Treasury
Annual Report 2017-18

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Australian Government

Secretary to The Treasury

27 September 2018

The Hon Josh Frydenberg MP
Treasurer
Parliament House
CANBERRA ACT 2600

The Hon Stuart Robert MP
Assistant Treasurer
Parliament House
CANBERRA ACT 2600

Senator the Hon Zed Seselja
Assistant Minister for Treasury and Finance
Parliament House
CANBERRA ACT 2600

Dear Ministers

TREASURY ANNUAL REPORT 2017-18

I present the annual report of the Treasury for the year ended 30 June 2018.

This report has been prepared in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The guidelines approved on behalf of the Parliament by the Joint Committee of the 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 2018.

The report includes the Treasury's audited financial statements, prepared under section 42 of the PGPA Act.

In addition, 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 need and that comply with the guidance applying in 2017-18.

Yours sincerely

Philip Gaetjens

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Introduction and guide to the report

The Treasury Annual Report 2017-18 outlines performance against outcomes, program and performance information contained in the *Portfolio Budget Statements 2017-18*, *Portfolio Additional Estimates Statements 2017-18* and *Corporate Plan 2017-18*.

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

Part 01 details the Treasury's role, functions, senior management structure, organisational structure and portfolio structure.

Part 02 provides an analysis of performance against the Treasury's policy outcome and program.

Part 03 reports on management and accountability issues as required under the annual report guidelines.

Part 04 presents the audited financial statements of the Treasury as required under the annual report guidelines.

Part 05 includes other information as required under the annual report guidelines.

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

Other sources of information

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

Contact details

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Part 01
Overview

Secretary's review

Philip Gaetjens
Secretary

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

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

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

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

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

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

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

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

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

Philip Gaetjens
Secretary to the Treasury

Departmental overview

Purpose

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

Outcome responsibility

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

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

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

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

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

SECRETARY: JOHN FRASER

MACROECONOMIC GROUP

Deputy Secretary: Nigel Ray

International Policy and Engagement Division — Division Head: Lisa Elliston
Macroeconomic Conditions Division — Division Head: Angelia Grant A/g
Macroeconomic Modelling and Policy Division — Division Head: Jim Hagan

Overseas operations

Washington: Marty Robinson
OECD (Paris): Russ Campbell
London: Sam Reinhardt
Tokyo: Brenton Goldsworthy
Beijing: David Woods
Jakarta: Katherine Tuck
New Delhi: Ashley Bell
Papua New Guinea: Aidan Storer
Indonesia: Bede Moore

MARKETS GROUP

Deputy Secretary: John Lonsdale

Australian Government Actuary — Manager: Guy Thorburn
Consumer and Corporations Policy Division — Division Head: Liz Williamson
Foreign Investment Division — Division Head: Roger Brake
Financial System Division — Division Head: Diane Brown
Takeovers Panel — Director: Allan Bulman

FISCAL GROUP

Deputy Secretary: Michael Brennan

Budget Policy Division — Division Head: Jonathan Rollings A/g
Commonwealth-State Relations Division — Division Head: Kate Phipps
Retirement Income Policy Division — Division Head: Robert Jeremenko
Social Policy Division — Division Head: Vicki Wilkinson

REVENUE GROUP

Deputy Secretary: Maryanne Mrakovcic

Board of Taxation Secretariat — Chief Executive Officer: Karen Payne
Corporate and International Tax Division — Division Head: Paul McCullough
Individuals and Indirect Tax Division — Division Head: Marisa Purvis-Smith
Law Design Office — Division Head: Simon Writer A/g
Tax Analysis Division — Division Head: Matt Brine
Tax Framework Division — Division Head: Graeme Davis A/g

STRUCTURAL REFORM GROUP

Deputy Secretary: Meghan Quinn

Chief Adviser: Dan Andrews
Chief Adviser: Hamish McDonald

CORPORATE SERVICES AND BUSINESS STRATEGY GROUP

Deputy Secretary: Matt Flavel

Chief Financial Officer Division — Division Head: Robert Twomey
Communications and Parliamentary Division — Division Head: Shannon Kenna
Information Services Division — Division Head: Mike Webb A/g
People and Organisation Strategy Division — Division Head: Phoebe Burgess

Sydney Office — Head: Warren Tease
Melbourne Office — Head: Michelle Dowdell
Perth Office — Head: Chris Stavrianou

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

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

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

Program 1.1: Department of the Treasury	
Macroeconomic Group	International Policy and Engagement Division Macroeconomic Conditions Division Macroeconomic Modelling and Policy Division
Markets Group	Australian Government Actuary Consumer and Corporations Policy Division Foreign Investment Division Financial System Division Takeovers Panel
Fiscal Group	Budget Policy Division Commonwealth-State Relations Division Retirement Income Policy Division Social Policy Division
Revenue Group	Board of Taxation Secretariat Corporate and International Tax Division Individuals and Indirect Tax Division Law Design Office Tax Analysis Division Tax Framework Division
Structural Reform Group	Competition Policy Industry Policy
Corporate Services and Business Strategy Group	Chief Financial Officer Division Communications and Parliamentary Division Information Services Division People and Organisation Strategy Division

Program 1.2: Payments to international financial institutions
Macroeconomic Group: International Policy and Engagement Division

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

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

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

Program 1.6: Assistance to the states for skills and workforce development
Fiscal Group: Commonwealth-State Relations Division

Program 1.7: Assistance to the states for disability services
Fiscal Group: Commonwealth-State Relations Division

Program 1.8: Assistant to states for affordable housing
Fiscal Group: Commonwealth-State Relations Division

Program 1.9: National partnership payments to the states
Fiscal Group: Commonwealth-State Relations Division

Financial Performance

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

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

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

Portfolio Minister — Treasurer The Hon Scott Morrison MP **Minister for Revenue and Financial Services** The Hon Kelly O'Dwyer MP **Assistant Minister to the Treasurer** The Hon Michael Sukkar 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:	Assistant to states for affordable housing
Program 1.9:	National partnership payments to the states
Australian Bureau of Statistics Statistician, Mr David W Kalisch	
Outcome 1:	Decisions on important matters made by Governments, business and the broader community are informed by objective, relevant and trusted official statistics produced through the collection and integration of data, its analysis, and the provision of statistical information.
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

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

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 and, in balancing these objectives, promotes financial system stability in Australia.

Program 1.1: Australian Prudential Regulation Authority

Australian Securities and Investments Commission

Chairman, Mr James Shipton

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 Charities and Not-for-profits

Program 1.5: Australian Screen Production Incentive

Program 1.6: Exploration Development Incentive

Program 1.7: Fuel Tax Credits Scheme

Program 1.8: National Rental Affordability Scheme

Program 1.9: Product Stewardship for Oil

Program 1.10: Research and Development Tax Incentive

Program 1.11: Low Income Superannuation Tax Offset

Program 1.12: Private Health Insurance Rebate

Program 1.13: Superannuation Co-contribution Scheme

Program 1.14: Superannuation Guarantee Scheme

Program 1.15: Targeted assistance through the taxation system

Program 1.16: Interest on Overpayment and Early payments

Program 1.17: Bad and Doubtful Debts and Remissions

Program 1.18: Other Administered

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

Commonwealth Grants Commission Secretary, Mr Michael Willcock	
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
Inspector-General of Taxation Inspector-General, Mr Ali Noroozi	
Outcome 1:	Improved tax administration through investigation of complaints, conducting reviews, public reporting and independent advice to government and its relevant entities.
Program 1.1:	Inspector-General of Taxation
National Competition Council President, Ms Julie-Anne Schafer	
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, Professor Roger Simnett	
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, Ms Kris Peach	
Outcome 1:	The formulation and making of external reporting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions.
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 like products.
Program 1.1:	Royal Australian Mint

Part 02
REPORT ON PERFORMANCE

Annual performance statement 2017-18

Statement of preparation

I, as the Accountable Authority of the Department of the Treasury, present the 2017-18 financial year annual performance statement as required under s39(1)(a) of the *Public Governance Performance and Accountability Act 2013* (PGPA Act).

In my opinion the annual performance statement is based on properly maintained records, accurately reflects the performance of the Treasury and complies with s39(2) of the PGPA Act.

Philip Gaetjens
Secretary to the Treasury

Treasury's purpose

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

Results and analysis

Analysis of performance against purpose: promoting fiscal sustainability

The Treasury assisted the Government in implementing its fiscal strategy by managing budget processes, and advising on the overall budget strategy and priorities. Consistent with the fiscal strategy, and supported by economic, tax and fiscal modelling, the Budget continued to be projected to return to surplus in 2020-21 in all budget updates, with the 2018-19 Budget now forecasting a return to balance in 2019-20. Reports released in 2017-18 included the 2018-19 Budget, the 2017-18 Mid-Year Economic and Fiscal Outlook (MYEFO) and the 2016-17 Final Budget Outcome (FBO). These documents were produced in partnership with the Department of Finance and in accordance with the Treasurer's obligations under the *Charter of Budget Honesty Act 1998*.

The Treasury continued to provide advice to the Government on Australia's tax and superannuation systems, and delivered an extensive legislative program of changes in 2017-18, including the personal income tax reform package announced in the 2018-19 Budget.

The Treasury advised the Government on economic and social policies relating to education, employment, immigration, families, health, ageing, disability, Indigenous and justice issues, defence and national security, transport infrastructure, industry, environment, energy and resources, agriculture, communications and regional matters. This advice informed the Government's decisions on the economic and social policy reforms announced in the 2018-19 Budget.

In addition, the Treasury made financial support payments to the states and territories (states) in accordance with the Intergovernmental Agreement on Federal Financial Relations (IGAFFR).

Results against purpose: promoting fiscal sustainability

Performance criterion	Coordinating the preparation of the Australian Government Budget and other documents. Requirements of the *Charter of Budget Honesty Act 1998* are met.
Target	Documents are produced in accordance with timeframes and other requirements of the *Charter of Budget Honesty Act 1998*. Timely production of regular fiscal reports (i.e. the Budget, MYEFO and FBO).
Source	Portfolio Budget Statements 2017-18, Program 1.1, page 37. Corporate Plan 2017-18, page 3.
Results	In 2017-18 the following Australian Government budget documents were prepared and released in accordance with the Charter: • 2016-17 FBO was released on 26 September 2017; • 2017-18 MYEFO was released on 18 December 2017; and • 2018-19 Budget was released on 8 May 2018.

Performance criterion	Government measures to improve fiscal sustainability are legislated and implemented in a timely manner.
Target	Measured by the regular assessment of progress and milestones.
Source	Corporate Plan 2017-18, page 3.
Results	Government measures to improve fiscal sustainability were implemented and legislated across multiple portfolios in 2017-18. The Treasury continued to work closely with the Australian Taxation Office (ATO) and other stakeholders on minor implementation matters associated with the 2016-17 superannuation tax package, for example treatment of reversionary transition to retirement income streams. The major elements of the package were legislated prior to the reporting period and came into effect on 1 July 2017.

Performance criterion	Payment to the States and Territories are made with regard to the arrangements specified in the IGAFFR and other relevant agreements. Payments to State and Territory Governments.
Target	The Treasury will make timely and accurate payments to the States and Territories that reflect the requirements, the amounts and timeframes set out in the IGAFFR and other relevant agreements. The Treasury will provide advice to States and Territories on the components of each payment before it is made. 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 IGAFFR. Payments are timely, accurate and made in accordance with the terms in the relevant agreement and the requirements of the IGAFFR.
Source	Portfolio Budget Statements 2017-18, Program 1.4 to 1.9, page 41. Corporate Plan 2017-18, page 3.
Results	The Treasury made payments to the states on the 7th and 21st of each month (or the next business day), as well as an extraordinary payment on 29 June, in accordance with the IGAFFR and other agreements between the Commonwealth and the states. As required by the IGAFFR, the Treasury provided advice to the states on the components of each payment before it was made. Specific purpose payments amounted to $53.78 billion (including $19.49 billion relating to Quality Schools, which is administered by the Department of Education under the *Australian Education Act 2013*) and payments of general revenue assistance amounted to $64.49 billion. Implementation of the National Partnership Agreement on Asset Recycling continues with states that agreed schedules with the Commonwealth Treasury, including New South Wales, Australian Capital Territory and the Northern Territory. In 2017-18, the Commonwealth provided payments totalling $847.8 million to the states under this national partnership. The agreement is on track and due to expire on 30 June 2019. The Treasury also met its obligation to provide GST revenue data to the states on a monthly basis and maintained a schedule of estimates of annual net GST receipts.

Performance criterion	Fit-for-purpose economic and tax modelling.
Target	Outcomes are consistent with forecasts, allowing for unforeseeable events.
Source	Portfolio Budget Statements 2017-18, Program 1.1, page 38.
Results	The Treasury prepares forecasts of the economy and tax revenues, which are published in the Budget and MYEFO. Total taxation receipts grew by 10.2 per cent in 2017-18, compared to estimated growth of 7.2 per cent in the 2017-18 Budget. The largest contributor to the difference was company tax, primarily driven by higher than expected growth in corporate profits. Income tax withholding was also higher than expected, reflecting stronger employment growth. Real GDP grew by 2.9 per cent in 2017-18, slightly stronger than the 2.75 per cent growth forecast in both the 2017-18 Budget and 2018-19 Budget. Nominal GDP grew by 4.7 per cent in 2017-18, which was stronger than the 2017-18 Budget forecast of 4 per cent and the 2018-19 Budget forecast of 4.25 per cent. This was the result of the stronger than expected real GDP growth and higher than assumed prices for key commodities.

Performance criterion	Ongoing development of the Treasury's modelling and forecasting capability, including economic and revenue forecasting tools and methods; improving the understanding of developments in the economy.
Target	Performance will be measured by achievement of agreed project milestones and outcomes, in particular for the economy-wide macroeconomic project and redevelopment of the retirement income and asset model project.
Source	Corporate Plan 2017-18, page 3.
Results	The Treasury increased investment in tax modelling capability and the capability of staff to undertake economic forecasting, analysis and advice. Specifically: • Development of a macroeconometric model of the Australian economy is underway. Engagement with academics, internal and external stakeholders has been continuous throughout the model development, including using an expert panel and consultants from a range of universities; • The retirement income and asset dynamic model (MARIA) has met project milestones (including external peer review completion). We continue to refine and enhance this model to enable long-term forecasting of retirement incomes and assets; • Development of a working version of the Over-Lapping Generations model for Australia (OLGA) that is fit for indicative fiscal policy analysis is undergoing peer review. We are continuing to add detail to OLGA to enable it to provide quantitative analysis; • Use of a Dynamic Stochastic General Equilibrium (DSGE) model to investigate fiscal sustainability issues; • Development of a working version of a multi-sector macroeconomic model for industry policy analysis that is at the peer review stage; • Ongoing work with an academic consultant on modelling to support global energy analysis; and • Refinement of medium term projections methodology for input into the published budget outlooks.

Performance criterion	Coordinating the Government's legislative program for tax and superannuation, financial system, corporations, competition and consumer policy in accordance with the Government's priorities.
Target	All Bills, regulations and supporting documents are produced in accordance with the relevant legislative requirements and guidance, including timeframes.
Source	Portfolio Budget Statements 2017-18, Program 1.1, page 38.
Results	The Treasury supported the Government to deliver its extensive legislative program in accordance with the relevant requirements and guidance. This included the introduction of 113 Bills containing 160 measures into the 45th Parliament, as well as 66 regulations containing 81 measures made at Federal Executive Council meetings. Key measures in 2017-18 included those aimed at reducing pressure on housing affordability, legislation for the National Housing Finance and Investment Corporation (NHFIC) and a wide range of measures on maintaining and improving the integrity of the tax system. The Government also enacted enhancements through the following legislation to better protect consumers, encourage investment in innovation across the economy and improve financial system regulator capability. • Corporations Amendment (Crowd-sourced Funding for Proprietary Companies) Bill 2017 — a new regime for crowd sourced funding for proprietary companies; • Treasury Laws Amendment (2018 Measures No. 2) Bill 2018 — includes the FinTech regulatory sandbox measure; • Treasury Laws Amendment (Australian Consumer Law Review) Bill 2018 — clarifies and strengthens consumer protections relating to consumer guarantees, unsolicited consumer agreements, product safety, false billing, unconscionable conduct, pricing and unfair contract terms; and • Corporations Amendment (Asia Region Funds Passport) Bill 2018 — provides a multilateral framework that allows eligible funds to be marketed across economies participating in the Asia Region Funds Passport with limited additional regulatory requirements.

Analysis of performance against purpose: increasing productivity

Productivity growth remains critical to improving economic growth and living standards in Australia. Higher productivity increases national income.

The Treasury continued work on a range of initiatives to enhance productivity and ensure well-functioning markets, including in relation to the financial system, foreign investment, competition, broader structural reform policy and supporting innovation.

Financial system

The Treasury continues to lead the implementation of key responses to the Financial System Inquiry and other financial sector reforms. This reform agenda has required significant legislative and regulatory change with a view to improving the overall productivity, stability and accountability of the financial sector, as well as directly addressing areas of concern in relation to consumer outcomes and lack of competition. A well-functioning financial system that is resilient and provides services of value to households and the real economy is an important contributor towards productivity in the rest of the economy, facilitating investment, saving, consumption and risk mitigation choices, and providing a payments system infrastructure.

Several key areas of the financial sector reform priorities have either been consulted on or have passed Parliament, including the Corporate Collective Investment Vehicle Bill, the Open Banking Review, the Banking Executive Accountability Regime and the Comprehensive Credit Reporting reforms. These reforms support financial markets and systems to become more productive, efficient and consumer-focused.

The Treasury also assisted in the establishment of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the Royal Commission), and has provided a number of background papers on specific matters and submissions to the Royal Commission.

Corporations policy

The Treasury continues to work to maintain and improve general business frameworks to create stronger corporations and greater trust and confidence in the corporate sector. This supports the productivity of Australian enterprise and directly impacts everyone from investors and creditors to business operators and company directors. This work has included reforms to combat illegal phoenixing activity, increasing transparency of share ownership (beneficial ownership), providing additional protections for whistleblowers and structural changes to the fees set by the Australian Securities and Investment Commission (ASIC).

In the 2018-19 Budget, the Government announced that it will modernise the Australian Business Register and ASIC business registers. Throughout 2017-18, the Treasury has been working with ASIC, the ATO and the Department of Industry, Innovation and Science to develop a detailed business case for government consideration. The Treasury led public consultation on how modernising business registry services could improve the way business interacts with government.

Further to assisting in the establishment of the Royal Commission, major work for the Treasury includes considering the implications of any recommendations of the Royal Commission for corporate governance in Australia and the role and effectiveness of ASIC.

Small business

Policy responsibility for small business moved to the Department of Jobs and Small Business as a result of the Machinery of Government changes announced by the Prime Minister in December 2017. The Treasury worked to increase productivity and workforce participation by supporting small business.

The Commonwealth is providing the states up to $300 million if they implement sufficiently ambitious regulatory reforms that assist small business. The Treasury assisted the Treasurer to finalise the Small Business Regulatory Reform Agenda (SBRRA) project agreement with all jurisdictions except Queensland, as well as the first SBRRA bilateral schedules with New South Wales and Victoria. The Treasury will assist the Treasurer to finalise bilateral agreements with other jurisdictions in 2018-19.

Work in 2017-18 also included supporting the Australian Small Business Advisory Services (ASBAS) program to enhance small business effectiveness.

Consumer protection

Consumer protections are a key element of efficient markets by reducing information asymmetries, sending signals to suppliers and driving competition between firms. The Treasury has conducted formal public consultation on a number of matters including Consumer Guarantees, Fees for Paper Bills, Ticket Onselling, Gift Cards, Design and Distribution Obligations, Product Intervention Power, Small Amount Credit Contracts and the Fair Entitlements Guarantee.

Foreign investment

Foreign investment underpins increased productivity in the economy through, among other things, increasing the supply of capital. The Treasury has worked closely with the Attorney-General's Department and the Department of Home Affairs' Critical Infrastructure Centre to develop coordinated, whole-of-government national security risk assessments to support decision-making on foreign investment review proposals. The Treasury also worked closely with stakeholders in the development of a new online system for foreign investment that will deliver a number of improvements to facilitate easier lodgement of foreign investment applications, improving efficiencies for businesses engaging with the foreign investment framework.

Competition policy

The Treasury led the implementation of significant parts of the Government's response to the Competition Policy Review, including misuse of market power, cartel conduct, merger authorisations and access to significant infrastructure. Legislation implementing these initiatives commenced on 6 November 2017.

The Treasury is working with the Australian Competition and Consumer Commission and the Commonwealth Scientific and Industrial Research Organisation (CSIRO) to implement the Government's commitment to a Consumer Data Right, prioritising its roll out in the banking (Open Banking), energy and telecommunications sectors.

Regulatory reform

The Treasury portfolio reduced annual regulatory compliance costs by $772.9 million. The Treasury also contributed significantly to the Government's regulatory reform agenda. Through the Regulatory System Renewal program, the Treasury has progressed regulatory reform related to Open Banking and technological innovation, worked to improve service delivery for businesses through the modernisation of business registers and continues to investigate measures to simplify various areas of the tax system.

Other work

The Treasury worked with the Government to task the Productivity Commission with an inquiry into Australia's productivity performance, which reported in October 2017. The intent is to undertake a similar inquiry every five years to ensure an ongoing focus on productivity.

Energy issues remained prominent in 2017-18 and the Treasury provided advice to the Government on energy reliability, affordability and sustainability throughout the year. The Treasury led the cross-government team that worked on the negotiation to purchase 100 per cent of Snowy Hydro Limited from the New South Wales and Victorian Governments. The transaction will support productivity enhancing investment in a fiscally sustainable manner.

In 2017-18, an independent review was conducted of the Australian National Contact Point for the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. The report was published in December 2017. The Treasury is considering the report's findings in consultation with other agencies.

The Treasury continued to support the work of the Takeovers Panel in ensuring efficient, competitive and informed markets for corporate control. The Australian Government Actuary also provided actuarial and related policy advice primarily to Australian Government departments and agencies, to assist them to quantify risks and make informed decisions.

Results against purpose: increasing productivity

Performance criterion	Implementation of the Government's financial sector reform agenda.
Target	Key milestones and compliance requirements met.
Source	Corporate Plan 2017-18, page 5.
Results	In its response to the Financial System Inquiry, the Government outlined a program to position the financial system to respond to the challenges and opportunities of the future. That agenda has also been expanded, including a banking competition and accountability package, which was announced in the 2017-18 Budget. The Government's financial system program is being implemented in stages, and most priority measures have been either fully implemented or are in an advanced stage of development. Fourteen of the 48 Financial System Inquiry measures have already been completed, with a further nine recommendations substantially progressed, and legislation before the Parliament on five measures. The Treasury conducted several consultations on measures relating to the financial system reform agenda and other initiatives. This included roundtables on the proposed Asia Region Funds Passport, the Open Banking Review, the Corporate Collective Investment Vehicle Bill, the transition to the new Australian Financial Complaints Authority, and the Comprehensive Credit Reporting reforms. Thirteen Bills relating to the financial system and two Bills relating to corporations received Royal Assent.

Performance criterion	Advice to facilitate foreign investment to support economic growth will be high quality and address national interest concerns.
Target	Performance will be measured by the Regulator Performance Framework key performance indicators.
Source	Corporate Plan 2017-18, page 5.
Results	The Treasury provided regular briefings to the Government on foreign investment policy. Preliminary stakeholder feedback from the 2017-18 Regulator Performance Framework (RPF) stakeholder survey has been positive and indicates that stakeholders are satisfied with the quality of advice they receive. The RPF for 2017-18 is scheduled to be published by December 2018. The Treasury conducts a comprehensive assessment of foreign investment proposals to help facilitate foreign investment while ensuring national interest concerns are managed. When assessing foreign investment proposals of national significance, the Treasury consults with federal, state and territory government departments and security agencies. In addition, the Treasury works closely with the Critical Infrastructure Centre to manage risks to critical infrastructure assests. The Treasury has an ongoing program of stakeholder engagement and outreach activities with potential investors and sectors.

Performance criterion	Assessing foreign investment proposals.
Target	Number of proposals assessed. Number of significant (complex) cases and the degree of the Government's satisfaction with our performance in managing the cases.
Source	Portfolio Budget Statements 2017-18, Program 1.1, page 38.
Results	Approximately 800 foreign investment proposals were assessed by the Treasury. Of these, 182 proposals decided were considered to be significant with approximately 24 of those valued at or over a billion dollars. The majority of non-complex cases were processed within the 30 day statutory period. Further information will be available in the 2017-18 Foreign Investment Review Board Annual Report.

Performance criterion	Progress of the Government's regulatory reform agenda. Progressing the implementation of the Government's deregulation agenda, particularly by reducing red tape.
Target	Performance will be measured by compliance with the regulatory impact analysis requirements; reduction of portfolio red tape on a net basis; and portfolio regulators' compliance with their Regulator Performance Framework requirements. Reductions in red tape are consistent with the Government's target.
Source	Corporate Plan 2017-18, page 5. Portfolio Budget Statements 2017-18, Program 1.1, page 38.
Results	The Treasury continues to progress productivity-enhancing regulatory reforms through its implementation of the Government's regulatory reform agenda. All 12 published Treasury Regulation Impact Statements were rated as compliant. The Treasury portfolio contributed a net reduction of $772.9 million towards the Government's $1 billion annual red tape reduction target. In the 2016-17 Budget, the Treasury received $5.6 million over three years for a Regulatory System Renewal program — a coordinated approach to regulatory reform delivered through a rolling series of reviews of regulatory frameworks. Nine Treasury agencies and functions are subject to the RPF. Agencies were required to self-assess their performance against the RPF metrics, validate their views with stakeholders and report to ministers. All nine Treasury bodies fulfilled the requirements of the RPF and reported to ministers for the 2016-17 financial year by the December 2017 deadline. All nine RPF reports have now been made public.

Performance criterion	Economic and productivity enhancing reforms are developed and progressed.
Target	Performance will be measured by long-term productivity trends.
Source	Corporate Plan 2017-18, page 5.
Results	The Treasury continued work on a range of economic and productivity enhancing reforms. Parliament passed a number of amendments including the: • *Competition and Consumer Amendment (Misuse of Market Power) Act 2017*, which strengthens the misuse of market power provision (section 46); • *Competition and Consumer Amendment (Competition Policy Review) Act 2017*, which contains further competition law amendments, including a prohibition on anti-competitive concerted practices and reforms to merger approval processes; and • The Treasury Laws Amendment Bill, which establishes the position of a Commissioner to oversee the work of the Productivity Commission in relation to the evaluation of policies and programs that impact Indigenous Australians. In addition, Productivity Commission Regulations 2018 were signed by the Governor-General on 10 May 2018. The regulations remake the Productivity Commission Regulations 1998 and ensure their effect continues. The 2018 regulations set the open tender threshold for engaging consultants or independent advisers at $80,000, consistent with the Commonwealth Procurement Guidelines. The Treasury also assisted the Treasurer to finalise the SBRRA project agreement with all jurisdictions except Queensland, as well as the first SBRRA bilateral schedules with New South Wales and Victoria.

Performance criterion	Appropriate assistance provided to enterprising people through the ASBAS program.
Target	25,000 additional services provided to enterprising people through the ASBAS program.
Source	Portfolio Budget Statements 2017-18, Program 1.1, page 40.
Results	The ASBAS program was on track to meet its targets as at 31 December 2017, with 15,804 services delivered during the period from 1 July 2017 to 31 December 2017. Policy responsibility for the ASBAS program moved to the Department of Jobs and Small Business as a result of the Machinery of Government changes announced by the Prime Minister in December 2017.

Performance criterion	Tax and foreign investment measures are implemented in accordance with the Government's plan to reduce pressure on housing affordability promptly.
Target	Measured by the achievement of agreed progress milestones.
Source	Corporate Plan 2017-18, page 5.
Results	The following measures from the Government's plan to reduce pressure on housing affordability were implemented: • The First Home Super Saver Scheme (FHSSS) and the Downsizer measures passed through Parliament in December 2017, with contributions to the FHSSS being able to be made in the 2017-18 financial year; • The new National Housing and Homelessness Agreement commenced on 1 July 2018. By 1 July 2018, bilateral agreements had been signed with five jurisdictions (Queensland, South Australia , Tasmania, Northern Territory and Australian Capital Territory); • NHFIC commenced operations on 30 June 2018; and • The foreign investment-related measures from the 2017-18 Budget housing affordability package were both legislated.

Analysis of performance against purpose: securing the benefits of global economic integration

The Treasury has supported and strengthened economic policy relationships across a broad range of multilateral organisations and countries, consistent with the Government's Foreign Policy White Paper, released in 2017. The relationships built and information gathered are used to balance opportunities and risks in relation to trade and investment flows, and to maintain our position of influence for the benefit of Australians. The Treasury's program of international engagement has contributed to capacity in Australia's region, the depth and breadth of information available to government and policy makers, and regional and global macroeconomic stability.

The Treasury monitors the global economic environment closely. It works with other countries bilaterally, in international forums, and through international financial institutions such as the International Monetary Fund (IMF) and World Bank, to monitor economic trends and manage risks as they emerge. It advises the Government on conditions such as commodity prices, inflation, monetary and fiscal policy trends, the global financial safety net, financial market resilience, economic transitions and demographic challenges, and assesses how changes may affect the domestic economy. The Treasury continues to advise on the trade policy announcements of major economies and the potential impacts on the global trading environment and the Australian economy. The Treasury is working with other government agencies to promote the importance of economic openness domestically and in international forums, as well as identify economic benefits from further trade liberalisation. In progressing Australia's economic interests in the international arena, we seek solutions that make sense for Australia and for the broader global economy.

The Treasury manages Australia's bilateral and multilateral economic relationships through its relationships with other countries, connections in multilateral forums such as the G20 and Asia-Pacific Economic Cooperation (APEC) forum, its relationships with the international financial institutions, strong links with the academic and think tank community and international staff postings in key economies providing reporting that is an essential input into our advice to the Government.

Through the Treasury's efforts, the Government has been well positioned to advance Australia's economic interests in the G20. With Australia's support, the G20 has prioritised boosting global growth, ensuring a safe and efficient global financial system, and supporting the integrity of the international tax system. Australia holds a position of influence in all of these streams of work, and they all carry benefits for Australia domestically as well as in the global economy. The Treasury (together with the Reserve Bank of Australia) represents Australia on the G20 Framework Working Group which focuses on ways to deliver strong, sustainable, balanced and inclusive global growth. The Treasury also contributed to the improvement of the global infrastructure investment climate through its co-chairing of the G20 Infrastructure Working Group and support for the Global Infrastructure Hub.

The Treasury has actively engaged in the Asia-Pacific region, working to bring alignment between the G20 and APEC agendas, providing policy support to Indonesia and support to Papua New Guinea (PNG) in hosting APEC in 2018, actively engaging in the Pacific Forum Economic Ministers' Meeting in Palau, and supporting an exchange of Treasury officers with PNG. The Treasury participated in policy dialogues with the European Commission, India, Indonesia and Japan.

The Treasury engages closely with the international financial institutions to ensure they are effective in supporting growth, stability and economic development as key elements of the international financial architecture. The Treasury (together with the Reserve Bank of Australia) represents Australia on the G20 International Financial Architecture Working Group which has focused on constructive engagement with the international financial institutions in areas relating to: capital flow stability; debt transparency for both lenders and debtors; progressing the IMF 15th General Review of Quotas, prospects for governance reform (through the G20 Eminent Persons Group); and greater cooperation between regional financial architecture arrangements and the international financial institutions. The Treasury has supported Australia's full engagement at the Spring and Annual meetings, and supported our Executive Directors and Alternate Executive Directors, enabling them to influence key policy issues within the institutions. The Treasury successfully pressed the importance of better use of capital with the Multilateral Development Banks, and supported the G20 in prioritising these actions. The Treasury has had a major role in shaping the policies of the Asian Infrastructure Investment Bank (AIIB). Through Australia's engagement with the AIIB, the Treasury has worked to strengthen China's growing engagement with multilateralism.

Results against purpose: securing the benefits of global economic integration

Performance criterion	Payment to international financial institutions are made with due regard to minimising cost and risk for Australia. Meeting objectives through Australia's membership of the international financial institutions.
Target	Financial transactions are timely and accurate. Measured by Australia meeting its financial and other obligations to these organisations; and through the Treasury's ability to influence policy and our reputation for integrity.
Source	Portfolio Budget Statements 2017-18, Program 1.2, page 39. Corporate Plan 2017-18, page 7.
Results	All payment obligations were met. The Treasury followed established procedures, including in close consultation with the Reserve Bank of Australia, to ensure that costs and risks to Australia were minimised. Key achievements illustrating the Treasury's effectiveness in shaping international relationships included: • Supporting Australia's 2018 Financial Sector Assessment Program assessment by the IMF including arranging over 100 meetings for its June Mission; • Actively participating in Financial Stability Board steering groups to promote the implementation of international financial sector standards; • Facilitating the yearly Article IV consultation with the IMF; • Completing the legislative process for renewal of the New Arrangements to Borrow, ensuring Australia's financial commitments to the Global Financial Safety Net and the IMF's resources are ongoing; • Supporting negotiations towards a capital increase for the World Bank and garnering in-principle support from other countries; • Within the Asian Development Bank (ADB), representing Australia's interests in negotiations towards Strategy 2030, the ADB's high-level strategy for the coming decade; • Undertaking a significant role in shaping the AIIB's strategies on non regional financing and mobilising private capital, as well as its new accountability framework; • Through Australia's co-chairing of the G20 Infrastructure Working Group, influencing the agenda to encourage increased private sector infrastructure investment and enhanced Multilateral Development Banks collaboration; and • Successfully supporting engagement of the Treasurer and the Minister for Finance (attending on behalf of the Treasurer) at the IMF/ World Bank Spring and Annual meetings.

Performance criterion	Supporting G20 initiatives to drive global growth and enhance regional engagement with key trading partners.
Target	Involvement with the G20 Finance Ministers' and Central Bank Governors' meetings and supporting G20 working group meetings.
Source	Portfolio Budget Statements 2017-18, Program 1.1, page 38.
Results	The Treasury maintained active engagement in the G20. Specifically: • Supporting the Treasurer and the Minister for Finance (attending on behalf of the Treasurer) in advancing Australia's economic interests at the four Finance Ministers' and Central Bank Governors' meetings; • Active participation by Treasury officials in a further 12 working group meetings; • Assisting Germany and Argentina with their G20 Presidencies through staff secondments; and • Co-chairing (alongside Brazil) the G20 Infrastructure Working Group to advance work to make infrastructure more readily investible for the private sector. A Treasury official also chairs the related G20/OECD Task Force on Long-term Investment.

Performance criterion	Deepening relationships with key strategic partners in the Asia-Pacific region.
Target	Measured by enhanced mutual understanding between Australia and its regional partners, including strengthening shared influence on collective agendas, during the direct engagements and dialogues we undertake.
Source	Corporate Plan 2017-18, page 7.
Results	The Treasury maintained and strengthened bilateral and multilateral relationships, specifically: • Concluding a Memorandum of Understanding with Vietnam's Ministry of Finance; • Strengthening bilateral relations with neighbouring countries through increased engagement, including two ongoing placements in Indonesia's Ministry of Finance; • Seconding and deploying Treasury officials to PNG Treasury to assist with APEC, and supporting five PNG Treasury officials to participate in the Treasury's Policy Advising Development Program; • Participating in formal dialogues with key countries and institutions including the European Commission, Japan, India, Indonesia, as well as supporting the Treasurer during his visit to China for the Strategic Economic Dialogue; • Participating in a reciprocal secondment with India's Ministry of Finance and the New Zealand Treasury; • Supporting the Secretary's visits to China, India, Japan, New Zealand and Singapore and meetings with senior officials; and • Continuing to advocate the benefits of trade for the global economy and the importance of collaboratively resolving trade tensions at the G20, APEC and other multilateral forums.

Performance criterion	The Treasury's advocacy and liaison on Australia's economic and trade interests.
Target	Interests contribute positively to bilateral, regional and multilateral outcomes that help ensure the prosperity of Australia.
Source	Corporate Plan 2017-18, page 7.
Results	Key achievements illustrating the Treasury's effectiveness in influencing international outcomes included: • Timely and effective advice to Treasury ministers on the economic implications of global trade announcements and developments in the United States, China, Europe (including Brexit) and PNG; • Leading work across government to understand the economic risks associated with developments in trade policy; • Continuing to promote Australia's economic and strategic interests through G20 and APEC meetings; • Supporting Mr Peter Varghese AO's preparation of the report on the India Economic Strategy; and • Ensuring Australia's economic and strategic interests are promoted in multilateral forums such as the IMF/ World Bank Spring and Annual meetings.

Performance criterion	Payments to the Global Infrastructure Hub (the Hub) are made in accordance with the grant agreement.
Target	Payments to the Hub are made according to the grant agreement.
Source	Portfolio Budget Statements 2017-18, Program 1.3, page 40.
Results	Payments to the Hub were made in a timely manner consistent with the grant agreement.

Results against all areas of the purpose and organisational capability

The following performance results related to all three areas of the Treasury's purpose and organisational-wide capability.

Performance criterion	Providing high quality, timely and accurate advice to the Government.
Target	Advice meets the Government's needs in administering its responsibilities and making and implementing decisions. Advice is based on an objective understanding of the issues and with a whole-of-government perspective. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms.
Source	Portfolio Budget Statements 2017-18, Program 1.1, page 37.
Results	The Treasury provided a range of advice and briefing materials to ministers and the Government including ministerial submissions, meeting briefs, Question Time briefings and briefings for Cabinet and Cabinet committees. This advice was prepared in consultation with relevant departments, including the ATO and Department of Finance, to inform a whole-of-government perspective. Advice was provided in areas such as: housing; tax; business investment; labour force participation rate; interest rates; the global productivity slowdown; global tariff announcements and potential economic impacts on Australia; macroprudential regulation and the financial system; and the full range of macroeconomic indicators, the economic outlook, risks to the outlook and other key policy issues. The Treasury has also provided advice on a range of other issues including: crypto-assets; the effect of payroll tax on firm behaviour; the economics of education; developments in Australian inflation expectations; credit misallocation and forbearance in China; global monetary policy normalisation; and risks to Australia of a Chinese financial crisis. The Treasury provided a range of costings and analysis to ministers. Tax Analysis Division completed 437 costings. Senior Treasury officials met regularly with ministers to seek feedback about overall performance. Positive feedback was received from portfolio ministers on the quality and timeliness of advice and analysis. There have also been public comments by stakeholders about the quality of work delivered by the Treasury, specifically in reference to implementing financial sector reforms. The Treasury met very high standards in ensuring the briefing needs of ministers participating in international events were met.

Performance criterion	Strengthening the Treasury's links with the private sector, non-government organisations, academia and other policy focused institutions over the period.
Target	The extent of contact established and maintained by the Canberra, Sydney and Melbourne offices of the Treasury with the private sector, non-government organisations, academia and other policy-focused institutions, including through formal policy consultations. The number of secondments undertaken each year with the private sector, non-government organisations, academia and other policy-focused institutions by the Canberra, Sydney and Melbourne offices of the Treasury.
Source	Portfolio Budget Statements 2017-18, Program 1.1, page 37.

Results

Engagement with stakeholders

The Treasury engaged with a range of external stakeholders through the development of policy and legislation, attendance at conferences, international engagement such as OECD working group meetings, ATO forums and other events, including taking a more proactive approach to briefing stakeholders about the Budget. Following the release of the 2018-19 Budget, the Treasury ran 15 briefing events for over 280 stakeholders across Sydney, Melbourne, Bendigo and Perth. Representatives met with market economists, state governments, the Reserve Bank of Australia, banks, academia and industry representatives, among other stakeholder groups.

During the year, Foreign Investment Division held more than 400 stakeholder meetings, which included engagements with key industry representatives, non-government organisations, academia, domestic and international government bodies. The Treasury and KPMG collaborated to conduct a study on International Trends in Company Tax and Collective Investment Vehicles, which was published in October 2017.

The Treasury continued its strong focus on conducting formal consultation processes and engaging in working groups and consultation forums, including engagement with manufacturing businesses, academia and think tanks on trade opportunities. Consultation also occurred with the international financial institutions, including visits by IMF staff and multiple visits from the World Bank and ASB. Senior Treasury staff participated in visits arranged through the Treasury's overseas posts to meet with foreign governments, central bank officials and private sector economists to discuss the regional and world economies.

Regular stakeholder engagement continued, for example with business, financial market economists, commodity analysts and other government bodies to discuss developments in the economy, markets, the outlook and particular macroeconomic issues including financial market dynamics. Continued engagement with academia was undertaken to improve our forecasting, modelling and analysis capabilities, including using an expert panel and consultants from a range of universities and organising a joint conference with the Australian National University (ANU). The Treasury also hosted a fiscal policy modelling workshop with the University of New South Wales' Centre for Excellence in Population Ageing Research (CEPAR). Treasury staff have given presentations to external conferences on issues including model development, modelling workforce participation rates, and effect of payroll tax on firm behaviour.

The Treasury has offices in Canberra, Sydney, Melbourne and Perth, which strengthens its ability to build links with the private sector, non-government organisations, academia, and other sectors.

Results continued

Secondments

Our secondment program builds organisational capability and positive cultural change by connecting staff and exposing them to new ideas, alternative leadership styles, diverse approaches to policy-making and the challenges and practicalities of implementing policy decisions.

As at 30 June 2018, there were 42 secondments into the Treasury; 31 government and 11 non-government. Twenty-eight employees of the Treasury were seconded out; 22 government, one non-government and five international organisations. These secondments strengthened the Treasury's links with various organisations while providing meaningful and high quality development opportunities for staff.

Examples of secondments undertaken in 2017-18 include a Treasury staff member seconded to the Grattan Institute to share insights into policy areas and bring back different techniques and perspectives to communicate with the public. We also undertook a two-way secondment with Rice-Warner to support our understanding of the superannuation industry. The Treasury also has secondees at the Business Council of Australia, Argentina's Ministry of Treasury, New Zealand Treasury, the Reserve Bank of Australia, BHP Singapore and the Royal Commission.

Performance criterion Publishing reports and other information that stimulate and inform Government and public debate through robust analysis, modelling and research.

Target Number of publications and extent of online readership.

Source Portfolio Budget Statements 2017-18, Program 1.1, page 38.

Results

The Treasury published 31 publications on the Treasury website, and a further five papers on the Treasury Research Institute website. A total of 105 consultations were published to the Treasury website for public response during this same period. Analytics showed 570,408 visitors to the Treasury website and 8,509 visitors to the Treasury Research Institute website.

The Treasury published the 2016-17 FBO, the 2017-18 MYEFO and the 2018-19 Budget. The Budget website included four budget papers, four budget overview publications and 11 factsheets on key budget measures. Analytics showed 602,270 visitors to the Budget website during 2017-18.

The Treasury contributed background papers and submissions to the Royal Commission.

The Treasury provided numerous opportunities for submissions and consultation from stakeholders and the community on a range of topics including the 2018-19 Pre-Budget Submissions, and published papers and reports as part of consultation processes. The Treasury also released regulatory impact statements and explanatory material associated with changes to the retirement income framework, early release of superannuation and the Protecting Your Super package.

Treasury staff published papers on the Treasury Research Institute website on the Tax Expenditures Statement, United States Corporate Tax Reform: Implications for the rest of the world, and the development of a long-term dynamic microsimulation model of Australia's retirement income system. The Treasury also made its microsimulation model of personal tax and transfers publicly available and released a Treasury Research Institute paper on the model.

Other research papers published by the Treasury include:

- analysis of wage growth;
- does payroll tax affect firm behaviour;
- home ownership, mortgage structure and systemic risk; and
- Australian productivity trends and the effect of structural change.

Performance criterion Maintaining and building our organisational capability.

Target Evaluating Treasury's Workforce Plan annually.

Provision of quality and timely corporate services, assessed through ongoing engagement with, and feedback from, the department.

Source Portfolio Budget Statements 2017-18, Program 1.1, page 38.

Results

Workforce Plan

The Treasury's workforce planning focused on four key areas: talent sourcing, development, mobility and inclusion. A review of the performance management system was finalised and a new performance management system was implemented (refer below). The Treasury also developed a draft Innovate Reconciliation Action Plan and endorsed an Indigenous Employment Strategy, consistent with its commitment to increasing the representation of Aboriginal and Torres Strait Islander peoples in the APS. The Treasury continues to formally endorse an annual calendar of events to promote diversity and foster a culture of inclusion across the department. A new learning and development strategy was developed, supported by a three year investment plan, to grow organisational capability for our employees at all levels.

Employee census results indicate the Treasury continues to maintain high employee engagement, consistent with previous years, and higher when compared with policy agencies and the APS as a whole. Based on the Say, Stay, Strive model, the Treasury achieved a 76 per cent engagement score, six percentage points higher than the APS average.

Refer also *Part 3 Management of human resources*.

Corporate Services

In 2017-18, a number of significant achievements and improvements were made. These are noted below, together with an analysis of the impact these have had in maintaining and building our organisational capability.

- The Treasury's Performance Development System (PDS) was implemented following consultation with our staff. The PDS is a modern, streamlined approach to performance management, focusing on the development needs of the employee, underpinned by a culture of regular feedback. Post-implementation reviews have demonstrated that our enhancement goals were met, largely due to the high level of staff engagement throughout the process and the integration of their feedback into the system.
- To inform its new Enterprise Agreement (EA), the Treasury made a significant investment in pre-bargaining sounding to capture staff views on the current agreement, as well as ideas to improve the Treasury's operations and business processes to improve productivity to fund salary increases. The three-month sounding process commenced in early 2018, ensuring Treasury management was well-appraised of staff views prior to the commencement of bargaining. The Treasury was able to secure a streamlined, fit-for-purpose EA in August 2018, with 93 per cent of staff voting to approve it.

- The Treasury reviewed its learning and development strategy in 2017-18. Formal engagement mechanisms were introduced during 2018 to capture feedback on learning and development offerings including an annual all-staff survey, reference groups and evaluation of face-to-face programs through pre-program surveys, post-program surveys and longitudinal evaluation to develop an evaluation summary report at the conclusion of each program.
- The Treasury continued to build organisational capability through the transition to digitally-based workflow processes in support of our ministers and the Cabinet. In particular, with the transition to the CabNet+Viewer and continued use of the Parliamentary Document Management System (PDMS), the Treasury gathered feedback from training sessions and direct user feedback to inform the internal processes within the Treasury as well as shape future iterations of both systems at the whole-of-government level. When particular improvements were sought for upgrades to PDMS, the Treasury conducted an all-staff survey to gather feedback to inform the service provider of how users understand and wish to use the system in the future.
- The Treasury continued to strengthen and improve the efficiency of its security arrangements. An external audit assessed the Treasury as the only one of three agencies to meet the mandatory cyber security compliance requirements, achieving a cyber resilient rating. The Treasury also attained 100 per cent compliance with the Protective Security Policy Framework. Efficiencies have been achieved through the conduct of a security clearance audit resulting in the removal of 1,600 unsupported clearances and the return of the associated budgetary savings, as well as the rationalisation of security equipment to match the need for access to these devices. Enhancements to the security intranet, supported through awareness training delivered to over 90 per cent of Treasury staff, has contributed to a 40 per cent reduction in security breaches through improved awareness and risk management.

Results continued	• Information and communications technology (ICT) improvements were facilitated by formal and informal feedback and engagement, including formal engagement on the ICT strategies and investment. These contributed to a number of measurable improvements in ICT services including: – improved virtual desktop performance resulting in a reduction in IT service desk requests each month (approximately 125 less each month); – a pilot of an encrypted telephony system to support the need for Treasury officials to communicate securely via phone, mobile and video conference; and – increased video conferencing usage (by approximately 10 per cent) facilitated by improved network bandwidth and upgrades to video conferencing systems. • The Treasury implemented improvements to its financial and property frameworks, systems and processes. Feedback from staff formed the basis of the improvements to streamline services and improve user experience. The improvements included the automation of procurement and compliance processes, streamlined financial processes and accounting records, improved transparency of internal budgets, structured property processes to support decision making, and improved quality of financial reporting. The improvements supported the needs of staff, generated positive feedback and fostered a culture of financial accountability across the Treasury.

CASE STUDY

Combatting the Black Economy

In December 2016, the Government established the Black Economy Taskforce (the Taskforce), chaired by Michael Andrew AO, to recommend a whole-of-government strategy to reduce the impact of the black economy on businesses, individuals and the economy. The black economy refers to people who operate entirely outside the tax and regulatory system or who are known to the authorities but do not correctly report their tax obligations.

The Treasury provided the secretariat for the Taskforce. There was an extensive consultation process involving public hearings, round-table discussions and 149 submissions. An interim report was released as part of the 2017-18 Budget, followed by a consultation paper in August 2017. The final report was provided to the Government in October 2017 and was released with the 2018-19 Budget.

The Taskforce's work highlighted the complexity of the problem and showed that a concerted effort was needed to halt or reverse growth in the black economy. The final report found that the black economy is harming those less able to protect themselves and those doing the right thing, undermining trust and creating an uneven playing field. The Government announced its response to the Taskforce's recommendations in May 2018 with a multi-pronged approach to target the black economy in its many forms.

The Treasury established a designated team to progress the Government's response. The Treasury is working across portfolios to implement challenging reforms through a whole-of-government approach to directly combat the black economy. This ensures a whole-of-government coordinated response to the report.

This team will coordinate the response across government though:

- implementation of the policy recommendations, including consultation on recommendations such as the introduction of a $10,000 cash limit and changes to the Government's procurement rules so that businesses with an unsatisfactory tax record are unable to tender for certain contracts;
- tracking implementation of cross portfolio projects;
- providing black economy perspectives into existing processes and reviews; and
- updating Treasury ministers on progress.

Implementing the Government's response is an example of how the Treasury's policy capabilities can be used in a challenging policy environment. We are analysing the drivers of, and trends in, black economy activity and targeting those recommendations, which will have an immediate positive effect on achieving the Government's broader goal of changing community attitudes to participation in the black economy as it is now and in the future.

Purchasing Snowy Hydro Limited

The Treasury led the negotiations to purchase 100 per cent of the shares in Snowy Hydro Limited from the New South Wales and Victorian Governments. This required the Treasury to work closely with other Australian Government agencies in undertaking the due diligence and negotiations.

The Treasurer announced at the 2017-18 Budget that the Australian Government was open to purchasing 100 per cent of the shares of Snowy Hydro Limited.

Snowy Hydro Limited is a critical player within the National Electricity Market. The company owns and operates 5,500 megawatts of generation capacity including the Snowy Mountains Scheme.

Snowy Hydro has over 1,700 employees across three states. Snowy 2.0 is a proposed expansion of the Snowy Mountains Scheme which would provide an additional generation capacity of 2,000 megawatts — enough to power around 500,000 homes.

The Treasury Secretary led negotiations with the New South Wales and Victorian Governments. The transaction required a range of legal, financial and governance risks to be considered.

The Treasury worked with the Department of Finance, the Department of Environment and Energy, the Department of the Prime Minister and Cabinet and the Department of Agriculture and Water in a whole-of-government team to undertake due diligence, the negotiation and complete the transaction. The negotiation process and the work of the whole-of-government team ensured that risks were identified, appropriately allocated and managed.

By forming a ‘virtual team’ across the public service, the Treasury drew on the best expertise in the APS, which enabled advice to be provided quickly on a range of issues and strengthened existing relationships. This model of working across the public service and drawing on key skills is being increasingly adopted for projects undertaken by the Treasury.

The outcome saw the Australian Government successfully acquire 100 per cent of the shares at the end of the financial year. This transaction will enable productivity enhancing investments to be made, while supporting fiscal sustainability and help enable Snowy 2.0 to progress. The New South Wales and Victorian Governments have put the proceeds of the sale towards a range of productive infrastructure projects in their jurisdictions.

Part 03
Management and accountability

Corporate governance

The Treasury's corporate governance framework is designed to:

- maintain effective oversight of the planned activities set out in the *Treasury Corporate Plan 2017-18* and 2017-18 Portfolio Budget Statements;
- be fit-for-purpose and responsive to emerging priorities and risks; and
- ensure the Treasury's administrative and financial management arrangements comply with statutory and policy including the PGPA Act.

Governance committees

Executive Committee

The Executive Committee is the Treasury's senior leadership group and decision-making body. The Executive Committee sets the Treasury's strategic policy direction and is the custodian of the Treasury's reputation. It also supports the Secretary to fulfil his obligations as the Accountable Authority under the PGPA Act. As at 30 June 2018, the Executive Committee comprised the Secretary and Deputy Secretaries.

See *Part 1 Departmental Overview* for the Treasury's senior leadership group.

Audit Committee

The Audit Committee reviews the appropriateness of, and provides independent advice to the Secretary on, the department's performance reporting, financial reporting, risk management and control frameworks. It is established in accordance with section 45 of the PGPA Act and section 17 of the PGPA Rule.

The Audit Committee comprises five members — an independent chair, an internal deputy chair, two independent members and an additional internal member. The Committee met five times in 2017-18. It received regular briefings from the Treasury's management on changes to the business and risk profiles, and operational and assurance information from business group leads and auditors. The information assisted the Audit Committee to form a view on the Treasury's compliance with its obligations, together with the ongoing effectiveness of the risk and control frameworks.

A Financial Statements Sub-Committee supports the Audit Committee by providing assurance in regard to the preparation of the Treasury's financial statements.

Health and Safety Committee

The Health and Safety Committee (HSC) assists the Secretary in carrying out his statutory obligations in accordance with the *Work Health and Safety Act 2011*. The HSC facilitates cooperation between the Treasury management and employees to develop and review health and safety policies, procedures and initiatives, and manage health and safety risks in the workplace.

Workplace Relations Committee

The Workplace Relations Committee (WRC) is the Treasury's primary staff consultation body, convened in accordance with the *Treasury Enterprise Agreement 2015-18*. The WRC undertakes consultation with Treasury staff on issues affecting their working environment and employment conditions.

Inclusive Workplace Committee

The Inclusive Workplace Committee retains strategic oversight of the Treasury's inclusion and diversity initiatives including Progressing Women; LGBTI+; Family and Domestic Violence; Culturally and Linguistically Diverse; Disability; and Equality and Diversity Networks.

Risk management

Risk management is fundamental to good governance and integrity, and accordingly the Treasury adopts a 'risk matters' culture where risk (threat and opportunity) is viewed as the responsibility of all staff in the pursuit of our purpose and maintenance of our reputation.

The Chief Risk Officer (CRO), as part of the Treasury's leadership team, fosters a strong risk culture where staff are supported to engage in appropriate risk dialogue. Forums to discuss risks include the Risk Working Group (chaired by the CRO), risk speaker leadership sessions, Group Executive Meetings, and a number of other internal discussion groups. The central risk function guides staff on the documentation and evaluation of risk assessments, and seeks to confirm the existence and operation of treatments and controls, with the assistance of internal audit.

The Treasury's Risk Management Policy and Framework provides for the capture of significant enterprise-wide and operational risks, with key reflection points provided semi-annually where staff can update the Treasury's risk profile. Enabling or specialised functions also maintain sub-risk registers to assist them in managing their areas of accountability. Staff understand that risks are to be managed in line with the Treasury's risk appetite statement and policies.

The Treasury's framework is consistent with the Commonwealth Risk Management Policy. In 2017-18, the Treasury released a new risk toolkit and undertook an exercise sponsored by Comcover to enhance the capability of its senior executive to support positive risk management practices and behaviours across the department. For the 2017 calendar year, the Treasury's maturity rating increased to Integrated in the Comcover Benchmarking Survey, and further enhancements are being progressed in 2018 to further improve our maturity in line with our aspirations.

Fraud prevention and control

The Treasury's approach to fraud risk management complies with the PGPA Act and Rule and the Commonwealth Fraud Control Framework.

The Treasury has a zero risk appetite for fraud, and has taken comprehensive steps to prevent the occurrence of fraud. These include the development and implementation of the *Fraud Corruption and Control Plan 2018-2020*, and associated processes and systems for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud. In 2017-18, the Treasury focussed on educating staff about potential fraud risks, as well as the processes to identify and manage fraud. Fraud awareness is included in onboarding, mandatory security awareness training, financial framework training and a self-paced eLearning course.

The Treasury reports fraud information data annually to the responsible minister and the Australian Institute of Criminology. In 2017-18 the Treasury did not identify any instances of actual or suspected fraud.

Internal audit arrangements

Internal audit provides independent advice and assurance to the Secretary (through the Audit Committee) on the effectiveness of the Treasury's governance framework, compliance obligations, and financial and operational controls. Internal audit services were provided by Ernst and Young until May 2018. The Treasury commenced a procurement process to appoint a new internal audit provider.

Internal audit prepares and delivers an annual Internal Audit Plan. The plan is developed in consultation with the Executive Committee and other key departmental stakeholders, so that it reflects our risk profile and assurance concerns. The Audit Committee reviews and endorses the plan, for approval by the Secretary.

Delivery of the plan is viewed as an important mechanism to assist management in their oversight of inherent and emerging risks, and to support continuous business improvement. In 2017-18, internal audit delivered performance, compliance and systems audits with a focus on credit cards, foreign investment functions, model integrity and management, the shared services operating framework, virtual desktop infrastructure, and fraud control and corruption.

Ethical standards

The Treasury has policies and procedures in place to ensure appropriate ethical standards, including the APS Code of Conduct and Values, are upheld in accordance with the *Public Service Act 1999*.

The Treasury provided input into the annual APS State of the Service Report in accordance with section 44 of the *Public Service Act 1999*.

SES remuneration

SES remuneration is determined under section 24(1) of the *Public Service Act 1999*. Further information is provided at *Part 3 — Management of human resources* section on page 53.

Significant non-compliance issues with relevant finance laws

There were no significant instances of non-compliance with the finance law reported to the responsible minister in 2017-18.

External scrutiny

External audit

The Australian National Audit Office (ANAO) performed the role of external auditor to the Treasury by conducting financial statements and performance audits. In 2017-18, the ANAO tabled four performance audits involving the Treasury:

Audit Report No. 36 — Corporate Planning in the Australian Public Sector 2017-18 (published 23 April 2018)

Audit Report No. 42 — Effectiveness of Monitoring and Payment Arrangements under National Partnership Agreements (published 24 May 2018)

Audit Report No. 48 — Compliance with Foreign Investment Obligations for Residential Real Estate (published 19 June 2018)

Audit Report No. 53 — Cyber Resilience (published 28 June 2018)

The Auditor-General's reports, including the department's responses, are available on the ANAO website.

ANAO performance audit reports relevant to the Treasury in 2017-18 were:

- Audit Report No. 5 — Protecting Australia's Missions and Staff Overseas: Follow-on (published 8 August 2017)
- Audit Report No. 6 — The Management of Risk by Public Sector Entities (published 15 August 2018)
- Audit Report No. 8 — Administration of the Freedom of Information Act 1982 (published 19 September 2018)
- Audit Report No. 15 — Costs and Benefits of the Reinventing the ATO Program (published 22 November 2017)
- Audit Report No. 21 — The Australian Taxation Office's Use of Settlements (published 13 December 2017)
- Audit Report No. 29 — Unscheduled Taxation System Outages (published 20 February 2018)
- Audit Report No. 33 — Implementation of the Annual Performance Statements Requirements 2016-17
(published 28 March 2018)
- Audit Report No. 38 — Mitigating Insider Threats through Personnel Security (published 11 May 2018)
- Audit Report No. 41 - Efficiency through Contestability Programme (published 21 May 2018)

Management of human resources

Overview

The People and Organisational Strategy Division, part of the Corporate Services and Business Strategy Group, has primary responsibility for the Treasury's people framework. Through a suite of strategies and cultural initiatives that drive capability and performance, the division supports the Treasury to continue to deliver compelling and influential policy advice and services.

Key outcomes

Key outcomes have been achieved in the focus areas of:

- organisational performance;
- inclusion and diversity; and
- employee relations.

Key outcomes include:

- staff sounding and commencement of enterprise bargaining negotiations;
- redesign and streamlining of secondment and expression of interest processes;
- implementation of the Treasury's Performance Development System;
- development of a Treasury Learning and Development Strategy and three year investment plan;
- launch of an enhanced Family and Domestic Violence employee support package;
- design and endorsement of the Treasury's Indigenous Employment Strategy; and
- engagement of Koomarri, an Australian Disability Enterprise, for the provision of office support services.

Workforce strategies

In 2017-18, workforce strategies focused on four key areas: talent sourcing, development, mobility and inclusivity. A review of the performance management system was finalised and a new performance management system, the Treasury's Performance Development System, was launched and embedded. The Treasury also developed a draft Innovate Reconciliation Action Plan and endorsed an Indigenous Employment Strategy, consistent with its demonstrated commitment to increasing the representation of Aboriginal and Torres Strait Islanders in the Australian Public Service.

Performance management

The Treasury is committed to the ongoing development of its employees, and a high performance work culture. In 2017-18, the Treasury implemented a new Performance Development System. The objectives of the system include:

- continuously improving organisational performance to enable the department to achieve its strategic outcomes and priorities;

- providing a framework to improve individual and organisational performance, as well as supporting development and career planning;
- providing an approach to ensure regular real-time and meaningful feedback and recognise and reward sustained high performance;
- providing mechanisms for managing declines in performance and underperformance.

APS 1-6 staff continue to be formally assessed biannually with Executive Level (EL) and Senior Executive (SES) staff having one formal appraisal each year under the Performance Development System. The APS Integrated Leadership System provides the behavioural framework for assessing performance.

Workplace relations

Remuneration and employment conditions for Treasury's APS and EL officers are determined under the *Treasury Enterprise Agreement 2015-2018*. The enterprise agreement operates in conjunction with Commonwealth legislation and the Treasury's policies and guidelines to define the terms and conditions of employment for staff. The agreement nominally expired on 31 July 2018. The Treasury commenced bargaining for a new enterprise agreement in late May 2018. This followed a comprehensive three month sounding process that commenced in early 2018 to seek staff feedback on the current agreement and ideas on improvements to the Treasury's operations and business processes. Throughout bargaining, the Treasury met regularly with nominated bargaining representatives and frequently communicated developments with staff.

The department occasionally uses individual flexibility arrangements to secure specific expertise or specialist skills critical to business needs.

Strategic talent sourcing

The Treasury offers recruitment opportunities that aim to attract candidates from both within and outside the Australian Public Service from many professions representing diversity in experience and skills. The Treasury seeks passionate staff who will work collaboratively to deliver ideas and advice that will help Australia meet the challenges of the coming years. The Treasury attracts and develops talent through a range of recruitment activities including expressions of interest and secondment opportunities.

Recruitment

In 2017-18, talent sourcing activities included policy-specific and specialist recruitment, along with large scale recruitment processes, including the graduate recruitment campaign. Staff mobility was encouraged through a formal departmental transfer round, with 43 expressions of interest received. This complemented formal expression of interest processes conducted throughout the year for internal opportunities.

The Treasury also advertised vacancies and employed candidates via the RecruitAbility scheme and under the Affirmative Measures — Indigenous scheme.

Graduate Program

The Treasury Graduate Program remains a key recruitment initiative with 43 graduates commencing in February 2018. The program employed graduates from a range of disciplines including economics, law, arts, commerce and science.

In March 2018, recruitment commenced for the 2019 Graduate Program. Eight hundred and seventy-five applications were received. Meet and Greet events were hosted by the Treasury and these showcased the responsibilities and the work of the Treasury to prospective graduates.

State offices

The Treasury continued to attract and locate candidates in its Melbourne and Sydney office and established a small presence in Perth to develop relationships with a range of industries. This presence has allowed the Treasury to attract leading expertise from the public and private sector across a range of locations.

Secondment program

The Treasury's secondment program enables the exchange of staff between the Treasury and other Australian and international organisations. The program builds organisational leadership and positive cultural change by connecting staff and exposing them to new ideas, alternative leadership styles, diverse approaches to policy-making and the challenges and practicalities of implementing policy decisions.

As at 30 June 2018, there were 42 secondments into the Treasury; 31 government and 11 non-government. Twenty-eight employees of the Treasury were seconded out of the Treasury; 22 government, one non-government and five international organisations.

Learning and development

The Treasury supports ongoing professional development that builds the required skills, knowledge and capabilities of staff to support the delivery of business priorities. The People and Organisational Strategy Division takes a collaborative approach by working with the business to deliver quality learning outcomes.

In 2017-18, the Treasury offered a number of formal development opportunities through which:

- 38 APS and EL staff participated in the Policy Advising Program;
- over 700 staff members across all levels attended extensive training on the new Performance Development System. One EL staff member participated in the Graduate Certificate in Public Policy and Finance course run by the University of Canberra;
- 68 staff were supported with studies assistance to undertake university qualifications and vocational training;
- one EL staff member participated in the Asia Link Leaders Program;
- four APS and EL staff members participated in the Institute of Public Administration Australia (IPAA) Future Leaders Program;
- five staff members are currently undertaking PhD study at the Australian National University through the Sir Roland Wilson Scholarship Program;
- seven staff studied at the postgraduate level with the support of a postgraduate study award; and
- over 150 new starters attended the Treasury onboarding activities.

Staffing information

At 30 June 2018, there were 912 staff employed at the Treasury compared with 869 at 30 June 2017. The average staffing level (ASL) across the 2016-17 year was 842.

Of the Treasury's operative staff at 30 June 2018, 92.8 per cent were employed on an ongoing basis. The proportion of staff working part-time was 14.4 per cent at 30 June 2017, down slightly from a year prior.

Women made up 52.3 per cent of the Treasury's workforce at 30 June 2018, a decrease of 0.2 per cent a year ago. Women also made up 38.3 per cent of the Treasury's SES, an increase of 5.7 per cent since 30 June 2017.

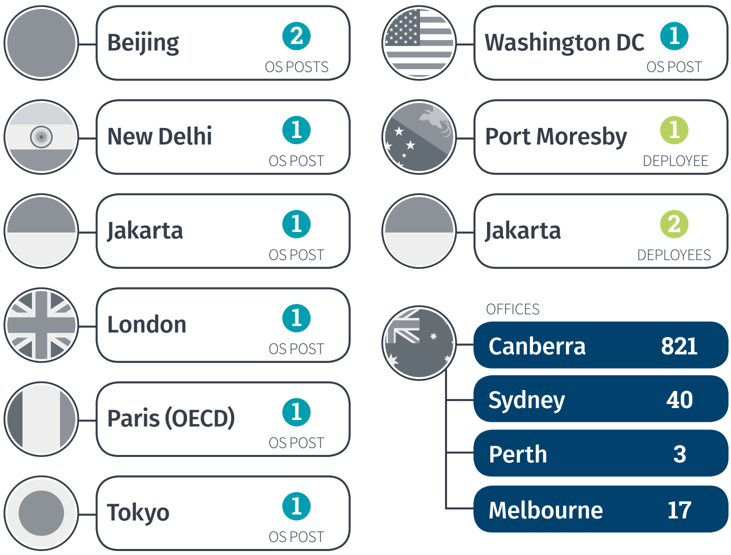
Table 1: Staff by actual classification and gender as at 30 June 2018 (operative headcount)

	Men	**Women**	**Total**
APS3	29	25	54
APS4	23	35	58
APS5	33	44	77
APS6	93	138	231
EL1	118	97	215
EL2	77	85	162
SES Band 1	34	20	54
SES Band 2	15	7	22
SES Band 3	5	2	7
Secretary	1	0	1
Total	428	453	881

Note: data excludes inoperative staff.

While the majority of staff are based in Canberra, some staff are located in the Treasury's interstate offices in Sydney, Melbourne, and Perth, as well as overseas.

Figure 4: Location of the Treasury's operative staff



Remuneration — SES

SES remuneration and employment conditions are determined under section 24(1) of the *Public Service Act 1999*. These are supported by a remuneration model that determines pay levels within each SES level based on performance. The Treasury does not offer performance pay. An SES remuneration package is in recognition of all hours worked, including any reasonable additional hours.

SES employees are not entitled to overtime payments, penalty rates or time off in lieu. The Treasury has historically increased SES remuneration in line with APS and EL staff as determined by the Treasury Enterprise Agreement. SES officers received a 1.5 per cent salary increase in July 2017.

Table 2: Remuneration — SES employees

Classification	Minimum	Maximum
SESB1	$201,382	$234,051
SESB2	$246,821	$288,890
SESB3	$319,863	$374,608

Remuneration — Non-SES

APS and EL officers received a 1.5 per cent salary increase on 1 July 2017. Table 3 contains the salary ranges applying to non-SES employees as at 30 June 2018.

Table 3: Remuneration — non-SES employees

Classification	Minimum	Maximum
APS1	$45,791	$49,725
APS2	$52,780	$56,275
APS3	$59,768	$63,259
APS4	$66,756	$70,248
APS5	$75,054	$79,860
APS6	$84,664	$102,571
EL1	$110,435	$126,681
EL2	$134,892	$154,811

Workplace diversity

The Treasury is committed to growing and maintaining a safe, inclusive and welcoming work environment for all staff, irrespective of gender, ethnicity, linguistic background, age, sexuality, and/or disability.

The Treasury continues to drive action to improve the overall diversity of our workforce across all diversity streams and create a truly inclusive workplace culture, where both inherent and acquired diversity are valued.

Actions to promote and support diversity and inclusion in 2017-18 included the continued operation of an endorsed Diversity Calendar (which establishes key events throughout the year that the Treasury will officially celebrate) and the continued support of SES diversity champions who promote awareness of diversity groups and foster inclusive workplace practices. Importantly, the Treasury continues to progress the development of its Inclusion and Diversity Strategy 2018-2020, which was the subject of consultation in late 2017 and acts as an overarching high level strategy document that is underpinned by four key action plans: Gender Equity Action Plan; Reconciliation Action Plan (RAP); Multicultural Access Plan; and Disability Action Plan.

The Treasury supports the APS Gender Equality Strategy and has published its Gender Equity Action Plan on the internet. The Treasury also supports other APS agencies in their work towards achieving inclusive workplaces.

The Treasury continues to attract, support and retain Aboriginal and Torres Strait Islander staff, with a renewed focus on improving representation across all roles. In 2017-18, the Treasury launched its draft Innovate Reconciliation Action Plan 2018-2020. It is anticipated that this draft RAP will be formally endorsed by Reconciliation Australia in 2018-19. Initiatives in this space also include piloting cultural awareness training, and enhanced education and cultural experiences through celebrating Reconciliation Week and NAIDOC Week.

The Treasury has also developed a comprehensive Indigenous Employment Strategy, which will spearhead the development of mutually-beneficial relationships with Indigenous communities, organisations and tertiary institutions. Further, the Treasury continues to be an active participant in the Indigenous Australian Government Development Program and the Australian Government Indigenous Graduate Recruitment Program. In 2017-18, the Treasury commenced the application of Affirmative Measures for all recruitment activities.

The Treasury supports multicultural access and equity and provides advice that is culturally sensitive. In 2017-18, the Treasury launched a staff-led Cultural and Linguistically Diverse (CALD) Network, which has overseen a number of CALD-related events and activities. The network has contributed to greater awareness of staff that identify as from a CALD background and provides a safe place for staff to go for support and guidance.

The Treasury supports an inclusive and safe workplace for LGBTI+ staff. In 2017-18, the Treasury launched a staff-led Pride@Treasury Network, which has initiated a number of events and activities to provide support to LGBTI+ staff, and raise awareness within the wider department. The Treasury is compliant with the Australian Government Guidelines on the Recognition of Sex and Gender.

In 2018, the Treasury increased its support of an inclusive and safe workplace for people with disability by engaging Koomarri, an Australian Disability Enterprise, for the provision of office support services. In conjunction with this initiative, the Treasury offered Disability Confidence training to all staff. The Treasury continues to offer staff with disability ongoing support and tailored reasonable adjustments (eg, adaptive technologies). In continuation of the department's objective to attract, support and retain staff with disability, the Treasury continues to support and apply the RecruitAbility scheme to its recruitment activities.

To support staff impacted by family and domestic violence, the Treasury launched an enhanced staff support package in 2018, including: comprehensive policy and guidelines; access to five days unpaid family and domestic violence leave; and access to short term emergency accommodation for staff (and dependents under the age of 18) who are victims of family and domestic violence where other accommodation options are not available. Specialist training has been provided to human resources practitioners, and general awareness training has been rolled out to staff along with a range of resources and guidance material being made available to all staff.

Assets management

Management of the Treasury's assets is governed by the Accountable Authority's Instructions on asset management and aligns with government best practice. The Treasury's asset management framework includes an asset register, an asset management plan and a capital management plan. The asset register records details of all assets held by the Treasury. An annual stocktake of assets keeps the register accurate and up-to-date. The department's fixed assets include office fit-out, purchased and internally developed software, computer equipment, infrastructure and library materials.

Purchasing

The Treasury's procurement activities were undertaken in accordance with the PGPA Act, Commonwealth Procurement Rules, and the Government's Indigenous Procurement Policy. The Treasury applies these requirements through its internal financial and procurement policies.

Information on all Treasury contracts awarded with a value of $10,000 (inclusive of GST) or more is available on AusTender at: **www.tenders.gov.au**.

No contracts of $100,000 or greater (inclusive of GST) were let during 2017-18 that did not provide for the Auditor-General to have access to the contractor's premises.

The Treasury supports small business participation in the Commonwealth Government procurement market. Participation statistics are available on the Department of Finance website at: **www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts**.

The Treasury's procurement practices support small and medium enterprises participating in procurement opportunities. This includes the mandatory use of the Commonwealth Contracting Suite for low risk procurements up to $200,000 (inclusive of GST).

The Treasury recognises the importance of paying small businesses on time. The results of the survey of Australian Government Payments to Small Businesses are available on the Department of Jobs and Small Business website at: **https://docs.jobs.gov.au/documents/australian-government-pay-time-survey-performance-report-2017.**

The Treasury fully supports the Indigenous Procurement Policy and has met its purchasing target set down by the Government to ensure indigenous employment and business opportunities continue to grow.

Consultants

The Treasury engages consultants where specialist skills are required when not available in-house. Consultancies normally relate to individuals, partnerships or corporations that provide professional, independent and expert advice and services.

The decision to engage a consultant is made in accordance with the PGPA Act, Commonwealth Procurement Rules and the Treasury's internal policies.

In 2017-18, the Treasury entered into 28 new consultancy contracts involving total actual expenditure of $1,119,507 (inclusive of GST). In addition, one consultancy contract was active during the period, involving total actual expenditure of $69,440 (inclusive of GST).

This annual report contains information about actual expenditure on contracts for consultancies. Information on the value of individual contracts and consultancies is available on the AusTender website at www.tenders.gov.au.

Part 04
FINANCIAL STATEMENTS

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Opinion

In my opinion, the financial statements of the Department of the Treasury (the Treasury) for the year ended 30 June 2018:

(a) comply with Australian Accounting Standards – Reduced Disclosure Requirements 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 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Department of the Treasury, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Accountable Authority and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising an Overview, Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Department of the Treasury in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter	How the audit addressed the matter
Accuracy and Occurrence of Grants Expense *Refer to Note 4.1A: Grants and Note 5.2A: Grants* The Treasury administers grant payments to states and territories under the *Federal Financial Relations Act 2009* (the Act). Accuracy and occurrence of Grants Expense is a key audit matter for me due to: • the significant value of the grants paid by the Treasury and the complex eligibility criteria for a number of the grants set out in National Partnership agreements. • the Treasury's reliance on other Australian Government entities, state and territory governments to provide information to support payments and confirm the eligibility criteria have been met. For the year ended 30 June 2018, the value of grants paid by the Department of the Treasury under the Act was $99.1 billion.	To address the key audit matter I: • tested, on a sample basis, the processes within other Australian Government entities to support the advice provided to the Treasury, with respect to eligibility and accuracy, for the payment of each grant against the National Partnership agreements; • tested, on a sample basis, the payment certification process, including entity authorisations and the Treasury's validation of systems data; • tested, on a sample basis, the accuracy of payments processed by the Treasury, including an assessment of the Treasurer's determination process; and • assessed, on a sample basis, compliance with the Act, including compliance with conditions contained within National Partnership agreements.

Key audit matter	How the audit addressed the matter
Valuation of the Natural Disaster Relief and Recovery Arrangement (NDRRA) Provision *Refer to Note 5.4A: Other Provisions* The Treasury manages payments to state and territory governments under the NDRRA. Valuation of the NDRRA provision is a key audit matter due to the complexities in the judgements involved in estimating the provision. Treasury relies upon information provided by State and Territory Governments to estimate the future value and timing of payments under NDRRA. Also, due to the nature of disasters, there is uncertainty at the time of the disaster, of the estimated costs to restore State and Territory	To address this key audit matter I: • examined the results of the Commonwealth's assessment of the eligibility of costs estimated under the NDRRA Determination. On a sample basis, I confirmed that the Commonwealth's assessment of the estimate has been calculated in accordance with the NDRRA determination; • assessed the explanations provided by the State and Territory Governments supporting the movement in quarterly estimates data to assess whether Treasury's reliance upon them in estimating future cash flows was

infrastructure to their original condition. Treasury applies judgement as to whether the cost estimates are sufficiently reliable to be included in the provision at the time of preparation of the financial statements. For the year ended 30 June 2018, the provision for the payment of costs associated with the NDRRA was valued at $898.8 million.	reasonable; • assessed the adequacy of the Commonwealth's quality assurance processes over project level data from the State and Territory Governments supporting the provision estimate; • assessed whether the provision calculation for NDRRA was in line with the estimates provided by the State and Territory Governments; and • assessed the adequacy of the reliability assessments performed by the Commonwealth.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Department of the Treasury the Secretary 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 – Reduced Disclosure Requirements and the rules made under that Act. The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Department of the Treasury's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Secretary is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office

Bola Oyetunji

Senior Executive Director

Delegate of the Auditor-General

Canberra

7 September 2018

The Treasury

Statement by the Departmental Secretary and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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.

Philip Gaetjens
Secretary to the Treasury
7 September 2018

Robert Twomey
Chief Financial Officer
7 September 2018

Statement of Comprehensive Income

for the period ended 30 June 2018

	Notes	2018 $'000	2017 $'000
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	**130,035**	123,782
Suppliers	1.1B	**64,358**	55,429
Grants	1.1C	**1,592**	1,245
Depreciation and amortisation	2.2A	**8,878**	10,360
Write-down and impairment of assets	2.2A	**2,177**	532
Finance costs	2.4	**84**	11
Total expenses		**207,124**	191,359
Own-Source Income			
Own-source revenue			
Rendering of services	1.2A	**8,857**	9,419
Other revenue	1.2B	**1,020**	1,073
Total own-source revenue		**9,877**	10,492
Gains			
Gains from sale of assets	1.2C	**-**	43
Other gains	1.2D	**3,688**	3,272
Total gains		**3,688**	3,315
Total own-source income		**13,565**	13,807
Net (cost of)/contribution by services		**(193,559)**	(177,552)
Revenue from Government	1.2E	**187,844**	170,496
Surplus/(Deficit)		**(5,715)**	(7,056)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves		**262**	228
Total other comprehensive income		**262**	228
Total comprehensive income / (loss)		**(5,453)**	(6,828)

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

Statement of Financial Position

as at 30 June 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	2.1A	**640**	1,250
Trade and other receivables	2.1B	**64,881**	56,519
Total financial assets		**65,521**	57,769
Non-financial assets			
Land and buildings	2.2A	**16,675**	16,159
Plant and equipment	2.2A	**11,242**	7,851
Intangibles	2.2A	**7,628**	9,804
Prepayments	2.2B	**4,644**	5,631
Total non-financial assets		**40,189**	39,445
Total assets		**105,710**	97,214
LIABILITIES			
Payables			
Suppliers	2.3A	**11,326**	10,127
Other payables	2.3B	**3,563**	2,483
Total payables		**14,889**	12,610
Provisions			
Employee provisions	3.1A	**46,374**	46,705
Provision for restoration	2.4	**3,508**	3,440
Total provisions		**49,882**	50,145
Total liabilities		**64,771**	62,755
Net assets		**40,939**	34,459
EQUITY			
Asset revaluation reserve		**12,676**	12,414
Contributed equity		**77,142**	64,136
Retained surplus/(deficit)		**(48,879)**	(42,091)
Total equity		**40,939**	34,459

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

Statement of Changes in Equity

for the period ended 30 June 2018

	2018 $'000	2017 $'000
CONTRIBUTED EQUITY		
Opening balance	**64,136**	58,538
Transactions with owners		
Distribution to owners		
Restructuring[1]	**10**	-
Contributions by owners		
Equity injection appropriation	**4,750**	300
Departmental capital budget appropriation	**8,246**	5,298
Total transactions with owners	**13,006**	5,598
Closing balance as at 30 June	**77,142**	64,136
RETAINED EARNINGS		
Opening balance	**(42,091)**	(35,070)
Adjustment to opening balance	**-**	35
Comprehensive income		
Surplus/(Deficit) for the period	**(5,715)**	(7,056)
Total comprehensive income	**(5,715)**	(7,056)
Distribution to owners		
Repeal of Annual Appropriation[2]	**(1,073)**	-
Total transactions with owners	**(1,073)**	-
Closing balance as at 30 June	**(48,879)**	(42,091)
ASSET REVALUATION RESERVE		
Opening balance	**12,414**	12,186
Comprehensive income		
Other comprehensive income	**320**	378
Changes in provision for restoration	**(58)**	(150)
Total comprehensive income	**262**	228
Closing balance as at 30 June	**12,676**	12,414
TOTAL EQUITY		
Opening balance	**34,459**	35,654
Adjustment to opening balance	**-**	35
Comprehensive income		
Other comprehensive income	**262**	228
Surplus/(Deficit) for the period	**(5,715)**	(7,056)
Total comprehensive income	**(5,453)**	(6,828)
Transactions with owners		
Restructuring[1]	**10**	-
Repeal of Annual Appropriation[2]	**(1,073)**	-
Contributions by owners		
Equity injection appropriation	**4,750**	300
Departmental capital budget appropriation	**8,246**	5,298
Total transactions with owners	**11,933**	5,598
Closing balance as at 30 June	**40,939**	34,459

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

1. Refer to Note 8.1 Restructuring.
2. 2012-13 quarantined balances were repealed upon the Royal Assent of the *Appropriation Act (No.4) 2017-18*.

Accounting Policy

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 Financial Reporting Rule (FRR) requires that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

Cash Flow Statement

for the period ended 30 June 2018

	2018 $'000	2017 $'000
OPERATING ACTIVITIES		
Cash received		
Appropriations	**205,741**	183,993
Sale of goods and rendering of services	**8,366**	6,304
GST received from ATO	**5,149**	4,791
Other	**1,152**	518
Total cash received	**220,408**	195,606
Cash used		
Employees	**130,379**	123,496
Suppliers	**57,310**	44,544
Grants	**1,592**	1,245
Section 74 receipts transferred to OPA	**21,306**	17,769
GST paid to ATO	**6,161**	4,920
Total cash used	**216,748**	191,974
Net cash from/(used by) operating activities	**3,660**	3,632
INVESTING ACTIVITIES		
Cash received		
Proceeds from sales of plant and equipment	**-**	50
Total cash received	**-**	50
Cash used		
Purchase of land and buildings	**3,037**	2,818
Purchase of plant and equipment	**6,377**	2,748
Purchase of intangibles	**3,111**	5,240
Total cash used	**12,525**	10,806
Net cash from/(used by) investing activities	**(12,525)**	(10,756)
FINANCING ACTIVITIES		
Cash received		
Contributed equity - departmental capital budget	**8,246**	5,298
Contributed equity - equity injections	**9**	300
Total cash received	**8,255**	5,598
Net cash from/(used by) financing activities	**8,255**	5,598
Net increase/(decrease) in cash held	**(610)**	(1,526)
Cash at the beginning of the reporting period	**1,250**	2,776
Cash at the end of the reporting period	**640**	1,250

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

Administered Schedule of Comprehensive Income

for the period ended 30 June 2018

	Notes	2018 $'000	2017 $'000
NET COST OF SERVICES			
Expenses			
Grants	4.1A	**99,113,632**	94,258,724
Interest		**42,544**	15,252
Medicare Guarantee Fund	4.1B	**34,774,894**	-
Foreign exchange losses	4.1C	**-**	211,174
Suppliers		**16,169**	8,557
Total expenses		**133,947,239**	94,493,707
Income			
Revenue			
Non-taxation revenue			
Sale of goods and rendering of services	4.2A	**638,403**	696,216
Interest	4.2B	**7,711**	3,454
Dividends	4.2C	**726,421**	1,343,500
COAG revenue from government agencies	4.2D	**479,530**	89,358
Other	4.2E	**94,009**	99,141
Total non-taxation revenue		**1,946,074**	2,231,669
Total revenue		**1,946,074**	2,231,669
Gains			
Foreign exchange	4.2F	**10,183**	-
Total gains		**10,183**	-
Total income		**1,956,257**	2,231,669
Net (cost of)/contribution by services		**(131,990,982)**	(92,262,038)
Surplus/(Deficit)		**(131,990,982)**	(92,262,038)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		**3,464,067**	(2,170,851)
Total comprehensive income/(loss)		**(128,526,915)**	(94,432,889)

The above schedule should be read in conjunction with the accompanying notes.

Administered Schedule of Assets and Liabilities

as at 30 June 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Financial assets			
Loans and other receivables	5.1A	**1,404,114**	2,059,375
Investments	5.1B	**39,551,532**	35,212,886
Total financial assets		**40,955,646**	37,272,261
Non-financial assets			
Other		**375**	381
Total non-financial assets		**375**	381
Total assets administered on behalf of Government		**40,956,021**	37,272,642
LIABILITIES			
Payables			
Grants	5.2A	**283,816**	793,657
Other payables	5.2B	**5,877,642**	5,579,567
Unearned income	5.2C	**12,047**	26,455
Total payables		**6,173,505**	6,399,679
Interest bearing liabilities			
Promissory notes	5.3A	**10,009,796**	9,626,864
Total interest bearing liabilities		**10,009,796**	9,626,864
Provisions			
Other provisions	5.4A	**898,753**	704,917
Total provisions		**898,753**	704,917
Total liabilities administered on behalf of government		**17,082,054**	16,731,460
Net assets/(liabilities)		**23,873,967**	20,541,182

The above schedule should be read in conjunction with the accompanying notes.

Administered Reconciliation Schedule

for the period ended 30 June 2018

	2018 $'000	2017 $'000
Opening assets less liabilities as at 1 July	**20,541,182**	24,467,322
Net (cost of)/contribution by services		
Income	**1,956,257**	2,231,669
Expenses		
Payments to entities other than corporate Commonwealth entities	**(133,947,239)**	(94,493,707)
Payments to corporate Commonwealth entities	**-**	-
Other comprehensive income		
Revaluations transferred to reserves	**3,464,067**	(2,170,851)
Transfers (to)/from Australian Government		
Appropriation transfers from OPA		
Administered assets and liabilities appropriations	**-**	-
Annual appropriation for administered expenses		
Payments to entities other than corporate Commonwealth entities	**24,348**	40,527
Payments to corporate Commonwealth entities	**-**	-
Special appropriations (limited)		
Payments to entities other than corporate Commonwealth entities	**-**	-
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	**87,987,721**	81,633,062
Special accounts - COAG Reform Fund	**11,061,506**	12,456,508
Special accounts - Medicare Guarantee Fund	**34,774,894**	-
Refunds of receipts (s77 PGPA)	**9**	2
Appropriation transfers to OPA		
Transfers to OPA - appropriations	**(1,493,880)**	(3,533,098)
Transfers to OPA - special accounts	**(494,898)**	(90,252)
Restructuring	**-**	-
Closing assets less liabilities as at 30 June	**23,873,967**	20,541,182

The above schedule should be read in conjunction with the accompanying notes.

Accounting Policy

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 schedule of administered cash flows and in the administered reconciliation schedule.

Administered Cash Flow Statement

for the period ended 30 June 2018

	2018 $'000	2017 $'000
OPERATING ACTIVITIES		
Cash received		
Sale of goods and rendering of services	**7,742**	14,131
Interest	**7,232**	1,840
Dividends	**1,123,500**	3,279,319
Net GST received	**1,105**	-
HIH Group liquidation proceeds	**-**	2,456
COAG receipts from government agencies	**494,256**	90,252
Other receipts from government agencies[1]	**19,485,433**	18,139,055
Other	**94,127**	98,364
Total cash received	**21,213,395**	21,625,417
Cash used		
Grant payments	**133,587,151**	93,892,136
Other grants to the States and Territories[1]	**19,485,433**	18,139,055
Interest	**38,647**	10,523
Other	**3,445**	9,559
Total cash used	**153,114,676**	112,051,273
Net cash from/(used by) operating activities	**(131,901,281)**	(90,425,856)
INVESTING ACTIVITIES		
Cash received		
Repayment of IMF NAB loans	**260,099**	25,538
IMF maintenance of value	**-**	112,929
Total cash received	**260,099**	138,467
Cash used		
Settlement of IMF NAB loans	**-**	-
Settlement of IMF maintenance of value	**25**	-
Settlement of international financial institution's obligations	**218,493**	219,360
Total cash used	**218,518**	219,360
Net cash from/(used by) investing activities	**41,581**	(80,893)
Net increase (decrease) in cash held	**(131,859,700)**	(90,506,749)
Cash from Official Public Account		
Appropriations	**88,013,235**	81,675,239
Special accounts	**45,836,400**	12,456,508
Total cash from Official Public Account	**133,849,635**	94,131,747
Cash to Official Public Account		
Appropriations	**1,495,037**	3,534,746
Special accounts	**494,898**	90,252
Total cash to Official Public Account	**1,989,935**	3,624,998
Net cash from/(to) Official Public Account	**131,859,700**	90,506,749
Cash and cash equivalents at the end of the reporting period	**-**	-

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

1. These balances reflect the payments that are facilitated by the Treasury to the States and Territories for education services and the Water for the Environment Special Account. Refer to Note 6.1D for more information.

Notes to and forming part of the financial statements

for the period ended 30 June 2018

Overview

The basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The Financial Statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for the reporting periods ending on or after 1 July 2015;
- Australian Accounting Standards and interpretations — Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The department has applied the Reduced Disclosure Requirements issued by the AASB with the exception of disclosures for administered activities prepared under the following accounting standards, as required under Subsection 18(3) of the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR):

- AASB 7 Financial Instruments: Disclosure,
- AASB 12 Disclosure of Interests in Other Entities, and
- AASB 13 Fair Value Measurement.

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. The financial report is rounded to the nearest thousand.

Reporting of administered activities

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

Except where otherwise stated, 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.

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.

New Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. There have been no new standards, amended standards or interpretations that were issued prior to the signing of the statement and were applicable to the current reporting period and had a material effect on the Treasury's financial statements.

Future Australian Accounting Standard requirements

The following revised standards were issued by the Australian Accounting Standards Board prior to the signing of the statement by the Accountable Authority and Chief Financial Officer, which are expected to have a material impact on the entity's financial statements for the future reporting period(s):

Standard	Summary of changes	Effective date
AASB 9 — Financial Instruments (December 2014)	The new standard AASB 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. It supersedes AASB 9 (issued in December 2009 — as amended) and AASB 9 (issued in December 2010 — as amended).	1 January 2018
AASB 16 — Leases	AASB 16 removes the classification of leases as either operating leases or finance leases — for the lessee — effectively treating all leases as finance leases. AASB 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. AASB 16 requires enhanced disclosures for both lessees and lessors to improve information disclosed about an entity's exposure to leases.	1 January 2019

Taxation

The Treasury is exempt from all forms of taxation except FBT and 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.

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.

Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

In 2017-18, Treasury reviewed its exposure to the risk of not complying with statutory conditions on payments from appropriations, namely section 83 of the Constitution. To minimise potential breaches, Treasury continues its established verification procedures, in consultation with the portfolio departments, particularly in relation to payments under the *Federal Financial Relations Act 2009 and COAG Reform Fund Act 2008*. An assessment framework determines the risk profile of each National Partnership Agreement (NPA) which forms the basis of what additional assurance may be required when making a payment. This review identified that with the exception of the previously identified breaches outlined below no other payments were made in contravention of section 83 of the Constitution.

There were NIL breaches of section 83 during the reporting period (2017: 5).

Treasury will continue to monitor its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible.

Events after the reporting period

Departmental and Administered

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

1. Departmental Financial Performance

This section analyses the financial performance of the Treasury for the year ended 2018.

1.1. Expenses

	2018 $'000	2017 $'000
Note 1.1A: Employee benefits		
Wages and salaries	**97,706**	92,336
Superannuation		
Defined contribution plans	**8,623**	7,336
Defined benefit plans	**8,500**	8,890
Redundancies	**292**	924
Leave and other entitlements	**11,536**	11,268
Other	**3,378**	3,028
Total employee benefits	**130,035**	123,782

Accounting Policy

Accounting policies for employee related expenses are contained in Note 3: People and Relationships.

	2018 $'000	2017 $'000
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
Information communication technology	**9,617**	7,647
Conferences and training	**2,027**	2,108
Consultants, secondees and contractors	**21,836**	16,753
Fees - audit, accounting, bank and other	**1,316**	1,638
Insurance	**791**	684
Legal	**4,441**	1,823
Printing	**980**	427
Property operating expenses	**14,311**	13,072
Publications and subscriptions	**1,779**	4,221
Travel	**5,689**	4,955
Other	**1,571**	2,101
Total goods and services supplied or rendered	**64,358**	55,429
Goods supplied	**3,803**	4,856
Services rendered	**51,055**	42,449
Total goods and services supplied or rendered	**54,858**	47,305
Other suppliers		
Operating lease rentals	**9,034**	7,726
Workers compensation premiums	**466**	398
Total other suppliers	**9,500**	8,124
Total suppliers	**64,358**	55,429
Leasing commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	**9,136**	8,824
Between 1 to 5 years	**34,818**	31,144
More than 5 years	**23,298**	27,600
Total operating lease commitments	**67,252**	67,568

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 option periods. Located in Canberra, Sydney and Melbourne. Overseas estate — some commercial lease payments are adjusted annually and residential lease payments are escalated annually and similarly reviewed every three years to reflect market movements. The initial periods of office accommodation leases are still current and each may be renewed with options for a further six years.

Accounting Policy

Leases

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 a finance lease.

	2018	2017
	$'000	$'000
Note 1.1C: Grants		
Private sector:		
Non-profit organisations	**1,592**	1,245
Total grants	**1,592**	1,245

1.2. Own-Source Revenue and Gains

	2018	2017
Own-Source Revenue	**$'000**	$'000
Note 1.2A: Rendering of services		
Actuarial services	**2,263**	2,463
Shared services and cost recovery	**4,015**	4,147
Other rendering of services	**2,579**	2,809
Total rendering of services	**8,857**	9,419

Accounting Policy

Revenue from rendering of services

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.

	2018 $'000	2017 $'000
Note 1.2B: Other revenue		
Legislative and Governance Forum on Consumer Affairs contributions received	**287**	364
ANAO audit services received free of charge	**575**	575
Other	**158**	134
Total other revenue	**1,020**	1,073
Note 1.2C: Gains from sale of assets		
Plant and equipment		
Proceeds from sale	**-**	88
Net book value of assets disposed	**-**	(38)
Selling expense	**-**	(7)
Total gains from sale of assets	**-**	43
Note 1.2D: Other gains		
Resources received free of charge	**3,688**	3,272
Total other gains	**3,688**	3,272

Accounting Policy

Resources received free of charge

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

Contributions of assets at no cost of acquisition or for nominal consideration are recognised 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.

Sale of assets

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

	2018 $'000	2017 $'000
Note 1.2E: Revenue from Government		
Appropriations		
Departmental appropriations	**187,844**	170,496
Total revenue from Government	**187,844**	170,496

Accounting Policy

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.

2. Departmental Financial Position

This section analyses the Treasury assets used to generate financial performance and the operating liabilities incurred as a result.

Employee related information is disclosed in the People and Relationships section.

2.1. Financial Assets

	2018	2017
	$'000	$'000
Note 2.1A: Cash and cash equivalents		
Cash on hand or on deposit	**640**	1,250
Total cash and cash equivalents	**640**	1,250
Note 2.1B: Trade and other receivables		
Appropriations receivable	**58,612**	51,526
Goods and services receivables	**4,360**	4,091
Net GST receivable from the ATO	**1,909**	902
Total trade and other receivables (net)	**64,881**	56,519
All receivables are current assets.		
Receivables (net) are aged as follows:		
Not overdue	**62,557**	54,927
Overdue by		
0 to 30 days	**2,096**	373
31 to 60 days	**38**	447
61 to 90 days	**120**	772
More than 90 days	**70**	-
Total trade and other receivables (net)	**64,881**	56,519

Credit terms for goods and services were within 30 days (2017: 30 days).

Accounting Policy

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 (2017: 30 days).

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 2018.

2.2. Non-Financial Assets

Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and computer software (2017-18)

Reconciliation of the opening and closing balances of property, plant and equipment and computer software for 2018

	Buildings — leasehold improvements $'000	Plant and equipment $'000	Computer software internally developed $'000	Computer software purchased $'000	Total $'000
As at 1 July 2017					
Gross book value	**16,159**	**7,851**	**17,155**	**11,425**	**52,590**
Accumulated depreciation / amortisation and impairment	**-**	**-**	**(11,053)**	**(7,723)**	**(18,776)**
Total value as at 1 July 2017	**16,159**	**7,851**	**6,102**	**3,702**	**33,814**
Additions	**3,449**	**5,108**	**3,821**	**580**	**12,958**
Purchased	3,449	5,108	-	580	**9,137**
Internally developed - in use	-	-	3,821	-	**3,821**
Asset class transfers	**-**	**1,290**	**-**	**(1,290)**	**-**
Revaluations and impairments recognised in other comprehensive income	**190**	**130**	**-**	**-**	**320**
Depreciation and amortisation	**(2,007)**	**(2,902)**	**(2,111)**	**(1,858)**	**(8,878)**
Disposals	**(1,116)**	**(235)**	**(1,318)**	**-**	**(2,669)**
From write-down and impairment of assets	(645)	(214)	(1,318)	-	**(2,177)**
From restructuring	(471)	(21)	-	-	**(492)**
Total as at 30 June 2018	**16,675**	**11,242**	**6,494**	**1,134**	**35,545**
Total as at 30 June 2018 represented by:					
Gross book value	**18,277**	**13,250**	**20,976**	**9,673**	**62,176**
Fair value	**16,990**	**9,100**	**-**	**-**	**26,090**
At cost	**-**	**-**	**20,331**	**9,673**	**30,004**
Under construction	**1,287**	**4,150**	**645**	**-**	**6,082**
Accumulated depreciation / amortisation and impairment	**(1,602)**	**(2,008)**	**(14,482)**	**(8,539)**	**(26,631)**
Total as at 30 June 2018	**16,675**	**11,242**	**6,494**	**1,134**	**35,545**

No indicators of impairment were found for land and buildings or plant and equipment. Several intangibles were identified as being obsolete as at 30 June 2018. Accordingly, an impairment loss was recognised for these assets at year-end.

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 7.4.

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.

Contractual commitments[1] for the acquisition of property, plant and equipment and intangible assets.		
Commitments are payable as follows:	**2018**	2017
	$'000	$'000
Within 1 year	**192**	2,353
Between 1 to 5 years	**-**	698
Total commitments	**192**	3,051

1. Commitments are GST inclusive where relevant.

Accounting Policy

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.

Asset recognition threshold

Purchases of building — leasehold improvements and computer software purchased are recognised initially at cost in the balance sheet, 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 restoration 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 restoration recognised.

Revaluations

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. A fair value review was undertaken by an independent valuer at 30 June 2018 who confirmed that the carrying amount of non-financial assets has not materially changed since the last full revaluation in 2016-17.

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.

Depreciation and Amortisation

Depreciable property, plant and equipment assets are writtenoff to their estimated residual values over their estimated useful lives to the Treasury using, in all cases, the straightline 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. Software is amortised on a straight-line basis.

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

	2018	2017
Buildings - leasehold improvements	1.75-25 years	1.75 -25 years
Plant and equipment:		
Plant and equipment	3-10 years	3-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years
Computer software	3-5 years	3-5 years

Impairment

All assets were assessed for impairment at 30 June 2018. 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.

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.

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.

All software assets were assessed for indications of impairment as at 30 June 2018, including the impact of factors such as project cessation and platform changes. This has resulted in an impairment expense of $1.318 million for intangible assets (2017: nil).

Accounting Judgement and Estimates

The fair value of buildings — leasehold improvements and plant and equipment has taken to be the market value of similar properties or depreciated replacement value as determined by an independent valuer.

	2018 $'000	2017 $'000
Note 2.2B: Prepayments		
Prepayments	**4,644**	5,631
Total other non-financial assets	**4,644**	5,631
Prepayments		
No more than 12 months	**3,750**	3,583
More than 12 months	**894**	2,048
Total prepayments	**4,644**	5,631

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

2.3. Payables

	2018	2017
	$'000	$'000
Note 2.3A: Suppliers		
Trade creditors and accruals	**11,326**	10,127
Total suppliers	**11,326**	10,127

Settlement was usually made within 30 days.

Note 2.3B: Other payables		
Salaries and wages	**776**	722
Superannuation	**140**	131
Other creditors	**386**	(147)
Unearned income	**2,261**	1,777
Total other payables	**3,563**	2,483

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

Accounting Policy

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.

2.4. Other Provisions

	Provision for restoration	Total
	$'000	**$'000**
Carrying amount 1 July 2017	**3,440**	**3,440**
Additional provisions made	**133**	**133**
Amounts used	**-**	**-**
Amounts reversed	**(58)**	**(58)**
Amounts transferred due to restructure	**(91)**	**(91)**
Unwinding of discount or change in discount rate	**84**	**84**
Closing balance 30 June 2018	**3,508**	**3,508**

	2018	2017
	$'000	$'000
Provision for restoration expected to be settled		
No more than 12 months	**51**	388
More than 12 months	**3,457**	3,052
Total provisions for restoration	**3,508**	3,440

The Treasury has six (2017: five) lease agreements containing provisions to restore the premises to their original condition at the conclusion of the lease. The Treasury has made a provision to reflect the present value of this obligation. The value of the provision has been estimated by an independent valuer based on occupied floor space as per the leasing agreements.

3. People and relationships

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

3.1. Employee Provisions

	2018 $'000	2017 $'000
Note 3.1A: Employee provisions		
Leave	**46,180**	46,506
Other employee entitlements	**194**	199
Total employee provisions	**46,374**	46,705
Employee provisions expected to be settled		
No more than 12 months	**10,088**	9,450
More than 12 months	**36,286**	37,255
Total employee provisions	**46,374**	46,705

Accounting Policy

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.

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.

In 2017-18, the Treasury engaged the Australian Government Actuary to undertake a triennial actuarial assessment of its leave provisions, taking into account the likely tenure of existing staff, patterns of leave claims and payouts and future salary movements. 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 Treasury 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 superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme.

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 2018 represents outstanding contributions.

Accounting Judgement and Estimates

The employee provision has been determined by reference to standard parameters provided by the Department of Finance.

3.2. Key Management Personnel Remuneration

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of Treasury. Treasury has determined the key management personnel to be the Secretary, Deputy Secretaries and the Chief Operating Officer. Key management personnel remuneration is reported in the table below:

	2018	2017
	$'000	$'000
Short-term employee benefits	3,079	2,916
Post-employment benefits	455	428
Other long-term employee benefits	765	785
Total key executive remuneration expenses[1]	**4,299**	4,129

The total number of key management personnel that are included in the above table are 7 (2017: 9).

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Treasurer and other Portfolio Ministers. Their remuneration is set by the Remuneration Tribunal and is not paid by the Treasury.

3.3. Related Party Disclosures

Related party relationships:

Treasury is an Australian Government controlled entity. Related parties to Treasury are key management personnel including the Portfolio Minister and Executive, and other Australian Government entities.

Transactions with related parties:

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by Treasury, it has been determined that there are no related party transactions to be separately disclosed (2017: nil).

4. Income and Expenses Administered on Behalf of Government

This section analyses the activities that the Treasury does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

4.1. Administered — Expenses

	2018 $'000	2017 $'000
Note 4.1A: Grants		
Public sector		
State and Territory Governments	**98,625,548**	94,137,712
Payment of COAG receipts from Government agencies	**479,530**	89,358
Grants to international financial institutions	**-**	17,500
Private sector		
Grants to private sector	**8,554**	14,154
Total grants	**99,113,632**	94,258,724

Accounting Policy

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

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), National Health Reform (NHR) funding and National Partnership (NP) payments. Portfolio Ministers are accountable for government policies associated with NP payments. An overview of these arrangements is available on the Council for Federal Financial Relations' website.

There are four 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 for any purpose.
- National SPPs — a financial contribution to support a State or Territory to deliver services in a particular sector.
- NHR payments — a financial contribution to State or Territory to improve health outcomes for all Australians and ensure the sustainability of Australia's health system.
- NP payments — a financial contribution in respect of an NP agreement with a State or Territory to support the delivery of specific projects, to facilitate reforms or to reward jurisdictions that deliver on national reforms or achieve service delivery improvements.

National SPPs and GST are paid under a special appropriation in 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.

NHR payments are paid monthly in advance under the *Federal Financial Relations Act 2009*. The Treasurer then makes one annual payment determination, with any adjustments made in the following financial year. Payments to the States and Territories are made on the condition that the financial assistance is spent in accordance with the National Health Reform Agreement.

NP and other general revenue assistance payments are paid under the *Federal Financial Relations Act 2009* which allows the Treasurer (or the delegated Minister within the Treasury Portfolio) to 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.

Natural Disaster Relief and Recovery Arrangements

The Treasury accounts for payments made to States and Territories under NDRRA by recognising a liability equal to the discounted value of estimated future payments to States and Territories regardless of whether or not a State or Territory has completed eligible disaster reconstruction work or submitted an eligible claim to the Commonwealth. States and Territories were requested to provide to the Department of Home Affairs (Home Affairs) an estimate of costs expected to be incurred for disasters affecting States and Territories that occurred prior to 1 July 2018 which would be eligible for assistance. The signed representations from the States and Territories are quality assured by Home Affairs, which in turn provides a certification of the expenditure estimates to the Treasury.

Payments to the States and Territories through the COAG special account

COAG receipts are received from other government agencies for the following payments:

- Department of Social Services — Commonwealth's share of the wage increases arising from Fair Work Australia's decision on 1 February 2012 to grant an Equal Remuneration Order in the Social and Community Services sector.
- Department of Social Services — Payments to States and Territories in relation to the DisabilityCare Australia Fund.
- Department of Infrastructure, Regional Development and Cities — distribution of interstate road transport fees to the States and Territories for the maintenance and upkeep of roads.

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.

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.

	2018	2017
	$'000	$'000
Note 4.1B: Medicare Guarantee Fund		
Medicare Guarantee Fund	**34,774,894**	-
Total Medicare Guarantee Fund	**34,774,894**	-

Accounting Policy

Medicare Guarantee Fund

The purpose of the *Medicare Guarantee Act 2017* (the Act) is to secure ongoing funding of the Medical Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS).

The Act establishes the Medicare Guarantee Fund (MGF), which consists of the Medicare Guarantee Fund (Treasury) Special account (Treasury Special Account) and the Medicare Guarantee Fund (Health) Special Account (Health Special Account). The Treasury Special Account is administered by the Department of the Treasury and the Health Special Account is administered by the Department of Health.

Under the Act, the Treasurer must credit the Treasury Special Account with an amount that is sufficient to cover the estimated costs of the MBS and PBS for the next financial year. The Treasury is reliant on advice from the Department of Health in determining the estimated costs. The sole purpose of the Treasury Special Account is to ensure that amounts are available for transfer to the Health Special Account to fund the MBS and PBS.

The MGF funding payment is recorded in Treasury Administered expenses to reflect the payment into the Health Special Account from the Treasury Special Account. Refer to Note 6.2 Special accounts.

	2018	2017
	$'000	$'000
Note 4.1C: Net foreign exchange losses		
IMF SDR allocation	-	(221,087)
IMF Maintenance of Value	-	(112,929)
IMF quota revaluation	-	471,293
IFIs revaluation	-	47,895
IMF new arrangement to borrow loans revaluation	-	28,070
Other	-	(2,068)
Total net foreign exchange losses[1]	-	211,174

1. Refer to Note 4.2F for current year figures.

4.2. Administered — Income

Revenue	2018 $'000	2017 $'000
Non-Taxation Revenue		
Note 4.2A: Sale of goods and rendering of services		
GST administration fees - external entities	**631,100**	682,391
Guarantee Scheme for Large Deposits and Wholesale Funding fee	**-**	-
Guarantee of State and Territory borrowing fee	**7,303**	13,825
Total sale of goods and rendering of services	**638,403**	696,216
Note 4.2B: Interest		
Gross IMF remuneration	**1,934**	28
Less: burden sharing	**-**	-
Net IMF remuneration	**1,934**	28
Interest on loan to IMF under New arrangements to borrow	**3,615**	1,300
Interest on loans to States and Territories	**2,162**	2,126
Total interest	**7,711**	3,454
Note 4.2C: Dividends		
Reserve Bank of Australia	**668,921**	1,286,000
Australian Reinsurance Pool Corporation[1]	**57,500**	57,500
Total dividends	**726,421**	1,343,500
Note 4.2D: COAG revenue from Government		
Building Australia Fund revenue	**-**	-
Health and Hospital Fund revenue	**129,897**	-
Interstate road transport revenue	**62,922**	67,601
Social and Community Services Sector Special Account	**286,711**	21,757
Total COAG receipts from government agencies	**479,530**	89,358
Note 4.2E: Other revenue		
HIH Group liquidation proceeds	**-**	2,456
Australian Reinsurance Pool Corporation Fee[1]	**90,000**	90,000
Other revenue	**4,009**	6,685
Total other revenue	**94,009**	99,141
Gains		
Note 4.2F: Net Foreign exchange gains		
IMF SDR allocation	**(286,081)**	-
IMF Maintenance of Value	**(404,964)**	-
IMF quota revaluation	**609,839**	-
IFIs revaluation	**68,253**	-
IMF new arrangement to borrow loans revaluation	**23,136**	-
Other	**-**	-
Total foreign exchange gains[2]	**10,183**	-

1. Australian Reinsurance Pool Corporation Dividend and Service fee are agreed in advance as part of the Budget process and finalised once the appropriate determination is provided under the Section 38(2) of the *Terrorism Insurance Act 2003*.
2. Refer to Note 4.1C for the comparative year figures

Accounting Policy

Administered revenue

All administered revenue relate to ordinary activities performed by the Treasury on behalf of the Australian Government. As such, administered appropriations are not revenue of the individual entity that oversees distribution or expenditure of the funds as directed.

Reserve Bank of Australia dividend

The Treasurer is able to determine what portion of the Reserve Bank of Australia'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 a portion of Australia's IMF capital subscription (quota) and on 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 based on the SDR interest rate. The SDR interest rate is the market interest rate computed by the IMF which is based on a weighted average of representative interest rates on short-term government debt instruments (generally 3 month bond rates of the five entities whose currencies make up the SDR basket: the United States, United Kingdom, European Union, Japan and China). 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 4.2B 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 its value in SDR terms.

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 SDR interest rate (or such other rate as agreed by 85 per cent 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.

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. 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 of State and Territory Borrowing.

5. Assets and Liabilities Administered on Behalf of Government

This section analyses assets used to conduct operations and the operating liabilities incurred as a result, which the Treasury does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

5.1. Administered — Financial Assets

	2018 $'000	2017 $'000
Note 5.1A: Loan and Other Receivables		
Loans		
Loans to States and Territories	**47,855**	47,855
IMF new arrangements to borrow loan	**447,234**	684,197
Total loans	**495,089**	732,052
Other receivables		
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable[1]	**-**	(1,113)
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	**-**	-
Guarantee of State and Territory Borrowing contractual fee receivable[1]	**12,047**	26,455
Guarantee of State and Territory Borrowing fee receivable	**551**	992
Net GST receivable from the ATO	**630**	120
IMF related moneys owing	**507**	28
Dividends receivable	**888,921**	1,286,000
Other receivables	**6,369**	14,841
Total other receivables	**909,025**	1,327,323
Total loans and other receivables (gross)	**1,404,114**	2,059,375
Receivables are expected to be recovered in		
No more than 12 months	**899,140**	1,363,624
More than 12 months	**504,974**	695,751
Total receivables (gross)	**1,404,114**	2,059,375
Receivables (gross) are aged as follows		
Not overdue	**1,404,114**	2,059,375
Total receivables (gross)	**1,404,114**	2,059,375

1. Refer to Note 5.2C for corresponding liability.

Accounting Policy

Refer to Note 7.3 (Administered Financial Instruments) for details on accounting treatment.

	2018 $'000	2017 $'000
Note 5.1B: Investments		
International financial institutions		
Asian Development Bank	**583,862**	555,361
Asian Infrastructure & Investment Bank	**599,269**	383,879
European Bank for Reconstruction and Development	**98,676**	93,016
International Bank for Reconstruction and Development	**315,724**	303,370
International Finance Corporation	**64,036**	61,530
Multilateral Investment Guarantee Agency	**8,390**	8,062
Total international financial institutions	**1,669,957**	1,405,218
Australian Government entities		
Reserve Bank of Australia	**24,963,000**	21,469,000
Australian Reinsurance Pool Corporation	**425,893**	455,826
Total Australian Government entities	**25,388,893**	21,924,826
Other Investments		
IMF quota	**12,492,682**	11,882,842
Total other investments	**12,492,682**	11,882,842
Total Investments	**39,551,532**	35,212,886

Investments are expected to be recovered in more than 12 months.

Accounting Policy

Administered investments

Development banks

Investments in development banks are classified as 'monetary — available for sale financial assets' refer Note 7.3. As such, the foreign currency value of investments is translated into Australian dollars (AUD) using relevant foreign currency exchange rates at balance date.

Australia holds shares in the World Bank Group (WBG), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD) and the Asian Infrastructure Investment Bank (AIIB).

Principal activities:

The WBG 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.

The 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 on the infrastructure, transportation and energy sectors.

The 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 AIIB was established on 25 December 2015. The AIIB focuses on the development of infrastructure and other productive sectors in Asia. The AIIB also aims to promote interconnectivity and economic integration in the region by working in close collaboration with other multilateral and bilateral development institutions.

International Monetary Fund

The IMF is an organisation with 189 member countries, working to ensure the stability of the international monetary system - the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other. The IMF does this through: surveillance, including annual economic assessments of member countries; technical assistance to member countries; and by making resources available (with adequate safeguards) to members experiencing balance of payments difficulties.

Quota subscriptions which are denominated in SDR’s represent a member’s shareholding in the IMF and generate most of the IMF’s financial resources.

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 2018. Fair value has been taken to be the net assets of the entities, adjusted for the discount of employee benefit obligations with reference to the yield on Australian Government bonds for the Reserve Bank of Australia, as at balance date. These entities are listed below:

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 Commonwealth public financial corporation 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.

Impairment of administered investments

Administered investments were assessed for impairment at 30 June 2018. No indicators of impairment were identified (2017: nil).

5.2. Administered — Payables

	2018 $'000	2017 $'000
Note 5.2A: Grants		
Public sector		
COAG grants payable	**283,233**	793,507
Other grants payable	**583**	150
Total grants	**283,816**	793,657
Grants are expected to be settled in no more than 12 months.		
Note 5.2B: Other payables		
GST appropriation payable	**1,734**	-
IMF SDR allocation	**5,860,428**	5,574,346
IMF related monies owing	**9,118**	5,221
Suppliers	**6,362**	-
Total other payables	**5,877,642**	5,579,567
Other payables expected to be settled		
No more than 12 months	**17,214**	5,221
More than 12 months	**5,860,428**	5,574,346
Total other payables	**5,877,642**	5,579,567
Note 5.2C: Unearned income		
Guarantee of State and Territory borrowing contractual guarantee service obligation[1]	**12,047**	26,455
Total unearned income	**12,047**	26,455
Total unearned income expected to be settled		
No more than 12 months	**5,887**	10,505
More than 12 months	**6,160**	15,950
Total unearned income	**12,047**	26,455

1. Refer Note 5.1A for corresponding receivable.

IMF Special Drawing Right 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'.

5.3. Administered — Interest Bearing Liabilities

	2018 $'000	2017 $'000
Note 5.3A: Loans		
IMF promissory notes[1]	**9,899,480**	9,494,540
Other promissory notes[1]	**110,316**	132,324
Total loans	**10,009,796**	9,626,864
Loans expected to be settled		
Within 1 year	**24,359**	24,359
Between 1 to 5 years	**25,875**	50,233
More than 5 years	**9,959,562**	9,552,272
Total loans	**10,009,796**	9,626,864

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

Accounting Policy

Promissory notes

Promissory notes have been issued to the IMF, 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.

5.4. Administered — Other Providers

	2018 $'000	2017 $'000
Note 5.4A: Other Provisions		
NDRRA provision	**898,753**	704,917
Queensland	**575,784**	253,679
New South Wales	**26,371**	124,252
Victoria	**58,227**	108,118
Western Australia	**150,811**	88,227
Northern Territory	**56,318**	64,474
Tasmania	**28,884**	54,978
South Australia	**2,358**	11,189
Australian Capital Territory	**-**	-
Total other provisions	**898,753**	704,917
Other provisions expected to be settled		
No more than 12 months	**347,718**	488,949
More than 12 months	**551,035**	215,968
Total other provisions	**898,753**	704,917

	NDRRA provision $'000	Total $'000
As at 1 July 2017	**704,917**	704,917
Additional provisions made	**188,168**	188,168
Amounts used	**(334,859)**	(334,859)
Amounts reversed	**-**	-
Unwinding of discount or change in discount rate	**340,527**	340,527
Total as at 30 June 2018	**898,753**	898,753

Accounting Judgements and Estimates

Provisions

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 Department of Home Affairs (Home Affairs) 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 current NDRRA Determination. Home Affairs perform their quality assurance processes in order to assess reasonableness of estimates provided by the States and Territories with regard to estimates eligibility under NDRRA.

The Treasury reviews the quality assured 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.

Contingent liabilities

The NDRRA provision at 30 June 2018 includes estimated payments for disaster events that occurred prior to 1 July 2018, except for new events that occurred during the 2017-18 financial year for which costs cannot yet be quantified reliably. There were four such events that are included in the NDRRA contingent liability. These include:

- Upper Hunter Bushfire in January 2018 in NSW;
- Lithgow Bushfire in February 2018 in NSW;
- Potters Hill Bushfire in March 2018 in ACT; and
- Eastern NSW Floods in March 2018 in NSW.

Estimates of all natural disasters are regularly reviewed and revised when new information becomes available.

6. Funding

This section identifies the Treasury funding structure.

6.1. Appropriations

Note 6.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2018

	Appropriation Act		*PGPA Act*				
	Annual Appropriation [1(a)]	**AFM**	**Section 74 Receipts**	**Section 75 Transfers [1(b)]**	**Total appropriation**	**Appropriation applied in 2018 (current and prior years)**	**Variance[2]**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
DEPARTMENTAL							
Ordinary annual services[1]	**197,218**	**-**	**21,306**	**(6,284)**	**212,240**	**(214,857)**	**(2,617)**
Capital Budget[3]	**8,246**	**-**	**-**	**-**	**8,246**	**(8,246)**	**-**
Other services	**-**					**-**	
Equity	**4,750**	**-**	**-**	**-**	**4,750**	**(9)**	**4,741**
Total departmental	**210,214**	**-**	**21,306**	**(6,284)**	**225,236**	**(223,112)**	**2,124**
ADMINISTERED							
Ordinary annual services							
Administered items[2]	**36,295**	**-**	**-**	**(9,222)**	**27,073**	**(24,214)**	**2,859**
Payments to Corporate Commonwealth Entities	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other services							
Administered assets and liabilities	**60,000**	**-**	**-**	**-**	**60,000**	**-**	**60,000**
Total administered	**96,295**	**-**	**-**	**(9,222)**	**87,073**	**(24,214)**	**62,859**

1. The difference between the departmental appropriation for ordinary annual services and revenue from Government in the Statement of Comprehensive Income relates to the following:
   (a) Tax Integrity (Public Information Campaign) for which $4.2 million was recognised as revenue in 2016-17 (appropriation received in 2017-18); and
   (b) Due to the Administrative Arrangement Order of 20 December 2017, $6.284 million was transferred to the Department of Jobs and Small Business under s75. The transfer has been recognised against the year in which appropriation related to (2018: $5.174 million, 2017: $1.110 million).
2. The variance in Ordinary annual services is driven by the use of prior periods appropriations available. The variance in Equity relates to the provision of funding to establish the National Housing Finance and Investment Corporation, which has not yet been fully utilised and will continue into 2018-19.
3. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1 and 3). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Annual Appropriations for 2017

	Appropriation Act		*PGPA Act*				
	Annual Appropriation	AFM	Section 74	Section 75	Total appropriation	Appropriation applied in 2017 (current and prior years)	Variance
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
DEPARTMENTAL							
Ordinary annual services	169,352	-	17,769	-	187,121	(192,212)	(5,091)
Capital Budget	5,298	-	-	-	5,298	(5,298)	-
Other services							
Equity	300	-	-	-	300	(300)	-
Total departmental	174,950	-	17,769	-	192,719	(197,810)	(5,091)
ADMINISTERED							
Ordinary annual services							
Administered items	44,739	-	-	-	44,739	(40,527)	4,212
Payments to Corporate Commonwealth Entities	-	-	-	-	-	-	-
Other services							
Administered assets and liabilities	60,000	-	-	-	60,000	-	60,000
Total administered	104,739	-	-	-	104,739	(40,527)	64,212

Note 6.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

Authority	2018 $'000	2017 $'000
Departmental		
Appropriation Act (No. 1) 2012-13[1]	-	865
Appropriation Act (No. 2) 2012-13[1]	-	208
Appropriation Act (No. 1) 2016-17[2]	-	47,503
Appropriation Act (No. 1) 2017-18	51,073	-
Appropriation Act (No. 2) 2017-18 - Equity	4,741	
Appropriation Act (No. 3) 2017-18	3,438	-
Total departmental	**59,252**	48,576

Authority	2018 $'000	2017 $'000
Administered		
Appropriation Act (No. 1) 2012-13[3]	-	2
Appropriation Act (No. 2) 2012-13[3]	-	42,705
Appropriation Act (No. 2) 2013-14[3]	-	47,101
Appropriation Act (No. 4) 2013-14[3]	-	18
Appropriation Act (No. 1) 2016-17	11,581	11,581
Appropriation Act (No. 2) 2016-17	35,000	35,000
Appropriation Act (No. 3) 2016-17[4]	-	3,502
Supply Act (No.1) 2016-17	1,258	1,258
Supply Act (No.2) 2016-17	25,000	25,000
Appropriation Act (No. 1) 2017-18	7	-
Appropriation Act (No. 2) 2017-18	60,000	-
Appropriation Act (No. 3) 2017-18	2,852	-
Total administered	**135,698**	166,167

1. 2012-13 quarantined balances were repealed upon the Royal Assent of the Appropriation Act (No.4) 2017-18.
2. Cash held amounts (2018: $0.640 million, 2017: $1.250 million) are included in Appropriation Act (No.1) for the relevant year.
3. 2012-13 & 2013-14 Appropriations balances have been repealed in 2017-18.
4. Appropriation Act (No. 3) 2016-17 was quarantined in 2017-18, and extinguished through a Movement of Funds at MYEFO, which was included in Appropriation Act (No. 3) 2017-18.

Note 6.1C: Special Appropriations ('Recoverable GST exclusive')

The following table lists current special appropriations contained in legislation that the Treasury is responsible for administering.

Authority	Appropriation applied	
	2018	2017
	$'000	$'000
Asian Development Bank Act 1966	**-**	-
Asian Development Bank (Additional Subscription) Act 2009	**(24,359)**	(22,218)
Asian Infrastructure Investment Bank Act 2015	**(194,135)**	(197,142)
Clean Energy Finance Corporation Act 2012 *(Limited amount; $2 billion in 2015-16)*	**-**	-
Clean Energy Act 2011	**-**	-
Commonwealth Places (Mirror Taxes) Act 1998	**(568,430)**	(542,927)
European Bank for Reconstruction and Development Act 1990	**-**	-
Federal Financial Relations Act 2009	**(87,728,904)**	(81,403,179)
Financial Agreements (Commonwealth Liability) Act 1932	**-**	-
Financial Services Reform Act 2001	**-**	-
Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008	**-**	-
International Bank for Reconstruction and Development (General Capital Increase) Act 1989	**-**	-
International Bank for Reconstruction and Development (Share Increase) Act 1988	**-**	-
International Finance Corporation Act 1955	**-**	-
International Finance Institutions (Share Increase) Act 1982	**-**	-
International Finance Institutions (Share Increase) Act 1986	**-**	-
International Monetary Agreements Act 1947	**(38,671)**	(10,523)
Multilateral Investment Guarantee Agency Act 1997	**-**	-
Papua New Guinea Loans Guarantee Act 1975	**-**	-
Payment of Tax Receipts (Victoria) Act 1996	**-**	-
Public Governance, Performance and Accountability Act 2013	**-**	(2)
States (Works and Housing) Assistance Act 1984	**-**	-
States (Works and Housing) Assistance Act 1988	**-**	-
State Grants Act 1927	**-**	-
Superannuation Industry (Supervision) Act 1993	**-**	-
Terrorism Insurance Act 2003	**-**	-
Total	**(88,554,499)**	(82,175,991)

Note 6.1D: Disclosure by agent in relation to Annual and Special Appropriations ('Recoverable GST exclusive')

	Department of Education and Training Payments to the States and Territories: education services	**Department of Agriculture and Water Resources** Payments to the States and Territories: Water for the Environment Special Account	**Inspector-General of Taxation** Transaction service provider
2018	**$'000**	**$'000**	**$'000**
Total receipts	**19,485,333**	**100**	-
Total payments	**19,485,333**	**100**	-

	Department of Education and Training Payments to the States and Territories: education services	**Department of Agriculture and Water Resources** Payments to the States and Territories: Water for the Environment Special Account	**Inspector-General of Taxation** Transaction service provider
2017	**$'000**	**$'000**	**$'000**
Total receipts	18,139,055	-	6,683
Total payments	18,139,055	-	6,779

6.2. Special Accounts

Note 6.2A: Special Accounts ('Recoverable GST exclusive')

	Actuarial Services Special Account[1]		Medicare Guarantee Fund (Treasury) Special Account[2]		Fuel Indexation Special Account[3]		COAG Reform Fund Special Account[4]		Services for Other Entities and Trust Money Special Account[5]	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000	**2018 $'000**	2017 $'000
Balance brought forward from previous period	**-**	2,835	**-**	-	**-**	-	**-**	-	**-**	-
Increases										
Appropriation for reporting period	**-**	-	**34,774,894**	-	**385,000**	275,000	**10,183,250**	12,091,256	**-**	-
Other receipts	**-**	221	**-**	-	**-**	-	**878,255**	365,253	**1,642**	-
Total increases	**-**	221	**34,774,894**	-	**385,000**	275,000	**11,061,505**	12,456,509	**1,642**	-
Available for payments	**-**	3,056	**34,774,894**	-	**385,000**	275,000	**11,061,505**	12,456,509	**1,642**	-
Decreases										
Departmental										
Payments made to employees	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Payments made to suppliers	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Transfer to Appropriation Act No. 1 2016-17	**-**	(3,056)	**-**	-	**-**	-	**-**	-	**-**	-
Total departmental	**-**	(3,056)	**-**	-	**-**	-	**-**	-	**-**	-
Administered										
Payments made to States and Territories	**-**	-	**-**	-	**(385,000)**	(275,000)	**(11,061,505)**	(12,456,509)	**-**	-
Payments made to other entities	**-**	-	**-**	-	**-**	-	**-**	-	**(1,642)**	-
Transfers made to Medicare Guarantee Fund (Health) Special Account	**-**	-	**(34,774,894)**	-	-	-	**-**	-	**-**	-
Total administered	**-**	-	**(34,774,894)**	-	**(385,000)**	(275,000)	**(11,061,505)**	(12,456,509)	**(1,642)**	-
Total decreases	**-**	(3,056)	**(34,774,894)**	-	**(385,000)**	(275,000)	**(11,061,505)**	(12,456,509)	**(1,642)**	-
Total balance carried to the next period	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Balance represented by										
Cash held in entity bank accounts	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Cash held in Official Public Account	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total balance carried to the next period	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-

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 was sunset on 1 October 2016.

2. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

   Establishing instrument: *Medicare Guarantee Act 2017*, section 6

   Purpose: *The Medicare Guarantee Act 2017* (the Act) is to secure ongoing funding of the Medical Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS).

   The Act establishes the Medicare Guarantee Fund (MGF), which consists of the Medicare Guarantee Fund (Treasury) Special account (Treasury Special Account) and the Medicare Guarantee Fund (Health) Special Account (Health Special Account). The Treasury Special Account is administered by the Department of the Treasury and the Health Special Account is administered by the Department of Health.

3. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

   Establishing instrument: *Fuel Indexation (Road Funding) Special Account Act 2015*, subsection 8(1).

   Purpose: To ensure that amounts equal to the net revenue from indexation on customs and excise duties on fuel are transferred to the COAG Reform Fund in order to provide funding to the States and Territories for expenditure in relation to Australian road infrastructure investment.

4. 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.

5. 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 and held on trust for the Global Infrastructure Hub.

6.2. 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 2017 and 30 June 2018 this special account had nil balances and no transactions were credited or debited to the account.

6.3. Net Cash Appropriation Arrangements

	2018	2017
	$'000	$'000
Surplus/(Deficit) less depreciation/amortisation expenses	**3,163**	3,304
Plus: changes in asset revaluation reserves	**262**	228
Total comprehensive income/(loss) less depreciation/amortisation expenses previously funded through revenue appropriations	**3,425**	3,532
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	**(8,878)**	(10,360)
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	**(5,453)**	(6,828)

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.

7. Managing uncertainties

This section analyses how the Treasury manages financial risks within its operating environment.

7.1. Departmental Contingent Assets and Liabilities

Quantifiable Contingencies

Contingent liabilities consist of $122,127 in 2018 (2017: $106,803). This amount represents an estimate of the Treasury's liability in respect to studies assistance. There were no quantifiable contingent assets in 2018 (2017: $0).

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the 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 disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when the probability of settlement is greater than remote.

7.2. 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 International Monetary Fund (IMF) under its New Arrangements to Borrow (NAB) since 1998. This 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 value of Australia's NAB credit arrangement stands at approximately Special Drawing Rights (SDR, the IMF's unit of account) 2.22 billion (approximately A$4.22 billion at 30 June 2018). In November 2017, the NAB was renewed for an additional five year period until November 2022.

The Fund does not publish annual estimates of the amount it expects to call under the NAB facility. However, to be drawn upon, the NAB needs to be activated by the IMF Executive Board. The last NAB activation period was terminated in February 2016 and the IMF is currently relying predominately on its quota resources to fund new lending (although the NAB can be called upon to fund IMF programs that were approved under previous activations). The IMF did not call on Australia's NAB facility in 2017-18 and, as at the completion of these statements, has not done so in the current year.

IMF Bilateral Loan

In addition to the NAB credit line as part of a broad international effort to increase the resources available to the IMF, Australia has made available a SDR4.61billion (approximately A$8.76 billion at 30 June 2018) contingent bilateral loan to the IMF. The contingent loan is on terms consistent with separate bilateral loan and note purchase agreements between the IMF and all contributing countries. It will be drawn upon by the IMF only if needed to supplement the IMF's quota and NAB resources and any loans would be repaid in full with interest. The increase in the IMF's resources will help ensure that it has the capability to address any potential vulnerability facing the global economy. Australia's bilateral loan agreement with the IMF was renewed in July 2017. The renewed agreement extends Australia's funding commitment to December 2019, with the possibility of an additional one-year extension with Australia's consent.

International financial institutions — uncalled capital subscriptions

The Australian Government has held an uncalled capital subscription to the International Bank for Reconstruction and Development (IBRD) since 1947. Australia's uncalled capital subscription to the IBRD totals US$3.6 billion (estimated value A$4.8 billion as at 30 June 2018).

The Australian Government has also held an uncalled capital subscription to 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$374.4 million as at 30 June 2018).

The Australian Government has further held an uncalled capital subscription to the Asian Development Bank (ADB) since 1966. Australia's uncalled capital subscription to the ADB totals US$5.8 billion (estimated value A$11.0 billion as at 30 June 2018).

The Australian Government has further held an uncalled capital subscription to the Multilateral Investment Guarantee Agency of US$26.5 million (estimated value A$35.8 million as at 30 June 2018).

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The Australian Government has subscribed to shares in the AIIB, which includes an uncalled capital subscription. Australia's uncalled capital subscription to the AIIB totals US$3.0 billion (estimated value A$4.0 billion as at 30 June 2018).

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

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 2017-18. (2016-17: nil).

Unquantifiable administered contingencies

Contingent Liabilities

Housing Loans Insurance Corporation (HLIC)

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 to the time of sale. Any potential economic outflow cannot not be determined accurately given the complexity of any estimation calculation of the economic outflow would be reliant upon numerous unquantifiable variables. Only at the time of the event, can the amount of economic outflow be determined accurately.

Terrorism insurance — Australian Reinsurance Pool Corporation

The *Terrorism Insurance Act 2003* established a scheme for 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, to maintain a pool of funds and to purchase reinsurance to help meet future claims. The Australian Government guarantees to pay any liabilities of the ARPC, but the Treasurer must declare a reduced payout rate to insured entities if the Government's liability would otherwise exceed $10 billion.

Natural Disaster Relief and Recovery (NDRRA)

The Australian Government provides funding to States and Territories through the Natural Disaster Relief and Recovery Arrangements (NDRRA) to assist with natural disaster relief and recovery costs. A State or Territory may claim NDRRA funding if a natural disaster occurs and State or Territory relief and recovery expenditure for that event meets the requirements set out in the NDRRA Determination. The NDRRA liability represents the Treasury's best estimate of payments expected to be made to States and Territories as at balance date. In the event where a natural disaster has occurred but the associated costs cannot be quantified reliably, the event is disclosed as a contingent liability. For a list of natural disasters that are included in the NDRRA contingent liability, refer to Note 5.4 Administered — Other Provisions.

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 2017-18; 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.

7.3. Administered - Financial Instruments

	2018	2017
	$'000	$'000
Note 7.3A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
IMF related monies owing	**507**	28
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	**-**	(119)
Guarantee of State and Territory Borrowing contractual fee receivable	**12,047**	26,455
Guarantee of State and Territory Borrowing fee receivable	**553**	992
IMF new arrangements to borrow loan	**447,234**	684,197
Loans to States and Territories	**47,855**	47,855
Dividends receivable	**888,921**	1,286,000
Other receivables	**6,369**	13,847
Total loans and receivables	**1,403,486**	2,059,255
Available-for-sale financial assets		
International financial institutions	**1,669,957**	1,405,218
Australian Government entities	**25,388,893**	21,924,826
IMF Quota	**12,492,682**	11,882,842
Total available-for-sale financial assets	**39,551,532**	35,212,886
Total financial assets	**40,955,018**	37,272,141
Financial Liabilities		
Financial liabilities measured at amortised cost:		
Promissory notes	**10,009,796**	9,626,864
Grant liabilities	**283,816**	793,657
IMF SDR allocation liability	**5,860,428**	5,574,346
Other payables	**15,480**	5,221
Guarantee of State and Territory Borrowing contractual guarantee service obligation	**12,047**	26,455
Total financial liabilities measured at amortised cost	**16,181,567**	16,026,543
Total financial liabilities	**16,181,567**	16,026,543

Accounting Policy

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.

	2018 $'000	2017 $'000
Note 7.3B: Net Gains and Losses on Financial Assets		
Loans and receivables		
Guarantee of State and Territory Borrowing fee	**7,303**	13,825
Interest revenue	**5,777**	3,426
Exchange gains/(loss)	**23,136**	(28,070)
Net gains/(losses) on loans and receivables	**36,216**	(10,819)
Available-for-sale		
Interest Revenue	**1,934**	28
Exchange gains/(loss)	**273,128**	(406,259)
Net gains/(losses) on available-for-sale assets	**275,062**	(406,231)
Net gains/(losses) on financial assets	**311,278**	(417,050)

	2018 $'000	2017 $'000
Note 7.3C: Net Gains and Losses on Financial Liabilities		
Financial liabilities measured at amortised cost		
IMF Charges	**22**	15,252
Exchange gains/(loss)	**(286,081)**	223,155
Net gains/(losses) on financial liabilities measured at amortised cost	**(286,081)**	223,155
Net gains/(losses) on financial liabilities	**(286,081)**	223,155

Note 7.3D: Credit risk

The maximum exposure to credit risk of the Treasury's administered financial assets is the carrying amount of 'loans and receivables' (2018: $1.4 billion and 2017: $2.1 billion) and the carrying amount of 'available for sale financial assets' (2018: $39.6 billion and 2017: $35.2 billion).

International financial institutions that the Treasury holds its financial assets with have a minimum of AAA credit ratings. The contractual fee receivable arising from the Guarantee of State and Territory Borrowing relates to state and territory governments. These entities hold a minimum of AA credit ratings. Therefore the Treasury does not consider any of its financial assets to be at risk of default.

Note 7.3D: 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 nonlapsing 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 2018

	On demand $'000	**Within 1 year $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**> 5 years $'000**	**Total $'000**
Promissory notes	**-**	**24,359**	**25,875**	**-**	**9,959,562**	**10,009,796**
Grant liabilities	**-**	**283,816**	**-**	**-**	**-**	**283,816**
IMF SDR allocation liabilities	**-**	**-**	**-**	**-**	**5,860,428**	**5,860,428**
Other payables	**15,480**	**-**	**-**	**-**	**-**	**15,480**
Total	**15,480**	**308,175**	**25,875**	**-**	**15,819,990**	**16,169,520**

Maturities for financial liabilities in 2017

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Promissory notes	-	24,359	24,765	25,469	9,552,271	9,626,864
Grant liabilities	-	793,657	-	-	-	793,657
IMF SDR allocation liabilities	-	-	-	-	5,574,346	5,574,346
Other payables	5,221	-	-	-	-	5,221
Total	5,221	818,016	24,765	25,469	15,126,617	16,000,088

Note 7.3E: 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 2018 from a 9.2 per cent (30 June 2017 from a 10.2 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 2018

			Effect on	
Risk Variable	**Risk variable**	**Change in risk variable %**	**Net cost of services 2018 $'000**	**Net assets 2018 $'000**
IFI Investments	Exchange rate	9.2	**(140,692)**	**(140,692)**
IFI investments	Exchange rate	(9.2)	**169,203**	**169,203**
IMF Remuneration Receivable	Exchange rate	9.2	**(43)**	**(43)**
IMF Remuneration Receivable	Exchange rate	(9.2)	**51**	**51**
IMF new arrangements to borrow loan	Exchange rate	9.2	**(37,679)**	**(37,679)**
IMF new arrangements to borrow loan	Exchange rate	(9.2)	**45,314**	**45,314**
IMF Quota	Exchange rate	9.2	**(1,052,497)**	**(1,052,497)**
IMF Quota	Exchange rate	(9.2)	**1,265,778**	**1,265,778**
Promissory notes	Exchange rate	9.2	**5,062**	**5,062**
Promissory notes	Exchange rate	(9.2)	**(6,088)**	**(6,088)**
IMF SDR allocation liability	Exchange rate	9.2	**493,736**	**493,736**
IMF SDR allocation liability	Exchange rate	(9.2)	**(593,788)**	**(593,788)**
IMF Charges Payable	Exchange rate	9.2	**768**	**768**
IMF Charges Payable	Exchange rate	(9.2)	**(924)**	**(924)**

Sensitivity analysis of the risk that the entity is exposed to for 2017

			Effect on	
Risk Variable	Risk variable	Change in Risk variable %	Net cost of services 2017 $'000	Net assets 2017 $'000
IFI Investments	Exchange rate	10.2	(130,413)	(130,413)
IFI investments	Exchange rate	(10.2)	160,136	160,136
IMF Remuneration Receivable	Exchange rate	10.2	(3)	(3)
IMF Remuneration Receivable	Exchange rate	(10.2)	3	3
IMF new arrangements to borrow loan	Exchange rate	10.2	(63,498)	(63,498)
IMF new arrangements to borrow loan	Exchange rate	(10.2)	77,790	77,790
IMF Quota	Exchange rate	10.2	(1,102,798)	(1,102,798)
IMF Quota	Exchange rate	(10.2)	1,354,144	1,354,144
Promissory notes	Exchange rate	10.2	(5,358)	(5,358)
Promissory notes	Exchange rate	(10.2)	6,579	6,579
IMF SDR allocation liability	Exchange rate	10.2	(517,333)	(517,333)
IMF SDR allocation liability	Exchange rate	(10.2)	635,241	635,241
IMF Charges Payable	Exchange rate	10.2	(485)	(485)
IMF Charges Payable	Exchange rate	(10.2)	595	595

Accounting Policy

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 nonderivative 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 2018).

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 nonderivative financial assets that are designated as available for sale or that are not classified as (a) loans and receivables, (b) heldtomaturity investments or (c) financial assets at fair value through profit or loss.

Although a number of the Treasury's financial instruments are classified as 'availableforsale', 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 noninterest 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 of State and Territory Borrowing contractual fee receivable represents the requirement under AASB 139 *Financial Instruments: Recognition and Measurement* for the Treasury to recognise upfront, its entitlements under the financial guarantee contract to revenue received or receivable from authorised deposittaking 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 7.2.

7.4. Fair Value Measurement

Note 7.4A: Fair value measurement

	Fair value measurements at the end of the reporting period	
	2018	2017
	$'000	$'000
Non-financial assets[1]		
Property, plant and equipment - AUC[2]	**4,150**	-
Property, plant and equipment[2]	**6,153**	6,912
Library[2]	**939**	939
Land and buildings - AUC[2]	**1,287**	427
Land and buildings[2]	**15,388**	15,732
Total non-financial assets	**27,917**	24,010

1. Treasury's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all non-financial assets is considered their highest and best use.
2. No non-financial assets were measured at fair value on a non-recurring basis as at 30 June 2018 (2017: nil).

Accounting Policy

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

The Treasury's assets are held to meet out service obligation not 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

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.

An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations are carried out at least once every three years. During 2017-18, Treasury appointed Jones Lang LaSalle (JLL) to undertake a materiality review of all tangible property, plant and equipment assets as at 30 June 2018. JLL has provided written assurance to the Treasury that all tangible property, plant and equipment assets are materially held at fair value in compliance with AASB 13.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

All Asset Classes - Physical Depreciation and Obsolescence.

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 Depreciated Replacement Cost approach. Under the Depreciated Replacement Cost approach the estimated cost to replace the asset is calculated and then adjusted to take into physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all leasehold improvement assets, the consumed economic benefit / asset obsolescence deduction is determined based on the term of the associated lease.

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.

The Treasury's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There have been no transfers between level 1 and level 2 of the hierarchy during the year.

7.5. Administered - Fair Value Measurement

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 7.5A: 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 2018

	Fair value measurements at the end of the reporting period using			
	2018 $'000	2017 $'000	**Category (Level 1, 2 or 3)**	**Valuation technique(s) and inputs used[1,2]**
Financial assets:				
Investment in Australian Government Entities:	**25,388,893**	21,924,826	**3**	**Net assets**
Australian Reinsurance Pool Corporation	***425,893***	*455,826*		
Reserve Bank of Australia	***24,963,000***	*21,469,000*		
Investment in International Financial Institutions:	**1,669,957**	1,405,218	**3**	**Value of shares held**
Asian Development Bank	***583,862***	*555,361*		
Asian Infrastructure and Investment Bank	***599,269***	*383,879*		
European Bank for Reconstruction and Development	***98,676***	*93,016*		
International Bank for Reconstruction and Development	***315,724***	*303,370*		
International Finance Corporation	***64,036***	*61,530*		
Multilateral Investment Guarantee Agency	***8,390***	*8,062*		
Other Investments	**12,492,682**	11,882,842	**3**	**Value of quota held**
IMF quota	***12,492,682***	*11,882,842*		
Total financial assets	**39,551,532**	35,212,886		
Total fair value measurements	**39,551,532**	35,212,886		

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

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 7.5B: Level 1 and Level 2 transfers for recurring fair value measurements

No assets were transferred between Level 1 and Level 2.

Note 7.5C: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements - reconciliation for assets

	Financial assets			
	Investments		Total	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
As at 1 July	**35,212,886**	37,705,781	**35,212,886**	37,705,781
Total gains/(losses) recognised in other comprehensive income	**3,464,067**	(2,170,851)	**3,464,067**	(2,170,851)
Total gains/(losses) recognised in net cost of services				
IMF Quota foreign exchange gain/(loss)	**609,839**	(471,293)	**609,839**	(471,293)
International Financial Institutions foreign exchange gain/(loss)	**70,605**	(47,895)	**70,605**	(47,895)
Restructuring[1]	**-**	-	**-**	-
Share Purchases	**-**	-		
Increase in investments in the International Financial Institutions	**194,135**	197,144	**194,135**	197,144
IMF general review Quota Payments			**-**	-
Total as at 30 June	**39,551,532**	35,212,886	**39,551,532**	35,212,886
Changes in unrealised gains/(losses) recognised in net cost of services for the year ended 30 June	**4,338,646**	(2,492,895)	**4,338,646**	(2,492,895)

8. Other Information

8.1. Restructuring

	2018
	Small Business Programs Jobs and Small Business[1] $'000
FUNCTIONS RELINQUISHED	
Assets relinquished	
Appropriation receivable	**1,110**
Trade and other receivables	**3**
Non-financial assets	**492**
Prepayments	**26**
Total assets relinquished	**1,631**
Liabilities relinquished	
Suppliers	**403**
Other suppliers	**20**
Employee provisions	**1,127**
Provision for restoration	**91**
Total liabilities relinquished	**1,641**
Net assets/(liabilities) relinquished	**(10)**
Income recognised	
Recognised by the losing entity (Revenue from Government)	**4,085**
Total income assumed	**4,085**
Expenses recognised	
Recognised by the losing entity	**4,085**
Total expenses assumed	**4,085**

	Small Business Programs Jobs and Small Business $'000
FUNCTIONS RELINQUISHED	
Assets relinquished	
Appropriation receivable[2]	**-**
Total assets relinquished	**-**
Net assets/(liabilities) relinquished	**-**
Income recognised	
Recognised by the losing entity	**636**
Total income assumed	**636**
Expenses recognised	
Recognised by the losing entity	**636**
Total expenses assumed	**636**

1. The Small Business function was relinquished to the Department of Jobs and Small Business during 2017-18 due to the restructuring of administrative arrangements on 20 December 2017.
   Appropriations were amended to effect the transfer of funding under section 75 of the PGPA Act 2013. Unless otherwise stated, the net book value of the assets and liabilities were transferred to the Department of Jobs and Small Business for no consideration as at 7 February 2018.
2. As reported in Note 6.1A Annual Appropriation table, Treasury relinquished control of the unspent Administered appropriations to the Department of Jobs and Small Business. As no appropriations receivable are recognised in Administered accounts, there were no assets relinquished that are required to be reported in this table, in line with Resource Management Guide 118.
3. There was no restructuring in 2016-17.

9. Budgetary Reports and Explanation of Major Variances

9.1. Departmental Budgetary Reports

Statement of Comprehensive Income
for the period ended 30 June 2018

	Actual	Budget estimate Original[1]	Variance[2]
	2018 $'000	2018 $'000	2018 $'000
NET COST OF SERVICES			
Expenses			
Employee benefits	130,035	138,769	(8,734)
Suppliers	64,358	65,409	(1,051)
Grants	1,592	1,958	(366)
Depreciation and amortisation	8,878	5,353	3,525
Write-down and impairment of assets	2,177	-	2,177
Finance costs	84	-	84
Total expenses	207,124	211,489	(4,365)
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	8,857	11,651	(2,794)
Other revenues	1,020	772	248
Total own-source revenue	9,877	12,423	(2,546)
Gains			
Other gains	3,688	4,133	(445)
Total gains	3,688	4,133	(445)
Total own-source income	13,565	16,556	(2,991)
Net cost of services	(193,559)	(194,933)	1,374
Revenue from Government	187,844	189,580	(1,736)
Surplus / (Deficit)	(5,715)	(5,353)	(362)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves	262	-	262
Total other comprehensive income	262	-	262
Total comprehensive income/(loss) attributable to the Australian Government	(5,453)	(5,353)	(100)

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 2017-18 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2018. 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.

Explanations of major variances	Affected line items
Depreciation and amortisation expenses for 2017-18 were $8.9 million, an increase of $3.5 million compared with the original budget. The increase is largely driven by prior year revaluation increments for leasehold improvements and property plant and equipment, resulting in larger asset bases and therefore increased depreciation/amortisation expenditure for 2018.	Depreciation and amortisation
The variance of $2.2 million is mainly driven by a $1.3 million impairment of software which related to the replacement of an existing system as well as $0.7 million in land and building write offs that were driven by the return of leasehold space to the Department of Finance.	Write-down and impairment of assets
The variance of $2.8 million is driven by a decrease in actual Service Level Agreement (SLA) revenue compared to budget due to a lower than expected take-up of shared services arrangements between Treasury and other departments.	Sale of goods and rendering of services

Statement of Financial Position

as at 30 June 2018

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2018 $'000	2018 $'000	2018 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	**640**	**1,000**	(360)
Trade and other receivables	**64,881**	**53,531**	11,350
Total financial assets	**65,521**	**54,531**	10,990
Non-financial assets			
Land and buildings	**16,675**	**14,243**	2,432
Plant and equipment	**11,242**	**15,857**	(4,615)
Intangibles	**7,628**	**11,470**	(3,842)
Prepayments	**4,644**	**4,890**	(246)
Total non-financial assets	**40,189**	**46,460**	(6,271)
Total assets	**105,710**	**100,991**	4,719
LIABILITIES			
Payables			
Suppliers	**11,326**	**335**	10,991
Other payables	**3,563**	**5,527**	(1,964)
Total payables	**14,889**	**5,862**	9,027
Provisions			
Employee provisions	**46,374**	**47,803**	(1,429)
Provision for restoration	**3,508**	**3,279**	229
Total provisions	**49,882**	**51,082**	(1,200)
Total liabilities	**64,771**	**56,944**	7,827
Net assets	**40,939**	**44,047**	(3,108)
EQUITY			
Asset revaluation reserve	**12,676**	**12,188**	488
Contributed equity	**77,142**	**77,132**	10
Retained surplus/(deficit)	**(48,879)**	**(45,273)**	(3,606)
Total equity	**40,939**	**44,047**	(3,108)

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 2017-18 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2018. 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.

Explanations of major variances	Affected line items
Trade and other receivables at 30 June 2018 amounted to $64.9 million, an increase of $11.4 million compared with the original budget. The increase relates to a higher appropriations receivable balance, due to a decrease in expenditure compared with the original budget and the delay in establishing the National Housing Finance and Investment Corporation.	Trade and other receivables
Land and buildings at 30 June 2018 amounted to $16.7 million, an increase of $2.4 million compared with the original budget. The increase is due to a revaluation increment recognised at 30 June 2017 that had not been allowed for in the original budget and reflects the ongoing refurbishment of the Treasury Building.	Land and buildings
Plant and Equipment at 30 June 2018 amounted to $11.2 million, a decrease of $4.6 million compared with the original budget, reflecting higher depreciation rates used than assumed in the budget, partly offset by the transfer from intangibles.	Plant and Equipment
Intangibles at 30 June 2018 amounted to $7.6 million, a decrease of $3.8 million compared with the original budget, explained by a mixture of impairment ($1.3 million), the transfer of $1.2 million from intangibles to plant and equipment with the remainder driven by higher amortisation rates that assumed in budget.	Intangibles
Total payables at 30 June 2018 amounted to $14.9 million, an increase of $9 million compared with the original budget due to the timing of employee and supplier payments.	Total Payables

Cash Flow Statement

for the period ended 30 June 2018

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2018 $'000	2018 $'000	2018 $'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	**205,741**	**189,527**	16,214
Sale of goods and rendering of services	**8,366**	**11,651**	(3,285)
GST received from ATO	**5,149**	**-**	5,149
Other	**1,152**	**772**	380
Total cash received	**220,408**	**201,950**	18,458
Cash used			
Employees	**130,379**	**138,280**	(7,901)
Suppliers	**57,310**	**61,712**	(4,402)
Grants	**1,592**	**-**	1,592
Section 74 receipts transferred to OPA	**21,306**	**-**	21,306
GST paid to ATO	**6,161**	**-**	6,161
Other	**-**	**1,958**	(1,958)
Total cash used	**216,748**	**201,950**	14,798
Net cash from/(used by) operating activities	**3,660**	**-**	3,660
INVESTING ACTIVITIES			
Cash used			
Purchase of land and buildings	**3,037**	**-**	3,037
Purchase of plant and equipment	**6,377**	**12,996**	(6,619)
Purchase of intangibles	**3,111**	**-**	3,111
Total cash used	**12,525**	**12,996**	(471)
Net cash from/(used by) investing activities	**(12,525)**	**(12,996)**	471
FINANCING ACTIVITIES			
Cash received			
Contributed equity - departmental capital budget	**8,246**	**4,750**	3,496
Contributed equity - equity injections	**9**	**8,246**	(8,237)
Total cash received	**8,255**	**12,996**	(4,741)
Net cash from/(used by) financing activities	**8,255**	**12,996**	(4,741)
Net increase/(decrease) in cash held	**(610)**	**-**	(610)
Cash at the beginning of the reporting period	**1,250**	**1,000**	250
Cash at the end of the reporting period	**640**	**1,000**	(360)

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 2017-18 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2018. 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.

Explanations of major variances	Affected line items
The net change in cash held during 2017-18 was $0.610 million, lower than the balanced position in the original budget. The change was predominantly driven by an increase in the drawdown of funds (Appropriations) and a delay in staff recruitment (Employees), offset by a decrease in sale of goods and rendering of services related to Service Level Agreement revenue; and a decrease in equity injection drawdowns relating to the establishment of the National Housing Finance and Investment Corporation (NHFIC) - this was not fully utilised in 2017-18 and will continue into 2018-19.	Net increase/(decrease) in cash held
The original budget for purchases in property, plant and equipment (PP&E) and intangibles was not split between each asset class, but presented at an aggregate level. Comparison of cash used to purchase PP&E and intangibles with the total reported in the budget does not illustrate a significant variance.	Total cash used — investing activities

9.2. Administered Budgetary Reports

Statement of Comprehensive Income

for the period ended 30 June 2018

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2018 $'000	2018 $'000	2018 $'000
NET COST OF SERVICES			
Expenses			
Grants	**99,113,632**	**98,835,834**	277,798
Interest	**42,544**	**30,292**	12,252
Medicare Guarantee Fund	**34,774,894**	**-**	34,774,894
Foreign exchange losses	**-**	**124,642**	(124,642)
Suppliers	**16,169**	**9,525**	6,644
Total expenses	**133,947,239**	**99,000,293**	34,946,946
Income			
Revenue			
Non-taxation revenue			
Sale of goods and rendering of services	**638,403**	**731,921**	(93,518)
Interest	**7,711**	**8,941**	(1,230)
Dividends	**726,421**	**629,500**	96,921
COAG revenue from government agencies	**479,530**	**792,189**	(312,659)
Other	**94,009**	**4,600**	89,409
Total non-taxation revenue	**1,946,074**	**2,167,151**	(221,077)
Total revenue	**1,946,074**	**2,167,151**	(221,077)
Gains			
Foreign exchange	**10,183**	**-**	10,183
Total gains	**10,183**	**-**	10,183
Total income	**1,956,257**	**2,167,151**	(210,894)
Net cost of (contribution by) services	**(131,990,982)**	**(96,833,142)**	(35,157,840)
Surplus/(Deficit)	**(131,990,982)**	**(96,833,142)**	(35,157,840)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus	**3,464,067**	**-**	3,464,067
Total comprehensive income	**3,464,067**	**-**	3,464,067
Total comprehensive income/(loss)	**(128,526,915)**	**(96,833,142)**	(31,693,773)

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 2017-18 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2018. 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
Medicare Guarantee Fund was not reported in the Budget 2017-18, but was updated in MYEFO once *Medicare Guarantee Act 2017* received royal assent on the 26 June 2017.	Medicare Guarantee Fund
Changes in asset revaluation surplus for 2017-18 totalled $3.5 billion. The changes are driven by the movement in the net asset position of the Reserve Bank of Australia.	Changes in assets revaluation surplus

Administered Schedule of Assets and Liabilities

as at 30 June 2018

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2018	2018	2018
	$'000	$'000	$'000
ASSETS			
Financial assets			
Loans and other receivables	**1,404,114**	**1,386,803**	17,311
Investments	**39,551,532**	**37,339,779**	2,211,753
Total financial assets	**40,955,646**	**38,726,582**	2,229,064
Non-financial assets			
Other	**375**	**400**	(25)
Total non-financial assets	**375**	**400**	(25)
Total assets administered on behalf of Government	**40,956,021**	**38,726,982**	2,229,039
LIABILITIES			
Payables			
Grants	**283,816**	**86,964**	196,852
Other payables	**5,877,642**	**5,474,915**	402,727
Unearned income	**12,047**	**17,927**	(5,880)
Total payables	**6,173,505**	**5,579,806**	593,699
Interest bearing liabilities			
Promissory notes	**10,009,796**	**9,141,760**	868,036
Total interest bearing liabilities	**10,009,796**	**9,141,760**	868,036
Provisions			
Other provisions	**898,753**	**82,485**	816,268
Total provisions	**898,753**	**82,485**	816,268
Total liabilities administered on behalf of government	**17,082,054**	**14,804,051**	2,278,003
Net assets	**23,873,967**	**23,922,931**	(48,964)

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 2017-18 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2018. 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**
Investments as at 30 June 2018 totalled $39.6 billion, an increase of $2.2 billion compared with the original budget. The increase is driven by the change in the net assets position of the Reserve Bank of Australia of $3.5 billion and movements in the value of the IMF quota and other investments in international financial institutions as a result of changes in foreign exchange rates.	Investments

Part 05
APPENDICES

Work health and safety

The Treasury abides by its obligations under the *Work Health and Safety Act 2011* (WHS Act) by providing a safe and healthy work environment, promoting strategies to enhance personal wellbeing and upholding high standards of ethical behaviour as set out within the APS Values, Employment Principles and the APS Code of Conduct.

The Treasury is committed to providing a workplace that enables all work activities to be carried out without risks to health and safety. The Treasury takes all reasonably practicable measures to eliminate or minimise risks to the health, safety and welfare of workers, contractors and visitors to the department.

The Treasury's new Work Health and Safety Management System (WHSMS) was endorsed in December 2017. The WHSMS is the Treasury's overarching policy on workplace health and safety and assists the department in meeting its obligations in accordance with the WHS Act. The WHSMS policy and related policies and guidelines set out the safety arrangements and principles which are to be observed by the Treasury and its workers to ensure compliance with the WHS Act, and provide appropriate mechanisms for continuing consultation and management of work health and safety matters.

- In accordance with the WHS Act, the Health and Safety Committee met quarterly throughout 2017-18. The Treasury currently has 13 Health and Safety Representatives, 18 Workplace Harassment Contact Officers and 16 First Aid Officers to assist in maintaining work health and safety standards throughout the department.
- The Treasury's Comcare premium rate has remained consistently low over the past four years. The Treasury's premium rate currently sits at 0.53 per cent, which is 50 per cent of the APS average of 1.06 per cent. This low rate is attributed to the Treasury's Rehabilitation Management System (RMS) which outlines the Treasury's approach to injury and illness management and provides information to staff and managers about the support available to them. The primary objective of the RMS is to prevent injury or illness, or where this is not possible to assist injured or ill staff through the provision of early intervention support and rehabilitation. The Treasury's RMS compliance rating currently sits at 85 per cent. The early intervention component of this policy represents a positive and proactive incentive for staff to seek early treatment at the onset of physical injury or illness which may be having an adverse impact in the workplace.
- The Treasury's incident rate is very low. In 2017-18, a total of 15 incident reports were received, none of which were reportable to Comcare. The majority of incidents related to slips, trips and falls.
- Throughout 2017-18 the Treasury offered a number of awareness, training and wellbeing initiatives to staff. This has included resilience coaching, participation in R U OK day events, APS values in practice training, disability awareness training, e-learning modules on emotional intelligence and relationship building, domestic violence seminars and activities to promote and raise funds for organisations such as Lifeline and Gift of Life. Staff were also offered the opportunity to participate in lunchtime yoga classes and the Treasury soccer and cricket competitions.

- In May 2018, the Treasury enhanced its staff support package for domestic violence providing more practical, meaningful and tangible support. This has included dedicated case management, specialised counselling, short-term access to emergency accommodation, increased leave provisions and access to useful online tools and resources.

Additional wellbeing initiatives which took place throughout 2017-18 are summarised below.

- In each calendar year, the Treasury provides for eligible ongoing staff to claim a single payment of $600 to undertake independent health initiatives which contribute towards a healthy lifestyle. This includes the Treasury's Corporate Health Program which offers discounted rates for gym memberships and related activities. A total of 834 staff claimed this payment in 2017-18.
- In March and April 2018, free quadrivalent flu vaccinations were offered to staff in an effort to prevent the spread of colds and flu. A total of 406 employees participated in the program.
- A total of 116 workstation assessments were provided to staff in 2017-18. Of the 116 assessments conducted, 84 were conducted in-house and 32 assessments were conducted by external providers.
- Employees requiring lenses for screen-based use can be reimbursed a portion of the cost. In 2017-18, 28 employees received this reimbursement.
- The Treasury's Employee Assistance Program (EAP), recently rebranded as Benestar, offers free and confidential counselling independent of the Treasury. The service continues to be available to all Treasury staff, their immediate family members and other people they share a close relationship with. The counselling service is available to help address a range of issues including family life, daily life, emotional wellbeing, work life balance, nutrition and management practices. Staff can also access the EAP online health and wellbeing resources (including videos, learning modules and fact sheets), live chat and online counselling, via the Benestar website.

Advertising and market research

- The Treasury is required to report on all payments over $13,000 (inclusive of GST) to advertising agencies, market research organisations, polling organisations, media advertising organisations and direct mail organisations.
- In 2017-18, the Treasury delivered two advertising campaigns; two phases of the Tax Integrity campaign (TI) and the Housing Affordability campaign (HA). These campaigns were to raise awareness of the tax integrity and multinational tax avoidance measures, and the Government's Housing Affordability Plan highlighting specific measures relevant to individuals and families according to their life stage.
- Campaign expenditure relating to advertising agencies, market research organisations, and media advertising organisations are outlined in the tables below.
- 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**.
- The Treasury did not make any payments to polling organisations or direct mailing organisations in 2017-18.

Table 4: Advertising agencies

Provider	Service Provided	Cost ($)
BMF Advertising Pty Ltd	Creative Services (TI)	$327,962.36
BMF Advertising Pty Ltd	Creative Services (HA)	$1,465,407.94

Note: These figures include head hour and production costs.

Table 5: Market research organisations

Provider	Service Provided	Cost ($)
The Trustee for JWS Research Unit Trust	Market Research (TI)	$144,100.00
Cutthru Pty Ltd T/as Pollinate	Market Research (TI)	$118,400.00
Cutthru Pty Ltd T/as Pollinate	Market Research (HA)	$427,817.50
Whereto Research Based Consulting Pty Ltd	Market Research (HA)	$225,000.00

Table 6: Media advertising

Provider	Service Provided	Cost ($)
Dentsu Mitchell Media Australia	Campaign Advertising (TIPh1)	$1,977,390.73
Dentsu Mitchell Media Australia	Campaign Advertising (TIPh1)	$5,391,215.65
Dentsu Mitchell Media Australia	Campaign Advertising (HA)	$7,023,911.93
Dentsu Mitchell Media Australia	Advertising for recruitment services	$91,509.34

Note: All figures include GST.

Ecologically sustainable development and environmental performance

The Treasury remains committed to the principles of ecologically sustainable development consistent with the *Environment Protection and Biodiversity Conservation Act 1999*. The Treasury Environmental Management Plan (EMP) sets out the department's environmental policies and performance action plans, to meet environmental best practice wherever practicable.

In 2017-18 the Treasury continued to mitigate its impact on the environment in the areas of energy efficiency, waste and water, by:

- conserving resources and minimising waste;
- implementing a range of environmental work practices and systems;
- monitoring and reporting of environmental performance; and
- raising the environmental awareness of staff.

Specific initiatives undertaken by the Treasury in 2017-18 include energy efficiency, waste and water.

Energy efficiency

- reviewing the lighting control system and the introduction of LED lighting in new office fit-out;
- the installation of new energy efficient Heating, Ventilation and Air-conditioning (HVAC) plant and machinery by the building owner;
- the installation of new efficient hand dryers in bathrooms in new office fit-out as part of base building works by the building owner;
- using low power Virtual Desktop Infrastructure;
- purchasing five star energy rated electrical appliances (where available);
- purchasing up to 10 per cent Greenpower for tenant light and power for the Treasury building;
- using technology such as teleconferencing and videoconferencing to facilitate meetings with interstate colleagues where appropriate;
- offsetting greenhouse gas emissions for fleet fuel usage through GreenFleet and reducing the corporate vehicle fleet from three vehicles to one vehicle;
- participating in Earth Hour 2018;

Waste

- encouraging recycling by providing waste recycling stations, segregating waste into approved recycling streams (including waste to landfill, commingled waste and compost):
  - the Treasury recycled 7.35 metric tons of commingled waste, 5.44 metric tons of used paper towel and 7.81 metric tons of organic waste;

- establishing a fit-out and furniture recycling strategy that reuses the Department's existing office fit-out infrastructure, including workstations; and the sourcing of redundant office fit-out and workstations from other government departments to reuse;
- supporting the use of electronic document management:
  - the Treasury recycled 43.65 metric tons of used paper and 2.58 metric tons of shredded paper;
- recycling of toner cartridges, fluorescent light tubes and batteries and assisting staff to recycle old mobile phones by donating them to charity;
- using general-use office copy paper with a postconsumer recycled content of 52 per cent;

Water

- using water flow restriction controls and water efficient appliances in kitchens and bathrooms to minimise water use across the Treasury building tenancy; and
- the installation of new water efficient sensor tapware 4.5L/min, 6 star WELS rating in bathrooms in new office fit-out as part of base building works by the building owner.

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 and socioeconomic status or locality.

The Treasury's carer support framework includes:

- a non-discriminatory definition of family in the *Treasury Enterprise Agreement 2015-18* that recognises relatives by blood, marriage, strong traditional or ceremonial affinity and genuine domestic or household relationships;
- family-friendly work arrangements such as access to flexible working arrangements, carer's rooms, carer's leave and being a breastfeeding accredited workplace;
- access to accumulated personal leave to care for sick family and household members, or people they have caring responsibilities for, and unpaid carer's leave to care for or support family or household members, or if an unexpected family or household emergency arises;
- access to the Employee Assistance Program for free, professional and confidential counselling for staff, their immediate family members and people they have a close relationship with; and
- access to an onsite childcare facility in Canberra.

Grants

Information on grants awarded by the Treasury for the period 1 July 2017 – 31 December 2017 is available on Treasury's website at www.treasury.gov.au. Grants awarded for the period 1 January 2018 – 30 June 2018 are available on GrantConnect at www.grants.gov.au.

Information publication scheme

Agencies subject to the *Freedom of Information Act 1982* are required to publish information as part of the Information Publication Scheme. This requirement is in Part II of the Act. Each agency must display a plan on its website showing what information it publishes in accordance with the Information Publication Scheme requirements.

The Information Publication Scheme plan is on the Treasury website at **www.treasury.gov.au**.

Australia and the international financial institutions

Program 1.2 outlined various payments made by the Treasury to the Asian Development Bank, the Asian Infrastructure Investment Bank, the European Bank for Reconstruction and Development, the International Monetary Fund (IMF) and the World Bank Group (WBG). This appendix addresses the legislation that requires further reporting on the IMF and the WBG for 2017-18. In particular:

- Section 10 of the *International Monetary Agreements Act 1947*, which requires reporting 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 requires reporting 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. The Department of Foreign Affairs and Trade (DFAT) has further interactions relating to the Government's aid program (see DFAT annual report for information).

The IMF and the WBG publish annual reports on their operations and provide information at www.imf.org and www.worldbank.org.

Australia and the International Monetary Fund

Mandate

The purposes of the IMF (set out in Article I of its Articles of Agreement) are to:

- promote international monetary cooperation;
- facilitate the expansion and balanced growth of trade, contributing to high levels of employment and real income;
- promote exchange rate stability and avoid competitive devaluation;
- assist in the establishment of a multilateral system of payments and in the elimination of foreign exchange restrictions that hamper the growth of world trade;
- 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 IMF Board of Governors;
- the International Monetary and Financial Committee (IMFC);
- the IMF Executive Board;
- 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. It consists of one governor and one alternate governor for each of the 189 member countries. Australia is represented on the Board of Governors by the Treasurer of the Commonwealth of Australia. The Secretary to the Treasury is Australia's Alternate Governor. Governor's votes on IMF resolutions during 2017-18 are noted in Table 7.

Table 7: Australian Governor's votes on IMF resolutions

Resolution title	Date	Australian Governor's vote
2021 Annual Meetings	10 April 2018	Approved
Direct Remuneration of executive Directors and their Alternates	12 September 2017	Approved

International Monetary and Financial Committee

The IMFC advises the Board of Governors on the functioning and performance of the international monetary and financial system, but does not have a decision-making role.

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 a constituency which in 2017-18 also included Kiribati, the Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Republic of Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, Uzbekistan and Vanuatu.

As at 30 June 2018, Australia held around 1.34 per cent of the total voting power at the IMF. The constituency, as a whole, held around 3.9 per cent.

By agreement between constituency members, the staffing of Australia's constituency office rotates among constituency members. As at 30 June 2018, the constituency's Executive Director position was held by Mr Hohyun Jang of the Republic of Korea, while Australia is represented by an Alternate Executive Director, Ms Christine Barron. Under the agreed rotation arrangements, Australia will assume the constituency's Executive Director position from 1 November 2018.

Australia's Article IV consultation

In accordance with Article IV of its Articles of Agreement, the IMF conducts regular consultations with the authorities of member countries on economic policies and conditions. The IMF's 2017 Article IV consultation with Australia included a visit to Australia in November 2017 during which IMF staff met with the Treasurer, senior Treasury officials, the Governor and other senior officials of the Reserve Bank of Australia, representatives of other government agencies, the business community and unions. The 2017 Article IV Report on Australia was released on 20 February 2018.

Australia's quota in the International Monetary Fund and financial transactions

Australia's quota in the International Monetary Fund

A member's 'quota' is its allocated shareholding in the IMF, which broadly reflects its weight in the global economy. Australia's quota at 30 June 2018 was 6,572.4 million Special Drawing Rights (SDR) (equivalent to A$12,492.7 million at 30 June 2018). Part of Australia's quota is held in reserve by the IMF in SDRs and gold. Part is held in Australia by the RBA in a combination of non-interest bearing promissory notes and cash amounts in Australian dollars.

Australia's financial transactions with the International Monetary Fund

Australia conducts a range of financial transactions to manage its obligations with the IMF. Transactions in 2017-18 were all completed in a timely and efficient manner. They are described in the following sections, on a cash basis.

Special Drawing Right charges, interest and assessment fee

The SDR is an international reserve asset created by the IMF to supplement the official reserves of member countries. Its value is based on a basket of five international currencies (the US dollar, euro, Japanese yen, pound sterling and the Chinese renminbi).

Australia's cumulative allocation of SDRs at 30 June 2018 was around SDR 3.1 billion while our actual SDR holdings were around SDR 2.9 billion. Australia's SDR allocation is held by the RBA, having been sold to the RBA by the Commonwealth in exchange for Australian dollars. The IMF levies charges on the SDRs that have been allocated to each member and pays interest on the SDRs that are held by each member.[1] In 2017 18, the Australian Government paid charges of SDR 20.9 million (A$38.6 million) on net cumulative allocations. During this period the RBA received SDR 19.2 million (A$35.4 million) in interest from the IMF on Australia's SDR holdings.

In addition, the IMF levies an annual assessment fee to cover the cost of operating the SDR department at the Fund. This is determined according to participants' net cumulative SDR allocations. Australia's annual assessment fee for the IMF financial year ending 30 April 2018 was SDR 51,087 (A$96,536).

Remuneration

Remuneration is interest earned on quota resources held by the IMF. In 2017-18, Australia received SDR 781,496 (A$1,455,358) in remuneration.

Maintenance of value

The SDR value of the part of Australia's IMF quota held in Australian dollars changes as the exchange rate between the Australian dollar and the SDR fluctuates throughout the year.

Under the IMF Articles of Agreement, members are required to maintain the SDR value of their quota through a 'maintenance of value' adjustment (that is, a payment or receipt as necessary) following the close of the IMF financial year on 30 April. For the IMF 2017-18 financial year, the Australian dollar depreciated against the SDR. As a result, the 2017-18 maintenance of value adjustment involved a payment from Australia to the IMF of around A$405 million.

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1 Charges and interest payments are accrued daily and paid quarterly. The SDR interest rate is the primary rate from which other rates are derived and is based on a weighted average of representative interest rates on short term debt in the money markets of the SDR basket of currencies. The basic rate of charge is equal to the SDR interest rate, plus a margin. Additional burden sharing adjustments, for the financial consequences of protracted arrears, is also applied (when applicable) to the basic rate of charge.

Table 8: Transactions with the IMF

	Amount in SDRs	Amount in A$
Total interest received on Australia's SDR holdings[(a)]	19,174,738	35,443,934
Total remuneration received for Australian holdings at the IMF	781,496	1,455,358
Total charges paid on Australia's SDR allocation	20,854,820	38,550,185
Annual Assessment Fee paid to SDR department	51,087	96,536
Maintenance of Value transaction for 2017-18		404,964,860.60

(a) Interest on SDR holdings is paid to the RBA, not to the Treasury.

Lending-related transactions and Australia's reserve position in the IMF

The IMF manages its lending of quota resources through the Financial Transactions Plan (FTP). This is the mechanism through which the IMF selects the currencies to be used in IMF lending transactions. It also allocates the financing of lending transactions among members. Only currencies of IMF members with sufficiently strong balance of payments and reserve positions — such as Australia — are selected for use in the FTP.

Table 9 provides details of individual FTP transactions and the resulting reserve position at the IMF.

Table 9: Australia's reserve tranche position in the IMF

Date	Description	Debit (SDRs)	Debit (A$)	Credit (SDRs)	Credit (A$)
Reserve tranche position as at 30 June 2017 [(a)]				**224,929,410**	**406,670,421**
FTP payments					
3 August 2017	Transfer to IMF Investment Account			81,000,000	142,760,962
23 April 2018	FTP resources used by the IMF to meet NAB repayments subject to currency shortfalls			3,000,000	5,597,433
22 June 2018	FTP Loan to Argentina			168,600,000	320,681,076
FTP receipts					
Total Repayments				0	0
Reserve tranche position as at 30 June 2018				**477,529,410**	**907,678,027**

(a) Because Australia's reserve tranche position is denominated in SDRs and AUD/SDR exchange rates vary during the year, when expressed in Australian dollars the closing position does not exactly equal the 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. In 2017-18, the amount of Australia's reserves held by the IMF increased from SDR 224.9 million to SDR 477.5 million.

The IMF also maintains borrowing arrangements — including the New Arrangements to Borrow (NAB) — with several member countries that can be drawn upon to supplement the IMF's quota resources, if needed. In 2017-18 the IMF did not call on Australia for NAB resources.

During 2017-18, Australia received total NAB repayments of SDR 143.1 million (A$260.1 million).

Table 10: Australia's NAB transactions

Date	Description	Debit (SDRs)	Debit (A$)	Credit (SDRs)	Credit (A$)
Total NAB loans (payments)				0	0
Total NAB receipts (repayments)		143,139,375	260,098,561		
Net NAB payments for 2017-18		143,139,375	260,098,561		

The Australian Government earns interest on any money lent under the NAB.[2] For 2017-18, the Australian Government received interest payments on its NAB loans of SDR 2.0 million (A$3.6 million).

2 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 (WBG) is an investment bank charged with providing financial services, through advice, direct loans, grants, and brokerage to support stable and inclusive growth within countries and across and between regions. It works closely with the International Monetary Fund (IMF), which is responsible for ensuring the stability of the international monetary system.

It has the twin goals of ending extreme poverty and building shared prosperity.

World Bank Strategic Priorities

In April 2018, the WBG released the document titled *Sustainable Financing for Sustainable Development: World Bank Group Capital Package Proposal*, which aims to give effect to the operational and strategic changes outlined in the *Forward Look: A Vision for the World Bank Group in 2030* released in 2016.

The *Sustainable Financing for Sustainable Development* proposal seeks more capital to ensure that the WBG is able to contribute to achieving the Sustainable Development Goals. It has a particular focus on the development challenges of Middle Income Countries (MICs), and deploying private sector solutions at scale in both MICs and Low Income Countries (LICs). The proposed capital increase and reforms would complement the 18th replenishment of the International Development Association agreed in March 2017, which is the World Bank's mechanism for providing concessional financing to LICs. Internal efficiencies and savings form an important part of the package.

On 7 June 2018, following further consultation and discussion at the World Bank's Executive Board, the WBG circulated a resolution seeking Governor's agreement to a US$ 82.6 billion capital increase for the International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC). The outcome of the vote and implications for Australia will be covered in the Annual Report 2018-19.

The WBG is committed to collaborating with multilateral institutions, sovereigns and the private sector to mobilise financing and leverage knowledge to ensure assistance is harmonised and effective. It is also committed to working with the private sector and is implementing an overarching strategy to substantially increase the volume of private sector funds invested in developing and emerging market economies.

Institutions of the World Bank Group and Australia's shareholding

Australia is a member of all five arms of the WBG:

- International Bank for Reconstruction and Development (IBRD)
- International Development Association (IDA)
- International Finance Corporation (IFC)
- Multilateral Investment Guarantee Agency (MIGA)
- International Centre for Settlement of Investment Disputes (ICSID).

The IBRD and IDA make up the core World Bank. The IBRD lends to governments of middle-income and credit-worthy low-income countries, while IDA provides grants and interest-free or concessional loans to governments of poorer countries.

The IFC is the largest global development institution focused exclusively on the private sector. It helps developing countries achieve sustainable growth by financing, in association with private investors the establishment, improvement and expansion of productive private enterprises which will contribute to the development of its member countries.

The MIGA promotes foreign direct investment into developing countries by offering political risk insurance (guarantees) to investors and lenders. The ICSID provides international facilities for conciliation and arbitration of investment disputes.

Australia's membership of the IBRD, IFC and MIGA requires the Australian Government to hold shares in these institutions. Australia's shareholdings as at 30 June 2018 are set out in Table 11.

Table 11: Australian shareholdings at the World Bank Group

	IBRD	IFC	MIGA
Shares	31,592	47,329	3,019
Price per share (US$)	120,635	1,000	10,820
Value of total capital (US$ millions)	3,811.1	47.33	32.67
Value of paidin capital (US$ millions)	233.35	47.33	6.20
Value of callable capital (US$ millions)	3,577.75	0.00	26.46
Value of total capital (A$ millions)	5,156.41	64.04	44.20

Australia's shareholding and voting power is listed in Table 12.

Table 12: Australia's shareholding and voting power in the World Bank Group

	IBRD	IDA	IFC	MIGA
Shareholding (per cent of total)	1.39	-	1.84	1.70
Voting power (per cent of total)	1.34	1.24	1.77	1.49

Note: Shareholdings and voting power as at 30 June 2018. Shareholding and voting power differ in IBRD, IFC and MIGA due to the allocation of basic votes across countries. At ICSID, the Administrative Council comprises a representative from each contracting state with equal voting power.

Each arm of the WBG 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. The Board of Governors and Executive Directors continue to work towards ensuring the WBG has adequate resources to complete its mission and that its shareholding reflects changes in the world economy.

In addition to the shareholdings managed by the Treasury, DFAT also made financial contributions to the WBG, including funds for joint activities through Australia's country, regional and global programs. The DFAT annual report provides information on Australia's aid program.

Australia's cooperation with the World Bank Group

Australia is actively involved in WBG strategy, supporting efforts to strengthen its governance and optimise its effectiveness. Membership also enables Australia to pursue economic development outcomes for our region as well as promote the benefits of an open global economy. The rationale for Australia's active participation in the World Bank Group and how it aligns closely with our national interests and aid priorities is highlighted in the Foreign Policy White Paper.

As the Chair of the Committee on Governance and Executive Directors' Administrative Matters (COGAM), Australia supported the development of the *Sustainable Financing for Sustainable Development* proposal, which culminated in resolutions put to Governors on 7 June 2018 for a capital increase for the IBRD and IFC.

Australia has also been a strong voice calling for optimal use of the WBG's balance sheet, and crowding in private sector finances both at the WBG and in the G20 forums.

Australia's representation at the World Bank Group

Board of Governors

The highest decision-making body of the WBG is the Board of Governors, comprising one governor from each of the 189 member countries. In 2017-18, Australia was represented by the Treasurer of the Commonwealth of Australia. Australia's Alternate Governor was the Minister for Revenue and Financial Services.

Table 13 outlines the Australian Governor's votes for the 2017-18 financial year.

Table 13: Australian Governor's votes on World Bank Group resolutions

Institution	Resolution title	Date	Australian Governor's vote
IBRD	Direct Remuneration of Executive Directors and their Alternates	12 September 2017	Supported
IBRD	Transfer from Surplus to Replenish the Trust Fund for Gaza and the West Bank	18 August 2017	Supported
IBRD	2021 Annual Meetings of the Board of Governors of the World Bank Group and International Monetary Fund	10 April 2018	Supported

Executive Director and Constituency Office

The WBG's Executive Boards (IBRD, IDA, IFC and MIGA) conduct the day-to-day business of the WBG and determine matters of policy under the overall authority of the Board of Governors.

Australia belongs to a constituency of countries from the Asia-Pacific region that includes: Cambodia, Kiribati, the Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Tuvalu and Vanuatu. The constituency is represented by one Executive Director on the Board of (25) Executive Directors, and Australia and Korea alternate in this role. Mr Jason Allford from Australia assumed the Executive Director Position on 1 November 2016, while Dr Hoe Jeong Kim from Korea assumed the Alternate Executive Director position. Australia also held an adviser position in the constituency office.

Operational evaluation

As shown by its Corporate Scorecard for October 2017 the WBG has made mixed progress against a number of key indicators over the past year.

The Scorecard reports that in 2016-17 total WBG financial commitments were US$58.3 billion, down from US$62.3 billion in 2015-2016 but above the baseline US$52.9 billion in 2012-13. However, the time taken to deliver operations remains a challenge. The proportion of WBG country strategies with satisfactory performance decreased from 66 per cent in 2015-16 to 57 per cent in 2016-17.

Growth of business revenue of 4.7 per cent fell short of the target (of >5 per cent) though the Bank remains on track to meet its goal of $400 million in realised savings by 2017-18.

The WBG made improvements in employee engagement and managerial effectiveness indicators in 2016-17. Surveys of employee engagement (a proxy for job satisfaction and pride in the institution) improved to 79 per cent in 2016-17, above the 73 per cent in 2015-16 and the 76 per cent target. Perceptions of managerial effectiveness also rose to 74 per cent in 2016-17 from 72 per cent in 2015-16. Staff perception of WBG collaboration across the five institutions continues to gradually improve — up to 40 per cent in 2016-17, from 34 per cent in 2015-16 and 27 per cent in 2014-15, but remains significantly below the 66 per cent target.

Disability reporting

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

The Commonwealth Disability Strategy has been overtaken by the *National Disability Strategy 2010-2020*, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level, two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these progress reports was published in 2014, and can be found at **www.dss.gov.au**.

Resource tables

Table 14: Summary resource statement

		Actual available appropriation 2017-18 $'000 (a)	Payments made 2017-18 $'000 (b)	Balance remaining 2017-18 $'000 (a - b)
Ordinary annual services[1]				
Departmental				
Departmental appropriation[2]		272,932	218,421	54,511
Total		272,932	218,421	54,511
Administered expenses				
Outcome 1		27,073	24,214	2,859
Payment to Corporate entities		-	-	-
Total		27,073	24,214	2,859
Total ordinary annual services	**A**	300,005	242,635	57,370
Other services[3]				
Departmental non-operating				
Equity injections		4,750	9	4,741
Total		4,750	9	4,741
Administered non-operating				
Administered assets and liabilities				
Outcome 1		60,000	-	60,000
Total		60,000	-	60,000
Total other services	**B**	64,750	9	64,741
Total available annual appropriations and payments (A+B)		**364,755**	**242,644**	
Special appropriations				
Asian Development Bank (Additional Subscription) Act 2009			24,359	
Asian Infrastructure Investment Bank Act 2015			194,135	
Federal Financial Relations Act 2009			87,728,904	
International Monetary Agreements Act 1947			38,671	
Public Governance, Performance and Accountability Act 2013			-	
Total special appropriations	**C**		87,986,069	
Special accounts[4]				
Opening balance		-		
Appropriation receipts		45,343,144		
Non-appropriation receipts to Special Accounts		879,897		
Payments made			11,448,147	
Transfers made to other entities			34,774,894	
Total special account	**D**	46,223,041	46,223,041	
Total resourcing and payments (A+B+C+D)[5]		46,587,796	134,451,754	
Less appropriation drawn from annual or special appropriations and/or Corporate entities through annual appropriations credited to special accounts		-	-	
Total net resourcing for the Treasury		**46,587,796**	**134,451,754**	

1. *Appropriation Act (No. 1) 2017-18* and *Appropriation Act (No. 3) 2017-18*. This may also include Prior Year departmental appropriation and section 74 relevant agency receipts.
2. Includes an amount of $8.246 million for the Departmental Capital Budget. For accounting purposes this amount has been designated as 'contributions by owners'.
3. *Appropriation Act (No. 2) 2017-18*.
4. Does not include 'Special Public Money' held in accounts like Other Trust Monies account (OTM), Services for other Government and Non-agency Bodies accounts (SOG), or Services for Other Entities and Trust Moneys Special accounts (SOETM).
5. Total resourcing excludes the actual available appropriation for all Special Appropriations.

Note: Details of appropriations are disclosed in Note 6 of the Financial Statements.

Table 15: 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 2017-18 $'000 (a)	Actual expenses 2017-18 $'000 (b)	Variation 2017-18 $'000 (a - b)
Program 1.1: Department of the Treasury			
Departmental expenses			
Departmental appropriations[1]	202,003	191,722	10,281
Special accounts	-	-	-
Expenses not requiring appropriation	9,486	15,402	(5,916)
Administered expenses			
Ordinary annual services (Appropriation Bill No. 1)	8,374	13,703	(5,329)
Special appropriation: *PGPA Act 2013*-s77 repayments	1,000	-	1,000
Special accounts	-	34,774,894	(34,774,894)
Expense not requiring appropriations	-	-	-
Total for Program 1.1	220,863	34,995,721	(34,774,858)
Program 1.2: Payments to International Financial Institutions			
Administered expenses			
Special appropriations	30,292	42,544	(12,252)
Expenses not requiring appropriation	124,642	691,046	(566,404)
Total for Program 1.2	154,934	733,590	(578,656)
Program 1.3: Support for Markets and Business			
Administered expenses			
Ordinary annual services (Appropriation Bill No. 1)	14,515	11,019	3,496
Total for Program 1.3	14,515	11,019	3,496
Program 1.4: General Revenue Assistance			
Administered expenses			
Special appropriations	62,340,000	60,854,650	1,485,350
Special accounts	730,568	3,316,571	(2,586,003)
Total for Program 1.4	63,070,568	64,171,221	(1,100,653)
Program 1.5: Assistance to the States for Healthcare Services			
Administered expenses			
Special appropriations	19,562,602	19,936,433	(373,831)
Total for Program 1.5	19,562,602	19,936,433	(373,831)
Program 1.6: Assistance to the States for Skills and Workforce Development			
Administered expenses			
Special appropriations	1,495,490	1,495,490	-
Total for Program 1.6	1,495,490	1,495,490	-

	Budget 2017-18 $'000 (a)	Actual expenses 2017-18 $'000 (b)	Variation 2017-18 $'000 (a - b)
Program 1.7: Assistance to the States for Disability Services			
Administered expenses			
Special appropriations	1,519,694	1,521,621	(1,927)
Total for Program 1.7	1,519,694	1,521,621	(1,927)
Program 1.8: Assistance to the States for Affordable Housing			
Administered expenses			
Special appropriations	1,360,042	1,360,042	-
Total for Program 1.8	1,360,042	1,360,042	-
Program 1.9: National Partnership Payments to the States			
Administered expenses			
Special accounts	11,813,074	10,279,745	1,533,329
Expenses not requiring appropriation	-	340,527	(340,527)
Total for Program 1.9	11,813,074	10,620,272	1,192,802
Outcome 1 Totals by appropriation type			
Administered expenses			
Ordinary annual services	22,889	24,722	(1,833)
Special appropriations	86,309,120	85,210,780	1,098,340
Special accounts	12,543,642	48,371,210	(35,827,568)
Expenses not requiring appropriation	124,642	1,031,573	(906,931)
Departmental expenses			
Departmental appropriations[1]	202,003	191,722	10,281
Special accounts	-	-	-
Expenses not requiring appropriation	9,486	15,402	(5,916)
Total expenses for Outcome 1	99,211,782	134,845,409	(35,633,627)

	2016-17	2017-18
Average staffing level (number)	796	842

1. Departmental Appropriation combines Ordinary annual services (Appropriation Bill No. 1) and Revenue from independent sources (s74).

Corrections

Correction of material error in previous annual report.

Table 3 on Page 48 of the Treasury 2016-17 Annual Report was titled Remuneration — non-APS Employees. The title should read Remuneration — non-SES employees.

List of requirements

Description	Requirement	Page/s
Letter of transmittal		
A copy of the letter of transmittal signed and dated by the accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory	iii
Aids to access		
Table of contents.	Mandatory	v
Alphabetical index.	Mandatory	160
Glossary of abbreviations and acronyms.	Mandatory	156
List of requirements.	Mandatory	151
Details of contact officer.	Mandatory	ix
Entity's website address.	Mandatory	ix
Electronic address of report.	Mandatory	ix
Review by the accountable authority		
A review by the accountable authority of the entity.	Mandatory	3
Overview of the entity		
A description of the role and functions of the entity.	Mandatory	5-10
A description of the organisational structure of the entity.	Mandatory	5-10
A description of the outcomes and programmes administered by the entity.	Mandatory	5-10
A description of the purposes of the entity as included in corporate plan.	Mandatory	5-10
An outline of the structure of the portfolio of the entity.	Portfolio departments — mandatory	5-10
Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory	N/A
Report on the performance of the entity		
Annual performance statements		
Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	13-39

Description	Requirement	Page/s
Report on financial performance		
A discussion and analysis of the entity's financial performance.	Mandatory	8, 59-124
A table summarising the total resources and total payments of the entity.	Mandatory	146-149
If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.	N/A
Management and accountability		
Corporate governance		
Information on compliance with section 10 (fraud systems).	Mandatory	44
A certification by the accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	iii
A certification by the accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory	iii
A certification by the accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	iii
An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	43
A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory	N/A
External scrutiny		
Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	46
Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory	N/A
Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory	N/A
Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory	N/A

Description	Requirement	Page/s
Management of human resources		
An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	47-53
Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: • Statistics on staffing classification level; • Statistics on full-time employees; • Statistics on part-time employees; • Statistics on gender; • Statistics on staff location; • Statistics on employees who identify as Indigenous.	Mandatory	47-53
Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the *Public Service Act 1999*.	Mandatory	47-53
Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AD(4)(c).	Mandatory	47-53
The salary ranges available for APS employees by classification level.	Mandatory	47-53
A description of non-salary benefits provided to employees.	Mandatory	47-53
Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory	N/A
Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory	N/A
Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory	N/A
Information on aggregate amount of performance payments.	If applicable, Mandatory	N/A
Assets management		
An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory	54
Purchasing		
An assessment of entity performance against the *Commonwealth Procurement Rules*.	Mandatory	55
Consultants		
A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory	56

Description	Requirement	Page/s
A statement that *"During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of $[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of $[specified million]."*	Mandatory	56
A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory	56
A statement that *"Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website."*	Mandatory	56
Australian National Audit Office access clauses		
If an entity entered into a contract with a value of more than $100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory	N/A
Exempt contracts		
If an entity entered into a contract or there is a standing offer with a value greater than $10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory	N/A
Small business		
A statement that *"[Name of entity] 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."*	Mandatory	55
An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	55
If the entity is considered by the Department administered by the Finance Minister as material in nature — a statement that *"[Name of entity] 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."*	If applicable, Mandatory	55
Financial statements		
Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	59-124

Description	Requirement	Page/s
Other mandatory information		
Advertising campaigns		
If the entity conducted advertising campaigns, a statement that *"During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website."*	If applicable, Mandatory	129-130
If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory	N/A
Grants		
A statement that *"Information on grants awarded to [name of entity] during [reporting period] is available at [address of entity's website]."*	If applicable, Mandatory	134
Disability reporting		
Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	145
Information Publication Scheme		
Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	135
Corrections		
Correction of material errors in previous annual report	If applicable, mandatory	150
Other information		
Information required by other legislation	Mandatory	127-128, 131-132, 133, 136-144

Abbreviations and acronyms

AASB	Office of the Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACL	Australian Consumer Law
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
APCA	Australian Payments Clearing Association
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
ASX	Australian Securities Exchange Limited
ATO	Australian Taxation Office
AUASB	Office of the Auditing and Assurance Standards Board
CAF	Legislative and Governance Forum on Consumer Affairs
CCA	*Competition and Consumer Act 2010*
CFR	Council of Financial Regulators
CGC	Commonwealth Grants Commission
COAG	Council of Australian Governments
CPRs	Commonwealth Procurement Rules
CSEF	Crowd-sourced equity funding
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
IGT	Inspector-General Taxation
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
NCC	National Competition Council
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
PC	Productivity Commission
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	Items that are usually managed by an entity on behalf of the government. Entities do not have control over these items, which are normally related to activities governed by eligibility rules and conditions established by legislation (for example, grants, subsidies and benefit payments).
Appropriation	Public monies the parliament authorises the Australian Government to withdraw from the Consolidated Revenue Fund for a specified purpose.
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)	Consists of all revenues and moneys raised or received by the executive government of the Commonwealth. The fund is self-executing in nature, which means that all money received by the Commonwealth automatically forms part of the fund.
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	Departmental items are usually appropriations managed by an entity, and over which the entity has control. That is, the entity's accountable authority has discretion in delivering the activities and/or allocating resources. Typically, these items include the day-to-day operations and program support activities of an entity.
Financial results	The results shown in the financial statements of an agency.
Grant	An arrangement for the provision of financial assistance by the Commonwealth or on behalf of the Commonwealth: under which relevant money or other CRF money is to be paid to a recipient other than the Commonwealth which is intended to assist the recipient achieve its goals which is intended to help to address one or more of the government's policy objectives and under which the recipient may be required to act in accordance with specified terms or conditions.
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 Commonwealth's central bank account. The OPA is one of a group of linked bank accounts, referred to as the Official Public Account Group of Accounts. OPAs are maintained with the Reserve Bank of Australia.
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 consequences of a purpose or activity, as defined in the annual Appropriation Acts and the portfolio budget statements, by a Commonwealth entity and company.
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)	The PBS inform parliamentarians and the public of the proposed allocation of resources to government outcomes. They also assist the Senate standing committees with their examination of the government's Budget. PBS are tabled in Parliament on Budget night and published as budget-related papers.
Programs	Commonwealth programs deliver benefits, services or transfer payments to individuals, organisations or the community as a whole, and/or policy advice to inform government decisions. A program is comprised of activities or groups of activities, as defined in the annual Appropriation Acts and portfolio budget statements, by Commonwealth entity and company.
***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: http://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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