5,028
Other cash received		947	2,103
Total cash received		185,018	204,268
Cash used			
Employees		120,220	115,487
Suppliers		49,386	52,399
Grants		3,077	2,986
Financing costs		56	35
Section 31 receipts transferred to OPA		12,617	18,354
Other cash used		4	1
Total cash used		185,360	189,262
Net cash from / (used by) operating activities	10	(342)	15,006
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of property, plant and equipment		22	9
Total cash received		22	9
Cash used			
Purchase of property, plant and equipment		3,270	3,995
Purchase of intangibles		4,348	15,519
Total cash used		7,618	19,514
Net cash from / (used by) investing activities		(7,596)	(19,505)
FINANCING ACTIVITIES			
Cash received			
Contributed Equity		7,618	4,521
Total cash received		7,618	4,521
Cash used			
Repayment of borrowings (includes finance lease principal)		40	193
Total cash used		40	193
Net cash from / (used by) financing activities		7,578	4,328
Net increase / (decrease) in cash held		(360)	(171)
Cash at the beginning of the reporting period		1,196	1,367
Cash at the end of the reporting period	5A	836	1,196

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

Schedule of commitments

as at 30 June 2011

	2011 \$'000	2010 \$'000
BY TYPE		
Commitments receivable		
Net GST receivable	(4,038)	(4,724)
Total commitments receivable	(4,038)	(4,724)
Capital commitments		
Infrastructure, Plant and Equipment	-	1,064
Intangibles	1,905	1,515
Total capital commitments	1,905	2,579
Other commitments		
Operating leases	36,186	46,976
Other	7,428	4,071
Total other commitments	43,614	51,047
NET COMMITMENTS	41,481	48,902
BY MATURITY		
Commitments receivable		
GST receivable		
One year or less	(1,276)	(1,165)
From one to five years	(2,762)	(3,163)
Over five years	-	(396)
Total GST receivable	(4,038)	(4,724)
Capital commitments		
One year or less	1,893	2,579
From one to five years	12	-
Total capital commitments	1,905	2,579
Operating lease commitments		
One year or less	8,267	8,480
From one to five years	27,919	34,135
Over five years	-	4,361
Total operating lease commitments	36,186	46,976

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

Note: Commitments are GST inclusive where relevant.

Schedule of commitments (continued)

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

Nature of lease	General description of leasing arrangement
Leases for accommodation	<ul style="list-style-type: none"> ▪ Commercial — leases comprise of various periods, including both initial and options periods. ▪ Overseas estate — some commercial lease payments are adjusted annually by two per cent and residential lease payments are reviewed 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.
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.

Other commitments include commitments for consultants, building services and other commitments.

Schedule of contingencies
as at 30 June 2011

	2011 \$'000	2010 \$'000
Contingent liabilities		
Other - Studies Assistance	300	272
Total contingent liabilities	300	272
NET CONTINGENT LIABILITIES	(300)	(272)

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

Note: Departmental quantifiable and unquantifiable contingencies are disclosed in Note 11: Contingent liabilities and assets.

Schedule of asset additions
as at 30 June 2011

The following non-financial non-current assets were added in 2010-11:

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
Additions funded in the current year				
By purchase - appropriation ordinary annual services	1,208	2,829	1,033	5,070
Departmental capital budget	-	-	-	-
Ordinary operating costs	-	-	-	-
By purchase - appropriation other services	-	-	1,395	1,395
Equity injections	-	-	-	-
Total additions	1,208	2,829	2,428	6,465

The following non-financial non-current assets were added in 2009-10:

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
Additions funded in the current year				
By purchase - appropriation ordinary annual services	-	-	-	-
Departmental capital budget	2,937	226	3,847	7,010
Ordinary operating costs	-	-	-	-
By purchase - appropriation other services	-	-	12,858	12,858
Equity injections	-	-	-	-
Total additions	2,937	226	16,705	19,868

Schedule of administered items
for the period ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Income administered			
on behalf of Government			
for the period ended 30 June 2011			
Revenue			
Non-taxation revenue			
Interest	16A	3,840	2,236
Dividends	16B	-	5,976,709
Sale of goods and rendering of services	16C	1,879,543	1,930,987
COAG revenue from government agencies	16D	1,351,057	3,639,933
Other revenue	16E	72,269	177,084
Total non-taxation revenue		3,306,709	11,726,949
Total revenues administered		3,306,709	11,726,949
Gains			
Net foreign exchange gains	16F	338,219	790,861
Other Gains	16G	-	14,148
Total gains administered		338,219	805,009
Total income administered		3,644,928	12,531,958
Expenses administered			
on behalf of Government			
for the period ended 30 June 2011			
Grants	17A	86,935,637	88,781,919
Interest	17B	18,734	11,413
Other expenses	17D	6,765	14,818
Total expenses administered		86,961,136	88,808,150

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

Schedule of administered items (continued)

as at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Assets administered			
on behalf of Government			
as at 30 June 2011			
Financial assets			
Cash and cash equivalents	18A	4,763	4,063
Receivables	18B	2,922,847	5,326,422
Investments ¹	18C and D	11,383,633	17,213,607
Total financial assets		14,311,243	22,544,092
Non-financial assets			
Other	18E	14,791	545,346
Total non- financial assets		14,791	545,346
Total assets administered			
on behalf of Government		14,326,034	23,089,438
Liabilities administered			
on behalf of Government			
as at 30 June 2011			
Payables			
Loans	19A	3,851,036	4,882,893
Grants	19B	884,081	407,453
Other payables	19C	4,589,348	5,470,847
Unearned income	19D	2,127,855	3,322,908
Total payables		11,452,320	14,084,101
Provisions			
Other provisions	19E	4,596,860	1,119,897
Total other provisions		4,596,860	1,119,897
Total liabilities administered			
on behalf of Government		16,049,180	15,203,998
Net assets administered			
on behalf of Government	20	(1,723,146)	7,885,440

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

1 The 2010 Investments balance has been reduced by \$750 million to reflect the post dividend equity in the Reserve Bank of Australia.

Administered cash flows

for the period ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering services		1,238,387	1,333,504
Interest		3,144	2,388
Dividends		750,000	5,226,709
Net GST received		3	175
HIH Group liquidation proceeds		62,244	53,776
COAG receipts from government agencies		10,990,758	11,068,030
Other		4,590	120,164
Total cash received		13,049,126	17,804,746
Cash used			
Grant payments		91,552,618	95,293,444
Interest		16,965	9,949
Other		23,166	5,520
Total cash used		91,592,749	95,308,913
Net cash flows from (used by) operating activities		(78,543,623)	(77,504,167)
INVESTING ACTIVITIES			
Cash received			
IMF		401,962	4,845,258
Total cash received		401,962	4,845,258
Cash used			
Settlement of IMF obligations		315,051	-
Settlement of international financial institution's obligations		243,824	-
Total cash used		558,875	-
Net cash flows from (used by) investing activities		(156,913)	4,845,258
Net increase (decrease) in cash held		(78,700,536)	(72,658,909)
Cash and cash equivalents at the beginning of reporting period		4,063	8,230
Cash from Official Public Account for:			
- Appropriations		64,096,231	61,744,128
- Special accounts		18,402,547	26,324,452
		82,498,778	88,068,580
Cash to Official Public Account for:			
- Appropriations		2,468,045	11,471,758
- Special accounts		1,329,497	3,942,080
		3,797,542	15,413,838
Cash and cash equivalents at end of reporting period	18A	4,763	4,063

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

Administered commitments

as at 30 June 2011

	2011	2010
	\$'000	\$'000
BY TYPE		
Commitments payable		
Capital commitments		
Investment	147,193	231,829
Total capital commitments	147,193	231,829
Other commitments		
Other - Commonwealth grants ¹	350,118,924	348,268,036
Other expenses	-	1,500
Total other commitments	350,118,924	348,269,536
Total commitments payable	350,266,117	348,501,365
Commitments receivable		
GST receivable	(72)	(136)
Total commitments receivable	(72)	(136)
NET COMMITMENTS BY TYPE	350,266,045	348,501,229
BY MATURITY		
Commitments payable		
Capital commitments		
One year or less	36,798	46,366
From one to five years	110,395	185,463
Total capital commitments	147,193	231,829
Other commitments		
One year or less	84,399,929	84,284,418
From one to five years ¹	265,718,995	263,985,118
Total other commitments	350,118,924	348,269,536
Commitments receivable		
One year or less	(72)	(136)
Total commitments receivable	(72)	(136)
NET COMMITMENTS BY MATURITY	350,266,045	348,501,229

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

Note: All commitments are GST inclusive where relevant

- 1 Other — Commonwealth grants commitments represent the estimated amount to be paid to States and Territories under the federal financial framework over the period of forward estimates (2011-12 to 2014-15) as presented in the 2011-12 Budget. The amount excludes estimated future payments under the Natural Disaster Relief and Recovery Arrangements, which have been expensed in 2011 (refer to Note 1.26 for more information). In 2011, \$306,586 million represents the first four years of ongoing commitments to provide GST revenue, National Specific Purpose Payments and General Revenue Assistance to the States and Territories (2010: \$297,946 million).

Administered contingencies as at 30 June 2011

	Guarantees		Indemnities		Uncalled shares or capital subscriptions ¹		Claims for damages or costs		Warranties		Letters of Comfort		TOTAL	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Administered Contingent liabilities														
Balance from previous period	-	-	-	-	12,052,017	6,697,681	-	-	-	-	-	-	12,052,017	6,697,681
New	-	-	-	-	-	5,692,988	-	-	-	-	-	-	-	5,692,988
Re-measurement	-	-	-	-	(2,451,215)	(338,652)	-	-	-	-	-	-	(2,451,215)	(338,652)
Liabilities recognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total administered contingent liabilities	-	-	-	-	9,600,802	12,052,017	-	-	-	-	-	-	9,600,802	12,052,017
Total Administered contingent assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET ADMINISTERED CONTINGENT LIABILITIES	-	-	-	-	9,600,802	12,052,017	-	-	-	-	-	-	9,600,802	12,052,017

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

Note: Administered unquantifiable contingencies are disclosed in Note 21; Administered contingent liabilities and assets. The Treasury has given financial guarantees for which the details are disclosed at Note 1.31 and Note 23; Administered financial instruments.

¹ Comprises uncalled shares or capital subscriptions in the European Bank for Reconstruction and Development (EBRD), the International Bank for Reconstruction and Development (IBRD), the Multilateral Investment Guarantee Agency (MIGA) and the Asian Development Bank (ADB).

Statement of activities administered on behalf of Government

The major administered activities of the Treasury are directed towards achieving the outcome described in Note 1.1 (Program 1.2 to Program 1.10) of the Financial Statements. Details of planned activities of Program 1.2 to Program 1.10 for the year can be found in the Treasury Portfolio Budget Statements and Portfolio Additional Estimates Statements.

Notes to and forming part of the financial statements
for the period ended 30 June 2011

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Note 1: Summary of significant accounting policies

1.1 Objectives of the Treasury

The Treasury is an Australian Government controlled entity.

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

The Treasury is structured to meet one outcome:

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

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

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

Departmental activities are identified under Program 1.1. Administered activities are identified under programs 1.1 to 1.10 listed below:

- Program 1.1 — Department of the Treasury
- Program 1.2 — Payments to International Financial Institutions
- Program 1.3 — Support for Markets and Business
- Program 1.4 — General Revenue Assistance
- Program 1.5 — Assistance to the States for Healthcare Services
- Program 1.6 — Assistance to the States for Schools
- Program 1.7 — Assistance to the States for Skills and Workforce Development
- Program 1.8 — Assistance to the States for Disability Services
- Program 1.9 — Assistance to the States for Affordable Housing
- Program 1.10 — National Partnership Payments to the States

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

- promote international monetary cooperation, exchange stability and orderly exchange arrangements;
- strengthen the international financial system; and
- support development objectives through the multilateral development banks.

Program 1.3 provides for administered activities in respect of:

- insurance claims arising from the residual Housing Loans Insurance Corporation (HLIC) portfolio;
- assistance under the HIH Claims Support Scheme (HCSS);
- the Guarantee of State and Territory Borrowing in assisting state and territory governments to access funding;
- the Guarantee Scheme for Large Deposits and Wholesale Funding to promote financial system stability in Australia; and
- support for car dealership financing through the OzCar Special Purpose Vehicle (SPV).

Program 1.4 provides for administered payments of general revenue assistance to the States and Territories, including payments of revenue received from the GST.

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

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

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

1.2 Basis of preparation of the financial statements

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

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

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2010; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

Unless alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the Treasury or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under 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.

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

Administered revenues, expenses, assets, liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items, except where otherwise stated at Note 1.22.

1.3 Significant accounting judgments and estimates

In consultation with the Department of Finance and Deregulation (Finance), the Treasury has changed the accounting treatment of payments made to States and Territories under the Natural Disaster Relief and Recovery Arrangements (NDRRA). This accounting policy change has resulted in the recognition of a liability equal to the discounted value of estimated future payments of Commonwealth assistance to States and Territories under the NDRRA for disasters that have already occurred (see Note 1.26 for more information).

The NDRRA liability represents the Treasury's best estimate of payments expected to be made to States and Territories as at balance date under NDRRA and is based on information provided by States and Territories to the Attorney General's Department, the Commonwealth agency responsible for the administration of disaster relief. The estimates provided by States and Territories are based on their assessment of the costs expected to be incurred that would be eligible for assistance under NDRRA for disaster occurring prior to 1 July 2011. Given the extent of recent disasters and uncertainty around the costs and timing of the reconstruction effort, the liability may require adjustment in future reporting periods.

Apart from the Australian Government Actuary's reconsideration of its 2008-09 review of employee benefits, which resulted in changes to on-cost calculations and discount factors, no accounting assumptions or estimates have been identified for departmental items that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

In the process of applying the accounting policies for administered items listed in Notes 1.29 and 1.30, the Treasury has obtained independent actuarial assessments of the HCSS liability and HLIC premiums, recoveries, claims and acquisition costs.

In relation to uncalled shares disclosed in the administered contingencies table, the Treasury has judged the risk of these shares being called as low for the foreseeable future. This judgment is based on historic and current performance of the international financial institutions. Some of the factors considered are the financial strength of the development banks (that is, most have AAA credit ratings), established risk management policies, healthy debt ratios and no adverse financial statement audit opinions.

1.4 Changes in Australian Accounting Standards

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. None of the new standards, amendments to standards and interpretations issued by the AASB that are applicable to the current period have had a material financial impact on the Treasury. The following standards or amendments to standards have become effective but have had no financial impact to the operations of the Treasury.

Standards

- AASB 1 — *First-time Adoption of Australian Accounting Standards (Compilation)*
- AASB 2 — *Share-based Payment (Compilation)*
- AASB 3 — *Business Combinations (Compilation)*
- AASB 7 — *Financial Instruments: Disclosures (Compilation)*
- AASB 8 — *Operating Segments (Compilation)*
- AASB 118 — *Revenue (Compilation)*
- AASB 121 — *The Effects of Changes in Foreign Exchange Rates (Compilation)*
- AASB 128 — *Investments in Associates (Compilation)*
- AASB 131 — *Interests in Joint Ventures (Compilation)*
- AASB 132 — *Financial Instruments: Presentation (Compilation)*
- AASB 139 — *Financial Instruments: Recognition and Measurement (Compilation)*
- *Interp. 19 Extinguishing Financial Liabilities with Equity Instruments (Principal)*

Future Australian Accounting Standard requirements

Of the new standards, amendments to standards and interpretations issued by the AASB that are applicable to future periods, it is estimated that the impact of adopting the pronouncements when effective will have no material financial impact on future reporting periods, but may affect disclosures in future financial reports.

1.5 Revenue

Revenue from Government

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

Appropriations receivable are recognised at their nominal amounts.

Other types of revenue

Revenue from the sale of goods is recognised when:

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

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

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

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

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

1.6 Gains

Resources received free of charge

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

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 1.7).

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Sale of Assets

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

1.7 Transactions with the Government as owner

Equity injections

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

Restructuring of administrative arrangements

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

Other distributions to owners

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

1.8 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 'short-term employee benefits' (as defined by AASB 119 Employee Benefits) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

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

Leave

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

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

The liability for both annual and long service leave has been determined by reference to the work of the Australian Government Actuary as at 30 June 2009. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and general pay increases.

Separation and redundancy

No provision has been made for separation and redundancy benefit payments during the year (2010: Nil).

Superannuation

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

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

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

The Treasury makes employer contributions to the employee superannuation scheme 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. The Treasury accounts for the contribution as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June 2011 represents outstanding contributions for the final fortnight of the year.

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer substantially all the risks and benefits incidental to ownership of leased non-current assets from the lessor to the lessee. In operating leases, 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 either the fair value of the leased property or, if lower, the present value of minimum lease payments at the inception of the contract. A liability is 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. The interest rate implicit in leases was zero as all leases had expired by 30 June 2011 (2010: 5.92 per cent).

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

1.10 Borrowing costs

All borrowing costs are expensed as incurred.

1.11 Cash

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount. Any interest receivable is credited to revenue as it accrues. The Treasury maintains bank accounts with the Reserve Bank of Australia for administration of the receipt and payment of monies.

1.12 Financial risk management

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

1.13 Other financial instruments

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance date. These are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest methods less impairment. Interest is usually recognised by applying the effective interest rate. Collectability of debts is reviewed regularly

throughout the year and at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely. Credit terms are net 30 days (2010: 30 days).

Trade creditors

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

1.14 Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period. No indicators of impairment were identified assets as at 30 June 2011.

Financial assets held at amortised cost

If there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the statement of comprehensive income.

Available for sale financial assets

If there is objective evidence that an impairment loss on an available for sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the statement of comprehensive income.

Financial assets held at cost

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

1.15 Contingent liabilities and contingent assets

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

1.16 Acquisition of assets

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

1.17 Property, plant and equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$2,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant and total \$20,000 or more).

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.

Revaluations

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

Asset class	Fair value measured at
Leasehold improvements	Depreciated replacement cost
Infrastructure, plant and equipment	Market selling price

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

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

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

The Treasury performed a valuation of leasehold improvements, infrastructure, plant and equipment assets on 30 November 2007. The valuation was performed by independent valuers Preston Rowe Paterson NSW Pty Limited and was based on valuing the assets at fair value. Preston Rowe Paterson NSW Pty Limited confirmed that net asset values materially reflected fair value at 30 June 2011.

Depreciation

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

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

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

	2011	2010
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

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

Impairment

All assets were assessed for impairment at 30 June 2011. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

No indicators of impairment were found for departmental assets at fair value during the year.

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

1.18 Intangibles

The Treasury's intangible assets comprise internally developed and purchased software for internal use. These assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Treasury's software are 3 to 5 years (2010: 3 to 5 years).

The Treasury's largest intangible asset is for Standard Business Reporting (SBR). SBR is a multi-agency initiative that will simplify business-to-government reporting by introducing a

single secure way to interact on-line with participating agencies. For further information visit www.sbr.gov.au.

All software assets were assessed for indications of impairment as at 30 June 2011. No indicators of impairment were identified as at 30 June 2011.

1.19 Taxation/competitive neutrality

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

Revenues, expenses and assets are recognised net of GST:

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

1.20 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.

1.21 Insurance

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

1.22 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 of Australian Accounting Standards.

1.23 Administered cash transfers to and from the Official Public Account

Revenue collected by the Treasury for use by the Australian Government rather than the Treasury is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Deregulation. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriations on behalf of the Australian Government. These transfers to and from the OPA are adjustments to administered cash held by the Treasury on behalf of the Australian Government and reported as such in the reconciliation table in Note 21. The schedule of administered items largely reflects the Australian Government's transactions, through the Treasury, with parties outside the Australian Government.

1.24 Administered revenue

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

Reserve Bank of Australia dividend

Dividends from the Reserve Bank of Australia (RBA) are recognised when a determination is made by the Treasurer and thus control of the income stream has been established. On this basis, the RBA's dividend for a particular financial year is recognised in the Treasury's financial statements in the subsequent financial year. Dividends are measured at nominal amounts.

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

International Monetary Fund remuneration

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

Where the IMF's holdings of Australian dollars fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is equal to the SDR interest rate. This rate is then adjusted to account for the financial consequences of overdue obligations to the IMF which are shared between members and reflected in Note 16 as 'burden sharing'.

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

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

180 Guarantee Scheme for Large Deposits and Wholesale Funding

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

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

The Guarantee of State and Territory Borrowing

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

Financial Guarantee Contracts

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

1.25 Administered capital

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

1.26 Grants

In 2010-11 the Treasury reviewed the accounting treatment of payments made to States and Territories under the Natural Disaster Relief and Recovery Arrangements in consultation with Finance. The accounting treatment previously applied by the Treasury was to recognise grant liabilities under NDRRA to the extent that (i) the services required to be performed by the State or Territory had been performed or (ii) the grant eligibility criteria had been satisfied, but payments due have not been made. The change in accounting treatment has resulted in the Treasury recognising a liability equal to the discounted value of estimated future payments to States and Territory's under NDRRA regardless of whether or not a State or Territory has completed eligible disaster reconstruction work or submitted an eligible claim under the NDRRA. As disclosed in Note 1.3, States and Territories were requested to provide an estimate of costs expected to be incurred for disasters affecting States and Territories that occurred prior to 1 July 2011 which would be eligible for assistance.

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

Consistent with the disclosure requirements of the FMO's and relevant accounting standards, the comparative year figures for administered grant expenses and provisions have been adjusted as if the new accounting policy had always applied.

In Note 17: Expenses administered on behalf of Government, the 2009-10 administered grants expense has increased by \$807.7 million, and in Note 19: Liabilities administered on behalf of Government, a provision for NDRRA payments of \$1,089.4 million has been recognised as at 30 June 2010. An adjustment of \$293.8 million has also been included in Note 20: Administered reconciliation table to reflect the increase in 2009-10 opening liabilities under the new accounting policy.

With the exception of the accounting treatment of payments to State and Territories under NDRRA detailed above, grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made. A commitment is recorded when the Australian Government enters into an agreement to make grants but services have not been performed or criteria satisfied.

Grants to the IMF

This represents Australia's contribution to the IMF's Poverty Reduction and Growth Trust (interest subsidy account) to support increased IMF concessional lending to low-income countries in the context of the global financial crisis. This contribution is part of the Government's commitment to increase Australia's overseas development assistance over the long term. No contribution was made by Australia during 2011 (2010: \$30 million).

Grants to States and Territories

The current framework for federal financial relations, introduced on 1 January 2009, provides a strong foundation for the Council of Australian Governments (COAG) to pursue economic and social reform to underpin growth, prosperity and wellbeing into the future. Under the framework, the Treasurer is accountable for the efficient payment of National Partnership payments and general revenue assistance to the States and Territories. Portfolio Ministers are accountable for relevant government policies associated with those payments. In addition, the Treasurer is accountable for payments and policies associated with GST payments and National Specific Purpose Payments (National SPPs). An overview of the Government's policy in respect of accountabilities under the new financial framework is presented in the 2011-12 Budget Papers, Appendix A of Budget Paper No. 3, Australia's Federal Relations.

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

- National SPPs — a financial contribution to support a State or Territory to deliver services in a particular sector;
- National Partnership payments (NPs) — a financial contribution in respect of a National Partnership agreement to a State or Territory to support the delivery of

specific projects, to facilitate reforms or to reward those jurisdictions that deliver on national reforms or achieve service delivery improvements;

- GST revenue payments — a financial contribution to a State or Territory which is available for use by the States and Territories for any purpose; and
- general revenue assistance (GRA) other than GST revenue payments – a financial contribution to a State or Territory which is available for use by the States and Territories for any purpose.

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

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

In 2010-11, several payments made under National Partnership agreements were discovered to have been made in error and were subsequently recovered at the next opportunity. In these circumstances the payments were made to the State or Territory without any legislative basis, which constitutes a technical breach of section 83 of the Constitution. The Treasury process to complete the 2010-11 financial statements identified 8 incorrect payments (2010: 6 incorrect payments). The incorrect payments totaled \$25,963,775 (2010: \$100,997) or 0.141 per cent (2010: less than 0.001 per cent) of payments from the COAG Reform Fund special account. All incorrect payments have been recovered from the States and Territories.

In 2009-10, the Treasury recorded revenues and expenses in relation to payments to States and Territories for assistance to non-government schools under the Digital Education Revolution and the Building the Education Revolution programs. During 2010-11 it was agreed that the Department of Education Employment and Workplace Relations (DEEWR) would recognise expenses and revenues for these payments and that the Treasury would act as paying agent for these amounts to the States and Territories. The Treasury has therefore not recognised any expenses or revenues for these amounts in 2010-11. Cash receipts from DEEWR and cash payments made to States and Territories in relation to amounts paid in 2010-11 have been recorded in the Schedule of Administered Cash Flows and Table D of Note 25: Appropriations.

Payments to the States and Territories through the Nation Building Funds

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

The Funds were established to provide financing sources to meet the Government's commitment to Australia's future by investment in critical areas of infrastructure.

The three Funds are the:

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

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

Mirror taxes collected by State Governments

On behalf of the States, the Australian Government imposes mirror taxes which replace State taxes in relation to Australian Government places that may be constitutionally invalid. Mirror taxes are collected and retained by the States, under the *Commonwealth Places (Mirror Taxes) Act 1998*. State Governments bear the administration costs of collecting mirror taxes. Mirror taxes are disclosed at Note 26F.

1.27 Administered investments

Development banks

Investments in development banks are classified as 'monetary — available for sale financial assets' refer Note 1.32. As such, the foreign currency value of investments is translated into Australian Dollars (AUD) using relevant foreign currency exchange rates at balance date.

International Monetary Fund

The quota is the current value in Australian dollars of Australia's subscription to the IMF. Quota subscriptions represent a member's shareholding in the IMF and generate most of the IMF's financial resources. Twenty five per cent of the quota increase will be paid in

SDR and the remainder will be paid through issuing AUD denominated non-negotiable, non-interest bearing promissory notes.

Australia has agreed to increase its quota contributions to the IMF from SDR 3.2 billion to SDR 6.6 billion (AUD\$9.8 billion as at 30 June 2011), in line with a doubling of overall IMF quotas. It is expected that the increase will occur in the 2011-12 financial year.

Australian Government entities

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

The Australian Government's investment in controlled entities and companies in the Treasury portfolio are measured at their fair value as at 30 June 2011. Fair value has been taken to be the net assets of the entities as at balance date. These entities are listed below:

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

Impairment of administered investments

Administered investments were assessed for impairment at 30 June 2011. No indicators of impairment were identified.

1.28 Promissory notes

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

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

Foreign currency gains and losses are recognised where applicable.

1.29 IMF Special Drawing Rights Allocation

The SDR allocation liability reflects the current value in AUD of the Treasury's liability to repay to the IMF the cumulative allocations of SDRs provided to Australia since joining the IMF. This liability is classified as 'other payables' in Note 17.

1.30 Mortgage insurance policies written by the Housing Loans Insurance Corporation up to 12 December 1997

The Australian Government sold HLIC on 12 December 1997. Under the terms and conditions of the sale the Australian Government retained ownership of all mortgage insurance policies written up to the time of the sale.

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'.

Given the maturity of the portfolio, the provision for unearned premiums is now zero.

Claims

Claims incurred expenses and a liability for outstanding claims are recognised in respect of insurance policies. The liability 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. Given the maturity of the portfolio, the liability is now estimated to be negligible and no provision has been recorded in 2010-11 (2010:nil).

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. Since the provision for unearned premium is now zero, the deferred acquisition cost asset is also now zero.

1.31 Provisions and contingent liabilities

HIH Claims Support Scheme liability

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

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

Since 2001, a total of 10,900 claims have been granted eligibility for assistance. Each year an actuarial review of the claims portfolio has been conducted to assess the development of claims reserves and to estimate the overall liability associated with the Scheme portfolio. In 2006, approval was sought and obtained to increase the Scheme appropriation to a total of \$861 million to meet the estimated cost of the Scheme portfolio. This additional funding is provided through annual appropriations.

The Australian Government Actuary reviews the portfolio annually to reassess the estimated Scheme liability in future years. The most recent review has indicated that the overall cost of the Scheme is estimated to be \$730.5 million in discounted terms. This amount incorporates an allowance for future inflation and covers the expected cost of past and future claim payments and associated expenses of managing the Scheme.

1.32 Administered financial instruments

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

- Loans and receivables (these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market):
 - IMF related monies receivable (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
 - Loans to the IMF under the New Arrangements to Borrow (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
 - the Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable (measured initially at fair value and then measured at amortised cost using the effective interest rate method); and
 - the Guarantee Scheme for State and Territory Borrowing contractual fee receivable (measured initially at fair value and then measured at amortised cost using the effective interest rate method).
- Available-for-sale financial assets:
 - investments in development banks (measured initially at cost or notional cost and then measured at fair value);
 - the IMF quota (measured at cost); and
 - Investments in Government Entities (measured at fair value based on net asset position of the entity at 30 June 2011).
- Financial liabilities:
 - the SDR allocation (measured initially at fair value and then measured at amortised cost using the effective interest rate method);

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

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

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

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

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

Recognition of these amounts only relates to fee revenue aspects of the financial guarantee contracts. These amounts do not reflect any expected liability under the Guarantee Scheme itself as these are considered remote and unquantifiable. Administered contingent liabilities and assets are disclosed at Note 21.

Administered financial instruments are accounted for in accordance with the accounting policies detailed above and are disclosed at Note 22.

Note 2: Events occurring after reporting date

The RBA has not declared a dividend to Government for 2011.

Note 3: Operating Expenses

	2011 \$'000	2010 \$'000
Note 3A: Employee benefits		
Wages and salaries	90,482	87,672
Superannuation		
Defined benefit plan	11,671	12,065
Defined contribution plan	4,474	3,604
Leave and other entitlements	9,620	12,381
Other	3,306	2,891
Total employee benefits	119,553	118,613
Note 3B: Suppliers		
Goods and services		
Communications	1,641	1,536
Computers	3,108	3,055
Conferences and Training	2,708	2,675
Consultants and Contractors	8,868	11,779
Fees - Audit, Accounting, Bank and Other	1,235	987
Insurance	949	1,086
Legal	1,459	4,310
Printing	643	847
Property operating expenses	11,759	11,316
Publications and Subscriptions	1,558	1,325
Travel	5,276	5,776
Other	3,754	3,623
Total goods and services	42,958	48,315
Goods and services are made up of:		
Provision of goods from:		
related entities	2	103
external entities	2,411	3,199
Rendering of services from:		
related entities ¹	6,857	12,032
external entities ¹	24,022	23,942
Operating lease rentals ²	8,967	8,145
Workers compensation premiums	699	894
Total supplier expenses	42,958	48,315
Note 3C: Grants		
Grants paid		
Public Sector:		
Australian Government entities	152	475
Private Sector:		
Non-profit organisations	2,925	2,509
For-profit organisations	-	2
Total grants	3,077	2,986

1 The 2010 balances have been adjusted by \$0.94 million to reflect the reclassification of expenses from external entities to related entities.

2 Operating lease rentals comprise minimum lease payments only.

Note 3: Operating Expenses (continued)

	2011	2010
	\$'000	\$'000
Note 3D: Depreciation and amortisation		
Depreciation		
Other plant and equipment	2,119	1,656
Buildings - leasehold improvements	1,889	1,751
Total depreciation	4,008	3,407
Amortisation		
Intangibles - computer software	7,973	840
Assets held under finance lease	34	121
Total amortisation	8,007	961
Total depreciation and amortisation	12,015	4,368
Note 3E: Finance costs		
Leases	56	35
Total finance costs	56	35
Note 3F: Write-down and impairment of assets		
Financial assets		
Receivables - bad and doubtful debt expense	3	-
Non-financial assets		
Plant and equipment	55	28
Intangibles	50	-
Total write-down and impairment of assets	108	28
Note 3G: Net losses from sale of assets		
Other plant and equipment		
Proceeds from disposal	-	(9)
Net book value of assets disposed	-	46
Net losses from sale of assets	-	37

Note 4: Income

	2011 \$'000	2010 \$'000
Note 4A: Sale of goods and rendering of services		
Provision of goods to:		
external entities	-	1
Rendering of services to:		
related entities	7,387	11,611
external entities	1,153	907
Operating lease rental	83	88
Total sale of goods and rendering of services	8,623	12,607
Note 4B: Other revenues		
Other	726	742
Total other revenues	726	742
Note 4C: Sale of assets		
Plant and equipment		
Proceeds from sale	22	-
Net gain from sale of assets	22	-
Note 4D: Other gains		
Resources received free of charge	549	546
Total other gains	549	546
Note 4E: Revenue from government Appropriations		
Departmental appropriation	158,268	162,941
Other	-	2,998
Total revenue from government	158,268	165,939
Total income	168,188	179,834

Note 5: Financial assets

	2011	2010
	\$'000	\$'000
Note 5A: Cash and cash equivalents		
Cash		
Special accounts	85	264
Cash on hand or on deposit	751	932
Total cash	836	1,196
Note 5B: Trade and other receivables		
Goods and services		
- related entities	2,914	1,467
- external entities	623	1,134
Total goods and services	3,537	2,601
Net GST receivable from the ATO	447	416
Appropriations receivable		
- for existing outputs	73,988	74,237
- for Departmental Capital Budgets	239	-
Total trade and other receivables (net)	78,211	77,254
All receivables are current assets		
Receivables (gross) are aged as follows:		
Not overdue	76,572	76,470
Overdue by:		
0 to 30 days	1,293	688
31 to 60 days	219	87
61 to 90 days	77	-
More than 90 days	50	9
Total receivables (gross)	78,211	77,254

Note 6: Non-financial assets

	2011 \$'000	2010 \$'000
Note 6A: Land and buildings		
Leasehold improvements - fair value		
Under construction	-	206
At fair value	19,653	18,394
Accumulated depreciation	(11,775)	(9,886)
Total leasehold improvements - fair value	7,878	8,714
Total land and buildings	7,878	8,714

No indicators of impairment were found for land and buildings. No land and buildings are expected to be sold or disposed of within the next 12 months. All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.17.

Note 6B: Plant and equipment		
Plant and equipment - fair value		
Under construction	742	-
At fair value	12,860	11,212
Accumulated depreciation	(5,207)	(3,626)
Total plant and equipment - fair value	8,395	7,586
Plant and equipment under finance lease		
Under finance lease	53	260
Accumulated amortisation	(53)	(226)
Total plant and equipment under finance lease	-	34
Total plant and equipment	8,395	7,620

No indicators of impairment were found for plant and equipment. No other plant and equipment is expected to be sold or disposed of within the next 12 months. All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.17.

Note 6C: Intangibles		
Computer software - at cost		
Internally developed - under construction	1,728	32,716
Internally developed - in use	36,551	3,441
Purchased	3,129	3,756
Accumulated amortisation	(10,291)	(3,202)
Total computer software - at cost	31,117	36,711
Total intangibles	31,117	36,711

No indicators of impairment were found for Intangibles.

Note 6: Non-financial assets (continued)
Table A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles (2010-11)

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Assets held for sale \$'000	Total \$'000
As at 1 July 2010:					
Gross book value	18,600	11,473	39,913	-	69,986
Accumulated depreciation / amortisation	(9,886)	(3,853)	(3,202)	-	(16,941)
Net book value 1 July 2010	8,714	7,620	36,711	-	53,045
Additions*					
Depreciation / amortisation expense	1,208	2,829	2,428	-	6,465
Recoverable amount write-downs	(1,889)	(2,153)	(7,973)	-	(12,015)
	-	-	-	-	-
Disposals					
Other disposals	-	(55)	(50)	-	(105)
Transfers	(155)	154	1	-	-
As at 30 June 2011:					
Gross book value	19,653	13,655	41,408	-	74,716
Accumulated depreciation / amortisation	(11,775)	(5,260)	(10,291)	-	(27,326)
Net book value 30 June 2011	7,878	8,395	31,117	-	47,390

* Disaggregated additions information are disclosed in the Schedule of Asset Additions

Note 6: Non-financial assets (continued)**Table A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles (2009-10)**

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Assets held for sale \$'000	Total \$'000
As at 1 July 2009:					
Gross book value	18,449	12,292	22,399	39	53,179
Accumulated depreciation / amortisation	(8,135)	(4,307)	(2,749)	(15)	(15,206)
Net book value 1 July 2009	10,314	7,985	19,650	24	37,973
Additions*	2,306	226	17,336	-	19,868
Depreciation / amortisation expense	(1,751)	(1,777)	(840)	-	(4,368)
Recoverable amount write-downs	-	-	-	-	-
Disposals					
Other disposals	-	(28)	-	(16)	(44)
Transfers	(2,155)	1,214	565	(8)	(384)
As at 30 June 2010:					
Gross book value	18,600	11,473	39,913	-	69,986
Accumulated depreciation / amortisation	(9,886)	(3,853)	(3,202)	-	(16,941)
Closing net book value	8,714	7,620	36,711	-	53,045

* Disaggregated additions information are disclosed in the Schedule of Asset Additions

Note 6: Non-financial assets (continued)

Table B: Property, plant and equipment and intangibles held under finance lease (2010-11)

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
As at 30 June 2011:				
Gross book value	-	53	-	53
Accumulated depreciation / amortisation	-	(53)	-	(53)
Closing net book value	-	-	-	-
As at 30 June 2010:				
Gross book value	-	260	-	260
Accumulated depreciation / amortisation	-	(226)	-	(226)
Closing net book value	-	34	-	34

Table C: Property, plant and equipment and intangibles under construction (2010-11)

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
at 30 June 2011:				
Gross book value	-	742	1,728	2,470
As at 30 June 2010:				
Gross book value	206	-	32,716	32,922

Note 6: Non-financial assets (continued)

	2011	2010
	\$'000	\$'000
Note 6D: Other non-financial assets		
Prepayments	2,336	1,799
Other non-financial assets are represented by:		
No more than 12 months	1,888	1,670
More than 12 months	448	129
Total other non-financial assets	2,336	1,799

Note 7: Payables

	2011	2010
	\$'000	\$'000
Note 7A: Suppliers		
Trade creditors		
- related entities	461	408
- external entities	1,962	1,254
- external entities - non-operating	781	-
Total trade creditors	3,204	1,662
Total supplier payables	3,204	1,662
All supplier payables are expected to be settled within 12 months		
Note 7B: Other payables		
Salaries and wages	2,209	1,773
Superannuation	375	311
Other creditors	3,104	5,669
Other creditors - non-operating	-	1,933
Prepayments received / unearned revenue	2,505	2,412
Total other payables	8,193	12,098
Other payables are represented by:		
No more than 12 months	8,191	12,091
More than 12 months	2	7
Total other payables	8,193	12,098

Note: Settlement is usually made net 30 days.

Note 8: Interest bearing liabilities

	2011	2010
	\$'000	\$'000
Note 8: Leases		
Finance leases:	-	40
Payable:		
Within one year		
Minimum lease payments	-	41
Deduct: future finance charges	-	(1)
Total leases payable within one year	-	40
In one to five years		
Minimum lease payments	-	-
Deduct: future finance charges	-	-
Total leases payable within one year to five years	-	-
Finance leases recognised on the balance sheet	-	40

Note: Finance leases existed in relation to certain major office equipment assets in 2010. The leases were non-cancellable and for fixed terms averaging 2.75 years, with a maximum of 3.25 years. The interest rate implicit was zero in 2011 as all leases have expired (2010: 5.92 per cent). The Treasury guaranteed the residual values of all assets leased. There were no contingent rentals.

Note 9: Provisions

	2011	2010
	\$'000	\$'000
Note 9: Employee provisions		
Leave	38,586	38,920
Aggregate employee benefit liability	38,586	38,920
Other employee entitlements	128	190
Total employee provisions	38,714	39,110
Employee provisions are expected to be settled in		
No more than 12 months	10,323	10,937
More than 12 months	28,391	28,173
Total employee provisions	38,714	39,110

Note 10: Cash flow reconciliation

	2011 \$'000	2010 \$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow statement		
Cash and cash equivalents as per		
Cash flow statement	836	1,196
Balance sheet	836	1,196
Reconciliation of net cost of services to net cash from operating activities		
Net cost of services	(9,579)	5,452
Adjustments for non-cash items		
Depreciation / amortisation	12,015	4,368
Loss on disposal of non-current assets	-	37
Gain on disposal of non-current assets	(22)	-
Net write down of non-financial assets	108	28
Changes in assets/liabilities		
(Increase) / decrease in net receivables	(718)	(461)
(Increase) / decrease in other non financial assets	(537)	(757)
Increase / (decrease) in provisions	(396)	3,053
Increase / (decrease) in other payables	(1,973)	5,477
Increase / (decrease) in supplier payables	760	(2,191)
Net cash from / (used by) operating activities	(342)	15,006

Note 11: Contingent liabilities and assets

	Other		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Contingent liabilities				
Balance from previous period	272	248	272	248
New	286	255	286	255
Obligations expired / crystallised	(258)	(231)	(258)	(231)
Total contingent liabilities	300	272	300	272
NET CONTINGENT LIABILITIES	300	272	300	272

Quantifiable contingencies

The schedule of contingencies reports 'other' liabilities of \$299,963 (2010: \$271,856). This amount represents an estimate of the Treasury's liability in respect of studies assistance.

Unquantifiable contingencies

As at 30 June 2011, 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. As there is 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's lease on its current premises contains a make good clause which has been estimated by an independent valuer at \$2.7 million. The Treasury has assessed the likelihood of the make good provision being required and has deemed it as remote.

As at 30 June 2011, the Treasury has a number of contracts which may give rise to contingent liabilities based on certain events occurring. The Treasury has assessed the likelihood of such events occurring as being remote and unquantifiable.

Note 12: Executive remuneration

Note 12A: Senior Executive Remuneration Expense for the Reporting Period

	2011	2010
	\$	\$
Short-term employee benefits:		
Salary	15,557,638	15,840,710
Annual leave accrued	74,824	131,843
Allowances	239,225	248,640
Total Short-term employee benefits	15,871,687	16,221,193
Post-employment benefits:		
Superannuation	2,406,741	2,487,888
Total post-employment benefits	2,406,741	2,487,888
Other long-term benefits:		
Long-service leave	610,205	223,928
Total other long-term benefits	610,205	223,928
Total	18,888,633	18,933,009

The comparative aggregate total amount has been revised and does not match what was published in the 2009-10 financial statements due to new disclosure requirements.

Note: 12A excludes acting arrangements and part-year service where remuneration expensed was less than \$150,000.

Note 12B: Average Annual Remuneration Packages and Bonus Paid for Substantive Senior Executives as at the end of the Reporting Period

Fixed Elements and ¹ Bonus Paid	as at 30 June 2011				as at 30 June 2010				
	Senior Executives		Fixed elements		Senior Executives		Fixed elements		Bonus ³ Paid
	No.	Salary	Allowances ²	Total	No.	Salary	Allowances ²	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	
Total remuneration (including part-time arrangements):									
less than \$150,000	-	-	-	-	-	-	-	-	-
\$150,000 to \$179,999	16	172,747	-	172,747	-	169,330	-	169,330	-
\$180,000 to \$209,999	43	191,920	640	192,560	56	187,755	953	188,708	131
\$210,000 to \$239,999	15	221,992	1,703	223,695	9	218,708	3,081	221,789	-
\$240,000 to \$269,999	8	249,230	-	249,230	7	245,302	-	245,302	-
\$270,000 to \$299,999	3	287,208	-	287,208	4	287,284	-	287,284	-
\$300,000 to \$329,999	3	323,054	-	323,054	2	320,415	-	320,415	-
\$330,000 to \$359,999	1	337,000	-	337,000	-	-	-	-	-
\$360,000 to \$389,999	-	-	-	-	-	-	-	-	-
\$390,000 to \$419,999	-	-	-	-	1	402,670	-	402,670	-
\$420,000 to \$449,999	-	-	-	-	1	402,670	41,639	444,309	-
\$450,000 to \$479,999	1	419,090	43,980	463,070	-	-	-	-	-
\$480,000 to \$509,999	-	-	-	-	-	-	-	-	-
\$510,000 to \$539,999	-	-	-	-	-	-	-	-	-
\$540,000 to \$569,999	-	-	-	-	-	-	-	-	-
Total	90				91				

The comparative figures have been revised and do not match what was published in the 2009-10 annual report due to new disclosure requirements.

Notes:

1. This table reports on substantive senior executives who are employed by the Treasury as at the end of the reporting period. Fixed elements are based on the employment agreement of each individual — each row represents an average annualised figure (based on headcount) for the individuals in that remuneration package band (that is, the 'Total' column).
2. Represents average fixed allowances as per employment agreement. Six SES have a fixed allowance in their employment agreement with an average allowance of \$29,647 (2010: 7 SES, average allowance \$30,312).
3. Represents average actual bonuses paid during the reporting period. The 'Bonus paid' is excluded from the 'Total' calculation, (for the purpose of determining remuneration package bands). The Treasury does not pay bonuses. The bonuses included in the above table relate to secondees. No secondees received a bonus this financial year (2010: 1 secondee)

Variable Elements:

With the exception of bonuses, variable elements were not included in the 'Fixed Elements and Bonus Paid' table above. The following variable elements were available as part of senior executives' remuneration package:

- a) On average senior executives were entitled to the following leave entitlements:
 - Annual Leave: entitled to 20 days (2010: 20 days) each full year worked (pro-rata for part-time SES);
 - Personal Leave: entitled to 15 days (2010: 15 days) or part-time equivalent; and
 - Long Service Leave: in accordance with *Long Service Leave (Commonwealth Employees) Act 1976*.
- b) Senior executives were members of one of the following superannuation funds:
 - Australian Government Employee Superannuation Trust (AGEST): this fund is for senior executives who were employed for a defined period. Employer contributions were set at 9 per cent (2010: 9 per cent). More information on AGEST can be found at www.agest.com.au;
 - Commonwealth Superannuation Scheme (CSS): this scheme is closed to new members, and employer contributions averaged 17.3 per cent (2010: 18.1 per cent) (excluding employer productivity contributions of approximately 3 per cent). More information on CSS can be found at www.css.gov.au;
 - Public Sector Superannuation Scheme (PSS): this scheme is closed to new members, with current employer contributions set at 14.4 per cent (2010: 15.4 per cent) (excluding employer productivity contributions of approximately 3 per cent). More information on PSS can be found at www.pss.gov.au;
 - Public Sector Superannuation Accumulation Plan (PSSap): employer contributions were set at 15.4 per cent (2010: 15.4 per cent), and the fund has been in operation since July 2005. More information on PSSap can be found at www.pssap.gov.au; and
 - Other: there were some senior executives who had their own superannuation arrangements (for example, self-managed superannuation funds).
- c) Variable allowances available to senior executives include: Travel allowance, Overtime meal allowance, First aid certificate allowance, Motor vehicle allowance and Establishment allowance.
- d) Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits.

Note 12C: Other Highly Paid Staff

During the reporting period, there were two employees (2010: 1 employee) whose salary plus performance bonus were \$150,000 or more. These employees did not have a role as a senior executive and are therefore not disclosed as senior executives in Note 12A and Note 12B.

Note 13: Remuneration of auditors

	2011	2010
	\$'000	\$'000
Financial statement audit services are provided free of charge to the Treasury		
The fair value of the services provided was:		
The Treasury	434	436
Total	434	436

Note: The above amounts are exclusive of GST. No other services were provided by the Auditor General.

Note 14: Average staffing levels

	2011	2010
The Treasury	1,012	1,007
Total	1,012	1,007

Note 15: Financial instruments

Note 15A: Categories of financial instruments

	2011 \$'000	2010 \$'000
Financial assets		
Loans and receivables		
Cash and cash equivalents	836	1,196
Trade receivables	3,537	2,601
Carrying amount of financial assets	4,373	3,797
Financial liabilities		
Liabilities at amortised cost		
Finance leases	-	40
Payables - suppliers	3,204	1,662
Other payables	3,104	7,602
Carrying amount of financial liabilities	6,308	9,304

Note: There is no implicit interest rate on finance leases for 2011 as all finance leases have expired (2010: 5.9 per cent)

Note 15B: Net income and expense from financial liabilities

	2011 \$'000	2010 \$'000
Liabilities at amortised cost		
Interest expense	(56)	(35)
Net gain / (loss) financial liabilities - at amortised cost	(56)	(35)
Net gain / (loss) from financial liabilities	(56)	(35)

Note 15: Financial instruments (continued)

Note 15C: Net fair values of financial assets and liabilities

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 Treasury entered into finance lease arrangements in relation to certain major office equipment assets. The leases were non-cancellable and for fixed terms averaging 2.75 years, with a maximum of 3.25 years. The Treasury guaranteed the residual values of all assets leased and there were no contingent rentals.

The net fair values for trade creditors and other liabilities are approximated by their carrying amounts.

The Treasury's financial assets and financial liabilities as disclosed in Note 15A are measured under Level 2 of the fair value hierarchy as they are based on observable inputs. There have been no reclassifications between levels of the fair value hierarchy.

Note 15D: Credit risk exposures

The Treasury is exposed to minimal credit risk as loans and receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2011: \$3,537,308 and 2010: \$2,601,481). The Treasury has assessed the risk of default on payment as being minimal.

Other government agencies and staff members make up the majority of the Treasury's debtors. To aid the Treasury to manage its credit risk there are internal policies and procedures that guide employees on debt recovery techniques that are to be applied.

The Treasury holds no collateral to mitigate against credit risk.

Note 15: Financial instruments (continued)

Note 15D: Credit risk exposures (continued)

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired 2011 \$'000	Not past due nor impaired 2010 \$'000	Past due or impaired 2011 \$'000	Past due or impaired 2010 \$'000
Loans and receivables				
Cash and cash equivalents	836	1,196	-	-
Trade receivables	1,898	1,817	1,639	784
Total	2,734	3,013	1,639	784

Ageing of financial assets that are past due but not impaired for 2011

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Trade receivables	1,293	219	77	50	1,639
Total	1,293	219	77	50	1,639

Ageing of financial assets that are past due but not impaired for 2010

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Loans and receivables					
Trade receivables	688	87	-	9	784
Total	688	87	-	9	784

Note 15E: Liquidity risk

The Treasury's financial liabilities are payables and finance leases. The exposure to liquidity risk is based on the notion that the Treasury will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to the appropriation funding mechanisms available to the Treasury and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The Treasury is appropriated funding from the Australian Government. The Treasury manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Treasury has policies in place to ensure timely payments are made when due and has no past experience of default.

Note 15: Financial instruments (continued)

Note 15E: Liquidity risk (continued)

Maturity of financial liabilities

	On demand 2011 \$'000	Within 1 year 2011 \$'000	1 to 2 years 2011 \$'000	2 to 5 years 2011 \$'000	Total 2011 \$'000
Liabilities at amortised cost					
Finance leases	-	-	-	-	-
Payables - suppliers	-	3,204	-	-	3,204
Other payables	-	3,102	2	-	3,104
Total	-	6,306	2	-	6,308
	On demand 2010 \$'000	Within 1 year 2010 \$'000	1 to 2 years 2010 \$'000	2 to 5 years 2010 \$'000	Total 2010 \$'000
Liabilities at amortised cost					
Finance leases	-	40	-	-	40
Payables - suppliers	-	1,662	-	-	1,662
Other payables	-	7,595	5	2	7,602
Total	-	9,297	5	2	9,304

Note 15F: Market risk

The Treasury holds only basic financial instruments that do not expose the department to certain market risks.

The Treasury's remaining finance leases expired during the current financial year, resulting in no further lease liability. All finance leases entered into bore interest at a fixed interest rate and will not fluctuate due to changes in the market interest rate. There is no implicit interest rate given there are no further finance leases (2010: 5.9 per cent).

Note 16: Income administered on behalf of Government

	2011 \$'000	2010 \$'000
Non-taxation revenue		
Note 16A: Interest		
Gross IMF remuneration	3,734	2,314
Less: Burden sharing	(21)	(78)
Add: Burden sharing refunds	-	-
Net IMF remuneration	3,713	2,236
Interest on loan to IMF under New Arrangements to Borrow	127	-
Total interest	3,840	2,236
Note 16B: Dividends		
Reserve Bank of Australia	-	5,976,709
Total dividends	-	5,976,709
Note 16C: Sale of goods and rendering of services		
GST administration fees - external entities	673,347	564,222
Guarantee Scheme for Large Deposits and Wholesale Funding Fee	1,106,067	1,265,118
Guarantee of State and Territory Borrowing	100,129	101,647
Total sale of goods and rendering of services	1,879,543	1,930,987
Note 16D: COAG revenue from government agencies		
Building Australia Fund revenue	826,100	411,000
Health and Hospital Fund revenue	408,179	117,925
Education and Innovation Fund revenue	21,698	28,724
Interstate road transport revenue	87,380	60,823
Non-government schools revenue ¹	7,700	3,021,461
Total COAG receipts from government agencies	1,351,057	3,639,933
Note 16E: Other revenue		
Write back of HCS Scheme	5,434	3,119
HIH Group liquidation proceeds	62,244	53,776
State cellar door subsidy savings	-	115,926
Other revenue	4,591	4,263
Total other revenue	72,269	177,084
Gains		
Note 16F: Foreign Exchange		
IMF SDR allocation	869,147	289,805
IMF maintenance of value	342,113	1,136,045
IMF quota revaluation	(788,040)	(582,170)
IFIs revaluation	(95,035)	(55,445)
Other	10,034	2,626
Total net foreign exchange gains /(losses)	338,219	790,861
Note 16G: Other Gains		
Resources received free of charge	-	14,148
Total other gains	-	14,148
Total gains administered on behalf of Government	338,219	805,009
Total income administered on behalf of Government	3,644,928	12,531,958

1 2011 COAG revenue has decreased as revenues and expenses in relation to non-government schools payments are now recorded in the Department of Education, Employment and Workplace Relations' financial statements. (Refer Note 1.26)

Note 17: Expenses administered on behalf of Government

	2011	2010
	\$'000	\$'000
Note 17A: Grants		
Public sector:		
State and Territory Governments	85,548,292	85,093,281
Payment of COAG receipts from government agencies	1,332,351	3,658,638
Other grants	54,994	30,000
Total grants	86,935,637	88,781,919
Note 17B: Interest		
IMF charges	18,734	11,413
Total Interest	18,734	11,413
Note 17C: Other expenses		
HLIC claims ¹	-	(79)
OzCar Special Purpose Vehicle - impairment	-	4,922
Other expenses	6,765	9,975
Total other expenses	6,765	14,818
Total expenses administered on behalf of Government	86,961,136	88,808,150

1 HLIC claims expenses include an actuarial adjustment decreasing provision for insurance claims resulting in an offsetting negative expense in 2010.

Note 18: Assets administered on behalf of Government

	2011 \$'000	2010 \$'000
Financial assets		
Note 18A: Cash and cash equivalents		
Cash on hand or on deposits	4,763	4,063
Total cash and cash equivalents	4,763	4,063
Note 18B: Receivables & Loans		
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	1,825,935	2,840,078
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	78,824	106,442
Guarantee of State and Territory Borrowing contractual fee receivable	301,920	482,830
Guarantee of State and Territory Borrowing fee receivable	5,998	10,571
Net GST receivable from the ATO	17	33
HLIC premiums receivable	40	43
IMF related moneys owing	950	380
IMF maintenance of value	342,113	1,136,045
IMF new arrangements to borrow loan ¹	224,547	-
RBA dividend receivable	-	750,000
NDRRA receivables	128,643	-
Other receivables	13,860	-
Total receivables (gross)	2,922,847	5,326,422
Receivables were aged as follows:		
Not overdue	2,922,847	5,326,422
Total receivables (gross)	2,922,847	5,326,422

1 Refer to Note 21 for more information on the IMF new arrangements to borrow.

Note 18: Assets administered on behalf of Government (continued)

	2011 \$'000	2010 \$'000
Note 18C: Investments		
International financial institutions		
Asian Development Bank	261,954	248,148
European Bank for Reconstruction and Development	84,537	89,698
International Bank for Reconstruction and Development	169,244	213,248
International Finance Corporation	44,072	55,531
Multilateral Investment Guarantee Agency	5,774	7,276
Total international financial institutions	565,581	613,901
Australian Government entities		
Reserve Bank of Australia ¹	5,339,000	10,394,000
Australian Reinsurance Pool Corporation	665,846	604,460
Total Australian Government entities	6,004,846	10,998,460
Total investments	6,570,427	11,612,361
Note 18D: Other Investments		
IMF quota	4,813,206	5,601,246
OzCar Special Purpose Vehicle ²	-	-
Total Other Investments	4,813,206	5,601,246
Total investments and other investments	11,383,633	17,213,607
Total financial assets	14,311,243	22,544,092
Non-financial assets		
Note 18E: Other		
Prepayments - Infrastructure	14,526	57,346
Prepayments - NSPP/GST payments to States and Territories	265	488,000
Total other	14,791	545,346
Total non-financial assets	14,791	545,346
Total assets administered on behalf of Government	14,326,034	23,089,438

- 1 The 2010 Investments balance has been reduced by \$750 million to reflect the post dividend equity position of the Reserve Bank of Australia.
- 2 An administered investment with a nil balance has been recorded to reflect the Australian Government's control of the OzCar SPV. The OzCar SPV was wound up by 30 June 2011 with no outstanding assets or liabilities.

Note 19: Liabilities administered on behalf of Government

	2011 \$'000	2010 \$'000
Note 19A: Loans		
IMF promissory notes	3,781,655	4,830,790
Other promissory notes	69,381	52,103
Total loans	3,851,036	4,882,893
Payable:		
Within one year	-	-
In one to five years	-	-
In more than 5 years	3,851,036	4,882,893
Total loans	3,851,036	4,882,893
Note 19B: Grants		
COAG grants payable	884,081	407,453
Total grants	884,081	407,453
Total grants - are expected to be settled in:		
No more than 12 months	884,081	407,453
More than 12 months	-	-
Total grants	884,081	407,453
Note 19C: Other payables		
GST appropriation payable	38	33
IMF SDR allocation	4,585,323	5,454,469
IMF related monies owing	3,982	2,213
OzCar Special Purpose Vehicle - Guaranteed liabilities	-	4,922
Other	5	9,210
Total other payables	4,589,348	5,470,847
Total other payables are expected to be settled in:		
No more than 12 months	43	14,165
More than 12 months	4,589,305	5,456,682
Total other payables	4,589,348	5,470,847
Note 19D: Unearned income		
Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation	1,825,935	2,840,078
Guarantee of State and Territory Borrowing contractual guarantee service obligation	301,920	482,830
Total unearned income	2,127,855	3,322,908

Note 19: Liabilities administered on behalf of Government (continued)

	2011	2010
	\$'000	\$'000
Note 19E: Other provisions		
Provision for HCS Scheme	21,773	30,540
NDRRA provision ¹	4,575,087	1,089,357
Total other provisions	4,596,860	1,119,897
Other provisions are expected to be settled in:		
No more than 12 months	563,981	833,310
More than 12 months	4,032,879	286,587
Total other provisions	4,596,860	1,119,897
Total liabilities administered on behalf of Government	16,049,180	15,203,998

1 In 2011 the Treasury changed the accounting policy in relation to the recognition of liabilities under the Natural Disaster Relief and Recovery Arrangements. Refer to Note 1.3 and 1.26 for more information.

Note 20: Administered reconciliation table

	Notes	2011 \$'000	2010 \$'000
Opening administered assets less administered liabilities as at 1 July		7,885,440	19,601,802
Adjustment for changes in accounting policies		-	(293,800)
Adjusted opening administered assets less administered liabilities		7,885,440	19,308,002
Plus administered income	16	3,644,928	12,531,958
Less administered expenses	17	(86,961,136)	(88,808,150)
Administered transfers to / from Australian Government:			
Appropriation transfers from OPA:			
Annual appropriations for administered expenses		14,880	30,742
Administered assets and liabilities appropriations		4,079	601
Special appropriations (limited)		18,687	-
Special appropriations (unlimited)		64,058,585	61,712,765
Special Account - COAG Reform Fund		18,402,547	26,324,449
Refunds of receipts (s28 FMA)		-	20
Transfers to OPA		(3,797,542)	(15,413,838)
Restucturing		-	253,604
Administered investments - gains / (losses)		(4,993,614)	(8,054,717)
Closing administered assets less administered liabilities as at 30 June		(1,723,146)	7,885,440

Note 21: 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

Contingent Liabilities

Housing Loans Insurance Corporation — guarantee

The Australian Government sold HLIC on 12 December 1997 and has assumed all residual contingencies. The contingent liability relates to the HLIC's contracts of mortgage insurance and any borrowings approved by the Treasurer up to the time of sale. The principal amount covered by the guarantee and the balances outstanding cannot be determined accurately.

Terrorism insurance — Australian Reinsurance Pool Corporation

The *Terrorism Insurance Act 2003* established a scheme for replacement terrorism insurance covering damage to commercial property including associated business interruption and public liability. The Australian Reinsurance Pool Corporation (ARPC) uses reinsurance premiums paid by insurers to meet its administrative expenses and to build a reserve for claims and purchase retrocession to help meet future claims. The Act provides for an Australian Government guarantee of the liabilities of the ARPC, but the Treasurer must declare a reduced payout rate to insured parties if the Australian Government's overall liability would otherwise exceed \$10 billion.

Commitments under expanded IMF New Arrangements to Borrow (NAB)

Australia has made a line of credit available to the IMF under its NAB since 1998. In line with G 20 Leaders' commitments, Australia has joined with other countries to increase its credit line under an expanded NAB. The NAB is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The funds are drawn upon by the IMF as needed to supplement the IMF's usual quota resources and will be repaid in full with interest.

When the expanded NAB came into effect on 11 March 2011, Australia's NAB credit arrangement increased from SDR801.3 million (AUD\$1.2 billion as at 30 June 2011) to SDR4.4 billion (AUD\$6.5 billion as at 30 June 2011). On 24 May 2011, Australia met a call of SDR150.9 million (AUD\$224.4 million as at 30 June 2011) under the NAB. This call has been recognised as a loan to the IMF in Note 18.

Under the IMF's current 'Resource Mobilization Plan', a maximum of SDR 305.2 million (AUD\$453.9 million as at 30 June 2011) could be called by the IMF between the period 1 August 2011 to 30 September 2011. The maximum amount that could be called by the IMF in subsequent periods is SDR 3.9 billion (AUD\$5.8 million as at 30 June 2011). However, the principal amount that may be called by the IMF cannot be determined accurately.

Grants to States and Territories

As the Treasury has responsibility for all payments to the states and territories under the Federal Financial Relations Framework, there may exist contingent liabilities which are remote and unquantifiable in relation to some agreements between the relevant agency with policy responsibility and the states and territories. Whilst the Treasury does not bear the risk of the contingent event, the resultant payment would be made by the Treasury under the Federal Financial Relations Framework.

Loan to New South Wales for James Hardie Asbestos Injuries Compensation Fund

The Australian Government has agreed to lend up to \$160 million to the State Government of New South Wales (NSW) to support the loan facility to top up the James Hardie Asbestos Injuries Compensation Fund. Draw down on the loan is subject to the James Hardie Asbestos Injuries Compensation Fund requiring funds to meet its liabilities and is contingent on NSW meeting a number of conditions under the loan agreement with the Australian Government. The timing and amounts that may be drawn down by NSW cannot be determined accurately. No funds had been drawn down as at 30 June 2011.

Contingent Assets

HIH Claims Support Scheme

As the beneficiary of the HIH Claims Support Trust, the Australian Government is entitled to the residual balance of the Trust, after the collection of recoveries. Due to the inherent uncertainty of future recoveries, it is not possible to quantify these amounts accurately. During 2010-11 the Treasury received distributions from the Trust, however the amount and timing of future recoveries and subsequent distributions is unknown.

International Monetary Fund

Since 1986, the IMF has used its burden sharing mechanism to make up for the loss of income from unpaid interest charges on the loans of debtor members and to accumulate precautionary balances in a Special Contingent Account to protect the IMF against losses arising from the failure of a member to repay its overdue principal obligations.

The mechanism works by providing for additions to the rate of charge on IMF loans and deductions to the rate of remuneration for creditor members such as Australia. Resources collected from individual members under the burden sharing mechanism are refundable to them as arrears cases are resolved, or as may be decided by the IMF. Thus, resources collected for unpaid charges are refunded when these charges are eventually settled.

Likewise, precautionary balances held in the Special Contingent Account would be distributed back to members in proportion to their cumulative contributions when there are no overdue charges or principal balances. The IMF could also decide to make an early distribution.

As there is considerable and inherent uncertainty around the timing and amounts of burden sharing to be refunded to Australia this contingent asset cannot be reliably measured and as such is recorded as an unquantifiable contingent asset.

Note 21: Administered contingent liabilities and assets (continued)

Significant Remote administered contingencies

Guarantees

The following borrowings have been guaranteed by the Australian Government and are the Treasury's responsibility:

Borrower	Legislation authorising guarantee	Principal covered by guarantee	Balance outstanding	Balance outstanding
		2011 \$'000	2011 \$'000	2010 \$'000
Papua New Guinea	<i>Papua New Guinea 1949 Papua New Guinea 1975 Papua New Guinea Loans Guarantee Act 1975</i>	4,895	4,895	5,791
Commonwealth Bank of Australia ¹	<i>Commonwealth Bank of Australia Act 1959 s117</i>	750,252	750,252	900,000
Commonwealth Bank of Australia - Officers Superannuation Corporation ¹	<i>Commonwealth Bank of Australia Act 1959 s117</i>	3,709,000	3,709,000	3,602,000
Guarantee Scheme for Large Deposits and Wholesale Funding	<i>Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008</i>	118,004,000	118,004,000	162,953,390
Guarantee of State and Territory Borrowing	<i>Guarantee of State and Territory Borrowing Appropriation Act 2009.</i>	39,500,000	39,500,000	69,751,850
OzCar Special Purpose Vehicle ²	<i>Car Dealership Financing Guarantee Appropriation Act 2009.</i>	-	-	139,985
Reserve Bank of Australia ³	<i>Reserve Bank of Australia Act 1959 s77</i>	55,727,000	55,727,000	57,845,000
Total		217,695,147	217,695,147	295,198,016

1 Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various liabilities of the Commonwealth Bank of Australia (CBA), and the Commonwealth Bank Officers' Superannuation Corporation (CBOSC). The guarantee for the CBA relates to both on and off balance sheet liabilities. The guarantee of the CBOSC covers the due payments of any amount that is payable to or from Officers' of the Superannuation Fund (the Fund), by CBOSC or by CBA, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996. The guarantee of the CBA and CBOSC reflected in the above table is the value at 31 December 2010.

2 All guaranteed liabilities of the OzCar SPV were settled prior to 30 June 2011.

3 The contingent liability for the RBA, relates to the Australian Government's guarantee of the liabilities of the RBA. It is measured as the Bank's total liabilities excluding the Bank's distribution to the Commonwealth and Australian Government deposits. The major component of the Bank's liabilities are notes (that is, currency) on issue.

Note 21: Administered contingent liabilities and assets (continued)

Guarantee Scheme for Large Deposits and Wholesale Funding

The Australian Government announced the guarantee of eligible deposits and wholesale funding for authorised deposit taking institutions from 12 October 2008 under the Guarantee Scheme for Large Deposits and Wholesale Funding.

The Scheme closed to new deposits from 31 March 2010. Since then, Australian authorised deposit-taking institutions have been prohibited from issuing any new guaranteed wholesale funding or accepting new guaranteed deposits above \$1 million. Existing guaranteed wholesale funding is guaranteed to maturity. Depositors who covered their balances above \$1 million under the Guarantee Scheme can have those funds covered to maturity for term deposits up to five years, or until October 2015 for at call deposits.

The expected liability for deposits under the Guarantee Scheme is remote and unquantifiable. Australia's financial system is considered among the strongest and best regulated in the world. Authorised deposit taking institutions are subject to prudential regulation by APRA in accordance with international standards, which are designed to ensure that financial institutions have the capacity to meet their financial obligations. This framework requires institutions to be adequately capitalised and have appropriate risk management systems in place.

Government expenditure would arise under the large deposit guarantee only in the unlikely event that an institution failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant institution. The impact on the Government's budget would depend on the extent of the institution's default and its ability to meet the Government's claim.

As at 30 June 2011, total liabilities covered by the Guarantee Scheme were estimated at \$118 billion, including \$3.9 billion of large deposits and \$114.1 billion of wholesale funding.

Guarantee of State and Territory Borrowing

The Guarantee of State and Territory Borrowing commenced on 24 July 2009 and closed to new issuances of guaranteed liabilities on 31 December 2010. Securities covered by the guarantee will continue to be guaranteed until these securities either mature or are bought back and extinguished by the issuer.

The expected liability under the guarantee is remote and unquantifiable. Government expenditure would arise under the guarantee only in the unlikely event that a State or Territory failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant State or Territory at a future date. The impact on the Government's budget would depend upon the extent of the default and the State or Territory's ability to meet the Government's claim.

As at 30 June 2011, the face value of state and territory borrowings covered by the guarantee was \$39.5 billion.

Note 22: Administered investments

The principal activities of each of the Treasury's administered investments are as follows:

Development Banks

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to assist former Soviet eastern European countries committed to the principles of multi-party democracy, pluralism and market economies, to develop their private sector and capital markets. The EBRD currently operates in 29 countries from Central Europe to Central Asia. It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatisation, restructuring state-owned firms and improvement of municipal services. The EBRD uses its close relationship with governments in the region to promote policies that will bolster the business environment.

The Asian Development Bank (ADB) was established in 1966 and has a mandate to reduce poverty and promote general development in its developing member countries. The ADB does this by financing (through a mix of loans, grants, guarantees and co-financing activities with both other donors and the private sector) public sector and private sector activities. It also provides technical assistance to developing member countries so they can improve their policy and business investment environments. A significant portion of the ADB's activities are focused in the infrastructure and energy sectors.

The World Bank was established in 1944 and comprises the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). The IBRD provides financing and technical assistance to middle income countries and lends on harder terms than the IDA. The IDA provides concessional finance and technical assistance to low income countries. The IFC supports the development of the private sector by providing direct finance to private sector operations. MIGA provides guarantee services for projects, which reduce the risks for other co-financing partners including the private sector.

International Monetary Fund

The IMF is an organisation of 187 countries, working to foster global monetary cooperation and exchange rate stability, facilitate the balanced growth of international trade, and provide resources to help members in balance of payments difficulties or to assist with poverty reduction. The IMF undertakes surveillance and annual economic assessments, and provides technical assistance to developing countries.

Australian Government entities

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

Note 22: Administered investments (continued)

OzCar Special Purpose Vehicle (SPV)

The OzCar SPV was established as a trust on 2 January 2009 to provide liquidity to eligible car dealers who may have been left without wholesale floor plan financing as a result of the proposed departure of GE Money Motor Solutions and GMAC from the Australian market following the onset of the global financial crisis. The Commonwealth guaranteed the borrowings of the OzCar SPV and on 20 July 2010 paid \$4.9 million to extinguish its remaining liabilities. The OzCar SPV was wound up on 30 June 2011 and has no outstanding assets or liabilities.

Note 23: Administered financial instruments

Note 23A: Categories of financial instruments

	2011	2010
	\$'000	\$'000
Loans and receivables		
Cash and cash equivalents	4,763	4,063
IMF related moneys owing	950	380
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	1,825,935	2,840,078
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	78,824	106,442
Guarantee of State and Territory Borrowing contractual fee receivable	301,920	482,830
Guarantee of State and Territory Borrowing fee receivable	5,998	10,571
Net GST receivable from the ATO	17	33
IMF maintenance of value	342,113	1,136,045
IMF new arrangements to borrow loan	224,547	-
RBA dividend receivable	-	750,000
NDRRA receivables	128,643	-
Other receivable	13,900	43
	2,927,610	5,330,485
Available for sale financial assets		
International financial institutions	565,581	613,901
Australian Government entities	6,004,846	10,998,460
IMF Quota	4,813,206	5,601,246
	11,383,633	17,213,607
Carrying amount of financial assets	14,311,243	22,544,092
Financial liabilities		
At amortised cost		
Promissory notes	3,851,036	4,882,893
Grant liabilities	884,081	407,453
IMF SDR allocation liability	4,585,323	5,454,469
Other payables	3,987	16,345
Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation	1,825,935	2,840,078
Guarantee of State and Territory Borrowing contractual guarantee service obligation	301,920	482,830
GST appropriation payable	38	33
NDRRA provision	4,575,087	1,089,357
Other liabilities	21,773	30,540
	16,049,180	15,203,998
Carrying amount of financial liabilities	16,049,180	15,203,998

Note 23: Administered financial instruments (continued)

Note 23B: Net income and expenses from financial assets

	2011 \$'000	2010 \$'000
Loans and receivables		
Guarantee Scheme for Large Deposits and Wholesale Funding fee	1,106,067	1,265,118
Guarantee of State and Territory Borrowing	100,129	101,647
Interest revenue	127	-
Net gain / (loss) loans and receivables	1,206,323	1,366,765
Available for sale financial assets		
Interest revenue	3,840	2,236
Exchange gain / (loss)	(541,679)	498,430
Net gain / (loss) available for sale financial assets	(537,839)	500,666
Net gain / (loss) from financial assets	668,484	1,867,431

Note 23C: Net income and expenses from financial liabilities

	2011 \$'000	2010 \$'000
Financial liabilities - at amortised cost		
IMF Charges	(18,734)	(11,413)
Exchange gain / (loss)	879,898	292,431
Net gain / (loss) financial liabilities - at amortised cost	861,164	281,018
Net gain / (loss) from financial liabilities	861,164	281,018

Note 23: Administered financial instruments (continued)

Note 23D: Net fair value of financial assets and liabilities

The net fair values of Treasury's administered financial instruments are equal to the carrying amount. The net fair value of financial assets and liabilities are classified into three levels as follows:

Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Treasury has no Level 1 administered financial assets or liabilities in 2010-11 and 2009-10.

The net fair value of Cash and cash equivalents, Net GST receivable from the ATO and GST appropriation payable are not classified in the following tables.

	Level 2 in the fair value hierarchy	
	2011	2010
	\$'000	\$'000
Financial assets at fair value - Level 2		
Loans and receivables		
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	78,824	106,442
Guarantee of State and Territory Borrowing fee receivable	5,998	10,571
IMF related moneys owing	950	380
IMF maintenance of value	342,113	1,136,045
IMF new arrangements to borrow loan	224,547	-
RBA dividend receivable	-	750,000
HLIC premiums receivable	40	43
NDRRA receivables	128,643	-
Other receivable	13,860	-
	794,975	2,003,481
Carrying amount of financial assets - Level 2	794,975	2,003,481
Financial liabilities at fair value - Level 2		
At amortised cost		
Promissory notes	3,851,036	4,882,893
Grant liabilities	884,081	407,453
IMF SDR allocation	4,585,323	5,454,469
IMF related monies owing	3,982	2,213
Other payables	5	9,210
	9,324,427	10,756,238
Carrying amount of financial liabilities - Level 2	9,324,427	10,756,238

Note 23: Administered financial instruments (continued)

Note 23D: Net fair value of financial assets and liabilities (continued)

	Level 2 in the fair value hierarchy	
	2011 \$'000	2010 \$'000
Financial assets at fair value - Level 2		
Loans and receivables		
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	78,824	106,442
Guarantee of State and Territory Borrowing fee receivable	5,998	10,571
IMF related moneys owing	950	380
IMF maintenance of value	342,113	1,136,045
IMF new arrangements to borrow loan	224,547	-
RBA dividend receivable	-	750,000
HLIC premiums receivable	40	43
NDRRA receivables	128,643	-
Other receivable	13,860	-
	794,975	2,003,481
Carrying amount of financial assets - Level 2	794,975	2,003,481
Financial liabilities at fair value - Level 2		
At amortised cost		
Promissory notes	3,851,036	4,882,893
Grant liabilities	884,081	407,453
IMF SDR allocation	4,585,323	5,454,469
IMF related monies owing	3,982	2,213
Other payables	5	9,210
	9,324,427	10,756,238
Carrying amount of financial liabilities - Level 2	9,324,427	10,756,238

There was no transfer of financial assets or liabilities between Level 1 and Level 2 in 2011 or 2010.

Note 23: Administered financial instruments (continued)

Note 23D: Net fair value of financial assets and liabilities (continued)

	Loans and receivables	
	2011	2010
	\$'000	\$'000
Financial assets at fair value - Level 3		
Opening balance	3,322,908	2,660,585
Issues	(1,195,053)	662,323
Closing balance	2,127,855	3,322,908

	Available for sale financial assets	
	2011	2010
	\$'000	\$'000
Financial assets at fair value - Level 3		
Opening balance	17,213,607	25,891,790
Adjustment for change in accounting policy	-	-
Total gains or losses for the period recognised in profit or loss ¹	(883,077)	(623,466)
Total gains or losses recognised in other comprehensive income ²	(4,993,614)	(8,054,717)
Purchases	46,717	-
Closing balance	11,383,633	17,213,607

1 These gains and losses are presented in the schedule of administered items under Other gains, Net foreign exchange gains and Net foreign exchange losses.

2 These gains and losses are presented in Note 21: Administered reconciliation table.

	At amortised cost	
	2011	2010
	\$'000	\$'000
Financial liabilities at fair value - Level 3		
Opening balance	4,447,727	3,019,372
Total gains or losses for the period recognised in profit or loss ³	6,571,228	562,155
Issues	(1,195,053)	662,323
Settlements	(2,772,379)	(122,931)
Closing balance	7,051,523	4,120,919

3 These gains and losses are presented in the schedule of administered items under Other expenses.

Note 23: Administered financial instruments (continued)

Note 23E: Credit risk exposure

The maximum exposure to credit risk of the Treasury's administered financial assets is the carrying amount of 'loans and receivables' (2011: \$2,799,233,000 and 2010: \$5,330,485,000) and the carrying amount of 'available for sale financial assets' (2011: \$11,382,633,000 and 2010: \$17,213,607,000).

However, the international financial institutions that the Treasury holds its financial assets with, hold a minimum of AA credit ratings. The contractual fee receivable arising from the Guarantee Scheme for Large Deposits and Wholesale Funding and Guarantee of State and Territory Borrowing that the Treasury holds relates only to prudentially regulated Authorised Deposit-taking Institutions (ADIs) and State and Territory Governments. These entities hold a minimum of AA credit ratings, therefore the Treasury does not consider any of its financial assets to be at risk of default.

Note 23: Administered financial instruments (continued)

Note 23F: Liquidity risk

The Treasury's administered financial liabilities are promissory notes grant liabilities the IMF SDR allocation and HIH and HLIC provisions. The contractual guarantee service obligation arising from the guarantee scheme for large deposits and wholesale funding and State and Territory borrowing are not included as there are no liquidity risks associated with these items. They are contingent on the value of the associated contractual fee receivable. The exposure to liquidity risk is based on the notion that the Treasury will encounter difficulty in meeting its obligations associated with administering financial liabilities. This is highly unlikely due to appropriation funding through special appropriations and non-lapsing capital appropriations as well as internal policies and procedures put in place to ensure there are appropriate resources for the Treasury to meet its financial obligations. The following tables illustrate the maturities for financial liabilities:

	On demand	Within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	2011	2011	2011	2011	2011	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Promissory notes	-	-	-	-	3,851,036	3,851,036
Grant liabilities	-	884,081	-	-	-	884,081
IMF SDR allocation liability	-	-	-	-	4,585,323	4,585,323
Other payables	3,987	-	-	-	-	3,987
NDRRA provision	-	563,981	89,469	3,921,637	-	4,575,087
Other liabilities	21,773	-	-	-	-	21,773
Total	25,760	1,448,062	89,469	3,921,637	8,436,359	13,921,287
	On demand	Within 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	2010	2010	2010	2010	2010	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Promissory notes	-	-	-	-	4,882,893	4,882,893
Grant liabilities	-	407,453	-	-	-	407,453
IMF SDR allocation liability	-	-	-	-	5,454,469	5,454,469
Other payables	16,345	-	-	-	-	16,345
NDRRA provision	-	833,310	256,047	-	-	1,089,357
Other liabilities	30,540	-	-	-	-	30,540
Total	46,885	1,240,763	256,047	-	10,337,362	11,881,057

Note 23: Administered financial instruments (continued)

Note 23G: Market risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Treasury is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency.

The Treasury is exposed to foreign currency denominated in USD, EUR and SDR.

The following table details the effect on profit and equity as at 30 June 2011 from a 15 per cent (30 June 2010 from a 14 per cent) favourable/unfavourable change in AUD against the Treasury with all other variables held constant.

Note 23: Administered financial instruments (continued)

Risk Variable	Change in risk variable %	Effect on	
		Profit and loss	Equity
		2011 \$'000	2011 \$'000
IFI Investments	15.00%	(73,772)	(73,772)
IFI Investments	-15.00%	99,809	99,809
IMF related moneys owing	15.00%	(124)	(124)
IMF related moneys owing	-15.00%	168	168
IMF new arrangements to borrow loan	15.00%	(29,272)	(29,272)
IMF new arrangements to borrow loan	-15.00%	39,604	39,604
Quota	15.00%	(627,810)	(627,810)
Quota	-15.00%	849,389	849,389
Promissory notes	15.00%	5,394	5,394
Promissory notes	-15.00%	(7,297)	(7,297)
IMF allocation liability	15.00%	598,086	598,086
IMF allocation liability	-15.00%	(809,175)	(809,175)
Other liabilities	15.00%	519	519
Other liabilities	-15.00%	(703)	(703)

Risk Variable	Change in risk variable %	Effect on	
		Profit and loss	Equity
		2010 \$'000	2010 \$'000
IFI Investments	14.00%	(75,391)	(75,391)
IFI Investments	-14.00%	99,937	99,937
IMF related moneys owing	14.00%	(47)	(47)
IMF related moneys owing	-14.00%	62	62
IMF new arrangements to borrow loan	14.00%	-	-
IMF new arrangements to borrow loan	-14.00%	-	-
Quota	14.00%	(687,872)	(687,872)
Quota	-14.00%	911,831	911,831
Promissory notes	14.00%	6,399	6,399
Promissory notes	-14.00%	(8,482)	(8,482)
IMF allocation liability	14.00%	669,847	669,847
IMF allocation liability	-14.00%	(887,937)	(887,937)
Other liabilities	14.00%	272	272
Other liabilities	-14.00%	(360)	(360)

Note 23: Administered financial instruments (continued)

Note 23G: Market risk (continued)

The sensitivity analysis of the Treasury's exposure to foreign currency risk at the reporting date has been determined by the Department of Finance and Deregulation based on the five main currencies (USD, EUR, GBP, JPY and NZD) the Commonwealth is exposed to.

The Guarantee Scheme for Large Deposits and Wholesale Funding and State and Territory Borrowing contractual obligation liabilities represents Treasury's obligation to provide a guarantee service to authorised deposit-taking institutions and State and Territory governments. These obligations will always be mirrored by the Guarantee Scheme for Large Deposits and Wholesale Funding and State and Territory Borrowing contractual fee receivables

Note 24: Administered consolidation

	Treasury		HCS Scheme		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
REVENUE:						
Non-taxation revenue						
Interest						
Gross IMF remuneration	3,734	2,314	-	-	3,734	2,314
Less: Burden sharing	(21)	(78)	-	-	(21)	(78)
Net IMF remuneration	3,713	2,236	-	-	3,713	2,236
Other interest	127	-	-	-	127	-
Total interest	3,840	2,236	-	-	3,840	2,236
Dividends						
Reserve Bank of Australia	-	5,976,709	-	-	-	5,976,709
Total dividends	-	5,976,709	-	-	-	5,976,709
Sale of goods and rendering of services						
GST administration fees	673,347	564,222	-	-	673,347	564,222
- external entities						
Guarantee Scheme for Large Deposits and Wholesale Funding fee	1,106,067	1,265,118	-	-	1,106,067	1,265,118
Guarantee Scheme for State and Territory Borrowing	100,129	101,647	-	-	100,129	101,647
Total sale of goods and rendering of services	1,879,543	1,930,987	-	-	1,879,543	1,930,987
COAG receipts from government agencies						
Building Australia Fund receipts	826,100	411,000	-	-	826,100	411,000
Health and Hospital Fund receipts	408,179	117,925	-	-	408,179	117,925
Education and Innovation Fund receipts	21,698	28,724	-	-	21,698	28,724
Interstate road transport receipts	87,380	60,823	-	-	87,380	60,823
Non-government schools receipts	7,700	3,021,461	-	-	7,700	3,021,461
Total COAG receipts from government agencies	1,351,057	3,639,933	-	-	1,351,057	3,639,933

Note 24: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Other revenue						
Write back of HCS scheme	5,434	3,119	-	-	5,434	3,119
HIH Group liquidation proceeds	62,244	53,776	-	-	62,244	53,776
State cellar door subsidy savings	-	115,926	-	-	-	115,926
Other revenue	4,587	4,272	4	(9)	4,591	4,263
Total other revenue	72,265	177,093	4	(9)	72,269	177,084
Total revenues administered on behalf of Government	3,306,705	11,726,958	4	(9)	3,306,709	11,726,949
Gains						
Net foreign exchange gains / (losses)						
IMF SDR allocation	869,147	289,805	-	-	869,147	289,805
IMF maintenance of value	342,113	1,136,045	-	-	342,113	1,136,045
IMF quota revaluation	(788,040)	(582,170)	-	-	(788,040)	(582,170)
IFIs revaluation	(95,035)	(55,445)	-	-	(95,035)	(55,445)
Other foreign exchange	10,034	2,626	-	-	10,034	2,626
Total net foreign exchange gains / (losses)	338,219	790,861	-	-	338,219	790,861
Other gains						
Resources received free of charge	-	14,148	-	-	-	14,148
Total other gains	-	14,148	-	-	-	14,148
Total gains administered on behalf of Government	338,219	805,009	-	-	338,219	805,009
Total income administered on behalf of Government	3,644,924	12,531,967	4	(9)	3,644,928	12,531,958

Note 24: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
EXPENSES:						
Grants						
Grants to State and Territory Governments	85,548,292	85,093,281	-	-	85,548,292	85,093,281
Payment of COAG receipts from government agencies	1,332,351	3,658,638	-	-	1,332,351	3,658,638
Other grants	54,994	30,000	-	-	54,994	30,000
Total grants	86,935,637	88,781,919	-	-	86,935,637	88,781,919
Interest						
IMF charges	18,734	11,413	-	-	18,734	11,413
Total interest	18,734	11,413	-	-	18,734	11,413
Other expenses						
HLIC claims	-	(79)	-	-	-	(79)
OzCar Special Purpose Vehicle	-	4,922	-	-	-	4,922
Other expenses	6,727	9,873	38	102	6,765	9,975
Total other expenses	6,727	14,716	38	102	6,765	14,818
Total expenses administered on behalf of Government	86,961,098	88,808,048	38	102	86,961,136	88,808,150

Note 24: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
ASSETS:						
Financial assets						
Cash and cash equivalents						
Cash on hand or on deposits	4,759	4,054	4	9	4,763	4,063
Receivables						
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	1,825,935	2,840,078	-	-	1,825,935	2,840,078
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	78,824	106,442	-	-	78,824	106,442
Guarantee of State and Territory Borrowing contractual fee receivable	301,920	482,830	-	-	301,920	482,830
Guarantee of State and Territory Borrowing fee receivable	5,998	10,571	-	-	5,998	10,571
Net GST receivable from the ATO	16	33	1	-	17	33
HLIC premiums receivable	40	43	-	-	40	43
IMF related moneys owing	950	380	-	-	950	380
IMF maintenance of value	342,113	1,136,045	-	-	342,113	1,136,045
IMF new arrangements to borrow loan	224,547	-	-	-	224,547	-
RBA dividend receivable	-	750,000	-	-	-	750,000
NDRRA receivables	128,643	-	-	-	128,643	-
Other receivables	13,860	-	-	-	13,860	-
Total receivables (net)	2,922,846	5,326,422	1	-	2,922,847	5,326,422

Note 24: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Investments						
International financial institutions						
Asian Development Bank	261,954	248,148	-	-	261,954	248,148
European Bank for Reconstruction and Development International Bank for Reconstruction and Development	84,537	89,698	-	-	84,537	89,698
International Finance Corporation	169,244	213,248	-	-	169,244	213,248
Multilateral Investment Guarantee Agency	44,072	55,531	-	-	44,072	55,531
	5,774	7,276	-	-	5,774	7,276
Total international financial institutions	565,581	613,901	-	-	565,581	613,901
Quota						
International Monetary Fund	4,813,206	5,601,246	-	-	4,813,206	5,601,246
Australian Government entities						
Reserve Bank of Australia	5,339,000	10,394,000	-	-	5,339,000	10,394,000
Australian Reinsurance Pool Corporation	665,846	604,460	-	-	665,846	604,460
Total Australian Government entities	6,004,846	10,998,460	-	-	6,004,846	10,998,460
Total investments	11,383,633	17,213,607	-	-	11,383,633	17,213,607
Non-financial assets						
Other prepayments	14,791	545,346	-	-	14,791	545,346
OzCar Special Purpose Vehicle	-	-	-	-	-	-
Total non-financial assets	14,791	545,346	-	-	14,791	545,346
Total assets administered on behalf of Government	14,326,029	23,089,429	5	9	14,326,034	23,089,438

Note 24: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
LIABILITIES:						
Loans						
IMF promissory notes	3,781,655	4,830,790	-	-	3,781,655	4,830,790
Other promissory notes	69,381	52,103	-	-	69,381	52,103
Total loans	3,851,036	4,882,893	-	-	3,851,036	4,882,893
Grants						
COAG grants payable	884,081	407,453	-	-	884,081	407,453
Total grants	884,081	407,453	-	-	884,081	407,453
Other payables						
GST appropriation payable	38	33	-	-	38	33
IMF SDR allocation	4,585,323	5,454,469	-	-	4,585,323	5,454,469
IMF maintenance of value	-	-	-	-	-	-
IMF related monies owing	3,982	2,213	-	-	3,982	2,213
OzCar Special Purpose Vehicle	-	4,922	-	-	-	4,922
Other	-	9,201	5	9	5	9,210
Total other payables	4,589,343	5,470,838	5	9	4,589,348	5,470,847

Note 24: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Unearned income						
Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation	1,825,935	2,840,078	-	-	1,825,935	2,840,078
Guarantee of State and Territory Borrowing contractual guarantee service obligation	301,920	482,830	-	-	301,920	482,830
Total unearned income	2,127,855	3,322,908	-	-	2,127,855	3,322,908
Other provisions						
Provision for HCS scheme	21,773	30,540	-	-	21,773	30,540
NDRRA provision	4,575,087	1,089,357			4,575,087	1,089,357
Total other provisions	4,596,860	1,119,897	-	-	4,596,860	1,119,897
Total other provisions and payables	11,314,058	9,913,643	5	9	11,314,063	9,913,652
Total liabilities administered on behalf of Government	16,049,175	15,203,989	5	9	16,049,180	15,203,998
Net assets administered on behalf of Government	(1,723,146)	7,885,440	-	-	(1,723,146)	7,885,440

Note 25: Appropriations

Note 25A: Annual appropriations ('Recoverable GST exclusive')

	2011 Appropriations						Total appropriation \$'000	Appropriation applied in 2011 (current and prior years) \$'000	Variance \$'000
	Appropriation Act			FMA Act					
	Annual Appropriation \$'000	Appropriations reduced(a) \$'000	AFM(b) \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000			
DEPARTMENTAL									
Ordinary annual services	169,592	(926)	-	-	8,370	(938)	(173,426)	2,672	
Other services	1,395	-	-	-	n/a	-	(1,395)	-	
Total departmental	170,987	(926)	-	-	8,370	(938)	(174,821)	2,672	
ADMINISTERED									
Ordinary annual services	47,778	(31,862)	-	-	n/a	-	(14,880)	1,036	
Administered items	-	-	-	-	n/a	-	-	-	
Other services	-	-	-	-	n/a	-	-	-	
States, ACT, NT and local government	-	-	-	-	n/a	-	-	-	
New administered	-	-	-	-	n/a	-	-	-	
outcomes	-	-	-	-	n/a	-	-	-	
Administered assets and liabilities	162,265	-	-	-	n/a	-	(4,079)	158,186	
Total administered	210,043	(31,862)	-	-	n/a	-	(18,959)	159,222	

(a) Appropriations reduced under Appropriation Acts (No. 1,3) 2010-2011: sections 10, 11, 12 and 15 and under Appropriation Acts (No. 2,4) 2010-2011: sections 12,13, 14 and 17. Departmental appropriations do not lapse at financial year-end. However, the Treasurer may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. On 15 April 2011, the Finance Minister determined a reduction in departmental appropriations following a request by the Treasurer. The amount of the reduction determined under Appropriation Act (No. 3) 2010-2011 was: \$926,000.

(b) Advance to the Finance Minister (AFM) — Appropriation Acts (No. 1,3) 2010-2011: section 13 and Appropriation Acts (No. 2,4) 2010-2011: section 15.

Note 25: Appropriations (continued)

Note 25A: Annual appropriations ('Recoverable GST exclusive') (continued)

	2010 Appropriations							Appropriation applied in 2010 (current and prior years) \$'000	Variance \$'000
	Appropriation Act			FMA Act					
	Annual Appropriation \$'000	Appropriations reduced(a) \$'000	AFM(b) \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000	Total appropriation \$'000		
DEPARTMENTAL									
Ordinary annual services	167,320	(4,379)	-	-	13,821	-	176,762	(177,590)	(828)
Other services	11,959	(7,438)	-	-	n/a	-	4,521	(4,521)	-
Equity									
Previous years' outputs	1,800	-	-	-	n/a	-	1,800	(1,800)	-
Total departmental	181,079	(11,817)	-	-	13,821	-	183,083	(183,911)	(828)
ADMINISTERED									
Ordinary annual services									
Administered items	1,000	(1)	29,675	-	n/a	-	30,674	(30,674)	-
Other services									
States, ACT, NT and local government	-	-	-	-	n/a	-	-	-	-
New administered	-	-	-	-	n/a	-	-	-	-
Administered outcomes	-	-	-	-	n/a	-	-	-	-
Administered assets and liabilities	19,010	-	-	-	n/a	-	19,010	(4,672)	14,338
Total administered	20,010	(1)	29,675	-	n/a	-	49,684	(35,346)	14,338

(a) Appropriations reduced under Appropriation Acts (No. 1,3) 2009-2010: sections 10, 11 and 12 and under Appropriation Acts (No. 2,4) 2009-2010: sections 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the Treasurer may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. On 13 May 2010, the Finance Minister determined a reduction in departmental appropriations following a request by the Treasurer. The amount of the reduction determined under Appropriation Act (No. 3) 2009-2010 was: \$643,000. On 29 June 2010, the Finance Minister determined a reduction in departmental appropriations following a request by the Treasurer. The amount of the reduction determined under: Appropriation Act (No. 1) 2009-2010 was: \$3,736,000; Appropriation Act (No. 2) 2009-2010 was: \$7,438,000.

(b) Advance to the Finance Minister (AFM) — Appropriation Acts (No. 1,3) 2009-2010: section 13 and Appropriation Acts (No. 2,4) 2009-2010: section 15.

Note 25: Appropriations (continued)

Note 25B: Unspent Departmental Annual Appropriations ('Recoverable GST exclusive')

Authority	2011 \$'000	2010 \$'000
Appropriation Act (No. 2) - Non operating - previous years outputs 2009-10	-	1,800
Appropriation Act (No.1) 2008-09	578	32,612
Appropriation Act (No.1) 2009-10	-	22,283
Appropriation Act (No.1) 2010-11	71,586	-
Appropriation Act (No. 3) 2007-08	-	13,017
Appropriation Act (No. 3) 2009-10	-	109
Total	72,164	69,821

Note 25: Appropriations (continued)

Note 25C: Special Appropriations ('Recoverable GST exclusive')

The following table lists current special appropriations contained in legislation that the Treasury is responsible for administering. In 2010-11, the Treasury expanded the list to include special appropriations contained in legislation that are inactive but still current as at 30 June 2011.

The Treasury process to complete the 2010-11 financial statements identified 8 payments (2010: 6 payments) made from the COAG Reform Fund special account that resulted in technical breaches of Section 83 of the Constitution (refer to Note 26 for more information).

After reviewing the circumstances of Section 83 breaches in relation to the COAG Reform Fund special account, the Treasury considers that there is a risk of non-compliance with Section 83 of the Constitution where payments are made from special appropriations and special accounts in circumstances where the payments do not accord with conditions included in the relevant legislation.

The Treasury will investigate these circumstances and any impact on its special appropriations and special accounts shown below, seeking legal advice as appropriate.

Authority	Type	Purpose	Appropriation applied	
			2011 \$'000	2010 \$'000
<i>A New Tax System (Commonwealth - State) Financial Arrangements Act 1999 (Administered)</i>	Unlimited Amount	To provide an appropriation for payments to States if a State was under paid GST revenue in the 2008-09 financial year.	-	(88,736)
<i>Asian Development Bank (Additional Subscription) Act 2009 (Administered)</i>	Limited Amount	To provide an appropriation for subscription payments to the ADB. The balance available is USD\$4,742,173,913.5 in callable shares and USD\$181,781,020.18 in paid-in shares.	(18,687)	-
<i>Car Dealership Financing Guarantee Appropriation Act 2009 (Administered)</i>	Unlimited Amount	To provide an appropriation for claims under the Deed of Guarantee in respect of the Australian Government guarantee to support interim funding to car dealerships.	(4,922)	-

Note 25: Appropriations (continued)

Note 25C: Special Appropriations ('Recoverable GST exclusive')

		Appropriation applied		
		2011	2010	
<i>Federal Financial Relations Act 2009</i> (Administered)	Unlimited Amount	To provide an appropriation for payments of financial assistance to the States, the ACT and the NT.	(63,441,516)	(61,614,079)
<i>International Monetary Agreements Act 1947</i> (Administered)	Unlimited Amount	To provide an appropriation for Special Drawing Rights sold by the RBA to the Commonwealth.	-	-
<i>International Monetary Agreements Act 1947</i> (Administered)	Unlimited Amount	To provide an appropriation for redemption of securities by the IMF.	(315,051)	-
<i>International Monetary Agreements Act 1947</i> (Administered)	Unlimited Amount	To provide an appropriation for the payment of charges on Special Drawing Rights issued to Australia by the IMF.	(16,965)	(9,949)
<i>International Monetary Agreements Act 1947</i> (Administered)	Unlimited Amount	To provide an appropriation for Australia's obligations as a participant in the IMF's Special Drawing Rights Department.	-	-
<i>International Monetary Agreements Act 1947</i> (Administered)	Unlimited Amount	To provide an appropriation for Australia's obligations as a participant in the IMF's New Arrangements to Borrow.	(225,137)	-
<i>International Monetary Agreements Act 1947</i> (Administered)	Unlimited Amount	To provide an appropriation for Australia's support of the IMF's programs.	-	-
<i>International Monetary Agreements Act 1947</i> (Administered)	Unlimited Amount	To provide an appropriation for Australia's support of the World Bank and Asian Development Banks Programs.	-	-
<i>International Monetary Agreements Act 1947</i> (Administered)	Limited Amount	To provide an appropriation for Australia's purchase of additional shares in the International Bank for Reconstruction and Development. Balance available is USD\$859,886,280.	-	-

Note 25: Appropriations (continued)

Note 25C: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2011 \$'000	2010 \$'000
Superannuation Industry (Supervision) Act 1993 (Administered)	Unlimited Amount	To provide an appropriation for financial assistance to superannuation funds that have suffered an eligible loss as a result of fraudulent conduct or theft.	(54,994)	-
Appropriation (Development Bank) Act 1975 (Administered)	Unlimited Amount	To provide an appropriation for payments associated with the Commonwealth Development Bank of Australia.	-	-
Asian Development Bank Act 1966 (Administered)	Limited Amount	To provide an appropriation for payments to establish the Bank. Balance available is USD\$42,500,000 in callable shares.	-	-
Asian Development Bank (Additional Subscription) Act 1972 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD\$102,000,000 in callable shares.	-	-
Asian Development Bank (Additional Subscription) Act 1977 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available is USD\$258,180,000 in callable shares.	-	-
Asian Development Bank (Additional Subscription) Act 1983 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available is USD\$498,110,000 in callable shares.	-	-
Asian Development Bank (Additional Subscription) Act 1995 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available is USD\$1,210,246,511 in callable shares.	-	-
Commonwealth Banks Restructuring Act 1990 (Administered)	Unlimited Amount	To provide an appropriation for payments associated with the succession of the Commonwealth Bank over the State Bank of Victoria.	-	-

Note 25: Appropriations (continued)

Note 25C: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2011 \$'000	2010 \$'000
<i>European Bank for Reconstruction and Development Act 1990 (Administered)</i>	Limited Amount	To provide an appropriation for payments to establish the Bank. Balance available is USD\$81,690,700 in callable shares.	-	-
<i>Financial Agreements (Commonwealth Liability) Act 1932 (Administered)</i>	Unlimited Amount	To provide an appropriation for payment of principal and interest on bonds issued under the Financial Agreement Validation Act 1929, consolidating State debts.	-	-
<i>Financial Services Reform Act 2001 (Administered)</i>	Unlimited Amount	To provide an appropriation for payment of compensation in respect to levys payable by participants in particular financial markets.	-	-
<i>Financial Services Reform Act 2001 (Administered)</i>	Unlimited Amount	To provide an appropriation for payment of compensation in respect of a loss that is connected with a financial market.	-	-
<i>Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008 (Administered)</i>	Unlimited Amount	To provide an appropriation for payment of claims under the Deed of Guarantee in accordance with the Guarantee Scheme for Large Deposits and Wholesale Funding.	-	-
<i>Guarantee of State and Territory Borrowing Appropriation Act 2009 (Administered)</i>	Unlimited Amount	To provide an appropriation for payment of claims under the Deed of Guarantee in accordance with the Guarantee of State and Territory Borrowing.	-	-
<i>Housing Loans Insurance Corporation (Transfer of Assets and Abolition) Act 1996 (Administered)</i>	Unlimited Amount	To provide an appropriation for payments of claims made before the transfer period leading to the abolition of the HLIC.	-	-

Note 25: Appropriations (continued)

Note 25C: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2011 \$'000	2010 \$'000
<i>Housing Loans Insurance Corporation (Transfer of Pre-transfer Contracts) Act 2006 (Administered)</i>	Unlimited Amount	To provide an appropriation for payments associated with the transfer of pre-transfer contracts and certain related rights and liabilities of the Commonwealth.	-	-
<i>International Bank for Reconstruction and Development (Share Increase) Act 1988 (Administered)</i>	Limited Amount	To provide an appropriation for the purchase of additional shares in the IBRD.	-	-
<i>International Bank for Reconstruction and Development (General Capital Increase) Act 1989 (Administered)</i>	Limited Amount	To provide an appropriation for the purchase of additional shares in the IBRD.	-	-
<i>International Finance Corporation Act 1955 (Administered)</i>	Limited Amount	To provide an appropriation for Australia's subscription to the capital stock of the IFC.	-	-
<i>International Financial Institutions (Share Increase) Act 1982 (Administered)</i>	Limited Amount	To provide an appropriation for the purchase of additional shares in the IFC and the IBRD. Balance available is USD\$692,927,440 in callable shares.	-	-
<i>International Financial Institutions (Share Increase) Act 1986 (Administered)</i>	Limited Amount	To provide an appropriation for the purchase of additional shares in the IFC and the IBRD.	-	-
<i>International Monetary Agreements Act 1959 (Administered)</i>	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF and increase in Australia's capital stock in the IBRD.	-	-
<i>International Monetary Agreements Act 1960 (Administered)</i>	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF and increase in Australia's capital stock in the IBRD.	-	-

Note 25: Appropriations (continued)

Note 25C: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2011 \$'000	2010 \$'000
<i>International Monetary Agreements Act 1965 (Administered)</i>	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	-	-
<i>International Monetary Agreements Act 1970 (Administered)</i>	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	-	-
<i>International Monetary Agreements Act 1974 (Administered)</i>	Limited Amount	To provide an appropriation for payments to the IBRD. Balance available is USD\$37,368,120 in callable shares.	-	-
<i>International Monetary Fund (Quota Increase) Act 1983 (Administered)</i>	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	-	-
<i>International Monetary Fund (Quota Increase and Agreement Amendments) Act 1991 (Administered)</i>	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	-	-
<i>Mint Employees Act 1964 (Administered)</i>	Unlimited Amount	To provide an appropriation to top up superannuation entitlements for employees electing to maintain contributions.	-	-
<i>Mint Employees Act 1964 (Administered)</i>	Unlimited Amount	To provide an appropriation to top up superannuation entitlements for employees electing not to maintain contributions.	-	-
<i>Multilateral Investment Guarantee Agency Act 1997 (Administered)</i>	Limited Amount	To provide an appropriation for payments to establish the Agency. Balance available is USD\$14,827,728 in callable shares.	-	-

Note 25: Appropriations (continued)

Note 25C: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2011 \$'000	2010 \$'000
<i>Northern Territory Grant (Electricity) Act 1989 (Administered)</i>	Limited Amount	To provide an appropriation for financial assistance to the Northern Territory in connection with expenditure in the 1989-90 year on the generation and distribution of electricity. No appropriation is available.	-	-
<i>Northern Territory Grant (Special Assistance) Act 1983 (Administered)</i>	Limited Amount	To provide an appropriation for financial assistance to the Northern Territory during the year that commenced 1 July 1983. No appropriation is available.	-	-
<i>Papua New Guinea Loans Guarantee Act 1973 (Administered)</i>	Unlimited Amount	To provide an appropriation for Australia's guarantee of loans raised overseas by Papua New Guinea. No appropriation is available.	-	-
<i>Papua New Guinea Loans Guarantee Act 1974 (Administered)</i>	Unlimited Amount	To provide an appropriation for Australia's guarantee of loans raised overseas by Papua New Guinea. No appropriation is available.	-	-
<i>Papua New Guinea Loans Guarantee Act 1975 (Administered)</i>	Limited Amount	To provide an appropriation for Australia's guarantee of certain public loans raised by Papua New Guinea. Balance available is AUD\$3,530,000.	-	-
<i>Papua New Guinea Loan (Asian Development Bank) Act 1972 (Administered)</i>	Limited Amount	To provide an appropriation for Australia's guarantee of the loan to Papua New Guinea by the ADB.	-	-
<i>Papua New Guinea Loan (Asian Development Bank) Act 1973 (Administered)</i>	Limited Amount	To provide an appropriation for Australia's guarantee of the loan to Papua New Guinea by the ADB.	-	-

Note 25: Appropriations (continued)

Note 25C: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2011 \$'000	2010 \$'000
<i>Papua New Guinea Loan (International Bank) Act 1968 (Administered)</i>	Limited Amount	To provide an appropriation for Australia's guarantee of the loan to Papua New Guinea by the IBRD.	-	-
<i>Papua New Guinea Loan (International Bank) Act 1970 (Administered)</i>	Limited Amount	To provide an appropriation for Australia's guarantee of the loan to Papua New Guinea by the IBRD. Balance available is AUD\$1,365,000.	-	-
<i>Papua New Guinea Loan (International Bank) Act 1971 (Administered)</i>	Limited Amount	To provide an appropriation for Australia's guarantee of the loan to Papua New Guinea by the IBRD.	-	-
<i>Papua New Guinea Loan (International Bank) Act 1972 (Administered)</i>	Limited Amount	To provide an appropriation for Australia's guarantee of the loan to Papua New Guinea by the IBRD.	-	-
<i>Papua New Guinea Loan (International Bank) Act 1974 (Administered)</i>	Limited Amount	To provide an appropriation for Australia's guarantee of the loan to Papua New Guinea by the IBRD.	-	-
<i>Payment of Tax Receipts (Victoria) Act 1996 (Administered)</i>	Unlimited Amount	To provide an appropriation for payments to Victoria for certain taxes collected by the Australian Government on Victoria's behalf.	-	-
<i>Queensland Grant (Special Assistance) Act 1979 (Administered)</i>	Limited Amount	To provide an appropriation for financial assistance to Queensland for the years 1979-81. No appropriation is available.	-	-
<i>Queensland Grant (Special Assistance) Act 1980 (Administered)</i>	Limited Amount	To provide an appropriation for financial assistance to Queensland for the years 1979-81. No appropriation is available.	-	-

Note 25: Appropriations (continued)

Note 25C: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2011 \$'000	2010 \$'000
<i>Queensland Grant (Special Assistance) Act 1981 (Administered)</i>	Limited Amount	To provide an appropriation for financial assistance to Queensland for the Years 1979-81. No appropriation is available.	-	-
<i>State Grants Act 1927 (Administered)</i>	Unlimited Amount	To provide an appropriation for the distribution of surplus revenue to the States.	-	-
<i>States (Works and Housing) Assistance Act 1984 (Administered)</i>	Unlimited Amount	To provide an appropriation for financial assistance to the States in connection with expenditure on Public Housing.	-	-
<i>States (Works and Housing) Assistance Act 1988 (Administered)</i>	Unlimited Amount	To provide an appropriation for financial assistance to the States in connection with expenditure on Public Housing.	-	-
<i>Terrorism Insurance Act 2003 (Administered)</i>	Unlimited Amount	To provide an appropriation for payments to the Australian Reinsurance Pool Corporation.	-	-
<i>Terrorism Insurance Act 2003 (Administered)</i>	Unlimited Amount	To provide an appropriation for payments of compensation for the acquisition of land.	-	-
Total			(64,077,272)	(61,712,764)

Note 25: Appropriations (continued)

Note 25C: Special Appropriations — other disclosures

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 provided the following estimates of taxes pursuant to the Act:

	2011	2010
	\$	\$
Total mirror tax collection	424,284,911	409,098,727

Note 25: Appropriations (continued)

Note 25D: Disclosure by Agent in Relation to Annual and Special Appropriations ('Recoverable GST exclusive')

	\$'000	\$'000
2011		
Total receipts	9,653,561	2,192
Total payments	9,653,561	2,213
2010		
Total receipts	10,467,758	2,305
Total payments	10,467,758	2,340

Department of Education, Employment and Workplace Relations
National Partnership Payments and Assistance to States and Territories for Non-Government Schools

Inspector General of Taxation
Transactional service provider

Department of Education, Employment and Workplace Relations
National Partnership Payments and Assistance to States and Territories for Non-Government Schools

Inspector General of Taxation
Transactional service provider

Note 25: Appropriations (continued)

Note 25E: Reduction in Administered Items ('Recoverable GST exclusive')

2011		Amount required by Appropriation Act		Amount required as represented by:			Total amount required	Total amount appropriated	Total reduction
Ordinary Annual Services	Act (No. 1)	Act (No. 3)	Act (No. 5)	Spent	Retention				
Outcome 1	15,915,753.57	-	-	14,880,082.18	1,035,671.39	15,915,753.57	47,778,000.00	31,862,246.43	
2010		Amount required by Appropriation Act		Amount required as represented by:			Total amount required	Total amount appropriated	Total reduction
Ordinary Annual Services	Act (No. 1)	Act (No. 3)	Act (No. 5)	Spent	Retention				
Outcome 1	30,674,470.49	-	-	30,674,470.49	-	30,674,470.49	30,675,000.00	529.51	

Note 26: Special accounts

Actuarial Services Special Account (Departmental)

Legal authority: Financial Management and Accountability Act 1997, s20

Purpose: providing actuarial services and advice

Note: Actuarial Services Special Account was established on 1 October 2006.

	2011	2010
	\$'000	\$'000
<i>This account is non-interest bearing</i>		
Balance carried from Australian Government Actuary Account	2,223	1,856
Other receipts from rendering of services	1,501	1,955
Available for payments	3,724	3,811
Payments made to employees	(1,202)	(1,195)
Payments made to suppliers	(373)	(393)
Balance carried to next period	2,149	2,223
<i>Represented by:</i>		
Cash held by the Australian Government Actuary	85	264
<i>Add: Receivables - Monies held in the OPA</i>	2,064	1,959
Total balance carried to the next period	2,149	2,223

Note: This note is now prepared on a GST exclusive basis and has subsequently changed from what was reported in the 2009-10 financial statements.

Note 26: Special accounts (continued)

COAG Reform Fund Special Account (Administered)

Legal authority: COAG Reform Fund Act 2008

Appropriations: Financial Management and Accountability Act 1997, section 21

Purpose: For the making of grants of financial assistance to the States and Territories.

	2011 \$'000	2010 \$'000
Balance carried from previous period	-	-
Adjustment to prior year	-	-
Adjusted balance carried forward from previous period	-	-
Appropriation for reporting period	17,065,350	22,382,372
Receipts from other agencies	1,337,197	3,639,927
Payments made to suppliers	(18,402,547)	(26,022,299)
Repayments debited from the Special Account	-	-
Repayments debited from the Special Account (FMA Act section 39)	-	-
Balance carried to next period (excluding investment balances) and	-	-
<i>Represented by:</i>		
Securities held by Treasury	-	-
Total balance carried to the next period	-	-

Note: The Treasury makes payments to the States and Territories from the COAG Reform Fund special account based on information provided by other Government departments that have policy and program implementation responsibility. Several payments were discovered to have been made in error and were subsequently recovered at the next opportunity. In these circumstances the payments were made to the State or Territory without any legislative basis, which constitutes a technical breach of section 83 of the Constitution. The Treasury process to complete the 2010-11 financial statements identified 8 incorrect payments (2010: 6 incorrect payments). The incorrect payments totaled \$25,963,775 (2010: \$100,997) or 0.141 per cent (2010: less than 0.001 per cent) of payments from the COAG Reform Fund special account. All incorrect payments have been recovered from the States and Territories.

Note: This note is now prepared on a GST exclusive basis and has subsequently changed from what was reported in the 2009-10 financial statements.

Note 26: Special accounts (continued)

Financial System Stability Special Account (Administered)

The Treasury's 'Financial System Stability' special account established under section 70E of the *Banking Act 1959* for the making of payments authorised under specified sections of the *Banking Act 1959*, the *Insurance Act 1973* and the *Life Insurance Act 1975* and to meet expenses of administering the special account. For the years ended 30 June 2010 and 30 June 2011 this special account had nil balances and no transactions were credited or debited to the account.

Services for other Governments and non agency bodies account (Departmental)

The Treasury's 'Services for other Governments and non-agency bodies' special account established under section 20 of the *Financial Management and Accountability Act 1997* (FMA Act) was abolished on 12 October 2010. For the years ended 30 June 2010 and 30 June 2011 this special account had nil balances and no transactions were credited or debited to the account.

Other trust moneys account (Departmental — Special Public Money)

The Treasury has an 'Other trust monies' 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 2010 and 30 June 2011 this special account had nil balances and no transactions were credited or debited to the account.

Other trust moneys account (Administered — Special Public Money)

The Treasury has an 'Other trust monies' 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 2010 the money in this special account rounded to zero in relation to HIH recoveries received from the HIH Claims Manager. For the year ended 30 June 2011 this special account had nil balances and no transactions were credited or debited to the account.

Special Accounts investment of public money

For the periods 2009-10 and 2010-11, the Treasury has not used section 28 or 39 of the FMA Act in respect of all special accounts.

Note 27: Compensation and debt relief

Departmental	2011	2010
	\$	\$
No 'Act of Grace' expenses were incurred during the reporting period (2010: no expenses).	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997 (2010: no waiver).	-	-
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period (2010: no payments).	-	-
No ex-gratia payments were provided for during the reporting period (2010: no payments).	-	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the Public Service Act 1999 during the reporting period (2010: no payments).	-	-
Administered	2011	2010
	\$	\$
No 'Act of Grace' expenses were incurred during the reporting period (2010: no expenses).	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997 (2010: no waiver).	-	-
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period (2010: no payments).	-	-
No ex-gratia payments were provided for during the reporting period (2010: no payments).	-	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the Public Service Act 1999 during the reporting period (2010: no payments).	-	-

Note 28: Reporting of outcomes

Note 28A: Net cost of outcome delivery

	Outcome 1	
	2011	2010
	\$'000	\$'000
Expenses		
Administered expenses	86,961,136	88,808,150
Departmental expenses	177,767	174,382
Total expenses	87,138,903	88,982,532
Costs recovered from provision of goods and services to the non-government sector		
Administered	-	-
Departmental	1,236	995
Total costs recovered	1,236	995
Other external revenues		
Administered		
Interest	3,840	2,236
Dividends	-	5,976,709
GST administration fees	673,347	564,222
Australian Government Guarantee Fee	1,206,196	1,366,765
COAG receipts from government agencies	1,351,057	3,639,933
HIH Group liquidation proceeds	62,244	53,776
Net foreign exchange gains	338,219	790,861
Other gains	-	14,148
Other revenue	10,025	123,308
Total administered	3,644,928	12,531,958
Departmental		
Net gains	549	546
Sale of assets	22	-
Other	726	742
Related goods and services revenue	7,387	11,611
Total departmental	8,684	12,899
Total other external revenues	3,653,612	12,544,857
Net cost / (contribution) of outcome	83,484,055	76,436,680

Note 28: Reporting of outcomes (continued)

Note 28B: Major classes of Departmental expenses, income, assets and liabilities by outcome

	Outcome 1	
	2011 \$'000	2010 \$'000
Departmental expenses		
Employee benefits	119,553	118,613
Suppliers and grants	46,035	51,301
Depreciation and amortisation	12,015	4,368
Write down of assets	108	28
Finance costs	56	35
Net losses from sale of assets	-	37
Total Departmental expenses	177,767	174,382
Funded by:		
Revenues from Government	158,268	165,939
Sale of goods and services	8,623	12,607
Other non-taxation revenues	726	742
Sale of assets	22	-
Other gains	549	546
Total Departmental revenues	168,188	179,834
Departmental assets		
Cash and cash equivalents	836	1,196
Trade and other receivables	78,211	77,254
Land and buildings	7,878	8,714
Plant and equipment	8,395	7,620
Intangibles	31,117	36,711
Other non-financial assets	2,336	1,799
Total Departmental assets	128,773	133,294
Departmental liabilities		
Suppliers	3,204	1,662
Other payables	8,193	12,098
Leases	-	40
Employees provisions	38,714	39,110
Total Departmental liabilities	50,111	52,910

Note 28: Reporting of outcomes (continued)

Note 28C: Major classes of Administered revenues, expenses, assets and liabilities by outcome

	Outcome 1	
	2011	2010
	\$'000	\$'000
Administered revenues		
Interest	3,840	2,236
Dividends	-	5,976,709
Goods and services	673,347	564,222
Australian Government Guarantee Fee	1,206,196	1,366,765
COAG receipts from government agencies	1,351,057	3,639,933
HIH Group liquidation proceeds	62,244	53,776
Other	10,025	123,308
Net foreign exchange gains	338,219	790,861
Other gains	-	14,148
Total Administered revenues	3,644,928	12,531,958
Administered expenses		
Grants	86,935,637	88,781,919
Other	25,499	26,231
Total Administered expenses	86,961,136	88,808,150
Administered assets		
Cash and cash equivalents	4,763	4,063
Receivables	2,922,847	5,326,422
Investments	11,383,633	17,213,607
Other non-financial assets	14,791	545,346
Total Administered assets	14,326,034	23,089,438
Administered liabilities		
Loans	3,851,036	4,882,893
Grants	884,081	407,453
Other payables	6,717,203	8,793,755
Other provisions	4,596,860	1,119,897
Total Administered liabilities	16,049,180	15,203,998

Note 29: Comprehensive income (loss) attributable to the Department of the Treasury

for the period ended 30 June 2011

	2011 \$'000	2010 \$'000
Total Comprehensive Income (loss) Attributable to the Department of the Treasury		
Total comprehensive income (loss) attributable to the Australian Government ¹	(9,579)	5,452
Plus: non-appropriated expenses		
Depreciation and amortisation expenses	12,015	-
Total comprehensive income (loss) attributable to the Department of the Treasury	2,436	5,452

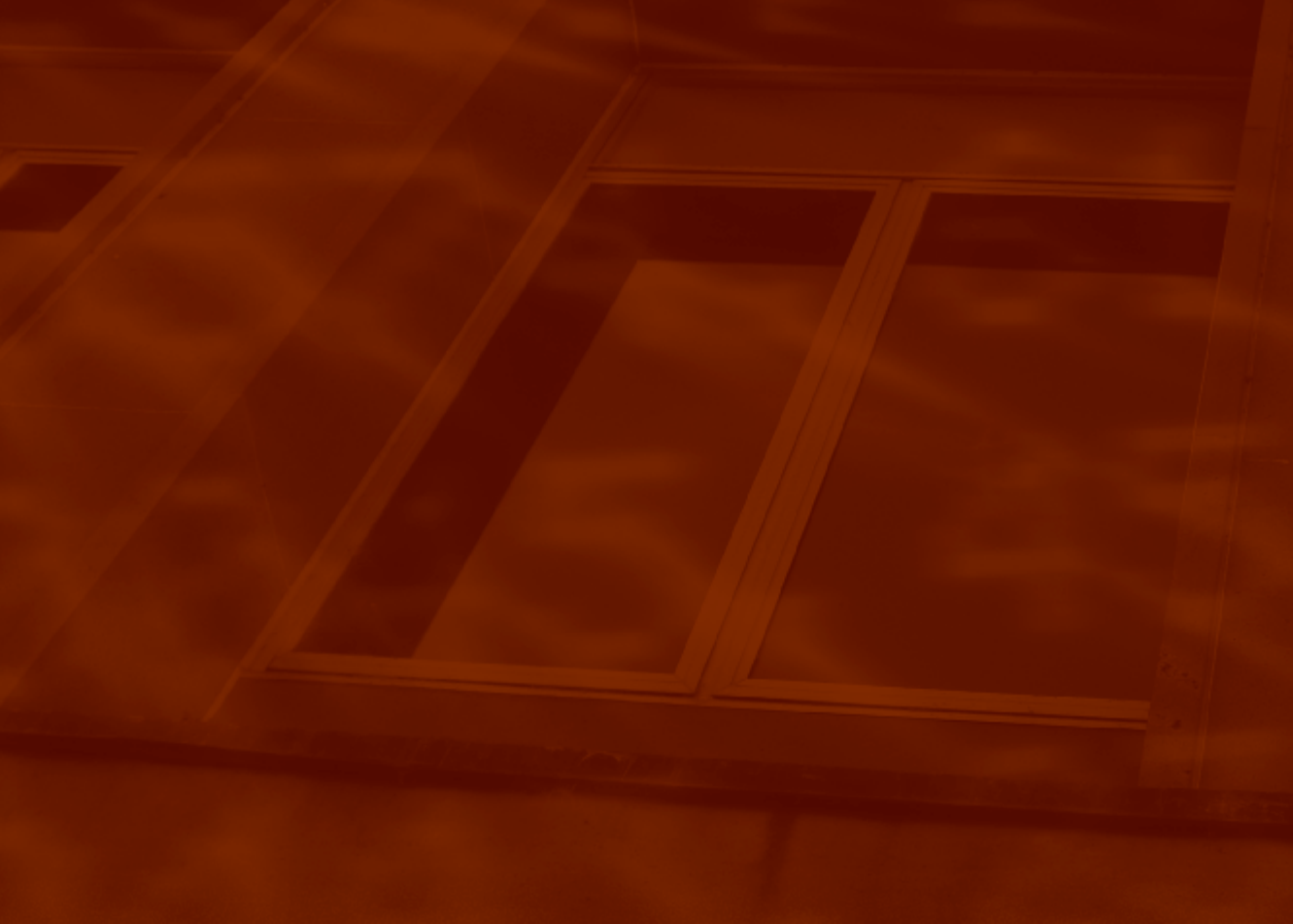
1 As per the Statement of Comprehensive Income



PART FIVE

APPENDICES

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OCCUPATIONAL HEALTH AND SAFETY

The *Occupational Health and Safety Act 1991* requires Commonwealth agencies to provide and maintain a safe and healthy work environment for all its employees, contractors and visitors to their workplaces. The Treasury takes this commitment seriously, and strongly promotes prevention, early intervention and education through its health, safety and wellbeing systems, policies and programs. The Treasury actively encourages staff to contribute to a safer and happier workplace by reporting potential hazards, incidents and accidents as soon as they occur, being sensible about their actions in the workplace and demonstrating Treasury People Values at all times.

The Treasury continues to explore and implement strategies to help minimise the human and financial costs of injury and illness. Case management presents issues that are complex and varied, therefore case managers need to be equally flexible and adaptable to each circumstance, with regard for legislation and internal policy. In 2010-11, the Treasury offered flexible arrangements that benefited both the department and injured or ill employees in terms of supporting them to manage their illness or injury at work.

As a signatory to Comcare's Employer Statement of Commitment, the Treasury continues to observe the Occupational Health and Safety and Rehabilitation Performance Improvement Targets (2002-2012) and maintains its low rate of workplace injury by monitoring and evaluating performance. The Treasury's Comcare premium rate for 2010-11 was 0.61 per cent. This rate remained lower than the Commonwealth average of 1.20 per cent, for the same period.

Ongoing risk management arrangements within the Treasury's Health and Safety Management Arrangements include the following:

- Occupational Health and Safety presentations at new staff inductions demonstrated correct ergonomic workstation set-up and provided information relating to first aid, emergency procedures, accident/incident reporting, the Treasury's Health and Wellbeing Program, lunchtime health activities, lens reimbursements, the Employee Assistance Program and the role of the Health and Safety Committee and Health and Safety Representatives.
- Meetings with Health and Safety Committee members and Health and Safety Representatives occurred three times in 2010-11 to monitor and review health and safety measures and facilitate cooperation amongst employees.
- Health and Safety Representatives conducted workplace inspections three times last financial year. The inspections assisted in rectifying both workplace and psychosocial hazards and helped ensure no notices were given under sections 29, 46 and 47 of the *Occupational Health and Safety Act 1991*.
- Timely reporting of work-related incidents ensures immediate action is taken to rectify hazards. During 2010-11, the Treasury received 22 work-related incident reports; most related to trips, falls and body stressing. Of the 22 incidents, two compensation claims were submitted, both were accepted. Four cases were managed internally under the

Early Intervention Policy. No incidents were reported to Comcare under section 68 of the *Occupational Health and Safety Act 1991*.

- Managers are encouraged to report absences which may be related to physical or psychological injury or illness, so appropriate action can be put in place as soon as possible. Leave data is analysed fortnightly to enable early intervention of potentially non-reported issues.
- First aid officers are conveniently located throughout the department. Employees with underlying health conditions such as epilepsy, asthma and diabetes are encouraged to advise nearby first aid officers to ensure timely assistance is provided.
- The Treasury offers individual workstation assessments and training on ergonomics and workstation adjustment, stretching and taking breaks. A total of 216 individual workstation assessments were conducted in 2010-11. Workstation set-up training is offered as part of the Treasury's Health and Wellbeing Program and manual handling training is also provided to relevant staff.
- Employees requiring glasses for screen-based use can be reimbursed for a portion of the cost; 25 employees sought reimbursement in 2010-11.
- Influenza vaccinations paid by the Treasury are offered annually; 394 employees received these in April 2011.
- In cooperation with the Department of Finance and Deregulation, a 10 metre smoking exclusion zone is in place around the Treasury building.

FREEDOM OF INFORMATION

Prior to 1 May 2011, section 8 of the *Freedom of Information Act 1982* (the Act) required the Treasury to report on its organisational structure, functions and decision making powers, the arrangements for public involvement in its work, the categories of documents it holds and how the public can obtain access to these documents. The section 8 statement covers the period 1 July 2010 to 30 April 2011.

From 1 May 2011, an agency subject to the Act is required to publish information on its website as part of the Information Publication Scheme provisions in Part 11 of the Act. This requirement has replaced the former requirement to publish a section 8 statement in an annual report. The Treasury's plan showing the information that is published in accordance with the Information Publication Scheme requirements is accessible from the Treasury's website at www.treasury.gov.au.

The Australian Competition Tribunal is a separate body within the Treasury portfolio but does not publish an annual report. The Tribunal's section 8 information follows the Treasury's information.

SECTION 8 STATEMENT

Information on the Treasury's organisational structure and senior management are set out in Figures 1 and 2 on pages 15 and 16 respectively. The Treasury's functions and the decision-making powers are set out in the Departmental Overview and Corporate Governance sections at pages 9 to 11 and pages 107 to 112 respectively.

The Treasury delegations and authorisations

The Deputy Prime Minister and Treasurer, other ministers and the Secretary to the Treasury delegate certain powers to officials, or authorise officials to act on their behalf, under Acts of Parliament and agreements. These delegations and authorisations remain in force until renewed, and are listed below.

- Under section 23 of the *Federal Financial Relations Act 2009*, the Treasurer has delegated the power to make payments to the states under section 5 and Part 2 of the Act to the Executive Director, Fiscal Group; General Manager, Commonwealth-State Relations Division; and General Manager, Budget Policy Division.
- Under the *Crimes (Currency) Authorisation 2006*, the Treasurer has delegated certain powers to the General Manager, Corporations and Capital Markets Division; the Chief Executive Officer, Royal Australian Mint; and the Senior Manager, Note Development, Research and Security, 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 2007*, 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 General Manager, Corporations and Capital Markets Division and the Chief Executive Officers of the Royal Australian Mint and the Gold Corporation.

- Under the *Gold Corporation Agreement Delegation 1999*, the Treasurer has delegated 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 to the Executive Director, Markets Group and the General Manager, Corporations and Capital Markets Division.
- Under subsections 1821A, 22 and 25 of the *Foreign Acquisitions and Takeovers Act 1975*, and Regulations 3(e) and 3(h), the Treasurer has authorised the General Manager and senior staff from 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.
- Under section 22 of the *Mutual Assistance in Business Regulation Act 1992*, the Treasurer has delegated to the General Manager, Corporations and Capital Markets Division the authorisation to exercise the Treasurer's powers to consider requests raised under the Act from foreign regulators for information, documents or evidence, including the ability to impose conditions on an authorisation.
- The Treasurer has delegated to Treasury officials the authority to vote on the Treasurer's behalf on routine matters arising from the Treasurer's Governorship of the IMF, the World Bank Group, the Asian Development Bank and the European Bank for Reconstruction and Development.
- Under subsection 9A(2) of the *Australian Prudential Regulation Authority Act 1988*, the Assistant Treasurer and Minister for Financial Services and Superannuation, on behalf of the Treasurer, has delegated power to the Executive Director, Markets Group and the General Manager, Financial System Division 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 and Minister for Financial Services and Superannuation, on behalf of the Treasurer, has delegated to the Secretary to the Treasury and Executive Directors, the authorisation to arrange to exempt records from the open access period.
- Under subsection 56(2) of the *Archives Act 1983*, the Minister for Finance and Deregulation has delegated to the Treasurer, the Secretary to the Treasury and Executive Directors, the authorisation to approve access to records not in the open access period.
- Under subsections 147(2) and 601DC(2) of the *Corporations Act 2001*, the responsible minister has delegated the powers to consent to a name being available to a body corporate, to ASIC's Chief Executive Officer and Director, Public Information Program — Operations.
- Under the *Financial Management and Accountability Act 1997* and the Financial Management and Accountability Regulations 1997, the Minister for Finance and Deregulation has delegated certain powers through the Financial Management and Accountability (Finance Minister to Chief Executives) Delegation 2010 to the Secretary to the Treasury who has sub-delegated them to Treasury officials. The Treasurer holds powers in his own right under the *Financial Management and Accountability Act 1997*, and he also has delegated certain powers to Treasury officials.

- Under subsection 23(1) of the *Freedom of Information Act 1982*, the Secretary to the Treasury has authorised senior executive service officers within the Treasury 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.
- In accordance with subsections 33(5), 33A(6) and 36(8) of the *Freedom of Information Act 1982*, the Treasurer has delegated his powers to the Secretary to the Treasury, in respect of documents of the Treasury.
- Under section 22(1) of the *Reserve Bank Act 1959*, the Secretary to the Treasury has nominated a senior executive service officer from within the Treasury to attend meetings of the Reserve Bank Board at which the Secretary is not present.
- Under the following legislation, the Secretary to the Treasury has delegated to nominated Treasury officials certain 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*; *Safety, Rehabilitation and Compensation Act 1988*; and *Fair Work Act 2009*.
- Under section 7 of the *COAG Reform Fund Act 2008*, the Treasurer has delegated his powers to vary the Standard Business Reporting — Payroll Tax Arrangements Agreement, to the Executive Director, Markets Group.

Arrangements for outside participation

People or organisations outside the Commonwealth administration may participate in forming policy or administering enactments and schemes for which the 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 inquiries, with details on how to make submissions.

Consultation arrangements

Community consultation enables the Treasury to be better informed when providing advice to the Government.

The Treasury's consultation is undertaken in accordance with government directives and priorities and in line with the Best Practice Regulation Handbook. Effective consultation is an essential element of best practice regulation making.

As part of the Business Liaison Program, Treasury officers conduct regular discussions with companies and organisations to monitor, analyse and report on economic conditions and prospects. The Treasury also engages in consultation to inform the development and implementation of specific policy proposals, including comprehensive consultation on substantive tax and superannuation policy proposals. By being fully informed of the effects

of specific proposals, the Treasury can better advise the Government on how to best meet its objectives and minimise unintended consequences.

With regards to business law changes, the Treasury seeks early and iterative engagement with a broad range of relevant stakeholders, through a mixture of targeted consultation and public consultation. Typically, in the business law field, relevant stakeholders include regulatory agencies, industry associations and other key representatives of relevant parts of industry (including the financial services and professional advisory sectors), and investor or consumer representatives. Among industry, key fund management sectors such as superannuation and insurance may be relevant, as may representatives of issuers and fundraisers more broadly, as well as company directors, company secretaries, lawyers, actuaries, auditors and accountants.

The Treasury generally conducts public consultation on proposed tax changes at both the policy design and legislative design stages. The consultation period is usually four weeks, although on occasions this may be reduced, for example, where introducing the legislation is the priority. Consultation summaries are posted on the Treasury website when new legislation is introduced into Parliament. These summaries provide feedback to consultation participants on the key issues raised in consultation; changes made as a result of consultation; and where possible, why certain suggestions were not adopted. Consultation summaries also invite feedback on the consultation process to provide information for the Treasury to continuously improve its consultation practices and arrangements.

Where possible, the Treasury seeks to consult on tax changes at the initial policy design stage. To facilitate this consultation, in 2009, the Treasury established, by tender, a Tax Design Advisory Panel which now comprises five accounting firms, five law firms, one economic research and modelling house, and one legal academic and research organisation. Establishing this panel also allows the Government to develop important tax and superannuation legislation by teams involving the Treasury, the ATO and the private sector, as represented by panel members.

On occasions, conflicts arise between the need to consult and draft measures for introduction, particularly in integrity and budget measures. This is due to budget tax measures generally remaining confidential until their announcement, and public consultation follows the announcement. However, the Government may consult confidentially with members of the Tax Design Advisory Panel prior to announcing these measures.

Proposed consultation arrangements are set out in the Government's forward work program for tax measures. The forward work program also indicates which measures are proposed for introduction in the next sittings of Parliament. The Government periodically releases an updated forward work program and publishes it on the Treasury website at www.treasury.gov.au.

Additionally, the following allow bodies outside the Australian Government administration to advise on policy and administer enactments or schemes.

Australian Office of Financial Management Advisory Board

The AOFM Advisory Board, a non-statutory advisory body established in 2000, primarily advises on operational debt. The board comprises seven members: the Secretary to the Treasury, the AOFM Chief Executive Officer, a senior Treasury official, a senior officer from the Department of Finance and Deregulation and three experts drawn from the financial sector. The outside appointments are for three years and members may be reappointed.

The AOFM Advisory Board is accountable to the Secretary to the Treasury who chairs the board. The board has an advisory role and does not possess executive powers or decision-making authority in its own right. It provides general counsel and guidance to the Secretary to the Treasury on all aspects of operational debt policy matters and AOFM performance generally. It reviews the financial statements, legislative and policy compliance, and management recommendations on matters requiring ministerial approval.

Board of Taxation

The Board of Taxation, a non-statutory advisory body established in 2000, advises 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 non-government sector, including the chair. These members are appointed on a part-time basis and on the basis of their personal capacity, with regard to their ability to contribute to the tax system. The appointments are for up to three 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 tax design;
- improvements to the general integrity and functioning of the tax system;
- research and other studies it commissions on topics approved or referred to it by the Treasurer; and
- other tax matters referred to it by the Treasurer.

The Treasury provides secretariat support to the Board.

Commonwealth Consumer Affairs Advisory Council

The Commonwealth Consumer Affairs Advisory Council is a non-statutory, expert advisory body established in 1999. Its primary role is to provide the relevant minister with independent advice on consumer affairs.

Members of the Commonwealth Consumer Affairs Advisory Council are appointed by the Minister and come from a range of industries and backgrounds. All serve as individuals, rather than as representatives of organisations.

The Commonwealth Consumer Affairs Advisory Council meets regularly to identify and advise on new and emerging consumer issues, and investigate, advise and report on consumer issues referred to the council by the Parliamentary Secretary to the Treasurer who is responsible for competition and consumer policy.

Corporations and Markets Advisory Committee

The Corporations and Markets Advisory Committee is a body corporate established under Part 9 of the *Australian Securities and Investments Commission Act 2001* (ASIC Act).

The Corporations and Markets Advisory Committee comprises part-time members appointed by the responsible minister. 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. Under section 147 of the ASIC Act, the chairman of ASIC is an ex-officio member of the Advisory Committee.

The committee, on its own initiative or when requested by the Minister, provides advice and recommendations 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 committee.

Financial Sector Advisory Council

The Financial Sector Advisory Council is a non-statutory body established in April 1998 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.

Financial Sector Advisory Council submissions and recommendations to Treasury portfolio ministers are confidential.

The Treasury provides secretariat support to the council.

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 five members; four, 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 proposed investments that are subject to Australia's Foreign Investment Policy or the *Foreign Acquisitions and Takeovers Act 1975*, and makes recommendations to the Treasurer on these proposals;
- advises the Government on foreign investment matters generally;
- fosters an awareness and understanding, both in Australia and abroad, of Australia's foreign investment policy;
- provides guidance, where necessary, to foreign investors so their proposals conform with the policy and legislation; and
- monitors compliance with foreign investment policy.

The Board's functions are advisory only. Responsibility for making decisions on foreign investment policy and proposals rests with the Treasurer.

Council of Financial Regulators

The Council of Financial Regulators is the coordinating body for Australia's main financial regulatory agencies. Its membership comprises the:

- Reserve Bank of Australia, which chairs the Council;
- Australian Prudential Regulation Authority;
- Australian Securities and Investments Commission; and
- the Treasury.

The Council contributes to the efficiency and effectiveness of financial regulation by providing a high-level forum for cooperation and collaboration among its members. It operates as an informal body in which members are able to share information and views, discuss regulatory reforms or issues where responsibilities overlap and, if the need arises, coordinate responses to potential threats to financial stability. The council also has a role in advising the Government on the adequacy of Australia's financial system architecture in light of ongoing developments.

Categories of documents held by the Treasury

The Treasury holds:

- correspondence, analysis and policy advice by Treasury officers, comments on Cabinet submissions and drafts of these and other documents;
- representations made to Treasury portfolio ministers on matters falling within their portfolio responsibilities and documents dealing with policy and administration in areas falling within the responsibilities of the Treasury portfolio detailed in the annual report. Every six months, the Treasury posts an indexed list of its policy file titles at www.treasury.gov.au;
- documents relating to staff, the organisation and operations including personnel records, organisation and staffing records, financial and expenditure records, and internal operations, such as office procedures and instructions; and
- documents relating to grants that the Government provides to other levels of government and to organisations under the programs it administers.

Facilities for access to documents

Information on obtaining access to documents held by the Treasury is on the Treasury website at www.treasury.gov.au. Members of the public can contact:

Freedom of information
The Treasury
Langton Crescent
PARKES ACT 2600

Email: FOI@treasury.gov.au
Telephone: 02 6263 2800

Freedom of information activity

In 2010-11, the Treasury and the portfolio Ministers received 159 requests for access to documents under the *Freedom of Information Act 1982*, compared with 63 requests in the previous year. There was a significant increase in the number of requests following changes to the legislation from 1 November 2010. Details are set out in Table 10 on page 275.

Table 10: Freedom of information statistics for 2010

Description	Number
Requests received	
On hand at 1 July 2010	14
Received	159
Breakdown across the Treasury	
Portfolio Ministers	17
Executive	4
Macroeconomic Group	21
Fiscal Group	32
Revenue Group	28
Markets Group	59
Corporate Services Group	12
Action on requests	
Access in fullw	12
Access in part	56
Access refused or no documents located	29
Transferred in whole	4
Withdrawn/lapsed	43
Current as at 30 June 2011	29
Internal review	
Applications	9
Review by the Information Commissioner	
Applications	2
Review by Administrative Appeals Tribunal	
Outstanding at 1 July 2010	1
New applications	3
Withdrawn	2
Fees and charges	
Total application fees collected	\$900
Total charges collected	\$15,367
Total application fees and charges collected	\$16,267

AUSTRALIAN COMPETITION TRIBUNAL

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 *Competition and Consumer Act 2010*.

Organisation

The tribunal consists of a president and as many deputy presidents and other members as the Governor-General appoints. All presidential members must be judges of the Federal Court of Australia. 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.

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 mainly a review body that rehears 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 ACCC, granting or revoking authorisations permitting conduct and arrangements that would otherwise be prohibited under the Competition and Consumer Act due to their anticompetitive effect. The tribunal also hears applications for authorisation of company mergers and acquisitions which would otherwise be prohibited under the Competition and Consumer Act.

In addition, the tribunal hears applications to review decisions on access matters under the Competition and Consumer 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 the ACCC's exclusive dealing determinations and certain decisions under the Competition and Consumer 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 ACCC 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 consider 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, witness statements and submissions;
- correspondence concerning particular tribunal proceedings;
- tribunal decisions and reasons;
- 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 (except where the Act or the tribunal restricts public access due to confidentiality):

- documents lodged with the registrar on particular proceedings;
- tribunal decisions and reasons;
- 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 Competition and Consumer Regulations 2010.

ADVERTISING AND MARKET RESEARCH

The Treasury undertook the following advertising and marketing research in 2010-11.

Table 11: Advertising and marketing research expenditure for 2010-11

Purpose	Vendor	Cost (\$)
Advertising campaign	Universal McCann	4,458,156
	Vinten Browning	1,677,699
	GFK Blue Moon	473,350
	Hall and Partners Open Mind Pty Ltd	261,708
	Cultural Partners	78,420
Business advertising	Universal McCann	109,468
Recruitment advertising	Adcorp Australia Pty Ltd	22,462
Total		7,081,263

Note: These figures exclude GST. Payments less than \$11,200 are not included in this table.

During 2010-11 the Treasury conducted two advertising campaigns.

A campaign was conducted to raise awareness and understanding of the Education Tax Refund among eligible recipients and to alert recipients to the inclusion of school uniforms from 1 July 2011. During 2010-11, the Treasury spent \$4.9 million on the campaign.

A campaign was conducted to raise community and business awareness of the relevance and benefits of the Government's package of reforms to support a competitive and sustainable banking system. During 2010-11, the Treasury spent \$2.2 million on the campaign.

Further information on the advertising campaigns is in the report on Australian Government advertising that is prepared by the Department of Finance and Deregulation. The report is available at www.finance.gov.au/advertising/index.html.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

The Treasury continues to develop and incorporate strategies to improve its overall environmental performance. It participates in various government environmental forums and reviews information on property, building and environmental management through its membership of property and building industry groups.

The Treasury has completed a comprehensive review of its Environmental Management System, putting in place strategies to meet commitments under the Treasury Building Management Committee Green Improvement Agreement. These include various environmental sustainability initiatives and energy targets set by the Energy Efficiency in Government Operations Policy.

ENERGY MANAGEMENT

The Treasury is trialling a new lighting system in selected areas in the Treasury Building, reducing the number of light fittings and replacing old fluorescent tubes with new energy efficient technology.

The Treasury participated, with other tenants of the Treasury Building, in a Green November initiative in 2010. This resulted in a 4 per cent energy saving. With the various initiatives and progressive improvements, the Treasury is now expected to be able to meet the Energy Efficiency in Government Operations Policy target of 7,500mj per person for 2011-12.

Other initiatives being implemented include:

- raising staff awareness through a comprehensive communication strategy; and
- the purchase of minimum 5 star energy rated electrical products.

RECYCLING

The Treasury recycles paper and cardboard products, which a local recycling firm collects. Classified waste paper is shredded, and or, pulped and paper hand towels are recycled. Waste recycling stations are provided in staff kitchens separating recyclable items and organic waste.

The Treasury also participates in the recycling of toner cartridges, fluorescent tubes and batteries and helps staff recycle old mobile phones, donating them to charity.

WATER

Tenancies in the Treasury Building are not metered separately for water consumption. The Treasury recently upgraded the showers in its staff change rooms with the 5 star rated economy flow shower heads. The Treasury Building Management Committee is investigating other water savings initiatives.

GRANTS

As part of the Government's reforms introduced to improve the transparency and accountability of grants administration, departments are required to publish details of grants on their website, no later than seven working days after the funding agreement for the grant takes effect. The details must remain on the website for two years. The Treasury does not administer any grant programs, but does award a small number of grants on an ad-hoc basis.

As this information is now on the website, the annual report no longer contains the list of grant recipients. Instead, information on grants awarded by the Treasury during the period 1 July 2010 to 30 June 2011 is available at www.treasury.gov.au.

RESOURCE TABLES

Table 12: Summary resource statement

	Actual available appropriation 2010-11 \$'000 (a)	Payments made 2010-11 \$'000 (b)	Balance remaining \$'000 (a-b)
Ordinary annual services			
Departmental appropriation			
Departmental appropriation	167,728 ¹	165,056	2,672
s31 relevant agency receipts	9,877 ³	9,931	(54)
Total departmental	177,605	174,987	2,618
Administered expenses			
Outcome 1	38,378 ¹	14,880	n/a
Total administered expenses	38,378	14,880	n/a
Total ordinary annual services	A 215,983	189,867	n/a
Other services			
Departmental non-operating			
Equity injections	1,395 ²	1,395	-
Total	1,395	1,395	-
Administered non-operating			
Administered assets and liabilities			
Outcome 1	162,265 ²	4,079	n/a
Total	162,265	4,079	n/a
Total other services	B 163,660	5,474	n/a
Total available annual appropriations (A+B)	379,643	195,341	n/a
Special appropriations			
<i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i>	-	-	n/a
<i>Asian Development Bank (Additional Subscription) Act 2009</i>	18,687	18,687	n/a
<i>Car Dealership Financing Guarantee Appropriation Act 2009</i>	4,922	4,922	n/a
<i>Federal Financial Relations Act 2009</i>	63,440,835	63,441,516	n/a
<i>International Monetary Agreements Act 1947</i>	530,651	557,153	n/a
<i>Superannuation Industry (Supervision) Act 1993</i>	55,000	54,994	n/a
Total special appropriations	C 64,050,095	64,077,272	n/a
Total appropriations excluding Special accounts (A+B+C)	64,429,738	64,272,613	n/a

Table 12: Summary resource statement (continued)

	Actual available appropriation 2010-11 \$'000 (a)	Payments made 2010-11 \$'000 (b)	Balance remaining \$'000 (a-b)
Special accounts			
Appropriation receipts	-	-	n/a
Non-appropriation receipts to special accounts	18,416,354	18,416,408	n/a
Total special account	D 18,416,354	18,416,408	n/a
Total resourcing and payments (A+B+C+D)	82,846,092	82,689,021	n/a
Less receipts from other sources credited to special accounts	1,507	1,561	n/a
Total resourcing and payments for the Treasury	82,844,585	82,687,460	n/a

1 *Appropriation Act (No. 1) 2010-11 and Appropriation Act (No. 3) 2010-11.*

2 *Appropriation Act (No. 2) 2010-11 and Appropriation Act (No. 4) 2010-11.*

3 Receipts received under s31 of the *Financial Management and Accountability Act 1997*.

Table 13: Resourcing for Outcome 1

Outcome 1: Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations	Budget expenses 2010-11 \$'000	Actual expenses 2010-11 \$'000	Variation \$'000
	(a)	(b)	(a)-(b)
Program 1.1: Department of the Treasury			
Departmental expenses			
Departmental appropriation	166,567	164,191	2,376
Special accounts	1,629	1,561	68
Expenses not requiring appropriation in the Budget year	11,336	12,015	(679)
Administered expenses			
Other services (Appropriation Bill No. 1)	10,439	6,714	3,725
Total for Program 1.1	189,971	184,481	5,490
Program 1.2: Payments to international financial institutions			
Administered expenses			
Special Appropriations	18,892	18,734	158
Expenses not requiring appropriation	28,601	-	28,601
Total for Program 1.2	47,493	18,734	28,759
Program 1.3: Support for markets and business			
Administered expenses			
Other services (Appropriation Bill No. 1)	675	51	624
Special Appropriations	55,000	54,994	6
Total for Program 1.3	55,675	55,045	630
Program 1.4: General revenue assistance			
Administered expenses			
Special appropriations	45,450,000	45,888,000	(438,000)
Special accounts	1,073,515	1,059,153	14,362
Total for Program 1.4	46,523,515	46,947,153	(423,638)
Program 1.5: Assistance to the States for healthcare services			
Administered expenses			
Special Appropriations	11,988,322	11,990,523	(2,201)
Total for Program 1.5	11,988,322	11,990,523	(2,201)
Program 1.6: Assistance to the States for government schools			
Administered expenses			
Special Appropriations	3,550,652	3,550,718	(66)
Total for Program 1.6	3,550,652	3,550,718	(66)

Table 13: Resourcing for Outcome 1 (continued)

	Budget	Actual	
	expenses	expenses	Variation
	2010-11	2010-11	\$'000
	\$'000	\$'000	\$'000
	(a)	(b)	(a)-(b)
Program 1.7: Assistance to the States for skills and workforce development			
Administered expenses			
Special appropriations	1,339,358	1,339,358	-
Total for Program 1.7	1,339,358	1,339,358	-
Program 1.8: Assistance to the States for disabilities services			
Administered expenses			
Special appropriations	1,052,019	1,051,945	74
Total for Program 1.8	1,052,019	1,051,945	74
Program 1.9: Assistance to the States for affordable housing			
Administered expenses			
Special appropriations	1,221,831	1,221,831	-
Total for Program 1.9	1,221,831	1,221,831	-
Program 1.10: National Partnership Payments to the States			
Administered expenses			
Special accounts	16,314,084	20,779,114	(4,465,030)
Total for Program 1.10	16,314,084	20,779,114	(4,465,030)
Outcome 1 Totals by appropriation type			
Administered expenses			
Other services (Appropriation Bill No. 1)	11,114	6,765	4,349
Special appropriations	64,676,074	65,116,103	(440,029)
Special accounts	17,387,599	21,838,267	(4,450,668)
Expenses not requiring appropriation	28,601	-	28,601
Departmental expenses			
Departmental appropriation	166,567	164,191	2,376
Special accounts	1,629	1,561	68
Expenses not requiring appropriation in the Budget year	11,336	12,015	(679)
Total expenses for Outcome 1	82,282,920	87,138,902	(4,855,982)
Average staffing level (number)	1,010	1,012	(2)

LIST OF REQUIREMENTS

Description	Requirement	Page/s
Introduction		
Letter of transmittal	Mandatory	iii
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Internet home page address and Internet address for report	Mandatory	xii
Review by Secretary		
Review by Departmental Secretary	Mandatory	3-8
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Overview of department's performance and financial results	Suggested	3-8
Outlook for following year	Suggested	6-7
Significant issues and developments — portfolio	Suggested	3-8
Departmental overview		
Overview description of department	Mandatory	9-14
Role and functions	Mandatory	9-14
Organisational structure	Mandatory	15
Outcome and program structure	Mandatory	16
Where outcome and program structures differ from the PBS/PAES or other portfolio statements accompanying any other appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	n/a
Portfolio structure	Mandatory	17-19
Report on performance		
Review of performance during the year in relation to programs and contribution to outcomes	Mandatory	21-104
Actual performance in relation to deliverables and KPIs set out in PBS/PAES or other portfolio statements	Mandatory	21-104
Performance of purchaser/provider arrangements	If applicable, suggested	n/a
Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory	n/a
Narrative discussion and analysis of performance	Mandatory	21-104
Trend information	Mandatory	21-104
Significant changes in nature of principal functions/services	Suggested	21-104
Factors, events or trends influencing departmental performance	Suggested	21-104
Contribution of risk management in achieving objectives	Suggested	21-104
Social inclusion impacts	Suggested	21-104

Description	Requirement	Page/s
Report on performance (continued)		
Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	n/a
Discussion and analysis of the department's financial performance	Mandatory	14
Discussion of any significant changes from the prior year or from budget	Suggested	14
Agency resource statement and summary resource tables by outcome	Mandatory	282-286
Developments since the end of the financial year that have affected or may significantly affect the department's operations or financial results in the future	If applicable, mandatory	189
Corporate governance		
Statement of the main corporate governance practices in place	Mandatory	107
Names of the senior executive and their responsibilities	Suggested	15
Senior management committees and their roles	Suggested	107-109
Corporate and operational planning and associated performance reporting and review	Suggested	109
Approach adopted to identifying areas of significant financial or operational risk	Suggested	109-111
Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines	Mandatory	iii
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How nature and amount of remuneration for SES officers is determined	Suggested	112
External scrutiny		
Significant developments in external scrutiny	Mandatory	113-114
Judicial decisions and decisions of administrative tribunals	Mandatory	117-119
Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	Mandatory	115-119
Management of human resources		
Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	120-121
Workforce planning, staff turnover and retention	Suggested	121-124
Impact and features of enterprise or collective agreements, determinations, common law contracts and AWAs		
Training development undertaken and its impact	Suggested	124-127
Occupational health and safety performance	Suggested	128-130
Productivity gains	Suggested	n/a
Statistics on staffing	Mandatory	131-134
Enterprise or collective agreements, determinations, common law contracts and AWAs	Mandatory	123

Description	Requirement	Page/s
Performance Pay	Mandatory	n/a
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The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website	Mandatory	137-140
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GLOSSARY

Activities	The actions/functions performed by agencies to deliver government policies.
Administered item	Appropriation that consists of funding managed on behalf of the Commonwealth. This funding is not at the discretion of the agency and any unspent appropriation is returned to the Consolidated Revenue Fund (CRF) at the end of the financial year. An administered item is a component of an administered program. It may be a measure but will not constitute a program in its own right.
Appropriation	An amount of public money parliament authorises for spending with funds to be withdrawn from the CRF. Parliament makes laws for appropriating money under the Annual Appropriation Acts and under Special Appropriations, with spending restricted to the purposes specified in the Appropriation Acts.
APS employee	A person engaged under section 22, or a person who is engaged as an APS employee under section 72, of the <i>Public Service Act 1999</i> .
Clear read principle	Under the Outcomes arrangements there is an essential clear link between the Appropriation Bills, the Portfolio Budget Statements (PBS), the Portfolio Additional Estimates Statements, and annual reports of agencies. Information should be consistent across these and other budget documents, and where possible, duplication of reporting within the PBS should be avoided. This is called the clear read between the different documents. Under this principle the planned performance in the PBS is to be provided on the same basis as actual performance in the annual reports covering the same period, to permit a clear read across planning and actual performance reporting documents. Agencies should take this into account in designing their performance reporting arrangements.
<i>Commonwealth Authorities and Companies Act 1997</i> (CAC Act)	The CAC Act sets out the financial management, accountability and audit obligations on Commonwealth statutory authorities and companies in which the Commonwealth has at least a direct controlling interest. A list of CAC Act bodies can be found at: finance.gov.au/financialframework/caclegislation/docs/CACbodylist.pdf .
Consolidated Revenue Fund (CRF)	The principal operating fund from which money is drawn to pay for the activities of the Government. Section 81 of the Australian Constitution provides that all revenue raised or monies received by the Executive Government forms one consolidated revenue fund from which appropriations are made for the purposes of the Australian Government.

Contractor	A person engaged by an agency, usually on a temporary basis. Treated as an employee of the agency for the purposes of program performance reporting.
Corporate governance	The process by which agencies are directed and controlled. It is generally understood to encompass authority, accountability, stewardship, leadership, direction and control.
Departmental item	Resources (assets, liabilities, revenues and expenses) that agency Chief Executive Officers control directly. This includes outsourced activities funded and controlled by the agency. Examples of departmental items include agency running costs, accrued employee entitlements and net appropriations. A departmental item is a component of a departmental program.
<i>Financial Management and Accountability Act 1997 (FMA Act)</i>	The FMA Act sets out the financial management, accountability and audit obligations of agencies (including Departments) that are financially part of the Commonwealth (and form part of the General Government Sector). A list of FMA Act agencies can be found at: finance.gov.au/financialframework/fmalegislation/docs/FMAAgenciesList.pdf .
Financial results	The results shown in the financial statements of an agency.
Grant	Commonwealth financial assistance as defined under Regulations 3A(1) and 3A(2) of the Financial Management and Accountability Regulations 1997.
Materiality	Takes into account the planned outcome and the relative significance of the resources consumed in contributing to the achievement of that outcome.
MidYear Economic and Fiscal Outlook (MYEFO)	The MYEFO provides an update of the government's budget estimates by examining expenses and revenues in the year to date, as well as provisions for new decisions that have been taken since the Budget. The report provides updated information to allow the assessment of the government's fiscal performance against the fiscal strategy set out in its current fiscal strategy statement.
Non-ongoing APS employee	A person engaged as an APS employee under subsection 22(2)(a) of the <i>Public Service Act 1999</i> .
Official Public Account (OPA)	The OPA is the Australian Government's central bank account held within the Reserve Bank of Australia. The OPA reflects the operations of the Consolidated Revenue Fund.
Ongoing APS employee	A person engaged as an ongoing APS employee under section 22(2)(a) of the <i>Public Service Act 1999</i> .
Operations	Functions, services and processes performed in pursuing the objectives or discharging the functions of an agency.

Outcomes	The results, impacts or consequence of actions by the Commonwealth on the Australian community. They should be consistent with those listed in agencies Portfolio Budget Statements.
Outcome statement	<p>An outcome statement articulates the intended results, activities and target group of an Australian Government agency. An outcome statement serves three main purposes within the financial framework:</p> <ul style="list-style-type: none"> ▪ to explain and control the purposes for which annual appropriations are approved by the Parliament for use by agencies; ▪ to provide a basis for annual budgeting, including (financial) reporting against the use of appropriated funds; and ▪ to measure and assess agency and program (non-financial) performance in contributing to government policy objectives.
Performance information	Evidence about performance that is collected and used systematically which may relate to appropriateness, effectiveness and efficiency and the extent to which an outcome can be attributed to an intervention. Performance information may be quantitative (numerical) or qualitative (descriptive), however, it should be verifiable.
Portfolio Budget Statements (PBS)	Budget related paper detailing budget initiatives and explanations of appropriations specified by outcome and program by each agency within a portfolio.
Programs	An activity or groups of activities that deliver benefits, services or transfer payments to individuals, industry/business or the community as a whole and are the primary vehicles for government agencies to achieve the intended results of their outcome statements.
Program support	The agency running costs allocated to a program. This is funded as part of the agency's departmental appropriations.
Purchaser/provider arrangements	Arrangements under which the services of one agency are purchased by another agency to contribute to outcomes. Purchaser/provider arrangements can occur between Commonwealth agencies or between Commonwealth agencies and State/Territory government or private sector bodies.

Service charters	It is government policy that departments which provide services directly to the public have service charters in place. A service charter is a public statement about the service that a department will provide and what customers can expect from the department. In particular the service charter advises what the department does, how to contact and communicate with the department, the standard of service that customers can expect, along with their basic rights and responsibilities, and how to provide feedback or make a complaint.
Senate Estimates Hearings	Senate Standing Committees hold hearings to scrutinise the appropriation bills and any explanatory documentation tabled to accompany them. Public Servants are called as witnesses to hearings.
Specific Purpose Payments (SPP)	Commonwealth payments to the States for specific purposes in order to pursue important national policy objectives in areas that may be administered by the States.

ABBREVIATIONS AND ACRONYMS

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ADB	Asian Development Bank
ANAO	Australian National Audit Office
ANZSOG	Australian and New Zealand School of Government
AOFM	Australian Office of Financial Management
APEC	Asia-Pacific Economic Cooperation
APRA	Australian Prudential Regulation Authority
APS	Australian Public Service
APSC	Australian Public Service Commission
ARPC	Australian Reinsurance Pool Corporation
ASEAN	Association of Southeast Asian Nations
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
AUASB	Auditing and Assurance Standards Board
AusAID	Australian Agency for International Development
CBA	Commonwealth Bank of Australia
CBOSC	Commonwealth Bank Officers' Superannuation Corporation
CGS	Commonwealth Government Securities
CGT	Capital gains tax
COAG	Council of Australian Governments
CRF	Consolidated Revenue Fund
CSS	Commonwealth Superannuation Scheme
DEEWR	Department of Education, Employment and Workplace Relations
EBRD	European Bank for Reconstruction and Development
EL	Executive level
FBT	Fringe benefits tax
FCS	Financial clams scheme
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FMG	Fortescue Metals Group
FMO	Finance Minister's Orders
FOI	Freedom of information

FSB	Financial Stability Board
GRA	General revenue assistance
GST	Goods and services tax
HCS	HH Claims Support
HLIC	Housing Loans Insurance Corporation
IBRD	International Bank for Reconstruction and Development
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IMR	Investment Manager Regime
IT	Information technology
KPMG	Klynveld Peat Marwick Goerdeler
MIGA	Multilateral Investment Guarantee Agency
MINCO	Ministerial Council for Corporations
MYEFO	MidYear Economic and Fiscal Outlook
NAIDOC	National Aborigines and Islanders Day Observance Committee
NDRRA	Natural Disaster Relief and Recovery Arrangements
NP	National Partnerships
NRAS	National Rental Affordability Scheme
OECD	Organisation for Economic Cooperation and Development
OPA	Official Public Account
PBO	Parliamentary Budget Office
PBS	Portfolio Budget Statements
PEFO	Pre-election Economic and Fiscal Outlook
PNG	Papua New Guinea
PRGF	Poverty Reduction and Growth Facility
PRINCE2	Projects in Controlled Environments
PSS	Public Sector Superannuation Scheme
PSSap	Public Sector Superannuation accumulation plan
PTG	Policy Transition Group
RBA	Reserve Bank of Australia
SBR	Standard Business Reporting
SDR	Special Drawing Rights
SDT	Special Disability Trusts
SES	Senior executive service

SGLP	<i>Strong growth, low pollution: modelling a carbon price</i> report
SMSF	Self Managed Superannuation Fund
SPDS	Shorter Product Disclosure Statements
SPP	Specific Purpose Payment
SPV	Special Purpose Vehicle
TRYM	Treasury's macroeconomic model of the Australian economy
US	United States

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