Australian Government

The Treasury

ANNUAL REPORT 2014-15

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Australian Government

The Treasury

John A. Fraser
Secretary

The Hon Scott Morrison MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

I am pleased to present the annual report of the Treasury for the year ended 30 June 2015.

This report has been prepared in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 63 of the *Public Service Act 1999* (PS ACT). Subsection 46(1) of the PGPA Act and subsection 63(1) of the PS Act requires the Secretary to the department to provide a copy of the report to the agency Minister for presentation to the Parliament. The guidelines approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit 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, prepared under section 42 of the PGPA Act.

In addition, and as required by the Commonwealth Fraud Control Framework, 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 guidance applying in 2014-15.

Yours sincerely

John A. Fraser
14 October 2015

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Introduction and guide to the report

The Treasury Annual Report 2014-15 outlines performance against outcomes, program and performance information contained in the *Portfolio Budget Statements 2014-15* and *Portfolio Additional Estimates Statements 2014-15*.

The annual report 2014-15 includes the reporting requirements and financial accounts for the Australian Government Actuary. The financial accounts for the Foreign Investment Review Board and Takeovers Panel are also included in this report, along with limited performance reporting. More comprehensive performance reporting may be found in their respective annual reports.

Part 1 includes a summary of significant issues and developments during 2014-15, 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 program.

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

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

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

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

Other sources of information

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

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PART 1

Overview

Secretary's review

John Fraser
Secretary to the Treasury

I left Treasury in 1993 as Deputy Secretary (Economic) and subsequently spent 22 years in the private sector. In returning to Treasury, I am struck by how its responsibilities have expanded. Treasury covers the waterfront of economic policy: it provides advice to government on macroeconomic, foreign investment, competition, small business, financial, structural, social, fiscal, tax and international policy issues and manages relationships with 15 portfolio agencies as well as the Commonwealth's debt management.

During 2014-15, in addition to preparing the Budget and the Mid-Year Economic and Fiscal Outlook, Treasury provided more than 3,500 briefings to ministers, supported inquiries into competition policy and financial services, conducted more than 55 consultative processes, developed a tax discussion paper and published the fourth intergenerational report.

The annual report details some of the significant deliverables for the year. These include: hosting the G20 Finance Ministers' meetings; supporting the first comprehensive review of Australia's competition laws and policy in more than 20 years; developing the Government's response to the Financial System Inquiry; reforming Australia's foreign investment framework; and enabling Australia to become a founding member of the Asian Infrastructure Investment Bank.

"The quality and range of Treasury's engagement is another fundamental element in building Treasury's reputation for excellence."

I have been regularly asked about my priorities for Treasury since taking on this role just over six months ago. I want Treasury to be regarded as the nation's leading economic institution with a reputation for excellence in policy, advice, analysis, forecasting and modelling.

I believe our people are fundamental to Treasury achieving this reputation for excellence. I want people to feel that they can come to Treasury for two or three years, longer if they wish. Working at Treasury should be keenly sought-after for the opportunity to help governments meet their policy priorities, to gain firsthand experience of the workings of government and practical understanding of the public policy process. Treasury's offering is invaluable and a genuine enhancement to career prospects.

The quality and range of Treasury's engagement is a fundamental element in building Treasury's reputation for excellence. Ongoing, productive engagement must be standard practice to ensure quality advice that is alive to risk and has considered a range of views. We are seeking to engage across the broadest spectrum of stakeholders, government, non-government, think tanks, academia, small, medium and large business, the social welfare sector, industry, the financial sector, peak organisations and the community. I want us to knock on doors when interstate, both formally and informally to consult on policy, to broaden our thinking and to become better attuned to business conditions, trends and attitudes.

To support this push for meaningful and continual engagement, we have established Treasury's Sydney office which will encourage secondments from the private sector for the mutual benefit of secondees and Treasury. Treasury will also establish an office in Melbourne in late 2015.

International engagement remains important and Treasury is well represented in international fora at the G20, the International Monetary Fund, the World Bank, the Asian Development Bank, the Financial Stability Board and many other bilateral and multilateral organisations. In addition, as Secretary of Treasury I am chair to the newly established Global Infrastructure Hub, a G20 initiative to lift quality public and private infrastructure investment. This array of activity demonstrates the reach that Treasury has in driving economic reform. As the 2015 Intergenerational Report makes clear, Australia's economic challenges demand well-designed, productivity-enhancing reform.

This being the 2014-15 year in review, I would like to acknowledge my predecessor Dr Martin Parkinson PSM and his considerable achievements over the past five years, not the least being the influential role he played during Australia's presidency of the G20 in 2014.

I am pleased to present this annual report for 2014-15 and I commend our staff for their ongoing commitment and important contribution to the Government's policy priorities.

John A. Fraser

> "Working at Treasury should be keenly sought-after for the opportunity to help governments meet their policy priorities, to gain firsthand experience of the workings of government and practical understanding of the public policy process."

Departmental overview

Purpose

The Treasury serves the Australian people by assisting the Australian Government's Treasury Ministers to carry out their responsibilities. The Treasury provides advice to its ministers, as well as to others in government proactively and responsively. The Treasury administers a number of government programs and performs a range of administrative and support tasks to assist our ministers in carrying out their responsibilities.

The specific matters that the Treasury works on are ever-changing. They are informed by the current operating environment and by having an eye to the future. We must and will pay close attention to developments in the Australian and international economies. As a high-level guide, the Treasury's three priorities are:

1. Promoting fiscal sustainability
2. Increasing productivity and workforce participation
3. Securing the benefits of global economic integration

Delivering on these priorities requires a high-performing and flexible organisation.

The Treasury seeks to perform its tasks to the best of its institutional ability, within the resources it has available. We do this by directly employing, or having timely access to, the best possible people. We equip our people and collect and maintain critically-important and timely information, including through engagement with private sector, non-government organisations, academia and other policy-focused institutions. We engage people with specialist skills and continually deploy our resources to the Treasury's highest priority tasks at any point in time.

Under the Portfolio Budget Statements 2014-15, the Treasury outcome is: Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations. The Treasury has five groups which contribute to achieving its outcome:

Macroeconomic Group

Markets Group

Fiscal Group

Revenue Group

Chief Operating Officer Group*

* The Chief Operating Officer Group was established in 2015 and comprises Corporate Strategy and Services and Foreign Investment and Trade Policy Division. For this report, the activities for the Chief Operating Officer Group are reported under Corporate Strategy and Services and under Markets Group for Foreign Investment and Trade Policy Division.

Financial performance

The Treasury received an unqualified audit report on the 2014-15 financial statements from the Australian National Audit Office. These statements can be found in Part 4 on pages 95-196.

Departmental

The Treasury ended 2014-15 with an attributable surplus of $4.6 million, compared to a surplus of $0.3 million in 2013-14. Employee expenses were $10.2 million lower compared to 2013-14, primarily reflecting lower staffing levels. Supplier expenses increased by $12.1 million, mainly as a result of an increase in the number of secondees from a range of government agencies ($2.0 million of which was received free of charge) and an increase in contractors for various information communication technology projects. The Treasury's net asset position increased by $1.3 million in 2014-15, partially as a result of the reduction in payables.

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

Administered

The Treasury incurred $83.8 billion in administered expenses in 2014-15 compared to $93.8 billion in 2013-14. The difference reflects the one-off grant of $8.8 billion in 2013-14 to the Reserve Bank of Australia (RBA) to strengthen its financial position to the level considered appropriate by the RBA board.

The Treasury's administered net assets increased by $7.6 billion in 2014-15, driven by an increase in the value of the Treasury's investments in Australian Government Entities.

Figure 1: Treasury senior management structure (as at 30 June 2015)

SECRETARY: JOHN FRASER

Chief Operating Officer Group

Chief Operating Officer: John Lonsdale

Business Services Division – Chief Information Officer: Peter Alexander
Financial and Parliamentary Division – Chief Finance Officer: Matthew King
Organisational Strategy — People and Communications Division – Division Head: Emma Greenwood
Foreign Investment and Trade Policy Division* – Division Head: Rob Donelly

*The Foreign Investment and Trade Policy Division's deliverables are reported within Markets Group consistent with the Portfolio Budget Statements.

Markets Group

Deputy Secretary: Michael Willcock a/g

Australian Government Actuary – Manager: Peter Martin
Deregulation Division – Division Head: Paul McCullough
Financial System and Services Division – Division Head: Meghan Quinn
Small Business, Competition and Consumer Division – Division Head: Patrick Boneham a/g
Takeovers Panel – Director: Allan Bulman

Revenue Group

Deputy Secretary: Rob Heferen

Board of Taxation Secretariat – Secretary: Matthew Brine
Corporate and International Tax Division – Division Head: Luise McCulloch
Law Design Practice - Division Head: Tom Reid
Personal and Retirement Income Division – Division Head: Paul Tilley
Small Business Tax Division – Division Head: Russell Campbell
Tax Analysis Division – Division Head: Steve French
Tax White Paper Task Force – Division Head: Roger Brake

Fiscal Group

Deputy Secretary: Nigel Ray

Budget Policy Division – Division Head: Matthew Flavel
Commonwealth-State Relations – Division Head: Sam Reinhardt
Industries and Infrastructure Division – Division Head: Damien White
Social Policy Division – Division Head: Leesa Croke

Macroeconomic Group

Deputy Secretary (Domestic): Jenny Wilkinson a/g
Deputy Secretary (International): HK Yu a/g

International Policy and Engagement Division – Division Head: Kerstin Wijeyewardene
Macroeconomic Conditions Division – Division Head: Christine Barron
Macroeconomic Modelling and Policy Division – Division Head: Simon Duggan

Overseas Operations

Washington: Hector Thompson
Beijing: David Woods
Jakarta: Shaun Anthony & Natalie Horvat
Honiara: Colin Johnson
Port Moresby: Bruce Reid
OECD (Paris): Sue Vroombout
London: James Kelly
Tokyo: Kate Phipps
New Delhi: Hamish McDonald

Figure 2: Treasury outcome and program structure (as at 30 June 2015)

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	Macroeconomic Conditions Division Macroeconomic Modelling and Policy Division International Policy and Engagement Division G20 Policy Division G20 Operations and Logistics Division Overseas Deployments Overseas Posts
Fiscal Group	Budget Policy Division Commonwealth-State Relations Division Industries and Infrastructure Division Social Policy Division
Revenue Group	Board of Taxation Secretariat Tax Analysis Division Small Business Tax Division Corporate and International Tax Division Law Design Practice Personal and Retirement Income Division Tax White Paper Task Force
Markets Group	Australian Government Actuary Deregulation Division Small Business, Competition and Consumer Policy Division Financial System and Services Division Takeovers Panel Competition Policy Review Secretariat Financial System Inquiry
Chief Operating Officer Group	Financial and Parliamentary Division Business Services Division Organisational Strategy - People and Communications Division Foreign Investment and Trade Policy Division* *The Foreign Investment and Trade Policy Division's deliverables are reported within Markets Group consistent with the Portfolio Budget Statements.

Program 1.2: Payments to International Financial Institutions

Macroeconomic Group: International Policy and Engagement Division

Program 1.3: Support for markets and business

Markets Group: Financial System and Services Division

Program 1.4: General revenue assistance

Fiscal Group: Commonwealth-State Relations Division

Program 1.5: Assistance to the states for healthcare services

Fiscal Group: Commonwealth-State Relations Division

Program 1.6: Assistance to the states for skills and workforce development

Fiscal Group: Commonwealth-State Relations Division

Program 1.7: Assistance to the states for disability services

Fiscal Group: Commonwealth-State Relations Division

Program 1.8: Assistance to the states for affordable housing

Fiscal Group: Commonwealth-State Relations Division

Program 1.9: National partnership payments to the states

Fiscal Group: Commonwealth-State Relations Division

The Treasury's program structure differs from the PBS 2014-15 because from January 2014 the National Schools Specific Purpose Payment was replaced by Students First funding which is provided for under the *Australia Education Act 2013* and reported in the Education portfolio.

Figure 3: Treasury portfolio outcome and program structure (as at 30 June 2015)

Portfolio Minister — Treasurer The Hon Joe Hockey MP Minister for Small Business The Hon Bruce Billson MP Assistant Treasurer The Hon Josh Frydenberg MP Parliamentary Secretary to the Treasurer The Hon Kelly O'Dwyer MP
Department of the Treasury Secretary: Mr John Fraser 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 Program 1.2: Payments to International Financial Institutions Program 1.3: Support for markets and business Program 1.4: General revenue assistance Program 1.5: Assistance to the states for healthcare services Program 1.6: Assistance to the states for skills and workforce development Program 1.7: Assistance to the states for disability services Program 1.8: Assistance to the states for affordable housing Program 1.9: National partnership payments to the states
Australian Bureau of Statistics Statistician: Mr David W. Kalisch Outcome 1: Informed decisions, research and discussion within governments and the community by leading the collection, analysis and provision of high-quality, objective and relevant statistical information Program 1.1: Australian Bureau of Statistics
Australian Competition and Consumer Commission Chairman: Mr Rod Sims Outcome 1: Lawful competition, consumer protection, and regulated national infrastructure markets and services through regulation, including enforcement, education, price monitoring and determining the terms of access to infrastructure services Program 1.1: Australian Competition and Consumer Commission Program 1.2: Australian Energy Regulator
Australian Office of Financial Management Chief Executive Officer: Mr Robert Nicholl Outcome 1: The advancement of macroeconomic growth and stability, and the effective operation of financial markets, through issuing debt, investing in financial assets and managing debt, investments and cash for the Australian Government Program 1.1: Australian Office of Financial Management
Australian Prudential Regulation Authority Chairman: Mr Wayne Byres Outcome 1: Enhanced public confidence in Australia's financial institutions through a framework of prudential regulation that balances financial safety and efficiency, competition, contestability and competitive neutrality Program 1.1: Australian Prudential Regulation Authority

Australian Securities and Investments Commission Chairman: Mr Greg Medcraft Outcome 1: Improved confidence in Australia's financial markets through promoting informed investors and financial consumers, facilitating fair and efficient markets and delivering efficient registry systems Program 1.1: Australian Securities and Investments Commission Program 1.2: Banking Act 1959, Life Insurance Act 1995, unclaimed monies and special accounts
Australian Taxation Office Commissioner: Mr Chris Jordan AO Outcome 1: Confidence in the administration of aspects of Australia's taxation and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law 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: Australian Charities and Not-for-profit Commission Program 1.6: Australian Screen Production Incentive Program 1.7: Cleaner Fuels Grant Scheme Program 1.8: Conservation Tillage Refundable Tax Offset Program 1.9: Exploration Development Incentive Program 1.10: Fuel Tax Credits Scheme Program 1.11: National Rental Affordability Scheme Program 1.12: Product Stewardship for Oil Program Program 1.13: Research and Development Tax Incentive Program 1.14: Seafarer Tax Offset Program 1.15: Baby Bonus Program 1.16: Education Tax Refund Program 1.17: First Home Saver Accounts Program 1.18: Low Income Superannuation Contribution Program 1.19: Private Health Insurance Rebate Program 1.20: Superannuation Co-contribution Scheme Program 1.21: Superannuation Guarantee Scheme Program 1.22: Targeted assistance through the taxation system Program 1.23: Interest on Overpayments and Early Payments of Tax Program 1.24: Bad and Doubtful Debts and Remissions
Clean Energy Finance Corporation Chair: Ms Jillian Broadbent AO Outcome 1: Facilitate increased flows of finance into Australia's clean energy sector applying commercial rigour to investing in renewable energy, low-emissions and energy efficiency technologies, building industry capacity, and disseminating information to industry stakeholders Program 1.1: Clean Energy Finance Corporation
Commonwealth Grants Commission Secretary: Mr John Spasojevic Outcome 1: Informed government decisions on fiscal equalisation between the states and territories through advice and recommendations on the distribution of GST revenue and health care grants Program 1.1: Commonwealth Grants Commission
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: Kris Peach 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 Peter Harris Outcome 1: Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective 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 products Program 1.1: Royal Australian Mint

PART 2

Report on Performance

THE CHALLENGE OF CHANGE

Every five years, the *Charter of Budget Honesty Act 1998* requires the Australian Government produce an intergenerational report – a 40-year outlook that assesses the demographic and economic trends shaping the nation.

The 2015 Intergenerational Report (IGR) was prepared by the Treasury and drew on the expertise of a range of external organisations – including government agencies, the Productivity Commission, the Business Council of Australia, the Age Discrimination Commissioner and the Grattan Institute.

The 145-page report projects the size of the population, life expectancy and public spending. The purpose is to take the national debate beyond the short-term election cycle and examine the long-term sustainability of government policies with a growing and ageing population.

In response to a government decision, Treasury developed a staged community engagement campaign about the IGR. Treasury-commissioned market research revealed community attitudes about economic issues and how they are discussed. Participants from across Australia, consistently expressed the desire to be better informed and feel better equipped to join the debate.

The IGR was the obvious vehicle to take the discussion to Australians through a multi-media campaign. Dr Karl Kruszelnicki's broad appeal and trademark communication style helped explain the IGR's headline issues in a straight-forward manner and in a way Australians could engage with.

The campaign was unlike traditional government education and information campaigns that advise changes to programs or policies. It was designed to stimulate conversation; it asked Australians to participate in a debate on economic issues. The campaign used simple language, supported by smart graphics, delivered by Dr Karl as a Ted-talk, via multiple channels.

An easy to navigate, mobile-responsive website challengeofchange.gov.au presented the report in comprehensible bites and video grabs, with a simple call-to-action to consider, supported by testimonials from well-known Australians.

The campaign included television, radio, print, digital, out-of-home and cinema advertising, plus in-language translations.

At 30 June, following two phases of the campaign, the 2015 IGR had been viewed over 140,000 times, with over 542,000 page views, and over 6,446,200 video views across the website, Facebook and YouTube.

A full evaluation will be undertaken at the conclusion of the campaign.

Introduction

The report on performance covers the Treasury's departmental and administered items for 2014-15.

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 1.9 relate to administered items.

The Treasury's 2014-15 performance is reported at the program level for its policy outcome:

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

Performance outcomes for each program are reported against the objectives, deliverables and key performance indicators published in the *Treasury Portfolio Budget Statements 2014-15* and the *Treasury Portfolio Additional Estimates Statements 2014-15*.

The key strategies for 2014-15 were to provide advice on:

- macroeconomic policy, based on careful monitoring and analysis of economic conditions in Australia and overseas;
- fiscal strategy, budget priorities and measures, debt and balance sheet management, as well as a budget coordination role;
- Commonwealth-State financial policy, industry, environment, defence, and social and income support policy;
- policies that promote well regulated, competitive and efficient infrastructure;
- 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;
- policy settings to support the efficient operation of the Australian small business sector;
- policies that help to improve Australia's productivity by reducing the regulatory burden imposed on businesses, individuals and the community;
- 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 the international and regional economic architecture; and
- administration of a range of payments to the states and territories under Programs 1.2 to 1.9.

An assessment of this advice is included under each program.

Program 1.1
Department of the Treasury

Program objective

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.

Ensure well-functioning markets by providing advice on policies to promote competitive, efficient markets that enhance consumer and investor wellbeing, a secure and competitive financial system and sound corporate practices, a reduced regulatory burden on businesses, individuals and the community, and foreign investment consistent with Australia's national interest and an efficient small business sector.

Program key performance indicators

Advice that meets the Government's needs in administering its responsibilities and making and implementing decisions. Advice is timely, of a high quality, and based on an objective and thorough understanding of issues and a whole-of-government perspective. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through feedback mechanisms.

Budget, Mid-Year Economic and Fiscal Outlook (MYEFO) and Final Budget Outcome documents that are timely, high-quality, accurate and transparent and meet the expectations of the Government, the Parliament and the public. The budget preparation and coordination process is subject to an annual evaluation.

Published reports and other information that stimulate and inform government and public debate through robust analysis, modelling and research. Publications are timely, of high quality and widely available to the public.

Legislation progressed by the Treasury is in accordance with the principles of good law design and is delivered according to government priorities.

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

Fiscal Group

Overview

The Fiscal Group aims to ensure government spending arrangements are effective and that key social and economic reforms are supported. This is crucial to strong, sustainable economic growth and the wellbeing of Australians. The Treasury's advice to portfolio ministers helps to formulate, implement and explain government spending decisions.

The 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 ongoing management of the Intergovernmental Agreement on Federal Financial Relations (the Intergovernmental Agreement);
- policy development in infrastructure, industry, regional, environment, communication, defence and national security policy; and
- policy development in social and income support policy, including health, the labour market, education, disability, family payments, Indigenous welfare and immigration.

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

The Fiscal Group coordinates the Commonwealth Budget preparations and the documents required under the Charter, and administers National Specific Purpose Payments (National SPPs), National Health Reform payments, National Partnership payments, goods and services tax (GST) payments and other general revenue assistance to the states. Details of these payments can be found in Programs 1.4 to 1.9.

Group deliverables

Advice on:

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

Group outcomes

- Advised on the fiscal outlook and assisted in the implementation of the Government's fiscal strategy.
- Reported progress against the Government's medium-term fiscal strategy and budget repair strategy, first published in the 2014-15 Budget (May 2014), as required by the Charter, and advised on budget priorities consistent with these strategies.
- Prepared, with the Department of Finance, the Final Budget Outcome 2013-14 (September 2014), the Mid-Year Economic and Fiscal Outlook (MYEFO) 2014-15 (December 2014), and the 2015-16 Budget (May 2015).
- Prepared the 2015 Intergenerational Report (March 2015).
- Advised, in consultation with the Australian Office of Financial Management (AOFM), on debt issuance and debt policy issues.
- Advised on issues related to the Parliamentary Budget Office (PBO).
- Advised on operational and policy issues related to the Future Fund, Medical Research Future Fund, and other Government investment funds.
- Advised on and implemented the Asset Recycling Initiative (including advising on the Asset Recycling Fund) and advised on establishing the Northern Australia Infrastructure Facility.
- Advised on industry and regional policy responses to continued structural change, environment and agricultural policy, communications, energy and resources policy and on defence and national security matters.
- Advised on the Clean Energy Finance Corporation.
- Provided secretariat support to the Joint Commonwealth and Tasmanian Economic Council.
- Developed and implemented the policy agenda and performed secretariat functions for the Council on Federal Financial Relations, the Australian Loan Council and Heads of Treasuries.
- Advised on the framework for federal financial relations, including the development of new National Partnerships and other agreements.
- Made payments to the states totalling more than $103.4 billion including National Health Reform funding, National SPPs (in skills and workforce development, disability services and affordable housing), GST payments and other general revenue assistance, and National Partnership payments.
- Advised on developing and implementing the National Disability Insurance Scheme and the National Injury Insurance Scheme.
- Advised on key social and economic policies in education, employment, immigration, families, health, ageing, disability and Indigenous issues.
- Continued to participate in the Centre for Market Design in collaboration with the Victorian Department of Treasury and Finance and the University of Melbourne.

Analysis of performance

The Treasury provided advice to the Treasurer and other portfolio ministers on the Australian Government's budget position over the forward estimates and the medium term, to inform overall policy settings and to provide context for the Government's decision-making. The fiscal outlook was updated in the 2014-15 MYEFO and the 2015-16 Budget.

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

The Treasurer and the Minister for Finance released the 2014-15 MYEFO in December 2014 which updated the fiscal estimates published in the 2014-15 Budget (May 2014).

The 2015-16 Budget, published in May 2015, projected a return to surplus in 2019-20. By the end of the medium term (2025-26), the underlying cash balance is projected to have remained in a modest surplus position for six consecutive years, taking into account future tax relief.

The Treasury helped the Government implement its medium-term fiscal and budget repair strategies by managing budget processes and advising on the overall budget strategy and priorities. In particular, the Treasury advised the Government on its fiscal strategy to return the budget to surplus over the medium term, while managing the effects of a rapid fall in the iron ore price and weaker than expected wage growth over the short term.

Contribution to public debate and awareness

The Government's budget website at **www.budget.gov.au** received around 404,000 unique visitors and more than 2.1 million page views from 12 May to 30 June 2015.

The Treasury and the Department of Finance jointly prepared the Government's budget documentation, including accessible summaries of key budget decisions. In 2014-15 these included the Budget Overview and booklets on support for families, national security and defence, jobs and small business, and the tax and benefits systems.

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

- the principal budget aggregates and the Government's fiscal strategy and objectives;
- medium-term projections (the 10 years following the budget year) of the Government's budget position;
- economic assumptions underpinning the budget estimates;
- the level of current and projected debt on issue;
- tax revenue estimates;
- tax expenditure estimates; and
- 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 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 2013-14 was published in September 2014. In 2013-14, the Australian Government general government sector recorded an underlying cash deficit of $48.5 billion (3.1 per cent of gross domestic product (GDP)). The fiscal balance was in deficit by $43.7 billion (2.8 per cent of GDP).

In cash terms, the Final Budget Outcome for 2013-14 was a $1.4 billion improvement compared with the underlying cash deficit estimated at the time of the 2014-15 Budget. Total receipts were $3.2 billion lower than expected, more than offset by total payments which were $4.2 billion lower than expected. Net Future Fund earnings were $341 million lower than estimated at the time of the 2014-15 Budget.

Information on the Government's financial relations with state and local governments is detailed in the 2014-15 Budget, Budget Paper No. 3, Federal Financial Relations. This paper, produced by the Treasury, is the main public source of information on Australian Government payments to the states and informs the states of their expected payments in the upcoming financial year. In addition, Budget Paper No. 3 includes information on fiscal developments in the states, and advice on policies relating to Commonwealth-State financial relations.

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

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

2015 Intergenerational Report (IGR)

The Charter requires the Treasurer to release an intergenerational report every five years. This report assesses the long-term sustainability of current Government policies over the 40 years following their release, taking into account the financial implications of demographic change. The report raises public awareness of the long-term fiscal, economic and demographic challenges that Australia could face, in particular those arising from an ageing population, and encourages public debate of these issues.

Intergenerational reports are prepared with input across Treasury. The 2015 Intergenerational Report, Australia in 2055, was released by the Treasurer on 5 March. Previous reports were released in 2002, 2007 and 2010. The 2015 Intergenerational Report is at **www.treasury.gov.au/PublicationsAndMedia/Publications/2015/2015-Intergenerational-Report.**

Debt management policy

In consultation with the AOFM, Treasury provided advice on debt issuance and debt policy issues. This included advice on issues affecting the Government's debt management operations such as the performance, governance and functioning of the Commonwealth debt market. Specific details of the Government's debt issuance program are at **www.aofm.gov.au**.

Future Fund

Treasury provided policy advice to portfolio ministers on operational issues relating to the Future Fund, including the new Investment Mandate. Further information regarding the performance of the Future Fund is at **www.futurefund.gov.au**.

Australia's Federal Financial Relations

GST and other general revenue assistance

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

The ATO and the Department of Immigration and Border Protection (formerly 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 manages the payments made to the states and territories and ensures they are administered accurately.

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

Details on general revenue assistance are provided under Program 1.4.

Payments for specific purposes (National SPPs, National Health Reform and National Partnerships)

The Commonwealth supports the states and territories in key service delivery sectors through the three National SPPs. These provide funding which the states and territories are required to spend in the relevant sectors — skills and workforce development, disability services and affordable housing.

The Commonwealth also provides National Health Reform funding to support the states and territories to deliver healthcare services. This funding is linked to the level of services delivered by public hospitals.

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

Details on National SPPs, National Health Reform, and National Partnerships are provided under Programs 1.5 to 1.9.

Council on Federal Financial Relations

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

The Council held two meetings during 2014-15. Treasurers focused on monitoring the national and state and territory economies, overseeing the operation of the GST (including consideration of the Commonwealth Grants Commission's Report on GST Revenue Sharing Relativities 2015 Review), discussing infrastructure investment and establishing a national register on foreign ownership. Treasurers progressed the National Injury Insurance Scheme, and commenced discussions on housing supply in Australia and potential taxation and federation reforms in the context of the Commonwealth's White Paper processes.

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

Australian Loan Council

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

GST Administration Subcommittee

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

Infrastructure, industry, agriculture and environment, communications, energy and resources, defence and national security

Infrastructure

The Treasury provided advice on a broad range of transport infrastructure policy issues, including in the areas of road and rail, aviation and maritime, and on the funding and financing of projects. The Treasury provided advice on implementing the Government's Infrastructure Growth Package announced in the 2014-15 Budget.

The Asset Recycling Initiative, administered by the Treasury, provides financial incentives to the states and territories to sell assets and reinvest the proceeds into additional productive economic infrastructure. The Treasury worked with states and territories through their development of Asset Recycling Initiative proposals and provided advice on agreements with the Australian Capital Territory and New South Wales to access the Asset Recycling Initiative.

The Treasury advised on establishing the Northern Australia Infrastructure Facility. Treasury was represented on the Infrastructure Australia Council and on the Infrastructure Working Group under the Standing Council on Transport and Infrastructure.

Agriculture and environment

The Treasury provided advice on environment policy, including establishing the Emissions Reduction Fund and the repeal of the carbon tax, and participated in the taskforce responsible for advising the Government on post-2020 emissions reduction.

The Treasury provided advice on agriculture policy, and helped develop certain aspects of the Agricultural Competitiveness White Paper.

Communications policy

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

Energy and resources policy

The Treasury provided advice on energy markets and resources policy. This included advice on energy market reform policies that promote competition, and advice on the Government's Energy White Paper.

Industry and regional policy

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

The Treasury provided advice on developing a stronger, more competitive Tasmanian economy following the establishment of the Joint Commonwealth and Tasmanian Economic Council in April 2014. The Council met three times in 2014-15.

The Treasury provided advice on developing Northern Australia through the Northern Australia White Paper.

Defence and national security policy

The Treasury advised on a range of defence and national security issues, including the 2015 Defence White Paper and Defence Capability Plan projects. The Treasury continued to participate in the Secretaries' Committee on National Security which examines and advises on proposals considered by the National Security Committee of Cabinet.

Treasury participated in interdepartmental processes concerning counter-terrorism, telecommunications security reform, border protection policy and various aspects of domestic security arrangements.

Social, disability, education, Indigenous, labour markets, immigration and health policy

Disability policy

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

The Treasury worked with the states and territories to progress the National Injury Insurance Scheme (NIIS). A consultation Regulation Impact Statement (RIS) for the NIIS for workplace accidents was published on the Treasury website and a Decision RIS is being drafted following consideration of submissions from stakeholders. Commonwealth, state and territory treasury officials have also considered the issues around the medical treatment injury and general accidents streams of the NIIS.

Education policy

The Treasury provided advice on education and skills policy, working with other agencies on higher education reforms, extending the Higher Education Loan Program (HELP) repayment framework to debtors living overseas, reforms to the VET FEE-HELP scheme to ensure the integrity of the training system, and a range of other education and training-related budget initiatives.

Indigenous policy

The Treasury provided advice on closing the gap in Indigenous disadvantage and engaged with the Department of the Prime Minister and Cabinet on reforms to progress the Government's Indigenous affairs priorities to get adults into jobs, children into school and make communities safer.

Labour market programs, participation and workplace relations

The Treasury provided advice on a range of employment and participation issues, including developing the Growing Jobs and Small Business Package announced in the 2015-16 Budget. Treasury worked closely with the Department of Employment to develop a new Employment Services System, a whole-of-government approach and government submissions to the 2015 Annual Wage Review, and to establish the Productivity Commission Inquiry into the Workplace Relations Framework.

Immigration

The Treasury provided advice that linked Australia's immigration policy to labour market needs and prevailing market conditions.

Health and aged care policy

The Treasury provided advice on a range of health and aged care policy issues, with a particular focus on the sustainability of the growth in health expenditure. The Treasury worked closely with the Department of Health and other agencies on the Pharmaceutical Benefits Scheme Access and Sustainability Package, and implementation of the Medical Research Future Fund.

Early childhood

The Treasury provided advice on paid parental leave, child care and early childhood issues, including input on the Government's families package, announced in response to the Productivity Commission Inquiry into Childcare and Early Childhood Learning.

Welfare reform

The Treasury provided advice in relation to the Age Pension, working age payments and family payments, to inform measures announced in the 2015-16 Budget. The Treasury also provided advice on information technology and integrity measures, including the Welfare Payment Infrastructure Transformation program. This involved working closely with the Department of Human Services, the Department of Finance, the Department of Social Services and the Department of Employment.

Natural disasters policy

The Treasury provided advice on natural disaster recovery policy including the Commonwealth's response to natural disasters and the Productivity Commission Report on Natural Disaster Funding Arrangements. This involved working closely with the Attorney-General's Department, the Department of Finance and the Department of the Prime Minister and Cabinet to progress reforms to natural disaster funding arrangements.

Centre for Market Design

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

Further information on the Centre, including the Centre's annual report, is available at www.cmd.org.au.

Macroeconomic Group

Overview

The Macroeconomic Group provided the Government with advice on macroeconomic policy, economic conditions and prospects in Australia and overseas, including assessments of key risks to the outlook as discussed in detail in Budget Paper No.1, Budget Strategy and Outlook 2015-16. The Macroeconomic Group continued to strengthen Australia's global and regional economic engagement, including bilateral and multilateral cooperation with key Asia-Pacific and strategic partners. It also continued to deepen its analysis and advice on developments in regional economies, particularly China. The Group worked extensively on hosting meetings of the G20 Finance Ministers and Central Bank Governors and delivering the G20's ambitious policy agenda during Australia's 2014 G20 Presidency.

Group deliverables

Advice on:

- domestic and international developments affecting the Australian economy and Australian and international economic forecasts;
- medium term drivers of Australia's economic prosperity and policy options to support productivity and workforce participation;
- the setting of macroeconomic policies and modelling of the economic impact of changes to government policy;
- international policy issues, risks and challenges; and
- deepening Australia's bilateral engagement with strategically important partner countries and with global and regional institutions.

Group outcomes

- Advised on macroeconomic policy, domestic and international forecasts.
- Advised on drivers of Australia's prosperity over the medium term and policies to support productivity and workforce participation.
- Delivered economy-wide modelling analysis for the Tax Discussion Paper.
- Provided economic modelling assistance to other areas in the Treasury and other departments and agencies.
- Produced presentations and publications, including economic forecasts and analysis in budget papers and the Treasury's Economic Roundup and Working Paper series to increase public awareness of economic issues.
- Advised on and began processes for Australia's membership of the Asian Infrastructure Investment Bank (AIIB).
- Contributed to a successful Australian G20 Presidency.

- Contributed to broader and deeper engagement with key Asian and Pacific economies through bilateral and regional forums, including the Asia-Pacific Economic Cooperation (APEC) Finance Ministers' Meeting.
- Improved policy outcomes through policy dialogue, cooperation, research and capacity building.

Analysis of performance

The Macroeconomic Group advised Treasury ministers, other members of the Government and relevant stakeholders on a range of macroeconomic issues.

- Economic outlook. Analysed the Australian and international economic outlook, and prepared macroeconomic forecasts.
- Monetary and fiscal policy. Monitored domestic and international economic, financial and policy developments to assess their implications for Australia's macroeconomic policy settings.
- Economic growth, living standards and wellbeing. Analysed drivers of the Australian economy and factors likely to influence medium-term economic performance, particularly productivity.
- International economic developments. Analysed international economic developments and their implications for Australia and key regional partners.

Economic modelling

The Macroeconomic Group's economic modelling contributed to evidence-based policy analysis. The Group provided modelling advice and support on issues including a broad array of government policy matters, economy-wide analysis of major taxes for the Tax White Paper, long-run economic structural change, participation, productivity and macroeconomic analysis and forecasting.

Economic forecasting

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

The Group met and consulted with numerous parties to formulate its advice on the domestic and international economy. Domestic and international forecasters were consulted and government agencies were brought together as part of the Joint Economic Forecasting Group (JEFG) Committee. The JEFG Committee consists of personnel from the Treasury, the Reserve Bank of Australia, the Department of the Prime Minister and Cabinet, the Department of Finance and the Australian Bureau of Statistics.

In preparing the economic forecasts, the Group also consulted business and industry experts through Treasury's Business Liaison Program. The Treasury Business Liaison program was extended in 2014-15 to include more extensive consultations with small businesses and start-up firms, in line with the Government's policy priorities in these areas.

Analysis of the economic outlook contributed to both the Mid-Year Economic and Fiscal Outlook and the 2015-16 Budget.

Consistent with Recommendation 5 of the *2012 Review of Treasury's Forecasting Methodology and Performance*, the Macroeconomic Group put in place changes to improve the accuracy of economic forecasts. As part of this, Statement 7 of Budget Paper No.1 in the 2015-16 Budget included an overview of economic forecasting performance. The statement also included scenario and sensitivity analysis to illustrate the sensitivity of budget aggregates to changes in parameters.

Budget papers, economic publications and speeches

The Macroeconomic Group contributed to public awareness and debate on economic policy issues through its economic analysis which underpinned the 2014-15 Mid-Year Economic and Fiscal Outlook, the 2015 Intergenerational Report and the 2015-16 Budget papers.

The Group produced a number of publications and contributed to speeches for the Treasurer, Secretary and other Treasury officials. The group published two articles in the Treasury Economic Roundup and contributed to the Treasury's Working Papers series, including a paper examining the economy-wide efficiency and incidence of major Australian taxes and another modelling Australia's imports of goods and services. A previous contribution to the Treasury's Working Paper series 'Uncovering the sources of sectoral employment fluctuations' was accepted for publication in the Economic Society of Australia's flagship journal, the Economic Record.

International policy advice

The Macroeconomic Group provided economic analysis and advice on the implications of international developments and associated risks for the Australian economy. The Group also worked towards enhancing international economic cooperation by supporting Australia's participation in global and regional forums, supporting Treasury ministers at international meetings, and helping strengthen bilateral relations with key economic and strategic partners.

Treasury officials posted in Washington DC, London, Beijing, New Delhi, Jakarta, Tokyo and the Organisation for Economic Cooperation and Development (OECD) monitored and reported on key developments and represented Australia in international forums and high level meetings.

Treasury maintained close contact with its constituency offices in the International Monetary Fund (IMF), World Bank Group, Asian Development Bank and the European Bank for Reconstruction and Development and drew on these resources to gain insights into key policy developments.

Treasury provided support to the Department of Foreign Affairs and Trade (DFAT) on the economic aspects of the UN post-2015 development agenda, including the Sustainable Development Goals and Financing for Development conference.

G20

The Macroeconomic Group helped shape the global economic policy agenda through Australia's 2014 G20 Presidency which ran until 30 November 2014. Australia drove an ambitious agenda that focused on achieving practical outcomes including:

- the Brisbane Action Plan which contains comprehensive growth strategies for member countries which, once implemented, are estimated to boost the collective GDP of G20 members by 2.1 per cent by 2018;
- the Global Infrastructure Initiative which will help increase quality infrastructure investment. The Sydney-based Global Infrastructure Hub will be instrumental in driving key components of this work;
- actions to address base erosion profit shifting and cross border tax avoidance to help close loopholes that have emerged due to increasing globalisation and new technologies; and
- financial regulatory reform that will help shore up the resilience of the global financial system.

In 2014, the Macroeconomic Group organised meetings of Finance Ministers and Central Bank Governors, as well as Deputy Finance Ministers and Governors. The Group worked with the G20 Taskforce at the Department of the Prime Minister and Cabinet to support the November Leaders' Summit. The Group boosted bilateral engagement and multilateral outreach, working with stakeholders and engagement groups to inform the Government's G20 agenda.

Following the G20 Leaders' Summit, the Macroeconomic Group established the Global Infrastructure Hub to improve the investment environment of countries by reducing barriers to investment, growing project pipelines, and helping to match projects with investors. This included providing support for the appointment of the Hub Chief Executive Officer and Board of Directors.

During 2015, the Macroeconomic Group has been an active participant in the G20 troika (past, present and future presidencies) and has had a key focus on continued implementation of Australia's 2014 outcomes.

International financial institutions

Through 2014-15, the Macroeconomic Group supported the Government's consideration of Australia's membership of the AIIB. The Treasury represented the Government at an AIIB Workshop on Safeguards in March 2015 and at the Chief Negotiators' Meetings in April and May 2015. The Treasurer signed the AIIB Articles of Agreement in Beijing, China on 29 June 2015.

- The Macroeconomic Group supported the work of the IMF and the World Bank Group — see Part 5 Appendices, Australia and the International Financial Institutions for further information. The Macroeconomic Group also contributed to the work of the European Bank for Reconstruction and Development.

The Macroeconomic Group supported reforms of International Financial Institutions (IFIs), particularly the IMF and the World Bank Group, to ensure that IFIs continued to remain legitimate, credible and effective. The Group also advised the Government on its decision:

- to allocate $25 million to the World Bank Group's Global Infrastructure Facility which facilitates complex infrastructure public-private partnerships in emerging markets and developing economies; and
- to allocate $15 million to the establishment of the ADB's Pacific Project Preparation Facility Partnership which will encourage private sector participation in regional infrastructure.

Official development assistance

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

Asia-Pacific

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

- supported the Treasurer at bilateral and multilateral meetings, including the APEC Finance Ministers' meeting;
- supported China as 2014 APEC host and worked closely with the 2015 APEC host, the Philippines, to build support for the Asia Region Funds Passport and raise awareness of the Global Infrastructure Hub;
- supported and deepened Treasury's engagement with China's Ministry of Finance and National Development and Reform Commission including by signing and renewing Memoranda of Understanding to enhance cooperation and engagement;
- hosted, in conjunction with China's Ministry of Finance, a workshop with G20 representatives from Beijing-based missions to generate ideas for China's G20 Presidency in 2016;
- supported the Assistant Treasurer's participation at the Asian Financial Forum held in Hong Kong;
- hosted and supported the Third Australia-Hong Kong Renminbi Trade and Investment Dialogue in Sydney;
- strengthened economic and financial stability in the region and engagement with Indonesia by supporting the extension of a $1 billion contingent loan facility with the Indonesian Government;
- strengthened engagement with Asia-Pacific partners by attending bilateral dialogues with counterparts from China, India, Korea, Indonesia and Japan;
- helped build capacity by deploying Treasury officials to ministries of finance in the Solomon Islands, Papua New Guinea and Indonesia; and
- undertook further capacity building by part funding and sponsoring an IMF high-level dialogue workshop in Fiji.

Markets Group

Overview

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

In support of this work, the Group progressed a key commitment by the Government to the first comprehensive review of Australia's financial system in more than 15 years. It provided best practice advice on the prudential framework applying to financial markets (including the banking sector, insurers, superannuation funds and capital markets) by monitoring trends both domestically and internationally.

The Group provided advice on a range of foreign investment and trade policy issues, including developing a major reform package to strengthen the foreign investment framework and assisting in the conclusion of the China-Australia Free Trade Agreement. It continued its active role in the Asia Region Funds Passport initiative. In addition, the Group was involved in a range of international forums where it was part of considered and informed debate to enhance the regional and global financial system.

Continuing its lead role advising the Government on whole-of-government policy settings, the Group supported the efficient operation of the Australian small business sector through its work on legislation for a Small Business and Family Enterprise Ombudsman and its support to the Australian Small Business Commissioner.

The wellbeing of the Australian consumer and small business were the focus of a body of nationally coordinated work on competition policy and legislation. This included progressing the Government's key election commitment to conduct the first comprehensive review of Australia's competition framework in more than 20 years.

The Treasury continued its commitment to a deregulation agenda, and focused on eliminating regulation that imposed unwarranted burdens on business, individuals and the community. The Treasury drove deregulation activity and managed the Treasury portfolio's contribution to red tape reduction.

Group deliverables

Advice on:

- policies to support an efficient and resilient financial system including the banking, financial markets, insurance, superannuation and financial services sectors, consistent with financial stability, public confidence and the fair treatment of users;
- policies, coordination and capacity building to support the implementation of the Government's deregulation agenda;
- policy initiatives that support and contribute to a sustainable small business sector, incorporating a whole-of-government approach to small business issues;

- competition and consumer policy issues, including in Part II and Part IV of the *Competition and Consumer Act 2010;*
- foreign investment issues, including whether individual proposals are contrary to Australia's national interest, and advice on policies to support the foreign investment framework and representing Australia's interests on investment, competition and financial service issues in free trade agreements and other international forums; and
- actuarial matters through the Australian Government Actuary which provides actuarial services to the Government, the Treasury and other agencies.

Group outcomes

- Coordinated the Government's consultation on the recommendations of the Financial System Inquiry.
- Developed a package of reforms to strengthen the foreign investment framework.
- Provided advice on several large foreign investment proposals.
- Provided advice to Government on competition policy and in response to the Competition Policy Review.
- Developed and introduced the new Franchising Code of Conduct and the Food and Grocery Code of Conduct.
- Progressed implementation of the Government's deregulation agenda, particularly by reducing red tape and implementing the Regulator Performance Framework.
- Progressed the Government's small business sector election commitments including establishing the Australian Small Business and Family Enterprise Ombudsman, extending the consumer unfair contract term protections to small businesses, and implementing the Government's deregulation and competition reform agendas.
- Continued to maintain and enhance a national consumer law by engaging with the ACCC and states and territories, and progressed the first review of the Australian Consumer Law.
- Maintained successful operations of the Australian Government Actuary.
- Delivered the Government's commitments to: improve unclaimed banking moneys arrangements; establish an enhanced public register of financial advisers; improve the regulation of financial advice; improve professional standards in the financial advice industry; deepen the corporate bond market; expand crowd-source equity funding; and streamline the prudential regulation of private health insurance.

Analysis of performance

Developing and managing legislation

The Treasury managed and coordinated the Government's legislative program for its financial system and services, corporations, competition and consumer, and deregulatory measures, ensuring that legislation was drafted in accordance with the Government's priorities.

The Markets Group, in collaboration with the Office of Parliamentary Counsel, developed nine measures that were introduced into Parliament in 14 Bills. Three of these nine measures implemented the Government's election commitments.

The Group also developed 21 measures that were implemented by way of 19 regulations.

Financial system and services

Financial System Inquiry

The Treasury coordinated the Government's consultation on the recommendations of the Financial System Inquiry (the Inquiry) following the release of the final report in December 2014. The consultation included wide-ranging bilateral meetings and industry roundtables, and consideration of more than 180 submissions received in response to the release of the Inquiry's recommendations. The Treasury provided ongoing advice to the Government as it considered its response to the Inquiry's recommendations.

Unclaimed moneys

In the 2015-16 Budget, the Government announced a number of changes to the unclaimed moneys provisions. These included: extending the required period of inactivity before funds can be declared to be unclaimed to seven years; exempting children's accounts and foreign currency accounts from the provisions; and tightening privacy protections for account holders. These changes reflected the proposals outlined in, and the submissions received on, the discussion paper on the unclaimed moneys provisions released by the Treasury in May 2014.

Following the 2015-16 Budget, the Treasury assisted the Government to finalise legislative amendments to the unclaimed moneys provisions in the *Banking Act 1959* and the *Life Insurance Act 1995*. In May 2015 the Treasury consulted publicly on these draft amendments.

Public register of financial advisers

In July 2014 the Government announced that it would work with all relevant stakeholders to establish an enhanced public register of financial advisers to provide consumers with access to information about each adviser's credentials and status in the industry. The Treasury provided advice on establishing the register, informed by recommendations from an expert industry working group convened by the Government.

The Corporations Amendment (Register of Relevant Providers) Regulation 2014, which commenced on 17 February 2015, established the register which was launched on 31 March 2015. The register is maintained by ASIC and is available to search on ASIC's *MoneySmart* website.

The register enables investors, employers and ASIC to verify the credentials of financial advisers and to be confident that they are appropriately qualified and experienced. By improving transparency, the register forms an important part of broader reforms aimed at improving professionalism in the financial advice industry.

Improve the operation of financial advice regulation

The Treasury adjusted the Future of Financial Advice laws to give effect to the Government's election commitments. While Parliament disallowed the implementing Regulation on 19 November 2014, the Treasury prepared revised Regulations to introduce a range of measures which had parliamentary support.

Increased professionalism of the financial advice industry

The Treasury provided advice on lifting professional standards in the financial advice industry and coordinated the Government's consultation. This included support to an expert industry working group that informed the Government on policy options. A Government consultation paper was released in March 2015 to seek comments on aspects of the model recommended by the Parliamentary Joint Committee on Corporations and Financial Services to increase the professional, ethical and education standards of financial advisers.

The Treasury will continue to provide advice to Government during 2015-16 on ways to implement measures that lift professional standards in the financial advice industry.

Retail corporate bonds

The Treasury continued to deliver the Government's commitment to deepen the corporate bond market by streamlining disclosure requirements on issuers of simple corporate bonds into the retail market. The *Corporations Amendment (Simple Corporate Bonds and Other Measures) Act 2014* was passed by the Parliament and the Corporations Amendment (Simple Corporate Bonds and Other Measures) Regulation 2014 was made into law. The Treasury progressed legislative reform to enable retail customers to access simple corporate bonds issued in the wholesale market.

Crowd-sourced equity funding

The Government has committed to introduce a regulatory framework to facilitate crowd-sourced equity funding (CSEF) in Australia. The Treasury provided advice and coordinated the Government's consultation, with a formal consultation paper released in December 2014. The consultation process included two industry roundtables, bilateral meetings and 41 written submissions. The Treasury, working closely with ASIC, is developing legislation to implement the Government's CSEF framework for public companies.

The Treasury provided advice to support the Government's consideration of whether to extend the CSEF framework to proprietary companies. In 2015-16, the Treasury will support a government consultation process, including the release of a consultation paper examining the regulatory framework for proprietary companies.

Private Health Insurance Administration Council

As part of the Smaller Government initiative announced in the 2014-15 Budget, the Private Health Insurance Administration Council (PHIAC) ceased as a separate body on 1 July 2015 and its prudential supervisory functions were transferred to the Australian Prudential Regulation Authority (APRA). The Treasury led the development, consultation and implementation of the legislation which gave effect to this change, working closely with APRA, the Department of Health, the Department of Finance and PHIAC. The five Acts that gave effect to the transfer received Royal Assent on 26 June 2015.

Review of the Terrorism Insurance Act 2003 and the Australian Reinsurance Pool Corporation

The *Terrorism Insurance Act 2003* requires that, at least once every three years, the Minister review the need for the Act to continue in operation. The Treasury engaged advisory firm Pottinger to provide advice on the operation of the Act and the Australian Reinsurance Pool Corporation, the statutory corporation established by the Act. The Treasury engaged Finity Consulting to provide actuarial analysis on aspects of the scope of the terrorism insurance scheme. The Treasury used both pieces of analysis to help the Minister prepare the 2015 Review of the Act. Industry was consulted on the draft report of the Review and their feedback is being taken into account in preparing the final report.

Northern Australia insurance affordability

In October 2014, the Government announced its intention to address insurance affordability in North Queensland. The Treasury worked with ASIC to develop an insurance website to help North Queensland residents compare home insurance policies and indicative premiums. The site was launched in March 2015. The Treasury is working with the Queensland Government to develop an engineering assessment program for strata properties in North Queensland to improve the information available on a building's susceptibility to weather damage and ways to make properties more resilient.

The Treasury advised and assisted the Government to establish a Northern Australia Insurance Premiums Taskforce. The Taskforce, announced in March 2015, is exploring the feasibility of options that use the Commonwealth's balance sheet to reduce home, contents and strata insurance premiums in those regions of Northern Australia affected by insurance affordability due to cyclone risk.

The Taskforce will provide an interim report with policy options for consultation ahead of a final report to the Government by November 2015.

Superannuation election commitments

The Treasury consulted with a range of stakeholders to better understand the compliance concerns of superannuation funds. This helped develop reform options for the Government's consideration to improve competition, governance and transparency in the superannuation system.

In June 2015, the Government commenced public consultations on an exposure draft Bill to improve superannuation governance. The Bill proposes that all APRA-regulated superannuation funds have a minimum of one third independent directors on their trustee board and an independent chair. This change would not apply to self-managed superannuation funds. In addition, and consistent with the rules that apply to ASX listed companies, trustees of APRA-regulated superannuation funds would be required to report on whether they have a majority of independent directors on an 'if not, why not' basis in their annual report.

Over-the-counter derivatives

Significant progress has been made implementing reforms to over-the-counter (OTC) derivatives markets. Following the release in February and July 2014 of two proposal papers, the Government in December 2014 announced an in-principle decision to proceed with mandating central clearing of interest rate derivatives denominated in Australian dollars and four global currencies. Draft regulations implementing this decision were released for final consultation in May 2015. The Government's objective is to support Australian banks and businesses active in overseas markets by helping them secure relief from foreign regulations that impose duplication and unnecessary burdens.

The Government is also consulting on draft regulations providing single-sided reporting relief to smaller entities with low volumes of OTC derivatives transactions, subject to the required information being reported by the counterparty to the transaction.

Opening up access to the credit card regime

In October 2014, the Government announced that the credit card regimes (i.e. MasterCard and Visa) would be opened up to entities that were not authorised deposit-taking institutions (ADIs). Previously, only ADIs were able to become a credit card issuer or acquirer.

This reform began on 1 January 2015 through the Banking Amendment (Credit Card) Regulation 2014 which introduced changes to the credit card system access regimes by the RBA, and the Bulk Electronic Clearing System regulations by the Australian Payments Clearing Association (APCA). The Treasury, RBA and APCA consulted on these changes with interested stakeholders.

Further to these credit card reforms, the Treasury continued to work with the Payment System Board on broader payment system policy issues. On 4 March 2015, the Payment System Board released the Issues Paper for its Review of Card Payments Regulation and invited submissions to be made by 24 April 2015. The Issues Paper addressed, among other things, the recommendations of the Financial System Inquiry concerning interchange fees and customer surcharging in the card payment system.

Competition in clearing of Australian cash equities

During 2014-15 the Council of Financial Regulators (CFR) with the assistance of the ACCC conducted the *Review of Competition in Clearing Australian Cash Equities*. This followed a review conducted in 2012 that led to the Government deferring consideration of competition for two years and the ASX implementing a Code of Practice to address stakeholder concerns.

In February 2015, the Government announced the commencement of the latest review and the CFR released its consultation paper which canvassed a range of policy approaches from competition to monopoly. The CFR invited stakeholders to meet with representatives of the CFR and to make a submission.

Financial sector crisis management

The Treasury worked with Australia's financial regulators to ensure the adequacy of arrangements for crisis management and resolution across prudentially-regulated entities and the financial market infrastructure. This included assessing the consistency of domestic regulatory arrangements with new and emerging international standards. The Treasury continued to work with the Council of Financial Regulators and liaised with other government agencies to monitor developments in the global and domestic financial markets, and provided policy advice. As part of this work, Australian authorities engaged with their New Zealand counterparts under the framework of the Trans-Tasman Council on Banking Supervision.

Securitisation market

In May 2015, the Treasurer issued the Australian Office of Financial Management (AOFM) with a direction to divest the Government's portfolio of residential mortgage-backed securities through a regular competitive process. The Treasury, working closely with the AOFM, advised the Government on the timing and method of divestment, and on prevailing conditions in the securitisation market.

Emission Reduction Fund

In January and February 2015, the Treasury consulted on amendments to the Corporations Regulations 2001 to ensure the regulatory burden on participants in the Emissions Reduction Fund remained appropriate.

In March 2015, the Government made the Corporations Amendment (Emissions Reduction Fund Participants) Regulation 2015. The regulation exempted contracts that participants entered into with the Clean Energy Regulator for delivering carbon credits from the financial services laws, because an alternative integrity framework already applied. The Government is monitoring participation in the Fund's auctions as it continues to consider further reforms.

Insurance disclosure

In April 2015, amendments were made to the Insurance Contracts Regulations 1985 to prescribe new notices in relation to the duty of disclosure requirements. These new notices will reduce compliance costs for industry and help consumers understand their obligations in relation to disclosing information to their insurer, or when renewing their policies. These notices will provide a timely opportunity for consumers to evaluate their insurance and its level of coverage.

Financial Sector (Shareholdings) Act 1998

The Treasury provided advice and support to the Government in its role in considering the national interest when a person seeks to hold a shareholding stake of 15 per cent or more in a financial sector company. The Treasury liaised closely with APRA when forming its advice.

Amendments were made to the Act as part of the Government's deregulation reforms to reduce the compliance burden when applicants apply for a change in shareholding.

Corporations regulations reforms

The *Corporations Legislation Amendment (Deregulatory and Other Measures) Act 2015* was passed by Parliament and took effect in March 2015. This legislation reduces compliance costs for business under the *Corporations Act 2001* by removing the obligation on companies to hold a general meeting when requested by a group of 100 shareholders (the '100 member rule') and improving the disclosure of executive remuneration. The legislation also amends the *Australian Securities and Investments Commission Act 2001* to enhance the efficient operation of certain government bodies.

The Treasury implemented the Government's 2014-15 Budget announcement regarding the future of the Corporations and Markets Advisory Committee (CAMAC). In December 2014, the Australian Securities and Investments Commission Amendment (Corporations and Markets Advisory Committee Abolition) Bill 2014 was introduced into Parliament. The Bill repeals Part 9 of the *Australian Securities and Investments Commission Act 2001* which provides for the establishment, functions and operation of CAMAC.

The Treasury supported the Government's scoping study into future ownership options for the registry function of ASIC.

The Treasury provided advice and support to the Government in releasing the Insolvency Law Reform Bill for exposure draft consultation, and continues to advise the Government on the operation of the legal frameworks applying to corporate insolvency, the obligation of directors and the preparation and content of financial reporting obligations.

Deregulation

Red tape reduction

The Treasury is continuing to make strong progress to reduce the red tape imposed on businesses, community organisations and individuals. Since the 2013 election, the Treasury portfolio has contributed to more than $570 million in red tape savings (at 31 December 2014). These savings are helping the Government deliver its commitment to reduce red tape by $1 billion each year.

A stocktake of existing red tape was completed in late 2014, revealing a total compliance burden in the Treasury portfolio of $47 billion, with ATO regulations alone responsible for $40 billion. This represents the majority of the $65 billion in compliance costs identified across the Commonwealth. The stocktake will help prioritise future areas of reform.

Regulator Performance Framework

The Treasury guided the implementation of the Regulator Performance Framework by nine portfolio regulators. Regulators developed performance metrics in consultation with key stakeholders ahead of the commencement of the Framework on 1 July 2015. The Framework applies to regulators across the Commonwealth and will minimise the burden created in administering regulation. Regulators will self-assess their performance against the metrics in each year from 2015-16 onwards and the Treasury will continue to engage with regulators and stakeholders throughout this process.

International liaison

Financial Stability Board

The Treasury participates in the plenary meetings of the Financial Stability Board (FSB), is a temporary member of the FSB Steering Committee (as a member of the G20 troika) and contributes to the work of various FSB Standing Committees. The Treasury advised the Government on the issues considered by the FSB and was involved in the FSB Regional Consultative Group for Asia, using it to advance G20 outreach and broaden engagement in the region.

Asia Region Funds Passport

Development of the Asia Region Funds Passport is being led by the Treasury and progressed under the auspices of Asia–Pacific Economic Cooperation (APEC). Proposed passport rules and operational arrangements were developed and discussed at international policy and technical workshops held in Seoul in August 2014 and in Manila in November 2014. The proposed rules and arrangements were released publicly for comment with feedback discussed at a workshop held in Singapore in May 2015. All three workshops were attended by officials from 12 APEC economies, ensuring broad input to the process.

In leading development of the passport, the Treasury managed the provision of targeted capacity building to financial regulators in Indonesia, Philippines, Thailand and Vietnam. This focused on enhancing regulators' capacity to regulate and supervise the cross-border trade in collective investment schemes. Additionally, targeted technical assistance was provided to help develop Indonesia's policy and position on joining the passport in the future.

Finance ministers of economies willing and able to participate in the passport are expected to issue a statement of understanding at the 2015 APEC Finance Ministers' Meeting, with the passport expected to commence in 2016.

Trans-Tasman coordination to develop a Single Economic Market

In August 2009, the Australian and New Zealand Prime Ministers agreed to principles and a range of shared short and medium-term practical outcomes in business law for developing the Single Economic Market. A Trans-Tasman Outcomes Implementation Group, comprising senior officials from the Australian and New Zealand governments, was tasked with overseeing and, wherever possible, accelerating the progress of the reform agenda. The Treasury and the New Zealand Ministry of Economic Development co-chair the group.

The majority of the reforms, including those relating to financial services, consumer credit and intellectual property, were completed in 2014, with the remainder due to be completed by the end of 2015.

Trans-Tasman Council on Banking Supervision

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

Small business

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

The Treasury provided policy advice on the implementation of the Government's broad small business policy agenda, using a whole-of-government perspective to achieve the Government's key initiatives aimed at supporting small business and their role within the Australian economy. The Treasury conducted extensive and ongoing stakeholder engagement, research and analysis to support policy advice and assistance to small business on new and emerging issues.

Australian Small Business and Family Enterprise Ombudsman

The Treasury provided advice and progressed key legislation to implement the Government's election commitment to establish an Australian Small Business and Family Enterprise Ombudsman to advocate for and provide assistance to small businesses. The legislation establishing the Ombudsman was introduced to Parliament on 3 June 2015. In developing the draft legislation, consultations were undertaken with the Australian Government, state governments, industry associations, private sector service providers, small businesses and other interested parties.

Small business initiatives

The Treasury contributed to the Growing Jobs and Small Business package. In particular, the Markets Group provided advice on the non-revenue measures supporting small businesses including changes to facilitate crowd-source equity funding, streamlining the business registration process, and developing a consultation paper on the regulatory burden placed on small proprietary companies (to be released in the second half of 2015).

The Treasury progressed the Government's procurement initiative supporting small business, delivering on the Government's election commitment requiring government agencies to report on small business procurement matters.

International engagement

The Treasury supported policy work in international bodies including by representing Australia at the OECD and APEC. As part of this work, the Treasury ensured Australia's participation to the OECD Scoreboard on Small and Medium Enterprises (SMEs) and Entrepreneurship Financing and set up a partnership with Standards Australia to deliver an APEC project on SME data flows and trade.

Competition policy

The Treasury provides advice on competition policy issues, including on competition laws in Part IV of the *Competition and Consumer Act 2010* (CCA).

Competition Policy Review

Since the March 2015 release of the independent Competition Policy Review Final Report by Professor Ian Harper and an expert panel, the Treasury has assisted the Government's consideration of the recommendations to strengthen Australia's competition framework. This was the first comprehensive review of Australia's competition framework in more than 20 years and a key election commitment of the Government.

The Treasury facilitated the Government's eight week public consultation process on the Final Report's recommendations, which ended in late May 2015 and received around 140 submissions. During this time, the Treasury convened a series of roundtable meetings hosted by the Minister for Small Business to discuss competition themes related to small business, human services and broader business and economic settings. The Treasury and the Law Council of Australia organised a workshop in May 2015 to consider competition law issues raised by the Review.

Fostering Commonwealth, state and territory collaboration on competition policy has been another priority. The Treasury organised bilateral and multilateral meetings with other government agencies to build a shared understanding of the final report, particularly in relation to areas of state responsibility. The Treasury's work with other jurisdictions will help inform the Council of Australian Governments (COAG), which agreed in April 2015 to discuss the review at its next regular meeting in late 2015.

Overall, this body of work will help shape the Government's response to the final report, which is expected to be released in the second half of 2015.

Codes of conduct

The Treasury portfolio has overarching responsibility for industry codes of conduct that are prescribed under the CCA. As part of the Government's election commitment to reform the Franchising Code of Conduct, the Treasury developed legislative amendments to the CCA to allow for pecuniary penalties and infringement notices to be issued for serious breaches of the Franchising Code.

The *Competition and Consumer Amendment (Industry Code Penalties) Act 2014*, along with the Competition and Consumer (Industry Codes—Franchising) Regulation 2014, began on 1 January 2015 and put in place a new franchising code to regulate the conduct of franchising participants in an improved and modernised way. It received broad support from all segments of the franchising community and is expected to deliver red tape savings of an estimated $8.6 million annually across the sector.

The Treasury also worked with the food and grocery sector to develop and introduce the Food and Grocery Code of Conduct. The Competition and Consumer (Industry Codes—Food and Grocery) Regulation 2015 commenced in March 2015 and introduced the first voluntary prescribed code under the CCA. It will improve commercial relationships between retailers, wholesalers and suppliers by promoting transparency and certainty in dealings and is enforceable by the ACCC. The Grocery Code was the culmination of extensive public consultation facilitated by the Treasury and involved negotiations with the major supermarket chains to establish stronger protections for suppliers. Aldi, Coles and Woolworths have since signed up to the Grocery Code and have agreed to be bound by its obligations.

Productivity Commission

The Treasury coordinated the Productivity Commission's work program and advised departments and the Government on preparing terms of reference for reviews. In 2014-15, the Productivity Commission commenced three public inquiries and three commissioned studies. In 2014-15, the Productivity Commission also completed three public inquiries and two commissioned research studies.

Consumer policy

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

The Treasury worked with both national and state and territory consumer agencies during 2014-15 to maintain the policy and enforcement framework for the ACL.

Australian Consumer Law

In collaboration with the states and territories, the Treasury undertook preparations for the review of the ACL which is scheduled to commence in 2016. The terms of reference for the review were agreed by the Legislative and Governance Forum on Consumer Affairs at its meeting on 12 June 2015. The review will make findings and identify options to improve the efficiency and effectiveness of the ACL.

As part of the 2015 Autumn Repeal Day, the Government introduced the Competition and Consumer Amendment (Deregulatory and Other Measures) Bill 2015. The Bill proposes to streamline the administration of the ACL and would deliver a reduction in regulatory burdens on business of $0.5 million per year.

Unfair contract terms

The Government introduced the Treasury Legislation Amendment (Small Business and Unfair Contract Terms) Bill 2015 on 24 June 2015. The Bill proposes to extend to small businesses protections against unfair terms in standard form contracts. Previously, only consumers were protected. The Treasury undertook stakeholder consultation and provided advice to assist the Government to develop the policy.

Egg labelling

The Legislative and Governance Forum on Consumer Affairs agreed to prepare a draft national standard on egg labelling to enhance consumer confidence and certainty. Treasury is assisting the Government to develop the standard.

Customer Dispute Resolution

The Government relaunched the *Benchmarks for Industry-based Customer Dispute Resolution* and released the complementary key practices document. The Benchmarks, which has been well received by stakeholders since it was established in 1997, encourages best practice in industry-based dispute resolution services by setting clear standards and providing practical ways of applying them in industry schemes.

Secretariat services

The Treasury provided secretariat services to a number of the Legislative and Governance Forums including for Corporations (formerly constituted as the Ministerial Council for Corporations (MINCO) and Consumer Affairs). The Treasury assisted ministers to fulfil the Government's obligations under the Corporations Agreement 2002 and the Intergovernmental Agreement for Business Names Agreement.

The Markets Group established a secretariat unit in early 2015 to provide better support to a range of councils and forums administered by the Group. The unit encompasses two previous secretariat areas, the Legislative and Governance Forum on Consumer Affairs (CAF) Secretariat and the Financial Reporting Council (FRC) Secretariat. Along with these two major forums and their associated sub-committees, the unit provides secretariat support for the Small Business Ministerial Advisory Council and other committees, forums, roundtables, events and industry working bodies across the Markets Group.

Financial Reporting Council

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

The FRC has three committees — nominations, audit quality, and strategic planning. The FRC has a Financial Report Taskforce which produced a report in November 2014 examining how the financial reporting regimes for the various types of reporting entities in Australia can best be understood.

Legislative and Governance Forum on Consumer Affairs

The Legislative and Governance Forum on Consumer Affairs (CAF) consists of all Commonwealth, state, territory and New Zealand ministers responsible for fair trading and consumer protection laws. It is responsible for functions under the Inter-Governmental Agreement for the Australian Consumer Law, the *Trans-Tasman Mutual Recognition Act 1997*, *the Mutual Recognition Act 1992*, and the Travel Agents Participation Agreement. CAF ministers also address matters of mutual interest concerning consumer policy, services and programs.

CAF is supported by a number of subcommittees including a senior officials committee comprising representatives from Commonwealth, state, territory and New Zealand fair trading regulators, and advisory committees on policy and research, education and information, and compliance and dispute resolution.

Takeovers Panel

The Takeovers Panel contributed to well-functioning securities markets in Australia by dealing with 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 38 members who are specialists in mergers and acquisitions as investment bankers, lawyers, company directors or other professionals. In resolving disputes, the panel helps to ensure that acquiring control over voting shares in listed and widely-held companies occurs in an efficient, competitive and informed market, 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 2014-15, the panel considered 20 applications, including matters relating to shareholder intention statements and rights issues.

Currency

The Treasury provided advice to Treasury portfolio ministers on a range of currency-related matters including finalising the scoping study into future ownership options for the Royal Australian Mint (RAM). The Treasury chaired the RAM Advisory Board to assist RAM develop its policy and administer its strategic initiatives. The Treasury assisted the Perth Mint in relation to its currency determinations, which are tabled in Parliament before the release of numismatic (collector) coins.

Foreign investment

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

The Foreign Investment and Trade Policy Division provided advice on the Government's regulatory framework for inbound foreign investment and developed a reform package to strengthen the foreign investment framework. The reforms represent the most significant changes to the foreign investment framework in about 40 years and include the introduction of application fees, stronger penalties for non-compliance, increased scrutiny and transparency around foreign investment in agriculture and a comprehensive modernisation of the foreign investment legislation to reduce system complexity and compliance costs for investors. As part of the reforms, responsibility for screening and compliance of investment in residential real estate is progressively transferring from the Division to the ATO between May and December 2015.

The Foreign Investment and Trade Policy Division provided secretariat support to the Foreign Investment Review Board through the day-to-day administration of the foreign investment framework. It provided advice and recommendations on an increasing number of significant foreign investment cases to the Foreign Investment Review Board and Treasury ministers.

The Division led the Treasury's work on trade policy, including advice on the China-Australia free trade agreement which was signed on 17 June 2015. The Division contributed to the work of the OECD Investment Committee, and is the home of the Australian National Contact Point for the OECD Guidelines for Multinational Enterprises. Additional information on this role is at www.ausncp.gov.au.

Australian Government Actuary

Australian Government Actuary provides actuarial services to government, the Treasury and other agencies within a contestable and competitive market. Demand for services was again high during 2014-15. Income from services relative to total costs is a primary indicator of performance. Australian Government Actuary maintains a special account to ensure its financial operations are managed properly and transparently and, at 30 June 2015, the account was in a sound financial position.

Revenue Group

Overview

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

Revenue Group comprises Corporate and International Tax Division, Law Design Practice, Personal and Retirement Income Division, Small Business Tax Division, Tax Analysis Division, and the Tax White Paper Taskforce.

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

Group deliverables

- Assist the Government to develop its tax white paper.
- Develop the international tax framework as part of the G20 tax agenda.
- Represent Australia's interests at the OECD within the Base Erosion and Profit Shifting Action Plan process.
- Advise the Government on the implementation of its taxation and retirement income reform agenda including decisions in the Government's 2014-15 Budget.

Revenue Group also supports Treasury ministers by providing briefings for stakeholder meetings and public appearances, responding to requests for information, and drafting replies to ministerial correspondence.

Group outcomes

- Provided quantitative work to support the 2014-15 Mid-Year Economic and Fiscal Outlook, the 2015-16 Budget and the 2015 Intergenerational Report.
- Assisted the Government in the process of developing a white paper on tax reform.
- Provided policy and quantitative analysis for the 2014-15 Budget and the tax white paper.

Analysis of performance

Implementing election commitments

The Treasury, in collaboration with the ATO and other responsible Commonwealth agencies, developed 15 measures that were introduced into Parliament to implement election commitments related to tax and superannuation.

Revenue Group assisted in repealing the carbon tax legislation, another key election commitment. The final step of repealing the carbon tax came with the repeal of the 2015-16 tax cuts, passed by Parliament in June.

Revenue Group worked to support the delivery of the Government's white paper on tax reform, with the release for consultation of the tax discussion paper, Re:think.

Developing and managing legislation

Revenue Group managed and coordinated the Government's legislative program for its tax and superannuation law measures, ensuring that the development of draft legislation was in accordance with government priorities.

Working in collaboration with the Office of Parliamentary Counsel and the ATO, Revenue Group developed 59 tax and superannuation measures that were introduced into Parliament in 40 bills.

Revenue Group developed a further 22 tax and superannuation measures that were implemented by way of 14 regulations.

Improving the international tax framework — OECD and G20

Revenue Group was involved in improving the international tax framework as part of the G20 tax agenda. This work covered the OECD base erosion and profit shifting project, international standards for the exchange of tax information between countries, and tax and development. Revenue Group provided this support as part of Australia's G20 presidency, as well as participating in international forums, including the OECD and the Global Forum on Transparency and Exchange of Information for Tax Purposes.

International cooperation to catch tax evasion

Revenue Group contributed to Australia signing an international multilateral agreement to catch taxpayers with hidden offshore bank accounts. The OECD's Common Reporting Standard Multilateral Competent Authority Agreement will enable the ATO to automatically exchange information on investment income and balances of financial accounts held by Australians in other countries.

Revenue Group contributed to Australia signing an agreement with Switzerland to automatically exchange Common Reporting Standard information under the Multilateral Competent Authority Agreement.

Secretariat support to the Board of Taxation

In addition to providing secretariat services to the Board of Taxation, Revenue Group assisted with the transition of an almost completely reconstituted Board during the year. Revenue Group supported an extensive consultation process, run by the Board, to obtain stakeholder feedback on tax reform options for the tax white paper process. Revenue Group continued to assist the Board's ongoing reviews including:

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

Corporate Strategy and Services

Overview

Corporate Strategy and Services (CSS) sets and delivers the Treasury's corporate strategic direction. It provides quality corporate advice and services for the Treasury and its people, its portfolio ministers, and a range of portfolio agencies.

Key priorities

- Deliver high quality and valued corporate advice and services to the Treasury and ministers.
- Assist to set and deliver the corporate strategic direction.
- Support organisational change through the Australian Public Service Commission (APSC) Capability Review and the Treasury's Progressing Women initiative.
- Implement strategic and operational workforce planning, and evaluate and report on the Treasury workforce.
- Improve IT infrastructure and operational capabilities.
- Improve productivity through flexible work arrangements and better IT mobility.
- Implement business process improvement initiatives.
- Improve financial information to help decision-makers.
- Deliver production and logistics services for Budget 2014-15 and related processes.
- Ensure the Treasury's compliance with legal and government policy requirements, including Commonwealth financial framework requirements.
- Manage operational activities for the Treasury's corporate functions.
- Support productive working relationships with Treasury ministers' offices.
- Build on the current shared service arrangements with other agencies.

Outcomes

- Established the Treasury's Sydney office to build capability, improve stakeholder engagement and enhance Treasury advice.
- Negotiated the Treasury Enterprise Agreement 2015-2018.
- Reviewed and streamlined business processes for working with and supporting portfolio ministers.

- Continued to implement the Treasury's response to the APSC Capability Review — the Capability Action Plan and the Treasury's Progressing Women initiative.
- Conducted a cultural audit focusing on barriers to the retention and progression of women.
- Implemented a program of leadership seminars.
- Established the Business Services Division to progress the shared services model.
- Introduced the Integrated Leadership System (ILS) and conducted workshops to support staff transition to the new system.
- Reported quarterly on the Treasury's staffing profile to inform strategic and operational workforce planning.
- Supported voluntary and involuntary redundancy processes to ensure the Treasury operates within budget.
- Developed and delivered a community engagement campaign the Challenge of Change, to raise awareness of and explain the issues discussed in the 2015 Intergenerational Report.
- Supported the successful delivery of the 2014 MYEFO and 2015 Budget.
- Provided design, publishing and online services for the Treasury portfolio, including 2015 Budget material and a refreshed website www.budget.gov.au.

CASE STUDY

G20 GLOBAL GROWTH TARGET

The G20 nations are collectively responsible for 85 per cent of world GDP and are home to two-thirds of the world's people. The G20 has the combined political and economic clout to drive real reforms and restore growth.

The first Australian G20 event was a barbeque held on the lawns of Admiralty House overlooking Sydney Harbour. A neighbouring party, hosted by the Prime Minister, was an opportunity for international finance ministers to meet with Australian business leaders and share their perspectives on the issues besetting the global economy.

The event set the tone for the G20 year. It helped ministers engage on the policy decisions needed to tackle a stubbornly sluggish global economy. An ongoing dialogue between G20 members led to better understanding of one another's policy constraints and intentions.

From the outset of the Australian G20 presidency, members agreed to cooperate in unprecedented ways. Treasury tightly managed meeting formats, agendas and communiques. The agenda was not derailed and achievements were plainly and succinctly explained.

Shortly after the barbeque by Sydney Harbour, finance ministers and central bank governors agreed the Sydney declaration — an unprecedented and ambitious target for global growth — to lift collective GDP by an additional two per cent above the implied trajectory by 2018.

They agreed to pursue a shift from government-led growth towards private sector-led growth, with particular focus on new private investment in infrastructure.

By the time of the Brisbane G20 Leaders' summit in November, members had painstakingly identified measures that would together achieve a two per cent additional growth that could deliver $2 trillion to the world economy and millions of new jobs.

Demonstrating the importance of infrastructure to achieve global growth targets, the G20 agreed to establish the Global Infrastructure Initiative. The initiative will increase quality investment and drive global infrastructure investment.

The G20 worked on redesigning international tax rules so that they would keep up with advances in changing business models, particularly for multinationals.

Nations signed on to implement the Common Reporting Standard — the automatic exchange of information country-to-country — which will identify and catch tax cheats.

On the financial regulation agenda, the G20 confirmed the reforms needed to make the global financial system stable and make the economy more resilient to financial shocks.

From the outset, Australia was optimistic about what the G20 could achieve. Strengthened relationships helped nations commit to action. Leaders were held to account through relationships built at the highest level.

Program 1.2
Payments to International Financial Institutions

Program objective

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

Payments are made to other international financial institutions, as required, to help achieve government objectives in international forums, including strengthening the international financial system, supporting development objectives through the multilateral development banks, and multilateral debt relief.

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

Program deliverables

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

Key performance indicators

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

Analysis of performance

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

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

In 2014-15, the Treasury conducted routine financial transactions to manage existing obligations. These were timely and efficient (see Table 1).

Table 1: Financial transactions with international financial institutions in 2014-15[(a)]

	Nature of transaction	Number of transactions	Total A$'000
Receipts			
IMF net remuneration	Revenue	4	687
IMF new arrangements to borrow — interest	Revenue	4	575
IMF new arrangements to borrow — repayments	Financing transaction	12	360,317
Payments			
IMF special drawing rights allocation charges[(b)]	Expense	4	3,312
IMF new arrangements to borrow — loans	Financing transaction	3	40,786
IMF maintenance of value	Financing transaction	1	212,328
Asian Development Bank general capital increase	Investing transaction	1	16,978
International Bank for Reconstruction and Development general capital increase	Investing transaction	1	10,317

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

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

Program 1.3
Support for markets and business

Program objective

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

Key performance indicators

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

Analysis of performance

- Payments to the University of New South Wales for the Centre for International Finance and Regulation were accurately determined and made within the agreed timeframe.
- Payments made from the Housing Loans Insurance Corporation Limited met the cost of administering and meeting the Commonwealth's obligations arising from ongoing management of the residual portfolio of lenders' mortgage insurance contracts.
- Payments made to the HIH Claims Support Scheme met the costs of operating the scheme and providing assistance to eligible policyholders. The Treasury continues to work closely with the HIH administrators, McGrathNicol, and the contracted claims manager, Gallagher Bassett Services Pty Ltd, to settle remaining claims.
- All payments were accurately determined, in accordance with industry best practice and government regulations, and made within agreed timeframes.

Program 1.4
General revenue assistance

Program objective

The Government will make general revenue assistance payments to the states and territories.

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

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

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

- payments to the Australian Capital Territory to help meet 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 for providing water and sewerage services;
- payments to Western Australia to compensate for the loss of royalty revenue resulting from removing the exemption of condensate from crude oil excise in the 2008-09 Budget;
- payments to Western Australia as a share of royalties collected by the Commonwealth under the *Offshore Petroleum (Royalty) Act 2006* in respect of the North West Shelf oil and gas project off the coast of Western Australia;
- payments to the Northern Territory in lieu of royalties on uranium mining in the Ranger Project Area due to the Commonwealth's ownership of uranium in the Northern Territory; and
- payments to New South Wales and Victoria to compensate for Commonwealth taxes paid by Snowy Hydro Ltd in proportion to the states' shareholdings.

Elements of this program are linked to the Industry portfolio. Also refer to Budget Paper No. 3, Federal Financial Relations 2015-16.

Program deliverables

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

Key performance indicators

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

The Treasury will provide GST revenue data to the states and territories 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 $55.4 billion were made to the states and territories in 2014-15. Payments included:

- GST entitlements to the states and territories totalling $54.3 billion;
- payments to Western Australia of a share of royalties collected by the Commonwealth under the *Offshore Petroleum (Royalty) Act 2006* totalling $929 million; and
- other general revenue assistance payments totalling $154 million.

The Treasury also recouped $680 million in GST administration costs in 2014-15.

Monthly, quarterly and annual GST revenue data were provided to the states and territories each month in accordance with the requirements of the Intergovernmental Agreement.

All payments were accurately determined and made according to agreed timeframes.

Program 1.5
Assistance to the states for healthcare services

Program objective

The Government provides financial support to the states and territories to be spent delivering health care services.

This program also has links to the Health portfolio.

In 2014-15, National Health Reform funding was linked to the level of services delivered by public hospitals as provided under the National Health Reform Agreement.

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

Program deliverables

Payments to the states and territories according to the payment arrangements specified in the Intergovernmental Agreement on Federal Financial Relations (Intergovernmental Agreement) and informed by the National Health Reform Agreement.

Key performance indicators

The Treasury will transfer to the National Health Funding Pool the amount of Commonwealth funding to which each state and territory (including Local Hospital Networks in each jurisdiction) is entitled, and make the payments on the dates specified in the Intergovernmental Agreement.

The Commonwealth Treasury will provide advice to the states and territories on the components of each payment before each payment is made.

The states and territories are required to spend National Health Reform funding in the health care sector. Each state and territory treasurer will provide a report to the Council on Federal Financial Relations demonstrating how expenditure of National Health Reform funding within the sector is in accordance with the Intergovernmental Agreement and the National Health Reform Agreement.

Analysis of performance

The Treasury facilitated the Government's 2014-15 financial support for the states and territories to deliver health care services.

- Total expenses for National Health Reform funding are estimated to be $15.5 billion. The final expense for 2014-15 will be determined by the Treasurer in 2015-16, after a final reconciliation of hospital activity data has been completed by the Administrator.
- Payments were paid into the National Health Funding Pool informed by the Administrator's advice to the Treasurer for each state and territory's monthly and annual entitlements.
- Payments were made in a timely manner in accordance with the payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the states and territories before each payment was made.
- To demonstrate that the National Health Reform funding has been spent within the relevant sector, each state and territory treasurer will provide a report to the Council within six months of 30 June 2015, disclosing relevant information in accordance with the Intergovernmental Agreement.

Program 1.6
Assistance to the states for skills and workforce development

Program objective

The Government provides financial support for the states and territories to deliver skills and workforce development services.

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

Program deliverables

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

Key performance indicators

The Treasury will transfer to each state and territory the amounts of their monthly and annual entitlements under the National Skills and Workforce Development Specific Purpose Payment (SPP) and will make the payments on the dates specified in the Intergovernmental Agreement on Federal Financial Relations (the Intergovernmental Agreement).

The Treasury will provide advice to the states and territories on the components of each payment before each payment is made.

The states and territories are required to spend the National Skills and Workforce Development SPP in the skills and workforce sector. Each state and territory treasurer will provide a report to the Council on Federal Financial Relations demonstrating how expenditure of the National Skills and Workforce Development SPP was within the sector and 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 2014-15 financial support for the states and territories delivering skills and workforce development services.

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

To demonstrate that the Skills and Workforce Development SPP has been spent in the relevant sector, each state and territory treasurer will provide a report to the Council within six months of 30 June 2015, disclosing relevant information in accordance with the Intergovernmental Agreement.

Program 1.7
Assistance to the states for disability services

Program objective

The Government provides financial support for the states and territories to deliver disability services.

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

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

Program deliverables

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

Key performance indicators

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 before each payment is made.

The states and territories are required to spend the National Disability Services SPP in the disability services sector. Each state and territory treasurer will provide a report to the Council on Federal Financial Relations demonstrating how their expenditure of the National Disability Services SPP within the sector is 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 2014-15 financial support for the states and territories delivering disability services.

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

To demonstrate that the National Disability SPP has been spent in the relevant sector, each state and territory treasurer will provide a report to the Council within six months of 30 June 2015, disclosing relevant information in accordance with the Intergovernmental Agreement.

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

Program 1.8
Assistance to the states for affordable housing

Program objective

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

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

Program deliverables

Payments to the states and territories are made in accordance with the payment arrangements specified in the Intergovernmental Agreement on Federal Financial Relations (the Intergovernmental Agreement).

Key performance indicators

The Treasury will transfer to each state and territory the amounts of their monthly and annual entitlements under the National Affordable Housing Specific Purpose Payment (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 before each payment is made.

The states and territories are required to spend the National Affordable Housing SPP in the affordable housing sector. Each state and territory treasurer will provide a report to the Council on Federal Financial Relations demonstrating how expenditure of the National Affordable Housing SPP within the sector was 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 2014-15 financial support for the states and territories delivering affordable housing services.

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

To demonstrate that the National Affordable Housing SPP has been spent within the relevant sector, each state and territory treasurer will provide a report to the Council within six months of 30 June 2015, disclosing relevant information in accordance with the Intergovernmental Agreement.

Program 1.9 National partnership payments to the states

Program objective

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

This program is linked to the following portfolios: Agriculture; Attorney-General's; Defence; Education; Environment; Finance; Foreign Affairs and Trade; Health; Industry and Regional Development; Prime Minister and Cabinet; and Social Services. Also refer to Budget Paper No. 3, *Federal Financial Relations 2015-16*.

Program deliverables

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

Key performance indicators

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 Treasury's receipt of authorisations from the relevant agency in respect of performance benchmarks or payment schedules set out in each of the National Partnership agreements.

The Treasury will provide advice to the states and territories on the components of each payment before each payment is made.

Analysis of performance

The Treasury facilitated the Government's 2014-15 financial support for the states and territories in improving outcomes in areas specified in National Partnership agreements.

Total Commonwealth expenses for National Partnership payments for 2014-15 were $13.7 billion ($9.8 billion was recognised as an expense by the Treasury), comprising:

- payments to support state health services of $1.3 billion;
- payments to support state education services of $750 million;
- payments to support state skills and workforce development related services of $395 million;
- payments to support state community services of $902 million;
- payments to support affordable housing services of $638 million;
- payments to support state infrastructure services of $4.9billion;
- payments to support state environmental services of $531 million;
- payments to support other state services of $3.7 billion; and
- contingent payments to the states of $522 million.

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

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

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

PART 3

Management and Accountability

BUDGET 2015

The Treasury is best known for producing the Australian Government's annual budget. The Treasury published its first electronic budget in May 1996 and it is still available online today.

Since then the Treasury has produced web versions of the budget printed products. In 2015 the Treasury took a new approach to accessibility with the aim of better explaining the key Budget measures to the Australian public.

With this in mind the Treasury developed a new entry to its traditional budget documentation through:

- mobile responsive design;
- interactive calculators for small businesses;
- cameos outlining existing government funding;
- a tax distribution calculator; and
- animations to explain key budget measures.

The Treasury promoted the Budget website through social media and actively engaged with the media, stakeholders and the Australian community. The Treasury's Twitter account (@Treasury_AU) near dormant since June 2012, sprang to life with rapid take-up.

Treasury used social media during Budget 2015 to raise awareness of the redeveloped budget.gov.au site, trigger conversation and interaction through sharable content and direct people to further information. Tweets were a mix of budget facts, anecdotes and budget information pertinent to Australians.

During Budget week, Treasury tweets received approximately 110 retweets per day and gained almost 1,000 new followers with steady growth ongoing. The top three tweets were:

Social media activity during Budget 2015 highlighted the importance of and appetite for the Treasury to engage in open, regular dialogue online.

Corporate Governance

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

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

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

Strategic and organisational reviews

Capability Review and Capability Action Plan

Following the Capability Review in September 2013, the Treasury developed a Capability Action Plan to address its key findings.

The Action Plan was a combination of new measures and existing initiatives which had arisen from earlier organisational reviews. Initiatives were placed into one of the following four work streams:

- planning, budgeting and measuring;
- innovation and knowledge management;
- stakeholder engagement; and
- leadership and change management.

The Action Plan themes are now embedded into the Treasury's normal business activities through revised governance and organisational arrangements that focus more closely on planning, budgeting and measuring; ongoing capability improvement; risk management; and performance management.

The Treasury provided six-monthly reports to the Australian Public Service Commission (APSC) on progress against the Action Plan and agreed to participate in a Capability Review Health Check to assess improvement.

Capability Review Health Check

The APSC conducted the Treasury Capability Review Health Check between 2 February and 13 March 2015.

The health check was led by the APSC with the assistance of the independent senior reviewer. The health check included an analysis of documentary evidence and a range of targeted interviews and roundtable discussions with key external and internal stakeholders.

The observations and findings of the health check were presented to the Secretary.

Capability Review Health Check Report — Key Themes

The Capability Review Health Check Report found that the Treasury had made significant progress on the Capability Review findings, and that further work was underway. The key themes were:

- Internally — overall, staff were supportive of the Capability Review changes, understood the purpose and held the view that there was a systemic intent that would build capability over the long-term. Most progress had been made on leadership issues, and knowledge management and innovation required further development.
- Externally — stakeholders reported an improvement in engagement and collaboration. There were some concerns about the possibility of capability gaps due to the downsizing that had occurred, however the Treasury retained a key leadership role delivering high quality, trusted advice to government.

Senior management committees

Executive Committee

The Executive Committee (previously the Executive Board) is the Treasury's primary decision-making body and comprises the Secretary and the Deputy Secretaries. The Executive Committee provides support to the Secretary, sets strategic direction for the Treasury and ensures robust and effective governance.

The Executive Committee, as at 30 June 2015, comprised:

- Mr John Fraser, Secretary
- Mr Rob Heferen, Deputy Secretary, Revenue Group
- Mr John Lonsdale, Chief Operating Officer
- Mr Nigel Ray, Deputy Secretary, Fiscal Group
- Ms Jenny Wilkinson, Acting Deputy Secretary, Macroeconomic Group (Domestic)
- Mr Michael Willcock, Acting Deputy Secretary, Markets Group
- Ms HK Yu, Acting Deputy Secretary, Macroeconomic Group (International).

Audit Committee

The Audit Committee assists the Secretary by independently reviewing and considering the Treasury's operations, its risk management framework and the integrity of its financial accounts. The Audit Committee:

- reviews and provides advice on the risk, control, compliance and performance framework;
- provides assurance on published financial information;
- monitors, reviews and reports on compliance; and
- assists the Secretary to comply with all legislative and other obligations.

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

The Audit Committee met seven times during 2014-15. At 30 June 2015, the Audit Committee comprised an independent external chair, an external member and four internal members. External observers at Audit Committee meetings included representatives from the ANAO and the Treasury's internal auditor, KPMG. From 1 July 2015, the Audit Committee will comprise three external members and one internal member.

Other Committees

Deputy secretaries chair the following committees:

- Inclusive Workplace Committee;
- People Committee;
- Resource Committee;
- Executive Remuneration Committee; and
- Risk and Performance Committee.

Fraud prevention and control

The Treasury Fraud Control Plan accords with the Commonwealth Fraud Control Framework and the ANAO Better Practice Guide on Fraud Control in Australian Government Entities.

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

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

External Scrutiny

Audit

The Audit Committee met seven times during 2014-15. Its work included review of the Treasury's financial statements and a range of internal and external audit reports.

The Audit Committee's Financial Statements Sub-Committee (FSSC) met four times. Three meetings related to the 2013-14 financial statements and one related to the 2014-15 financial statements. The FSSC comprised members of the Treasury, the Australian National Audit Office (ANAO), the Treasury's internal auditor, KPMG, and an external representative of the Audit Committee. The FSSC monitored production of the financial statements and helped to resolve issues.

KPMG's internal audit services included developing internal audit programs, conducting various internal audit reviews and working with the Audit Committee to ensure internal audit recommendations were implemented effectively.

Internal audits

The Treasury completed nine internal audits and reviews during 2014-15.

PGPA Act Implementation Health Check

This review considered the progress and preparedness of the Treasury to meet its requirements under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The review found that the Treasury had completed or commenced a range of activities for the implementation of the PGPA Act on 1 July 2014 and identified a framework of additional PGPA implementation activities for Treasury to complete during 2015-16.

Foreign Investment Screening Process

This review examined the process used to prioritise and manage foreign investment applications. Its report made four recommendations for business processes and efficiency improvements to address technical, functional and business processes related to the Foreign Investment Management System Version 2 (FIMS2). Further recommendations related to standardising and aligning business processes, adopting templates and reconsidering the call centre operating model.

Review of Ministerial Documentation Processes

This review documented the end-to-end business process with regard to ministerial documentation and examined the needs and expectations of ministers' offices in terms of quality and timeliness. The review report identified a number of areas for process and practice improvements and made a central recommendation that the Treasury establish a working group to consider and implement the proposals in the report and adopt an appropriate governance structure.

Fundamental Accounting Controls Assessment

This review assessed the design, operation and implementation of key financial accounting controls for credit cards, accounts receivable, travel, monthly reconciliations, procurements, accounts payable, appropriations, and delegations. The review tested a sample of transactions and identified that workflows had been adhered to by staff and that control execution elements were effective. The review concluded that core legislative requirements, including the PGPA Act, had been incorporated into workflows, processes and practices and that the Treasury had effective fundamental accounting controls in terms of design and execution. There were no recommendations.

In-flight Review of the Global Infrastructure Hub

The review provided ongoing advice to the Treasury on establishing the Global Infrastructure Hub (GIH) under Australian law as a company limited by guarantee. It considered the recruitment of a CEO, establishment of a permanent Board and an office in Sydney. The review considered financial arrangements and articulated the risks and associated mitigations.

In-flight Review of the Ministerial Documentation Processes Project (Phase 1 and Phase 2)

This review looked at the Ministerial Documentation Processes Project's Implementation Plan including assessing its implementation and its capacity to deliver the planned outcomes within the timeframe. Phase one of the review considered potential implementation risks and identified mitigation strategies. The review found that planned progress had been achieved, but noted delivery against the plan was contingent on stakeholders.

Phase two of the review assessed progress against the plan and advised on the ongoing management of the enhanced Ministerial Documentation Processes Framework. The review concluded that significant progress had been made and that there was close monitoring and management of documents. It found no areas for concern in the project delivery.

HR Controls Review

This review assessed the Treasury's HR processes and tested the effectiveness of key controls to adequately safeguard the privacy, integrity and security of employee information. The review made three findings and recommended process improvements to the control design and its timely operation.

Australian National Audit Office reports

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 2014-15 were:

Report No. 1	Confidentiality in Government Contracts: Senate Order for Departmental and Agency Contracts (Calendar Year 2013 Compliance) (Tabled 18 September 2014)
Report No. 3	Fraud Control Arrangements (tabled 30 October 2014)
Report No. 5	Annual Compliance Arrangements with Large Corporate Taxpayers (tabled 6 November 2014)
Report No. 6	Business Continuity Management (tabled 6 November 2014)
Report No. 7	Administration of Contact Centres (tabled 26 November 2014)
Report No. 16	Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2014 (tabled 18 December 2014)
Report No. 34	Administration of the Natural Disaster Relief and Recovery Arrangements by Emergency Management Australia
Report No. 44	Interim Phase of the Audits of the Financial Statements of Major General Government Sector Entities for the year ending 30 June 2015

Parliamentary committees

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

Officials from the Treasury appeared before the following parliamentary committees:

- 2 July 2014 — Senate Economics Legislation Committee: Inquiry into Fuel Indexation (Road Funding) Bill 2014 and related bills.
- 15 July 2014 — Joint Select Committee on Northern Australia, Public Hearing.
- 16 July 2014 — House of Representatives Standing Committee on Tax and Revenue.
- 30 July 2014 — Economics References Committee on Affordable Housing.
- 28 August 2014 — Senate Select Committee on Health.
- 29 August 2014 — House of Representatives Standing Committee on Economics, Inquiry into Foreign Investment in Residential Real Estate.
- 2 October 2014 — Senate Economics Legislation Committee: Inquiry into Competition and Consumer Amendment (Misuse of Market Power) Bill 2014.
- 8 October 2014 — Senate Select Committee on Health.
- 13 October 2014 — Parliamentary Joint Committee on Corporations and Financial Services; Inquiry into Professional Standards in the Financial Services Industry.

- 22 and 31 October 2014 — Senate Economics Legislation Committee, Budget Supplementary Estimates.
- 17 November 2014 — Community Affairs References Committee on the Extent of Income Inequality in Australia.
- 26 November 2014 — House of Representatives Standing Committee on Tax and Revenue: Inquiry into Tax Disputes.
- 5 February 2015 — Senate Select Committee on Health.
- 13 February 2015 — Economics References Committee on Retail Leasing Arrangements.
- 18 February 2015 — Economics References Committee on Privatisation of State and Territory Assets and Recycling of the Proceeds into New Infrastructure.
- 25-26 February 2015 — Senate Economics Legislation Committee, Additional Estimates.
- 4 March 2015 — Economics References Committee on Digital Currency.
- 16 March 2015 — Joint Standing Committee on Treaties.
- 18 March 2015 — Economics Legislation Committee: Inquiry into Reserve Bank Amendment (Australian Reconstruction and Development Board) Bill 2013.
- 18 March 2015 — Senate Committee into the Abbott Government's Budget Cuts.
- 9 April 2015 — Economics References Committee on Corporate Tax Avoidance.
- 21 April 2015 — Senate Standing Committees on Economics: *Inquiry into Competition and Consumer Act 2010, Competition and Consumer (Industry Codes—Food and Grocery) Regulation 2015*.
- 1-3 June 2015 — Senate Economics Legislation Committee, Budget Estimates.

Ombudsman comments, court, administrative tribunal and Information Commissioner Decisions

Judicial and Administrative Appeals Tribunal Decisions

There were no judicial or Administrative Appeals Tribunal decisions that had, or may have, a significant impact on the operations of the Treasury in 2014-15.

Commonwealth Ombudsman

The Commonwealth Ombudsman did not issue any reports on the operations of the Treasury in 2014-15.

Australian Information Commissioner

The Treasury was the subject of one merits review decision under the *Freedom of Information Act 1982*. On 27 November 2014 the Privacy Commissioner set aside the Treasury's decision not to release documents in *The Age and Department of the Treasury* [2014] AICmr 141. Treasury complied with the decision and released additional documents on 19 December 2014.

Management of Human Resources

Overview

The People and Organisational Strategy Division, part of Corporate Strategy and Services, has primary responsibility for the Treasury's people management and organisational capabilities. The division helps the Treasury set and deliver its strategic direction and provide a work environment that enables staff to be productive. It provides advice and delivers organisational strategies, change management, workforce planning, organisational development and wellbeing, performance management, recruitment, people strategies and policies, governance and audit, and learning and development.

Outcomes

- Invested in workforce planning to continue to attract, retain and develop a targeted, skilled and diverse workforce within an environment of reducing resources.
- Finalised a strategic staffing process to meet the operating budget over the forward estimates.
- Strengthened the Performance Management System by incorporating the Integrated Leadership System clusters.
- Managed the Enterprise Bargaining process.
- Continued to review the Graduate Development Program to improve workforce capability and strengthen talent management.
- Created a Business Services Division to deliver more efficient corporate services and support.
- Established a Sydney office to attract specialist skills and experience to complement the Treasury's current capabilities and to increase contact with key stakeholders.

Workforce planning

Following voluntary redundancy and SES incentive to retire processes between 2012 and 2014, an involuntary redundancy process was finalised in August 2014. Through these processes the Treasury has reduced staff numbers from a peak average staffing level (ASL) of 1,018 in 2010-11 to an estimated ASL of 815 in 2014-15. This occurred despite the Treasury absorbing an additional 52 staff following machinery of government changes in December 2013.

The Treasury is now well placed to meet its operating budget out to 2017-18.

Performance management systems

The Treasury's Performance Management System was introduced in 1999. Since then the performance of APS-EL staff has been assessed biannually against set criteria contained in the Work Value Matrix, a capability framework developed specifically for the Treasury. In 2014-15 the Integrated Leadership System (ILS) clusters were introduced as the basis for assessing APS-EL staff performance.

The implementation of the ILS clusters was accompanied by information and training sessions, including staff focus groups hosted by deputy secretaries and workshops for all managers.

The first formal performance appraisals using the ILS clusters were in March and April 2015, after a rigorous benchmarking process for all classifications at the division, group and department level. Greater accuracy and consistency of ratings have increased staff confidence in performance management processes and the sophistication of the ILS framework has helped managers give more detailed and constructive feedback to staff.

SES officers continue to be assessed against the Senior Executive Leadership Capability Framework, with one SES appraisal round held in October 2014. SES potential was also assessed, using the three criteria of ability, aspiration and engagement.

Workplace relations

The nominal expiry date of the *Treasury Workplace Agreement 2011-14* was 30 June 2014 requiring the Treasury to negotiate a new agreement during the year. The Workplace Agreement operates in conjunction with Commonwealth legislation and Treasury policies and guidelines to define the terms and conditions of employment for staff.

On 14 May 2014 the Secretary announced the Treasury's intention to bargain with employees on a new enterprise agreement. Bargaining continued through 2014-15 and an offer was formally presented to staff on 1 May 2015. The ballot was open from 30 June through to 2 July 2015. Of the 823 staff eligible to vote, 557 staff participated in the ballot. Fifty-eight per cent of staff voted in support of the proposed *Treasury Enterprise Agreement 2015-18*.

Recruitment and secondments

The Treasury's recruitment activity in 2014-15 was limited to filling critical roles in line with the APSC Interim Recruitment Arrangements.

A campaign for APS5 and APS6 policy officers was advertised to ongoing APS employees in December 2014, resulting in a small number of lateral recruits into the department.

In September 2014 expressions of interest for a formal departmental transfer round were advertised, with 52 movements in December 2014. A further round was advertised in May 2015, with 45 movements in September 2015.

The Treasury graduate program is a key recruitment initiative, with 22 graduates commencing in February 2015.

The Treasury secondment program facilitates a structured exchange of staff which enables mobility, encourages information sharing, promotes innovation, deepens understanding of the practices of other industries and organisations and creates wider networks. The secondment program is an important mechanism to assist the Treasury to deliver on its strategic capabilities.

The program builds organisational leadership and drives positive cultural change through the connection and exposure of Treasury staff to new ideas, alternative leadership styles, a diversity of approaches to policy-making and the challenges and practicalities of implementing policy decisions.

At 30 June 2015 there were 42 secondments into Treasury — 38 government and four non-government staff. Twenty-four Treasury employees were seconded to 22 government and two non-government organisations.

Learning and development

The Treasury is committed to providing career and professional development opportunities to increase the capability of individual staff and the overall capacity of the department. The Treasury's future investment in learning and development will be guided by a learning and development strategy and operational plan, endorsed by the Treasury's People Committee in June 2015.

During 2014-15, the Treasury delivered a number of targeted and strategic development opportunities to increase workforce capability. Programs offered included:

- *The Management Development Program* for new and emerging managers;
- *Talking Performance* workshops for staff in both managerial and non-managerial roles;
- *ILS workshops* for staff in managerial roles;
- *Targeted Individual Development* courses for graduates;
- *Inclusive Workplace Committee Leadership Seminar Series* with guest speakers from a wide range of industry and public sector backgrounds;
- *Executive coaching*; and
- *Introduction to Economics,* for APS and EL staff without economics training.

The Treasury also supported staff development by providing scholarships and awards for postgraduate study in 2014-15.

- Five Treasury staff were undertaking PhD research at the Australian National University through the Sir Roland Wilson Foundation PhD Scholarship program.
- Treasury Post Graduate Study Awards assisted three staff to study at the Australian National University, Columbia University and the University of Michigan.
- One Treasury employee received a scholarship from the Ministry of Education, Culture, Sports, Science and Technology, Japan, to undertake a Master of Public Policy at the National Graduate Institute for Policy Studies, Tokyo.

Study assistance was provided to 141 staff undertaking study during semester two 2014 and semester one 2015. The most common fields of study in 2014-15 included Economics, Law (including the Graduate Diploma of Legal Practice), Accounting, Public Policy and Taxation.

Wellbeing

The Treasury promotes a workplace culture that values and supports the health and wellbeing of staff, and measures and monitors staff wellbeing through the State of the Service survey, exit survey reports and human resource data. The People and Organisational Strategy Division provides staff and the Executive Committee with regular wellbeing information including the Treasury's performance benchmarked against the broader APS.

During 2014-15, the Treasury:

- revised the department's Rehabilitation Management System to streamline and make information easier to access;
- promoted wellbeing initiatives including Mental Health Week and a Wellbeing Expo and offered several health and wellbeing activities. See Part 5 Appendices Work Health and Safety for more information; and
- provide an Employee Assistance Program (EAP). The program provides Treasury staff, their immediate family members and other people they share a close relationship with, access to a free professional and confidential counselling service to assist with both work and personal issues. The employee assistance service collects generic data that provides guidance for departmental wellbeing strategies.

Staffing information

At 30 June 2015 there were 835 staff (800.3 FTE) employed at the Treasury (excluding unpaid inoperative staff), a drop of 12 per cent from 951 (920.8 FTE) staff at 30 June 2014.

The majority of the Treasury's operative staff were employed on an ongoing basis (97.2 per cent) and 14.8 per cent worked part-time (at 30 June 2015). The part-time rate increased from 12.3 per cent since 30 June 2014.

Women made up 51.5 per cent of the Treasury's workforce at 30 June 2015, an increase from 50.6 per cent a year ago. At the same time, women made up 28.6 per cent of Treasury's Senior Executive Service, down from 33.3 per cent at 30 June 2014.

Table 2: Operative and paid inoperative staff by classification and gender as at 30 June 2015 based on actual headcount

Classification	Men	Women	Total
APS2	0	1	1
APS3	15	14	29
APS4	26	41	67
APS5	34	61	95
APS6	102	110	212
EL1	92	101	193
EL2	80	80	160
SES Band 1	33	13	46
SES Band 2	16	6	22
SES Band 3*	6	3	9
Secretary	1	0	1
Total	405	430	835

Note: excludes unpaid inoperative staff

* SES Band 3 figures as at 30 June 2015 are inflated as a result of a number of temporary acting arrangements. The number of deputy secretary positions at 30 June 2015 was six, however there were three acting arrangements in place resulting in nine individuals at the SES Band 3 level at this date.

The majority of the Treasury staff are based in Canberra. The Treasury's work requires some staff to work interstate and overseas, as listed on the next page.

Figure 4: Treasury staff at interstate and overseas locations

Overseas Posts:
Beijing (2)
New Delhi (1)
Jakarta (1)
London (1)
Paris (1)
Tokyo (1)
Washington (1)

Deployees:
Honiara (2)
Port Moresby (4)
Jakarta (3)

Sydney:
Sydney Office *

Melbourne:
Takeovers Panel (4)

* As at 30 June 2015 the Treasury was working towards 30 staff in the Sydney office by late 2015.

The Treasury's Sydney office was established in 2014-15. In 2015-16, additional staff will commence in Sydney, including staff movements from Canberra and secondments from other organisations moving to an operational level of 25-30.

Senior Executive Services remuneration

Senior Executive Service (SES) remuneration and conditions are determined under section 24(1) determinations (with some residual Australian Workplace Agreements), supported by a remuneration model that determines pay levels within each SES level, based on performance (Table). The Treasury does not offer performance pay. There were no changes to SES remuneration in 2014-15.

Table 3: Senior Executive Services remuneration

	September 2014		September 2013	
	Minimum	Maximum	Minimum	Maximum
Classification	$	$	$	$
SES Band 1	189,757	220,540	189,757	220,540
SES Band 2	232,573	272,215	232,573	272,215
SES Band3	301,399	352,984	301,399	352,984

Remuneration — non-SES employees

There were no changes to APS-EL remuneration in 2014-15.

Table 4: Remuneration – non-SES employees

	July 2014		July 2013	
	Minimum	Maximum	Minimum	Maximum
Classification	$	$	$	$
APS1	43,147	46,855	43,147	46,855
APS2	49,734	53,026	49,734	53,026
APS3	56,318	59,608	56,318	59,608
APS4	62,902	66,193	62,902	66,193
APS5	70,722	75,250	70,722	75,250
APS6	79,777	96,651	79,777	96,651
EL1	104,060	119,369	104,060	119,369
EL2	127,106	145,874	127,106	145,874

Workplace diversity

The Treasury is committed to a workplace culture that supports and promotes diversity. The Treasury's Inclusivity and Diversity Strategy is made up of four key streams of work: the Progressing Women initiative, Agency Multicultural Plan 2013-15, Reconciliation Action Plan 2014-16, and Disability Action Plan 2014-18.

The Inclusive Workplace Committee (IWC) oversees the implementation of the Progressing Women initiative, including with regard to policies, programs, actions and procedures. Each group reports annually to the IWC on its Progressing Women achievements. The Performance Management System incorporates a gender-based analysis of ratings which is monitored by the IWC. This data enables emerging trends to be identified and addressed.

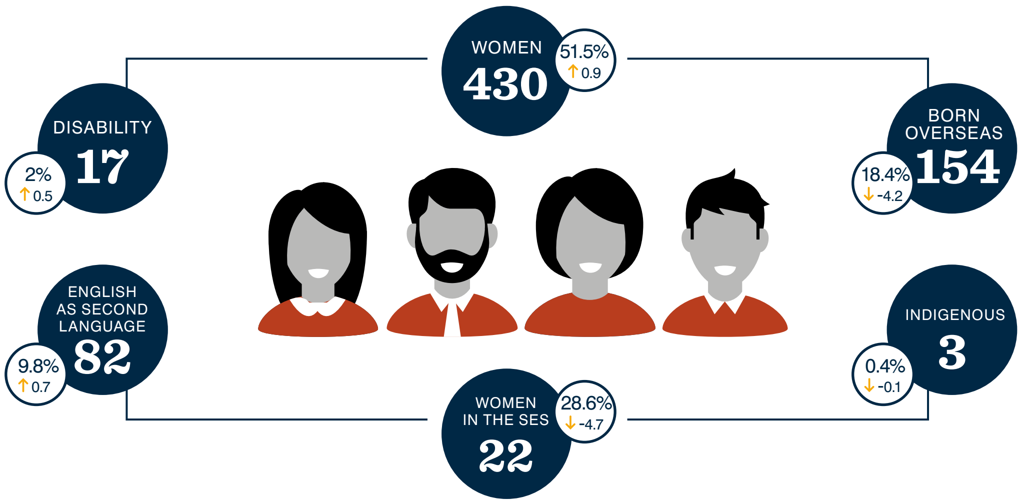
The Learning and Development program prioritises the inclusivity agenda. The leadership, management and graduate development programs incorporate elements of working inclusively, and workshops on the Integrated Leadership System (ILS) clusters include unconscious bias as a topic.

The Treasury is committed to attracting, supporting and retaining Indigenous staff, encouraging them to develop to their full potential and to celebrate important cultural events. The Treasury supports multicultural access and equity and aims to provide advice that is culturally sensitive.

The Treasury is committed to supporting staff with a disability by providing tailored reasonable adjustments such as adaptive technologies and other practical support.

The Treasury workforce at 30 June 2015 is shown below by Equal Employment Opportunity target group with the percentage point variance from 30 June 2014 in parenthesis.

Figure 5: Treasury workforce by Equal Employment Opportunity target



At 30 June 2015, 14.8 per cent of Treasury staff worked part-time, with 23.9 per cent of female staff and 5.4 per cent of male staff working part-time.

Assets Management

The Treasury has an asset management framework that includes:

- an asset register that records details of all assets held by the Treasury. Assets on the Treasury's register are subject to an annual stocktake to keep records accurate and up-to-date;
- an asset management guide that sets out the Treasury's policies and asset management guidelines for the day-to-day care and custody of assets. The guide is incorporated into the Treasury's Accountable Authority Instructions. Further details on the Treasury's asset policies are in notes 1.18 to 1.20 of the Treasury's Financial Statements; and
- a capital management plan that sets out the Treasury's longer term asset requirements and funding sources for ongoing asset replacement and investment. The Treasury's capital budget process is integrated with strategic planning and occurs before the beginning of each financial year, in conjunction with the Treasury's annual operating budget process.

Purchasing

The Treasury's purchasing activities are consistent with requirements set out in the Commonwealth Procurement Rules (CPRs). The Treasury applies the CPRs to all procurement activities through Accountable Authority Instructions and Procurement Operational Guidelines.

All Treasury contracts awarded with a value of $10,000 or more are published on the AusTender website at www.tenders.gov.au. Information on procurements expected to be undertaken in 2015-16 are included in the Treasury's Annual Procurement Plan on AusTender.

Consultants

The Treasury engages consultants where specialist skills are not available in-house. The engagements generally relate to individuals, partnerships or corporations providing professional, independent and expert advice or services.

The decision to engage a consultant is made in accordance with the *Public Governance, Performance and Accountability Act 2013*, Commonwealth Procurement Rules and relevant internal policies.

During 2014-15, 57 new consultancy contracts were entered into involving total actual expenditure of $10,099,276.14. Four ongoing consultancy contracts were active, involving total actual expenditure of $43,138.17.

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

Australian National Audit Office access clauses

The Treasury is required to provide details of any contract let during 2014-15 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 contract, the purpose and value of the contract, and the reason for not including standard clauses in the contract.

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

Exempt Contracts

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

The Treasury had six contracts exempt from publication on AusTender.

Procurement initiatives to support small business

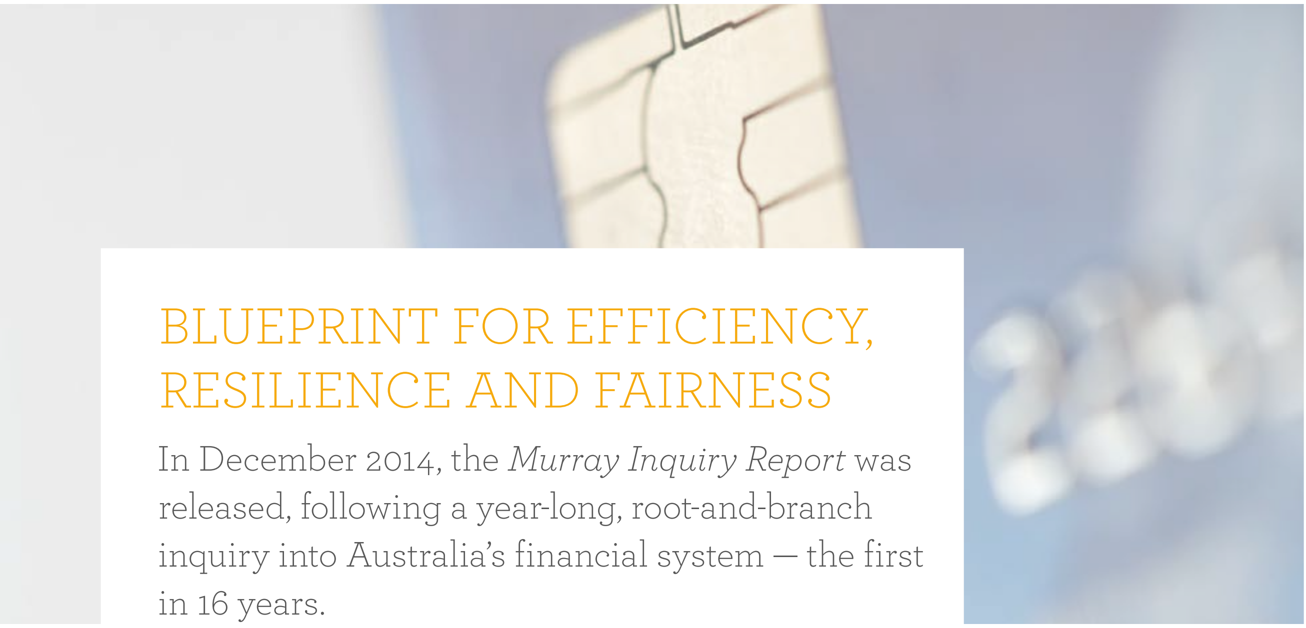
The Treasury supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website: www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts.

The Treasury recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website: www.treasury.gov.au/PublicationsAndMedia/Publications/2014/sml-bus-performance-report.

Consistent with paragraph 5.4 of the Commonwealth Procurement Rules, the Treasury's procurement practices provide appropriate opportunities for SMEs to compete and ensure that SMEs are not unfairly discriminated against. For example, the Treasury uses the Commonwealth Contracting Suite for low-risk procurements valued under $200,000. Many small businesses do not have the sufficient scale, skills or resources to prepare complex tender documents. Using this suite, which has simple and consistent contract terms and insurance requirements, simplifies this process and makes it easier for SMEs to bid for work with the Treasury.

PART 4

Financial Statements



BLUEPRINT FOR EFFICIENCY, RESILIENCE AND FAIRNESS

In December 2014, the *Murray Inquiry Report* was released, following a year-long, root-and-branch inquiry into Australia's financial system — the first in 16 years.

The inquiry considered how to sustain confidence in the Australian financial system, how Australia funds its future growth, competition and international competitiveness, and the current cost, quality, safety and availability of financial services.

The report contains 44 recommendations. It acknowledges the strengths of Australia's financial system and identifies areas for reform, from bank culture to superannuation, credit card surcharges, taxation, financial advice, cyber security and crowd funding.

Mr David Murray AO chaired the inquiry's independent committee, drawn from business and academia — Professor Kevin Davis, Mr Craig Dunn, Ms Carolyn Hewson AO and Dr Brian McNamee AO. The committee was supported by a secretariat of Treasury staff, financial regulators and the private sector.

An expert international advisory panel — Sir Michael Hintze AM and Dr David Morgan AO from London, Ms Jennifer Nason from New York and Mr Andrew Sheng from Hong Kong, advised on global technological change, Australia's international competitiveness and offshore regulatory frameworks.

The inquiry committee met with more than 50 financial institutions, market participants and regulators from the United States, Asia, the European Union, the United Kingdom and New Zealand. Many overseas participants acknowledged that one of the reasons for the strength of Australia's financial system was the conduct of periodic independent inquiries.

The inquiry scrutinised opportunities and challenges and examined other evidence, including academic literature and exemplars of best practice.

A major focus of the inquiry was consumer protection and Australians were encouraged to have their say. The inquiry received more than 6,500 submissions in response to its interim report. More than 5,000 of those were on the issue of credit card surcharges.

The Murray Inquiry report is a blueprint for the Australian financial system for the next decade. The recommendations seek to improve efficiency, resilience and fairness to support economic growth and raise Australians' standard of living.

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

I have audited the accompanying annual financial statements of the Department of the Treasury for the year ended 30 June 2015, which comprise:

- Statement by the Departmental Secretary and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Schedule of Commitments;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Schedule of Administered Cash Flows;
- Schedule of Administered Commitments; and
- Notes to and forming part of the Financial Statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Secretary's Responsibility for the Financial Statements

The Secretary of the Department of the Treasury is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Secretary is also responsible for such internal control as is necessary to enable the preparation and fair presentation of 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 have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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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 entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, 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) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Department of the Treasury as at 30 June 2015 and its financial performance and cash flows for the year then ended.

Australian National Audit Office

Rona Mellor PSM
Acting Auditor-General

Canberra
9 October 2015

THE TREASURY

Statement by the Departmental Secretary and Chief Finance Officer

In our opinion, the attached financial statements for the year ended 30 June 2015 are based on properly maintained financial records and give a true and fair view of the matters required by the Financial Reporting Rule made under the *Public Governance, Performance and Accountability Act 2013*, as amended.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Treasury will be able to pay its debts as and when they fall due.

John A. Fraser
Secretary to the Treasury
8 October 2015

Matthew King
Chief Finance Officer
8 October 2015

Statement of Comprehensive Income

for the period ended 30 June 2015

	Notes	2015 $'000	2014 $'000
NET COST OF SERVICES			
Expenses			
Employee benefits	4A	**122,940**	133,136
Suppliers	4B	**58,570**	46,421
Grants	4C	**2,571**	1,314
Depreciation and amortisation	8A	**9,667**	9,297
Write-down and impairment of assets	8A	**277**	144
Finance costs	10B	**25**	445
Total expenses		**194,050**	190,757
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	5A	**10,308**	9,680
Other revenues	5B	**1,287**	979
Total own-source revenue		**11,595**	10,659
Gains			
Proceeds from sale of assets	5C	**9**	-
Other gains	5D	**4,642**	2,605
Total gains		**4,651**	2,605
Total own-source income		**16,246**	13,264
Net cost of services		**(177,804)**	(177,493)
Revenue from Government		**172,767**	168,471
Surplus/(Deficit)		**(5,037)**	(9,022)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves		**976**	-
Total other comprehensive income		**976**	-
Total comprehensive income/(loss) attributable to the Australian Government		**(4,061)**	(9,022)

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

Statement of Financial Position

as at 30 June 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Financial assets			
Cash and cash equivalents		**5,152**	655
Trade and other receivables	7A	**60,141**	63,048
Total financial assets		**65,293**	63,703
Non-financial assets			
Land and buildings	8A	**2,500**	5,721
Plant and equipment	8A	**8,660**	10,721
Intangibles	8A	**12,221**	9,314
Prepayments	8B	**3,366**	2,614
Total non-financial assets		**26,747**	28,370
Total assets		**92,040**	92,073
LIABILITIES			
Payables			
Suppliers	9A	**1,289**	2,396
Other payables	9B	**11,484**	12,645
Total payables		**12,773**	15,041
Provisions			
Employee provisions	10A	**43,566**	42,654
Provision for restoration	10B	**964**	953
Total provisions		**44,530**	43,607
Total liabilities		**57,303**	58,648
Net assets		**34,737**	33,425
EQUITY			
Asset revaluation reserve		**6,162**	5,186
Contributed equity		**51,526**	46,153
Retained surplus		**(22,951)**	(17,914)
Total equity		**34,737**	33,425

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

Statement of Changes in Equity

for the period ended 30 June 2015

	Retained earnings		Asset revaluation reserves		Contributed equity		Total equity	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Opening balance as at 1 July	**(17,914)**	(8,892)	**5,186**	5,186	**46,153**	40,731	**33,425**	37,025
Comprehensive income								
Other comprehensive income	**-**	-	**976**	-	**-**	-	**976**	-
Surplus/(Deficit) for the period	**(5,037)**	(9,022)	**-**	-	**-**	-	**(5,037)**	(9,022)
Total comprehensive income	**(5,037)**	(9,022)	**976**	-	**-**	-	**(4,061)**	(9,022)
Transactions with owners								
Contributions by owners								
Equity injection appropriation[1]	**-**	-	**-**	-	**-**	1,775	**-**	1,775
Departmental capital budget appropriation	**-**	-	**-**	-	**5,373**	5,266	**5,373**	5,266
Restructuring[2]	**-**	-	**-**	-	**-**	(1,619)	**-**	(1,619)
Total transactions with owners	**-**	-	**-**	-	**5,373**	5,422	**5,373**	5,422
Closing balance as at 30 June	**(22,951)**	(17,914)	**6,162**	5,186	**51,526**	46,153	**34,737**	33,425

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

1. 2014 includes $1.595 million appropriation receivable for the Small Business function.
2. The Small Business function was gained from Department of Industry during 2014 due to restructuring of administrative arrangements on 18 September 2013.

Cash Flow Statement

for the period ended 30 June 2015

	Notes	2015 $'000	2014 $'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		**173,848**	171,375
Sale of goods and rendering of services		**11,348**	10,057
Net GST received from ATO		**3,317**	3,674
Other		**3,018**	1,841
Total cash received		**191,531**	186,947
Cash used			
Employees		**126,741**	133,069
Suppliers		**57,450**	46,797
Grants		**2,571**	1,314
Section 31 receipts transferred to OPA		**-**	1,934
Other		**15**	49
Total cash used		**186,777**	183,163
Net cash from/(used by) operating activities	12	**4,754**	3,784
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of plant and equipment		**21**	-
Total cash received		**21**	-
Cash used			
Purchase of land and buildings		**456**	2,628
Purchase of plant and equipment		**893**	1,456
Purchase of intangibles		**5,897**	5,714
Total cash used		**7,246**	9,798
Net cash from/(used by) investing activities		**(7,225)**	(9,798)
FINANCING ACTIVITIES			
Cash received			
Contributed equity — departmental capital budget		**5,373**	5,266
Contributed equity — equity injections		**1,595**	180
Total cash received		**6,968**	5,446
Net cash from/(used by) financing activities		**6,968**	5,446
Net increase/(decrease) in cash held		**4,497**	(568)
Cash at the beginning of the reporting period		**655**	1,223
Cash at the end of the reporting period		**5,152**	655

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

Schedule of Commitments

as at 30 June 2015

	2015 $'000	2014 $'000
BY TYPE		
Commitments payable		
Capital commitments		
Land and buildings[1]	**457**	-
Plant and equipment[2]	**644**	-
Intangibles[3]	**1,615**	1,112
Total capital commitments	**2,716**	1,112
Other commitments		
Operating leases[4]	**5,134**	13,222
Other[5]	**27,920**	20,640
Total other commitments	**33,054**	33,862
Total commitments payable	**35,770**	34,974
Commitments receivable		
Net GST receivable[6]	**(3,113)**	(3,033)
Total commitments receivable	**(3,113)**	(3,033)
Net commitments by type	**32,657**	31,941
BY MATURITY		
Commitments payable		
Capital commitments		
Within 1 year	**2,716**	1,112
Between 1 to 5 years	**-**	-
Total capital commitments	**2,716**	1,112
Operating lease commitments		
Within 1 year	**3,475**	7,815
Between 1 to 5 years	**1,659**	5,407
More than 5 years	**-**	-
Total operating lease commitments	**5,134**	13,222
Other commitments		
Within 1 year	**21,850**	14,865
Between 1 to 5 years	**6,070**	5,775
Total other commitments	**27,920**	20,640
Total commitments payable	**35,770**	34,974
Commitments receivable		
Within 1 year	**(2,539)**	(2,120)
Between 1 to 5 years	**(574)**	(913)
Total commitments receivable	**(3,113)**	(3,033)
Net commitments by maturity	**32,657**	31,941

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

1. Land and buildings commitments relate to capital works.
2. Plant and equipment commitments relate to fit out requirements.
3. Intangible commitments relate to developed software.
4. Operating lease commitments relate to leases for office accommodation.
5. Other commitments primarily relate to contracts for operational expenses.
6. Commitments are GST inclusive where relevant.

Schedule of Commitments

as at 30 June 2015

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

Nature of lease	General description of leasing arrangement
Leases for accommodation	Commercial — leases comprise of various periods, including both initial and options periods. Overseas estate — some commercial lease payments are adjusted annually by two per cent and residential lease payments are reviewed 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.
Leases for office equipment	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.

Administered Schedule of Comprehensive Income

for the period ended 30 June 2015

	Notes	2015 $'000	2014 $'000
NET COST OF SERVICES			
Expenses			
Grants	17A	**83,746,819**	93,200,198
Interest		**3,427**	4,688
Write-down and impairment of assets		**-**	150,000
Foreign Exchange Losses	17B	**-**	420,777
Suppliers[1]		**27,666**	540
Total expenses		**83,777,912**	93,776,203
Income			
Revenue			
Non-taxation revenue			
Interest	18A	**3,166**	3,303
Dividends	18B	**1,941,500**	1,310,000
Sale of goods and rendering of services	18C	**726,299**	990,065
COAG revenue from government agencies	18D	**993,379**	1,798,099
Other	18E	**154,189**	83,637
Total non-taxation revenue		**3,818,533**	4,185,104
Total revenue		**3,818,533**	4,185,104
Gains			
Foreign exchange	18F	**36,629**	-
Total gains		**36,629**	-
Total income		**3,855,162**	4,185,104
Net cost of (contribution by) services		**(79,922,750)**	(89,591,099)
Surplus (Deficit)		**(79,922,750)**	(89,591,099)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		**5,574,357**	9,663,872
Total comprehensive income		**5,574,357**	9,663,872
Total comprehensive income/(loss)		**(74,348,393)**	(79,927,227)

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

1. Suppliers expenses for 2015 include the community engagement campaign on Australia's economic challenges.

Administered Schedule of Assets and Liabilities

as at 30 June 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Financial assets			
Cash and cash equivalents		**-**	1,412
Trade and other receivables	20A	**3,406,908**	2,424,492
Investments	20B	**32,565,700**	26,277,406
Total financial assets		**35,972,608**	28,703,310
Non-financial assets			
Other		**411**	462
Total non-financial assets		**411**	462
Total assets administered on behalf of Government		**35,973,019**	28,703,772
LIABILITIES			
Payables			
Grants	21A	**599,925**	636,399
Other payables	21B	**5,642,592**	5,055,217
Unearned income	21C	**77,019**	136,235
Total payables		**6,319,536**	5,827,851
Interest bearing liabilities			
Loans	22A	**4,824,704**	3,903,540
Total interest bearing liabilities		**4,824,704**	3,903,540
Provisions			
Other provisions	23A	**1,816,251**	3,583,296
Total provisions		**1,816,251**	3,583,296
Total liabilities administered on behalf of government		**12,960,491**	13,314,687
Net assets		**23,012,528**	15,389,085

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

Administered Reconciliation Schedule

for the period ended 30 June 2015

	2015 $'000	2014 $'000
Opening assets less liabilities as at 1 July	**15,389,085**	3,115,348
Net (cost of)/contribution by services		
Income	**3,855,162**	4,185,104
Expenses		
Payments to entities other than corporate Commonwealth entities[1]	**(83,777,912)**	(84,968,203)
Payments to corporate Commonwealth entities	**-**	(8,808,000)
Other comprehensive income		
Revaluations transferred to reserves	**5,574,357**	9,663,872
Transfers to/from Australian Government:		
Appropriation transfers from OPA:		
Administered assets and liabilities appropriations	**20**	25,784
Annual appropriation for administered expenses		
Payments to entities other than corporate Commonwealth entities	**72,233**	4,528
Payments to corporate Commonwealth entities	**-**	8,808,000
Special appropriations (limited)		
Payments to entities other than corporate Commonwealth entities	**16,979**	16,526
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	**73,350,806**	70,571,682
Special accounts — COAG Reform Fund	**11,521,643**	15,482,471
Refunds of receipts (s77 PGPA)	**2,871**	-
Appropriation transfers to OPA		
Transfers to OPA — Appropriations	**(2,942,116)**	(2,708,027)
Transfers to OPA — Special Accounts	**(50,600)**	
Restructuring	**-**	-
Closing assets less liabilities as at 30 June	**23,012,528**	15,389,085

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

1. Includes payments to the States and Territories through the Nation Building Funds. Refer to Note 29E for more information.

Schedule of Administered Cash Flows

for the period ended 30 June 2015

	Notes	2015 $'000	2014 $'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services		**55,179**	305,151
Interest		**1,735**	2,180
Dividends		**675,255**	150,000
Net GST received		**-**	-
HIH Group liquidation proceeds		**92,273**	26,257
COAG receipts from government agencies		**993,121**	1,797,950
Revenue receipts for non-government schools		**15,635,076**	12,007,975
Other		**61,574**	64,711
Total cash received		**17,514,213**	14,354,224
Cash used			
Grant payments		**84,866,204**	94,641,308
Grants to states for non-government schools		**15,635,076**	12,007,975
Interest		**3,787**	4,877
Other		**23,386**	3,200
Total cash used		**100,528,453**	106,657,360
Net cash from (used by) operating activities	24	**(83,014,240)**	(92,303,136)
INVESTING ACTIVITIES			
Cash received			
Repayment of IMF loans		**360,317**	130,899
IMF Maintenance of Value		**698,194**	230,772
Repayment of CEFC Capital		**50,600**	-
Total cash received		**1,109,111**	361,671
Cash used			
Settlement of IMF loans		**40,786**	209,461
Settlement of IMF Maintenance of Value		**38**	230,772
Settlement of international financial institution's obligations		**27,295**	27,044
Settlement of Loans to States and Territories		**-**	25,300
Payment to CAC bodies		**-**	1,131,600
Total cash used		**68,119**	1,624,177
Net cash from (used by) investing activities		**1,040,992**	(1,262,506)
Net increase (decrease) in cash held		**(81,973,248)**	(93,565,642)
Cash and cash equivalents at the beginning of the reporting period		**1,412**	3,719
Cash from Official Public Account for:			
Appropriations		**73,442,909**	80,788,891
Special Accounts		**11,521,643**	15,482,471
Total cash from Official Public Account		**84,964,552**	96,271,362
Cash to Official Public Account for:			
Appropriations		**2,942,116**	2,708,027
Special Accounts		**50,600**	-
Total cash to Official Public Account		**2,992,716**	2,708,027
		81,973,248	93,567,054
Cash and cash equivalents at the end of the reporting period		**-**	1,412

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

Schedule of Administered Commitments

as at 30 June 2015

	2015 $'000	2014 $'000
BY TYPE		
Commitments payable		
Capital commitments		
Investments[1]	**12,555**	41,964
Total capital commitments	**12,555**	41,964
Net commitments by type	**12,555**	41,964
BY MATURITY		
Commitments payable		
Capital commitments		
Within 1 year	**12,555**	31,728
Between 1 to 5 years	**-**	10,236
Total capital commitments	**12,555**	41,964
Net commitments by maturity	**12,555**	41,964

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

1. The nature of the capital commitments relate to the unpaid instalments of general capital increases in shares of the International Bank for Reconstruction and Development. The total for the comparative also includes commitments relating to the final unpaid instalment of general capital increases in shares of the Asian Development Bank.
2. The Treasury received an exemption from the Finance Minister relating to the commitments for grants payable to the states and territories (for current and comparative years). The budgeted information for payment of grants to the states and territories can be found in Budget Paper No. 3. Refer to Note 1.28 for more information.

Notes to and forming part of the financial statements

for the period ended 30 June 2015

Note 1: Summary of significant accounting policies

1.1 Objectives of the Treasury

The Department of the Treasury (the Treasury) is an Australian Government controlled, not-for-profit entity.

The Treasury provides policy advice and assists Treasury Ministers in the administration of their responsibilities and the administration of government decisions across a range of policy and program areas.

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, 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 1.2 to 1.9 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 Skills and Workforce Development
- Program 1.7 — Assistance to the States for Disability Services
- Program 1.8 — Assistance to the States for Affordable Housing
- Program 1.9 — 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
- developing the Centre for International Finance and Regulation.

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 1.8 provide for administered payments to the States and Territories for healthcare 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 1.9 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 general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* and general purpose financial statements.

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

- Financial Reporting Rules (FRRs) for reporting periods ending on or after 1 July 2014; 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 an alternative treatment is specifically required by an accounting standard or the FRR, assets and liabilities are recognised in the statement of financial position when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the contingencies note.

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

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

1.3 Significant accounting judgements and estimates

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

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

- the Natural Disaster Relief and Recovery Arrangements (NDRRA) liability represents the Treasury’s best estimate of payments expected to be made to States and Territories as at balance date.
  - The estimate is based on information provided by States and Territories to the Attorney General’s Department (AGD), 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. AGD performs a review of estimates provided by the States and Territories in order to assess the reasonableness of estimated expenditure with regard to eligibility under the NDRRA determination.

- The Treasury reviews the estimates to ensure they are consistent with government decisions and then calculates the provision by discounting the future cashflows. Given the nature of disasters, there is a level of uncertainty in the estimated reconstruction costs at the time of a disaster. This uncertainty decreases as reconstruction efforts progress to completion. Consistent with accounting principles, the Treasury adopts a prudent position at this time to ensure that liabilities are not understated.

- The state that forms the most significant amount of the provision estimate is Queensland. The Queensland Reconstruction Authority (QRA) was established in 2011 in response to the severe disaster events that occurred between November 2010 and April 2011 with the purpose of managing and coordinating the Queensland Government's program of infrastructure reconstruction within disaster affected communities. The work of QRA has progressively enhanced the accuracy of Queensland's estimates.

- AGD continues to work closely with the States and Territories to improve the application of the NDRRA determination, and is releasing a restructured NDRRA determination to reduce ambiguous language associated with eligibility, embed assurance arrangements and ensure that it is structured in a way that is logical and easy to use. AGD's internal quality assurance requires states to provide additional advice and documentation in support of their estimates. The Treasury has an established memorandum of understanding with AGD that clearly identifies the roles and responsibilities of both agencies.

▪ Pending the outcome of negotiations the Commonwealth Government is not recognising a receivable in 2014-15 for the East West Link project.

  - In 2013-14 the Commonwealth Government provided $1.5 billion in grant funding to the Victorian Government for the East West Link project. In 2014-15 the Victorian Government announced it had decided not to proceed with the project.

  - Consistent with the 2015-16 Budget announcement, the Commonwealth Government intends to seek the return of the $1.5 billion of grant funding in relation to the East West Link project during 2015-16. Discussions between the Commonwealth and Victorian governments regarding the return of the $1.5 billion in grant funding are ongoing.

1.4 New Australian Accounting Standards

Adoption of new Australian Accounting Standard requirements

The following new and amended standard has been adopted:

▪ *AASB 13 — Fair Value Measurement* — reduced disclosure (adopted earlier than the application date as stated in the standard)

- *AASB 1055 — Budgetary Reporting* — this standard requires the Treasury to explain significant variances between original budget and actual outcome.

All other new standards, amendments to standards and interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect, and are not expected to have a future material effect, on the Treasury's financial statements.

Future Australian Accounting Standard requirements

No new or revised standards that were issued prior to the sign-off date and are applicable to future reporting periods are not expected to have a future material impact on the Treasury's financial statements.

1.5 Legal Compliance

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

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance provided information to all agencies regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts. Further details of risk assessments and compliance relating to the Treasury can be found at Note 30.

1.6 Revenue

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when Treasury 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 rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

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

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

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

1.7 Gains

Resources received free of charge

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

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

Sale of assets

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

1.8 Transactions with the Government as owner

Equity injections

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

Restructuring of administrative arrangements

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

Other distributions to owners

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

1.9 Employee benefits

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

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

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

Leave

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

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

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

Separation and redundancy

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

Superannuation

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

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

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

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

The liability for superannuation recognised as at 30 June 2015 represents outstanding contributions for the final fortnight of the year.

1.10 Leases

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

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

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

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

1.11 Borrowing costs

All borrowing costs are expensed as incurred.

1.12 Cash

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

1.13 Financial risk management

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

1.14 Financial assets

The Treasury classifies its financial instruments as loans and receivables.

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

Effective interest method

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

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

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest methods less impairment. Interest is recognised by applying the effective interest rate. Collectability of debts is reviewed regularly throughout the year and at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely. Credit terms are net 30 days (2014: 30 days).

1.15 Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period. No indicators of impairment were identified for assets as at 30 June 2015.

Financial assets held at amortised cost

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

Financial assets held at cost

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

1.16 Financial liabilities

Other financial liabilities include 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.

1.17 Contingent liabilities and contingent assets

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

1.18 Acquisition of assets

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

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

1.19 Property, plant and equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than $5,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by the Treasury where there exists an obligation to restore the property to its original condition. These costs are included in the value of the Treasury's leasehold improvements with a corresponding provision for the 'make good' recognised.

Revaluations

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

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

Following initial recognition at cost, buildings — leasehold improvements and plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. The most recent revaluation was conducted by Preston Rowe Patterson NSW Pty Limited (PRP) as at 1 July 2014.

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

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

In addition to the full revaluation undertaken as at 1 July 2014, the Treasury received a fair value confirmation of leasehold improvements and plant and equipment assets as at 30 June 2015. The fair value confirmation was performed by independent valuers Australian Valuation Services (AVS) in accordance with AASB 13. AVS confirmed that net asset values materially reflected fair value at 30 June 2015.

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:

	2015	2014
Buildings — leasehold improvements	5-10 years	5-10 years
Plant and equipment:		
Computers, plant and equipment	3-10 years	3-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed at Note 8A.

Impairment

All assets were assessed for impairment at 30 June 2015. 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 non-financial assets as at 30 June 2015 (2014 nil).

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

Derecognition

An item or property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.20 Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Treasury's software are three to five years (2014: three to five years).

All software assets were assessed for indications of impairment as at 30 June 2015. No indicators of impairment were identified as at 30 June 2015 (2014: nil).

1.21 Taxation

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

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

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

1.22 Foreign currency

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

1.23 Insurance

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

1.24 Reporting of administered activities

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

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

1.25 Administered cash transfers to and from the Official Public Account

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

1.26 Administered revenue

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

Reserve Bank of Australia dividend

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

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

Australian Reinsurance Pool Corporation dividend and fee

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

International Monetary Fund remuneration

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

Where the IMF's holdings of Australian dollars fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is equal to the SDR interest rate. The SDR interest rate is the market interest rate computed by the Fund for the purposes of paying interest on holdings of SDRs, which is based on the weighted 3 month bond rates of the four entities whose currencies make up the SDR basket: the United States, United Kingdom, European Union and Japan. This rate is then adjusted to account for the financial consequences of overdue obligations to the IMF which are shared between members and reflected at Note 18 as 'burden sharing'.

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

International Monetary Fund New Arrangement to Borrow (NAB)

Australia also receives interest on amounts lent to the IMF under the New Arrangements to Borrow (NAB). Amounts lent to the IMF under the NAB accrue interest daily at the IMF's SDR interest rate (or such other rate as agreed by 85% of NAB participants). The IMF pays interest on NAB amounts quarterly.

The IMF must repay amounts lent through the NAB five years after each call is made. Amounts can be repaid earlier at the IMF's discretion.

Guarantee Scheme for Large Deposits and Wholesale Funding

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

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

The Guarantee of State and Territory Borrowing

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

Financial Guarantee Contracts

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

1.27 Administered capital

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

1.28 Grants

The Treasury sought and received an exemption from reporting payments to the States and Territories as administered commitments as required by section 28 of the FRR. The Treasury formed the view that these payments do not meet the definition of a commitment and should not be reported in the administered commitments schedule.

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

Grants to States and Territories

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

There are three main types of payments under the framework:

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

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

The NP and other general revenue assistance payments are paid under the *Federal Financial Relations Act 2009* through a determination process wherein the Treasurer may determine an amount to be paid to a State or Territory for the purpose of making a grant of financial assistance. Once determined, this amount must be credited to the COAG Reform Fund and the Treasurer must ensure that, as soon as practicable after the amount is credited, the COAG Reform Fund is debited for the purposes of making the grant. In addition, the Treasurer must have regard to the Intergovernmental Agreement on Federal Financial Relations.

The Treasury is primarily reliant on certified payment advice from the Chief Financial Officers of Commonwealth agencies, who have policy and program responsibility to assure that the terms and conditions of the NP have been met prior to making a payment. The Treasury then advises the Treasurer on amounts to be determined, based on the certified payment advices received from the Commonwealth agencies.

Natural Disaster Relief and Recovery Arrangements

The Treasury accounts for payments made to States and Territories under the Natural Disaster Relief and Recovery Arrangements (NDRRA) by recognising a liability equal to the discounted value of estimated future payments to States and Territories 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 at 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 2015 which would be eligible for assistance.

Payments to the States and Territories through the Nation Building Funds

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

The three Funds are the:

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

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

Payments to Clean Energy Finance Corporation

Payments to the Clean Energy Finance Corporation from amounts appropriated for that purpose are classified as administered expenses and equity injections of the relevant portfolio department. The appropriation to the department is disclosed at Note 29A.

Mirror taxes collected by State Governments

On behalf of the States, the Government imposes mirror taxes which replace State taxes that may be constitutionally invalid in relation to Government places. 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 29D.

1.29 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.

Australian Government entities

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

The Australian Government's investment in controlled corporate entities and companies in the Treasury portfolio are measured at their fair value as at 30 June 2015. Fair value has been taken to be the net assets of the entities as at balance date. These entities are listed below:

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

Impairment of administered investments

Administered investments were assessed for impairment at 30 June 2015. No indicators of impairment were identified (2014: nil).

1.30 Promissory notes

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

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

Foreign currency gains and losses are recognised where applicable.

1.31 IMF Special Drawing Rights Allocation

The SDR allocation liability reflects the current value in AUD of the Treasury's liability to repay to the IMF the cumulative allocations of SDRs provided to Australia since joining the IMF. This liability is classified as 'other payables' at Note 21.

1.32 Provisions and contingent liabilities

HIH Claims Support Scheme liability

The HIH Claims Support Scheme (HCSS) was established by the Government following the collapse of the HIH Group of companies in March 2001. The purpose of the HCSS 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*.

The claims portfolio is now completely extinguished with the resolution of the final outstanding claim during the 2014-15 financial year. All other claims management activities have been completed and all physical files and related materials (along with the Commonwealth's final proof of debt) have been returned to the Liquidator.

1.33 Administered financial instruments

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

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

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

receivable (measured initially at fair value and then measured at amortised cost using the effective interest rate method);

- the Guarantee Scheme for State and Territory Borrowing contractual fee receivable (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
- Loans to States and Territories (measured initially at fair value and then measured at amortised cost using the effective interest rate method); and
- Dividends receivable (measured at fair value).

Available-for-sale financial assets:

- investments in development banks (measured initially at cost or notional cost and then measured at fair value);
- the IMF quota (measured initially at cost or notional cost and then measured at fair value); and
- Investments in Government Entities (measured at fair value based on net asset position of the entity at 30 June 2015).

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 25.

Administered financial instruments are accounted for in accordance with the accounting policies detailed above and are disclosed at Note 27.

Note 2: Events After the Reporting Period

Departmental

There are no known events occurring after the reporting period that could impact on the financial statements.

Administered

There are no known events occurring after the reporting period that could impact on the financial statements.

Note 3: Net Cash Appropriation Arrangements

	2015	2014
	$'000	$'000
Surplus/(Deficit) less depreciation/amortisation expenses	**4,630**	275
Plus: changes in asset revaluation reserves	**976**	-
Total comprehensive income/(loss) less depreciation/amortisation expenses previously funded through revenue appropriations	**5,606**	275
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	**(9,667)**	(9,297)
Total comprehensive income/(loss) — as per the Statement of Comprehensive Income	**(4,061)**	(9,022)

1. From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

Note 4: Operating Expenses

	2015 $'000	2014 $'000
Note 4A: Employee benefits		
Wages and salaries	**89,253**	95,418
Superannuation:		
Defined contribution plans	**6,053**	6,128
Defined benefit plans	**9,511**	10,766
Redundancies	**1,945**	7,188
Leave and other entitlements	**12,757**	10,474
Other	**3,421**	3,162
Total employee benefits	**122,940**	133,136
Note 4B: Suppliers		
Goods and services		
Information communication technology	**7,325**	5,191
Conferences and training[1]	**10,272**	9,273
Consultants, secondees and contractors[2]	**14,104**	6,442
Fees — Audit, Accounting, Bank and Other	**2,062**	1,700
Insurance	**951**	561
Legal	**1,605**	999
Printing	**513**	514
Property operating expenses	**12,073**	11,845
Publications and subscriptions	**1,442**	1,368
Travel	**6,046**	6,383
Other	**2,177**	2,145
Total goods and services	**58,570**	46,421
Goods and services are made up of:		
Provision of goods — related parties	**52**	135
Provision of goods — external parties	**3,180**	3,141
Rendering of services — related parties	**11,294**	7,153
Rendering of services — external parties	**35,069**	27,600
Total goods and services	**49,595**	38,029
Other suppliers		
Operating lease rentals in connection with:[3]		
Related parties	**8,352**	8,070
External parties	**2**	1
Workers compensation premiums	**621**	321
Total other suppliers	**8,975**	8,392
Total supplier expenses	**58,570**	46,421
Note 4C: Grants		
Public sector:		
Australian Government entities — other	**231**	71
Private sector:		
Non-profit organisations	**2,340**	1,243
Total grants	**2,571**	1,314

1. Conferences and training expenses include expenditure relating to the 2014 G20 Finance Ministers' and Central Bank Governors' meetings organised by the Treasury.
2. The increase in consultants, secondees and contractors expenses is mainly a result of an increase in the number of secondees from a range of government agencies ($2.0 million of which was received free of charge) and an increase in contractors for various ICT projects.
3. Operating lease rentals comprise minimum lease payments only.

Note 5: Income

Own-Source Revenue	2015 $'000	2014 $'000
Note 5A: Rendering of services		
Rendering of services — related parties	**9,939**	8,042
Rendering of services — external parties	**369**	1,638
Total rendering of services	**10,308**	9,680
Note 5B: Other revenue		
Legislative and Governance Forum on Consumer Affairs contributions received	**334**	404
ANAO audit services received free of charge	**605**	440
Other	**348**	135
Total other revenue	**1,287**	979
Note 5C: Gains from sale of assets		
Plant and equipment		
Proceeds from sale	**21**	-
Net book value of assets disposed	**(12)**	-
Total gains from sale of assets	**9**	-
Note 5D: Other gains		
Resources received free of charge[1]	**4,628**	2,605
Other	**14**	-
Total other gains	**4,642**	2,605

1. The increase in resources received free of charge is driven by an increase in secondees. The corresponding expense is disclosed at Note 4B.

Note 6: Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value.
The different levels of the fair value hierarchy are defined below.
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Note 6A: Fair value measurements, valuation techniques and inputs used

	Fair value measurements at the end of the reporting period			For Levels 2 and 3 fair value measurements	
	2015 **$'000**	2014 $'000	**Category (Level 1, 2 or 3)[1]**	**Valuation technique(s)[2]**	**Inputs used**
Non-financial assets:					
Property, plant and equipment	**222**	137	**2**	**Market Approach**	**Adjusted market transactions**
Property, plant and equipment	**5,933**	8,713	**3**	**Depreciated Replacement Cost**	**Replacement Cost New (price per square metre)** **Consumed economic benefit / Obsolescence of asset**
Library	**1,919**	1,871	**3**	**Depreciated Replacement Cost**	**Replacement Cost New** **Consumed economic benefit / Obsolescence of asset**
Land and buildings	**2,292**	5,721	**3**	**Depreciated Replacement Cost**	**Replacement Cost New**
Total non-financial assets	**10,366**	16,442			
Total fair value measurements of assets in the statement of financial position	**10,366**	16,442			

1. The Treasury did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2015.

No change in valuation technique occurred during the period.

Note 6: Fair Value Measurements (continued)

Fair value measurements — highest and best use differs from current use for non-financial assets (NFAs)

The Treasury's assets are held for operational purposes and are not held for the purposes of deriving a profit. The current use of all NFAs is considered their highest and best use.

Recurring and non-recurring Level 3 fair value measurements — valuation processes

During 2014-15, the Treasury appointed Preston Rowe Paterson to undertake a full revaluation of all tangible property, plant and equipment assets as at 1 July 2014. In addition, the Treasury appointed Australian Valuation Solutions Pty Ltd (AVS) to test for material differences between asset carrying amounts and fair value measurements for all tangible property, plant and equipment assets as at 30 June 2015. This fair value confirmation was performed in accordance with AASB 13.

The Treasury procures the valuation services from an independent valuer of the tangible non-financial asset classes once every three years. Asset carrying amounts are tested for materiality at least once every 12 months. If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation.

There have been no transfers between level 1 and level 2 of the hierarchy during the year.

Significant Level 3 inputs utilised by the entity are derived and evaluated as follows:

All asset classes — consumed economic benefit/obsolescence of asset

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the cost (depreciated replacement cost (DRC)) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit/asset obsolescence (accumulated depreciation). Consumed economic benefit/asset obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

Library — replacement cost

The value of the library was determined on the basis of the average cost for items within each collection. The replacement cost has considered purchases over recent years and these have been evaluated for reasonableness against current market prices.

Note 6B: Level 1 and Level 2 transfers for recurring fair value measurements

No assets were transferred between Level 1 and Level 2.

Note 6: Fair Value Measurements (continued)

Note 6C: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements — reconciliation for assets

	Non-financial assets							
	Property, plant and equipment		Library		Land and Buildings		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Opening balance	**8,713**	9,885	**1,871**	1,871	**5,721**	6,815	**16,305**	18,571
Total gains/(losses) recognised in net cost of services[1]	**(2,698)**	(2,847)	**-**	-	**(4,279)**	(4,288)	**(6,977)**	(7,135)
Total gains/(losses) recognised in other comprehensive income[2]	**401**	-	**48**	-	**521**	-	**970**	-
Purchases	**418**	2,226	**-**	-	**243**	2,975	**661**	5,201
Settlements	**(901)**	(551)	**-**	-	**86**	219	**(815)**	(332)
Closing balance	**5,933**	8,713	**1,919**	1,871	**2,292**	5,721	**10,144**	16,305

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

The entity's policy for determining when transfers between levels are deemed to have occurred can be found at Note 1.

Note 7: Financial Assets

	2015 $'000	2014 $'000
Note 7A: Trade and other receivables		
Appropriations receivable	**57,564**	60,240
Goods and services receivables — related parties	**953**	920
Goods and services receivables — external parties	**792**	1,222
Net GST receivable from the ATO	**832**	666
Total trade and other receivables (net)	**60,141**	63,048
All receivables are current assets		
Receivables (net) are aged as follows:		
Not overdue	**59,071**	61,991
Overdue by:		
0 to 30 days	**890**	681
31 to 60 days	**111**	97
61 to 90 days	**11**	157
More than 90 days	**58**	122
Total receivables (net)	**60,141**	63,048

Credit terms for goods and services were within 30 days (2014: 30 days).

Note 8: Non-Financial Assets

Note 8A: Reconciliation of the opening and closing balances of property, plant and equipment and computer software (2014-15)

Reconciliation of the opening and closing balances of property, plant and equipment and computer software for 2015

	Buildings — leasehold improvements $'000	Plant and equipment $'000	Computer software internally developed $'000	Computer software purchased $'000	Total $'000
As at 1 July 2014					
Gross book value	15,042	17,431	11,153	6,666	50,292
Accumulated depreciation / amortisation and impairment	(9,321)	(6,710)	(4,885)	(3,620)	(24,536)
Total value as at 1 July 2014	5,721	10,721	6,268	3,046	25,756
Additions:					
By purchase	451	1,135	-	4,738	6,324
Internally developed	-	-	281	-	281
Revaluations recognised in other comprehensive income	521	455	-	-	976
Depreciation / amortisation expense	(4,273)	(2,626)	(1,765)	(1,003)	(9,667)
Impairments recognised in net cost of services	(6)	(112)	(47)	(112)	(277)
Disposals:					
From asset sales	-	(12)	-	-	(12)
Transfers	86	(901)	-	815	-
Total as at 30 June 2015	2,500	8,660	4,737	7,484	23,381
Total as at 30 June 2015 represented by:					
Under construction	208	602	197	4,394	5,401
Fair value	6,902	10,619	-	-	17,521
Internally developed — in use	-	-	10,879	-	10,879
Purchased	-	-	-	7,237	7,237
Accumulated depreciation / amortisation and impairment	(4,610)	(2,561)	(6,339)	(4,147)	(17,657)
Total as at 30 June 2015 represented by:	2,500	8,660	4,737	7,484	23,381

No indicators of impairment were found for land and buildings, plant and equipment or intangibles (comprising both internally developed and purchased computer software).
No significant non-financial assets are expected to be sold or disposed within the next 12 months.
All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.19.

Note 8: Non-Financial Assets (continued)

Note 8A: Reconciliation of the opening and closing balances of property, plant and equipment and computer software (2013-14)

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

	Buildings — leasehold improvements	Plant and equipment	Computer software internally developed	Computer software purchased	Total
	$'000	$'000	$'000	$'000	$'000
As at 1 July 2013					
Gross book value	12,219	16,038	7,748	4,788	40,793
Accumulated depreciation and impairment	(5,404)	(4,132)	(3,374)	(2,902)	(15,812)
Total as at 1 July 2013	6,815	11,906	4,374	1,886	24,981
Additions:					
By purchase	3,194	1,667	-	2,539	7,400
Internally developed	-	-	2,809	-	2,809
By transfer from other agencies (restructuring)[1]	-	7	-	-	7
Depreciation / amortisation expense	(4,241)	(2,798)	(1,511)	(747)	(9,297)
Disposals:					
From disposal of operations (restructuring)	-	-	-	-	-
From asset sales	-	-	-	-	-
Other disposals	(47)	(61)	-	(36)	(144)
Total as at 30 June 2014	5,721	10,721	5,672	3,642	25,756
Total as at 30 June 2014 represented by:					
Under construction	263	1,225	2,068	1,148	4,704
Fair value	14,779	16,206	-	-	30,985
Internally developed — in use	-	-	8,489	-	8,489
Purchased	-	-	-	6,114	6,114
Accumulated depreciation / amortisation and impairment	(9,321)	(6,710)	(4,885)	(3,620)	(24,536)
Total as at 30 June 2014 represented by:	5,721	10,721	5,672	3,642	25,756

1. The Small Business function was gained from Department of Industry during 2014 due to restructuring of administrative arrangements on 18 September 2013. Further details are provided at Note 11.

Note 8: Non-Financial Assets (continued)

	2015	2014
	$'000	$'000
Note 8B: Prepayments		
No more than 12 months	**2,642**	2,328
More than 12 months	**724**	286
Total prepayments	**3,366**	2,614

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

Note 9: Payables

	2015 $'000	2014 $'000
Note 9A: Suppliers		
Suppliers in connection with		
Related parties	**393**	545
External parties	**896**	1,851
Total suppliers	**1,289**	2,396

Suppliers are expected to be settled in no more than 12 months.

Note: Settlement was usually made within 30 days.

	2015 $'000	2014 $'000
Note 9B: Other payables		
Salaries and wages	**3,014**	3,160
Superannuation	**539**	534
Separations and redundancies	**-**	2,625
Other creditors	**3,890**	3,113
Unearned income	**4,041**	3,213
Total other payables	**11,484**	12,645

Other payables are expected to be settled in no more than 12 months.

Note 10: Provisions

	2015 $'000	2014 $'000
Note 10A: Employee provisions		
Leave	**43,345**	42,367
Other employee entitlements	**221**	287
Total employee provisions	**43,566**	42,654
Employee provisions expected to be settled		
No more than 12 months	**13,050**	12,384
More than 12 months	**30,516**	30,270
Total employee provisions	**43,566**	42,654
Note 10B: Provision for restoration		
No more than 12 months	**859**	14
More than 12 months	**105**	939
Total provisions for restoration	**964**	953

	Provision for restoration $'000	Total $'000
Carrying amount 1 July 2014	**953**	**953**
Additional provisions made	**-**	**-**
Amounts reversed	**(14)**	**(14)**
Amounts used	**-**	**-**
Unwinding of discount or change in discount rate	**25**	**25**
Closing balance 30 June 2015	**964**	**964**

Note 11: Restructuring

	2015 Small Business Programs Industry[1] $'000	2014 Small Business Function Industry[2] $'000
Note 11A: Departmental restructuring		
FUNCTIONS ASSUMED		
Assets recognised		
Property, plant and equipment	-	7
Total assets recognised	-	7
Liabilities recognised		
Employer payables	-	1,626
Total liabilities recognised	-	1,626
Net assets/(liabilities) assumed	-	(1,619)
Income		
Recognised by the losing entity	-	2
Total Income	-	2
Expenses		
Recognised by the receiving entity	347	2,839
Recognised by the losing entity	547	3,442
Total Expenses	894	6,281

	2015 Small Business Programs Industry[1] $'000	2014 Small Business Function Industry[2] $'000
Note 11B: Administered restructuring		
FUNCTIONS ASSUMED		
Assets recognised		
Trade debtors and accruals	1	-
Total assets recognised	1	-
Liabilities recognised		
Trade Creditors and accruals	-	54
Total liabilities recognised	-	54
Net assets/(liabilities) assumed	1	(54)
Expenses		
Recognised by the receiving entity	6,869	215
Recognised by the losing entity	564	275
Total expenses	7,433	490

1. The Treasury assumed responsibility for the small business programs from the Department of Industry during 2015 as a result of the restructuring of administrative arrangements on 23 December 2014. No functions were relinquished as part of this arrangement.
2. The small business policy function was gained from the Department of Industry during 2014 as a result of restructuring of administrative arrangements on 18 September 2013. Appropriations receivable of $1.595 million was transferred from Industry to the Treasury as an equity injection during the 2014-15 Budget (refer to the Statement of Changes in Equity). No functions were relinquished as part of this arrangement.

Note 12: Cash Flow Reconciliation

	2015	2014
	$'000	$'000
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	**5,152**	655
Statement of financial position	**5,152**	655
Discrepancy	**-**	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	**(177,804)**	(177,493)
Add revenue from Government	**172,767**	168,471
	(5,037)	(9,022)
Adjustments for non-cash items		
Depreciation/amortisation	**9,667**	9,297
Finance costs	**25**	445
Net write down of non-financial assets	**277**	144
Other gains	**(14)**	-
Movements in assets and liabilities		
Assets		
(Increase)/decrease in net receivables	**1,312**	550
(Increase)/decrease in other non-financial assets	**(752)**	51
Liabilities		
Increase/(decrease) in provisions	**923**	(1,353)
Increase/(decrease) in other payables	**(531)**	3,792
Increase/(decrease) in supplier payables	**(1,107)**	(120)
Net cash from/(used by) operating activities	**4,754**	3,784

Note 13: Contingent Assets and Liabilities

Quantifiable Contingencies

There were no quantifiable contingent assets or liabilities in 2015 (2014: $0).

Remote Contingencies

The Treasury's lease on its current premises contains a make good clause which has been estimated by an independent valuer at $3.0 million. In 2014-15, the Treasury has recognised a provision for make good of $1.0 million, being recognition of partial hand back of lease space in 2015. The Treasury is committed to remaining in the Treasury building. The likelihood of the remaining make good provision being required has been deemed as remote.

As at 30 June 2015, 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 14: Senior Management Personnel Remuneration

	2015	2014
	$	$
Short-term employee benefits		
Salary	**17,868,378**	19,107,668
Allowances	**1,646,977**	1,373,546
Total short-term employee benefits	**19,515,355**	20,481,214
Post-employment benefits		
Superannuation	**3,133,362**	3,252,312
Total post-employment benefits	**3,133,362**	3,252,312
Other long-term employee benefits		
Annual leave accrued	**1,663,365**	1,829,294
Long-service leave	**1,309,640**	612,514
Total other long-term employee benefits	**2,973,005**	2,441,808
Termination benefits		
Termination benefits	**664,482**	1,454,363
Total termination benefits	**664,482**	1,454,363
Total senior executive remuneration expenses	**26,286,204**	27,629,697

Note 14 is prepared on an accruals basis. No performance bonuses were paid in 2015 (2014: Nil).

The total number of senior management personnel that are included in the above table are 99 (2014: 103).

Includes secondees received free of charge of $515,807 (2014: $529,436). Revenue is reflected in note 5D.

The comparative figures have been revised and do not match what was published in the 2013-14 financial statements as a result of new disclosure requirements.

Long-service leave benefits have increased due to the leave revaluation as at 30 June 2015. The long-term government bond rate as at the reporting date was used to value the leave provision.

Allowances include payments made to employees on overseas posts.

Note 15: Financial Instrument

Note 15A: Fair value of financial instruments

The net fair values of the Treasury's financial assets and financial liabilities are approximated by their carrying amounts.

Note 15B: Credit risk

The Treasury is exposed to minimal credit risk as financial assets only include cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2015: $1,742,425 and 2014: $2,141,727). The Treasury has assessed the risk of default on payment as being minimal.

Other government agencies and staff members make up the majority of the Treasury’s debtors. To aid the Treasury to manage its credit risk there are internal policies and procedures that guide employees on debt recovery techniques that are to be applied.

The Treasury holds no collateral to mitigate against credit risk.

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired 2015 $'000	Not past due nor impaired 2014 $'000	**Past due or impaired 2015 $'000**	Past due or impaired 2014 $'000
Loans and receivables				
Cash and cash equivalents	**5,152**	655	**-**	-
Trade receivables	**675**	1,085	**1,070**	1,057
Total	**5,827**	1,740	**1,070**	1,057

Ageing of financial assets that were past due but not impaired for 2015

	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	**890**	**111**	**11**	**58**	**1,070**
Total	**890**	**111**	**11**	**58**	**1,070**

Ageing of financial assets that were past due but not impaired for 2014

	0 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	90+ days $'000	Total $'000
Loans and receivables					
Trade receivables	681	97	157	122	1,057
Total	681	97	157	122	1,057

Note 15: Financial Instrument (continued)

Note 15C: Liquidity risk

The Treasury's financial liabilities are payables. The exposure to liquidity risk is based on the notion that the Treasury will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to the appropriation funding mechanisms available to the Treasury and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The Treasury is appropriated funding from the Australian Government. The Treasury manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Treasury has policies in place to ensure timely payments are made when due and has no past experience of default.

All non-derivative financial liabilities are expected to mature within 1 year (2014: 1 year).

Note 15D: Market risk

The Treasury holds only basic financial instruments that do not expose the Treasury to certain market risks, such as 'Currency risk' and 'Other price risk'.

Interest rate risk

The Treasury does not hold financial instruments that expose the Treasury to interest rate risk.

Note 16: Financial Assets Reconciliation

		2015	2014
		$'000	$'000
Financial Assets	**Notes**		
Total financial assets as per Statement of Financial Position		**65,293**	63,703
Less: non-financial instrument components			
Appropriation receivables	7A	**57,564**	60,240
GST receivable from the ATO	7A	**832**	666
Total non-financial instrument components		**58,396**	60,906
Total financial assets as per financial instruments note	15B	**6,897**	2,797

Note 17: Administered Expenses

	2015 $'000	2014 $'000
Note 17A: Grants		
Public sector:		
State and Territory Governments	**82,704,840**	82,590,099
Payment of COAG receipts from Government agencies	**993,379**	1,798,099
Grants to international financial institutions[1]	**37,972**	-
Reserve Bank of Australia	**-**	8,800,000
Clean Energy Finance Corporation	**-**	8,000
Private sector:		
Grants to private sector	**10,628**	4,000
Total grants	**83,746,819**	93,200,198
Note 17B: Net foreign exchange losses		
IMF SDR allocation	**-**	55,723
IMF Maintenance of Value	**-**	455,936
IMF quota revaluation	**-**	(58,492)
IFIs revaluation	**-**	(21,318)
IMF new arrangement to borrow loans revaluation	**-**	(10,335)
Other	**-**	(737)
Total net foreign exchange losses[2]	**-**	420,777

1. Grant made to the IMF, Poverty Reduction and Growth Trust.
2. Refer to Note 18F for current year figures.

Note 18: Administered Income

	2015 $'000	2014 $'000
Revenue		
Non-Taxation Revenue		
Note 18A: Interest		
Gross IMF remuneration	**689**	1,263
Less: Burden sharing	**(41)**	(36)
Net IMF remuneration	**648**	1,227
Interest on loan to IMF under New Arrangements to Borrow	**575**	880
Interest on loans to States and Territories	**1,943**	1,196
Total interest	**3,166**	3,303
Note 18B: Dividends		
Reserve Bank of Australia	**1,884,000**	1,235,000
Australian Reinsurance Pool Corporation	**57,500**	75,000
Total dividends	**1,941,500**	1,310,000
Note 18C: Sale of goods and rendering of services		
GST administration fees — external entities	**680,318**	709,510
Guarantee Scheme for Large Deposits and Wholesale Funding Fee	**22,218**	243,497
Guarantee of State and Territory Borrowing	**23,763**	37,058
Total sale of goods and rendering of services	**726,299**	990,065
Note 18D: COAG revenue from Government		
Building Australia Fund revenue	**184,680**	1,198,990
Health and Hospital Fund revenue	**659,480**	492,034
Education and Innovation Fund revenue	**-**	-
Interstate road transport revenue	**73,615**	75,074
Social and Community Services Sector Special Account	**75,604**	32,001
Total COAG receipts from government agencies	**993,379**	1,798,099
Note 18E: Other revenue		
HIH Group liquidation proceeds	**92,273**	26,257
IMF receipt of gold sales distribution	**-**	37,972
Recoveries	**-**	1
Australian Reinsurance Pool Corporation Fee	**55,000**	-
Other revenue	**6,916**	19,407
Total other revenue	**154,189**	83,637
Gains		
Note 18F: Net Foreign exchange gains		
IMF SDR allocation	**(579,042)**	-
IMF Maintenance of Value	**(212,328)**	-
IMF quota revaluation	**607,819**	-
IFIs revaluation	**129,423**	-
IMF new arrangement to borrow loans revaluation	**101,437**	-
Other	**(10,680)**	-
Total foreign exchange gains[1]	**36,629**	-

1. Refer to Note 17B for the comparative year figures.

Note 19: Administered Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value.
The different levels of the fair value hierarchy are defined below.
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Note 19A: Fair Value Measurements, Valuation Techniques and Inputs Used
Recurring fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2015

	Fair value measurements at the end of the reporting period using			For Levels 2 and 3 fair value	
	2015 $'000	2014 $'000	**Category (Level 1, 2 or 3)**	**Valuation technique(s)[1]**	**Inputs**
Financial assets:					
Investment in Australian Government Entities:	**25,638,809**	20,115,052	**3**	**Net assets**	**Net assets of the entity**
Australian Reinsurance Pool Corporation	**537,700**	573,034			
Clean Energy Finance Corporation	**1,232,109**	1,232,018			
Reserve Bank of Australia	**23,869,000**	18,310,000			
Investment in International Financial Institutions:	**6,926,891**	6,162,354	**3**	**Value of shares held**	**Foreign exchange**
IMF quota	**5,913,393**	5,305,574			
Asian Development Bank	**561,246**	482,066			
European Bank for Reconstruction and Development	**91,174**	90,646			
International Bank for Reconstruction and Development	**291,378**	227,242			
International Finance Corporation	**61,626**	50,243			
Multilateral Investment Guarantee Agency	**8,074**	6,583			
Total financial assets	**32,565,700**	26,277,406			
Total fair value measurements	**32,565,700**	26,277,406			

1. No change in valuation techniques occurred during the period.
2. Significant observable inputs only.

Note 19: Administered Fair Value Measurements (continued)

Fair value measurements

The highest and best use of Treasury's investments in Australian Government entities does not differ because the fair value is based on the net asset position of the entity.

The highest and best use of Treasury's Investments in International Financial Institutions does not differ because the fair value is based on the value of shares held in the relevant institution.

Note 19B: Level 1 and Level 2 transfers for recurring fair value measurements

No assets were transferred between Level 1 and Level 2.

Note 19C: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements — reconciliation for assets

	Financial assets			
	Investments		Total	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Opening balance	**26,277,406**	16,456,446	**26,277,406**	16,456,446
Total gains/(losses) recognised in other comprehensive income	**5,574,357**	9,663,872	**5,574,357**	9,663,872
Total gains/(losses) recognised in net cost of services				
IMF Quota foreign exchange gain	**607,819**	58,492	**607,819**	58,492
International Financial Institutions foreign exchange gain	**129,423**	21,318	**129,423**	21,318
Repayment of CEFC capital	**(50,600)**	-	**(50,600)**	-
Share Purchases				
Increase in investments in the International Financial Institutions	**27,295**	77,278	**27,295**	77,278
Closing balance	**32,565,700**	26,277,406	**32,565,700**	26,277,406

Note 20: Administered Financial Assets

	2015 $'000	2014 $'000
Note 20A: Receivables & loans		
Advances and loans:		
Loans to States and Territories	**44,233**	42,290
IMF new arrangements to borrow loan	**766,588**	985,033
Total advances and loans	**810,821**	1,027,323
Other receivables:		
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable[1]	**-**	23,018
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	**13**	7,712
Guarantee of State and Territory Borrowing contractual fee receivable[1]	**77,019**	113,217
Guarantee of State and Territory Borrowing fee receivable	**1,765**	2,365
Net GST receivable from the ATO	**761**	9
IMF related moneys owing	**55**	217
Dividends receivable	**2,501,245**	1,235,000
Other receivables	**15,229**	15,631
Total other receivables	**2,596,087**	1,397,169
Total trade and other receivables (gross)	**3,406,908**	2,424,492
Receivables are expected to be recovered in:		
No more than 12 months	**1,597,006**	692,859
More than 12 months	**1,809,902**	1,731,633
Total receivables (gross)	**3,406,908**	2,424,492
Receivables are aged as follows:		
Not overdue	**3,406,908**	2,424,492
Total receivables (gross)	**3,406,908**	2,424,492

1. Refer Note 1.33 for details on accounting treatment and Note 21C for corresponding liability.

Note 20: Administered Financial Assets (continued)

	2015 $'000	2014 $'000
Note 20B: Investments[1]		
International financial institutions		
Asian Development Bank	**561,246**	482,066
European Bank for Reconstruction and Development	**91,174**	90,646
International Bank for Reconstruction and Development	**291,378**	227,242
International Finance Corporation	**61,626**	50,243
Multilateral Investment Guarantee Agency	**8,074**	6,583
Total international financial institutions	**1,013,498**	856,780
Australian Government entities		
Reserve Bank of Australia	**23,869,000**	18,310,000
Australian Reinsurance Pool Corporation	**537,700**	573,034
Clean Energy Finance Corporation	**1,232,109**	1,232,018
Total Australian Government entities	**25,638,809**	20,115,052
Other Investments		
IMF quota	**5,913,393**	5,305,574
Total other investments	**5,913,393**	5,305,574
Total Investments	**32,565,700**	26,277,406

Investments are expected to be recovered in no more than 12 months.

1. Details of administered investments listed above are disclosed at Note 26 Administered Investments.

Note 21: Administered Payables

	2015 $'000	2014 $'000
Note 21A: Grants		
Public sector		
COAG grants payable	**599,530**	636,399
Other grants payable	**395**	-
Total grants	**599,925**	636,399
Grants are expected to be settled in no more than 12 months.		
Note 21B: Other payables		
GST appropriation payable	**761**	9
IMF SDR allocation	**5,633,420**	5,054,379
IMF related monies owing	**469**	829
Suppliers	**7,942**	-
Total other payables	**5,642,592**	5,055,217
Total other payables expected to be settled		
No more than 12 months	**9,172**	838
More than 12 months	**5,633,420**	5,054,379
Total other payables	**5,642,592**	5,055,217
Note 21C: Unearned income		
Guarantee Scheme for Large Deposits and Wholesale Funding Contractual guarantee service obligation[1]	**-**	23,018
Guarantee of State and Territory Borrowing contractual guarantee service obligation[1]	**77,019**	113,217
Total unearned income	**77,019**	136,235
Total unearned income expected to be settled		
No more than 12 months	**19,938**	49,425
More than 12 months	**57,081**	86,810
Total unearned income	**77,019**	136,235

1. Refer Note 1.33 for details on accounting treatment and Note 20A for corresponding receivable.

Note 22: Administered Interest Bearing Liabilities

	2015 $'000	2014 $'000
Note 22A: Loans		
IMF promissory notes[1]	**4,642,044**	3,731,559
Other promissory notes[1]	**182,660**	171,981
Total loans	**4,824,704**	3,903,540
Loans expected to be settled		
Within 1 year	**-**	-
Between 1 to 5 years	**124,839**	124,839
More than 5 years	**4,699,865**	3,778,701
Total loans	**4,824,704**	3,903,540

1. Promissory notes held by the Treasury are at face value and have no interest rate associated.

Note 23: Administered Provisions

	2015 $'000	2014 $'000
Note 23A: Other provisions		
Provision for HCS Scheme[1]	**-**	3,765
NDRRA provision[2]	**1,816,251**	3,579,531
Queensland	*1,523,777*	*3,354,497*
New South Wales	*110,473*	*114,600*
Northern Territory	*92,458*	*1,387*
Victoria	*77,246*	*103,251*
Western Australia	*8,566*	*2,644*
South Australia	*3,624*	*3,056*
Tasmania	*107*	*96*
Australian Capital Territory	*-*	*-*
Total other provisions	**1,816,251**	3,583,296
Other provisions expected to be settled		
No more than 12 months	**1,406,684**	2,934,510
More than 12 months	**409,567**	648,786
Total other provisions	**1,816,251**	3,583,296

Reconciliation of movements in other provisions

	Provision for HCS Scheme $'000	NDRRA provision $'000	Total $'000
Carrying amount 1 July 2014	**3,765**	**3,579,531**	**3,583,296**
Additional provisions made	**-**	**419,760**	**419,760**
Amounts used	**(3,765)**	**(1,162,592)**	**(1,166,357)**
Amounts reversed[3]	**-**	**(1,122,521)**	**(1,122,521)**
Unwinding of discount or change in discount rate	**-**	**102,073**	**102,073**
Closing balance 30 June 2015	**-**	**1,816,251**	**1,816,251**

1. Refer to Note 1.32 for details on the winding down of the Scheme.
2. Refer to Note 1.28 for details on the NDRRA provision.
3. The primary driver of the amounts reversed against the NDRRA provision is the close out of projects in Queensland. There is a level of uncertainty in the reconstruction cost estimates following natural disasters, reflecting the nature of such events. As projects are finalised, the estimation of expenditure moves to actual costs. The scale of the reduction is reflective of the scale of reconstruction projects being finalised.

Note 24: Administered Cash Flow Reconciliation

	2015 $'000	2014 $'000
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	**(79,922,750)**	(89,591,099)
Adjustments for non-cash items		
Foreign exchange loss/(gain)	**(36,629)**	420,777
Movements in assets and liabilities		
Assets		
(Increase)/decrease in net receivables	**(1,200,511)**	(580,127)
(Increase)/decrease in other non-financial assets	**51**	149,043
Liabilities		
Increase/(decrease) in grants payable	**(36,474)**	(131,992)
Increase/(decrease) in unearned income	**(59,216)**	(399,699)
Increase/(decrease) in other payables	**8,334**	282
Increase/(decrease) in other provisions	**(1,767,045)**	(2,170,321)
Net cash from (used by) operating activities	**(83,014,240)**	(92,303,136)

Note 25: Administered Contingent Assets and Liabilities

Quantifiable administered contingencies

Quantifiable administered contingencies that are not remote are disclosed in the schedule of administered items as quantifiable administered contingencies.

Commitments under expanded IMF New Arrangements to Borrow (NAB)

Australia has made a line of credit available to the IMF under its NAB since 1998. The NAB is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The funds are drawn upon by the IMF as needed to supplement the IMF's usual quota resources and will be repaid in full with interest.

An expanded NAB came into effect on 11 March 2011 and from that point Australia's NAB credit arrangement increased from SDR 801.3 million (A$1,464.1 million as at 30 June 2015) to SDR 4,370.4 million (A$7,985.4 million as at 30 June 2015). NAB resources must be activated before they can be drawn on by the IMF. The NAB may be activated for a six month period and requires the approval of NAB participants providing at least 85 per cent of the resources.

IMF Bilateral Loan

On 18 July 2013, Australia entered into a contingent bilateral loan with the International Monetary Fund (IMF) to provide up to SDR 4.6 billion (A$8.4 billion as at 30 June 2015) in additional financial support for crisis prevention and resolution. It will be drawn upon by the IMF only if needed to supplement the IMF's quota and New Arrangements to Borrow (NAB) resources, and any drawings would be repaid in full with interest. The loan was initially effective for two years and can be extended for up to a further two years. In September 2014 the loan was extended by one-year to 17 July 2016.

International financial institutions — uncalled capital subscriptions

The Australian Government has held an uncalled capital subscription in the International Bank for Reconstruction and Development (IBRD) since 1947. The Government is contributing additional resources to the IBRD as part of the general capital increase agreed in 2010. As part of this process, Australia will increase its uncalled capital subscription so that it totals US$3.6 billion (estimated value A$4.4 billion as at 30 June 2015).

The Australian Government has also held an uncalled capital subscription in the European Bank for Reconstruction and Development (EBRD) since 1991. Australia's uncalled capital subscription to the EBRD totals EUR237.5 million (estimated value A$345 million as at 30 June 2015).

The Australian Government has further held an uncalled capital subscription in the Asian Development Bank (ADB) since 1966. Australia increased its uncalled capital subscription (effective 11 January 2010) to the ADB as part of its 2010 general capital increase, so that it totals US$7 billion (estimated value A$10.6 billion as at 30 June 2015).

Note 25: Administered Contingent Assets and Liabilities (continued)

The Australian Government has further held an uncalled capital subscription in the Multilateral Investment Guarantee Agency of US$26.5 million (estimated value A$34.4 million as at 30 June 2015).

None of these international financial institutions have ever drawn on Australia's uncalled capital subscriptions.

Unquantifiable administered contingencies

Contingent Liabilities

Housing Loans Insurance Corporation (HLIC) — guarantee

The Australian Government sold HLIC on 12 December 1997 and has assumed all residual contingencies. The contingent liability relates to the HLIC's contracts of mortgage insurance and any borrowings approved by the Treasurer up to the time of sale. The principal amount covered by the guarantee and the balances outstanding cannot be determined accurately.

Terrorism insurance — Australian Reinsurance Pool Corporation

The *Terrorism Insurance Act 2003* established a scheme for replacement terrorism insurance covering damage to commercial property including associated business interruption and public liability. The Australian Reinsurance Pool Corporation (ARPC) uses reinsurance premiums paid by insurers to meet its administrative expenses and to build a reserve for claims and purchase retrocession to help meet future claims. The Act provides for an Australian Government guarantee of the liabilities of the ARPC, but the Treasurer must declare a reduced payout rate to insured parties if the Australian Government's overall liability would otherwise exceed $10 billion. The Minister may vary the reduction percentage but only by making it smaller.

Commitments under expanded IMF New Arrangements to Borrow (NAB)

Australia has made a line of credit available to the IMF under its NAB since 1998. During 2014-15 Australia met three calls under the NAB totalling A$40.8 million (SDR 23 million) to support programs for Ukraine and Pakistan. In 2013-14 Australia provided A$209.5 million (SDR 126.4 million) under the NAB. These calls have been recognised as loans to the IMF at Note 23. The amount that will be called by the IMF in 2015-16 cannot be determined precisely as the Fund does not publish annual estimates. It does, however, provide estimates for calls in the coming quarter. Under the IMF's most recent 'Resource Mobilisation Plan', it projects drawings for the period July to September 2015 to be SDR 62.4 million (A$114.0 million as at 30 June 2015). As at the completion of these statements, the IMF has not yet called on the NAB in the current financial year.

Note 25: Administered Contingent Assets and Liabilities (continued)

Grants to States and Territories

As the Treasury has responsibility for all payments to the States and Territories under the Federal Financial Relations Framework, remote and unquantifiable liabilities may exist in relation to some agreements between the relevant agency with policy responsibility and the States and Territories. Whilst the Treasury does not bear the risk of the contingent event, the resultant payment would be made and reported by the Treasury under the Federal Financial Relations Framework.

Loan to New South Wales for James Hardie Asbestos Injuries Compensation Fund

The Australian Government has agreed to lend up to $160 million to the State Government of New South Wales (NSW) to support the loan facility to top up the James Hardie Asbestos Injuries Compensation Fund. Draw down on the loan is subject to the James Hardie Asbestos Injuries Compensation Fund requiring funds to meet its liabilities and is contingent on NSW meeting a number of conditions under the loan agreement with the Australian Government. The timing and amounts that may be drawn down by NSW cannot be determined accurately. No new loans were provided to the State Government of NSW in respect of the loan facility in 2014-15 (2013-14: $25.3m).

Note 25: Administered Contingent Assets and Liabilities (continued)

Contingent Assets

HIH Claims Support Scheme (HCSS)

As an insured creditor in the liquidation of the HIH Group, the Australian Government is entitled to payments arising from the HCSS's position in the Proof of Debt of respective HIH companies. The Treasury has received payments from the HIH Estate during 2014-15; however the timing and amount of future payments are unknown and will depend on the outcome of the estimation process and the completion of the liquidation of the HIH Group.

Burden sharing in the International Monetary Fund remuneration

Since 1986, the IMF has used its burden sharing mechanism to make up for the loss of income from unpaid interest charges on the loans of debtor members and to accumulate precautionary balances in a Special Contingent Account to protect the IMF against losses arising from the failure of a member to repay its overdue principal obligations.

The mechanism works by providing for additions to the rate of charge on IMF loans and deductions to the rate of remuneration for creditor members such as Australia. Resources collected from individual members under the burden sharing mechanism are refundable to them as arrears cases are resolved, or as may be decided by the IMF. Thus, resources collected for unpaid charges are refunded when these charges are eventually settled.

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 25: Administered Contingent Assets and Liabilities (continued)

Significant Remote Administered Contingencies

Guarantees

The following borrowings have been guaranteed by the Australian Government and are the Treasury's policy responsibility:

Borrower	Legislation authorising guarantee	Principal covered by guarantee 2015 $'000	Balance outstanding 2015 $'000	Balance outstanding 2014 $'000
Papua New Guinea	*Papua New Guinea 1975 Papua New Guinea Loans Guarantee Act 1975*	**1,300**	**1,300**	1,300
Commonwealth Bank of Australia[1]	*Commonwealth Bank of Australia Act 1959* s117	**498,457**	**498,457**	735,333
Commonwealth Bank of Australia — Officers Superannuation Corporation[1]	*Commonwealth Bank of Australia Act 1959* s117	**4,449,300**	**4,449,300**	4,356,800
Guarantee Scheme for Large Deposits and Wholesale Funding	*Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008*	**1,450,260**	**1,450,260**	14,800,000
Guarantee of State and Territory Borrowing	*Guarantee of State and Territory Borrowing Appropriation Act 2009*	**11,721,890**	**11,721,890**	15,700,000
Reserve Bank of Australia[2]	*Reserve Bank of Australia Act 1959* s77	**65,481,000**	**65,481,000**	60,778,000
Total		**83,602,207**	**83,602,207**	96,371,433

1. Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various liabilities of the Commonwealth Bank of Australia (CBA), and the Commonwealth Bank Officers' Superannuation Corporation (CBOSC). The guarantee for the CBA relates to both on and off balance sheet liabilities. The guarantee of the CBOSC covers the due payments of any amount that is payable to or from Officers' of the Superannuation Fund (the Fund), by CBOSC or by CBA, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996. The guarantee of the CBA and CBOSC reflected in the above table is the value at 30 June 2015.

2. The contingent liability for the RBA, relates to the Australian Government's guarantee of the liabilities of the RBA. It is measured as the Bank's total liabilities excluding the Bank's distribution to the Commonwealth and Australian Government deposits. The major component of the Bank's liabilities are notes (that is, currency) on issue.

Note 25: Administered Contingent Assets and Liabilities (continued)

Guarantee Scheme for Large Deposits and Wholesale Funding

The Australian Government announced the guarantee of eligible deposits and wholesale funding for authorised deposit taking institutions (ADIs) from 12 October 2008 under the Guarantee Scheme for Large Deposits and Wholesale Funding.

The Scheme closed to new deposits and new issuance 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. The last series of wholesale funding liabilities that were guaranteed under the Scheme matured on 25 March 2015. Depositors who covered their balances above $1 million under the Guarantee Scheme can have those funds covered to maturity for term deposits up to five years, or until October 2015 for at call deposits.

The expected liability for the Government under the Guarantee Scheme is remote and unquantifiable. Australia's financial system is considered among the strongest and best regulated in the world. Authorised deposit-taking institutions are subject to prudential regulation by APRA in accordance with international standards, which are designed to ensure that financial institutions have the capacity to meet their financial obligations. This framework requires institutions to be adequately capitalised and have appropriate risk management systems in place.

Government expenditure would arise under the guarantee only in the unlikely event that an institution failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. The impact on the Government's budget would depend on the extent of the institution's default.

As at 30 June 2015, total liabilities covered by the Guarantee Scheme, comprised entirely of large deposits, were estimated at $1.45 billion.

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 2015, the face value of state and territory borrowings covered by the guarantee was $11.7 billion.

Note 26: Administered Investments

The principal activities of each of the Treasury's administered investments are as follows:

Development Banks

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to assist former communist eastern European countries committed to the principles of multi-party democracy, pluralism and market economies, to develop their private sector and capital markets. The EBRD currently operates in more than 30 countries from Central and Eastern Europe to Central Asia and the Southern and Eastern Mediterranean region. It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatisation, restructuring state-owned firms and improvement of municipal services. The EBRD uses its close relationship with governments in the region to promote policies that will bolster the business environment.

The Asian Development Bank (ADB) was established in 1966 and has a mandate to reduce poverty and promote economic development in its developing member countries in Asia and the Pacific. The ADB does this by financing (through a mix of loans, grants, guarantees and co-financing activities with both other donors and the private sector) public sector and private sector activities. It also provides technical assistance to developing member countries so they can improve their policy and business investment environments. A significant portion of the ADB's activities are focused in the infrastructure, transportation and energy sectors.

The World Bank was established in 1944 and comprises the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The World Bank, alongside the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID), form the World Bank Group. The IBRD provides financing and technical assistance to middle income countries and creditworthy poor countries. The IDA provides grants, concessional finance and technical assistance to low income countries. The IFC supports the development of the private sector by providing direct finance to private sector operations. MIGA provides guarantee services for projects, which reduce the risks for other co-financing partners including the private sector. ICSID provides international facilities for conciliation and arbitration of investment disputes.

Note 26: Administered Investments (continued)

International Monetary Fund

The IMF is an organisation of 188 countries, working to foster global monetary cooperation and exchange rate stability, facilitate the balanced growth of international trade, and provide resources to help members in balance of payments difficulties or to assist with poverty reduction. The IMF undertakes surveillance and annual economic assessments, and provides technical assistance to member countries.

Australian Government entities

The Australian Government's investments in controlled entities and companies in the Treasury portfolio are measured at their fair value. Fair value has been taken to be the net assets of the entities as at balance date.

Reserve Bank of Australia

The Reserve Bank of Australia is Australia's central bank. Its duty is to contribute to the maintenance of price stability, full employment, and the economic prosperity and welfare of the Australian people. It does this by setting the cash rate to meet a medium-term inflation target, working to maintain a strong financial system and efficient payments system, and issuing the nation's banknotes. The Bank provides selected banking services to the Australian Government and its agencies, and to a number of overseas central banks and official institutions. Additionally, it manages Australia's gold and foreign exchange reserves.

Australian Reinsurance Pool Corporation

ARPC is a statutory authority established by the *Terrorism Insurance Act 2003* to administer the terrorism reinsurance scheme, providing primary insurers with reinsurance for commercial property and associated business interruption losses arising from a declared terrorist incident.

Clean Energy Finance Corporation

The Clean Energy Finance Corporation (CEFC) operates under the *Clean Energy Finance Corporation Act 2012* and invests using a commercial approach to overcome market barriers and mobilise investment in the renewables, energy efficiency and low emissions technology sectors in Australia. The CEFC's purpose is to catalyse and leverage an increased flow of finance for the commercialisation and deployment of Australian based renewable energy, low emissions and energy efficiency technologies, thus preparing and positioning the Australian economy and industry to be competitive in a carbon constrained world. The CEFC's Investment Mandate issued as Ministerial Direction sets the Corporation's target portfolio benchmark rate of return.

Note 27: Administered Financial Instruments

	2015 $'000	2014 $'000
Note 27A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	**-**	1,412
IMF related monies owing	**55**	217
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	**-**	23,018
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	**13**	7,712
Guarantee of State and Territory Borrowing contractual fee receivable	**77,019**	113,217
Guarantee of State and Territory Borrowing fee receivable	**1,765**	2,365
IMF new arrangements to borrow loan	**766,588**	985,033
Loans to States and Territories	**44,233**	42,290
Dividends receivable	**2,501,245**	1,235,000
Other receivables	**15,229**	15,631
Total loans and receivables	**3,406,147**	2,425,895
Available-for-sale financial assets:		
International financial institutions	**1,013,498**	856,780
Australian Government entities	**25,638,809**	20,115,052
IMF Quota	**5,913,393**	5,305,574
Total available-for-sale financial assets	**32,565,700**	26,277,406
Total financial assets	**35,971,847**	28,703,301
Financial Liabilities		
Financial liabilities measured at amortised cost:		
Promissory notes	**4,824,704**	3,903,540
Grant liabilities	**599,925**	636,399
IMF SDR allocation liability	**5,633,420**	5,054,379
Other payables	**8,411**	829
Guarantee Scheme for Large Deposits and Wholesale funding contractual guarantee service obligation	**-**	23,018
Guarantee of State and Territory Borrowing contractual guarantee service obligation	**77,019**	113,217
Total financial liabilities measured at amortised cost	**11,143,479**	9,731,382
Total financial liabilities	**11,143,479**	9,731,382

Note 27: Administered Financial Instruments (continued)

	2015 $'000	2014 $'000
Note 27B: Net Gains and Losses on Financial Assets		
Loans and receivables		
Guarantee Scheme for Large Deposits and Wholesale Funding fee	**22,218**	243,497
Guarantee of State and Territory Borrowing	**23,763**	37,058
Interest revenue	**2,518**	2,076
Net gains/(losses) from loans and receivables	**48,499**	282,631
Available for sale		
Interest revenue	**648**	1,227
Exchange gains/(loss)	**626,351**	(365,791)
Net gains/(losses) from available for sale	**626,999**	(364,564)
Net gains/(losses) from financial assets	**675,498**	(81,933)
Note 27C: Net Gains and Losses on Financial Liabilities		
Financial liabilities — at amortised cost		
IMF Charges	**3,427**	4,688
Exchange gains/(loss)	**(589,722)**	(54,986)
Net gains/(losses) financial liabilities — at amortised cost	**(586,295)**	(50,298)
Net gains/(losses) from financial liabilities	**(586,295)**	(50,298)

Note 27D: Credit risk

The maximum exposure to credit risk of the Treasury's administered financial assets is the carrying amount of 'loans and receivables' (2015: $3.4 billion and 2014: $2.4 billion) and the carrying amount of 'available for sale financial assets' (2015: $32.6 billion and 2014: $26.3 billion).

The entities that Treasury holds its financial assets with, have a minimum of AA credit ratings. Therefore, the Treasury does not consider any of its financial assets to be at risk of default.

Note 27: Administered Financial Instruments (continued)

Note 27E: Liquidity risk

The Treasury's administered financial liabilities are promissory notes, grant liabilities and the IMF SDR allocation. The contractual guarantee service obligation arising from the guarantee scheme for State and Territory borrowing is not included as there is no liquidity risk associated with this item. It is contingent on the value of the associated contractual fee receivable. The exposure to liquidity risk is based on the notion that the Treasury will encounter difficulty in meeting its obligations associated with administered financial liabilities. This is highly unlikely due to appropriation funding through special appropriations and non-lapsing capital appropriations as well as internal policies and procedures put in place to ensure there are appropriate resources for the Treasury to meet its financial obligations.

The following tables illustrate the maturities for non-derivative financial liabilities:

Maturities for financial liabilities in 2015

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Promissory notes	-	-	-	124,839	4,699,865	4,824,704
Grant liabilities	-	599,925	-	-	-	599,925
IMF SDR allocation liabilities	-	-	-	-	5,633,420	5,633,420
Other payables	8,411	-	-	-	-	8,411
Total	8,411	599,925	-	124,839	10,333,285	11,066,460

Maturities for financial liabilities in 2014

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Promissory notes	-	-	-	124,839	3,778,701	3,903,540
Grant liabilities	-	636,399	-	-	-	636,399
IMF SDR allocation liabilities	-	-	-	-	5,054,379	5,054,379
Other payables	829	-	-	-	-	829
Total	829	636,399	-	124,839	8,833,080	9,595,147

Note 27: Administered Financial Instruments (continued)

Note 27F: 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 2015 from a 10.9 per cent (30 June 2014 from a 11.5 per cent) favourable/unfavourable change in AUD against the Treasury with all other variables held constant. The change in the risk variable has been determined by reference to standard parameters provided by the Department of Finance.

Sensitivity analysis of the risk that the entity is exposed to for 2015

	Risk variable	Change in risk variable %	Effect on Profit and loss 2015 $'000	Effect on Equity 2015 $'000
IFI Investments	Exchange rate	11	**(99,613)**	**(99,613)**
IFI investments	Exchange rate	(11)	**123,986**	**123,986**
IMF related moneys owing	Exchange rate	11	**(5)**	**(5)**
IMF related moneys owing	Exchange rate	(11)	**7**	**7**
IMF new arrangements to borrow loan	Exchange rate	11	**(75,345)**	**(75,345)**
IMF new arrangements to borrow loan	Exchange rate	(11)	**93,780**	**93,780**
IMF Quota	Exchange rate	11	**(581,208)**	**(581,208)**
IMF Quota	Exchange rate	(11)	**723,412**	**723,412**
Promissory notes	Exchange rate	11	**(5,683)**	**(5,683)**
Promissory notes	Exchange rate	(11)	**7,074**	**7,074**
IMF SDR allocation liability	Exchange rate	11	**(553,691)**	**(553,691)**
IMF SDR allocation liability	Exchange rate	(11)	**689,161**	**689,161**
Other liabilities	Exchange rate	11	**(46)**	**(46)**
Other liabilities	Exchange rate	(11)	**57**	**57**

Sensitivity analysis of the risk that the entity is exposed to for 2014

	Risk variable	Change in Risk variable %	Effect on Profit and loss 2014 $'000	Effect on Equity 2014 $'000
IFI Investments	Exchange rate	12	(88,367)	(88,367)
IFI investments	Exchange rate	(12)	111,333	111,333
IMF related moneys owing	Exchange rate	12	(22)	(22)
IMF related moneys owing	Exchange rate	(12)	28	28
IMF new arrangements to borrow loan	Exchange rate	12	(101,595)	(101,595)
IMF new arrangements to borrow loan	Exchange rate	(12)	127,999	127,999
IMF Quota	Exchange rate	12	(547,212)	(547,212)
IMF Quota	Exchange rate	(12)	689,425	689,425
Promissory notes	Exchange rate	12	(4,862)	(4,862)
Promissory notes	Exchange rate	(12)	6,126	6,126
IMF SDR allocation liability	Exchange rate	12	(521,304)	(521,304)
IMF SDR allocation liability	Exchange rate	(12)	656,784	656,784
Other liabilities	Exchange rate	12	(86)	(86)
Other liabilities	Exchange rate	(12)	108	108

Note 28: Administered Financial Assets Reconciliation

Financial assets	Notes	**2015 $'000**	2014 $'000
Total financial assets per administered schedule of assets and liabilities		**35,972,608**	28,703,310
Less: non-financial instrument components			
GST receivable		**(761)**	(9)
Total non-financial instrument components		**(761)**	(9)
Total financial assets as per financial instruments note	27A	**35,971,847**	28,703,301

Note 29: Appropriations

Note 29A: Annual Appropriations ('Recoverable GST exclusive')
Annual Appropriations 2015

	Appropriation Act		*PGPA Act*					
	Annual Appropriation $'000	AFM $'000	Section 74 $'000	Section 75 $'000	Total appropriation $'000	Appropriation applied in 2014 (current and prior years) $'000	Variance $'000	Section 51 determinations $'000
DEPARTMENTAL								
Ordinary annual services	**178,400**	**-**	**15,425**	**(260)**	**193,565**	**(190,393)**	**3,172**	**-**
Other services								
Equity	**2,613**	**-**	**-**	**(2,613)**	**-**	**(1,595)**	**(1,595)**	**-**
Total departmental	**181,013**	**-**	**15,425**	**(2,873)**	**193,565**	**(191,988)**	**1,577**	**-**
ADMINISTERED								
Ordinary annual services								
Administered items[1]	79 712	-	-	6 856	86 568	(72,859)	13 709	-
Payments to Corporate Commonwealth Entities	-	-	-	-	-	-	-	-
Other services								
Administered assets and liabilities	-	-	-	-	-	(20)	(20)	-
Total administered	**79,712**	**—**	**—**	**6,856**	**86,568**	**(72,879)**	**13,689**	**—**

1. Variance relates to undrawn appropriation for the community engagement campaign on Australia's economic challenges.

Note 29: Appropriations (continued)

Note 29A: Annual appropriations ('recoverable GST exclusive') (continued)
Annual Appropriations 2014

	Appropriation Act		*FMA Act*					
	Annual Appropriation $'000	Appropriations reduced[1] $'000	AFM[2] $'000	Section 31[4] $'000	Section 32[5] $'000	Total appropriation $'000	Appropriation applied in 2014 (current and prior years) $'000	Variance $'000
DEPARTMENTAL								
Ordinary annual services	176,769	-	-	15,228	-	191,997	(190,117)	1,880
Other services								
Equity	1,775	-	-	-	-	1,775	(180)	1,595
Total departmental	178,544	-	-	15,228	-	193,772	(190,297)	3,475
ADMINISTERED								
Ordinary annual services								
Administered items	8,805,808	(1,282)	-	-	100	8,804,626	(8,804,526)	100
Payments to CAC bodies	18,062	-	-	-	-	18,062	(8,000)	10,062
Other services								
Administered assets and liabilities[3]	47,518	-	-	-	-	47,518	(25,784)	21,734
Total administered	8,871,388	(1,282)	-	-	100	8,870,206	(8,838,310)	31,896

1. Appropriation Acts (Nos. 1, 3) 2013-14: sections 10, 11, 12 and 15. Appropriation Acts (Nos. 2, 4) 2013-14: sections 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament.

   As with departmental appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of Appropriation Acts (Nos, 1, 3) 2013-14 and section 12 of Appropriation Acts (Nos. 2, 4) 2013-14, the appropriation is taken to be reduced to the required amount specified at Note 30F once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination, which is disallowable by Parliament.
2. Advance to the Finance Minister (AFM) — Appropriation Acts (No. 1, 3) 2013-14: section 13 and Appropriation Acts (No. 2, 4) 2013-14: section 15.
3. Relates to payments to the Clean Energy Finance Corporation.
4. Variance relates to undrawn appropriations payable to NSW as a loan to support the James Hardie Asbestos Compensation Fund. NSW only required partial loan funding in 2013-14.
5. Relates to PGPA Act Section 75 Amendment Determination 2013-2014 from Department of Industry.

Note 29: Appropriations (continued)

Note 29B: Departmental and Administered Capital Budgets ('Recoverable GST exclusive')

	2015 Capital Budget Appropriations			Capital Budget Appropriations applied in 2014-15 (current and prior years)			
	Appropriation Act	*PGPA Act*					
	Annual Capital Budget $'000	**Section 75 $'000**	**Total Capital Budget Appropriations $'000**	**Payments for non-financial assets[2] $'000**	**Payments for other purposes $'000**	**Total payments $'000**	**Variance $'000**
Departmental							
Ordinary annual services							
Departmental Capital Budget[1]	**5,373**	**-**	**5,373**	**5,373**	**-**	**5,373**	**-**

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Table A: Annual appropriations. Treasury is not appropriated an Administered Capital Budget.

2. Payments made on non-financial assets include purchase of assets, expenditure on assets which have been capitalised, costs incurred to make good an asset to its original condition.

	2014 Capital Budget Appropriations				Capital Budget Appropriations applied in 2013-14 (current and prior years)			
	Appropriation Act		*FMA Act*					
	Annual Capital Budget $'000	Appropriations reduced[2] $'000	Section 32 $'000	Total Capital Budget Appropriations $'000	Payments for non-financial assets[3] $'000	Payments for other purposes $'000	Total payments $'000	Variance $'000
Departmental								
Ordinary annual services								
Capital Budget[1]	5,266	-	-	5,266	5,266	-	5,266	-

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services and are no separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Table A: Annual appropriations. Treasury is not appropriated an Administered Capital Budget.

2. Appropriations reduced under Appropriation Acts (No. 1,3,5) 2013-14: sections 10,11,12 and 15 or via a determination by the Finance Minister

3. Payments made on non-financial assets include purchase of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

Note 29: Appropriations (continued)

Note 29C: Unspent annual appropriations ('recoverable GST exclusive')

Authority	2015 $'000	2014 $'000
Departmental		
Appropriation Act (No. 1) 2013-14	**-**	49,201
Appropriation Act (No. 3) 2013-14	**7,473**	7,473
Appropriation Act (No. 4) 2013-14	**-**	1,775
Appropriation Act (No. 1) 2014-15[1]	**51,843**	-
Appropriation Act (No. 3) 2014-15	**620**	-
Total departmental	**59,936**	58,449

Authority	2015 $'000	2014 $'000
Administered		
Appropriation Act (No. 2) 2010-11	**-**	136 544
Appropriation Act (No. 2) 2011-12	**-**	61 997
Appropriation Act (No. 1) 2012-13	**2**	2
Appropriation Act (No. 2) 2012-13	**42,705**	42 705
Appropriation Act (No. 1) 2013-14	**-**	2 700
Appropriation Act (No. 2) 2013-14	**47,101**	47 121
Appropriation Act (No. 4) 2013-14	**18**	18
Appropriation Act (No. 1) 2014-15[2]	**2,304**	-
Appropriation Act (No. 3) 2014-15	**308**	-
Appropriation Act (No. 5) 2014-15	**13,798**	-
Total administered	**106,235**	291,087

1. Cash held amounts (2015: $5.047 million, 2014: $0.567 million) are included in Appropriation Act (No. 1) for the relevant year. Includes quarantined funds of $1.531 million.
2. Cash held amounts (2015: $0, 2014: $1.412 million) are included in Appropriation Act (No. 1) for the relevant year.

Note 29: Appropriations (continued)

Note 29D: Special Appropriations ('Recoverable GST exclusive')

The following table lists current special appropriations contained in legislation that the Treasury is responsible for administering.
The Treasury process to complete the 2014-15 financial statements identified no payments (2014: nil payments) made from the COAG Reform Fund special account that resulted in technical breaches of Section 83 of the Constitution (refer to Note 31 for more information).

			Appropriation applied	
			2015	2014
Authority	**Type**	**Purpose**	**$'000**	$'000
Asian Development Bank (Additional Subscription) Act 2009 (Administered)	Limited Amount	To provide an appropriation for an additional subscription to the ADB. Balance available is USD4.742m in callable shares.	**(16,979)**	(16,510)
Federal Financial Relations Act 2009 (Administered)	Unlimited Amount	To provide an appropriation for payments of financial assistance to the States and Territories.	**(73,296,353)**	(70,346,721)
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide appropriation for Australia's obligations as a participant in the IMF's New Arrangements to Borrow and other IMF's programs.	**(40,786)**	(209,461)
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide an appropriation for the payment of Special Drawing Rights issued to Australia by the IMF.	**(3,350)**	(4,966)
International Monetary Agreements Act 1947 (Administered)	Limited Amount	To provide an appropriation for Australia's purchase of additional shares in the International Bank for Reconstruction and Development. Balance available is USD3.426m in callable shares.	**(10,317)**	(10,534)
Clean Energy Finance Corporation Act 2012 (Administered)	Limited Amount	To provide an appropriation to facilitate increased flows of finance into the clean energy sector.	**(2,000,000)**	(2,000,000)
Commonwealth Places (Mirror Taxes) Act 1998 (Administered)	Unlimited Amount	To provide an appropriation for the purpose of paying compensation to the States in respect of constitutionally invalid state taxes on Commonwealth Places.	**(502,976)**	(498,150)
A New Tax System (Managing the GST Rate and Base) Act 1999 (Administered)	Unlimited Amount	To provide an appropriation for payments to States if a State was under paid (Administered) GST revenue in the 2008-09 financial year.	**-**	-
Public Governance, Performance and Accountability Act 2013 (Administered)	Unlimited Amount	To provide an appropriation which deals with repayments of amounts received by the Commonwealth.	**(2,871)**	-
Asian Development Bank Act 1966 (Administered)	Limited Amount	To provide an appropriation for payments to establish the Bank. Balance available is USD43m in callable shares.	**-**	-

Note 29: Appropriations (continued)

Note 29D: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied 2015 $'000	Appropriation applied 2014 $'000
Asian Development Bank Act (Additional Subscription) Act 1972 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD102m in callable shares.	-	-
Asian Development Bank Act (Additional Subscription) Act 1977 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD258m in callable shares.	-	-
Asian Development Bank Act (Additional Subscription) Act 1983 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD498m in callable shares.	-	-
Asian Development Bank Act (Additional Subscription) Act 1995 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD1.210m in callable shares.	-	-
European Bank for Reconstruction and Development Act 1990 (Administered)	Limited Amount	To provide an appropriation for payments to establish the Bank. Balance available is EUR238m in callable shares.	-	-
Financial Agreements (Commonwealth Liability) Act 1932 (Administered)	Unlimited Amount	To provide an appropriation for payment of principal and interest on bonds issued under the Financial Agreement Validation Act 1929, consolidating State debts.	-	-
Financial Services Reform Act 2001 (Administered)	Unlimited Amount	To provide an appropriation for payment of compensation in respect to levies payable by participants in particular financial markets and losses that is connected with a financial market.	-	-
Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008 (Administered)	Unlimited Amount	To provide an appropriation for payment of claims under the Deed of Guarantee in accordance with the Guarantee Scheme for Large Deposits and Wholesale Funding.	-	-
Guarantee of State and Territory Borrowing Appropriation Act 2009 (Administered)	Unlimited Amount	To provide an appropriation for payment of claims under the Deed of Guarantee in accordance with the Guarantee of State and Territory Borrowing.	-	-
International Bank for Reconstruction and Development (Share Increase) Act 1988 (Administered)	Limited Amount	To provide an appropriation for the purchase of additional shares in the IBRD.	-	-

Note 29: Appropriations (continued)

Note 29D: Special Appropriations ('Recoverable GST exclusive')

			Appropriation applied	
			2015	2014
Authority	**Type**	**Purpose**	**$'000**	$'000
International Bank for Reconstruction and Development (General Capital Increase) Act 1989 (Administered)	Limited Amount	To provide an appropriation for the purchase of additional shares in the IBRD.	**-**	-
International Finance Corporation Act 1955 (Administered)	Limited Amount	To provide an appropriation for the subscription to the capital stock of the IFC.	**-**	-
International Finance Institutions (Share Increase) Act 1982 (Administered)	Limited Amount	To provide an appropriation for the purchase of additional shares in the IFC and the IBRD.	**-**	-
International Finance Institutions (Share Increase) Act 1986 (Administered)	Limited Amount	To provide an appropriation for the purchase of additional shares in The IFC and the IBRD.	**-**	-
International Monetary Agreements Act 1959 (Administered)	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF and increase in Australia's capital stock in the IBRD.	**-**	-
International Monetary Agreements Act 1960 (Administered)	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF and increase in Australia's capital stock in the IBRD.	**-**	-
Multilateral Investment Guarantee Agency Act 1997 (Administered)	Limited Amount	To provide an appropriation for payments to establish the Agency. Balance available USD26m in callable shares.	**-**	-
Papua New Guinea Loans Guarantee Act 1975 (Administered)	Limited Amount	To provide an appropriation for Australia's guarantee of certain public loans raised by Papua New Guinea and. Balance available is AUD1.3m	**-**	-
State Grants Act 1927 (Administered)	Limited Amount	To provide an appropriation for the distribution of surplus revenue to the States.	**-**	-
Terrorism Insurance Act 2003 (Administered)	Unlimited Amount	To provide an appropriation for payments to the Australian Reinsurance Pool Corporation and compensation in the acquisition of property.	**-**	-
Total			**(75,873,632)**	**(73,086,342)**

Note 29: Appropriations (continued)

Note 29E: Disclosure by agent in relation to Annual and Special Appropriations ('Recoverable GST exclusive')

2015	**Department of Education and Training** National Partnership Payments and Assistance to States and Territories for Non-Government Schools **$'000**	**Department of Education Employment and Workplace Relations** National Partnership Payments and Assistance to States and Territories for Non-Government Schools **$'000**	**Department of the Prime Minister and Cabinet** National Partnership Payments and Assistance to States and Territories for Non-Government Schools **$'000**	**Inspector-General of Taxation** Transaction service provider **$'000**
Total receipts	**15,635,076**	**-**	**-**	**2,786**
Total payments	**15,635,076**	**-**	**-**	**2,714**

2014	**Department of Education** National Partnership Payments and Assistance to States and Territories for Non-Government Schools **$'000**	**Department of Education Employment and Workplace Relations** National Partnership Payments and Assistance to States and Territories for Non-Government Schools **$'000**	**Department of the Prime Minister and Cabinet** National Partnership Payments and Assistance to States and Territories for Non-Government Schools **$'000**	**Inspector-General of Taxation** Transaction service provider **$'000**
Total receipts	9,845,312	2,142,747	19,916	2,416
Total payments	9,845,312	2,142,747	19,916	2,469

Note 30: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Treasury has continued to review its exposure to risks of not complying with statutory conditions on payments from appropriations and testing has identified no payments were made in contravention of section 83 of the Constitution.

The Treasury continues to review its verification procedures, in consultation with the Portfolio Departments, regarding payments under the *Federal Financial Relations Act 2009* and *COAG Reform Fund Act 2008.* During 2014-15, the Treasury implemented a risk assessment framework to determine the risk profile of each National Partnership agreement (NPA) and, based on this, what additional assurance may be required when making a payment.

Internal audit has reviewed the risk assessment framework and has made additional recommendations to strengthen the existing control framework for NPA payments, which the Treasury will implement during 2015-16. A key recommendation of the internal audit review is the escalation of monitoring and assurance activities where repeated issues are not addressed.

During 2014-15 the ANAO tabled a performance audit into the administration of the Natural Disaster Relief and Recovery Arrangements (NDRRA) by Emergency Management Australia (report no. 34). The audit highlighted a number of payments that may not be eligible under NDRRA, which as a result could be in contravention of s83 of the Constitution. The Treasury in conjunction with AGD will assess the size of any ineligible payments and the possible arrangements to recover the overpayments or offset them against future payments.

For the period ended 30 June 2015, no payments under the *Federal Financial Relations Act 2009* in 2014-15 were made in in contravention of section 83 of the Constitution. Of the total payments made in 2014-15 under the *COAG Reform Fund Act 2008*, three payments totalling $14.1 million were identified to be in breach of section 83 of the Constitution. Details of the remedial actions to be taken in 2015-16 are included in the following table.

Note 30: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund (continued)

Appropriations	Payment amount 2014-15 $'000	Review complete?	Breaches identified				Potential breaches to date yet to be resolved		Remedial action taken or proposed
Special appropriations			**Number**	**Total $'000**	**Incorrect $'000**	**Recovered/ offset as at 30 June 2015**	**Yes/No**	**Indicative extent**	
International Monetary Agreements Act 1947 s7	**-**	N/A	-	-	-	-	N/A	N/A	N/A
International Monetary Agreements Act 1947 s8	**3,350**	Yes	-	-	-	-	N/A	N/A	N/A
International Monetary Agreements Act 1947 s8B	**40,786**	Yes	-	-	-	-	N/A	N/A	N/A
International Monetary Agreements Act 1947 s9	**10,317**	Yes	-	-	-	-	N/A	N/A	N/A
Asian Development Bank (Additional Subscription) Act 2009	**16,979**	Yes	-	-	-	-	N/A	N/A	N/A
Federal Financial Relations Act 2009	**73,296,353**	Yes	-	-	-	-	N/A	N/A	N/A
Superannuation Industry (Supervision) Act 1993	**-**	N/A	-	-	-	-	N/A	N/A	N/A
Special accounts									
COAG Reform Fund Act 2008	**11,521,643**	Yes	1	47	-	Nil	N/A	N/A	See note 1
			2	14,064		Nil	N/A	N/A	See note 2
Other appropriations									
Long Service Leave (Commonwealth employees) Act 1976	**3,696**	Yes	-	-	-	-	N/A	N/A	N/A

Note 1: A new funding agreement, covering the payment made in 2014-15 and the proposed payment for 2015-16, is expected to be finalised during 2015-16.

Note 2: The responsible department is obtaining further ministerial agreement to confirm the terms and conditions of these payments.

Note 31: Special Accounts

	Actuarial Services Special Account[1]		Clean Energy Finance Corporation Special Account[2]		COAG Reform Fund Special Account[3]		Services for Other Entities and Trust Money Special Account[4]	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Balance brought forward from previous period	**2,446**	2,823	**868,400**	-	**-**	-	**-**	-
Increases:								
Appropriation for reporting period	**-**	-	**2,000,000**	2,000,000	**10,528,522**	13,684,519	**-**	-
Other receipts from rendering of services	**2,026**	1,817	**-**	-	**-**	-	**-**	-
Return of capital	**-**	-	**50,600**	-	**-**	-	**-**	-
Receipts from other entities	**-**	-	**-**	-	**993,121**	1,797,952	**1,996**	-
Total increases	**2,026**	1,817	**2,050,600**	2,000,000	**11,521,643**	15,482,471	**1,996**	-
Available for payments	**4,472**	4,640	**2,919,000**	2,000,000	**11,521,643**	15,482,471	**1,996**	-
Decreases:								
Departmental								
Payments made to employees	**(1,487)**	(1,406)	**-**	-	**-**	-	**-**	-
Payments made to suppliers	**(353)**	(788)	**-**	-	**-**	-	**-**	-
Total departmental	**(1,840)**	(2,194)	**-**	-	**-**	-	**-**	-

Note 31: Special Accounts (continued)

	Actuarial Services Special Account[1]		Clean Energy Finance Corporation Special Account[2]		COAG Reform Fund Special Account[3]		Services for Other Entities and Trust Money Special Account[4]	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Administered								
Payments made to States and Territories	**-**	-	**-**	-	**(11 521 643)**	(15,482,471)		
Payments made to the CEFC	**-**	-	**-**	(1 131 600)	**-**	-	**-**	-
Payments made to other entities	**-**	-	**-**	-	**-**	-	**(1 996)**	-
Total administered	**-**	-	**-**	(1,131,600)	**(11 521 643)**	(15,482,471)	**(1 996)**	-
Total decreases	**(1,840)**	(2,194)	**-**	(1,131,600)	**(11,521,643)**	(15,482,471)	**(1,996)**	-
Total balance carried to the next period	**2,632**	2,446	**2,919,000**	868,400	**-**	-	**-**	-

1. Legal authority: Initially Financial Management and Accountability Determination 2006/34 — Actuarial Services Special Account Establishment 2006, taken to have been made under subsection 78(1) of the *Public Governance, Performance and Accountability Act 2013*.

   Purpose: providing actuarial services and advice

   Note: Actuarial Services Special Account was established on 1 October 2006. This special account determination is to sunset on 1 October 2016.

2. Appropriation: *Public Governance, Performance and Accountability Act 2013,* section 80.

   Establishing instrument: *Clean Energy Finance Corporation Act 2012*, section 5.

   Purpose: To facilitate increased flows of finance into the clean energy sector.

   The return of capital to the Clean Energy Finance Corporation (CEFC) special account represents the return of surplus money from the CEFC to the Commonwealth.

3. Appropriation: *Public Governance, Performance and Accountability Act 2013,* section 80.

   Establishing instrument: COAG Reform Fund Act 2008, section 5

   Purpose: For the making of grants of financial assistance to the States and Territories.

   Note: The Treasury makes payments to the States and Territories from the COAG Reform Fund special account based on information provided by other Government departments that have policy and program implementation responsibility.

4. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

   Establishing instrument: Establishment of SOTEM Special Account — Treasury Determination 2012/09

   Purpose: To disburse amounts held on trust for the benefit of a person other than the Commonwealth or in connection with services performed on or behalf of other governments and bodies.

   Note: Receipt relates to funding received for the establishment of the Global Infrastructure Hub and is being held on trust for this purpose.

Note 31: 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 1995* and to meet expenses of administering the special account. For the years ended 30 June 2014 and 30 June 2015 this special account had nil balances and no transactions were credited or debited to the account.

Note 32: Reporting of Outcomes

Note 32A: Net Cost of Outcome Delivery

	Outcome 1	
	2015	2014
	$'000	$'000
Departmental		
Expenses	**194,050**	190,757
Own-source income	**16,246**	13,264
Administered		
Expenses	**83,777,912**	93,776,203
Income	**3,855,162**	4,185,104
Net cost/(contribution) of outcome delivery	**80,100,554**	89,768,592

Note 33: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget as presented in the 2014-15 Portfolio Budget Statements (PBS) to the 2014-15 final outcome as presented in accordance with Australian Accounting Standards for the Treasury. The Budget is not audited.

Note 33A: Departmental Budgetary Reports

Statement of Comprehensive Income

for the period ended 30 June 2015

	Actual	Budget estimate	
		Original[1]	Variance[3]
	2015	2015	2015
	$'000	$'000	$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	**122,940**	**126,603**	(3,663)
Suppliers	**58,570**	**52,618**	5,952
Grants	**2,571**	**2,224**	347
Depreciation and amortisation	**9,667**	**9,247**	420
Other	**302**	**-**	302
Total expenses	**194,050**	**190,692**	3,358
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	**10,308**	**7,638**	2,670
Other revenues[2]	**1,287**	**1,400**	(113)
Total own-source revenue	**11,595**	**9,038**	2,557
Gains			
Proceeds from sale of assets	**9**	**-**	9
Other gains[2]	**4,642**	**-**	4,642
Total gains	**4,651**	**-**	4,651
Total own-source income	**16,246**	**9,038**	7,208
Net cost of services	**(177,804)**	**(181,654)**	3,850
Revenue from Government	**172,767**	**172,407**	360
Surplus / (Deficit)	**(5,037)**	**(9,247)**	4,210
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves	**976**	**-**	976
Total other comprehensive income	**976**	**-**	976
Total comprehensive income/(loss) attributable to the Australian Government	**(4,061)**	**(9,247)**	5,186

1. The Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2014-15 Portfolio Budget Statements (PBS)).
2. The original budget for these line items has been adjusted to align with the presentation and classification adopted in the final outcome.
3. Between the actual and original budgeted amounts for 2015. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 million) are provided below.

Note 33: Budgetary Reports and Explanations of Major Variances (continued)

Explanations of major variances	Affected line items
Supplier expenses for 2014-15 were $58.6 million, an increase of $6.0 million compared to the original budget. This change was driven by:	Suppliers Expenses
• the recognition of resources received free of charge relating to secondees ($4.6 million); and	Other gains
• the recognition of recoveries from agencies for services rendered ($2.9 million), including the cost of services provided on behalf of Department of Foreign Affairs and Trade for the delivery of the 2014 G20 Trade Ministers' Meeting.	Sale of goods and rendering of services
Estimates for resources received free of charge and cost recovery arrangements have not previously been budgeted as a result of their variable nature. They are however offset by the associated revenue and therefore do not have an impact on the operating result. Estimates for 2014-15 were included in the 2015-16 Budget.	
The increase in supplier expenses was partially offset by a decrease in overheads ($1.0 million) and the transfer of funding to the Australian Securities and Investments Commission (ASIC) for the development and implementation of the North Queensland insurance comparison website ($0.6 million).	

Note 33: Budgetary Reports and Explanations of Major Variances (continued)

Statement of Financial Position
as at 30 June 2015

	Actual	Budget estimate	
		Original[1]	Variance[3]
	2015	2015	2015
	$'000	$'000	$'000
ASSETS			
Financial assets			
Cash and cash equivalents	**5,152**	**1,223**	3,929
Trade and other receivables	**60,141**	**67,592**	(7,451)
Total financial assets	**65,293**	**68,815**	(3,522)
Non-financial assets			
Land and buildings	**2,500**	**3,351**	(851)
Plant and equipment	**8,660**	**9,347**	(687)
Intangibles	**12,221**	**8,240**	3,981
Other non-financial assets	**3,366**	**2,665**	701
Total non-financial assets	**26,747**	**23,603**	3,144
Total assets	**92,040**	**92,418**	(378)
LIABILITIES			
Payables			
Suppliers	**1,289**	**2,516**	(1,227)
Other payables[2]	**11,484**	**8,499**	2,985
Total payables	**12,773**	**11,015**	1,758
Provisions			
Employee provisions[2]	**43,566**	**48,452**	(4,886)
Other provisions	**964**	**-**	964
Total provisions	**44,530**	**48,452**	(3,922)
Total liabilities	**57,303**	**59,467**	(2,164)
Net assets	**34,737**	**32,951**	1,786
EQUITY			
Asset revaluation reserve	**6,162**	**5,186**	976
Contributed equity	**51,526**	**54,139**	(2,613)
Retained surplus	**(22,951)**	**(26,374)**	3,423
Total equity	**34,737**	**32,951**	1,786

1. The Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2014-15 Portfolio Budget Statements (PBS)).
2. The original budget for these line items has been adjusted to align with the presentation and classification adopted in the final outcome.
3. Between the actual and original budgeted amounts for 2015. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 million) are provided below.

Note 33: Budgetary Reports and Explanations of Major Variances (continued)

Explanations of major variances	Affected line items
Cash as at 30 June 2015 was $5.2 million, an increase of $3.9 million compared to the original budget. This increase was the result of the drawdown of funds on 30 June 2015 to meet payment requirements on 1 July 2015.	Cash and cash equivalents
Trade and other receivables as at 30 June 2015 was $60.1 million, a decrease of $7.5 million compared to the original budget. This change relates to the movement in appropriation receivables, which was driven by:	Trade and other receivables
▪ a $2.44 million increase in non-financial assets, reflecting an increase in intangibles of $3.98 million and a decrease in land, buildings, plant and equipment of $1.54 million. The increase in capital expenditure largely reflects the acquisition of information and service management systems to enhance operating efficiencies; and	Intangibles
▪ a $4.9 million decrease in employee provisions, relating to the disbursement of leave entitlements to employees who received a severance package.	Employee Provisions
Total payables at 30 June 2015 amounted to $12.8 million, an increase of $1.8 million compared to the original budget. This increase was the result of:	
▪ a $3.0 million increase in other payables, which was largely driven by an increase in payables to other creditors ($1.1 million, reflecting end of financial year adjustments for accrued expenditure) and an increase in unearned income ($1.3 million, which includes revenue received in advance from agencies for services provided under cost recovery arrangements); and	Other payables
▪ a $1.2 million decrease in suppliers payables, which relates to the timing of invoices received and settled by 30 June 2015.	Suppliers payables
Total equity at 30 June 2015 was $34.7 million, an increase of $1.8 million compared to the original budget. This increase was driven by the change in retained surplus ($3.4 million, reflecting movements in operating results for 2014-15 and 2013-14 relative to the original budget) and partially offset by the change in contributed equity ($2.6 million, resulting from the transfer of equity funding to the ASIC for the development and implementation of the North Queensland Insurance Comparison Website).	Retained surplus

Note 33: Budgetary Reports and Explanations of Major Variances (continued)

Cash Flow Statement

for the period ended 30 June 2015

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2015	2015	2015
	$'000	$'000	$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	173,848	168,571	5,277
Sale of goods and rendering of services	11,348	7,638	3,710
Net GST received from ATO	3,317	-	3,317
Other	3,018	850	2,168
Total cash received	191,531	177,059	14,472
Cash used			
Employees	126,741	124,603	2,138
Suppliers	57,450	50,232	7,218
Grants	2,571	2,224	347
Other	15	-	15
Total cash used	186,777	177,059	9,718
Net cash from/(used by) operating activities	4,754	-	4,754
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of non-financial assets	21	-	
Total cash received	21	-	21
Cash used			
Purchase of non-financial assets	7,246	7,986	(740)
Total cash used	7,246	7,986	(740)
Net cash from/(used by) investing activities	(7,225)	(7,986)	761
FINANCING ACTIVITIES			
Cash received			
Contributed equity — departmental capital budget	5,373	5,373	-
Contributed equity — equity injections	1,595	2,613	(1,018)
Total cash received	6,968	7,986	(1,018)
Net cash from/(used by) financing activities	6,968	7,986	(1,018)
Net increase/(decrease) in cash held	4,497	-	4,497
Cash at the beginning of the reporting period	655	1,223	(568)
Cash at the end of the reporting period	5,152	1,223	3,929

1. Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2014-15 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2015. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 million) are provided below.

Note 33: Budgetary Reports and Explanations of Major Variances (continued)

Explanations of major variances	Affected line items
The net change in cash held during 2014-15 was $4.5 million, higher than the balanced position in the original budget. The change was predominantly driven by the drawdown of funds on 30 June 2015 to meet payment requirements on 1 July 2015, which increased cash holdings at 30 June 2015 by $3.9 million. The remainder of the net change in cash held relates to increased receipts of unearned income and the timing of payables.	Net increase/(decrease) in cash held

Note 33: Budgetary Reports and Explanations of Major Variances (continued)

Note 33B: Administered Budgetary Reports
Statement of Comprehensive Income

for the period ended 30 June 2015

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2015	2015	2015
	$'000	$'000	$'000
NET COST OF SERVICES			
Expenses			
Grants	**83,746,819**	83,918,126	(171,307)
Interest	**3,427**	6,849	(3,422)
Write-down and impairment of assets	**-**	-	-
Foreign Exchange Losses	**-**	-	-
Other	**27,666**	1,140	26,526
Total expenses	**83,777,912**	**83,926,115**	(148,203)
Income			
Revenue			
Non-taxation revenue			
Interest	**3,166**	7,386	(4,220)
Dividends	**1,941,500**	-	1,941,500
Sale of goods and rendering of services	**726,299**	877,092	(150,793)
COAG revenue from government agencies	**993,379**	1,858,731	(865,352)
Other	**154,189**	4,000	150,189
Total non-taxation revenue	**3,818,533**	**2,747,209**	1,071,324
Total revenue	**3,818,533**	**2,747,209**	1,071,324
Gains			
Foreign exchange	**36,629**	62,221	(25,592)
Total gains	**36,629**	**62,221**	(25,592)
Total income	**3,855,162**	**2,809,430**	1,045,732
Net cost of (contribution by) services	**(79,922,750)**	**(81,116,685)**	1,193,935
Surplus (Deficit)	**(79,922,750)**	**(81,116,685)**	1,193,935
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus	**5,574,357**	-	5,574,357
Total comprehensive income	**5,574,357**	**-**	5,574,357
Total comprehensive income/(loss)	**(74,348,393)**	**(81,116,685)**	6,768,292

1. Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2014-15 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2015. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 billion) are provided below.

Explanations of major variances	**Affected line items**
Dividend revenue for 2014-15 was $1,941.5 million compared to a nil original budget. The increase was predominantly a result of the Reserve Bank of Australia (RBA) dividend which was accrued in 2014-15. This was the result of higher RBA earnings, primarily attributable to changes in exchange rates in 2014-15.	Dividends
Changes in asset revaluation surplus for 2014-15 totalled $5,574.4 million. These changes relate to the revaluation of investments in controlled entities and companies (RBA, Clean Energy Finance Corporation, Australian Reinsurance Pool Corporation).	Changes in asset revaluation surplus

Note 33: Budgetary Reports and Explanations of Major Variances (continued)

Administered Schedule of Assets and Liabilities

as at 30 June 2015

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2015	2015	2015
	$'000	$'000	$'000
ASSETS			
Financial assets			
Cash and cash equivalents	-	3,719	(3,719)
Trade and other receivables	3,406,908	1,248,939	2,157,969
Investments	32,601,034	32,109,096	491,938
Total financial assets	36,007,942	33,361,754	2,646,188
Non-financial assets			
Other	411	-	411
Total non-financial assets	411	-	411
Total assets administered on behalf of Government	36,008,353	33,361,754	2,646,599
LIABILITIES			
Payables			
Grants	591,077	745,613	(154,536)
Other payables	5,634,650	5,085,875	548,775
Unearned income	77,019	111,009	(33,990)
Total payables	6,302,746	5,942,497	360,249
Interest bearing liabilities			
Loans	4,824,704	7,670,732	(2,846,028)
Total interest bearing liabilities	4,824,704	7,670,732	(2,846,028)
Provisions			
Other provisions	1,816,251	651,059	1,165,192
Total provisions	1,816,251	651,059	1,165,192
Total liabilities administered on behalf of government	12,943,701	14,264,288	(1,320,587)
Net assets	23,064,652	19,097,466	3,967,186

1. Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2014-15 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2015. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 billion) are provided below.

Explanations of major variances	Affected line items
Trade and other receivables as at 30 June 2015 was $3,406.9 million, an increase of $2,158.0 million compared to the original budget. The increase was predominantly a result of the Reserve Bank of Australia (RBA) dividend which was accrued in 2014-15. The RBA dividend reflects higher RBA earnings, primarily attributable to changes in exchange rates in 2014-15.	Trade and other receivables
Total loans as at 30 June 2015 were $4,824.7 million, a decrease of $2,846.0 million compared to the original budget. This variance relates to the shift of the IMF Quota increase under the 2010 reform from 2014-15 to 2015-16 as a result of the delay by the United States in implementing these reforms.	Loans
Total provisions as at 30 June 2015 were $1,816.3 million, an increase of $1,165.2 million as a result of revision to the 2014-15 estimates to the NDRRA provision to reflect actual reconstruction costs in Queensland.	Other provisions

PART 5

Appendices

"To have a global centre in Australia is a big event. We've never had a global hub like this, especially one so important to the world economy. This will service 85 per cent of the world economy. It's an opportunity that Australian businesses have never had before. We really can become a hub of excellence."

Treasurer, Joe Hockey MP

GLOBAL INFRASTRUCTURE HUB TO DELIVER PRACTICAL OUTCOMES

On 16 November 2014, G20 leaders agreed to establish a Global Infrastructure Hub in Sydney to help implement the G20 multi-year infrastructure initiative designed to support public and private investment in quality infrastructure and take a global perspective to infrastructure investment.

The Hub has been registered as a company under Australian law and directors appointed from Australia, China, the Republic of Korea, Turkey and the United Kingdom to represent the G20 on the Hub's Board, chaired by the Secretary to the Treasury, Mr John Fraser. Mr Chris Heathcote has been appointed CEO.

The Hub will function as a knowledge-sharing organisation to accelerate financing and developing infrastructure projects. It will work internationally to leverage greater private sector involvement in infrastructure through information development, knowledge sharing, training and implementing leading practices.

Both G20 and non-G20 countries and relevant international organisations will be able to engage with the Hub's activities. It will work in close collaboration with governments, the private sector, national, regional and multilateral development banks, international organisations and other major stakeholders.

Australia has signed memoranda of understanding with the World Bank and the Organisation for Economic Co-operation and Development who will collaborate with the Hub.

The Australian Government will contribute $30 million to establish and operate the Hub until 2018 and seven countries have already committed funding to the Hub: China, Mexico, New Zealand, the Republic of Korea, Saudi Arabia, Singapore and the United Kingdom.

Other governments, international organisations, development banks and the private sector may contribute additional financial and in-kind resources.

Building infrastructure drives growth in the short-term through investment and employment, and makes economies more productive in the long-term. Demand for infrastructure investment over the next decade will outstrip the funding capacity of governments alone so private sector involvement is critical. The Hub could help unlock an additional $2 trillion in global infrastructure capacity to 2030.

Work health and safety

The Treasury is committed to providing a safe and healthy work environment for staff, contractors and visitors. The Treasury promotes early intervention and prevention through its health, safety and wellbeing systems, policies and programs with a focus on continuous improvement and staff wellbeing.

During 2014-15, the Treasury:

- received three new compensation claims, down by one from the previous year and half the number of claims in 2013-14. The Treasury's Comcare premium rate has been consistently low over the past five years. The 2015-16 premium rate is 0.35 per cent;
- assisted 21 staff through the Treasury's early intervention program. The program plays a key role in preventing injury and illness and minimising time away from the workplace. The number of staff who received early intervention increased, while the number of non-compensation and compensation cases decreased;
- received 17 work-related incident reports with the majority relating to staff experiencing pain due to sitting for long periods. The Treasury introduced an online system to allow early reporting of injury and illness so timely and effective support can be provided;
- promoted a number of wellbeing initiatives, including Mental Health Week and a Wellbeing Expo, both aimed at improving the physical and mental health of staff. The Treasury also provided guidance material to staff on reducing the impact of stress and fatigue during peak work periods;
- continued to address key work health and safety risks. These are highlighted in Departmental Risk Registers in consultation with the Work Health and Safety Committee and Audit Committee. An in-depth risk review of the risk register was undertaken and has been implemented as an annual review; and
- undertook ongoing risk management activities including individual workstation assessments, and provided access to the Employee Assistance Program, resilience coaching, annual influenza vaccinations and training for health and safety representatives, first aid officers and workplace harassment officers.

Treasury staff are encouraged to contribute to a safer workplace by reporting potential hazards, incidents and accidents as soon as they occur to ensure assistance is provided to injured staff and risks to others are minimised. In accordance with Part 10 of the *Work Health and Safety Act 2011*, the Treasury is required to provide a report on work health and safety activities and statistics for notifiable incidents, investigations and notices.

Table 5: Work Health and Safety Act

Work Health and Safety Act 2011	Number
Deaths that required notice under section 38	0
Serious injury or illness that required notice under section 38	0
Dangerous incidents that required notification under section 38	0
Investigations conducted under Part 9	0
Notices given to the Treasury under section 191 (improvement notices)	0
Notices given to the Treasury under section 195 (prohibition notices)	0
Notices given to the Treasury under section 198 (non-disturbance)	0

Advertising and market research

- During 2014-15, the Treasury delivered one advertising campaign. This campaign was to raise awareness of the 2015 Intergenerational Report and included two phases of media activity. The campaign commenced on 8 March and ended on 30 June.
- Market research for the 2015 Intergenerational Report campaign was undertaken by Hall and Partners Open Mind at a cost of $1,042,929.80.
- Campaign compliance information is available at **www.treasury.gov.au** and in the reports on Australian Government advertising prepared by the Department of Finance and published at **www.finance.gov.au/advertising/index.html**.
- Other market research was undertaken as part of the Treasury's commitment to work effectively with stakeholders and inform policy responses.
- Information on payments made to advertising agencies, market research organisations, and media advertising organisations is in Table 6-8. The Treasury did not make any payments to polling organisations in 2014-15.

Table 6: Advertising Agencies (creative advertising agencies which have developed advertising campaigns)

Provider	Service Provided	Cost ($)
303Lowe Australia Pty Ltd	Creative services	6,428,684.82

Note: This figure includes head hours and production costs

Table 7: Market Research Organisations

Colmar Brunton	Market research	105,925
GfK Australia	Market research	127,897
Hall & Partners Open Mind	Market research	1,042,929.80
Taylor Nelson Sofres	Market research	79,860

Table 8: Media Advertising (Dentsu Mitchell Media Australia (formerly Mitchell and Partners Australia) is the master media agency for all Commonwealth Government advertising)

Mitchell and Partners Australia Pty Ltd	Advertising for recruitment services	14,012
Mitchell and Partners Australia Pty Ltd	Advertising for recruitment services	14,699
Mitchell and Partners Australia Pty Ltd	Print advertisements	81,091
Mitchell and Partners Australia Pty Ltd	Campaign advertising	24,056,684
Mitchell and Partners Australia Pty Ltd	Advertising for public forums	24,664
Mitchell and Partners Australia Pty Ltd	Advertising for public forums	21,297

Note: These figures include GST. Payments less than $12,565 (GST inclusive) are not included in this table.

Ecologically sustainable development and environmental performance

The Treasury continues to improve its environmental performance in accordance with the Energy Efficiency in Government Operations Policy.

Environmental policies and programs, developed as part of the Treasury Environmental Management Plan, are reviewed annually and accord with commitments under the Treasury Building Management Committee Green Improvement Agreement.

Energy management

The Treasury has invested in various energy savings initiatives (in the Treasury building) over the period, including further upgrades of the tenancy lighting system and installation of an LED lighting pilot.

Environmental initiatives already implemented and ongoing include:

- procuring five star energy rated electrical appliances;
- installing motion sensors to control lighting in areas of infrequent use; and
- maintaining staff awareness through comprehensive communication encouraging staff to minimise the Treasury's energy use.

The Department of Finance (the building owner) is upgrading elements of the base building plant with more contemporary, energy efficient equipment.

The Treasury uses 10 per cent Greenpower in the Treasury building, included under an existing whole-of-government procurement arrangement for electricity.

The Treasury used approximately 5,858 mega joules of electricity per person for office tenant light and power, below the Energy Efficiency in Government Operations Policy target of 7,500 mega joules per person per annum.

Total tenant light and power consumption was approximately 1,557,325 kilowatt hours.

Recycling

Commingled and organic recycling

Waste stations located in kitchens incorporate rubbish, recycling and compost waste containers to segregate waste into approved recycling streams. Staff are encouraged to dispose of waste appropriately.

The Treasury recycles toner cartridges, fluorescent tubes and batteries and assists staff to recycle old mobile phones by donating them to charity.

During the 2014-15 reporting period the Treasury recycled 5.96 tonnes of commingled waste, 3.98 tonnes of used paper towels and 4.3 tonnes of organic waste.

Paper recycling

The Treasury recycles paper and cardboard products. Paper recycling containers are situated at staff workstations, adjacent to printers and in utility rooms. Classified waste paper is shredded, pulped and reused to produce paper and cardboard products.

During the 2014-15 reporting period the Treasury recycled 24.8 tonnes of used paper and 2.19 tonnes of shredded paper.

Vehicles

During 2014-15 the Treasury operated four fleet vehicles, consuming approximately 2,152.7 litres of fuel and travelling an estimated 18,436 kilometres.

The Treasury's pool vehicles averaged a Green Vehicle Guide of 14; this combines air pollution and greenhouse ratings.

Air Travel

Treasury staff are encouraged to minimise air travel, instructed to undertake travel only where there is a demonstrated business need, and encouraged to use teleconferencing and videoconferencing as alternatives.

Resource efficiencies

During the year the Treasury continued to deploy 'follow-me-print', a secure printing facility that allows staff to print documents at any printer using their security swipe card. Any print jobs not accessed within a set timeframe are automatically purged.

In compliance with the *Australian Government ICT Sustainability Plan 2010–2015,* the Treasury's general-use office copy paper had a post-consumer recycled content of 50 per cent.

Water

Tenancies in the Treasury building are not metered separately for water consumption. The Treasury uses water flow controls and water-efficient appliances in kitchens.

The Treasury Building Management Committee is investigating other water savings initiatives, including rainwater harvesting.

Carer support

The Treasury supports carers and ensures they have the same rights, choices and opportunities as other Australians, regardless of age, race, gender, disability, sexuality, religious or political beliefs, cultural or linguistic heritage or differences, socioeconomic status or locality.

The Treasury's carer support framework includes:

- a non-discriminatory definition of family in the *Treasury Workplace Agreement 2011-14*, recognising relatives by blood, marriage, strong traditional or ceremonial affinity and genuine domestic or household relationships;
- a range of family-friendly working arrangements such as access to information about childcare and school holiday care, access to a carer's room, access to carer's leave and accreditation as a breastfeeding-friendly workplace;
- access to accumulated personal leave to care for sick family and household members, or a person for whom they have caring responsibilities. Staff may also access unpaid carer's leave to care for or support family or household members, or if an unexpected family or household emergency arises;
- access to an Employee Assistance Program. The program provides a free, professional and confidential counselling service to assist staff, their immediate family members and people with whom staff have a close relationship. Counselling is provided for work-related and personal problems; and
- access to onsite childcare facilities. At 30 June 2015 there were 64 children from Treasury families enrolled at the childcare centre.

Grants

Consistent with requirements in the Commonwealth Grants Rules and Guidelines, information on grants awarded by the Treasury during the period 1 July 2014 to 30 June 2015 is available at www.treasury.gov.au.

Information Publication Scheme

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in the annual report. Each agency must display a plan on its website showing what information it publishes in accordance with the IPS requirements.

The Treasury's IPS plan is on the Treasury website at www.treasury.gov.au.

CASE STUDY

SYDNEY OFFICE ESTABLISHED

To support Treasury's priority for meaningful and continual external engagement, Treasury has established an office in the Sydney CBD.

As a central agency, Treasury wants productive, ongoing engagement to be standard practice. For Treasury, consultation and engagement informs its advice, brings understanding, influence and confidence that Treasury will deliver sound, authoritative advice to government.

Staff will engage broadly with government; non-government; think tanks; academia; small, medium and large business; the social welfare sector; industry; the financial sector; peak organisations; and the community. Through consultation on policy, Treasury staff will be made aware of business conditions, trends and attitudes.

A presence in Sydney means Treasury has the opportunity to form stronger relationships with the private sector and to build on existing relationships through additional engagement. It supports more secondments from the private sector and a wider engagement of staff, for the mutual benefit of all parties.

The Sydney office will help build Treasury's organisational capability. It has been established with existing Treasury staff, secondees and non-ongoing staff. The organisational structure in the Sydney office will enhance existing Treasury policy development and initiatives and offers potential new areas for policy development.

Next year Treasury will establish an office in Melbourne.

Australia and the International Financial Institutions

Australia and the International Monetary Fund

Program 1.2 outlined various payments made by Treasury to the Asian Development Bank, the European Bank for Reconstruction and Development, the World Bank Group and the International Monetary Fund (IMF). This appendix addresses the legislation that requires further reporting on the World Bank Group and the IMF for the 2014-15 financial year, in particular:

- Section 10 of the *International Monetary Agreements Act 1947*, which provides for a report on the operations of the Act and of the operations, insofar as they relate to Australia, of the Articles of Agreement of the IMF and the International Bank for Reconstruction and Development (IBRD) during each financial year; and
- Section 7 of the *International Bank for Reconstruction and Development (General Capital Increase) Act 1989* which provides for a report on the operations of the Act during each financial year.

The Treasury is responsible for managing the Australian Government's shareholdings with the International Financial Institutions (IFIs). The Department of Foreign Affairs and Trade (DFAT) has further interactions relating to the Government's aid program — see DFAT's annual report for further information.

The IMF and the World Bank Group also publish annual reports on their operations and provide information at www.imf.org and www.worldbank.org.

Mandate

The IMF's purpose (set out in Article I of its Articles of Agreement) is to:

- promote international monetary cooperation;
- facilitate the expansion of trade contributing to employment growth;
- promote exchange rate stability to avoid competitive devaluation;
- assist in the establishment of a multilateral system of payments; and
- make resources available to members to reduce the costs of balance of payments adjustments.

Australia's representation at the International Monetary Fund

Australia interacts with the IMF through: the Board of Governors; the International Monetary and Financial Committee (IMFC); the IMF Executive Board; and the IMF's Article IV consultation on Australia's economic developments and policy.

Board of Governors

The Board of Governors is the highest authority within the IMF and consists of one governor and one alternate governor for each of the 188 member countries. During 2014-15, Australia was represented by the Hon. J.B. Hockey MP, Treasurer of the Commonwealth of Australia. In early 2015, Mr John Fraser, Secretary to the Treasury, replaced Dr Martin Parkinson, the former Secretary to the Treasury, in the position of Australia's Alternate Governor of the IMF. The Australian Governor's votes on IMF resolutions during 2014-15 are noted in Table 5.1.

Table 9: Australian Governor's votes on IMF resolutions 2014-15

Resolution title	Date	Australian Governor's vote
Remuneration of IMF and World Bank Executive Directors and Alternate Executive Directors	25 July 2014	Supported
Rules for 2014 Regular Election of Executive Directors	25 July 2014	Supported
Activation period for New Arrangements to Borrow (NAB) — 1 October 2014 to 31 March 2015	22 September 2014	Supported
2010 Reforms and Fifteenth General Review of Quotas	13 February 2015	Supported
Activation period for NAB — 1 April 2015 to 30 September 2015	4 March 2015	Supported

International Monetary and Financial Committee

The International Monetary and Financial Committee (IMFC) advises the Board of Governors on the functioning and performance of the international monetary and financial system. Australia's constituency at the IMF (see below) was represented by Korea at the IMFC meetings on 11 October 2014 and by Australia at the IMFC meetings on 18 April 2015.

IMF Executive Board, Executive Director and constituency office

The IMF Executive Board conducts the day-to-day business of the IMF and determines matters of policy under the overall authority of the Board of Governors.

Australia belongs to the Asia and Pacific constituency which holds one executive director position. In 2014-15, this constituency also included: Kiribati, the Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, Uzbekistan and Vanuatu.

As at 30 June 2015, Australia held 1.31 per cent of the total voting power[1] at the IMF, and the constituency as a whole held 3.62 per cent.

By agreement between constituency members, the staffing of Australia's constituency office rotates among members. On 1 November 2014, Mr Barry Sterland from Australia replaced Mr Jong-Won Yoon of Korea as the Executive Director of the constituency. At 30 June 2015, Mr KwangHae Choi of Korea was the first Alternate Executive Director and Ms Vicky Plater of New Zealand was the second Alternate Executive Director.

1 A country's voting share in the IMF is not equal to its quota share. While the voting share is largely determined by stop the quota share, it is adjusted for a range of other factors that impact on the representation of IMF members.

Australia's Article IV consultation

In accordance with Article IV of its Articles of Agreement, the IMF conducts regular discussions with the authorities of member countries on economic policies and conditions. Australia's 2015 Article IV consultation was held on 11 to 24 June 2015. IMF staff met with the Treasurer, the Shadow Treasurer, senior Treasury officials, the Governor of the RBA and senior RBA officials. They also met with officials from other agencies in the Treasury portfolio, and representatives from the business community and unions.

Australia's shareholding in the International Monetary Fund and financial transactions

Australia's shareholding in the International Monetary Fund

A member's shareholding in the IMF is determined by its allocated quota which broadly reflects its weight in the global economy. Australia's quota at 30 June 2015 was 3,236.4 million Special Drawing Rights (SDR) (equivalent to A$5,913.4 million at 30 June 2015), which is 1.36 per cent of total IMF quota. Part of Australia's quota is held in reserve by the IMF in SDRs and gold, and part is held in Australia — a combination of non-interest bearing promissory notes and cash amounts held at the RBA — in Australian dollars.

Australia's financial transactions with the International Monetary Fund

Australia conducts financial transactions with the IMF to manage existing obligations. Transactions in 2014-15 were timely and efficient and are described in the following sections.

Special Drawing Rights charges, interest and assessment fee

The Special Drawing Rights (SDR) is an international reserve asset created by the IMF to supplement the existing official reserves of member countries. Its value is based on a basket of four international currencies (the US dollar, euro, Japanese yen and pound sterling). SDRs are allocated to member countries in proportion to their IMF quotas.

Australia's cumulative allocation of SDRs at 30 June 2015 was SDR 3,083.2 million while its actual SDR holdings were SDR 3,234.9 million. Australia's SDR allocation is held by the RBA, having been sold to the RBA by the Commonwealth in exchange for Australian dollars. The IMF levies charges on the SDRs that have been allocated to each member and pays interest on the SDRs that are held by each member.[2] In 2014-15, the Australian Government paid charges of SDR 1.9 million (A$3.2 million) on net cumulative allocations, and the RBA received SDR 1.8 million (A$3.0 million) interest on its holdings.[3]

2 Charges and interest payments are accrued daily and paid quarterly. The SDR interest rate is the primary rate from which other rates are derived and is based on a weighted average of representative interest rates on short term debt in the money markets of the SDR basket of currencies. The basic rate of charge is equal to the SDR interest rate, plus a margin. Additional burden sharing adjustments, for the financial consequences of protracted arrears, is also applied (when applicable) to the basic rate of charge.

3 In 2013-14, the Australian Government paid charges of SDR 2.9 million (A$4.8 million) on net cumulative allocations, and the RBA received SDR 2.8 million (A$4.7 million) interest on its holdings.

In addition, the IMF levies an annual assessment fee to cover the cost of operating the SDR department, determined according to participants' net cumulative SDR allocations. Australia's annual assessment fee for the IMF's financial year ending 30 April 2015 was SDR 52,616 (A$93,175).

Remuneration

Remuneration is interest paid by the IMF to Australia for the use of its funds. It is earned on the proportion of a member's currency (25 per cent of its quota) that was paid in SDRs and is held by the IMF, and on money lent out under the Financial Transaction Plan (FTP) (see below for further information on the FTP).[4] Australia received remuneration receipts in 2014-15 totalling SDR 402,153 (A$0.69 million).

Maintenance of value

During 2014-15, Australia's quota remained at SDR 3,236.4 million. As the exchange rate between the Australian dollar and the SDR fluctuates throughout the year, the SDR value of the part of Australia's IMF quota held in Australian dollars is subject to change.

Under the IMF's Articles of Agreement, members are required to maintain the value of their quota through a 'Maintenance of Value' (MOV) adjustment following the close of the IMF's financial year on 30 April. During the IMF's 2014-15 financial year, the value of the Australian dollar in terms of the SDR depreciated by 5.4 per cent, meaning that Australia had a MOV payable of A$212.3 million. This was settled in June 2015 through the issuance of a non-negotiable, non-interest bearing promissory note and a small cash payment.

Table 10: Australia's transactions with the IMF in 2014-15 (cash basis)

	Amount in SDRs	Amount in A$
Total interest received on RBA SDR Holdings[(a)]	1,766,418	3,035,181
Total remuneration received for Australian holdings at the IMF	402,153	686,731
Total charges paid on SDR Allocation	1,873,734	3,219,091
Annual Assessment Fee paid to SDR Department	52,616	93,175
Maintenance of Value transaction for 2014-15		212,328,306

(a) Interest paid to the RBA.

Lending-related transactions and Australia's reserve position in the IMF

The IMF manages its lending of quota resources through the FTP. This is the mechanism through which the IMF selects the members whose currencies are to be used in IMF lending transactions and allocates the financing of those lending transactions among members included in the plan. Only currencies of IMF members with sufficiently strong balance of payments and reserve positions — such as Australia — are selected for use in the FTP.

In 2014-15, Australia was involved in both the transfer (loans) and receipt (repayments) side of the FTP. Table 5.3 provides details of individual FTP transactions and resulting reserve position at the IMF.

4 The basic rate of remuneration is equal to the SDR interest rate. Additional burden sharing adjustments, for the financial consequences of protracted arrears, is also applied (when applicable) to the basic rate of remuneration.

Table 11: Australia's reserve position in the IMF, 2014-15[(a)]

Date	Description	Debit (SDRs)	Debit (A$)	Credit (SDRs)	Credit (A$)
Reserve position as at 30 June 2014				922,906,187	1,512,960,962
13 Mar 2015	FTP with Ukraine (loan)			16,000,000	28,935,970
Total FTP receipts (repayments)		370,780,000	659,641,217		
Reserve position as at 30 June 2015				**568,126,187**	**1,038,052,598**

(a) Because Australia's reserve position is denominated in SDRs and AUD/SDR exchange rates vary during the year, when expressed in Australian dollars, the 30 June 2015 reserve position does not exactly reflect summation of the opening position and transactions during the year.

FTP transactions (and any transfers for administrative purposes) directly impact on Australia's reserve position at the IMF. With the value of receipts outweighing the value of transfers during 2014-15, the amount of Australia's reserves held by the IMF fell during the year, from SDR 922.9 million to SDR 568.1 million.

Australia also contributed resources under the expanded NAB in 2014-15. The NAB was activated twice during 2014-15, on 1 October 2014 and 1 April 2015 following approval by NAB participants including Australia, with each activation period lasting six months. In total, the NAB has been activated nine times, each for a period of six months.

In 2014-15, Australia was involved in both the transfer (loan) and receipt (repayment) sides of the NAB. Table 5.4 provides details of individual NAB transactions.

Table 12: Australia's NAB Transactions for 2014-15

Date	Description	Debit (SDRs)	Debit (A$)	Credit (SDRs)	Credit (A$)
3 Sept 2014	NAB with Ukraine (loan)			5,000,000	8,120,574
13 Mar 2015	NAB with Ukraine (loan)			10,000,000	18,084,981
30 Jun 2015	NAB with Pakistan (loan)			8,000,000	14,580,554
Total NAB repayments		204,316,250	360,316,612		
Net NAB payments for 2014-15[5]				(181,316,250)	(319,530,503)

In addition, the Australian Government earns interest on any money lent under the NAB.[6] For 2014-15, the Australian Government received interest payments on its NAB loans of SDR 335,199 (A$574,610).

5 For 2014-15, the net NAB repayments are expressed as a negative number as NAB repayments outweighed NAB transfers.

6 Interest is calculated using the SDR interest rate, accrued daily and paid quarterly.

Australia and the World Bank Group

Australia's shareholding and relations with the World Bank Group

Mandate

The World Bank Group provides financial and technical assistance to developing countries in line with its twin goals of ending extreme poverty and building shared prosperity.

Institutions of the World Bank Group and Australia's Shareholding

Australia is a member of all five arms of the World Bank Group: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID). For the specific roles of these institutions, see the World Bank website: **www.worldbank.org**.

Australia's memberships of the IBRD, IFC and MIGA require the Australian Government to hold shares in these institutions. Australia's shareholdings, as at 30 June 2015, are set out in Table 13.

Table 13: Australian shareholdings at the World Bank Group as at 30 June 2015

	IBRD	IFC	MIGA
Shares	30,260	47,329	3,019
Price per share (US$)	120,635	1,000	10,820
Value of total capital (US$ millions)	3,650.42	47.33	32.67
Value of paid-in capital (US$ millions)	***223.71***	***47.33***	***6.20***
Value of callable capital (US$ millions)	***3,426.70***	***0.00***	***26.46***
Value of total capital (A$ millions)	4,753.14	61.63	42.53

In 2014-15, Australia purchased an additional 1,333 shares of the IBRD, at the face value of US$160.7 million (estimated A$209.2 million as at 30 June 2015); the paid-in component of this share purchase was approximately US$9.6 million (A$10.3 million).

Table 14: Australia's voting power in the World Bank Group

	IBRD	IDA	IFC	MIGA
Voting power (per cent)	1.40	1.25	1.78	1.49

Note: At ICSID, the Administrative Council comprises a representative from each contracting state with equal voting power.

Each arm of the World Bank has its own arrangement for allocating votes and shares among its members. In the IBRD, each country's shareholding and voting power is largely based on its weight in the global economy.[7] The Board of Governors (see below) has agreed that a Shareholding Review will occur every five years to ensure that the World Bank Group has adequate resources to complete its mission and to reflect changes in the world economy.

Australia's cooperation with the World Bank Group

Australia's representation at the World Bank Group

Board of Governors

The highest decision-making body of the World Bank Group is the Board of Governors, comprising one Governor from each of the 188 member countries. During 2014-15, Australia was represented by the Hon. J.B. Hockey MP, Treasurer of the Commonwealth of Australia. Australia's Alternate Governor was the then Parliamentary Secretary to the Treasurer, the Hon. Steven Ciobo MP, until 26 March 2015 when the Hon. Kelly O'Dwyer MP, Parliamentary Secretary to the Treasurer, became Australia's Alternate Governor. The table below outlines the Australian Governor's votes for the 2014-15 financial year.

Table 15: Australian Governor's votes on World Bank Group resolutions in 2014-15

Institution	Resolution title	Date	Australian Governor's vote
IBRD, MIGA	Regular Election of Executive Directors	29 July 2014	Supported Mr Eun
IBRD	Direct Remuneration of Executive Directors and their Alternates	29 July 2014	Supported
IBRD, IDA, IFC, MIGA	Financial Statements, Accountants' Report and Administrative Budget	11 October 2014	Supported
IBRD	Allocation of FY14 Net Income	11 October 2014	Supported
IBRD	Transfer from IBRD Surplus to the Global Infrastructure Facility	11 October 2014	Supported
IBRD	Transfer from Surplus to Replenish the Trust Fund for Gaza and the West Bank	29 May 2015	Supported

Executive Director and constituency office

The World Bank Group's Executive Boards (IBRD, IDA, IFC and MIGA) conduct the day-to-day business of the World Bank Group and determine matters of policy under the overall authority of the Board of Governors.

Australia belongs to a constituency of countries that shares one of 25 Executive Director positions. In 2014-15, the constituency included Cambodia, Kiribati, the Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Tuvalu and Vanuatu.

7 Whilst voting power is largely determined by shareholding, a country's voting power usually is not equal to its shareholding as it is adjusted for a range of other factors that impact on the representation of IBRD members.

By agreement among constituency members, the senior staffing of the constituency office rotates between Australia and the Republic of Korea. Mr Michael Willcock from Australia was the Executive Director for the constituency until 1 November 2014, when Mr Sung-soo Eun from Korea assumed the position. From 1 November 2014, Mr Jason Allford from Australia assumed the Alternate Director position. Australia also held a senior adviser position.

Australia's contributions to the World Bank Group

In addition to the shareholdings managed by the Treasury, in 2014-15 the Department of Foreign Affairs and Trade provided an estimated A$494.7 million to the World Bank Group, including A$283 million in non-core funding for joint activities through Australia's country, regional and global program. DFAT's annual report provides further information on Australia's aid program.

Australia's contributions build on the World Bank Group's capital to support conditions for economic growth in the Indo-Pacific region. Working with the World Bank Group on joint activities extends the reach, quality and impact of Australia's aid program.

Operational evaluation

The World Bank Group Corporate Scorecard, published in October 2014, assesses the Group's overall performance and results. The Scorecard reported: financial commitments of US$63.3 billion in FY2014, with US$9.3 billion in capital mobilised on commercial terms; and improvement in the rate of satisfactory completion of country strategies (from 55 in FY2013 to 63 in FY2014 — moving towards the FY2017 target of 70, although for fragile and conflict-affected states this ranking was significantly lower at 43 in FY2014).

Whilst the Scorecard showed positive improvement in reducing the time between concept to first disbursement for the World Bank (IBRD and IDA) from 28 months in FY2013 to 25.4 months in FY2014, this is still far higher than the FY2017 objective of cutting commitment time by one-third.

These generally strong results reinforce the findings of previous assessments by DFAT and other donors. In the assessments conducted by DFAT and the Multilateral Organisation Performance Assessment Network (MOPAN) in 2012, the World Bank Group was rated amongst the strongest performing institutions. In 2015, DFAT developed a new Multilateral Performance Assessment process to assess the multilateral organisations to which Australia provides significant funding, and this will be applied in the near future.

Resource tables

Table 16: Summary resource statement

		Actual available appropriation 2014-15 $'000	Payments made 2014-15 $'000	Balance remaining 2014-15 $'000
		(a)	(b)	(a - b)
Ordinary annual services[1]				
Departmental				
Departmental appropriation[2]		250,379	190,393	59,986
Total		250,379	190,393	59,986
Administered expenses				
Outcome 1		86,568	72,859	13,709
Payments to corporate entities		-	-	
Total		86,568	72,859	
Total ordinary annual services	A	336,947	263,252	
Other services[3]				
Departmental non-operating				
Equity injections		1,595	1,595	-
Total other services	B	1,595	1,595	
Total available annual appropriations and payments (A+B)		**338,542**	**264,847**	
Special appropriations				
Asian Development Bank (Additional Subscription) Act 2009			16,979	
Clean Energy Finance Corporation Act 2012			2,000,000	
Federal Financial Relations Act 2009			73,296,353	
International Monetary Agreements Act 1947			54,453	
Public Governance and Accountability Act 2013 - s77			2,871	
Total special appropriations	C	-	75,370,656	
Special accounts[4]				
Opening balance		870,846	-	
Appropriation receipts		2,000,000	-	
Non-appropriation receipts to special accounts		11,576,265	-	
Payments made			11,525,479	
Total special accounts	D	14,447,111	11,525,479	

Total resourcing and payments (A+B+C+D)[5]	14,785,653	87,160,982
Less appropriation drawn from annual or special appropriations credited to special accounts		
	2,000,000	2,000,000
Total net resourcing for the Treasury	**12,785,653**	**85,160,982**

1. Appropriation Acts (No.1, No.3 and No.5) 2014-15. This may also include prior year departmental appropriations and section 74 relevant agency receipts.
2. Includes an amount of $5.373 million for the Departmental Capital Budget. For accounting purposes this amount has been designated as 'contributions by owners'.
3. Appropriation Acts (No.2 and No.4) 2014-15.
4. Does not include 'Special Public Money' held in accounts like Other Trust Monies account (OTM), Services for other Government and Non-agency Bodies accounts (SOG), or Services for Other Entities and Trust Moneys Special accounts (SOETM).
5. Total resourcing excludes the actual available appropriation for all Special Appropriations.

Note: Details of appropriations are disclosed at Note 29 of the Financial Statements.

Table 17: 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 2014-15 $'000	Actual expenses 2014-15 $'000	Variation 2014-15 $'000
	(a)	(b)	(a - b)
Program 1.1: Department of the Treasury			
Departmental expenses			
Departmental appropriations1	180,906	182,241	(1,335)
Special accounts	1,629	1,840	(211)
Expenses not requiring appropriation	13,777	9,969	3,808
Administered expenses			
Ordinary annual services (Appropriation Bill No.1 and No.5)	36,200	31,253	4,947
Special appropriations	4,345	-	4,345
Expenses not requiring appropriation	-	100	(100)
Total for Program 1.1	236,857	225,403	11,454
Program 1.2: Payments to International Financial Institutions			
Administered expenses			
Ordinary annual services (Appropriation Bill No.1 and No.3)	37,972	37,972	-
Special appropriations	4,341	3,427	914
Expenses not requiring appropriation	246,858	-	246,858
Total for Program 1.2	289,171	41,399	247,772
Program 1.3: Support for Markets and Business			
Administered expenses			
Ordinary annual services (Appropriation Bill No.1 and No.3)	11,925	6,941	4,984
Total for Program 1.3	11,925	6,941	4,984
Program 1.4: General Revenue Assistance			
Administered expenses			
Special appropriations	54,000,000	54,342,012	(342,012)
Special accounts	1,178,135	1,083,479	94,656
Total for Program 1.4	55,178,135	55,425,491	(247,356)
Program 1.5: Assistance to the States for Healthcare Services			
Administered expenses			
Special appropriations	15,459,388	15,465,970	(6,582)
Total for Program 1.5	15,459,388	15,465,970	(6,582)
Program 1.6: Assistance to the States for Skills and Workforce Development			
Administered expenses			
Special appropriations	1,435,176	1,435,176	-
Total for Program 1.6	1,435,176	1,435,176	-

Program 1.7: Assistance to the States for Disability Services			
Administered expenses			
Special appropriations	1,393,690	1,401,728	(8,038)
Total for Program 1.7	**1,393,690**	**1,401,728**	**(8,038)**
Program 1.8: Assistance to the States for Affordable Housing			
Administered expenses			
Special appropriations	1,305,771	1,305,771	-
Total for Program 1.8	**1,305,771**	**1,305,771**	**-**
Program 1.9: National Partnership Payments to the States			
Administered expenses			
Special accounts	9,443,507	8,664,083	779,424
Total for Program 1.9	**9,443,507**	**8,664,083**	**779,424**
Outcome 1 Totals by appropriation type			
Administered expenses			
Ordinary annual services			
(Appropriation Bill No. 1, No.3 and No.5)	86,097	76,166	9,931
Special appropriations	73,602,711	73,954,084	(351,373)
Special accounts	10,621,642	9,747,562	874,080
Expenses not requiring appropriation	246,858	100	246,958
Departmental expenses			
Departmental appropriations[1]	180,906	182,241	(1,335)
Special accounts	1,629	1,840	(211)
Expenses not requiring appropriation	13,777	9,969	3,808
Total expenses for Outcome 1	**84,753,620**	**83,971,962**	**781,858**

	2013-14	2014-15
Average staffing level (number)	898	820

1 Departmental Appropriation combines Ordinary annual services (Appropriation Bill No.1 and No.3) and Retained Revenue Recipets under section 74 of the PGPA Act 2013 independent sources (s74).

List of requirements

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Review by departmental secretary	Mandatory	3-5
Summary of significant issues and developments	Suggested	3-5
Overview of department's performance and financial results	Suggested	3-8
Outlook for following year	Suggested	3-5
Significant issues and developments – portfolio	Portfolio departments – suggested	3-5
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Organisational structure	Mandatory	9-11
Outcome and program structure	Mandatory	12-14
Where outcome and program structures differ from PB Statements/PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	11
Portfolio structure	Portfolio departments - mandatory	12-14
REPORT ON PERFORMANCE		
Review of performance during the year in relation to programs and contribution to outcomes	Mandatory	19-68
Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	19-68
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	19-68

Description	Requirement	Page/s
Trend information	Mandatory	19-68
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Performance of purchaser/provider arrangements	If applicable, suggested	N/A
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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	8
Discussion of any significant changes in financial results from the prior year, from budget or anticipated to have a significant impact on future operations	Mandatory	8
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Assessment of purchasing against core policies and principles	Mandatory	89
CONSULTANTS		
The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory	90
Australian National Audit Office Access Clauses		
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Agency Resource Statements and Resources for Outcomes	Mandatory	216-219
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Abbreviations and acronyms

ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACL	Australian Consumer Law
APCA	Australian Payments Clearing Association
ADB	Asian Development Bank
ADI	Authorised Deposit - taking Institutions
AIIB	Asian Infrastructure Investment Bank
ANAO	Australian National Audit Office
AOFM	Australian Office of Financial Management
APEC	Asia Pacific Economic Cooperation
APRA	Australian Prudential Regulation Authority
APS	Australian Public Service
APSC	Australian Public Service Commission
ARPC	Australian Reinsurance Pool Corporation
ASIC	Australian Securities and Investments Commission
ASL	Average staffing level
ATO	Australian Taxation Office
ASX	Australian Securities Exchange Limited
CAF	Legislative and Governance Forum on Consumer Affairs
CCA	*Competition and Consumer Act 2010*
CAMAC	Corporations and Markets Advisory Committee
CSEF	Crowd-sourced equity funding
CFR	Council of Financial Regulators
COAG	Council of Australian Governments
CPRs	Commonwealth Procurement Rules
DFAT	Department of Foreign Affairs and Trade
EL	Executive level
FOI Act	*Freedom of Information Act 1982*
FIMS2	Foreign Investment Management System Version 2
FRC	Financial Reporting Council
FSB	Financial Stability Board
FTE	Full time equivalent
FTP	Financial Transaction Plan

GDP	Gross domestic product
GIH	Global Infrastructure Hub
GST	Goods and services tax
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IFC	International Finance Corporation
IFIs	International Financial Institutions
ILS	Integrated Leadership System
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IPS	Information Publication Scheme
IWC	Inclusive Workplace Committee
MIGA	Multilateral Investment Guarantee Agency
MOPAN	Multilateral Organisation Performance Assessment Network
MYEFO	Mid-Year Economic and Fiscal Outlook
NDRC	National Development and Reform Commission
NAB	New Arrangements to Borrow
NIIS	National Injury Insurance Scheme
OECD	Organisation for Economic Cooperation and Development
OTC	Over-the-counter
PBS	Portfolio Budget Statements
PBO	Parliamentary Budget Office
PHIAC	Private Health Insurance Administration Council
PGPA Act	*Public Governance, Performance and Accountability Act 2013*
RBA	Reserve Bank of Australia
RIS	Regulation Impact Statement
RAM	Royal Australian Mint
SDR	Special Drawing Rights
SES	Senior Executive Service
SMEs	Small and Medium Enterprises
SPP	Specific Purpose Payment
TES	Tax Expenditure Statement

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 *Public Service Act 1999*.
Clear read principle	Under the Outcomes arrangements, there is an essential clear link between the Appropriation Bills, the Portfolio Budget Statements (PBS), the Portfolio Additional Estimates Statements, and annual reports of agencies. Information should be consistent across these and other budget documents, and, where possible, duplication of reporting within the PBS should be avoided. This is called the clear read between the different documents. Under this principle, the planned performance in PBS is to be provided on the same basis as actual performance in the annual reports covering the same period, to permit a clear read across planning and actual performance reporting documents. Agencies should take this into account in designing their performance reporting arrangements.
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.
Financial results	The results shown in the financial statements of an agency.
Grant	Commonwealth financial assistance as defined under the Commonwealth Grants Rules and Guidelines,
Materiality	Takes into account the planned outcome and the relative significance of the resources consumed in contributing to the achievement of that outcome.
Mid-Year Economic and Fiscal Outlook (MYEFO)	The MYEFO provides an update of the Government's budget estimates by examining expenses and revenues in the year to date, as well as provisions for new decisions that have been taken since the Budget. The report provides updated information to allow the assessment of the Government's fiscal performance against the fiscal strategy set out in its current fiscal strategy statement.
Non-ongoing APS employee	A person engaged as an APS employee under subsection 22(2)(a) of the *Public Service Act 1999*.
Official Public Account (OPA)	The OPA is the Australian Government's central bank account held within the Reserve Bank of Australia. The OPA reflects the operations of the Consolidated Revenue Fund.
Ongoing APS employee	A person engaged as an ongoing APS employee under section 22(2)(a) of the *Public Service Act 1999*.
Operations	Functions, services and processes performed in pursuing the objectives or discharging the functions of an agency.
Outcomes	The results, impacts or consequence of actions by the Commonwealth on the Australian community. They should be consistent with those listed in agencies' Portfolio Budget Statements.
Performance information	Evidence about performance that is collected and used systematically, which may relate to appropriateness, effectiveness and efficiency and the extent to which an outcome can be attributed to an intervention. While performance information may be quantitative (numerical) or qualitative (descriptive), it should be verifiable.
Portfolio Budget Statements (PBS)	Budget-related paper detailing budget initiatives and explanations of appropriations specified by outcome and 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.
Public Governance, Performance and Accountability Act 2013 (PGPA Act)	The *Public Governance, Performance and Accountability Act 2013* replaced the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997* on 1 July 2014. As the primary piece of Commonwealth resource management legislation, the PGPA Act establishes a coherent system of governance and accountability for public resources, with an emphasis on planning, performance and reporting. The PGPA Act applies to all Commonwealth entities and Commonwealth companies. A list of Commonwealth entities and companies can be found at **www.finance.gov.au/sites/default/files/pgpa_flipchart.pdf?v=2**
Public service care agency	A public service care agency is defined in section 4 of the *Carer Recognition Act 2010* to mean an agency as defined in the *Public Service Act 1999* that is responsible for the development, implementation, provision or evaluation of policies, programs or services directed to carers or the persons for whom they care.
Senate Estimates Hearings	Senate Standing Committees hold hearings to scrutinise the appropriation bills and any explanatory documentation tabled to accompany them. Public servants are called as witnesses to hearings.
Specific Purpose Payments (SPP)	Commonwealth payments to the states for specific purposes in order to pursue important national policy objectives in areas that may be administered by the states.

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