



Australian Government

The Treasury

# THE TREASURY

ANNUAL REPORT  
2008-09







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ANNUAL REPORT  
2008-09

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**Australian Government**

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**The Treasury**

**Office of the Secretary**

12 October 2009

The Hon Wayne Swan MP  
Treasurer  
Parliament House  
CANBERRA ACT 2600

Dear Treasurer

I have pleasure in presenting to you the annual report of the Treasury for the year ended 30 June 2009. The report has been prepared in accordance with section 63 of the *Public Service Act 1999*. Subsection 63 (1) of the Act requires that the Secretary to the department is to provide a copy of the report to the agency minister for presentation to the Parliament.

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

Yours sincerely

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

Ken Henry  
Secretary to the Treasury



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# INTRODUCTION AND GUIDE TO THE REPORT

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*The Treasury Annual Report 2008-09* outlines performance against outcomes, outputs and performance information contained in the *Portfolio Budget Statements 2008-09*.

The 2008-09 annual report includes the reporting requirements and financial accounts for the Australian Government Actuary and the Foreign Investment Review Board. The financial accounts for the Financial Reporting Panel and the Takeovers Panel are included in this report; however, the performance reporting does not extend to the activities of the Financial Reporting Panel or the Takeovers Panel as they publish their own annual reports.

**Part 1** of this report includes a summary of significant issues and developments during 2008-09, and an overview of the Treasury's performance. The departmental overview in Part 1 details the Treasury's role and functions, senior management structure, organisational structure and portfolio structure.

**Part 2** of the report provides an analysis of performance against the Treasury's policy outcomes. A review is also provided of the performance of the Executive and Parliamentary Division and Corporate Services Group.

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

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

**Part 5** of the report, appendices, includes other information as required under the annual report guidelines.

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

## Other sources of information

The Treasury releases information on its activities through many publications, press releases, speeches and other reports, including the annual report. Copies of all the Treasury's publications are available on its website at [www.treasury.gov.au](http://www.treasury.gov.au).

## Contact details

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A copy of this document can be located on the Treasury website at [www.treasury.gov.au/annualreport](http://www.treasury.gov.au/annualreport).



# PART ONE

## OVERVIEW





## SECRETARY'S REVIEW

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In an economic landscape dominated by the global financial crisis, the Treasury has continued to pursue its goal of improving the wellbeing of all Australians, providing quality advice to government and assisting in the implementation of key policy initiatives.

The Treasury's recent achievements include developing and implementing policy responses to the unfolding global financial crisis and global recession. The fiscal stimulus packages have supported growth. It is estimated that without the stimulus the economy would have shrunk in the March and June quarters (in addition to the December quarter). In February 2009, the Treasury assisted the Government deliver the Nation Building and Jobs Plan and the Updated

Economic and Fiscal Outlook, which set out the Government's revised fiscal strategy and updated economic forecasts and key fiscal aggregates.

The Treasury's work on the Guarantee Scheme for Large Deposits and Wholesale Funding has been instrumental in supporting Australian banks, credit unions and building societies to access funding in domestic and international credit markets.

The Treasury's efforts in relation to international engagement have been significant, supporting the G-20 process with rigorous advice and commitment and making the most of the opportunity to influence global financial market reform.

As part of its central agency role, the Treasury is collaborating in cross-government policy development on economy-wide reforms, such as rolling out the national broadband network and positioning Australia to transition to a less emissions-intensive economy.

The Treasury is supporting the Australia's Future Tax System Review Panel, which is part way through the most comprehensive review of the Australian tax and transfer system in 50 years. The review has already demonstrated how the Treasury can successfully engage the public in the policy development process.

The Treasury continues to advance key reforms through the Council of Australian Governments. The Intergovernmental Agreement on Federal Financial Relations was a notable achievement in this field.

In June 2009 the Australian National Audit Office commenced a performance audit into representations to the Treasury in relation to motor dealer financing assistance. The performance audit report was tabled in early August 2009. A number of other related investigations and inquiries were also commenced including an Australian Federal Police

investigation, a Senate Standing Committee of Privileges inquiry and the Treasury's consideration of probity and Australian Public Service Code of Conduct matters.

### **Macroeconomic outcomes**

In developing policies to promote economic growth, the Treasury continues to consider productivity, population and participation effects. This framework has proved effective in policy development and analysis, most strongly evidenced in the intergenerational reports; the third of which will be released before the 2010-11 Budget.

The Treasury's advice to government is being provided in an increasingly complex international environment. Eight out of Australia's top 10 Major Trading Partners are forecast to contract in 2009, with their economies contracting by 2 per cent overall this year. The Treasury is contributing to advancing the work of the various international institutions, in particular the International Monetary Fund, the World Bank, the Organisation for Economic Co-operation and Development and the Asian Development Bank. The Treasury continues to advise the Government on crucial international and regional forums such as the Asia-Pacific Economic Cooperation, the G-20 and the East Asia Summit.

### **Effective government spending arrangements**

Effective government spending arrangements contribute to the overall fiscal outcome, influence strong sustainable economic growth and improve the wellbeing of Australians. The Treasury assisted the Government in delivering the 2009-10 Budget, which set out the medium term fiscal outlook, consistent with the fiscal strategy outlined in the Updated Economic and Fiscal Outlook.

Stage one involved allowing the budget to move into a temporary deficit. The global recession and collapse in commodity prices caused substantial downward revisions to revenue. Discretionary fiscal policy temporarily adds to the deficit but supports economic activity and employment. The temporary deficit is financed through borrowings that will be repaid when economic conditions improve.

Stage two is designed to return the budget to surplus as the economy strengthens, and as the level of tax receipts naturally recover. The Government has committed to banking improvements in tax receipts and improving the budget position. This natural recovery will be further supported by a strategy of expenditure restraint, once the economy moves to above-trend rates of economic growth.

## **Effective taxation and retirement income arrangements**

The global economic crisis has put considerable pressure on government revenue. During this challenging year, the Treasury has continued to provide robust policy advice in delivering effective tax and retirement income arrangements.

The Treasury has designed tax policies and legislation, and provided thorough advice on a range of business, personal and indirect tax policy issues. This included developing legislation to increase the Medicare levy and Medicare levy surcharge low-income thresholds, and transitional arrangements for fuels, giving households and businesses time to adjust to the Carbon Pollution Reduction Scheme.

The Treasury is working closely with the Government to implement a range of tax policy initiatives that helped stimulate the economy during the global financial crisis. For example, the Treasury set up the Small Business and General Business Tax Break to provide small businesses with even greater incentives to invest in new capital items.

The Australia's Future Tax System Review Panel is examining and will make recommendations to create a tax structure that will position Australia to deal with the economic, social, demographic and environmental challenges of the 21st century. It will encompass Australian Government and state taxes, except the GST, and interactions with the transfer system. The Treasury has demonstrated its ability to successfully engage the public in the policy development process through the release of discussion and consultation papers, a public submission process, coordination of public meetings and a tax policy conference as well as meetings with a wide range of business, industry and community sector stakeholders.

In May 2009, the Australia's Future Tax System Review Panel released a report on its broad strategic views of the retirement income system. The panel's key finding was that the three pillar architecture of Australia's retirement income system — consisting of the means tested Age Pension, compulsory saving through the Superannuation Guarantee and voluntary saving for retirement — should be retained. The Treasury also worked closely with the Department of Families, Housing, Community Services and Indigenous Affairs on the pension review (Harmer review).

## **Achieving well functioning markets**

Well functioning markets permeate the key elements of sustainable economic growth. A key focus has been assisting the Government take action to safeguard the effective and secure operation of Australia's financial system in light of threats posed by the global financial crisis. The Treasury supports well functioning markets through initiatives that promote competition and efficiency, and reduce the regulatory burden on business. Particular attention is being given to core infrastructure (energy, transport and communications), financial and labour markets.

Managing Australia's transition to a less emissions-intensive economy is a key economic challenge. The Treasury's economic analysis continues to support the design and implementation of the Carbon Pollution Reduction Scheme. The Treasury's advice seeks out efficient market-based policies to substantially and cost effectively cut domestic emissions.

The Carbon Pollution Reduction Scheme will be the cornerstone of Australia's mitigation policy. It will safeguard our economic wellbeing, and stimulate sustainable low-emissions growth that will form the basis of Australia's future prosperity. The Treasury's modelling will help inform decisions on Australia's scale and rate of emissions reduction in coming years.

## 2009-10 outlook

Australia has benefited in recent years from the largest terms of trade boom in 60 years. The global financial crisis and collapse in global demand is reversing some of those gains, with the terms of trade expected to fall by 13.25 per cent in 2009-10. In turn, these developments will lead to large falls in government revenue and substantially weaken the fiscal position.

Meeting the Government's short and medium-term fiscal targets will be an important ongoing task for the Treasury. With this environment in mind, much of the Treasury's advice will aim to target spending and improve productivity. The Treasury's advice will continue to assist government decision making in infrastructure investment, particularly in transport, education and health.

The global recession and the domestic economic slowdown will have an unavoidable impact on the Australian labour market leading to a rise in the unemployment rate — one of the biggest threats to people's living standards. Policy responses in this area will be critical.

Looking beyond the crisis, the Treasury will examine opportunities for, and develop, better policies to handle macroeconomic and financial risks. The Treasury will be measured by how it has reacted to the global financial crisis, and importantly, the lessons learned and applied from these events.

Attention is being given to policy options that look at intergenerational challenges and shape sustainable solutions to climate change and problems confronting the environment: these issues are central to the wellbeing of Australians.

Appropriately designed tax frameworks contribute to productivity, for both business and income earners. In reviewing Australia's tax and transfer system, the review panel is mindful of the need to maintain and enhance incentives for Australians to enter and remain in the workforce; reduce complexity; and promote Australia's international competitiveness, while maintaining a secure revenue base and reducing pockets of entrenched disadvantage.

## Our organisation

The Treasury's heightened involvement in addressing the global economic crisis presents challenges in managing work pressures.

The Treasury is committed to nurturing and strengthening its core organisational capabilities and is constantly seeking better ways of going about business. Going forward, the Organisational Review team will look at the Treasury's organisational strategies and corporate processes to ensure we maintain and improve our capacity.

The substantial increase in the range and depth of policy implementation responsibilities in the department saw the creation of an additional executive director position, with Mr Richard Murray taking on the role of Executive Director for Policy Coordination and Governance.

The Treasury has introduced a range of structural changes demonstrating its flexibility to meet current issues and priorities. Major actions include creation of the Children, Family and Pensioners Unit and progressive disbandment of group support units, resulting in more coherent, consistent and coordinated support services to improve the department's performance, and creating greater job and career opportunities for support staff.

Several staff received awards and scholarships. Ms Meghan Quinn is the most recent Treasury employee to be recognised with the Public Service Medal, for her contributions in developing climate change policy. For the fourth year in a row, a Treasury employee has been awarded a scholarship to undertake the Young Leaders' Program at the Japanese National Graduate Institute for Public Studies. Ms Debra Chesters will commence her studies in October 2009.

Our strengths as a department lie in our ability to anticipate the major issues and respond rapidly to those that we do not anticipate. Our achievements during these challenging times have been inspiring.

I want to thank all Treasury staff for their professionalism, enthusiasm and flexibility during the year. I would particularly like to acknowledge the important contribution made by Ms Janine Murphy who recently passed away. Ms Murphy worked in the Treasury and the Royal Australian Mint for 34 years. She will be remembered for outstanding service in all of her roles, and as a truly gifted person of great warmth, compassion and energy. Our thoughts remain with her family.

Ken Henry  
Secretary to the Treasury

## DEPARTMENTAL OVERVIEW

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### The Treasury's mission

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

### Policy outcomes

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

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

### Outcome 1: Sound macroeconomic environment

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

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

The Treasury contributes to a sound macroeconomic environment by providing high quality macroeconomic policy advice to portfolio ministers, based on careful monitoring and analysis of economic conditions in Australia and overseas.

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

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

## Outcome 2: Effective government spending arrangements

Effective government spending arrangements contribute to the overall fiscal outcome, influence strong sustainable economic growth and improve the wellbeing of Australians.

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

The Treasury provides policy advice to portfolio ministers to promote government decisions that further these objectives.

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

The Treasury is also responsible for the efficient payment to and through the States and Territories for National Specific Purpose Payments, National Partnership payments and general revenue assistance.

Fiscal Group is responsible for the outputs associated with Outcome 2.

## Outcome 3: Effective taxation and retirement income arrangements

Effective taxation and retirement income arrangements contribute to the overall fiscal outcome and influence strong sustainable economic growth and the improved wellbeing of Australians.

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

The Treasury provides policy advice to government to promote government decisions that further these objectives.

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

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

Revenue Group also maintains the secretariat to the Australia's Future Tax System Review.

## Outcome 4: Well functioning markets

Well functioning markets contribute to improving national productivity and promoting stronger economic growth, which enhances the living standards of all Australians.

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

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

Markets Group is responsible for the outputs associated with Outcome 4.

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

## Treasury support services

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

The Executive and Parliamentary Division manage the systems supporting cabinet and parliamentary liaison, ministerial correspondence and briefing. It provides Executive Board and Audit Committee secretariat services; departmental governance structures and systems; risk management, quality assurance and policy evaluation frameworks; implementation monitoring and tools; issues management; media monitoring and coordination of freedom of information requests.

Corporate Services Group is responsible for the provision of corporate services, products and advice including accommodation and facilities management; financial management; human resource management, training and development; information management and technology services; procurement; publishing; security and travel.

## Treasury people values

The Treasury's people values reflect its management approach, and these values are within the broader Australian Public Service framework.

The Treasury people management principles are:

- stipulate open, two-way communication at all levels;
- clearly define accountabilities;



- use work performance as the basis for remuneration which is determined by fair and transparent processes; and
- facilitate staff in achieving an appropriate work and private life balance.

Treasury people:

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

## The Treasury's role and capabilities

The Treasury's mission statement reflects the breadth of its ministers' responsibilities and underscores the key importance for the Treasury of a strong relationship with its ministers, built on trust and effective advice. The Treasury plays a central policy agency role in developing and implementing public policy, and in assisting government in identifying national policy priorities.

In assessing public policy issues, the Treasury applies a broad wellbeing framework comprising five elements:

- the opportunity and freedom that allows individuals to lead lives of real value to them;
- the level of consumption possibilities available to the community over time. This includes both market and non-market goods and services, such as voluntary and community work, the quality of the physical environment, health and leisure;
- the distribution of these consumption possibilities, including among different groups within society, across geographical regions and across generations;
- the overall level and allocation of risk borne by individuals and, in aggregate, by the community; and
- the level of complexity confronting Australians in making decisions about their lives.

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

To be an effective central policy agency across the full range of activities, the Treasury works to ensure that it:

- effectively focuses its efforts on issues that really matter, based on its understanding of government and its ministers' interests;
- anticipates policy developments, both inside and outside the Treasury portfolio;
- brings a strong analytical approach to all issues by applying its understanding of economic principles and tools, the framework for understanding wellbeing, its knowledge of Australia and relevant international policy experience, and an understanding of relevant interests;
- provides high-quality policy advice that is compatible with practical realities and ensures that government policy is implemented either by the Treasury or, where appropriate, by others;
- remains relevant over time through an inclusive and participatory involvement in policy processes, domestic and international engagement and continued sensitivity to the changes in community values and the policy environment; and
- consistently achieves results working with the government.

In broad terms, the capabilities the Treasury needs to fulfill its role and deliver outputs include:

- a deep understanding of its mission, the economic and policy environment, and stakeholders' views;
- a collaborative approach with internal and external stakeholders to develop effective policy;
- proactivity and vision, anticipating policy, implementation and organisational issues;
- influence and reputation, building trust with the government and other stakeholders, influencing the policy agenda;
- improvement and adaptability, being flexible, adaptable and innovative; and
- efficiency and productivity, managing costs, allocating resources and enabling efficiencies.

Production and delivery of the Treasury's outputs relies on:

- policy development, which covers identifying policy issues, shaping policy approaches, managing issues during a process of change and providing up-to-date information;
- quantitative analysis of the economy, of policy options and their impacts, and of government and departmental finances;
- policy implementation and development of legislation and related instruments;

- public consultation and information in developing policy and legislation, and managing issues;
- good working relationships within the Treasury portfolio and with external stakeholders;
- effective and collaborative international engagement; and
- administration of governance arrangements, legislation and programs.

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

**Figure 1: Treasury senior management structure (as at 30 June 2009)**

<b>Secretary: Dr Ken Henry AC</b>	
<b>Policy Coordination and Governance: Executive Director, Mr Richard Murray</b>	
<p><b>Executive and Parliamentary Division</b> General Manager: Mr Frank Di Giorgio</p> <p><b>Corporate Services Group</b> Group General Manager: Ms Deidre Gerathy</p> <p><b>Financial and Facilities Management Division</b> General Manager: Mr Rob Donelly</p>	<p><b>Human Resources Division</b> General Manager: Ms Pamela Henderson</p> <p><b>Information Management and Technology Services Division</b> General Manager: Ms Alaine King</p>
<b>Macroeconomic Group: Executive Director, Dr David Gruen</b>	
<b>Macroeconomic Group: Special Envoy and Executive Director, Mr Mike Callaghan</b>	
<p><b>Domestic Economy Division</b> General Manager: Dr Steve Morling</p> <p><b>Macroeconomic Policy Division</b> General Manager: Mr Tony McDonald</p> <p><b>International Economy Division</b> General Manager: Mr Bill Brummitt</p> <p><b>International Finance Division</b> General Manager: Mr Paul Flanagan</p> <p><b>Pacific and Assistance Division</b> General Manager: Mr Neil Motteram</p> <p><b>Macroeconomic Modelling Division</b> General Manager: Ms Meghan Quinn</p>	<p><b>Overseas Posts</b></p> <p><b>Washington</b> Minister-Counsellor (Economic): Mr David Pearl</p> <p><b>Paris</b> Mr Gerry Antioch (OECD)</p> <p><b>London</b> Mr Damien Dunn</p> <p><b>Tokyo</b> Minister-Counsellor (Economic): Ms HK Holdaway</p> <p><b>Beijing</b> Minister-Counsellor (Financial): Ms Irene Sim</p> <p><b>Jakarta</b> Counsellor (South East Asia Financial): Mr Neil Richardson</p>
<b>Fiscal Group: Executive Director, Mr Nigel Ray</b>	
<p><b>Budget Policy Division</b> General Manager: Ms Jan Harris</p> <p><b>Commonwealth-State Relations Division</b> General Manager: Ms Sue Vroombout</p>	<p><b>Industry, Environment and Defence Division</b> General Manager: Mr Steve French</p> <p><b>Social Policy Division</b> General Manager: Ms Peta Furnell</p>
<b>Revenue Group: Executive Director, Mr David Parker</b>	
<p>Chief Adviser, Taxation: Mr Tom Reid</p> <p><b>International Tax and Treaties Division</b> General Manager: Mr Mike Rawstron</p> <p><b>Australia's Future Tax System Review Secretariat</b> Secretary: Mr Rob Heferen</p> <p><b>Tax Analysis Division</b> General Manager: Ms Maryanne Mrakovic</p> <p><b>Business Tax Division</b> General Manager: Mr Paul McCullough</p>	<p><b>Tax Design Division</b> General Manager: Ms Brenda Berkeley</p> <p><b>Personal and Retirement Income Division</b> General Manager: Mr Michael Willcock</p> <p><b>Indirect Tax Division</b> General Manager: Ms Christine Barron</p> <p><b>Board of Taxation Secretariat</b> Secretary: Ms Christine Barron</p>
<b>Markets Group: Executive Director, Mr Jim Murphy</b>	
<p><b>Foreign Investment and Trade Policy Division</b> General Manager: Mr Patrick Colmer</p> <p><b>Financial System Division</b> General Manager: Mr David Martine</p> <p><b>Competition and Consumer Policy Division</b> General Manager: Dr Steven Kennedy</p> <p><b>Corporations and Financial Services Division</b> General Manager: Mr Geoff Miller</p>	<p><b>Australian Government Actuary</b> General Manager: Mr Peter Martin</p> <p><b>Takeovers Panel</b> Director: Mr Allan Bulman</p> <p><b>Financial Reporting Panel</b> Executive Director: Mr Stephen Powell</p> <p><b>Standard Business Reporting Management Group</b> Program Director: Mr Paul Madden</p>

**Figure 2: Treasury outcome and output structure (as at 30 June 2009)**

Strong, sustainable economic growth and the improved wellbeing of Australians

<b>Outcome 1: Sound macroeconomic environment</b>		
Output Group 1.1: Macroeconomic		
1.1.1	Domestic economic policy advice and forecasting	Domestic Economy Division Macroeconomic Policy Division Macroeconomic Modelling Division
1.1.2	International economic policy advice and assessment	International Economy Division International Finance Division Pacific and Assistance Division Overseas Posts
<b>Outcome 2: Effective government spending arrangements</b>		
Output Group 2.1: Fiscal		
2.1.1	Budget policy advice and coordination	Budget Policy Division
2.1.2	Commonwealth-State financial policy advice	Commonwealth-State Relations Division
2.1.3	Industry, environment and defence policy advice	Industry, Environment and Defence Division
2.1.4	Social and income support policy advice	Social Policy Division
<b>Outcome 3: Effective taxation and retirement income arrangements</b>		
Output Group 3.1: Revenue		
3.1.1	Taxation policy and legislation advice	Business Tax Division Indirect Tax Division International Tax and Treaties Division Personal and Retirement Income Division Tax Analysis Division Tax Design Division Australia's Future Tax System Review Secretariat Board of Taxation Secretariat
3.1.2	Retirement income and saving policy and legislation advice	Personal and Retirement Income Division Tax Analysis Division
<b>Outcome 4: Well functioning markets</b>		
Output Group 4.1: Markets		
4.1.1	Foreign investment and trade policy advice and administration	Foreign Investment and Trade Policy Division Foreign Investment Review Board
4.1.2	Financial system and corporate governance policy advice	Corporations and Financial Services Division Financial System Division Financial Reporting Panel Takeovers Panel Standard Business Reporting Management Group
4.1.3	Competition and consumer policy advice	Competition and Consumer Policy Division
4.1.4	Actuarial services	Australian Government Actuary

**Figure 3: Treasury portfolio outcome and output structure (as at 30 June 2009)**

<p><b>Portfolio Minister — Treasurer</b> The Hon Wayne Swan MP</p> <p><b>Assistant Treasurer</b> Senator the Hon Nick Sherry</p> <p><b>Minister for Financial Services, Superannuation and Corporate Law</b> The Hon Chris Bowen MP</p> <p><b>Minister for Competition Policy and Consumer Affairs</b> The Hon Dr Craig Emerson MP</p>	
<p><b>Department of the Treasury</b> Secretary: Dr Ken Henry AC</p>	
<p>Strong, sustainable economic growth and the improved wellbeing of Australians</p>	
<p><b>Outcome 1: Sound macroeconomic environment</b></p> <p>Output 1.1.1: Domestic economic policy advice and forecasting</p> <p>Output 1.1.2: International economic policy advice and assessment</p> <p><b>Outcome 2: Effective government spending arrangements</b></p> <p>Output 2.1.1: Budget policy advice and coordination</p> <p>Output 2.1.2: Commonwealth-State financial policy advice</p> <p>Output 2.1.3: Industry, environment and defence policy advice</p> <p>Output 2.1.4: Social and income support policy advice</p>	<p><b>Outcome 3: Effective taxation and retirement income arrangements</b></p> <p>Output 3.1.1: Taxation policy and legislation advice</p> <p>Output 3.1.2: Retirement income and saving policy and legislation advice</p> <p><b>Outcome 4: Well functioning markets</b></p> <p>Output 4.1.1: Foreign investment and trade policy advice and administration</p> <p>Output 4.1.2: Financial system and corporate governance policy advice</p> <p>Output 4.1.3: Competition and consumer policy advice</p> <p>Output 4.1.4: Actuarial services</p>
<p><b>Australian Bureau of Statistics</b> Statistician: Mr Brian Pink</p>	
<p><b>Outcome 1: Informed decision making, research and discussion within governments and the community based on the provision of a high quality, objective and responsive national statistical service</b></p> <p>Output 1.1.1: Economic statistics</p> <p>Output 1.1.2: Population and social statistics</p>	
<p><b>Australian Competition and Consumer Commission</b> Chairman: Mr Graeme Samuel AO</p>	
<p><b>Outcome 1: To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets</b></p> <p>Output 1.1.1: Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed</p> <p>Output 1.1.2: Competitive market structures and informed behaviour</p>	
<p><b>Australian Office of Financial Management</b> Chief Executive Officer: Mr Neil Hyden</p>	
<p><b>Outcome 1: To enhance the Commonwealth's capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time</b></p> <p>Output 1.1.1: Debt management</p>	

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

<b>Australian Prudential Regulation Authority</b>	
Chairman: Dr John Laker	
<b>Outcome 1:</b>	<b>To enhance public confidence in Australia's financial institutions through a framework of prudential regulation which balances financial safety and efficiency, competition, contestability and competitive neutrality</b>
Output 1.1.1:	Policy development
Output 1.1.2:	Surveillance programs
Output 1.1.3:	Prudential advice
<b>Australian Securities and Investments Commission</b>	
Chairman: Mr Tony D'Aloisio	
<b>Outcome 1:</b>	<b>A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers</b>
Output 1.1.1:	Policy and guidance about the laws administered by ASIC
Output 1.1.2:	Comprehensive and accurate information on companies and corporate activity
Output 1.1.3:	Compliance, monitoring and licensing of participants in the financial system to protect consumer interests and ensure market integrity
Output 1.1.4:	Enforcement activity to give effect to the laws administered by ASIC
<b>Australian Taxation Office</b>	
Commissioner: Mr Michael D'Ascenzo	
<b>Outcome 1:</b>	<b>Effectively managed and shaped systems that support and fund services for Australians and give effect to social and economic policy through the tax, superannuation, excise and other related systems</b>
Output 1.1.1:	Shape, design and build administrative systems
Output 1.1.2:	Management of revenue collection and transfers
Output 1.1.3:	Compliance assurance and support — revenue collection
Output 1.1.4:	Compliance assurance and support for transfers and regulation of superannuation funds
Output 1.1.5:	Services to governments and agencies
<b>Commonwealth Grants Commission</b>	
Secretary: Mr John Spasojevic	
<b>Outcome 1:</b>	<b>Fiscal equalisation between the States, the Australian Capital Territory and the Northern Territory is achieved through the distribution, by Government, of GST revenue and Health Care Grants</b>
Output 1.1.1:	Report on State Revenue Sharing Relativities
<b>Corporations and Markets Advisory Committee</b>	
Convenor: Mr Richard St John	
<b>Outcome 1:</b>	<b>A fair and efficient market characterised by integrity and transparency and supporting confident and informed participation of investors and consumers</b>
Output 1.1.1:	Annual report and discussion papers
Output 1.1.2:	Recommendations and reports
<b>Inspector General of Taxation</b>	
Inspector-General: Mr Ali Noroozi	
<b>Outcome 1:</b>	<b>Improved administration of the tax laws for the benefit of all taxpayers</b>
Output 1.1.1:	Identification of issues for review and prioritisation of work program
Output 1.1.2:	Provision of independent advice to the government on the administration of the tax laws

**Figure 3: Treasury portfolio outcome and output structure (continued)**

<p><b>National Competition Council</b> President: Mr David Crawford</p>	
<b>Outcome 1:</b>	<b>The achievement of effective and fair competition reforms and better use of Australia's infrastructure for the benefit of the community</b>
Output 1.1.1:	Advice provided to governments on infrastructure access issues
<p><b>Office of the Auditing and Assurance Standards Board</b> Chairman: Ms Merran Kelsall</p>	
<b>Outcome 1:</b>	<b>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</b>
Output 1.1.1:	Making auditing standards under section 336 of the <i>Corporations Act 2001</i> and related guidance for use by Australian auditors who are undertaking audit engagements for the purposes of Corporations legislation
Output 1.1.2:	Formulating auditing and assurance standards and related guidance for use by Australian auditors who are undertaking auditing or assurance engagements for purposes other than the purposes of corporations legislation
Output 1.1.3:	To provide Australian participation in, and contribution to, the development of a single set of auditing standards for world-wide use.
<p><b>Office of the Australian Accounting Standards Board</b> Acting Chairman: Mr Bruce Porter</p>	
<b>Outcome 1:</b>	<b>The formulation and making of accounting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions</b>
Output 1.1.1:	Making accounting standards under section 334 of the <i>Corporations Act 2001</i> for the purposes of the financial reporting requirements of the Corporations legislation and providing guidance on the interpretation of those standards.
Output 1.1.2:	Formulating accounting standards for purposes of financial reporting by Australian entities that are not subject to reporting requirements of the Corporations legislation and providing guidance on the interpretation of those standards.
Output 1.1.3:	To provide Australian participation in, and contribution to, the development of a single set of accounting standards for world-wide use.
<p><b>Productivity Commission</b> Chairman: Mr Gary Banks AO</p>	
<b>Outcome 1:</b>	<b>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</b>
Output 1.1.1:	Government commissioned projects
Output 1.1.2:	Performance reporting and other services to government bodies
Output 1.1.3:	Competitive neutrality complaints activities
Output 1.1.4:	Supporting research and activities and annual reporting
<p><b>Royal Australian Mint</b> Acting Chief Executive Officer: Mr Graham Smith</p>	
<b>Outcome 1:</b>	<b>Manufacture and sale of circulating coins, to meet the coinage needs of the Australian economy, and collector coins and other minted products for Australia and foreign countries</b>
Output 1.1.1:	Manufacture and sale of circulating coins for Australia and provision of associated policy and technical advice
Output 1.1.2:	Manufacture and sale of circulating coins for foreign countries
Output 1.1.3:	Production and sale of collector coins and other minted and like products for Australian and other clients
Output 1.1.4:	Provide gallery and visitors services





## PART TWO

# REPORT ON PERFORMANCE

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Output 2.1.2: Commonwealth-State financial policy advice	51
Output 2.1.3: Industry, environment and defence policy advice	55
Output 2.1.4: Social and income support policy advice	57
<b>Outcome 3: Effective taxation and retirement income arrangements</b>	<b>61</b>
Output 3.1.1: Taxation policy and legislation advice	66
Output 3.1.2: Retirement income and saving policy and legislation advice	81
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## REPORT ON PERFORMANCE

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The report on performance covers the Treasury's administered items and departmental outputs for 2008-09.

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

The Treasury's 2008-09 performance is reported at the outcome and output levels for its four policy outcomes:

- Outcome 1: Sound macroeconomic environment;
- Outcome 2: Effective government spending arrangements;
- Outcome 3: Effective taxation and retirement income arrangements; and
- Outcome 4: Well functioning markets.

Performance outcomes are reported against the performance information published in the Treasury section of the *Treasury Portfolio Budget Statements 2008-09*.

## OUTCOME 1: SOUND MACROECONOMIC ENVIRONMENT

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The Treasury, through Macroeconomic Group, aims to contribute to a sound macroeconomic environment by monitoring and assessing economic conditions and prospects, both in Australia and overseas, and by providing advice on formulating and implementing effective macroeconomic policy, including monetary and fiscal policy.

The Treasury also provides advice on advancing Australia's interests at international forums and institutions such as the G-20, the International Monetary Fund (IMF), the World Bank, the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the Organisation for Economic Co-operation and Development (OECD), the Asia-Pacific Economic Cooperation (APEC) forum and the Pacific Islands Forum Economic Ministers' Meeting. Australia contributes significantly to international efforts to sustain international economic stability and growth through these forums.

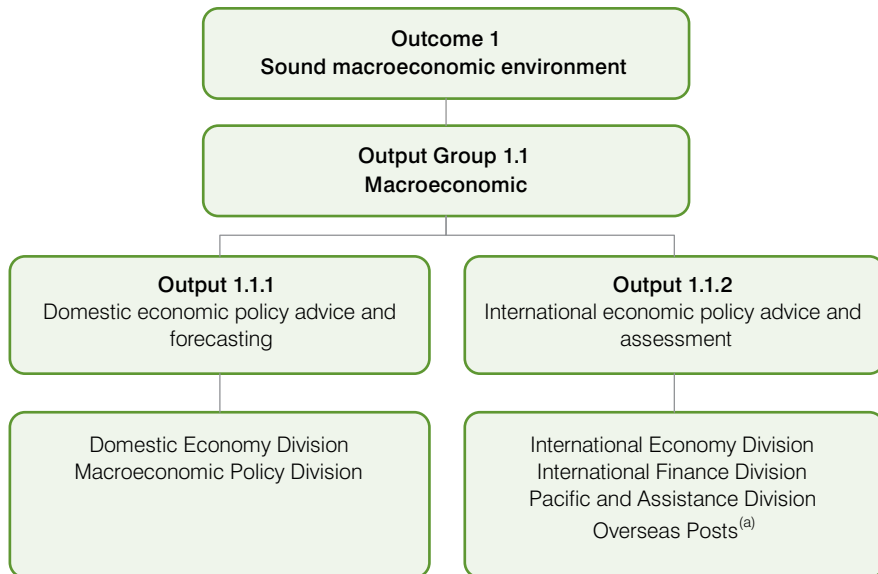
During 2008-09, the global financial crisis and associated deterioration in the world economic outlook significantly affected the domestic economy and Australia's international engagement strategy. The Treasury continued to provide strategic advice and assessments on macroeconomic issues, supported by in-depth analysis of domestic and international economic developments. Forecasts helped shape fiscal strategy and policy formulation in the crisis context. In particular, the analysis identified early the need to use fiscal policy to cushion the Australian economy from the effects of the crisis.

The G-20 coordinated international responses to the crisis. The Treasury contributed strategic advice on international economic policy issues, working to restore financial sector stability and sustainable economic growth through strong engagement in the G-20 Finance Ministers' and Leaders' Summit forums. The Treasury actively engaged in developing policy agendas for these meetings and ensuring implementation of outcomes, and also co-chaired the G-20 working group on reform of the IMF.

It also played a key role in advancing Australia's international objectives more generally, through participating in other international financial institutions and forums, and engaging bilaterally, particularly in the Asia-Pacific. Treasury officials provided ongoing support to the APEC Finance Ministers' process, reflecting the importance of this forum to Australia's regional interests. The Treasury continued to provide policy support to selected Pacific economies.

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

**Figure 4: Outputs contributing to Outcome 1**



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

## Key priorities in 2008-09

Key priorities in 2008-09 were to provide advice on:

- domestic and international developments affecting the Australian economy and forecasts of the direction of the Australian and international economies;
- the setting of sound macroeconomic policies;
- housing affordability, as part of the Treasury and Department of the Prime Minister and Cabinet's leadership role in delivering the Council of Australian Governments (COAG) Reform Agenda;
- policies likely to improve Australia's economic growth potential and wellbeing, including improved understanding of the impact of changes in workforce participation and productivity on future growth and fiscal pressures;
- options for developing the G-20's role in responding to the global financial crisis including through coordinated policy actions, strengthening prudential regulatory systems and reforming the international economic architecture;
- work with others to reform, strengthen and modernise key international forums (including the World Bank, IMF, OECD, and ADB);
- the Treasury's key role in shaping the APEC forum and the East Asia Summit process;

- deeper economic engagement strategies with China and India, reflecting the importance of these countries in the international economy, and building on already close links with policy makers in other key East Asian countries, including Japan and Indonesia;
- work with Indonesian Government counterparts in support of their reform efforts under the \$50 million Government Partnerships Fund, a key component of the \$1 billion Australia-Indonesia Partnership for Reconstruction and Development;
- the lead role the Treasury can play in government initiatives to develop well functioning economic ministries in the Pacific, particularly in Papua New Guinea, Solomon Islands and Nauru, and advising Treasury Ministers in various Pacific ministerial forums; and
- high quality, strategic policy support to selected countries in the Asia-Pacific region.

### Key outcomes in 2008-09

- Advice and analysis focused on developing and implementing policy responses to manage the impact of the global financial crisis, both in Australia and through international forums.
- Economic analysis and forecasts assessed the ongoing impact of the global financial crisis on the Australian economy and assisted the Government to develop appropriate policy responses. These policy responses were regularly monitored and evaluated through macroeconomic modelling and forecasting.
- Briefings for the Treasurer on the Australian Bureau of Statistics (ABS) and private sector economic statistics emphasised their implications for the economic outlook. The Treasurer regularly received advice from the Treasury on global economic developments and international risks in the crisis context.
- The Treasury provided advice on housing affordability, as part of the Treasury and Department of the Prime Minister and Cabinet's leadership role in delivering the COAG Reform Agenda. Reforms in the housing sector, including service integration and measures to improve access to housing, will be undertaken as part of the National Affordable Housing Agreement.
- Published material included economic forecasts and analysis in budget papers, *Economic Roundup*, working papers and speeches to better inform the public about economic developments and issues.
  - *Economic Roundup* included articles on the use of evidence in analysing policy decisions, measures of public debt, trends and influences on public sector borrowing and the importance of health and its contribution to economic growth.
  - For the 2009-10 Budget, Statement 4 of Budget Paper No. 1, *Assessing the Sustainability of the Budget*, outlined the challenges for fiscal policy due to the global economic recession, highlighting fiscal sustainability as a key element of sustainable economic growth.

- Treasury officials spoke to a range of organisations on issues including the macroeconomic outlook, tax reform and Australia’s Future Tax System Review; the global financial crisis; economic costs of reducing greenhouse gas emissions; the smarter use of data; and contemporary challenges in fiscal policy.
- The G-20 is the key forum for Australia to advance its international economic interests. During 2008-09, the Treasury worked actively to shape the G-20’s agenda and outcomes.
  - The Treasurer represented Australia at the four meetings of G-20 Finance Ministers and Central Bank Governors. The Prime Minister and Treasurer also attended two G-20 Leaders’ Summits. Treasury officials actively engaged in preparatory meetings for each of these meetings.
  - Treasury officials co-hosted and participated in a range of G-20 workshops throughout the year, including the economic and financial implications of climate change and IMF reform. The Treasury also co-chaired the G-20 working group on reform of the IMF.
  - The Treasury is chair of the G-20 Reform Implementation Committee, established by the Treasurer in May 2009, to ensure effective implementation in Australia of G-20 commitments to strengthen financial supervision and regulation.
- Beyond the immediate demands of the global financial crisis, the Treasury continued to assist the Government take an active role in international forums and institutions to influence outcomes supporting sustained international economic stability, growth and development.
  - Australia is a strong proponent of reforms to ensure quota and voting shares of emerging market and developing countries better reflect their growing weight in the world economy. As part of the reform of the governance structure of the IMF, and recognising the need to ensure that quota resources reflect changes in the world economy and the additional demands on the IMF, G-20 leaders called for the next review of IMF quotas to be completed by January 2011, two years earlier than scheduled.
  - In response to deteriorating economic conditions both globally and in central and eastern Europe, Australia will remain a member of the EBRD.
- APEC remains an important forum for Australia in its engagement with the Asia-Pacific region.
  - Throughout 2008-09, the Treasury continued efforts to improve the effectiveness of the APEC Finance Ministers’ process. The Treasury provided significant policy assistance to Peru during its hosting of APEC in 2008 and is working closely with Singapore, the current host.

- Treasury officials also worked with APEC counterparts to produce a set of common principles for formulating guidelines to develop well functioning public-private partnership markets.
- In the Asia-Pacific region more broadly, the Treasury continued to advance its engagement with key Asian economies through policy dialogue, cooperation and institution building.
  - The Treasury continued to foster deeper economic engagement with China and India, reflecting the growing importance of those economies to Australia's performance.
  - The Treasury also continued to build its partnership with the Indonesian Finance Ministry through participating in the Government Partnership Fund and raising the profile of finance issues in the East Asia Summit process.
  - The Treasurer visited the region several times and Treasury officials also participated in a range of conferences addressing economic and policy issues and received delegations for policy discussions.
- The Treasury provided policy advice and skilled staff to assist countries experiencing economic challenges, including Papua New Guinea, Solomon Islands and Nauru.
  - The Treasury also supported Treasury ministers attending the Pacific Islands Forum Economic Ministers' Meeting and the Australia-Papua New Guinea Ministerial Forum.
  - In 2008-09, the Treasury made a submission to a Senate inquiry into the economic and security challenges facing the Pacific island states.

## OUTPUT 1.1.1: DOMESTIC ECONOMIC POLICY ADVICE AND FORECASTING

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

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

### Performance information

The key performance indicators are:

- advice meets the Government's needs in administering its responsibilities and making and implementing government decisions that contribute to a sound macroeconomic environment. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms; and



- effective presentation of budget documents and other publications adequately informs public debate.

## Analysis of performance

### Policy advice and inputs into policy processes

During 2008-09, the Treasury advised the Treasurer and other members of the Government on a range of macroeconomic issues.

- The Treasury provided extensive advice on the economic outlook, fiscal policy and strategies, particularly for the discretionary fiscal stimulus packages developed in response to the global financial crisis and the 2009-10 Budget.
- The Treasury analysed and provided briefings on economic statistics released by the ABS and the private sector. This included analysis and advice to assist the Treasurer respond to the releases, emphasising their implications for the economic outlook against the backdrop of the global financial crisis.
- As part of the Treasury Business Liaison Program, officers discussed business activity issues with organisations in major centres. In addition to its formal business liaison program, the Treasury held regular phone consultations with key sectoral contacts to gauge the current state of economic activity. Liaison findings were summarised in the *Economic Roundup*.
- The Treasury held discussions with visiting delegations from bodies such as the OECD and IMF, and briefed the Treasurer on the outcomes.
- In preparing advice to the Secretary as a Reserve Bank of Australia Board member, the Treasury monitored economic, financial and policy developments to assess their implications for policy settings.
- The Treasury advised the Treasurer on the evolution and drivers of the Australian economy and factors likely to influence medium-term performance.
- The Treasurer was provided with advice on policies to improve Australia's economic growth potential, living standards and wellbeing.

The Treasury received positive feedback from the Government on the effectiveness of this advice.

### Economic forecasts

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

Forecasting activity focused on 2008-09, 2009-10 and 2010-11 with forecasts published in the *Mid-Year Economic and Fiscal Outlook 2008-09*, *Updated Economic and Fiscal Outlook 2008-09* and the 2009-10 Budget. These forecasts helped develop policy during the global financial crisis and the most challenging global economic conditions since the Great Depression. The forecasts contributed to the delivery of the Government's stimulus packages to cushion the effects of the global recession. In 2008-09, attention focused on the impact of the crisis on the domestic economy, falling business investment and exports, slowing domestic demand and rising unemployment.

The Treasury's forecast for economic growth in 2008-09 was revised down from 2¾ per cent in the 2008-09 Budget to zero per cent in the 2009-10 Budget. This reflected the severity of the global recession, resulting in sharp falls in business investment and exports, as well as a slight contraction in household consumption.

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

### Housing affordability

In 2008-09, the Treasury provided advice on housing affordability, as part of the Treasury and Department of the Prime Minister and Cabinet's leadership role in delivering the COAG Reform Agenda. In November 2008, COAG agreed to a new National Affordable Housing Agreement complemented by a commitment to three National Partnerships to address homelessness, social housing and Indigenous housing.

As part of the new agreement, governments are reforming the housing sector, including improving integration between the homelessness service system and mainstream services, reducing concentrations of disadvantage in some social housing estates, improving access by Aboriginal and Torres Strait Islander peoples to mainstream housing, including home ownership, enhancing the capacity and growth of the not-for-profit housing sector, and planning reforms for greater efficiency in the supply of housing.

In February 2009, as part of the Nation Building and Jobs Plan, the Commonwealth committed funding to construct around 20,000 social housing units, and repair and maintain around 2,500 existing public housing dwellings. COAG also agreed that the States would progress reforms in the sector and report to it by December 2009.

## Contributions to public awareness and debate

Officers made important contributions to public awareness and debate to many audiences in international forums, foreign government agencies, state government agencies, tertiary institutions and public meetings. Treasury's economic publications and selected presentations are at [www.treasury.gov.au](http://www.treasury.gov.au).

### Updated economic outlook and 2009-10 Budget papers

One of the main ways the Treasury contributes to public awareness and debate on economic policy issues is through its economic analysis in the annual budget papers.

Statement 1 of Budget Paper No. 1, *Budget Overview*, discusses the key economic challenges of the global recession affecting domestic demand and rising unemployment, and outlines the Government's fiscal strategy and budget priorities.

Published forecasts in the *Mid-Year Economic and Fiscal Outlook 2008-09*, *Updated Economic and Fiscal Outlook 2008-09* and the 2009-10 Budget were accompanied by an update on the economic outlook to help inform the public of key developments in the domestic and international economies and the likely effects on short-term economic growth. A comprehensive report on the domestic and international outlook, focused on 2009-10, was in Statement 2 of Budget Paper No. 1, *Economic Outlook*.

Statement 4 of Budget Paper No. 1, *Assessing the Sustainability of the Budget*, outlined the challenges for fiscal policy due to the global economic recession. It examined the key challenges for fiscal policy of stimulating demand in the short term, returning the budget to surplus in the medium term, while investing in the long-term drivers of productivity and economic growth. It highlighted the importance of fiscal sustainability as one of the key ingredients of sustainable economic growth and concluded that Australia's fiscal position is one of the strongest in the advanced world.

In addition, the *Budget Overview's* non technical discussion made major policy developments and forecasts widely accessible.

Media and market commentary on the economic analysis in the 2009-10 Budget enhanced public awareness of the economy's current performance, outlook and risks.

### The Treasury's economic publications and speeches

*Economic Roundup* included articles from all groups within the Treasury.

Issue one of 2009 focused on the use of evidence in the analysis of policy decisions. Articles included gathering evidence for policy making and hierarchies used by policy makers to focus on high-quality research. Another article also examined the role evidence played in promoting successful implementation of economic reforms in Australia.

Other articles throughout the year included measures of public debt, trends and influences on public sector borrowing, the importance of health and its contribution to economic growth, consumer policy in Australia and the phenomenon of financial deleveraging and its macroeconomic consequences.

Senior Treasury officials spoke publicly on the economic outlook, tax reform and the Australia's Future Tax System Review, the global financial crisis, economic costs of reducing greenhouse gas emissions, the smarter use of data and contemporary challenges in fiscal policy. The speeches were to a range of organisations, including the Committee for Economic Development of Australia, Australian Business Economists, UBS Global and the Sydney Institute.

Past issues of *Economic Roundup* and selected speeches are available on the Treasury website at [www.treasury.gov.au](http://www.treasury.gov.au).

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

### Reviews of economic data

The Treasury liaised extensively with the ABS, both informally through regular discussion at all levels, and formally through ongoing representation on the Australian Statistics Advisory Council, the Economic Statistics User Group, the Trade in Services User Group, the Labour Statistics Advisory Group and the Demography Statistics Advisory Group.

## OUTPUT 1.1.2: INTERNATIONAL ECONOMIC POLICY ADVICE AND ASSESSMENT

International Economy Division, International Finance Division, and Pacific and Assistance Division in Macroeconomic Group are responsible for delivery of Output 1.1.2: International economic policy advice and assessment.

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

## Performance information

The key performance indicators are:

- advice meets the Government's needs in administering its responsibilities and making and implementing government decisions that contribute to a sound macroeconomic environment and relate to international economic and financial issues. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms;
- participation in international forums, including the G-20 and bilateral dialogue, supports the achievement of government objectives;
- advice to ministers is effective in improving economic governance and policies in Papua New Guinea, Solomon Islands and Nauru;
- support is effective for Pacific programs — the Strongim Gavman Program in Papua New Guinea, Regional Assistance Mission to Solomon Islands and Economic Advice and Governance Assistance Program in Nauru; and
- financial transactions with the international financial institutions, including the payment of subscriptions, are timely and accurate.

## Analysis of performance

### Facilitation of government objectives in international forums

#### G-20

During 2008-09, the G-20 played the central role in coordinating a global response to the financial and economic crisis.

G-20 Finance Ministers and Central Bank Governors met on an unprecedented four occasions: Washington DC (11 October 2008); Sao Paulo (8-9 November 2008); Horsham in the United Kingdom (13-14 March 2009) and Washington DC (24 April 2009). The Treasurer represented Australia at all these meetings.

An important development for the G-20 in 2008-09 was the emergence of G-20 Leaders' Summits (in addition to existing meetings of finance ministers and central bank governors). The first Summit was held in Washington DC on 15 November 2008. The second was held in London on 2 April 2009. Australia was represented at these Summits by the Prime Minister and the Treasurer.

In their Washington DC Summit Declaration, G-20 leaders agreed that they would take all necessary action to restore economic and jobs growth. They also agreed on a 47 point Action Plan to strengthen the financial sector regulatory framework, enhance transparency and accountability, reinforce international cooperation and reform the international financial institutions.

In December 2008, the G-20 established four working groups to advance the Washington DC Summit Action Plan. Treasury officials participated in each working group, and Mr Mike Callaghan, Executive Director of Macroeconomic Group, co-chaired (with South Africa) the working group on IMF reform. Mr Callaghan, as the Prime Minister's Special Envoy for the International Economy and Australia's G-20 Finance Deputy, was also active in the G-20's broader work in response to the global financial crisis. The reports of these working groups were published in April 2009 following the London Summit.

The Horsham meeting of G-20 Finance Ministers and Central Bank Governors in March 2009 agreed to a framework for financial repair and recovery, including endorsing principles to address toxic assets and recapitalise financial institutions to restore the flow of credit necessary to support economic recovery. Australia had been a key proponent of the need for action in this area.

At the London Summit, G-20 leaders agreed on a comprehensive action plan for recovery and reform. The key outcomes from the London Summit were:

- a US\$1.1 trillion program to restore credit, growth and jobs in the world economy, including support for US\$500 billion in additional resources for the IMF and at least US\$100 billion additional lending by multilateral development banks;
- a commitment to take all action necessary to restore global growth and lending and repair the financial sector;
- agreement on the need to accelerate IMF quota reform and ensure all international financial institutions have the facilities they need to address the current crisis and meet the needs of developing countries;
- agreement to reject protectionism and ensure the availability of US\$250 billion support for global trade finance over the next two years; and
- expansion of Washington DC Summit commitments to strengthen financial supervision and regulation, including creating a new Financial Stability Board.

The Chair of the London Summit, British Prime Minister, Gordon Brown, also reported on progress in implementing the 47 items from the Washington DC Action Plan.

The London Summit was widely regarded as playing a successful role in helping to stabilise financial markets and restore global economic confidence. Since the London Summit, G-20 Finance Ministers and Central Bank Governors met on 24 April 2009 and G-20 Finance Deputies met on 27-28 June 2009 to progress the implementation of the Leaders' commitments.

To advance Australia's implementation of the G-20 commitments to strengthen financial supervision and regulation, the Treasurer established the G-20 Reform Implementation Committee in May 2009. It is chaired by the Treasurer and includes representatives from the

Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC) and the Reserve Bank of Australia.

Treasury officials participated in two G-20 workshops. Australia and the United Kingdom co-hosted a workshop in Sydney on the economic and financial implications of climate change (12-14 February 2009). A second workshop in Mumbai examined the causes and key lessons from the crisis (24–26 May 2009). Mr Mike Callaghan presented a paper on IMF reform at this workshop.

The Treasury contributed to the G-20 Study Group Report on Global Credit Market Disruptions, published in November 2008 and authored by the Reserve Bank of Australia.

### Financial Stability Board

Participants at the London Summit on 2 April 2009 agreed to enlarge and restructure the Financial Stability Forum into the Financial Stability Board. Leaders also agreed to expand the mandate of the Financial Stability Board.

Expanded membership includes all G-20 countries (as well as the European Commission, the Netherlands, Hong Kong, Singapore, Spain and Switzerland). As part of this process, Australia was allocated a second seat in the enlarged plenary. The Treasury was nominated as Australia's second representative alongside the Reserve Bank of Australia. The first plenary meeting, held on 26-27 June 2009 in Basel, focused on implementing measures agreed by G-20 leaders to strengthen financial regulation and supervision.

Under its new mandate, the Financial Stability Board is responsible for identifying and addressing vulnerabilities affecting the international financial system; coordinating the work of international standard setting bodies; supporting cooperation and information exchange among regulators; promoting best practice in regulatory standards; and advising on the implications of market development for regulatory policy.

### IMF

In 2008-09, under the encouragement of the G-20, the IMF's activities and role expanded to historic levels in response to the global financial crisis and recession.

At the IMF, Australia's Executive Director from 1 July 2008 to 31 October 2008 was Mr Richard Murray. Under agreed constituency arrangements Mr Chris Legg was appointed Alternate Executive Director beginning 1 November 2008. The Treasury and the Reserve Bank of Australia briefed the Executive Director on matters coming before the Executive Board.

IMF financial assistance to member countries facing balance of payments difficulties increased sharply as a result of the crisis: 15 stand-by arrangements totaling nearly SDR 50 billion were agreed between September 2008 and 30 June 2009. In the

18 months until 30 June 2009, total fund credit outstanding increased from Special Drawing Rights (SDR) 9.8 billion to SDR 33.3 billion. In addition, the IMF approved three precautionary arrangements totaling SDR 52.2 billion under its new Flexible Credit Line.

During 2008-09, the IMF acted to substantially increase its resource base so it could meet the potential needs of members.

As part of the coordinated response to the crisis, G-20 leaders agreed in London on 2 April 2009 to increase resources available to the IMF through immediate financing from members of US\$250 billion, subsequently incorporated into an expanded and more flexible New Arrangements to Borrow, increased by up to US\$500 billion.

The Treasurer announced on 12 May 2009 that Australia would contribute to the expanded New Arrangements to Borrow with a US\$7 billion contingent loan, increasing the line of credit Australia has made available to the IMF since 1998.

G-20 leaders also agreed, consistent with the IMF's new income model, to use additional resources from agreed sales of IMF gold, with surplus income, to provide US\$6 billion additional concessional and flexible finance for the poorest countries over the next two to three years.

In addition, G-20 leaders agreed to support a general allocation of SDRs to inject the equivalent of US\$250 billion into the world economy and increase global liquidity. As disclosed in the 2009-10 Budget, Statement 8 of Budget Paper No. 1, *Statement of Risks*, Australia will be allocated SDRs under this measure, along with other IMF members.

Work continues within the IMF on each of these measures.

On 2 April 2009, G-20 leaders also called for the next review of IMF quotas to be completed by January 2011, two years earlier than the previous due date. This will enable the size of the IMF's quota based resources to be considered in the light of the crisis and the IMF's ongoing need for liquidity. It will also enable further progress on aligning the quota and voting shares of dynamic emerging market economies with their growing weight in the global economy, building on the quota reforms agreed in April 2008. Australia is a strong proponent of these reforms which enhance the IMF's legitimacy and effectiveness.

During 2008-09, the IMF also:

- distilled lessons from the crisis, including for the IMF;
- assessed, at the request of G-20 leaders, actions taken and global actions required to return the world economy to trend growth;
- monitored, with the Financial Stability Board, progress in implementing measures called for by the G-20 to strengthen financial supervision and regulation;



- further strengthened its surveillance over member economies, including financial sector risks and spillovers to other economies, and its multilateral surveillance functions;
- developed, with the Financial Stability Board, an early warning exercise to identify macroeconomic and financial risks and policy responses; a pilot exercise was considered by the IMF's ministerial advisory committee, the International Monetary and Financial Committee, at their meeting in April 2009; and
- reformed its lending and conditionality frameworks to ensure they continue to meet the needs of members, including introducing the Flexible Credit Line — a new high access facility, able to be used on a precautionary basis, for economies with a strong track record of economic policy and performance.

Australia was active within the IMF, the Financial Stability Board and the G-20 in promoting these outcomes.

In June 2009, a team of IMF officials visited Australia as part of the annual Article IV consultations, meeting with various government and other organisations, including the Reserve Bank of Australia, in Sydney, Melbourne and Canberra. The concluding statement of this mission was released on 25 June 2009.

### World Bank

Australia supported the World Bank's leadership role in improving the living standards of the world's poor, including through the Executive Board and attendance at the World Bank Spring and Annual Meetings. Australia also engaged with World Bank management, including hosting a visit by Mr Jim Adams, Vice President, East Asia and Pacific.

At the World Bank, Australia is represented by Dr Jim Hagan. Dr Hagan was appointed World Bank Executive Director from 1 August 2007 for four years. The Treasury, in conjunction with the Australian Agency for International Development (AusAID) and other relevant departments, briefed him on matters coming before the Executive Board.

In 2008-09, Australia pledged \$150 million over three years to the World Bank-administered Climate Investment Funds, for large scale deployments of low carbon technology in major emitting developing countries and vulnerable countries. Australia also contributed \$50 million to the World Bank's Food Price Crisis Response Core Multi Donor Trust Fund during 2008-09, to assist vulnerable countries cope with higher and more volatile food prices.

The World Bank's work program in 2008-09 focused on supporting developing member countries' response to the global financial crisis and recession. Australia was supportive of these activities, particularly the focus on fragile and post conflict states.

Key developments at the World Bank during 2008-09 included: a commitment to triple lending by the bank's main arm, the International Bank for Reconstruction and Development

to US\$100 billion over the next three years; fast tracking International Development Association commitments; establishing new funds to assist countries to respond to climate change, high food and fuel prices and the financial crisis; and expanding the International Finance Corporation's trade finance programs. The bank also formally launched its Strategic Framework for Development and Climate Change.

World Bank governors agreed to a reform package to enhance the voice and participation of developing countries at the October 2008 annual meeting. This first phase of reform included an additional chair at the Executive Board for Sub Saharan Africa; voting share realignment, including through an increase in basic votes; measures to increase developing countries' voting power at the International Development Association; and support for broader governance reforms.

Following earlier undertakings by the G-20, the World Bank's Development Committee agreed to accelerate the second phase of voice and participation reforms, including realigning shareholdings to further increase the voice of developing countries, with agreement to be reached by April 2010. The bank will continue to review the capital adequacy of the International Bank for Reconstruction and Development, International Finance Corporation and International Development Association and their need for capital replenishments.

On 10 December 2008, the Prime Minister announced that Australia will provide up to US\$1 billion to Indonesia as a standby loan to help mitigate the effects of the global financial crisis, should Indonesia need it. Australia's standby loan is part of a loan arrangement led by the World Bank, with contributions from the ADB and Japan.

The legislation enabling Australia to enter into the loan agreement with Indonesia, the *International Monetary Agreements Amendment (Financial Assistance) Act 2009* received Royal Assent on 26 June 2009.

## ADB

Australia contributed to decision making through representation on the Board of Directors and attendance at the 2009 annual meeting in Bali, Indonesia. Australia is represented on the ADB Board of Directors by Mr Phil Bowen.

As outlined in its country statement at the 2009 annual meeting, Australia supports the commitment to provide an additional US\$7-8 billion of funding support to crisis-affected developing members in 2009-10. Australia continues to encourage the bank to act quickly to address the current economic challenges through flexible, fast-disbursing and front loaded instruments, ensuring resources to fight the crisis are available to those most in need.

Australia was a key supporter of the US\$110 billion ADB general capital increase committed to by G-20 leaders in April 2009 and approved by the Board of Governors on 29 April 2009. Australia will contribute, over 10 years, an additional US\$197.6 million worth of paid-in

capital. The first payment is likely to be made in July 2010. Australia also will increase its uncalled capital subscription by around US\$4.8 billion, which will only be drawn down if the ADB cannot meet its financial obligations. The ADB has never drawn on its uncalled capital subscriptions.

### EBRD

The Government decided to remain a member of the EBRD in light of the global economic recession and the important role the EBRD is playing in the recovery of central and eastern Europe.

### OECD

Treasury officials contributed to the OECD's work on macroeconomic issues, particularly in the financial and economic crisis. Treasury officials also contributed to the 2008 Economic Survey of Australia and peer reviews of economic policy in member countries. Other notable contributions were on climate change, taxation, corporate governance, foreign investment and inter-governmental relations.

In June 2009, Treasury officials attended the OECD Ministerial Council Meeting in Paris. Ministers discussed the road to recovery, the role of the OECD in global policy cooperation, green growth and the importance of maintaining open markets for trade and investment.

Working closely with the Department of Foreign Affairs and Trade and Australia's OECD delegation, the Treasury continued to facilitate the OECD's program of enhanced engagement with emerging economies, particularly Indonesia.

### Pacific Islands Forum Economic Ministers' Meeting

The Pacific Islands Forum Economic Ministers' Meeting provides an opportunity to discuss with Pacific island economic ministers the importance of improving economic performance to deliver stable and improved living standards.

Treasury officials supported the ministerial attendance in October 2008, keeping Pacific ministers focused on policies to improve economic progress, particularly important given rising energy and food prices and the onset of the global recession.

### Australia Papua New Guinea Ministerial Forum

The nineteenth Australia Papua New Guinea Ministerial Forum took place in Brisbane on 10 June 2009. The Treasury contributed to ministerial economic briefing.

## APEC

APEC<sup>1</sup> is an important forum in Australia's engagement with the Asia-Pacific region. The Treasury continues to strive to improve the effectiveness of the APEC Finance Ministers' Process as a policy setting, outcomes-driven and reform-initiating forum.

In 2008, the Treasury provided significant assistance to Peru during its hosting of APEC. This involved policy support to ensure that previously agreed initiatives were delivered and that the momentum on addressing key agenda items within APEC's Finance Ministers' Process was progressed.

In responding to the global financial crisis, APEC's Finance Ministers' Process focused on supporting G-20 measures to stabilise financial markets, restore growth and resist protectionism. It also gave high priority to delivering targeted capacity building projects to address development gaps in the financial sector and support efforts to reform the function of capital markets. In partnership with Malaysia, Singapore and Vietnam, the Treasury led the development and delivery of a targeted capacity building activity that supported the broadening of the institutional investor base in APEC economies. Also, through workshops in Kuala Lumpur and Hanoi from March 2009 to July 2009, government officers from selected APEC economies developed and adopted action strategies to address some of the impediments to developing a diversified and sound institutional investor base.

The Treasury's other major contribution was to foster greater region-wide understanding of how public-private partnerships could not only play a part in meeting the region's infrastructure investment needs but also assist in developing capital markets. As a practical response, the Treasury worked with APEC counterparts and produced a set of common principles for formulating guidelines to develop well functioning public-private partnership markets. Finance ministers endorsed these principles in November 2008.

The Treasury continues to maintain a highly active role in APEC and is working closely with Singapore, the current host. To help foster a durable regional recovery, the Treasury is engaged in enhancing financial and investment flows, and contributing to measures to strengthen fiscal sustainability. The Treasury is working with the Malaysian Ministry of Finance to assist targeted economies in their efforts to improve strategies that help maintain medium to long-term fiscal sustainability policies while undertaking measures to restore growth and confidence during the economic recovery period.

## Overseas development assistance

The Treasury provided advice on general development and aid issues, including Australia's multilateral and bilateral aid programs, new expenditure initiatives and the framework for Australia's aid budget.

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1 APEC members are Australia, Brunei Darussalam, Canada, Chile, People's Republic of China, Hong Kong China, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Chinese Taipei, Thailand, United States and Vietnam.

The Treasury provided advice on 2009-10 Budget initiatives (such as *Food Security through Rural Development* and *Improving Responsiveness and Accountability in Government*) and the effectiveness of Australia's overseas development assistance.

During 2008-09, the Treasury contributed to inter-departmental committees and forums on climate change, infrastructure and food prices. The Treasury also participated in the Development Effectiveness Steering Committee, an inter-departmental committee convened to ensure effectiveness in Australia's overseas development assistance.

## Timely and accurate financial transactions

### Management of international financial commitments

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

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

The Treasury conducted routine financial transactions to manage existing obligations. These were timely and efficient as summarised in Table 1.

**Table 1: Financial transactions with international financial institutions in 2008-09**

	Nature of transaction	Number of transactions	Total \$'000
<b>Receipts</b>			
IMF net remuneration	Revenue	4	3,811
<b>Payments</b>			
IMF special drawing rights allocation charges	Expense	4	17,543
IMF Poverty Reduction and Growth Facility	Expense	1	2,500
EBRD promissory note draw down	Financing transaction	1	592

Note: Australia has an IMF maintenance of value obligation of A\$996 million for the IMF's 2008-09 financial year. This financing transaction will be settled in 2009-10.

## Policy advice

### Relations with Asia

The Treasury continued to broaden and deepen its engagement with key Asian economies.

In March 2009, the Treasurer visited Japan, the first bilateral visit to Japan by an Australian Treasurer since 1995. He met with the Japanese Finance Minister and the Governor of the Bank of Japan to discuss the impact of the global recession on the region and the importance of a global response through the G-20. The Treasurer also met with financial sector executives and investors to promote Australia as a place to do business and invest. In addition, he spoke on the importance of the Australia-Japan bilateral relationship, the stability and strength of the Australian economy and financial markets, and Australia's priorities for the G-20 Leaders' Summit.

In October 2008, in Canberra, the Treasurer signed a Memorandum of Understanding between the Treasury and China's National Development and Reform Commission to establish a bilateral seminar program. It provided an opportunity to further strengthen institutional links with the Treasury's key counterpart agency in China and foster understanding of the Chinese economy. As part of the Memorandum of Understanding, the Treasury made two high-level presentations in China, and a senior National Development and Reform Commission delegation will visit the Treasury later in 2009.

The Treasurer, together with the Minister for Trade, held talks in Beijing on 7 December 2008 with China's Commerce Minister, the head of the National Development and Reform Commission, and Vice Minister of the Chinese Communist Party to discuss Australia's growing investment and trade relationship with China.

During 2008-09, the Treasury's strategic partnership with Indonesia's Fiscal Policy Office in the Ministry of Finance continued with two Treasury deployees based in the Fiscal Policy Office. The Treasury's engagement strategy is funded under the Government Partnership Fund initiative. The partnership supports the strengthening of Indonesian economic policy capabilities and the development of lasting institutional relationships. The Treasury is involved in efforts to improve Indonesian revenue forecasting, as well as macro and international forecasting. The Treasury is working to improve the Fiscal Policy Office's corporate management capacity, including a 'Treasury style' graduate program, and briefing and policy development processes. The Treasury is coordinating a climate change 'green paper' and a major project on natural resource management.

The Treasury held its second annual economic policy dialogue with the Indian Ministry of Finance in Canberra during April 2009. The dialogue allowed for the shared discussion of economic conditions, collaborative work in international forums (such as the G-20 and the East Asia Summit) and information sharing on issues of interest to both nations. Concurrently, the Treasury facilitated a visit from senior Indian officials to Canberra,

Melbourne and Sydney to discuss with prominent regulators, government officials and financial sector representatives, Australia's experience of financial sector reform.

In April 2009, the then Minister for Superannuation and Corporate Law attended meetings in Singapore to discuss policy responses to the global recession and efforts to improve corporate governance and financial markets regulation in both countries.

In addition, senior Treasury officials visited the region to discuss various policy issues, including the annual consultation with the Korean Ministry of Strategy and Finance in July 2008 and the Japanese Ministry of Finance in May 2009. Senior Treasury officials also presented at a range of forums on global and regional economic issues, including on East Asia's economic outlook and medium-term challenges and financial globalisation.

As part of the East Asia Summit process the Treasury worked actively to build a more robust finance agenda. The Treasury commissioned a report on financial sector capacity building needs of East Asia Summit countries and supported the second Informal Senior Finance Officials' Dialogue in Hakone, Japan, in November 2008 with a presentation on ways to progress the finance agenda.

Treasury officials posted to Beijing, Jakarta and Tokyo reported on economic and policy developments in their regions. They helped strengthen relations with the Treasury's counterparts in their countries of accreditation, including facilitating high-level meetings.

### Relations with Pacific economies

The Treasury advises ministers and agencies on economic and fiscal issues relating to the Pacific, particularly the Solomon Islands, Papua New Guinea and Nauru, where deployed officers work to build sustainable and effective economic ministries.

In 2008-09, the Treasury made a submission to a Senate inquiry into the economic and security challenges facing Pacific island states. Treasury officials subsequently provided evidence to assist the committee.

### Economic reconstruction issues

#### Solomon Islands

In 2008-09, six officers were working in the Solomon Islands Ministry of Finance and Treasury as part of the Regional Assistance Mission to Solomon Islands. Treasury officers engage with government, donors and other stakeholders to assist in economic reform, including micro-economic reform of aviation and telecommunications sectors. Treasury officers helped develop a macroeconomic model to boost capacity to provide accurate economic and budget projections. Future assistance will focus on improving the quality of public financial management, and provision of quality economic advice to the Solomon Islands Government.

#### Papua New Guinea

In 2008-09, deployees contributed to macroeconomic stability by assisting in responding to the global economic crisis. Treasury officers also supported the Papua New Guinea Treasury on a range of structural policy, taxation and investment issues.

#### Nauru

Since 2004, the Treasury has assisted the Nauru Department of Finance. In 2008-09, the Treasury deployed two officers to Nauru, as Secretary of Finance and economic adviser. They helped develop the 2009-10 Nauru Budget, worked to strengthen domestic economic and financial management capacity, liaised with donors to administer Nauru's debt position, and provided advice on further economic reforms to assist Nauru's continued economic recovery. In consultation with the Government of Nauru, the Treasury has begun transitioning the economic adviser role to an AusAID managed position.



## OUTCOME 2: EFFECTIVE GOVERNMENT SPENDING ARRANGEMENTS

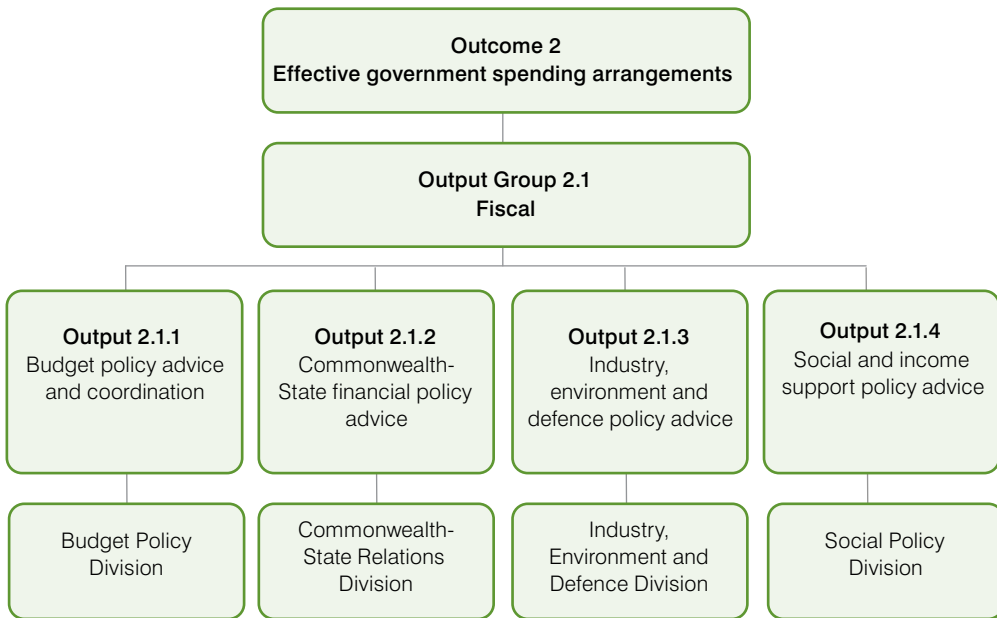
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Fiscal Group's mission is to ensure government spending arrangements are effective as they are crucial to influencing strong sustainable economic growth and the improved wellbeing of Australians. Within the context of the wellbeing framework, ongoing advice to portfolio ministers from the Treasury assists in formulating, implementing and explaining government spending decisions. The Treasury provides advice on:

- the overall fiscal strategy and budget policies, and coordination of the budget and other reports required under the *Charter of Budget Honesty Act 1998*;
- Commonwealth-State financial policy, and arrangements related to state and territory fiscal and tax issues, including developing and implementing the Intergovernmental Agreement on Federal Financial Relations and progressing ongoing reforms across a broad spectrum of policy responsibilities through the COAG process;
- policy development in industry, environment, defence and national security policy; and
- policy development in social and income support policy, including health, the labour market, education, Indigenous welfare and immigration.

The Treasury is involved intensively in the COAG reform processes established by the Government in December 2007, continuing to progress reforms across a broad spectrum of policy responsibilities including the working groups on health and ageing, productivity, climate change and water, and Indigenous reform, housing, and business regulation and competition.

**Figure 5: Outputs contributing to Outcome 2**



## Key priorities in 2008-09

Key priorities for Outcome 2 were to provide advice on:

- the fiscal strategy and outlook, including for the medium-term, and on budget priorities, debt and balance sheet management, consistent with the fiscal strategy. This includes advising on the operation of the Future Fund, developing the Building Australia Fund and contributing to the Review of Government Spending;
- the Commonwealth Budget and related financial papers;
- leadership and policy expertise to deliver the COAG Reform Agenda agreed in December 2007, particularly the agendas for the working groups on health and ageing, productivity, climate change and water, and Indigenous reform;
- leadership and policy expertise to enable Commonwealth and State Treasurers to finalise and implement a new Intergovernmental Agreement on Federal Financial Relations (agreed November 2008); and
- market mechanisms and frameworks to achieve environmental outcomes, including modelling climate change, and contributing to the design of an Emissions Trading System, for implementation by 2010, and devising a system of mandatory renewable energy targets by 2020.

## Key outcomes in 2008-09

Key group outcomes were:

- providing advice on the fiscal outlook and possible policy responses to reduce the severity of the impact of the global financial crisis on the Australian economy;
- providing advice on budget priorities consistent with the medium-term fiscal strategy, on how the fiscal strategy needed to adjust to take account of the changing economic conditions, including the need for timely, targeted and temporary stimulus, and to establish the framework for implementing the medium-term fiscal strategy as the economy recovers;
- preparing with the Department of Finance and Deregulation, the 2009-10 Budget (May 2009) and related financial papers — *Final Budget Outcome 2007-08* (September 2008) and *Mid-Year Economic and Fiscal Outlook 2008-09* (November 2008);
- also preparing the Economic Security Strategy stimulus package (October 2008) and the *Updated Economic and Fiscal Outlook 2008-09* (February 2009) in conjunction with the Department of Finance and Deregulation;
- consulting with the Australian Office of Financial Management on the Commonwealth Securities and Investment Legislation Amendment Bill 2008 which supports the effective and efficient operation of the Treasury Bond and Treasury Bond futures markets;
- providing advice on operational issues relating to the Future Fund and the nation building funds;
- providing advice on, and implementing the First Home Owners Boost, and the Guarantee of State and Territory Borrowing;
- developing, as part of the COAG reforms, and implementing the new framework for federal financial relations which commenced on 1 January 2009. The new arrangements focus on the reform of National Specific Purpose Payments (SPP) and establish National Partnership payments to facilitate or reward priority national reforms or fund specific projects;
- providing secretariat support for the Ministerial Council for Federal Financial Relations on policy issues relevant to both the Australian Government and States;
- managing the administration of payments to the states and territories;
- advising on industry, climate change and environment, defence and national security. In its central policy agency role the Treasury engages on these issues with a view to improving productivity and competitiveness, ensuring sustainable economic growth, meeting fiscal policy objectives and broader issues relating to wellbeing. The Treasury was engaged in a diverse range of issues and processes (specified under Output 2.1.3), including developing the Carbon Pollution Reduction Scheme, publishing climate change mitigation modelling in the report *Australia's Low Pollution Future*, modelling

climate change scenarios for the Garnaut Review of Climate Change, co-hosting a G-20 Workshop on Climate Change, developing the Defence White Paper, and developing the Government's response to the reviews into the automotive industry, textile, clothing and footwear industries and the national innovation system; and

- advising on social, education, Indigenous, labour market and health policy applying a broad central policy agency perspective. Fiscal Group was engaged in a diverse range of issues and processes (specified under Output 2.1.4), including the Government's Economic Security Strategy, Nation Building and Jobs Plan, workplace relations reforms, and commitment to closing the gap in Indigenous disadvantage. It was engaged in five COAG working groups dealing with social policy issues and provided advice on the associated new National Agreements with the States and Territories. Fiscal Group also contributed advice on numerous National Partnerships aimed at driving reforms of national significance, as well as the National Early Childhood Development Strategy.

## OUTPUT 2.1.1: BUDGET POLICY ADVICE AND COORDINATION

Budget Policy Division in Fiscal Group and Tax Analysis Division in Revenue Group are responsible for the delivery of Output 2.1.1: Budget policy advice and coordination. Fiscal Group and Revenue Group contribute to Outcome 2 by providing advice to Treasury portfolio ministers on budget policy issues, current and prospective trends in Australian Government revenue and major fiscal aggregates, the fiscal framework and debt policy. In addition, Fiscal Group, with the Department of Finance and Deregulation, coordinates preparation of the budget and related documents.

### Performance information

The key performance indicators are:

- advice meets the Government's needs in administering its responsibilities and making and implementing government decisions on fiscal and budget strategy and spending arrangements, including its longer term strategies. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms; and
- timely, high-quality, accurate and transparent budget reports, Mid-Year Economic and Fiscal Outlook (MYEFO) and Final Budget Outcome documents meet the Government's expectations. The budget preparation and coordination process is subject to an annual evaluation.

## Analysis of performance

### Advice on the fiscal and budget strategies

During 2008-09, the Treasury provided advice to the Treasurer and other portfolio ministers on the Australian Government's budget position to inform overall policy settings and provide the context for the Government's decision making.

Global economic conditions changed dramatically after the 2008-09 Budget was delivered, requiring the publication of more frequent updates on the economic outlook and the Government's responses to the global financial crisis.

The Treasury advised the Government in the lead up to the announcement of its Economic Security Strategy of October 2008 which provided a public update to reflect changing economic circumstances and the impact of the \$10.4 billion spending package.

A more detailed revised economic outlook was published in MYEFO in November 2008. During September and October 2008, it became clear that the impact of the global financial crisis on the economy would be more severe than previously anticipated. Accordingly, the Government responded by adapting its fiscal policy settings for 2008-09 in a manner consistent with the medium-term fiscal strategy.

In February 2009, a further economic and fiscal update — the Updated Economic and Fiscal Outlook (UEFO) — was published. In this statement, the Government announced a \$42 billion Nation Building and Jobs Plan to provide immediate support for jobs and growth. To support economic growth in a way consistent with the medium-term fiscal strategy, the Government stated the action it would take to return the budget to surplus as the economy started to recover.

The Treasury assisted the Government in preparing its 2009-10 Budget, presented in May 2009, which provided a further economic and fiscal update. In the budget, the Government delivered further fiscal stimulus measures, and met other spending and reform commitments, whilst finding structural savings to offset the cost of new spending.

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

### Final budget outcome for 2007-08

The *Final Budget Outcome 2007-08* was published in September 2008. In 2007-08, the Australian Government general government sector recorded an underlying cash surplus of \$19.7 billion. This outcome was around \$2.9 billion higher than estimated at

the 2008-09 Budget, reflecting lower than expected cash payments offset by lower than expected cash receipts.

### Budget forecasts

The 2008-09 MYEFO, released by the Treasurer and Minister for Finance and Deregulation on 5 November 2008, updated the 2008-09 Budget which was released in May 2008. The forecast underlying cash surplus of \$5.4 billion for 2008-09 was \$16.3 billion lower than the forecast at the time of the 2008-09 Budget. This reflected significant downward revisions to cash receipts associated with the global financial crisis.

The decrease in estimated receipts was primarily due to downward revisions to tax receipts, which were driven by lower than forecast capital gains and company tax. The increase in estimated payments largely reflected new policy decisions announced since the 2008-09 Budget of \$11 billion.

The UEFO, released in February 2009, forecast an underlying cash deficit of \$22.5 billion and \$35.5 billion for 2008-09 and 2009-10 respectively.

The 2009-10 Budget, published in May 2009, estimated an underlying cash deficit of \$57.6 billion for 2009-10. The deterioration in the forecast deficit across the forward estimates was a consequence of the global recession resulting in downward revisions of revenue to around \$210 billion over the period 2008-09 to 2012-13.

### Strategic budgetary advice

The Treasury assisted the Government in implementing its fiscal strategy by managing budget processes and advising Treasury portfolio ministers on the overall budget strategy and priorities. In particular, the Treasury provided advice to the Government on the budget strategy in the context of supporting growth through economic slowdown and returning the budget to surplus as economic growth returns to above trend levels. Good budget processes help governments make decisions based on accurate information, and allow proposals to be prioritised according to overall budget objectives.

### Debt management policy

In consultation with the Australian Office of Financial Management, the Treasury provides advice to the Treasurer on debt issuance and debt policy issues. This includes supporting an efficient and effective issuance program, and managing and optimally structuring the debt portfolio. The Treasury also provides advice to the Treasurer on issues affecting the Government's debt management operations including the performance, governance and functioning of the Commonwealth debt market.

In February 2009, the Australian Government released UEFO. Consistent with the forecast in UEFO, the Australian Office of Financial Management increased its issuance of Treasury Bonds. To give effect to this new borrowing task, the Treasurer introduced

the Commonwealth Inscribed Stock Amendment Bill 2009, which received Royal Assent in February 2009.

Treasury Bond issuance in 2009-10 is expected to be around \$60 billion. The face value of securities offered at each tender will be between \$500 million and \$1 billion. In addition, Treasury Notes will be offered at regular tenders to support the within year financing task.

Specific details of the Government's forward debt issuance program in 2009-10 are outlined in the *Australian Office of Financial Management Annual Report 2008-09*.

### Future Fund

During 2008-09, the Treasury continued to provide policy advice to portfolio ministers on operational issues relating to the Future Fund. Further information regarding the performance of the Future Fund can be found in the *Future Fund Annual Report 2008-09* at [www.futurefund.gov.au](http://www.futurefund.gov.au).

### Three new nation-building funds

In the 2008-09 Budget, the Government announced its commitment to establish three new nation-building funds, the Building Australia Fund, the Education Investment Fund and the Health and Hospitals Fund. Parliament passed the legislation to establish these funds, the *Nation-building Funds Act 2008*, in December 2008.

During 2008-09, the Treasury contributed to the establishment of these three new funds by providing advice to the Department of Finance and Deregulation and other relevant agencies on governance and management arrangements.

## Contribution to public debate and awareness

### Budget publications

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

The Treasury and the Department of Finance and Deregulation jointly prepare the Government's budget documentation. The Treasury also prepares accessible summaries for non-specialist readers. This year, these were the general budget overview, budget at a glance, budget highlights, overviews of Secure and Sustainable Pensions, Nation Building for the Future and the Universities, Innovation and Education Revolution.

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

- the principal budget aggregates and the Government's fiscal strategy and objectives;
- economic assumptions underpinning the budget estimates;

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

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

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

Under the charter, budget reporting follows an annual cycle comprising the budget in May, a mid-year update before 31 January and a final budget outcome in the following September. The charter also stipulates that an intergenerational report be produced on a five-yearly cycle.

The budget website at [www.budget.gov.au](http://www.budget.gov.au) continues to be improved to present information in a format that is easy for readers to access and understand.

### Overseas delegations

In 2008-09, the Treasury met with international delegations from Cambodia and Mongolia interested in learning about Australia's budgeting and reporting framework.

### Tax Expenditures Statement

The Treasury prepares the annual Tax Expenditures Statement to estimate the value of concessions, benefits and incentives delivered to taxpayers through the tax system. The *Tax Expenditures Statement 2008*, published in January 2009, reported on the cost of tax expenditures with estimates and projections to 2011-12. Production of this statement assists transparency and encourages public scrutiny of government programs delivered through the tax system.



## OUTPUT 2.1.2: COMMONWEALTH-STATE FINANCIAL POLICY ADVICE

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

Fiscal Group contributes to Outcome 2 by providing high quality advice on Commonwealth-State financial policy, and arrangements related to state and territory fiscal and tax issues.

Fiscal Group also manages the administration of payments to the states and territories. From 1 January 2009, under the new *Intergovernmental Agreement on Federal Financial Relations* (Intergovernmental Agreement), the Treasury is responsible for administering National SPPs, National Partnership payments and goods and services tax (GST) payments.

### Performance information

The key performance indicators are:

- advice meets the Government's needs in administering its responsibilities and making and implementing government decisions as they relate to Commonwealth-State financial relations. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms;
- timely, high-quality, accurate and transparent budget reports, MYEFO and final budget outcome documents meet the Government's expectations;
- progress made on the COAG Reform Agenda meets the expectations of the Commonwealth and States agreed at the December 2007, March 2008 and subsequent meetings; and
- calculation of payments to State and Territory Governments is accurate.

### Analysis of performance

#### Reform of Federal Financial Relations

On 29 November 2008, COAG agreed to a new Intergovernmental Agreement which provides the overarching framework for collaboration between the Commonwealth and the States and Territories. This represents the most significant reform of Australia's federal relations in decades and establishes the foundation to deliver on long-term economic and social reform.

The framework commenced on 1 January 2009 and involved:

- significant rationalisation of the number of payments made to the States and Territories and increasing the overall amount of funding;
- centralisation of payment arrangements through the Commonwealth Treasury with payments made monthly to each State and Territory treasury;
- greater funding certainty and flexibility for the States and Territories through provision of on-going financial support for the delivery of services by the States through:
  - General revenue assistance, including GST;
  - National SPPs to be spent in key service delivery sectors; and
  - National Partnership payments; and
- clarification of the roles and responsibilities of each level of government and improved public accountability through a new performance reporting framework.

In 2008-09, the Treasury has made payments for general revenue assistance, including GST, National SPPs and National Partnership payments.

#### General revenue assistance

Under the Intergovernmental Agreement, all GST revenue is provided to the states. GST revenue is paid on a monthly basis, distributed in accordance with relativities determined by the Treasurer, following recommendations by the Commonwealth Grants Commission and discussion at the Ministerial Council meeting.

The Commonwealth provides general revenue assistance to the states, including GST payments, without conditions, to spend according to their own budget priorities.

- In 2008-09, the states and territories received \$42.4 billion in general revenue assistance, including \$41.2 billion in GST payments. These payments were calculated correctly and paid on the scheduled dates.

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

The Australian Government guaranteed that, in the transitional years of the former Intergovernmental Agreement, each state's budgetary position would be no worse than had the reforms to Commonwealth-State financial relations not been implemented. The Treasury provided advice to the Treasurer on how much funding each state would have received under the previous financial arrangements to enable the Treasurer to determine the guaranteed minimum amount.

To meet its guarantee, the Australian Government paid budget balancing assistance to cover any shortfall between GST revenue and each state and territory's guaranteed minimum amount. Consequently, the Commonwealth provided total budget balancing assistance of \$275 million.

### Payments for Specific Purposes (National SPPs and National Partnerships)

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

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

- The Commonwealth paid the states and territories \$41.7 billion in 2008-09 in National SPPs and National Partnerships. The Treasury started payments on National SPPs and National Partnerships from 1 January 2009.
- The Treasury made efficient payments of both National SPP and National Partnerships. Advice on the amount was made available to the treasuries and portfolio agencies. The Treasury made timely payments on the scheduled dates, and in accordance with the relevant agreement (for National Partnership payments).

The framework has provided the foundation for the Commonwealth and the states to assist in sustaining the Australian economy through the global recession. Key elements that Commonwealth-State Relations Division provided advice on were:

- the First Home Owners Boost; and
- the Commonwealth guarantee of state borrowing.

### Ministerial Council for Federal Financial Relations

The Ministerial Council, comprising the Commonwealth Treasurer and all State and Territory Treasurers, considers on-going reform of federal financial relations and oversees the Intergovernmental Agreement. The Treasury provides secretariat support to the Ministerial Council. A new website for the Ministerial Council was established in 2008-09.

At Ministerial Council meetings held in 2008-09, treasurers focused on developing and implementing the new framework. The Treasury advised the Treasurer on the key issues: performance reporting and the appropriate level of funding for National SPPs and National Partnerships.

## Australian Loan Council

The Australian Loan Council, chaired by the Treasurer, meets annually to consider each jurisdiction's expected borrowing for the next financial year. The Treasury advised the Treasurer on key issues and coordinated arrangements for this meeting. The Australian Loan Council agreed to take on two new roles: to look at macroeconomic impacts on infrastructure and to take on a new oversight function of the Commonwealth guarantee of state and territory borrowing.

## Heads of Treasuries

At the Heads of Treasuries meetings, the treasuries of the Australian and state governments share information on common issues. The Secretary to the Treasury and his state counterparts met twice in 2008-09 to discuss drafts of the Intergovernmental Agreement, current economic conditions and the fiscal outlook, tax and financial issues.

## GST Administration Sub-committee

The Treasury chairs this sub-committee, which comprises officials from the Treasury, the ATO and state treasuries. The sub-committee met twice in 2008-09 and developed a new performance agreement between the ATO and the Ministerial Council for Federal Financial Relations to reflect the Intergovernmental Agreement. The sub-committee monitored the performance agreement and discussed GST revenue and payments, and GST policy and administrative issues.

## International relations

In 2008-09, the Treasury continued to participate in the OECD Network on Fiscal Relations across levels of government, and presented to visiting overseas delegations on funding arrangements between the Australian Government and the states.

## Contribution to public debate and awareness

Information on the Government's financial relations with state and local governments is in the 2009-08 Budget, Budget Paper No. 3, *Australia's Federal Relations*. This is the main public source of information on Australian Government payments to the states and local governments. It also informs the states of their expected payments in the upcoming financial year.

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

Relevant information is also included in MYEFO, UEFO and Final Budget Outcome.

Information on the federal financial framework is available on the Ministerial Council website at [www.federalfinancialrelations.gov.au](http://www.federalfinancialrelations.gov.au).

## OUTPUT 2.1.3: INDUSTRY, ENVIRONMENT AND DEFENCE POLICY ADVICE

Industry, Environment and Defence Division in Fiscal Group is responsible for the delivery of Output 2.1.3: Industry, environment and defence policy advice.

Industry, Environment and Defence Division contributes to Outcome 2 by working with other departments and agencies to develop and provide policy advice to Treasury portfolio ministers and the government on industry, climate change and environment, defence and national security. While other departments have primary responsibility for policy and programs in these areas, Industry, Environment and Defence Division focuses on improving productivity and competitiveness, and ensuring sustainable economic growth, taking account of fiscal policy objectives and broader issues relating to wellbeing.

During 2008-09, the Treasury participated in a wide range of policy development processes, worked with other agencies to develop policy, provided coordination comments on policy for Cabinet ministers, and briefed the Treasurer for his participation in Cabinet and COAG.

### Performance information

The key performance indicators are:

- advice meets the Government's needs in making and implementing government decisions on industry, environment and defence policy issues. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms.

### Analysis of performance

#### Industry policy

The Treasury provided advice on industry assistance, export assistance, science and innovation, arts, sports and regional policy issues, including natural disaster relief for businesses.

The Treasury also provided advice on the Government's response to the reviews into the automotive industry, textile, clothing and footwear industries, and the national innovation system. The Treasury participated in inter-departmental committee meetings and forums during 2008-09, including considering the national tourism strategy, the Excellence in Research for Australia initiative, Australia's bid for the 2018 FIFA World Cup, and Export Finance and Insurance Corporation proposals.

## Climate change and environment policy

The Treasury provided advice to the Treasurer on climate change issues including climate change adaptation, greenhouse gas emissions abatement, emissions trading, low emissions technologies and energy efficiency, renewable energy and alternative fuels, energy security and international engagement on climate change issues.

The Treasury has worked closely with the Department of Climate Change in designing the Carbon Pollution Reduction Scheme and associated transition and assistance mechanisms. The Treasury also hosted a G-20 workshop in February 2009 which considered the economic and financial implications of climate change.

The Treasury also provided economic modelling and advice on climate change policy to the Government. This included the detailed economic modelling in *Australia's Low Pollution Future: The Economics of Climate Change Mitigation*, released on 30 October 2008. In addition, the Treasury provided input into the *Garnaut Climate Change Review*, with the final report published on 30 September 2008. The Treasury also provided advice in response to and in support of commissioned economic modelling of climate change mitigation policies by government, industry and other groups.

The Treasury participated in the work of the COAG Climate Change and Water Working Group, including on adaptation, energy efficiency, renewable energy targets and measures to complement the Carbon Pollution Reduction Scheme. The Treasury contributed to a number of inter-departmental committees on energy and greenhouse policy during the year.

The Treasury also provided advice to the Treasurer on environmental and agricultural issues including water reform, wheat marketing, waste policy, quarantine, drought policy and natural resource management issues.

The Treasury's advice covered the development of the Caring for our Country program, the partial deregulation of wheat exports, as well as funding for small irrigator exit assistance, Antarctica, and national parks as announced in the 2009-10 Budget. Additional advice was on specific agricultural commodity issues including wheat, dairy, sheep and beef.

During 2008-09, the Treasury also contributed to inter-departmental committees dealing with water policy, wheat marketing arrangements and drought.

## National security policy

The Treasury provided advice on a range of defence and national security issues, including the Defence White Paper. The Treasury also contributed to a range of reviews of current national security arrangements, including the Federal Audit of Police Capabilities.

The Treasury has continued to participate in the Secretaries' Committee on National Security that examines and advises on proposals considered by the National Security Committee of

Cabinet. It also participates in inter-departmental processes concerning Defence Capability Plan projects, Defence estate, and various aspects of domestic security arrangements.

## OUTPUT 2.1.4: SOCIAL AND INCOME SUPPORT POLICY ADVICE

Social Policy Division in Fiscal Group is responsible for the delivery of Output 2.1.4: Social and income support policy advice.

Fiscal Group contributes to Outcome 2 by working with other departments and agencies to develop and provide policy advice to Treasury portfolio ministers and the government in areas such as early childhood and families, education, social housing, Indigenous welfare, labour market and health policy. While other departments have major responsibility for policy and program implementation in these areas, Fiscal Group seeks to ensure a focus on wellbeing with a priority on sustainable economic and social outcomes, including consideration of distribution, risk and capability development.

During 2008-09, the Treasury participated in a wide range of policy development processes, worked with other agencies to develop policy approaches, provided advice for Cabinet ministers, and briefed the Treasurer for his participation in Cabinet and the budget processes. Social Policy Division also assisted in preparing briefings for the other Treasury portfolio ministers.

### Performance information

The key performance indicators are:

- advice meets the Government's needs in making and implementing government decisions on social and income support policy issues. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms.

### Analysis of performance

#### Labour market policy

The Treasury provided advice to the Treasurer on income support, immigration, employment services, service delivery reform and workplace relations matters.

#### Workplace relations

The Treasury provided advice to the Treasurer to help put into effect the Government's workplace relations reforms.

The Treasury worked closely with the Department of Education, Employment and Workplace Relations to develop submissions to the Australian Fair Pay Commission's final minimum wage decision (the 2009 Minimum Wage Review) and to develop and present a whole-of-government approach to this policy.

### Immigration

The Treasury provided advice to the Treasurer on a range of immigration matters, including reforms to migration programs, the economic and labour market impacts of immigration, and changes to the Temporary Business (Long-Stay) Visa (Subclass 457) Program.

### Employment services

In light of the dramatic changes in the economic environment during 2008-09 and its implications for the Australian labour market, the Treasury contributed to policy advice on appropriate policy settings for employment service provision and on elements of the Jobs and Training Compact announced in the 2009-10 Budget.

### Australian Government Service Delivery Reform

The Treasury worked closely with other policy agencies in progressing the Government's commitments to service delivery reform initiatives in the Human Services Portfolio.

The Treasury also contributed to developing a more strategic approach to managing fraud and compliance efforts across health and social welfare payments.

### Health policy

Policy development processes spanned a range of health and aged care issues. The Treasury advised the Treasurer on Medicare, the Pharmaceutical Benefits Scheme, the Medicare Benefits Schedule, private health insurance, aged and community care, and veterans' affairs.

The Treasury also contributed to developing health initiatives announced in the 2009-10 Budget and provided advice to the Government in preparation for the release of the final report from the National Health and Hospitals Reform Commission.

The Treasury continued exploring the impact of chronic disease on the economy and potential economic benefits of a greater focus on preventative health.

### Education policy

The Treasury significantly contributed to education policy issues, not only through the COAG agenda, but also in development of the education aspects of both the Economic Security Strategy and the Nation Building and Jobs Plan.



The Treasury played a key role in developing and publishing the Government's response to the Bradley Review of Higher Education as part of the 2009-10 Budget.

### Indigenous policy

The Treasury played a significant role in providing advice on Indigenous policy. The Treasury was involved in cross-departmental work on the Government's commitment to closing the gap in Indigenous disadvantage. The Treasury has focused on the COAG Reform Agenda, the Single Indigenous Budget Submission process, the Northern Territory Emergency Response and development of an Indigenous Expenditure Report for COAG.

### Social policy

The Treasury provided policy advice in supporting the development of several key government initiatives. These included the Economic Security Strategy, the Carbon Pollution Reduction Scheme, UEFO, the Nation Building and Jobs Plan, and pension and family payment reforms announced in the 2009-10 Budget.

The Treasury was also involved in developing measures to support community recovery and resilience in the cases of the Victorian bushfires and the Queensland floods. It helped develop measures to assist stability and certainty of access to child care for families following the insolvency of ABC Learning Centres Ltd.

The Treasury continued to work on shaping the social inclusion agenda, including the early childhood education and care agenda, and developing a national compact with the not-for-profit sector.

The Treasury was involved in developing the Government's Paid Parental Leave scheme announced in the 2009-10 Budget, and began work for the third intergenerational report.

### COAG

The Treasury continued to be heavily involved with the COAG Working Groups.

The Treasury actively engaged in the Health and Ageing Working Group, the Productivity Agenda Working Group, the Indigenous Reform Working Group, the Housing Working Group and the Business Regulation and Competition Working Group. This included providing policy advice on the design of the new funding agreements, including: the National Healthcare Agreement, the National Disabilities Services Agreement, the National Indigenous Reform Agreement, the National Education Agreement, the Skills and Workforce Development Agreement and the National Affordable Housing Agreement.

The Treasury also contributed advice on numerous National Partnerships to drive reforms of national significance and development of the National Early Childhood Development Strategy. National Partnerships announced at the COAG meeting of 29 November 2008

covered key areas in preventative health, hospitals (including the primary care interface and activity-based funding reform), harmonisation of occupational health and safety regulation, reforms to address the educational needs of disadvantaged school communities and reforms to help close the gap in Indigenous disadvantage.

## OUTCOME 3: EFFECTIVE TAXATION AND RETIREMENT INCOME ARRANGEMENTS

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

The Treasury, through Revenue Group, has primary responsibility within the Australian Public Service for providing high-quality advice to Treasury portfolio ministers on tax and retirement income policies and legislation. The Treasury designs policies and legislative proposals to reform the Australian tax system in terms of efficiency, equity and transparency, whilst minimising compliance and administrative costs. Advice is formulated through an integrated process which includes consultation with business and community interests and close cooperation with the ATO and relevant Commonwealth departments.

During 2008-09, tax and retirement incomes policy considerations were integral to the Treasury's advice to assist the Government respond to the global financial crisis. The Treasury provided advice on the Economic Security Strategy payments for families and pensioners announced on 8 December 2008; the Nation Building and Jobs Plan, including one-off \$900 cash payments to eligible taxpayers and a Small Business and General Business Tax Break, announced on 3 February 2009; the savings decisions, including superannuation changes and changes to the private health insurance rebate, to support the pension reform package in the 2009-10 Budget; the measures announced in the 2009-10 Budget to ensure the budget's sustainability, including better targeting the tax exemption for Australians' foreign employment income and concessions for employee share schemes, and the increase in the Medicare levy surcharge rate; and the pay-as-you-go (PAYG) instalment reductions to provide cash flow relief to small businesses announced in the 2009-10 Budget.

The Treasury advised the Government on tax and compensation arrangements for the Carbon Pollution Reduction Scheme, and undertook comprehensive distributional modelling and analysis of the household assistance package and fuel tax concessions under the scheme. It also developed legislation for the tax treatment of emission units under the scheme, which was introduced into the Parliament on 14 May 2009. The Senate rejected the legislation on 13 August 2009.

The Treasury also provided advice on other business, personal and indirect tax policy issues. Business tax policy issues included the taxation of financial arrangements, research and development tax reforms, managed investment trusts and capital account election, the Financial Claims Scheme, withholding arrangements for closely held trusts, and amendments to improve the integrity and efficiency of the Australian Business Register.

The Treasury also provided advice on personal and retirement income policy issues including superannuation contribution caps, changes to the superannuation co-contribution, the tax deductibility of political donations and temporary residents' superannuation. Significant indirect tax policy issues on which the Treasury provided advice were 'ready-to-drink' alcoholic beverages and luxury car tax.

The Treasury continued to provide secretariat and other support to the Australia's Future Tax System Review, which is examining the current tax system and making recommendations to position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century. The Treasury, in collaboration with the Department of Families, Housing, Community Services and Indigenous Affairs, the Department of Employment, Education and Workplace Relations and the ATO, produced a background paper, *Architecture of Australia's Tax and Transfer System*, describing Australia's tax and transfer systems from a factual and analytical perspective, to inform public discussion. The Treasurer and Treasury Secretary released the paper on 6 August 2008. The Australia's Future Tax System Review Panel released a consultation paper, providing the basis for further community input, on 10 December 2008, together with a separate consultation paper inviting submissions on the specific issues facing the retirement income system. The Government released the Review Panel's report, *Australia's Future Tax System — The Retirement Income System: Report on Strategic Issues*, on 12 May 2009.

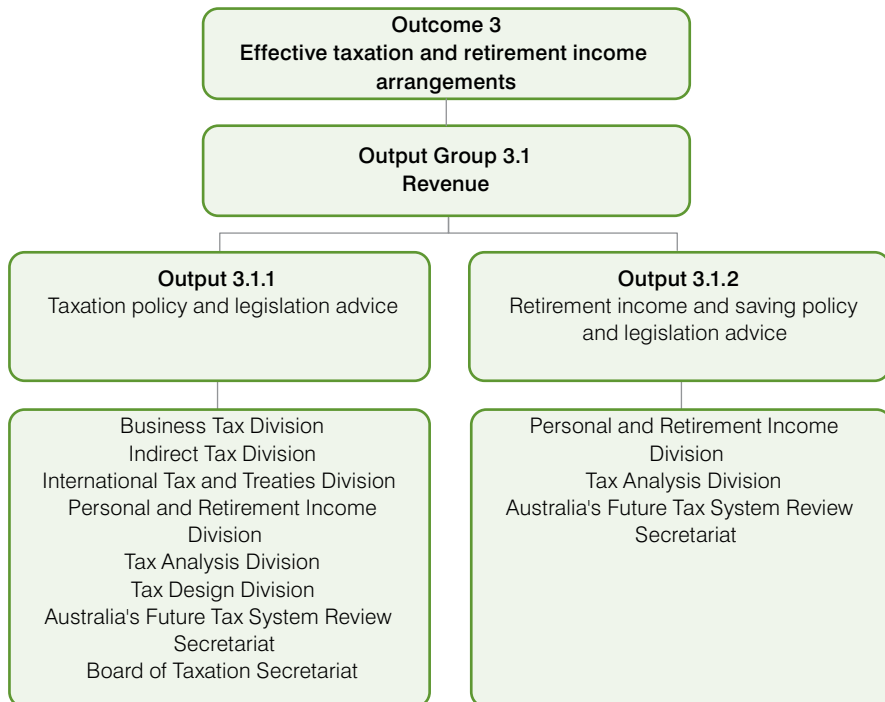
Significant progress was made in tax treaty negotiations with key investment partners during 2008-09, including the signing of a new tax treaty with New Zealand, an amending protocol on tax information exchange with Belgium, and enactment of the new treaty with Japan and the amending protocol with South Africa. Following the Government's January 2008 announcement, the Treasury also further examined and consulted on Australia's future tax treaty negotiation program and policy.

The Treasury also analysed and provided estimates of the Government's tax revenue for economic and fiscal updates (usually budgets and MYEFOs). In 2008-09, with economic conditions deteriorating quickly because of the global financial crisis, an additional set of estimates was published in UEFO released in February 2009.

The Treasury designed and brought to Parliament the Government's tax and retirement income legislation. In 2008-09, 36 tax and superannuation bills containing 74 measures were introduced into Parliament.

During 2008-09, the Treasury implemented the recommendations of the Tax Design Review Panel, including enhanced arrangements for consulting with stakeholders on tax and superannuation measures.

Figure 6: Outputs contributing to Outcome 3



## Key priorities in 2008-09

Key priorities in 2008-09 were:

- implementing government election commitments, including introducing an education tax refund and first home saver accounts, and establishing an optional superannuation clearing house facility;
- supporting the Australia's Future Tax System Review Panel's comprehensive review of Australia's tax and transfer system;
- progressing the National Reform Agenda agreed to by COAG with the housing, water, business regulation and competition working groups;
- developing quantitative modelling to identify the labour force participation effects of government policy proposals, including tax changes;
- meeting obligations under the *Charter of Budget Honesty Act 1998*;
- reviewing and renegotiating tax treaties with key investment partners, pursuing tax information exchange agreements with offshore financial centres, contributing to the tax policy work of the OECD and continuing the reform of Australia's international tax arrangements; and

- continuing to improve processes and outputs in developing advice on tax and retirement income policies (including implementing outcomes of the Tax Design Review Panel review into streamlining and enhancing tax law changes).

Other priorities identified through the year were:

- assisting the Government respond to the global financial crisis by analysing and implementing, where appropriate, stimulus payments to eligible taxpayers, business tax assistance and budget balancing measures;
- estimating revenue costs, undertaking modelling and analysing tax policy proposals, in the context of the Economic Security Strategy and UEFO;
- monitoring tax collections and regularly updating tax revenue estimates as the global financial crisis continued to affect economic conditions and the outlook;
- assisting the Government develop and implement the tax aspects of its Carbon Pollution Reduction Scheme;
- examining retirement income and saving issues, including superannuation and other income support arrangements, intended to improve the wellbeing of Australians;
- finalising legislation on the final reforms to the taxation of financial arrangements and developing a substantial program of other business tax related legislation; and
- continuing to develop revenue analysis and forecasting models, methods and models for costing, and analysis of distributional and participation effects of tax and transfer policy.

## Key outcomes in 2008-09

Key outcomes in 2008-09 included:

- providing advice to the Government on appropriate tax and retirement income policy responses to the global financial crisis, including:
  - stimulus payments to eligible taxpayers by the ATO as part of the Nation Building and Jobs Plan; and
  - the Small Business and General Business Tax Break and PAYG instalment reductions for small business and other taxpayers for the 2008-09 and 2009-10 income years;
- providing advice on the 2009-10 Budget, including savings proposals and budget balancing measures;
- developing legislation to implement the Government's election commitments to provide an education tax refund and a first home saver account, and releasing a discussion paper relating to the Government's election commitment to provide a superannuation clearing house as well as to possible initiatives to address the growth in lost superannuation;

- providing secretariat and other support to the Australia's Future Tax System Review Panel, including preparing advice on a broad range of tax and transfer issues, analysing public submissions, organising consultations with a wide range of stakeholders and a tax policy conference, commissioning research and preparing publications such as the background paper, *Australia's Future Tax System — Architecture of Australia's Tax and Transfer System*, which was released on 6 August 2008, three consultation papers *Australia's Future Tax System — Consultation paper*, *Australia's Future Tax System — Consultation paper — Summary* and *Australia's Future Tax System — The Retirement income — Consultation paper* released in December 2008, and final retirement income report *Australia's Future Tax System — The retirement income system: Report on strategic issues* released in May 2009;
- regularly revising tax revenue estimates and analysis taking into account the impact of deteriorating economic conditions and outlook, and incorporating them into the overall fiscal outlook and strategy in MYEFO, UEFO and the 2009-10 Budget;
- further developing quantitative modelling, providing better capacity to identify the labour force participation and distributional effects of government policy proposals under the Carbon Pollution Reduction Scheme;
- providing advice on and implementing legislation for business tax proposals, including for the Carbon Pollution Reduction Scheme, amendments to the capital gains tax rules to increase access to the small business concessions and smooth the introduction of the Financial Claims Scheme and the National Rental Affordability Scheme, application of crude oil excise to condensate, the framework for the tax agent services regulatory reform, stages 3 and 4 of the taxation of financial arrangements reforms, interim reforms to the taxation of managed investment trusts, and implementation of Board of Taxation recommendations on off-market share buybacks and managed investment trusts capital account treatment;
- providing advice on and implementing legislation for a range of personal tax policy proposals including: reforming income tests to tighten eligibility for certain tax and transfer system programs; revising the taxation of employee share scheme arrangements; increasing the income thresholds above which taxpayers are liable for the Medicare levy surcharge; removing the tax deductibility of political donations; developing philanthropy tax policy issues, including specifically listing organisations in the tax law as deductible gift recipients and income tax exempt; and establishing the 2009 Victorian Bushfire Appeal Fund's tax arrangements;
- providing advice on and implementing legislation for superannuation and retirement incomes policies, including temporary residents' superannuation and the Memorandum of Understanding between Australia and New Zealand to establish a retirement savings portability scheme;
- providing advice on and implementing legislation for Australia's international tax arrangements, reflecting efforts to maintain the integrity of the tax base while providing

a competitive and modern international tax system including recommendations from the Board of Taxation's *Review of the foreign source income anti-tax-deferral regimes*;

- progressing tax treaty negotiations with key investment partners, including signing a new tax treaty with New Zealand and concluding tax information exchange agreements with several other jurisdictions;
- providing advice on a range of indirect tax measures including recommendations from the Board of Taxation's *Review of the Legal Framework for the Administration of the Goods and Services Tax*, luxury car tax and 'ready-to-drink' alcoholic beverages;
- implementing the Tax Design Review Panel recommendations, including enhanced consultation arrangements and release of a forward work program of announced tax measures. Tenders were sought to establish a panel of private sector experts to provide the Treasury with advice on tax policy and legislative design. The Tax Issues Entry System, launched in November 2008, allows the public to raise issues about the care and maintenance of the tax system;
- providing secretariat support to the Board of Taxation, including to its reviews of the legal framework to administer the GST, of Australia's foreign source income anti-tax deferral regimes and of the tax arrangements applying to managed investment trusts; and
- providing secretariat support to the Superannuation Advisory Committee, which the former Minister for Superannuation and Corporate Law established in March 2008 and which met three times during 2008-09.

## OUTPUT 3.1.1: TAXATION POLICY AND LEGISLATION ADVICE

The Treasury provides a wide range of services to Treasury portfolio ministers to support their role in delivering effective taxation arrangements. This includes overall strategic advice, policy and legislation advice, revenue forecasting, policy costing and provision of information services.

Six divisions contribute to Output 3.1.1: Taxation policy and legislation advice. Business Tax Division, Indirect Tax Division, International Tax and Treaties Division, Personal and Retirement Income Division and Tax Design Division are responsible for delivering tax and income support policy advice. Tax Analysis Division prepares revenue forecasts, costings and quantitative analysis of taxation and Government cash transfer policy proposals, and develops and maintains models for retirement income, intergenerational economic and fiscal analysis, labour force participation, household expenditure and tax and transfer systems. Tax Design Division also assists Revenue Group by formulating a strategic direction on organisational issues for the group, improving the tax design process, managing the legislation program, assisting in governance issues, and developing and leading key relationships.



The Treasury also hosts the Australia's Future Tax System Review Secretariat which supports the panel the Government established to conduct a comprehensive review of Australia's tax and transfer system.

During 2008-09, the Treasury also provided secretariat services to the Board of Taxation. The Board of Taxation publishes its own annual report on its website at [www.taxboard.gov.au](http://www.taxboard.gov.au).

## Performance information

The key performance indicators are:

- published reports and other information stimulate and inform Government and public debate through robust analysis, modelling and research. Publications are timely, high quality and widely available to the public;
- advice meets the Government's needs in administering its responsibilities, and making and implementing decisions on tax policy and legislation. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms;
- effective presentation of relevant information, including budget documentation and other publications, adequately informs public debate;
- tax policy law is developed in accordance with the principles of good law design; and
- legislation is delivered according to government priorities.

## Analysis of performance

### Personal taxation

Advice to the Government on the design and implementation of a number of personal tax measures sought to promote economic growth and workforce participation, and improve the international competitiveness of Australia compared with other OECD countries.

#### Tax bonus to support jobs

In developing the Nation Building and Jobs Plan, the Treasury advised the Government and developed legislation to provide a tax bonus of up to \$900 to eligible Australians with incomes of \$100,000 or less who paid tax in 2007-08 after taking into account tax offsets and credits. The *Tax Bonus for Working Australians Act (No. 2) 2009* was enacted to provide the payments and received Royal Assent on 18 February 2009.

Payments were made automatically by the ATO.

The Treasury estimated the cost of the tax bonus would be \$7.7 billion with payments to 8.7 million taxpayers.

### Increase in the Medicare levy surcharge income thresholds

The Treasury advised the Government and developed legislation that increased the income thresholds above which taxpayers are required to pay the Medicare levy surcharge. These changes were included in the *Tax Laws Amendment (Medicare Levy Surcharge Thresholds) (No. 2) Act 2008* which received Royal Assent on 31 October 2008.

From 1 July 2008:

- the threshold for singles is \$70,000 (up from \$50,000)
  - In future years, the singles threshold will be indexed annually to movements in average weekly ordinary time earnings and will increase in \$1,000 increments.
- the threshold for couples/families is \$140,000 (up from \$100,000)
  - In future years, the threshold for couples/families will be double the threshold for singles.

In addition, to ensure taxpayers were not disadvantaged by the change in the budget announcement, the law was amended so that, as long as taxpayers obtained appropriate private health cover before 1 January 2009, they would avoid the Medicare levy surcharge for the period 1 July 2008 to 31 December 2008.

The Treasury estimated around 250,000 taxpayers would receive tax relief as a result of the changes.

### Rebalancing support for private health insurance

The Treasury advised the Government and developed legislation to rebalance the suite of policies supporting private health insurance. To bring Government support for private health insurance into line with the principle underpinning the Australian tax and transfer system — that the largest benefits are provided to those on lower incomes — the Government's legislation, introduced on 27 May 2009, proposes that high income earners would receive less in government payments for their private health insurance, but face increased costs should they opt-out of their health cover.

From 1 July 2010, the Government proposes to introduce three new private health insurance incentive tiers to rebalance the incentives for higher income individuals to be insured.

- **Tier 1:** for singles earning more than \$75,000 (couples \$150,000), the Private Health Insurance Rebate will be 20 per cent for those up to 65 years (25 per cent for those over 65, and 30 per cent for those over 70 years). The surcharge for avoiding private health insurance will remain at 1 per cent.
- **Tier 2:** for singles earning more than \$90,000 (couples \$180,000), the Private Health Insurance Rebate will be 10 per cent, for those up to 65 years (15 per cent for those

over 65, and 20 per cent for those over 70 years). The surcharge for avoiding private health insurance will increase to 1.25 per cent.

- **Tier 3:** for singles earning more than \$120,000 (couples \$240,000), no Private Health Insurance Rebate will be provided. The surcharge for avoiding private health insurance will increase to 1.5 per cent.

All income thresholds will be indexed to wages, keeping these changes fair and sustainable into the future.

The legislation was defeated in the Senate on 9 September 2009.

### Means testing of government support — expanded definitions of income

The Treasury advised the Government and developed legislation on expanding the definition of income used to determine eligibility for government support programs, to include certain salary sacrificed contributions to superannuation, net financial investment losses and reportable fringe benefits, from 1 July 2009.

Affected tax programs include the senior Australians tax offset, pensioner tax offset, Medicare levy surcharge and dependency tax offsets.

A consultation paper on the reforms was released with the draft legislation, and stakeholders were invited to lodge submissions. The Treasury received several submissions and took into account stakeholder views in finalising the legislation.

These changes were included in the *Tax Laws Amendment (2009 Measures No. 1) Act 2009* which received Royal Assent on 26 March 2009.

### Improving the integrity of prescribed private funds

The Treasury advised the Government, undertook public consultation and developed legislation and guidelines to improve the integrity of prescribed private funds. Prescribed private funds are a type of private philanthropic trust fund that is income tax exempt, and can collect tax deductible donations.

Legislation implementing these changes is in the *Tax Laws Amendment (2009 Measures No. 4) Bill 2009*, and is expected to come into effect on 1 October 2009. The Government announced these changes in the 2008-09 Budget.

### Non-commercial losses

In the 2009-10 Budget, the Government announced changes to the non-commercial losses rules to reduce the ability of high income earners who carry on non-commercial business activities that are hobbies or lifestyle choices from applying losses from their business activity against their other income. The Treasury prepared an exposure draft for consultation, and will continue to assist in implementing the measure in 2009-10.

### Employee share scheme arrangements

The Government announced changes in the 2009-10 Budget to the tax concessions for employee share schemes to target eligibility for the tax concessions and reduce opportunities for tax avoidance. The Treasury provided policy advice and undertook public consultation on the announced changes.

The Treasury is preparing legislation on the Government's final position for introduction into Parliament in the Spring 2009 sittings.

### Reductions in personal income tax

The 2009-10 Budget honoured the tax cuts announced in the 2008-09 Budget. The tax cuts, which included changes to the low income tax offset, were included in the *Tax Laws Amendment (Personal Income Tax Reduction) Act 2008* which received Royal Assent on 23 June 2008.

From 1 July 2009:

- the 30 per cent marginal tax rate threshold will increase to \$35,001;
- the 40 per cent marginal tax rate will fall to 38 per cent; and
- the low income tax offset will increase to \$1,350 and will continue to phase out from \$30,000. Taxpayers eligible for the full low income tax offset will not pay tax until their annual income exceeds \$15,000.

From 1 July 2010:

- the 30 per cent marginal tax rate threshold will increase to \$37,001;
- the 38 per cent marginal tax rate will fall to 37 per cent; and
- the low income tax offset will increase to \$1,500 and will continue to phase out from \$30,000. Taxpayers eligible for the full low income tax offset will not pay tax until their annual income exceeds \$16,000.

Senior Australians will benefit from these changes. The low income tax offset adds to the tax offset available to seniors, so those eligible for the senior Australians tax offset will have an effective tax free threshold of \$28,867 for singles and \$24,680 for each member of a couple from 1 July 2008. These thresholds will rise to \$29,867 for singles and \$25,680 for each member of a couple from 1 July 2009 and to \$30,685 for singles and \$26,680 for each member of a couple from 1 July 2010.

### Bushfires

The Treasury advised the Government and developed legislation to list the 2009 Victorian Bushfire Appeal Fund as a deductible gift recipient to provide for recovery and community reconstruction efforts, as well as direct relief in communities affected by fire.

## Business taxation

### Small Business and General Business Tax Break

On 12 December 2008, the Government announced it would introduce a temporary investment allowance to stimulate investment by Australian business. Subsequently, on 3 February 2009, the Government announced the Small Business and General Business Tax Break would expand and subsume the investment allowance. As part of the 2009-10 Budget, the Government further expanded the tax break for small business. The tax break provides a bonus tax deduction to businesses acquiring new tangible depreciating assets between 13 December 2008 and 31 December 2009. The Treasury provided policy advice to the Government and undertook public consultation on draft legislation. The *Tax Laws Amendment (Small Business and General Business Tax Break) Act 2009* received Royal Assent on 22 May 2009.

### Small business PAYG instalment reductions

The Treasury provided policy advice and developed legislation that led to reducing PAYG instalments for both the 2008-09 and 2009-10 income years for small business. The measures provide cash flow relief to small business and other eligible taxpayers by ensuring PAYG instalment amounts approximate actual income tax liabilities. The measures were included in the *Tax Laws Amendment (2009 Measures No. 1) Act 2009* which received Royal Assent on 26 March 2009, and the *Tax Laws Amendment (2009 Measures No. 3) Act 2009* which received Royal Assent on 24 June 2009.

### Applying crude oil excise to condensate

As part of the 2008-09 Budget, the Government announced it would remove the exemption of condensate from crude oil excise. Legislation to implement this measure was introduced into Parliament on 15 May 2008 and received Royal Assent on 18 October 2008. The Treasury provided advice to the Government on the legislation while it was before Parliament and on regulations giving effect to the legislation. The Treasury also responded to two freedom of information requests related to this measure.

### National Rental Affordability Scheme

Before the 2007 election, the Government committed to introducing a National Rental Affordability Scheme, including a refundable tax offset to encourage construction of new affordable housing to rent to low to moderate income families and individuals at 20 per cent below market rates in the particular area. The Treasury provided advice to the Government on the design of legislation to implement the National Rental Affordability Scheme. The *National Rental Affordability Scheme (Consequential Amendments) Act 2008* received Royal Assent on 28 November 2008.

### Carbon Pollution Reduction Scheme

The Treasury provided policy advice and developed legislation on the tax treatment of emissions units under the Carbon Pollution Reduction Scheme. The Treasury undertook consultation with key stakeholder groups throughout the legislative development process. The Government introduced into Parliament, on 14 May 2009, a package of Carbon Pollution Reduction Scheme Bills which establish the Carbon Pollution Reduction Scheme and cover related issues, including the tax treatment of emissions. The Bills were defeated in the Senate on 13 August 2009.

### Taxation of Financial Arrangements (TOFA)

The Treasury provided policy advice and developed legislation to implement the TOFA Stages 3 and 4. The *Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009* received Royal Assent on 26 March 2009. This concluded a process that began in the 1992 Budget and was endorsed by the Ralph Review in 1999.

TOFA Stage 3 and 4 measures have been subject to extensive consultation and provide a comprehensive framework for taxing financial arrangements. The new rules modernise the taxation of financial arrangements, reduce compliance costs and better reflect economic and commercial reality.

TOFA Stage 3 and 4 measures will apply, for relevant taxpayers, for income years commencing on or after 1 July 2010. However, taxpayers may elect to have the measures apply for income years commencing on or after 1 July 2009.

The Treasury will continue to monitor implementation of the TOFA legislation and will consider the need for refinements, as the measures address many complex arrangements. Monitoring will include the need for additional integrity measures.

### Tax agent services regulatory reform

The Treasury provided policy advice and developed legislation to implement the new tax agent services regime which is expected to commence in early 2010. The *Tax Agent Services Act 2009* received Royal Assent on 26 March 2009. It establishes a national statutory body, the Tax Practitioners Board, with an enhanced regulatory function to replace the existing state based boards and introduces a legislative Code of Professional Conduct for registered agents, along with a wider and more flexible range of disciplinary sanctions. The Treasury undertook public consultation on an exposure draft Tax Agent Services (Transitional Provisions and Consequential Amendments) Bill which was introduced into Parliament in June 2009. The process to appoint members of the new board commenced with the advertising of positions in May 2009.

### Small business capital gains tax concessions

The Treasury developed legislation to increase access to small business capital gains tax concessions for taxpayers owning a capital gains tax asset used in a business by a related entity and for partners owning a capital gains tax asset used in the partnership business. Legislation implementing these changes was included in the *Tax Laws Amendment (2009 Measures No. 2) Act 2009* which received Royal Assent on 23 June 2009. These amendments have effect from the 2007-08 income year.

### Tax benefits and capital gains tax

The Treasury provided policy advice and developed legislation to provide a general exemption from capital gains tax for capital gains or capital losses arising from a right or entitlement to a tax offset, deduction or similar benefit. The measure was included in the *Tax Laws Amendment (2009 Measures No. 2) Act 2009* which received Royal Assent on 23 June 2009.

### Reform of research and development tax concession

The Treasury provided policy advice on introducing a new research and development tax incentive to replace the existing one from 2010-11. The Government announced this policy in the 2009-10 Budget. The new incentive will provide a 45 per cent refundable tax offset for companies with turnover less than \$20 million and a 40 per cent non-refundable tax offset for other companies.

### Review of non-forestry managed investment schemes

The Treasury completed a review of the costs and benefits of non-forestry managed investment schemes. This included examining how the tax system treats these schemes. The Treasury undertook public consultation and produced a report released publically on 29 May 2009. The review was an election commitment.

### Consolidation

The Treasury consulted with the business sector and provided policy advice on the consolidation regime to refine concerns and clarify interactions with other parts of the income tax law.

Amendments to clarify the interaction between the consolidation provisions and the Taxation of Financial Arrangements provisions were included in the *Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009* which received Royal Assent on 26 March 2009. Exposure draft legislation and explanatory material relating to 19 other measures was released on 28 April 2009.

### Capital gains tax rollover for corporate restructures

Amendments to modify the capital gains tax provisions for corporate restructures, to prevent a market value cost base from arising when another entity acquires shares and certain other interests after a scrip for scrip rollover were included in the *Tax Laws Amendment (2008 Measures No. 6) Act 2009* which received Royal Assent on 26 March 2009.

### Off-market share buybacks

On 12 May 2009, the Government announced it would implement Board of Taxation recommendations to improve the tax treatment of off-market share buybacks. The Treasury released a discussion paper on 1 June 2009.

### Immediate annuity business of life insurance companies

The former Minister for Revenue and Assistant Treasurer announced changes to correct technical defects in the legislation which exempts income derived by life insurance companies from immediate annuity business. A Treasury discussion paper relating to the issue was released on 12 May 2009.

### Changes to the non-commercial loan rules

The 2009-10 Budget announced changes to tighten the non-commercial loan rules in Division 7A of the *Income Tax Assessment Act 1936*. The changes include broadening the definition of payments, so payments falling under Division 7A include a payment by licence or right to use real property or chattels, and amendments to avoid circumventing Division 7A through corporate limited partnerships or technical deficiencies. The Treasury issued a discussion paper on the announced changes on 5 June 2009 and received submissions on the changes.

### Annual PAYG instalments when voluntarily registered for GST

The 2008-09 Budget announced deferral of the measure to align PAYG instalments and GST payment and reporting requirements for taxpayers who are voluntarily registered for GST until 1 July 2009. The measure allows taxpayers who voluntarily register for the GST and choose to remit GST annually, to make PAYG instalments annually if they satisfy other eligibility tests for annual instalments. The Treasury undertook confidential targeted consultation on the draft legislation. The measure was included in the *Tax Laws Amendment (2009 Measures No. 3) Act 2009* which received Royal Assent on 24 June 2009.

### Australian Business Register amendments

The Treasury developed legislation regarding a number of amendments to the *A New Tax System (Australian Business Number) Act 1999* to improve the integrity and efficiency of the Australian Business Register. The amendments will help position the registrar take on the Multi-agency Registration Authority role. The Multi-agency Registration Authority is part of the Standard Business Reporting program to enable business representatives to be



identified for electronic communications with multiple government agencies on behalf of the business. The measure was included in the *Tax Laws Amendment (2009 Measures No. 2) Act 2009* which received Royal Assent on 23 June 2009.

#### Demutualisation of friendly societies

The Treasury provided policy advice to the Government and, following consultation with industry, developed legislation to provide relief from capital gains tax to members and policy holders of friendly societies that have a life insurance business and/or a private health insurance business when the society demutualises to a for-profit entity. Legislation implementing these changes was introduced into Parliament on 25 June 2009 as part of the *Tax Laws Amendment (2009 Measures No. 4) Bill 2009*. If enacted, these amendments will apply from 1 July 2008.

### Indirect taxation

#### Excise and custom duty

The Treasury provided advice on measures to tax ready-to-drink beverages and the definition of beer and wine products. This included input into legislative amendments to implement these arrangements.

#### Luxury car tax amendments

The Treasury provided advice on legislative amendments, including regulations, on the taxation of luxury cars.

#### Carbon Pollution Reduction Scheme

The Treasury provided policy advice and developed legislation on the GST treatment of emissions units and on transitional fuel tax arrangements for the Carbon Pollution Reduction Scheme.

#### GST

The Treasury conducted consultations and implemented amendments to the GST law to ensure the interaction between GST provisions does not allow real property transactions to be structured to reduce GST liability. This measure was announced in the 2008-09 Budget and included in the *Tax Laws Amendment (2008 Measures No. 5) Act 2008* which received Royal Assent on 9 December 2008.

The Treasury provided advice on amendments to the GST law on insolvency following the Federal Court of Australia (FCA) decision in the case of *Deputy Commissioner of Taxation v PM Developments Pty Ltd* [2008] FCA 1886. The amendments restore the original intention of the GST law that representatives of incapacitated entities are responsible for the GST consequences that arise during their appointment.

The Treasury provided advice and conducted consultations on a measure to ensure consistent GST treatment of automatic teller machine transactions. The measure was announced by the Assistant Treasurer on 18 December 2008. Regulations were registered on 27 February 2009.

The Treasury provided advice on measures to provide new diplomatic and consular concessions announced in the 2009-10 Budget. Determinations giving effect to these were registered on 5 and 6 May 2009.

#### Board of Taxation — review of the legal framework of the GST

The Treasury provided support to the Board of Taxation in preparing the board's *Review of the Legal Framework for the Administration of the Goods and Services Tax*, which was provided to the Assistant Treasurer in December 2008. The report was issued publicly on 12 May 2009 when the Assistant Treasurer announced the Government's response to it. At the same time, the Treasury released consultation papers on implementing the Government's decisions.

#### International taxation and tax treaties

The Treasury implemented or initiated a range of changes to international tax arrangements during 2008-09.

#### Exemption of income earned in overseas employment

The *Tax Laws Amendment (2009 Budget Measures No. 1) Act 2009* amended section 23AG of the *Income Tax Assessment Act 1936* to limit the scope of the exemption for foreign employment income to income earned as an aid worker, a charitable worker or as a member of a disciplined force deployed overseas by an Australian government. The amendments remove circumstances whereby Australian residents, who have paid little or no foreign tax on their foreign income, can claim an exemption from Australian tax.

#### Thin capitalisation rules

The *Tax Laws Amendment (2008 Measures No. 5) Act 2008* amended the thin capitalisation rules to accommodate the effects from the 2005 adoption of Australian equivalents to International Financial Reporting Standards. These amendments allow entities to depart from the current accounting treatment for specified assets.

The Government announced in the 2009-10 Budget it intends to consult on exposure draft legislation on changes to the thin capitalisation regime for authorised deposit taking institutions. The changes will clarify how the provisions will recognise Treasury shares, certain insurance assets and capitalised software costs.

### Strengthening Australia's finance markets

The *Tax Laws Amendment (2008 Measures No. 5) Act 2008* amended interest withholding tax provisions of the *Income Tax Assessment Act 1936* to introduce a new interest withholding tax exemption for bonds issued in Australia by state government central borrowing authorities. This should improve depth, liquidity and prices in this market.

The Government has asked the Treasury to examine and provide advice on the tax treatment of income foreign funds derive when they use Australian fund managers and on industry's proposal to introduce an investment manager exemption.

### Board of Taxation review into Australia's foreign source income anti-tax deferral regime

On 12 May 2009, the Government announced it intends to reform the foreign source income attribution rules. The reforms will better balance the integrity objective of the rules with other objectives such as efficiency, equity, simplicity and low compliance costs. The reforms maintain the controlled foreign company rules as the primary set of rules to counter tax deferral arrangements, and repeal the Foreign Investment Fund and deemed present entitlement rules. A Treasury discussion paper released at budget outlined the framework to redesign foreign source income attribution rules consistent with the Government's announcement. Twenty-two submissions commented on the Treasury's discussion paper, and public consultation has occurred on the design of the reforms. Further consultation will occur on the draft legislation.

### Comprehensive tax treaties

Australia has a tax treaty network of over 40 treaties. Bilateral tax treaties promote closer economic cooperation by eliminating possible barriers to trade and investment by overlapping tax jurisdictions. Tax treaties offer protection for Australian businesses investing offshore, and reduce or eliminate double taxation of income flows between treaty partner countries. They also create a framework through which tax administrations can combat international fiscal evasion. The Assistant Treasurer announced a review of Australia's tax treaty negotiation program and policy on 25 January 2008. As part of the review, the Treasury continued to analyse submissions from Australian businesses and consulted with industry through the Tax Treaties Advisory Panel. The Treasury also continued to progress the Government's tax treaty negotiation program. During 2008-09, negotiations were held with New Zealand, the United Kingdom and Belgium, and a new tax treaty with New Zealand was signed, as was a Protocol amending the Belgian treaty in respect of exchange of information. Treaties with Japan and South Africa were legislated and took effect. Tax policy advice was provided on various international agreements the Government is negotiating, including free trade agreements, film co-production agreements, and proposed agreements with potential tax privileges and immunities.

### Tax information exchange agreements

Australia continued to make significant progress in securing tax information exchange agreements with low tax jurisdictions, including signing tax information exchange agreements with the British Virgin Islands, the Isle of Man and Jersey. Tax information exchange agreements provide a legal basis for bilateral exchange of tax information, for both civil and criminal tax purposes, and are an important component of Australia's efforts to combat offshore tax evasion. The Treasury also participated in the ministerial conference on the fight against international tax fraud and evasion hosted by the French and German Governments in Paris.

### International representation

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

## Tax administration

### Extra-statutory concession power for the Commissioner of Taxation

On 22 August 2008, the then Assistant Treasurer released the Tax Design Review Panel report on how to reduce delays in introducing tax legislation and improve the quality of tax law changes. One recommendation was the Government consider whether to give the Commissioner of Taxation further power to modify the tax law to give relief to taxpayers, or whether there were preferable ways for the Commissioner to provide extra-statutory concessions in appropriate circumstances.

The Treasury released a discussion paper on 12 May 2009 inviting the community's views on whether there should be an extra-statutory concession power and, if so, what form the power should take and what limits there should be on its exercise. The closing date for submissions was 10 July 2009.

## Australia's Future Tax System

Australia's Future Tax System Review was announced by the Treasurer in May 2008 to review Australia's current tax and transfer system and make recommendations to create a tax structure that will position Australia to deal with the demographic, social, economic and environmental challenges of the 21st century.

The Review Panel, chaired by Dr Ken Henry AC (Secretary to the Treasury) and comprising Dr Jeff Harmer (Secretary of the Department of Families, Housing, Community Services and Indigenous Affairs), Professor John Piggott (Associate Dean, University of

New South Wales), Ms Heather Ridout (Chief Executive Officer, Australian Industry Group) and Mr Greg Smith (Adjunct Professor, Australian Catholic University), conducts the review.

The Treasury established a secretariat to support the panel and released a discussion paper outlining the architecture of Australia's tax and transfer system on 6 August 2008. The panel released a series of consultation papers on 10 December 2008 and the Government released the panel's report on strategic issues in retirement incomes on 12 May 2009.

Up until 30 June 2009, the panel has received over 1,000 written submissions from the public and more than 550 people attended 10 public meetings and 13 focus groups held across Australia in March and April 2009. In addition, the panel and secretariat held over 120 meetings with government, business, industry and community sector stakeholders. The panel also commissioned a comprehensive program of research, including a conference on tax and transfer policy in June 2009, hosted by the panel in conjunction with the Melbourne Institute of Applied Economic and Social Research.

### Policy evaluation frameworks

The Treasury, in collaboration with the ATO, has enhanced its procedures for assessing and quantifying the compliance cost impacts of new tax measures. The procedures improve the quality of advice provided to ministers and respond to increasing community and government concern to balance the benefits of tax regulation and the efficiency, compliance and administration costs of its implementation.

The Treasury continues to increase capacity through quantitative modelling to identify the labour force participation effects of government policy proposals, including tax and income support changes. This includes working with the Melbourne Institute Tax and Transfer Simulator behavioural microsimulation model developed by the Melbourne Institute.

The Treasury has enhanced its long-term fiscal models, including further developing its long-term costing capacity to examine offsets to the Government's increase to pension payments. The models were used in medium-term projections of the Government's fiscal position.

### Technical corrections and minor improvements

Measures to make technical corrections and amendments to the law and other minor improvements involving no significant policy change were included in the *Tax Laws Amendment (2008 Measures No. 6) Act 2009* which received Royal Assent on 26 March 2009, and in the *Tax Laws Amendment (2009 Measures No. 4) Bill 2009* which was introduced on 25 June 2009.

Minor amendment packages now include addressing issues raised through the Tax Issues Entry System. The Tax Issues Entry System website ([www.ties.gov.au](http://www.ties.gov.au)), which the ATO and

the Treasury jointly operate, allows tax professionals and the general public to raise issues on the system's care and maintenance.

## Publications

### Taxation revenue estimation and analysis

The Treasury, in collaboration with the ATO, provided the Government with timely monitoring, analysis and estimation of tax revenues as the global financial crisis led to significant deterioration in economic conditions and outlook. Substantial downward revisions to expected tax revenue in 2008-09 and over the forward estimates, reflecting continued global financial turmoil, a worsening global economic outlook and sharp falls in commodity prices, were made at each of the three economic and fiscal outlook releases through 2008-09 (MYEFO, UEFO and the 2009-10 Budget).

## Management of legislation program

Advice to the Government on tax policy and legislation (as well as on retirement income and saving policy and legislation discussed in Output 3.1.2) was timely, influential and high in quality, enabling the Government to make informed decisions in responding to the global financial crisis, developing tax and compensation arrangements for the Carbon Pollution Reduction Scheme and developing a range of other business, personal, indirect, international and personal income tax measures.

The report, *Australia's Future Tax System — The retirement income system: Report on strategic issues*, released by the Government on 12 May 2009, was influential in the Government's decision making in the budget context and is likely to continue to be influential in developing longer term strategies for the tax and transfer system.

Consultation on tax and retirement incomes policy was extensive, with public consultation on new measures now generally occurring at both the policy design and legislative design stages, following implementation in 2008 of the Tax Design Review Panel recommendations for enhanced Treasury consultation arrangements on tax design. Discussion papers, draft legislation and draft explanatory materials are published on the Treasury website for comment. The default minimum period for consultation was four weeks, although on occasions this was reduced, for example, where the priority was to introduce legislation.

Submissions made to consultation processes are also published on the Treasury website, except when confidentiality was requested.

In another new development recommended by the Tax Design Review Panel, consultation summaries were posted on the Treasury website for a number of new legislative measures introduced into Parliament. These summaries outline the issues raised in consultation, changes resulting from consultation and, where possible, reasons why certain suggestions are not adopted. Consultation summaries also invite feedback on the consultation

process to inform the Treasury so it continuously improves its consultation practices and arrangements.

Also to keep the public informed, the Treasury published the Government's forward work program on the Treasury website for the first time in February 2009. The program sets out the consultation planned for announced tax measures and indicates the legislation planned for the next parliamentary sittings.

An increasing number of tax and superannuation measures were designed using a principles-based approach, with discussion papers (including the Treasury discussion paper on *Reform of the foreign source income anti-tax-deferral (attribution) rules*) and consultation papers arising from the *Review of the Legal Framework for the Administration of the Goods and Services Tax* and legislation (including parts of the *Tax Agent Services Act 2009*) also using a principles-based approach.

In June 2009, the Government asked the Board of Taxation to undertake post-implementation reviews of aspects of the consolidation regime and the provisions on the alienation of personal services income. Post-implementation reviews of this kind provide an opportunity to establish if tax legislation is operating as intended and whether its implementation can be improved. The Tax Design Review Panel recommended the Government more regularly ask the Board of Taxation to undertake post-implementation reviews of tax legislation.

Fifty-seven of the 58 prospective tax and retirement income legislative measures (98 per cent) introduced into Parliament during 2008-09 were introduced within 12 months of being announced by the present government. Thirteen of the 16 retrospective tax and retirement income legislative measures (81 per cent) introduced during 2008-09 were introduced within six months of announcement. Two of the other three measures were announced before the Government accepted the recommendations of the Tax Design Review Panel on 22 October 2008, including the goals of introducing legislation for prospective measures within 12 months of announcement and for retrospective measures within six months.

## OUTPUT 3.1.2: RETIREMENT INCOME AND SAVING POLICY AND LEGISLATION ADVICE

The Treasury provided advice to the Government on the revenue aspects of superannuation, retirement income and saving policy, and advised on developing effective retirement income and saving policy in the context of demographic change.

The Personal and Retirement Income Division contributes to Output 3.1.2: Retirement income and saving policy and legislation. The division consults widely across the private and public sectors. It has a close relationship with Tax Analysis Division.

The Treasury also hosts the Australia's Future Tax System Review Secretariat which supports the panel the Government established to conduct a comprehensive review of Australia's tax and transfer system.

## Performance information

The key performance indicators are:

- advice meets the Government's needs in administering its responsibilities, and making and implementing decisions on retirement income and saving policy and legislation. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms;
- effective presentation of relevant information, including budget documentation and other publications, adequately informs public debate;
- retirement income and savings policy law is developed in accordance with the principles of good law design; and
- legislation is delivered according to government priorities.

## Analysis of performance

### 2009-10 Budget superannuation measures

The Treasury provided policy advice and developed legislation for the Government's 2009-10 Budget measures announced on 12 May 2009, including:

- reducing the minimum payment amounts for account-based pensions by 50 per cent for 2009-10 to assist self-funded retirees affected by the global economic downturn. This extended the drawdown relief which the Government provided in 2008-09;
- reducing the concessional contributions caps and temporarily reducing the superannuation co-contribution matching rate and maximum payable through the *Tax Laws Amendment (2009 Budget Measures No. 1) Act 2009*;
- clarifying employer superannuation guarantee obligations for certain leave payments through the *Superannuation Guarantee (Administration) Amendment Regulations 2009 (No. 1)*; and
- requiring superannuation providers to transfer certain superannuation accounts belonging to lost members to unclaimed monies, with effect from 2010-11.

### Trans-Tasman retirement savings portability

The Treasury worked with New Zealand officials to finalise a memorandum of understanding to provide a basis to establish a scheme so Australians and New Zealanders could take their retirement savings with them when they moved across the Tasman.



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

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

The memorandum was signed by the Australian Treasurer and the New Zealand Finance Minister, the Hon Bill English, on 16 July 2009. The two countries are now working towards enacting legislation to give effect to this new regime.

#### Payment of departed temporary residents' superannuation to unclaimed money

The Treasury developed and implemented legislation requiring superannuation funds to pay the unclaimed superannuation of departed temporary residents to the ATO.

The legislation reduces the number of lost accounts and unclaimed money in the superannuation system from temporary visa holders leaving Australia without taking their superannuation with them.

The *Temporary Residents' Superannuation Legislation Amendment Act 2008* and the *Superannuation (Departing Australia Superannuation Payments Tax) Amendment Act 2008* both received Royal Assent on 11 December 2008.

The Treasury also developed and implemented regulations supporting the measure which were registered in two packages, the first on 17 December 2008 and the second on 6 February 2009.

In February 2009, the Treasury developed and implemented regulations to halve the minimum drawdown requirements for account-based pensions for 2008-09.

#### Australia's Future Tax System Review

The Treasury provided secretariat and other support to the Australia's Future Tax System Review Panel in developing its report *The retirement income system: Report on strategic issues*. This report was released by the Government on 12 May 2009.

#### Other superannuation measures

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

- issuing a two-part discussion paper outlining implementation issues associated with the superannuation clearing house initiative, and possible policy options to address the growth in lost superannuation; and

- assisting other officials within the Treasury to design legislation to implement the Government's financial claims scheme.

## OUTCOME 4: WELL FUNCTIONING MARKETS

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The Treasury, through Markets Group, contributes to Australia's continuing economic development and the wellbeing of its people through a well functioning market economy and financial system. Improving the operation of markets is intended to underpin stronger, sustainable economic growth and enhanced living standards.

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

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

The Treasury is involved in consultations, particularly where reforms or new Government measures are proposed, with other Australian Government agencies, State and Territory Governments, industry, the general public and other stakeholders.

A key focus for the Treasury in 2008-09 was providing policy analysis and advice to manage the impacts of the global financial crisis and global recession. These policies focused on promoting economic growth and supporting employment, ensuring the financial system remained robust and dynamic, and ensuring that regulatory frameworks promoted macroeconomic stability and market confidence.

In particular, the Treasury provided advice on guaranteeing the deposits and wholesale borrowings of deposit-taking institutions, maintaining the Government's investment in quality residential mortgage-backed securities, and developing and implementing liquidity support measures to address capital constraints resulting from the global financial crisis. These initiatives played a critical role in supporting eligible businesses, employment and overall economic activity.

The Treasury also continued to monitor and provide advice on the general prudential framework applying to the banking sector, insurers and superannuation funds. The Treasury participated actively in international forums, such as the G-20 to reform the financial regulatory system to support growth and employment and to strengthen the financial system in the future.

During 2008-09, the Treasury continued to pursue sound regulatory and structural reforms designed to enhance Australia's productivity and international competitiveness, and deepen the supply potential of the economy. This included enhancing frameworks for competition and consumer policy, including introducing and implementing criminal sanctions for serious cartel conduct, and establishing national regulatory systems for consumer law and consumer credit law. This work also included improving the regulation of nationally significant infrastructure and contributing advice on building the nation's infrastructure, including a National Broadband Network.

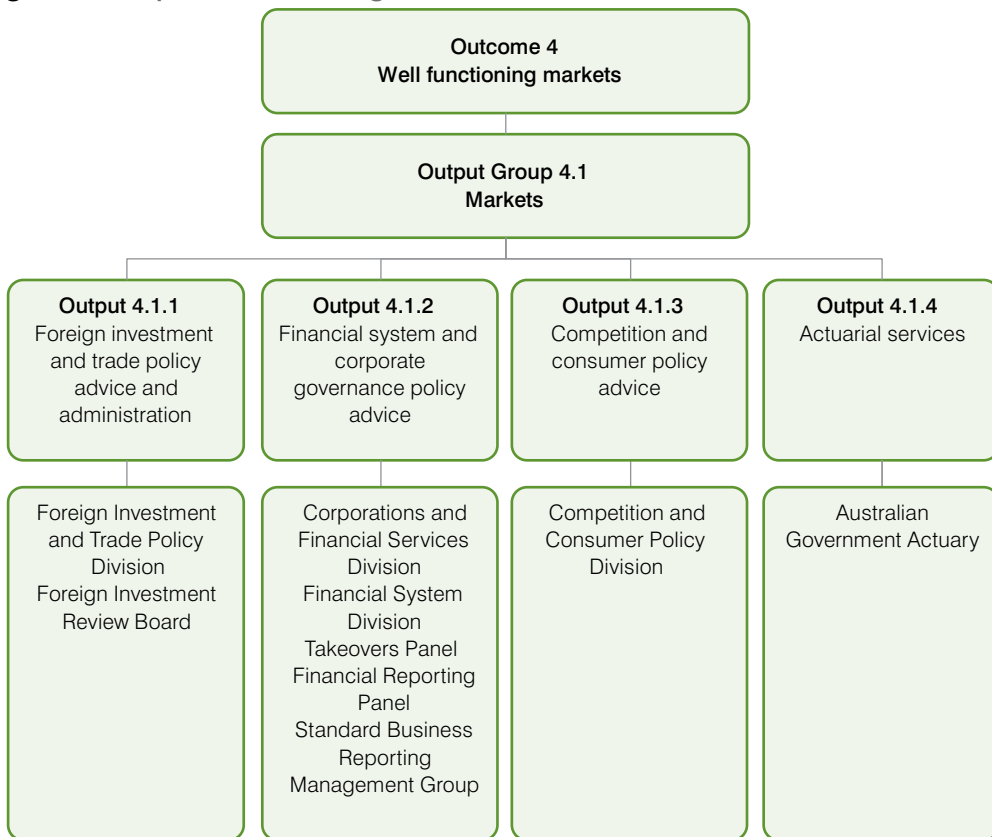
Work continued towards the implementation of Standard Business Reporting (SBR) from mid-2010. This multi-agency program led by the Treasury is a key plank in the COAG reform agenda to reduce the regulatory burden facing business.

The Treasury also continued to progress the single economic market concept under the Closer Economic Relations Agreement with New Zealand, with 2008 the 25th anniversary of the program. Key achievements and advances were made under the Memorandum of Understanding on Coordination of Business Law between the two jurisdictions.

In addition, the Treasury provided advice on foreign investment and trade policy, and continued to participate in negotiating free trade agreements. Negotiations for the Association of Southeast Asian Nations (ASEAN)-Australia-New Zealand free trade agreement concluded in 2008-09, while negotiations progressed with Japan, China and the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates).

Treasury portfolio ministers indicated these outputs effectively contributed to their needs in formulating and implementing policies to support well functioning markets and mitigating the impact of the global financial crisis and global recession.

Figure 7: Outputs contributing to Outcome 4



## Key priorities in 2008-09

The key priorities for Markets Group in 2008-09 were set out in the *Treasury Portfolio Budget Statements 2008-09*, and later modified to include providing strategic and timely responses to the significant challenges posed by the global financial crisis and global recession, to maintain efficient operation of the Australian financial system and support growth and employment.

Other key priorities for Markets Group in 2008-09 were:

- promoting competition in the financial system, including the availability and diversity of finance and strategies to enhance consumers' ability to switch between banking providers and enhance disclosure of penalty fees;
- transferring responsibility from the states and territories to the Commonwealth to regulate trustee corporations and all consumer credit products, including mortgages, credit cards, some investment lending, and margin loans;

- progressing policy projects on director liability, corporate responsibility and corporate reporting;
- expanding Australia's export of financial services; promoting competition in banking, superannuation and insurance; improving payment systems; and ensuring ongoing access and affordability of insurance;
- cooperating at an international level in financial system regulation, corporate governance, financial reporting, auditing and corporate insolvency, including further regulatory recognition and cooperation with the United States and New Zealand;
- implementing criminal offences for serious cartel conduct;
- implementing the COAG reform agenda (particularly competition and regulatory reform) and microeconomic reforms in energy and transport;
- improving the regulation of nationally significant infrastructure;
- progressing National Broadband Network policy and telecommunications regulatory issues;
- assessing infrastructure projects to increase national productivity;
- developing a single national consumer policy framework and reforms, and single national consumer product safety system;
- examining issues raised in the Australian Competition and Consumer Commission (ACCC) inquiry into the competitiveness of retail prices for standard groceries;
- developing Australia's foreign investment policy, including reforms to the existing framework, as well as international investment and trade policy issues. The Treasury will advise on the appropriateness of existing provisions and processes for handling of individual foreign investment applications;
- working with the Foreign Investment Review Board and other stakeholders to ensure foreign investment analysis and advice is appropriately coordinated, particularly on proposals that are potentially significant for Australia's national interest; and
- representing Australia's interests on investment issues in free trade agreements and multilateral forums such as the OECD and APEC, including promoting OECD Guidelines for Multinational Enterprises to businesses operating in and out of Australia.

Additional priorities for Markets Group were:

- continuing to provide services to support a range of portfolio bodies. This includes providing secretariat services and, in some cases, maintaining day-to-day operations;
- serving as lead agency in the multi-agency SBR program; and
- supporting the operations of the Australian Government Actuary.

## Key outcomes in 2008-09

In 2008-09, Markets Group advice covered a broad agenda, including corporate governance, market integrity, financial system stability, financial products and services, competition and consumer policy, and protection of the national interest under Australia's foreign investment policy.

Key group outcomes included:

- providing advice on Australia's financial sector crisis management arrangements, including introducing a financial claims scheme to provide depositors and insurance policyholders with timely access to funds if a financial institution failed. The Parliament passed the enabling legislation in October 2008;
- providing advice on introducing a guarantee for deposits and wholesale funding of authorised deposit-taking institutions, to ensure institutions can continue to raise funds and support depositor and investor confidence. The Parliament passed the enabling legislation in October 2008;
- providing advice on the Government's investment of up to \$8 billion in quality residential mortgage-backed securities to support competition in mortgage lending;
- providing advice on initiatives to provide liquidity support for the commercial property and car dealership financing sectors;
- commencing work in relation to the review into the governance, efficiency, structure and operation of Australia's superannuation system;
- contributing to the work of international forums such as the G-20, IMF and Financial Stability Forum in developing policy responses to the global financial crisis and global recession;
- providing advice on improving the regulatory framework for short selling and credit rating agencies in Australia;
- establishing a mutual recognition arrangement between Australia and the United States for securities regulation;
- reviewing disclosure of equity derivatives;
- strengthening the framework to regulate director and executive remuneration in Australia;
- working with countries across the Asia-Pacific region to promote the adoption of International Financial Reporting Standards;
- progressing the Government's plan to develop Australia as a financial services hub, through the joint government-industry Australian Financial Centre Forum;
- completing a statutory review of the *Terrorism Insurance Act 2003*, which is required at least once every three years for the Act to continue in operation;

- drafting a legislative reform package to bring the regulation of Australia's consumer credit (mortgages, credit cards, some investment lending, margin loans and trustee corporations) under one national system;
- drafting the Trade Practices Amendment (Cartel Conduct and Other Measures) Bill 2008 to criminalise serious cartel conduct. The Parliament passed the legislation in the Winter 2008 sittings;
- coordinating the Government response to the ACCC grocery inquiry and implementing reforms;
- taking a leading role in the activities of the COAG Business Regulation and Competition Working Group to progress reforms in 27 areas where duplicate and inconsistent regulation across jurisdictions imposes an unnecessary burden on business;
- developing amendments to the National Access Regime (Part IIIA of the *Trade Practices Act 1974*) to promote the efficient operation and use of infrastructure and investment in key infrastructure markets;
- participating in the activities of the COAG Infrastructure Working Group to support Infrastructure Australia, a statutory board advising governments on the planning, coordination and efficient use of transport, energy, communications and water infrastructure;
- working closely with the Department of Broadband, Communications and the Digital Economy, the ACCC and central agencies to develop policy on regulating the telecommunications industry;
- developing legislation to clarify the regulation of component pricing; implementing the Unit Pricing Code as a prescribed industry code under Part IVB of the *Trade Practices Act 1974*; and developing legislation to implement an enhanced national framework for consumer policy;
- providing advice on general foreign investment and trade policy matters. Against the backdrop of the global financial crisis and global recession, this included advice on global investment, trade flows and trends; foreign government investment and trade policy responses; and the implications for Australia;
- contributing to free trade agreement negotiations with Japan, China and the Gulf Cooperation Council;
- chairing APEC's Investment Experts Group until mid-2009. The group focused on investment liberalisation and improving the transparency of investment regimes in the APEC region;
- continuing to coordinate business law with New Zealand and implementing the Closer Economic Relations initiatives set out in the *Corporations (NZ Closer Economic Relations) and Other Legislation Amendment Act 2007*;

- continuing to develop, as part of the Financial Services Working Group, short, simplified Product Disclosure Statements to better inform consumers' investment decisions;
- progressing development of the Standard Business Reporting program to make it faster, cheaper and easier for business to report their financial information to government;
- continuing to provide advice relating to the currency system and maintaining successful operations of the Australian Government Actuary, the Takeovers Panel and the Financial Reporting Panel; and
- providing advice on managing the HIH Claims Scheme and its future operation. From July 2001, when it began operation, until the end of June 2009, the scheme has paid \$653 million in assistance to settle 10,860 claims. At the end of June 2009, fewer than 70 claims remain.

## OUTPUT 4.1.1: FOREIGN INVESTMENT AND TRADE POLICY ADVICE AND ADMINISTRATION

During 2008-09, the Foreign Investment and Trade Policy Division was responsible for delivering Output 4.1.1: Foreign investment and trade policy advice and administration.

The Treasury provided advice on foreign investment proposals, providing executive support to the Foreign Investment Review Board and making decisions under the *Foreign Acquisitions and Takeovers Act 1975* and Australia's foreign investment policy under authorisations provided by the Treasurer, consistent with the policy. It also advised the Government on foreign investment and trade policy, and participated in trade and investment negotiations. Further, the Treasury provided the Australian National Contact Point for the OECD Guidelines for Multinational Enterprises.

### Performance information

The key performance indicators are:

- advice meets the Government's needs in administering its responsibilities, and making and implementing decisions on foreign investment and trade policy. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms;
- effective presentation of relevant information, including publications, adequately informs public debate;
- representation and/or liaison by Treasury officers with other agencies, private sector organisations and international bodies is effective;
- Australian Government policy is appropriately represented and Australia's negotiating position is pursued effectively in international forums; and



- the Treasury implements Australia's foreign investment policy framework efficiently and effectively.

## Analysis of performance

### Advice on, and processing of, individual foreign investment proposals

Proposals for foreign investment that fall within the scope of the *Foreign Acquisitions and Takeovers Act 1975* or Australia's foreign investment policy need to be examined by the Treasurer to determine whether they might be contrary to the national interest.

The Treasurer is notified when a foreign person enters into an agreement to acquire an interest in Australian urban land or a substantial interest<sup>2</sup> in an Australian corporation valued above \$100 million<sup>3</sup>. The Treasurer is also notified of proposals to establish new businesses valued at over \$10 million, and proposals to involve direct investments by foreign governments and their agencies, regardless of size.

On 18 December 2008, the Assistant Treasurer announced changes to the screening procedure for handling real estate acquisitions by temporary residents and foreign investors to streamline the application process. The changes were implemented progressively; those requiring changes only to the policy came into effect immediately; those requiring changes to the regulations came into effect on 31 March 2009. The *Foreign Acquisitions and Takeovers Act 1975* was not changed.

Under the Treasurer's authorisation, senior Treasury officers make decisions on less complex proposals that are not highly sensitive; this accounts for around 94 per cent of proposals.

The Treasury considered around 5,800 proposals in 2008-09, around 30 per cent fewer proposals than in 2007-08. This decrease in real estate proposals reflected changes to the regulations and policy implemented during 2008-09. The number of business cases remained stable at around 580. About 95 per cent of proposals were decided within 30 days. In examining large or otherwise significant proposals, the Treasury consults with Commonwealth and State government departments and authorities, with responsibilities relevant to the proposed activity, to assist in assessing the implications of proposals.

During 2008-09, the Foreign Investment Review Board (an independent body established in 1976 to advise the Treasurer on foreign investment matters) provided advice to the Treasurer on major proposals and oversaw the Treasury's investment screening function. The General Manager of the Foreign Investment and Trade Policy Division is the Executive Member of the Foreign Investment Review Board.

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

3 Under the Australia-US Free Trade Agreement, higher thresholds apply for US investors. From 1 January 2009, the threshold is \$953 million except for acquisitions involving a US government entity or in prescribed sensitive sectors.

Additional information on Australia's foreign investment screening arrangements, including statistics on foreign investment, is in the Foreign Investment Review Board's annual report. The report and other information is available at [www.firb.gov.au](http://www.firb.gov.au).

### Advice on investment and trade policy

The Treasury provides advice to the Government on general foreign investment and trade policy matters. Against the backdrop of the global financial crisis and global recession, this has included advice on global investment and trade flows and trends, foreign government investment and trade policy responses, and the implications for Australia. The Treasury also provides advice on Australia's participation in multilateral and bilateral investment and trade agreements.

### Representation in international forums

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

#### Free trade agreements/closer economic cooperation

##### Concluded negotiations

In 2008-09, the Australian Government concluded negotiations on the ASEAN-Australia-New Zealand free trade agreement. It is expected to enter into force on 1 January 2010 following ratification in each country.

##### Continuing negotiations

The Treasury continued its involvement in Australia's ongoing free trade agreement negotiations with Japan, China and the Gulf Cooperation Council. The Treasury participated in these negotiations together with the Department of Foreign Affairs and Trade and a range of other Australian Government agencies.

In November 2008, Australia announced it would participate in Trans-Pacific Partnership Agreement negotiations with Brunei, Chile, New Zealand, Peru, Singapore and the United States. The Treasury will also contribute to negotiations once they begin.

The Treasury was also the lead agency in investment protocol negotiations between Australia and New Zealand.

##### Other processes

The Treasury contributed to feasibility studies relating to possible free trade agreements with India and Indonesia.

## OECD

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

The committee also oversees the operation of the OECD Guidelines, a voluntary code providing recommendations for responsible business conduct in labour relations, human rights, the environment, bribery, tax and consumer welfare. As a member of the OECD, the Australian Government promotes and implements the guidelines. This responsibility rests with the Treasury and is performed by the Australian National Contact Point, the General Manager of the Foreign Investment and Trade Policy Division.

In 2008-09, the Australian National Contact Point concluded its examination of an Australian company's involvement in a mining operation in Colombia. A statement on this matter was released in June 2009, and can be viewed at [www.ausncp.gov.au](http://www.ausncp.gov.au).

The Australian National Contact Point also continued the promotional program for the guidelines, including participating in business and non-government organisation forums. Further information is available at [www.ausncp.gov.au](http://www.ausncp.gov.au).

## APEC

Australia hosted APEC in 2007, and continues to participate actively in its work. Australia encourages APEC members to enhance the environment for investment in their economies and improve transparency.

The Treasury held the chair of the Investment Experts Group until mid-2009. The group focused on liberalising investment and improving the transparency of investment regimes in the APEC region. The 2008-09 work program included:

- continuing analysis of behind-the-border barriers to investment climate reform;
- exploring the usefulness of the OECD's Policy Framework for Investment for investment climate reform by APEC's developing member economies;
- collaborating on a joint APEC-United Nations Conference on Trade and Development project to examine best practice use of foreign direct investment to provide electricity and roads infrastructure; and
- developing, then getting APEC ministers and leaders to endorse, a three-year APEC Investment Facilitation Action Plan.

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

### Liaison with Department of Foreign Affairs and Trade

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

## OUTPUT 4.1.2: FINANCIAL SYSTEM AND CORPORATE GOVERNANCE POLICY ADVICE

During 2008-09, the Financial System Division and Corporations and Financial Services Division in Markets Group, together with the Takeovers Panel and Financial Reporting Panel, were responsible for the delivery of Output 4.1.2: Financial system and corporate governance policy advice.

The Treasury provided advice on the functioning of the financial system in supporting growth and employment, the prudential framework, market access and pricing, market integrity and investor protection, company law and corporate governance issues, corporate insolvency, corporate financial reporting, consumer credit, the responsible portfolio agencies and currency.

The Treasury also continued developing the SBR program.

### Performance information

The key performance indicators are:

- advice meets the Government's needs in administering its responsibilities, and making and implementing decisions on financial system and corporate governance policy. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms;
- effective presentation of relevant information, including publications, adequately informs public debate;
- progress made on the COAG Reform Agenda meets the expectations of the Commonwealth and States agreed at the December 2007, March 2008 and subsequent meetings;
- statutory and other procedural, administrative and reporting requirements are met;
- secretariat and executive services provided to advisory and external bodies are effective;
- representation and/or liaison by Treasury officers with other agencies, private sector organisations and international bodies is effective; and
- Australian Government policy is appropriately represented and Australia's negotiating position is pursued effectively in international forums.

## Analysis of performance

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

### Financial system reform

#### Response to the global financial crisis

A key focus of activities was to provide policy analysis and advice to manage the impacts of the global financial crisis and the global recession. These policies focused on promoting economic growth and supporting employment, ensuring the financial system remained robust and dynamic, and the regulatory framework promoted macroeconomic stability and market confidence.

Treasury officials participated in the work of the G-20 to develop policy responses to the global financial crisis.

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

These include examining the role and regulation of credit rating agencies and short selling; improving the transparency of credit instruments; examining executive remuneration; and improving coordination between regulatory agencies, both domestically and internationally.

- In December 2008, the Government passed the *Corporations Amendment (Short Selling) Act 2008* to permanently ban naked short selling, clarify the powers of ASIC in relation to short selling and establish a framework for the disclosure of covered short sales. This helped restore confidence in Australian equity markets following the global financial crisis.
- Following a review, the Government resolved that all credit rating agencies operating in Australia would have to hold an Australian Financial Services Licence by 1 January 2010. This includes an obligation to report on agency compliance with the Code of Rating Fundamentals issued by the International Organization of Securities Commissions. On 5 March 2009, the Government held two roundtables to encourage industry to reduce unnecessary investor reliance on ratings.
- In June 2009, the Treasury released an issues paper seeking feedback on disclosure of equity derivative products (for example, contracts for difference) in Australia and, based on the feedback received on this paper, will progress this work in the coming year.

- The Treasury developed the Corporations Amendment (Improving Accountability on Termination Payments) Bill 2009 to strengthen arrangements for the payment of termination benefits to company directors and executives. The Treasury also continued to review the broader executive remuneration regulatory framework and links with the review into executive remuneration currently being undertaken by the Productivity Commission.

### Financial sector crisis management

The Treasury provided advice on Australia's financial sector crisis management arrangements, including introduction of a Financial Claims Scheme to provide depositors and insurance policyholders with timely access to funds if a financial institution fails. The Parliament passed the enabling legislation for the scheme in October 2008.

In developing the scheme, the Treasury provided advice and developed legislation to ensure that payments made by APRA or liquidator under the scheme are treated for tax purposes as if they had been paid by an institution to which the scheme applies, if the scheme is activated. This measure was introduced in Tax Laws Amendment (2009 Measures No. 2) Bill 2009, which received Royal Assent on 23 June 2009.

The Treasury provided advice on introducing a guarantee of deposits and wholesale funding of authorised deposit-taking institutions to ensure they can continue to raise funds for lending activities and support depositor and investor confidence. The Treasury also provided advice on liquidity support arrangements for the commercial property and car dealership financing sectors.

The global financial crisis demonstrated the interconnection between companies in a conglomerate, including between prudentially regulated entities and unregulated entities. APRA could regulate the non-operating holding company, if an authorised deposit-taking institution under the Banking Act, and of a general insurer under the Insurance Act. However, APRA could not regulate non-operating holding companies of life insurance companies under the Life Insurance Act. The Treasury provided advice and developed legislation to remove this gap in Australia's prudential regulation framework. The *Financial Sector Legislation Amendment (Enhancing Supervision and Enforcement) Act 2009* was passed on 13 August 2009. It provides APRA with the power to supervise life insurers' non-operating holding companies. This measure is consistent with the Insurance Core Principle ICP17 of the International Association of Insurance Supervisors on Group-wide supervision.

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

### Promoting competition

The Treasury developed the Account Switching Package, announced by the Treasurer in February 2008, to promote competition in the financial sector by making it easier for consumers to switch financial products and providers. The package includes comprehensive consumer education resources on switching, including a detailed and informative website and a consumer complaints hotline, maintained by ASIC as the first contact point for all consumer complaints about basic banking products. Financial institutions implemented the arrangements on switching providers in November 2008.

The Treasury continued to monitor implementation of the package, in consultation with ASIC, the Reserve Bank of Australia and financial institutions.

The Treasury provided advice on the Government's investment of up to \$8 billion in quality residential mortgage-backed securities to support competition in mortgage lending.

### Review into the governance, efficiency, structure and operation of Australia's superannuation system

On 29 May 2009, the Government announced the details of a review into the governance, efficiency, structure and operation of Australia's superannuation system.

The review has the goal of ensuring that the superannuation system operates in the most cost effective manner and best interests of all its members. It will consider how to maximise retirement income for Australians, including through increasing efficiencies, reducing costs and fees, and lifting long-term rates of return.

A panel of experts will conduct the review, made up of a full-time Chair and seven part-time members. Mr Jeremy Cooper moved from his former role as Deputy Chairperson of ASIC to chair the panel. Dr David Gruen, Executive Director, Macroeconomic Group, is a panel member.

The review panel will consult widely and call for public submissions. The review will report to the Government by 30 June 2010. The terms of reference for the review are available at [www.supersystemreview.gov.au](http://www.supersystemreview.gov.au).

The Treasury is providing support to this review.

### Trustee corporations

COAG agreed, at its 26 March 2008 meeting, that the Commonwealth would assume responsibility for regulating trustee corporations. In 2008-09, the Treasury worked to develop and implement an appropriate regulatory framework, and consult with stakeholders, including State and Territory Governments, industry and consumer groups. A Bill to give effect to the transfer was introduced into Parliament on 25 June 2009.

### HIH Claims Support Scheme

The Treasury provided advice to the Government on the management of the HIH Claims Support Scheme and its future operation. The Treasury has continued to work closely with the HIH administrators, McGrathNicol+Partners, and the contracted claims manager, Gallagher Bassett Services Pty Ltd, to settle remaining claims as quickly as possible. From July 2001 to 30 June 2009, the scheme has paid \$653 million to settle 10,860 claims. Fewer than 70 claims remain.

### Financial sector trends and structures

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

## Financial services developments

### Australian Financial Centre Forum

On 26 September 2008, the then Assistant Treasurer announced the creation of the Australian Financial Centre Forum to progress the Government's initiative to position Australia as a leading financial services centre in the region. This follows the Financial Services Hub Summit the Government co-hosted with the NSW Government on 31 July 2008.

The government and industry partnership comprises a chairman, Mr Mark Johnson, to provide industry leadership; a panel of experts, consisting of six senior financial sector representatives; a Treasury taskforce; and a reference group, which includes representatives from the peak financial sector industry associations, the State Governments and Austrade.

The Australian Financial Centre Forum has received written submissions from industry and consulted widely to identify opportunities and policy priorities for the industry and to develop practical strategies to position Australia as a leading financial services centre. It is working on a final report recommending how to enhance the international competitiveness of Australia's financial services sector.

### National regulation of credit

Following the 3 July 2008 COAG announcement that the Commonwealth will adopt regulatory responsibility for credit, intensive work has progressed to transfer the responsibility.



The Treasury continues to lead development of the reform, closely consulting with state and territory representatives under the auspices of the Financial Services and Credit Reform Implementation Taskforce. A package of Bills to give effect to the transfer was introduced into Parliament on 25 June 2009. In addition to transferring existing consumer credit regulation, the package seeks to establish a new regulatory framework for margin lending. State and territory legislation and an intergovernmental agreement will be needed to complement the package; these are expected to be finalised in the latter half of 2009.

### Financial Services Working Group

The Minister for Finance and Deregulation and the then Minister for Superannuation and Corporate Law created the Financial Services Working Group, comprising officials from the Treasury, the Department of Finance and Deregulation and ASIC. The overarching objective is to facilitate the creation of shorter and simpler product disclosure statements.

The working group designed a short (four A4 pages), standardised and easy-to-understand product disclosure statement for the new First Home Saver Account. The statement provides key information that consumers need to know to make an investment decision, with other more detailed information incorporated by reference.

Throughout 2008-09 the working group undertook further projects to simplify disclosure for margin loans, superannuation funds and simple managed investment schemes.

In 2008-09 the working group also substantially progressed intra-fund, simple superannuation advice. In mid-2009, after a lengthy period of industry consultation, ASIC released guidance and class order relief to enable millions of Australians to access low-cost, simple advice on their superannuation investments.

### Trade in financial services

The Treasury provided financial services-related support to Australia's negotiations in the World Trade Organization Doha Round and in free trade agreements with China, Chile, the Gulf Cooperation Council, Japan and, in partnership with New Zealand, ASEAN, and the Republic of Korea, and in the review of the free trade agreement with Singapore. The key services interests Australia is pursuing include improved access to international financial markets and financial market integration.

### Review of product rationalisation

Through product rationalisation investors in an outdated managed investment product are transferred to a new similar product with equivalent rights and benefits for the investor. The process phases out economically inefficient older financial products (legacy products) by transferring investors into newer, more efficient products.

In 2007-08, the Treasury held discussions with an expert panel of industry representatives to reach an in-principle agreement on an outline high-level mechanism for rationalising legacy products in managed investments and life insurance.

On 5 August 2009, the Minister for Financial Services, Superannuation and Corporate Law announced a proposals paper will be issued for wider public consultation on the proposed mechanisms.

#### Unsolicited share offers

In May 2009, the then Minister for Superannuation and Corporate Law issued an options paper *Access to Share Registers and the Regulation of Unsolicited Off-market Offers* for public consultation for eight weeks. A total of 32 submissions were received from individuals, companies and representative groups.

### International liaison

#### International Financial Reporting Standards regional policy forum

In April 2009, the third International Financial Reporting Standards Regional Policy Forum was held in China. Australia was well represented at this forum with representatives from government, the accounting standard setters and the professional accounting bodies. A key outcome was that regional accounting standard setting bodies will intensify their cooperation. A regional accounting standard setting group has been established to ensure all countries in the region have the ability to contribute to developing the standards.

#### Coordination of business law with New Zealand

The work program under the Memorandum of Understanding on Coordination of Business Law between Australia and New Zealand is an important component of efforts to advance a single economic market. It focuses on areas where two jurisdictions seek to achieve comparable outcomes and lower the regulatory barriers for businesses, including through alignment or harmonisation of business laws.

In 2008-09, work by the Treasury was informed by the implications of the global financial crisis, particularly on possible changes to financial market and corporate governance regulation. The Closer Economic Relations program celebrated its 25th anniversary in 2008 and saw some key achievements and advances under the memorandum of understanding.

- The mutual recognition of securities offerings regime came into force.
- The mutual recognition of director disqualifications that occur in New Zealand came into force in Australia by virtue of the *Corporations Amendment (No. 1) Act 2009*.
- In New Zealand, the Commerce Commission (International Co-operation and Fees) Bill was introduced, to allow the Commerce Commission to share confidential information with overseas agencies for enforcement purposes.

- Cross-border insolvency legislation came into effect in both jurisdictions.

Although it is not within the scope of the Memorandum of Understanding, an important milestone during 2008 was the signing of a Treaty on Trans-Tasman Court Proceedings and Regulatory Enforcement. The treaty was developed to improve the effectiveness of civil court proceedings and enforcement of judgments across the Tasman, and underpin many memorandum initiatives by providing a coherent legal framework that will help resolve civil disputes with a trans-Tasman element, more efficiently and at lower cost.

#### Trans-Tasman Accounting and Auditing Standards Advisory Group

The Trans-Tasman Accounting and Auditing Standards Advisory Group comprise representatives from the accounting and auditing standard setters, the professional accounting bodies, and the governments of both Australia and New Zealand. The Treasury currently chairs the group. The group's focus is to ensure the financial reporting frameworks of both countries do not unnecessarily impede Trans-Tasman business activity. During the year, the group progressed a range of reforms to ensure greater commonality between the two financial reporting frameworks.

#### Trans-Tasman Council on Banking Supervision

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

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

#### OECD steering group on corporate governance

The Treasury provided the Australian representative to the OECD steering group on corporate governance. Work included examining the role of stock exchanges in corporate governance and lessons for corporate governance practices coming from the financial crisis. The four main areas identified for improvement were governance of remuneration, risk management systems, the functions of boards and role of shareholders. The Treasury also provided the Australian representative to the Asian corporate governance roundtable. Recent roundtable work has concentrated on producing a guide to fighting abusive related party transactions in Asia. The focus will now move to the Asian financial crisis experience, concentrating on areas for improving corporate governance practices.

#### OECD Insurance and Private Pensions Committee

The Treasury has provided the Australian representative to the OECD Insurance and Private Pensions Committee, which also includes the Working Party on Private Pensions and the

Working Party on Government Experts on Insurance. In 2008 and 2009, the committee focused on the impact of the financial crisis on insurance sectors and private pension funds across member countries. It is also undertaking further work on the OECD guidelines on insurer corporate governance in cooperation with International Association of Insurance Supervisors.

## Takeovers Panel

The Takeovers Panel contributed to well functioning securities markets in Australia by dealing with 30 applications, essentially disputes about the application of the Takeovers Chapter of the *Corporations Act 2001*. The panel, a peer review body with regulatory functions, has 53 members who are specialists in mergers and acquisitions, either as investment bankers, lawyers, company directors or other professionals. When resolving disputes, the panel helps ensure that acquisition of control over voting shares in listed and widely held companies occurs in an efficient, competitive and informed market; security holders and directors are given enough information; and security holders have a reasonable and equal opportunity to participate in any benefits of a proposal. The panel also publishes guidance notes to help foster market confidence and efficiency.

In 2008-09 the panel:

- dealt with complex and challenging issues, including reverse takeovers, standstill agreements and share splitting; and
- updated three existing guidance notes and released a consultation paper containing proposals to update a further four guidance notes.

On 23 October 2008, Justice Stone of the Federal Court of Australia dismissed CEMEX Australia Limited's application for judicial review of the review panel's decision in Rinker Group Limited 02R. On 30 June 2009, CEMEX's appeal to the Full Court of the Federal Court of Australia also was dismissed.

## Financial Reporting Panel

The Financial Reporting Panel is an alternative dispute resolution body in relation to the treatment of accounting standards. This independent third party mechanism alleviates ASIC from initiating court proceedings when a dispute on the application of accounting standards arises between it and companies. While disputes are predominantly referred to the panel by ASIC, they may, with ASIC's consent, also be referred by the lodging entity.

During the year, the panel undertook a strategic review of its operation to examine its functions and its role in the Australian corporate reporting regulatory framework. While no cases were referred during the period, the panel's existence and the threat of referral may have acted as a strong incentive for companies to meet their financial reporting obligations.

## Standard Business Reporting (SBR)

SBR is a multi-agency initiative to reduce the business-to-government reporting burden. Led by the Treasury, participating agencies include the ABS, APRA, ASIC, ATO and all state and territory government revenue offices.

SBR is co-designed by Australian and State and Territory Government agencies in partnership with business, software developers, accountants, bookkeepers and other business intermediaries across Australia. It aims to simplify financial reporting to government, and make it a natural by-product of accounting and financial software. Australian business will save around \$800 million a year when the initiative is fully operational.

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

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

Contracts to build the program's core infrastructure and single secure sign-on facility were signed in early 2009 with IBM Australia Ltd and Verizon Business respectively. These contracts build on earlier design work undertaken by these providers.

SBR delivered additional versions of harmonised reporting definitions (taxonomies) for various financial reports for participating agencies. A small scale pilot to test the design occurred between February 2009 and May 2009. The pilot proved the concept, successfully transmitting reports (in this case the Tax File Number Declaration) to the ATO which were auto-generated by business software using the reporting definitions, as well as a secure sign-on.

Conferences were held in Sydney and Melbourne during May 2009 and were highly successful, attracting good numbers of target stakeholders. The conferences showcased the Australian design, international experience and relevance of SBR with contributing presenters from the Netherlands, New Zealand and the United States. Follow-up consultation with participants indicates significant support for the concept amongst Australian businesses and financial, accounting and payroll software developers.

SBR is on track to be delivered on schedule in mid-2010.

## Currency

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

## Mutual recognition of securities regulation with the United States

In August 2008, a mutual recognition arrangement on securities regulation was signed between Australia and the United States. The arrangement aims to promote cross-border capital flows between the two countries and improve regulatory cooperation between the United States Securities and Exchange Commission and ASIC. Since then the Treasury has worked with the regulators to implement the arrangements effectively.

## Statutory and other procedural requirements

### Financial sector levies

During 2008-09, the Treasury, in conjunction with APRA, consulted with industry and provided advice to the Government on the determination of financial sector levies which primarily support APRA's operations. The Treasury and APRA reviewed the methodological issues governing the levy calculations; the review was announced by the Assistant Treasurer in July 2008.

### Review of need for *Terrorism Insurance Act 2003*

On 1 July 2003, the Australian Government established a terrorism insurance scheme to minimise the wider economic impacts that flowed from the withdrawal of terrorism insurance following the terrorist attacks of September 2001. The *Terrorism Insurance Act 2003* requires the Act be reviewed at least once every three years, if it is to continue in operation. Following a consultation process, the Treasury completed the statutory review and reported to the Minister for Financial Services, Superannuation and Corporate Law. The review addresses the need for the Act to continue operating and recommends refinements to the scheme established under the Act. A report will be published in 2009.

### Appointments

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

## Secretariat services

The Treasury provided secretariat services to the Ministerial Council for Corporations, which met twice during 2008-09. The Treasury also assisted ministers to fulfil the Government's obligations under the Corporations Agreement 2002.

The Treasury provided secretariat support for the Financial Reporting Council, which met five times during 2008-09. This statutory body provides strategic oversight of the accounting and audit standard-setting processes, including the Australian Accounting Standards Board and the Auditing and Assurance Standards Board, and monitors the effectiveness of Australia's auditor independence requirements. The Australian Accounting Standards Board deals with the setting of accounting standards for the public and private sectors of the Australian economy, while the Auditing and Assurance Standards Board focuses on the development and making of Australian Auditing Standards. Since 1 July 2008, both boards have been agencies for the purposes of the *Financial Management and Accountability Act 1997* and are preparing separate annual reports.

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

## OUTPUT 4.1.3: COMPETITION AND CONSUMER POLICY ADVICE

During 2008-09, the Competition and Consumer Policy Division was responsible for the delivery of Output 4.1.3: Competition and consumer policy advice.

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

### Performance information

The key performance indicators are:

- advice meets the Government's needs in administering its responsibilities, and making and implementing decisions on competition and consumer policy. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms;
- effective presentation of relevant information including publications, adequately informs public debate;
- progress made on the COAG Reform Agenda meets the expectations of the Commonwealth and States;
- statutory and other procedural, administrative and reporting requirements are met;
- secretariat and executive services provided to advisory and external bodies are effective;

- representation and/or liaison by Treasury officers with other agencies, private sector organisations and international bodies is effective; and
- Australian Government policy is appropriately represented and Australia's negotiating position is pursued effectively in international forums.

## Analysis of performance

### Competition policy

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

The Treasury developed legislation and regulations to criminalise serious cartel conduct. The *Trade Practices Amendment (Cartel Conduct and Other Measures) Act 2009* received Royal Assent on 26 June 2009. Individuals involved in giving effect to a cartel arrangement will now face jail sentences of up to 10 years.

The Treasury produced a discussion paper to seek views on whether the current interpretation of 'understanding' limits the ability of the Trade Practices Act to properly address anticompetitive conduct.

The Treasury coordinated the Government response to the ACCC inquiry into competitiveness of retail prices for standard groceries. The inquiry raised concerns about creeping acquisitions in grocery retailing, whereby businesses make a series of small acquisitions over time that do not individually substantially lessen competition in breach of section 50 of the Trade Practices Act. The Treasury prepared two discussion papers released for public comment on models to address creeping acquisitions.

The Treasury leads key activities of the COAG Business Regulation and Competition Working Group. The group is to progress reforms in 27 areas where duplicate and inconsistent regulation across jurisdictions unnecessarily burdens business. The Treasury has progressed measures that address the anti-competitive impacts of occupational licensing and is examining the effects of state and territory planning and zoning laws.

The Treasury coordinates and advises the Government on preparation of terms of reference for Productivity Commission research and inquiries. In 2008-09, this involved six public inquiries and eight commissioned research references.

The Treasury provided advice on the Government's investment in road, rail and port infrastructure projects announced in the 2009-10 Budget. The Secretary to the Treasury is a member of Infrastructure Australia, the Government's key advisory body on national infrastructure. The Treasury is engaged in the activities of the COAG Infrastructure Working Group which supports Infrastructure Australia.



The Treasury was actively engaged in the work of the Ministerial Council on Energy Standing Committee of Officials which provides advice on ongoing energy market reforms and the interaction between energy markets and the Government's Carbon Pollution Reduction Scheme.

The Treasury provided advice on a package of reforms to help improve the efficiency, timeliness and effectiveness of regulatory decision-making under the National Access Regime in Part IIIA of the Trade Practices Act. Following Government agreement on the elements of the reform package, the Treasury discussed the proposed changes with state and territory officials and prepared drafting instructions for amending legislation.

The Treasury is working with the Department of Broadband, Communications and the Digital Economy, the ACCC and other central agencies on implementing the Government's National Broadband Network policy, and providing advice on telecommunications regulatory issues. The Secretary to the Treasury was a member of the Panel of Experts that made recommendations to Government on proposals for a National Broadband Network.

The Treasury also is working with the Department of Broadband, Communications and the Digital Economy and other relevant agencies on measures to facilitate the switchover to digital television around Australia.

The Treasury has worked with relevant agencies to progress COAG reforms in the transport sector to improve market-based frameworks and promote greater competition.

The Treasury has contributed to ongoing work on international air service agreements and proposals for liberalising international air routes, including the treatment of competition law in air service agreements and access to Australian routes. The Treasury is represented on an interdepartmental steering committee for the Government's review of national aviation policy.

The Treasury has been involved in competition policy-related aspects of free trade agreements, including with China, Japan, the Republic of Korea, Malaysia, and the Gulf Cooperation Council. In August 2008, Australia hosted the inaugural APEC Structural Reform Ministerial Meeting. The meeting provided an opportunity for APEC Ministers to engage in an open dialogue about their experiences in developing and implementing structural reform focusing on institutional frameworks and regulatory reform. It led to greater understanding of the importance of domestic structural reforms in supporting productivity growth and economic prosperity, and to broadening the APEC agenda to include structural reform.

In addition, the Treasury was Deputy Chair of the APEC Economic Committee and led the Friends-of-the-Chair Group on regulatory reform. The Treasury also participated in several roundtable discussions on regulatory reform.

The Treasury participated in the OECD competition policy committee and contributed to the competition chapter in the Regulatory Review of Australia report.

## Consumer policy

In 2008-09, the Treasury provided advice to the Government on the consumer policy framework.

The Treasury developed legislation to clarify the regulation of component pricing. Under the new provisions, when businesses advertise a price, they must prominently display as a single figure, a total price that includes all known, quantifiable amounts that a consumer would be required to pay. The *Trade Practices Amendment (Clarity in Pricing) Act 2008* came into effect on 25 May 2009.

The Treasury implemented the Unit Pricing Code as a prescribed industry code under Part IVB of the *Trade Practices Act 1974*. The code requires supermarket retailers to display the price of a good by reference to standard units of measurement, so consumers can compare relative prices of similar grocery items. The code commenced on 1 July 2009, and makes unit pricing mandatory in all large and online supermarkets by 1 December 2009.

The Treasury developed legislation which was introduced into the Parliament on 24 June 2009 and is the first stage in implementing an enhanced national framework for consumer policy. The Trade Practices Amendment (Australian Consumer Law) Bill 2009 will establish a single national consumer law — to be called the Australian Consumer Law — and start replacing inconsistent consumer laws in place across Australia. The Bill includes the national unfair contract terms law and new civil penalties, enforcement powers and consumer redress options.

The Treasury is leading a number of projects being progressed under COAG's consumer policy agenda, including a model for the reform of product safety regulatory arrangements and reforms to be agreed with State and Territory Governments and based on best practice in existing state and territory consumer protection laws.

The Treasury represents Australia in international forums on consumer policy. The Treasury is a member of the OECD Committee on Consumer Policy and facilitated an OECD roundtable on product safety reform in October 2008. The Treasury also provided input into the development of the OECD's *Building a Consumer Policy Toolkit*.

The Treasury has been involved in consumer policy-related aspects of free trade agreements, including with Japan and the Republic of Korea. The Treasury also gave a presentation to consumer policy officials in Bhutan on Australia's consumer policy framework.

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

## OUTPUT 4.1.4: ACTUARIAL SERVICES

During 2008-09, the Australian Government Actuary was responsible for delivery of Output 4.1.4: Actuarial services.

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

### Performance information

The key performance indicator is the efficient provision of high-quality actuarial services with income from consultancy fees relative to total costs meeting specified quantitative criteria.

### Analysis of performance

The Australian Government Actuary operates in a competitive and contestable market for actuarial services. Income from consultancy services relative to total costs is, therefore, a primary indicator of performance. The Australian Government Actuary operates a special account to ensure its financial operations are managed properly and transparently. At 30 June 2009, the account was in a sound financial position.

Demand for service was again high during 2008-09.

### Consultancy services

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

Departments which sought advice included Defence; Attorney-General's; Education, Employment and Workplace Relations; Families, Housing, Community Services and Indigenous Affairs; Health and Ageing; Finance and Deregulation and Veterans' Affairs. Centrelink and the ATO also sought advice.

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

### Services to the Treasury

The Australian Government Actuary contributed its technical expertise on policy issues, including the superannuation system and insurance matters.

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

## **Operational outcomes**

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

## EXECUTIVE AND PARLIAMENTARY DIVISION

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The Executive and Parliamentary Division's mission is to promote high quality and timely services to ministers and the efficient and effective functioning of the Treasury by providing strategic support, systems and advice to the Secretary, Executive Board, and Treasury groups and ministers.

The Executive and Parliamentary Division is responsible for providing advice and high-level secretariat services to the Secretary, Executive Board and Audit Committee; developing assurance and risk management frameworks; monitoring and managing issues; providing quality assurance assistance and processes, including proofreading; managing freedom of information requests; undertaking corporate planning and performance monitoring; coordinating implementation advice and monitoring; and providing policy evaluation guidance and services. The division also provides systems and services that support cabinet and parliamentary liaison, ministerial correspondence and briefing, and media contact.

### Key priorities in 2008-09

The key priorities in 2008-09 were to:

- ensure delivery of appropriate services to Treasury portfolio ministers;
- provide high-level services to the Secretary and the Executive Board that support and enable key forums within the Treasury's governance framework;
- facilitate efficient and effective communications between the Executive Board, ministers' offices and within the Treasury, including furthering the development of a communications strategy;
- monitor and manage issues, in partnership with relevant policy areas in groups;
- ensure the effectiveness, efficiency and conformity to legislative and accountability requirements of the Treasury's activities, systems and processes;
- continue to provide a policy implementation monitoring and advising capability; and
- establish, coordinate and support processes within the department to develop and progress an ongoing strategic policy dialogue.

### Key outcomes in 2008-09

The key outcomes achieved were:

- coordination of liaison and correspondence for the Treasury and its stakeholders;
- management of the budget lock-up and media lock-ups;

- media management, including advice to the Secretary and Executive Board, ministers' offices, SBR and Australia's Future Tax System review;
- coordination of significant briefing products including for the budget, Senate Estimates and UEFO;
- provision of issues management services, including media and parliamentary monitoring;
- establishment, coordination and support of processes to progress ongoing strategic policy thinking;
- further enhanced support for the Audit Committee and Executive Board;
- developed products to further improve risk management and corporate planning in the Treasury;
- delivery of a system to review the quality of executive minutes;
- improved practices and mechanisms for effective communication both internal and external to the Treasury;
- further improvement of reporting, support services and systems for advice sent to ministers; and
- establishment of a policy implementation monitoring and advising function.

## CORPORATE SERVICES GROUP

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

Corporate Services Group is responsible for providing corporate services, products and advice, including accommodation and facilities management; financial management; human resource management, training and development; information management and technology services; procurement; publishing; security and travel.

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

The work of the group in 2008-09 was directed towards:

- improving consultation and managing change;
- reducing red tape; and
- promoting environmentally friendly initiatives.

### Key priorities in 2008-09

Key priorities in 2008-09 were:

- managing the outcomes from the review of group support services;
- developing strategies for the Treasury's ongoing financial sustainability;
- reviewing and improving the delivery of information management and communication technology services;
- progressing implementation of a new Workplace Relations Framework;
- ensuring timely and accurate financial, budgeting and compliance reporting;
- managing the introduction to the Treasury of whole-of-government centralised procurement arrangements;
- delivering priority elements of the Information and Knowledge Management Strategic Plan 2007-09; and
- ensuring people management strategies meet organisational needs.

## Key outcomes in 2008-09

The following were key outcomes in 2008-09:

- the 2007-08 Financial Statements were completed and audited with no major issues raised;
- changes to budget and payment processes as a result of reforms to the federal financial framework were successfully implemented;
- the implementation of recommendations flowing from the review of group support units was successfully managed across Corporate Services Group;
- improvements flowing from a March 2009 information technology (IT) client satisfaction survey are being progressed, particularly the IT network, the Financial Management Information System and IT Helpdesk efficiency;
- priority elements of the Information and Knowledge Management Strategic Plan completed in 2008-09 include an upgrade to TRIM to improve content search capability, improvements to intranet content including an intranet content governance framework and first release of a phased deployment of Enterprise Search;
- the information management framework was reviewed in May 2009. The review included an analysis and revision of policy and documentation on information governance in the Treasury;
- action addressing key issues identified in the 2007 staff survey included staff seminars with Executive Board members, improved information on support programs and exploration of strategies to improve workflow processes, internal communication and work-life balance;
- key professional development activities included the Executive Leadership Program to develop leadership and strategic thinking skills, comprehensive training programs to develop skills identified in performance appraisal discussions and an extensive series of Treasury seminars. A graduate Diploma in Economic Studies, delivered by Monash University, commenced in February 2009 and was offered to Treasury staff and staff in other Australian Public Service (APS) agencies;
- the Performance Management System was reviewed in 2007 in collaboration with staff, managers and the Workplace Relations Committee and confirmed support for the system. The review adopted a new naming convention using descriptors for ratings against individual criteria and overall ratings. The changes took effect from August 2008 after comprehensive staff training; and
- consultations were progressed with the Workplace Relations Committee, the Community and Public Sector Union and staff to identify focus areas leading up to formal negotiations for a new workplace agreement.





# PART THREE

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## CORPORATE GOVERNANCE

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

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

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

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

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

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

## SENIOR MANAGEMENT COMMITTEES AND THEIR ROLES

### Executive Board

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

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

The Executive Board members as at 30 June 2009 were:

- Dr Ken Henry, Secretary;
- Dr David Gruen, Executive Director, Macroeconomic Group;
- Mr Mike Callaghan, Executive Director, Macroeconomic Group;
- Mr Jim Murphy, Executive Director, Markets Group;
- Mr Nigel Ray, Executive Director, Fiscal Group;
- Mr David Parker, Executive Director, Revenue Group;
- Mr Paul McCullough, Executive Director, Revenue Group (acting);
- Mr Richard Murray, Executive Director, Policy Coordination and Governance; and
- Ms Deidre Gerathy, Group General Manager, Corporate Services Group.

The Executive Board is supported by the Executive and Parliamentary Division.

Mr Frank Di Giorgio, General Manager, Executive and Parliamentary Division, is secretary to the Executive Board.

### Audit Committee

The Audit Committee reviews audit issues by:

- supporting and enhancing the control framework;
- providing assurance on published financial information;

- monitoring, reviewing and reporting on compliance; and
- assisting the Chief Executive to comply with all legislative and other obligations.

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

Audit committee members as at 30 June 2009 were Mr David Parker (Chair), Ms Luise McCulloch, Mr Geoff Miller, Ms Deidre Gerathy, Mr Michael Willcock, Mr Tony McDonald and Mr Bruce Jones (the external representative). The committee met seven times during 2008-09.

### Remuneration committees

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

The Executive Board determines each remuneration committee's membership and the Executive Director of the relevant group chairs each remuneration committee. The committee comprises the Chair, the General Manager Human Resources Division and all general managers within the group. One general manager from another group is included to promote consistency of outcomes between groups.

## SENIOR MANAGEMENT STRUCTURE

Details of the Treasury's senior management structure are set out on page 14.

## CORPORATE PLANNING AND REPORTING

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

The Executive Board sets the broad strategic direction for the Treasury through its identity statement, *The Treasury — Who We are and What We Do*, and its annual corporate plan. The identity statement sets out the Treasury's mission, values, role and key policy responsibilities. The corporate plan articulates future directions, key priorities, capabilities, risks and key risk management strategies, and provides a context for group and divisional plans.

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

## RISK MANAGEMENT

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

The approach has five key components.

- The Corporate Policy and Framework for Managing Risk and associated guidelines, released in April 2006, is consistent with the Australian/New Zealand Standard for Risk Management (AS/NZS 4360:2004), and aims to:
  - integrate and formalise existing risk management processes across the Treasury;
  - ensure appropriate identification, analysis and evaluation of relevant risks;
  - continue monitoring risk and considering treatment strategies; and
  - establish a risk communication strategy and training framework for stakeholders.
- The Fraud Control Plan complies with Australian Government Fraud Control Guidelines.
- The Chief Executive Instructions put into effect the *Financial Management and Accountability Act 1997* requirements, setting out responsibilities and procedures which provide an overarching framework for transparent and accountable financial management. They also contain topics relating specifically to risk management and internal accountability.
- The Internal Audit Plan identifies services and functions for auditing. The plan incorporates issues raised by the ANAO in its audit of the Treasury's financial statements, and where appropriate, recent ANAO reports on cross-agency matters, upcoming

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

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

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

- the IT Disaster Recovery Plan sets out the strategies and processes to restore services if the Treasury's central computing infrastructure is lost completely or partially;
- the Business Continuity Plan for the Treasury's IT application systems set out alternative methods and processes, so the Treasury can continue to work while the environment is restored;
- the IT Security Policy addresses the requirements to protect information holdings and secure operation of the Treasury's IT resources;
- the Internet and Email Acceptable Use Policy sets out responsibilities for appropriate use of the internet, email facilities and services;
- the IT Change Control Guidelines (an internal management tool) assists with quality assurance control over proposed changes to the technical environment and facilities; and
- Project Standards, internal standards based on the structured project management methodology, PRINCE2, ensures correct project governance is applied to IT-enabled business projects.

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

## ETHICAL STANDARDS AND ACCOUNTABILITY

The Treasury Management Model incorporates Treasury people values, and guides and supports Treasury staff members in their day-to-day work. These values are closely aligned with the APS values. They are embedded in the Performance Management System and are referred to in the capability framework for non-SES staff. Staff members are appraised against the values.

All Treasury Workplace Agreements contain a commitment from employees to be aware of, and to uphold, Treasury and APS values.

In January 2009, the Treasury introduced a Personal Accountability Framework which encapsulates all departmental policy and guidelines into a single framework covering all aspects of behaviour, conduct and values. The framework provides a guide as to how these responsibilities should translate into working relationships and standards of ethical and personal behaviour.

The Treasury learning and development activities reinforce staff's ethical responsibilities. The APS and Treasury Accountabilities Workshop, aimed at new starters, provides participants with an understanding of the APS, Treasury accountabilities and corporate governance frameworks. The Executive Level Leadership Program, the Treasury Certificate in Business Services for APS1 to 5 officers, the Graduate Development Program and performance appraisal training reinforce the values and behaviours expected of staff within both the department and the broader public sector.

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

The Chief Executive Instructions provide a user-friendly approach to financial management processes and guide staff so they can comply with legislation and ethical standards.

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

## SENIOR EXECUTIVE SERVICE REMUNERATION

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

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

An increase in ranking based on longer-term performance can lead to an increase in base salary (refer to Table 4 on page 142). Additional information on remuneration is set out in Note 12: Executive remuneration in the Financial Statements on page 204.



## INTERNAL AND EXTERNAL SCRUTINY

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### AUDIT

The Audit Committee met seven times in 2008-09. Its work included reviewing the Treasury's financial statements and a range of internal and external audit reports.

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

The Treasury engaged KPMG to develop the 2008-09 internal audit program. KPMG helps the Audit Committee to continuously improve audit services by regularly reviewing the audit program and scrutinising internal audit recommendations, as well as relevant ANAO reviews.

### INTERNAL AUDITS

The Treasury completed nine internal audits/reviews during 2008-09.

#### *Financial Management and Accountability Act 1997 (FMA Act) compliance*

This review assessed the status of the recommendations made in a 2006-07 audit on the design of processes, controls and delegations in place to support key FMA Act compliance and reporting requirements.

The Treasury has agreed to implement two recommendations from this review and implement an action plan to complete two recommendations from the 2006-07 review.

#### *Parliamentary reporting processes*

This review examined the Treasury's internal processes and reporting systems used to provide responses to Parliament, the Australian Government and the Treasury Executive Board. The review identified some business improvement opportunities and the Treasury agreed to implement the recommendations as part of an overarching parliamentary workflow project.

## Procurement processes

This review examined the Treasury's framework for procurement processes to determine whether it is designed efficiently and is effective in meeting legislative requirements. The framework contains key requirements of the Commonwealth Procurement Guidelines and the FMA Act legislation.

The Treasury has agreed to implement three business improvement recommendations to improve the efficiency of the procurement process.

## Network user access management

This review provided assurance that the Treasury's current network user access management processes are in line with organisational requirements and are appropriate to prevent unauthorised actions.

The Treasury has implemented five business improvement recommendations to support the documentation process.

## IT disaster recovery planning

This review examined the Treasury's IT Disaster Recovery Plan and associated documents to ensure key administrative IT systems can be recovered to support business in the event of a disaster.

The Treasury has implemented eight business improvement recommendations to strengthen the link between the Treasury's key disaster recovery documents.

## Compliance with the Privacy Act

This review provided assurance that the Treasury's business processes met Privacy Act requirements.

The Treasury has agreed to implement four business improvement recommendations to improve the privacy awareness program within the Treasury.

## IT governance benchmarking

This review built on a 2005-06 review that assessed the Treasury's IT practices against best practice and provided a benchmark level of maturity for IT services. The review will also inform the future scope areas for review in future audit periods.

The Treasury has agreed to implement eight low-level recommendations.

## Payments processes

The Treasury makes a significant number of departmental payments over the course of a financial year, covering asset acquisition, travel, corporate supplies and general goods and services. A range of financial delegates across the Treasury are responsible for approving payments.

This review assessed the departmental payment processes and tested the controls in place for a sample of payments for each discrete process.

The Treasury has agreed to implement four recommendations to streamline some business processes.

## Internal financial reporting

The Treasury prepares formal financial reports for decision-making and reporting purposes on a monthly basis. This process involves the review and reconciliation of a large number of accounts and preparation of monthly reports to the Executive Board and the Department of Finance and Deregulation.

This review assessed the current financial reporting process against ANAO best practice and sought to identify improvements, including monthly reporting to the Executive.

The Treasury has agreed to implement four low-level recommendations to improve financial forecasting and reporting.

# AUSTRALIAN NATIONAL AUDIT OFFICE REPORTS

In 2008-09, the ANAO conducted two performance audits that related to the Treasury's operations.

## *Audit Report No. 37: Online Availability of Government Entities' Documents Tabled in the Australian Parliament*

This audit reviewed five Australian Government organisations, including the Treasury, to evaluate their compliance, policies and practices for online publishing of documents presented to Parliament.

The audit concluded that the Treasury had sound online publishing practices, including controls to manage the validity of online content. The Treasury agrees with, and already implements the intent of the reports recommendations.

## Audit Report No. 44: *Security Risk Management*

This audit reviewed three Australian Government organisations, including the Treasury, to determine the effectiveness of security risk management programs, including protective security risk treatment controls. In particular, the audit assessed whether each organisation had:

- established and implemented effective arrangements for managing security risks;
- established sufficient and appropriate monitoring arrangements for security risks; and
- implemented effective security risk mitigation measures or treatment controls.

The audit concluded that the Treasury has established and implemented effective arrangements for managing security risks. The Treasury has sound processes in place to enable ongoing monitoring of its security environment and controls designed to reduce security risks. The Treasury has agreed to implement the report's three recommendations relevant to its operations.

The ANAO also commenced a performance audit in 2008-09 on Representations to the Department of the Treasury in Relation to Motor Dealing Financing Assistance.

Other ANAO reports relevant to the Treasury in 2008-09 were.

Report No. 3: *Establishment and Management of the Communications Fund*

Report No. 5: *The Senate Order for Departmental and Agency Contracts  
(Calendar Year 2007 Compliance)*

Report No. 13: *Government Agencies' Management of their Websites*

Report No. 14: *Audits of the Financial Statements of Australian Government  
Entities for the Period Ended 30 June 2008*

Report No. 16: *The Australian Taxation Office's Administration of Business  
Continuity Management*

Report No. 20: *Approval of Funding for Public Works*

Report No. 21: *The Approval of Small and Medium Sized Business System Projects*

Report No. 24: *The Administration of Contracting Arrangements in relation to  
Government Advertising to November 2007*

Report No. 25: *Green Office Procurement and Sustainable Office Management*

Report No. 34: *The Australian Taxation Office's Management of Serious Non-Compliance*

Report No. 42: *Interim Phase of the Audit of Financial Statements of General Government Sector Agencies for the Year ending 30 June 2009*

The Treasury's Audit Committee follows ANAO better practice guidelines by actively reviewing relevant matters raised in audit reports, and overseeing follow-up action. Details of audit reports are available at [www.anao.gov.au](http://www.anao.gov.au).

## PARLIAMENTARY COMMITTEES

In 2008-09 Treasury officials appeared before the following Parliamentary Committees.

22 June 2009 — Senate Standing Committee on Economics, Foreign investment by state-owned entities

19 June 2009 — Senate Standing Committee on Economics, Car Dealership Financing Guarantee Appropriation Bill 2009

10 June 2009 — Senate Standing Committee on Economics, Guarantee of State and Territory Borrowing Appropriation Bill 2009

10 June 2009 — Senate Standing Committee on Economics Inquiry into the Tax Laws Amendment (2009 Budget Measures No. 1) Bill 2009

2, 3 and 4 June 2009 — Senate Economics Legislation Committee, Estimates (Budget Estimates)

28 May 2009 — Legislative Committee Inquiry into the Carbon Pollution Reduction Scheme Bill and related Bills

22 May 2009 — Senate Standing Committee on Economics, Carbon Pollution Reduction Scheme Bill 2009

11 May 2009 — Joint Standing Committee on Treaties to review two taxation agreements (treaties) between Australia and the Isle of Man

30 April, 1 and 20 May 2009 — Senate Select Committee on Climate Policy

14 April 2009 — Senate Standing Committee on Economics, Australian Business Investment Partnership Bill 2009 and a Related Bill

2 April 2009 — Senate Select Committee on Issues relating to the Fuel and Energy Industry

25 March 2009 — Senate Standing Committee on Economics, Exposure drafts of the legislation to implement the Carbon Pollution Reduction Scheme

12 March 2009 — Senate Standing Committee on Economics, Aspects of Bank Mergers

11 March 2009 — Senate Standing Committee on Community Affairs, Customs Tariff Amendment (2009 Measures No. 1) Bill 2009; Excise Tariff Amendment (2009 Measures No. 1) Bill 2009

25 and 26 February 2009 — Senate Economics Legislation Committee, Estimates (Additional estimates)

23 February 2009 — Joint Standing Committee on Treaties to Review two taxation agreements (treaties) between Australia and the British Virgin Islands

16 February 2009 — Senate Standing Committee on Economics, Tax Laws Amendment (Taxation of Financial Arrangements) Bill 2009

16 February 2009 — Senate Standing Committee on Economics, Trade Practices Amendment (Cartel Conduct and Other Measures) Bill

6 February 2009 — Senate Standing Committee on Economics, Tax Agent Services Bill 2009

5 and 9 February 2009 — Senate Standing Committee on Finance and Administration, Appropriation (Nation Building and Jobs) Bill (No. 1) 2008-2009; Appropriation (Nation Building and Jobs) Bill (No. 2) 2008-2009; Commonwealth Inscribed Stock Amendment Bill 2009; Household Stimulus Package Bill 2009; Tax Bonus for Working Australians (Consequential Amendments) Bill 2009; Tax Bonus for Working Australians Bill 2009

25 November 2008 — Senate Standing Committee on Economics, COAG Reform Fund Bill 2008

24 November 2008 — Corporations Amendment (Short Selling) Bill 2008

20 November 2008 — Foreign Affairs, Defence and Trade References Committee, Economic and security challenges facing Papua New Guinea and the island states of the southwest Pacific

6 November 2008 — Senate Standing Committee on Community Affairs, National Rental Affordability Scheme (Consequential Amendments) Bill 2008; National Rental Affordability Scheme Bill 2008

3 November 2008 — Senate Standing Committee on Economics, Superannuation (Departing Australia Superannuation Payments Tax) Amendment Bill 2008; Temporary Residents' Superannuation Legislation Amendment Bill 2008

29 October 2008 — Senate Standing Committee on Economics, Disclosure regimes for charities and not-for-profit organisations

28 October 2008 — Senate Standing Committee on Economics, Inquiry into Tax Laws Amendment (2008 Measures No. 5) Bill 2008

28 October 2008 — Senate Standing Committee on Economics, Tax Laws Amendment (2008 Measures No. 5) Bill 2008

22 October 2008 and Thursday 23 October 2008 — Senate Economics Legislation Committee, Estimates (Supplementary Budget Estimates)

24 September 2008 — Senate Standing Committee on Economics, Australia's mandatory last resort home warranty insurance scheme

17 September 2008 — Joint Committee of Public Accounts and Audit to review ANAO Audit Report No. 32 of 2007-08 *Preparation of the Tax Expenditures Statement*

14 August 2008 — Senate Select Committee on Issues Relating to the Fuel and Energy Industry

12 August 2008 — Senate Standing Committee on Economics, Tax Laws Amendment (2008 Measures No. 4) Bill 2008

11 August 2008 — Senate standing committee on Economics, Excise Legislation Amendment (Condensate) Bill 2008; Excise Tariff Amendment (Condensate) Bill 2008

11 August 2008 — Senate Standing Committee on Economics, Reference: National Fuelwatch (Empowering Consumers) (Consequential Amendments) Bill 2008; National Fuelwatch (Empowering Consumers) Bill 2008

31 July 2008 — Senate Standing Committee on Economics, Tax Laws Amendment (Medicare Levy Surcharge Thresholds) Bill 2008

25 July 2008 — Senate Select Committee, Inquiry into State Government Financial Management

## FRAUD PREVENTION AND CONTROL

In 2008-09 one case of fraud was referred to the Australian Federal Police for investigation. This investigation is continuing.

The Treasury's Fraud Control Plan complies with the Commonwealth Fraud Control Guidelines issued under regulation 19 of the *Financial Management and Accountability Regulations 1997*.

It is certified that the Treasury has appropriate fraud control, prevention, detection, investigation and reporting standards in place; and collects and reports annual fraud control data.

## OMBUDSMAN COMMENTS, COURT DECISIONS AND ADMINISTRATIVE TRIBUNAL DECISIONS

### Ombudsman comments

No comments were received from the Ombudsman in 2008-09.

### Courts and proceedings

#### Trade Practices Act — Access to Services — Fortescue Metals Group Ltd

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

On 18 December 2006, in proceedings initially instigated separately by BHP Billiton and Fortescue Metals Group, the Federal Court ruled that BHP Billiton's Mt Newman and Goldsworthy rail lines may be subject to declaration applications under Part IIIA, as they do not represent 'use of a production process'. On 12 January 2007, BHP Billiton lodged an appeal against the Federal Court decision to the full court of the Federal Court. The appeal was heard in late April 2007 and the full Federal Court dismissed the appeal on 5 October 2007. On 7 March 2008, the High Court heard and allowed an application by BHP Billiton for special leave to appeal the full Federal Court's decision. On 24 September 2008, the High Court upheld the full Federal Court decision that the Mt Newman and Goldsworthy railway lines were not the 'use of a production process' and therefore not exempt from declaration under Part IIIA.

In November 2007 and January 2008, a subsidiary of Fortescue Metals Group, the Pilbara Infrastructure Pty Ltd, lodged three further applications for railway services in the



Pilbara region of Western Australia. These railway services included the Hamersley and Robe River lines operated by Rio Tinto, and the Goldsworthy line operated by BHP Billiton. In October 2008, the Treasurer declared each of the Hamersley, Goldsworthy and Robe River railway services for 20 years. BHP Billiton and Rio Tinto subsequently applied to the Australian Competition Tribunal for a review of those declaration decisions. A review of the Hamersley, Goldsworthy and Robe River railway services declaration decisions is being conducted in conjunction with the review of the Mt Newman decision. A decision is currently expected in early 2010.

### **Trade Practices Act — Ministerial Consent under section 5 of the Trade Practices Act — Cathay Pacific Airways Limited (Cathay) and the Minister for Competition Policy and Consumer Affairs**

On 2 December 2008, the Minister for Competition Policy and Consumer Affairs provided consent under section 5 of the Trade Practices Act to Auskay International Manufacturing and Trade Pty Ltd (Auskay). This enabled Auskay to bring a civil action under the anticompetitive conduct provisions of the Trade Practices Act against a number of airlines (including Cathay), in respect of conduct that occurred overseas.

On 24 December 2008, Cathay applied to the Federal Court for a judicial review of the decision pursuant to section 5 of the *Administrative Decisions (Judicial Review) Act 1977*. On 1 April 2009, the Minister appealed to the full Federal Court on the Federal Court's interlocutory judgment relating to legal professional privilege. The proceedings in the Federal Court are on hold, pending judgment by the full Federal Court.

### ***Pape vs Commissioner of Taxation and the Commonwealth of Australia***

The High Court, in a 4:3 decision, upheld the validity of the *Tax Bonus for Working Australians Act (No. 2) 2009* (the Tax Bonus Act). Two of the judges in the minority would have partially upheld the validity of the Tax Bonus Act.

### ***Fisse vs the Department of the Treasury***

A notice of appeal was filed with the Federal Court of Australia after the decision by the Administrative Appeals Tribunal affirmed Treasury's decision on 10 April 2008 to not release a report, under freedom of information, from an interdepartmental working group to government on introducing criminal sanctions for serious cartel conduct. The Federal Court dismissed the application on 11 December 2008.

## Administrative Appeals Tribunal

### **Freedom of Information — Michael McKinnon on behalf of Seven Network (Operations) Limited and the Department of the Treasury**

An application was made to the Administrative Appeals Tribunal for a review of a decision by the Treasury not to release information in response to a request under the Freedom of Information Act for documents relating to aged pensions. The Administrative Appeals Tribunal advised the Treasury that the appeal application was withdrawn by the applicant without proceeding to a review.

### **Freedom of Information — Seven Network (Operations) Limited and the Department of the Treasury**

An application was made to the Administrative Appeals Tribunal for a review of a decision by the Treasury not to release information in response to a request under the Freedom of Information Act for the red book briefing document. The Administrative Appeals Tribunal advised the Treasury that the appeal application was withdrawn by the applicant without proceeding to a review.

## MANAGEMENT OF HUMAN RESOURCES

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

Key 2008-09 workforce initiatives were to:

- progress implementation of a new Workplace Relations Framework;
- ensure people management strategies met organisational needs;
- progress the delivery of a suite of tailored learning and development initiatives; and
- implement and monitor workforce planning to facilitate the recruitment and retention of departmental capabilities.

### PEOPLE MANAGEMENT SYSTEMS

The Treasury's people management systems are underpinned by the Treasury's people management principles and values, and the Treasury Management Model. These define the way staff work and provide the basis for people management systems and processes.

### PERFORMANCE MANAGEMENT SYSTEM

The Treasury's Performance Management System underpins the Treasury's capacity to achieve its mission by strengthening individual capabilities and aligning individual values and behaviors with shared corporate values and behaviors. The Treasury Performance Management System is based on clearly articulated capability frameworks. The Work Value Matrix defines the capabilities required by all employees at the APS and EL classifications, and the Senior Executive Service (SES) Capability Framework defines the capabilities for SES staff.

The capability frameworks not only provide the basis for appraisals, but underpin recruitment processes, the Professional Development Framework and the Career Development System.

Ratings against each capability contributes to the overall outcome, which determines the base pay for staff employed under the Treasury Workplace Agreement. The Performance Management System outcomes also inform the remuneration committees which advise the Secretary on salary levels for APS6, EL1 and EL2 staff employed under individual arrangements.

A number of processes support the underlying principles of fairness, transparency and consistency in the Performance Management System.

- In setting the context for appraisals, initially SES staff meet before each appraisal round to discuss issues relevant to the upcoming round, then group and divisional context setting meetings follow.
- Workshops and information sessions before each appraisal round provide information on the process for new staff; refresh staff knowledge; and develop skills in giving and receiving feedback for appraisees and managers.
- Review panels, usually at the divisional level, examine the outcomes of appraisals to ensure consistency across the division.
- Cross-group representatives on review panels provide an additional focus on consistency across the Treasury.
- Upward feedback is an integral part of the appraisal process and provides input to the appraisals of managers.

Regular informal feedback is encouraged to minimise surprises at appraisal time and facilitate productive staff management. Managers are encouraged to seek feedback from a range of sources before the appraisal meetings.

## CAREER DEVELOPMENT SYSTEM

The Career Development System is part of the Treasury's people systems and the Treasury Management Model. It applies to all staff, including temporary employees and secondees with at least six months continuous service, and provides staff with the opportunity to receive career development guidance from their manager-one-removed.

Quick reference guides for both staff and managers-one-removed were developed to assist in preparing for these discussions.

In 2008-09, staff were offered two training sessions in 'Preparing For Your Next Position' and graduates and APS6 to EL1 employees were offered career planning workshops.

The curriculum vitae tool in Aurion, the Human Resource Management System, was enhanced to encourage staff to update their work experience, educational history, skills and training.

## TREASURY WORKPLACE AGREEMENT

The Treasury Workplace Agreement 2006-09 came into operation on 7 September 2006 and nominally expires on 6 September 2009.

It provides for increased pay rates (refer to Table 5 on page 142), minor variations to conditions of service, including monthly accrual of annual leave; removal of limits on payment in lieu of accrued annual leave on leaving the APS; increased paid leave to assist employees during maternity, and to their partners to provide support around the time of birth; one day's paid leave to participate in community or charity work. The agreement also encourages managers and staff to proactively manage excess leave to facilitate staff taking regular breaks from work.

As part of the remuneration and conditions framework, the Treasury continued offering high performing APS6, EL1 and EL2 staff pay progressions above those available under the Workplace Agreement, but identical conditions of service.

The Treasury has progressed consultation with the Workplace Relations Committee, the Community and Public Sector Union and staff to identify those areas that should be a focus leading up to formal bargaining for a new agreement. These include improving work-life balance and streamlining administrative processes to reduce workloads.

## WORKPLACE RELATIONS

The format and content of the Treasury's workplace and individual arrangements reflect government policy on agreement making at the time of implementation.

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

The Treasury Workplace Agreement 2006-09 and individual arrangements provide access to procedures to resolve disputes and directly consult with staff as appropriate. Many aspects of legislation introduced by the Government take effect from 1 July 2009, fundamentally changing workplace relation arrangements within the Treasury. New agreements will reflect these changes.

## RECRUITMENT AND SUCCESSION PLANNING

The Treasury's recruitment activity in 2008-09 included three major bulk recruitment campaigns; an SES band 1 recruitment campaign; two specialist skills campaigns seeking financial market, quantitative, modelling and forecasting expertise; a graduate campaign; an internship program; and 86 individual recruitment processes. A total of 188 employment opportunities were filled from advertised vacancies. The graduate intake was 56 in 2009.

Graduate recruitment forms a major part of the Treasury's recruitment and succession planning strategy. In 2008-09, Treasury staff attended university career fairs and presented workshops on public policy to commerce and economic students. Brochures entitled '*Do you want to make a difference?*' were distributed to university careers centres and faculties. In addition, advertisements were placed in university career guides, within online graduate publications, on university career web pages and in the national press.

In 2008-09 the Treasury introduced an internship program. This scheme targets economics, commerce, law and public policy students and involves a 4 to 12 week paid work placement which exposes students to public policy.

The Treasury's online recruitment system was enhanced by simplifying the information required by applicants when responding to selection criteria.

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

The Treasury developed an intranet solution for advertising and managing internal vacancies. This new jobs portal will go live later in 2009.

During the latter part of 2008-09 a tender process for scribe services was initiated.

In 2009, the Treasury worked with the APS Career Transition Support Centre by providing details of employment opportunities to help redeploy potentially surplus APS employees.

Administrative arrangements and employment conditions applying to secondees involved in the Treasury/ATO secondment program were reviewed in light of changes to workplace agreements.

## LEARNING AND DEVELOPMENT

The Treasury's Professional Development Framework provides timely opportunities for staff to develop their skills and knowledge for current and future roles and responsibilities.

The Treasury's capability frameworks form the basis for identifying organisation-wide learning and development requirements. The frameworks enable the Performance Management and Career Development Systems to match staff needs and expectations with departmental learning and development priorities.

### Learning and development strategies

The Treasury provides staff with an extensive array of learning and development opportunities to develop capabilities, network and retain corporate knowledge. These opportunities are available through one or two day workshops, leadership programs and semester long courses in economics and law.

As part of the Treasury's ongoing commitment to developing organisational and staff capabilities, the department contracted Monash University to deliver a Graduate Diploma in Economic Studies which commenced in February 2009.

The course is tailored to public sector agencies with a focus on public policy and is delivered one day a week in the Treasury building. It is designed for staff qualified in disciplines other than economics and facilitates their understanding about economic frameworks and public policy issues. Five other departments are participating in the course.

In July 2008, 29 Treasury staff attended a semester long Introduction to Law course delivered by the Australian National University College of Law. The course provided accreditation towards a postgraduate law qualification.

In August 2008, 34 Treasury staff, six Department of Climate Change staff, one Australian Reinsurance Pool Corporation staff member and one Office of the Minister for Superannuation and Law staff member attended a semester long Introduction to Economics course delivered by the Australian National University.

Senior executives continued to participate in the APS Commission leadership courses and seminars, as well as executive coaching.

Other learning and development opportunities include short courses on APS and Treasury accountabilities, advanced writing skills, managing workloads, financial management, policy advising, interviewer skills, providing oral advice, career planning and effective teamwork. All workshops are tailored to the Treasury's needs and are evaluated to assist in refining subsequent programs.

The Treasury's Executive Leadership Program aims to enhance the leadership and strategic thinking skills of executive level staff to equip them to fulfil the roles expected of them under the Treasury Management Model. In 2008, 21 executive level staff participated in the program.

The Treasury continued to mentor new recruits in their transition to the Treasury. Seventy-five new recruits have participated since the program commenced in May 2005. The program is evaluated every six months.

The Treasury's four policy groups continued to offer seminars and discussions on policy issues. A tax policy framework course was presented to new starters in Revenue Group and a short course in economy wide modelling was offered to Treasury staff.

The 12-month Graduate Development Program combines on-the-job training with formal in-house courses, such as advanced writing, governance and APS decision making, effective teamwork, presentation skills and economics for graduates. The program also includes external courses, such as Introduction to the Senate as well as familiarisation tours and participation in key events, such as the budget lock-up where budget material is provided under embargo to registered media officers. The program is refined through feedback from graduates and graduate managers.

The Treasury Seminar Series continued with prominent guest speakers presenting current economic issues and research. An average of 67 staff attended each of the 10 seminars presented in 2008-09.

The Secretariat to Australia's Future Tax System held 23 seminars, with invited external experts in tax and transfer policy, open for attendance across the Treasury, over the last 12 months.

## IT initiatives and training

In 2008-09, internal IT training attracted 2,027 participants. It covered the Microsoft Office suite of programs as well as in-house systems, recordkeeping, security, electronic filing using TRIM, publication projects, the financial management information system SAP, and the budgeting and reporting tool TM1. Administrative officers were offered training in the new Staff Administration Management program. Training also was provided in the use of Blackberrys and remote access tokens.

Customised training in Access, Excel and Project catered to special needs and projects. A new course for departmental divisional support officers focused on Microsoft tools to assist staff in their administrative roles.



## External learning and development opportunities

In addition to providing internal learning and development opportunities, the Treasury encourages staff to participate in external learning activities. These include studies assistance, exchanges, research projects, postgraduate study awards, as well as attendance at Career Development Assessment Centres, the Australian and New Zealand School of Government and numerous conferences, seminars and workshops.

Over 90 employees accessed studies assistance each semester in 2008-09. Students can receive up to \$2,500 per semester to a maximum of \$5,000 in financial assistance, as well as study leave.

The Treasury has a Memorandum of Understanding with the Australian National University to facilitate on campus short-term economic research projects. Two staff commenced research projects in February 2009.

The Treasury's staff development costs totalled over \$3.5 million in 2008-09, representing an average of over four days of training per staff member. This figure represents 2.2 per cent of departmental operating costs and includes participant salary and on-costs, registration fees for internal and external training courses and external providers' development and delivery costs.

## WELLBEING

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

In August 2008, the Treasury conducted a staff survey on the issue of work-life balance. The survey allowed staff to provide feedback on their working environment and assisted the department in assessing the impact of periods of increased work pressure on staff wellbeing and work-life balance. A number of subsequent measures were implemented.

The 2007-08 State of the Service Employee Survey provided additional insights into staff satisfaction with work-life balance. The Treasury achieved strong results with satisfaction levels above the APS average in achieving merit in engagement and promotion decisions; agency management and culture; innovation; low levels of harassment and bullying; communication with senior leaders; access to learning and development; and effective individual performance. Treasury staff recorded very similar levels of satisfaction and dissatisfaction with their work-life balance as their APS colleagues.

The Treasury's employee assistance program also collects generic data that provides guidance for appropriate wellbeing strategies. An external provider manages the program and continues to assist employees who may be experiencing personal or work-related problems. It provides a free, confidential counselling service to Treasury employees and their families. To complement this service, the eapdirect™ website offers easy access to information on stress, depression, anxiety, work-life balance, career development and management techniques. The employee assistance provider also offers managerAssist®, an advisory service that helps managers deal with work issues and personal difficulties.

During 2008-09, the Human Resources Division continued to provide managers and staff with support and information on strategies to assist with staff wellbeing. Work groups facing increased pressure were targeted. Every fortnight the division analyses data on unscheduled absences to enable early identification of possible issues and develop strategies for employees requiring assistance.

The Treasury continues to monitor staff departures and gather feedback from staff on issues influencing their decision to leave the department. The department's exit survey tool was enhanced during 2009 to assist the Treasury to respond effectively to factors that result in staff turnover and better target workforce and staff wellbeing strategies. The Treasury's aggregate turnover rate has remained stable, with a slight decrease from 12.9 per cent in 2007-08 to 12.7 per cent in 2008-09.

The fifth Treasury Staff Opinion Survey was held from 20 May to 10 June 2009 to assist in developing targeted wellbeing and workforce strategies and programs. Survey results are provided to the Executive Board and staff.

Work-life balance remains an important focus and the Human Resources Division continues to examine strategies to support organisational effectiveness during periods of sustained work pressure. Strategies around work-life balance including improved time off in lieu arrangements are being considered in negotiations for the new Workplace Agreement.

## STAFFING INFORMATION

Ongoing and non-ongoing employee numbers in the Treasury increased from 941 in 2007-08 to 1,026 in 2008-09 (refer to Table 2 on the following page). The number of APS6 and EL2 employees increased by 29 and 27 respectively during the year, while APS5 employee numbers increased by 20 in that period. Between 2007-08 and 2008-09 the number of EL1 employees decreased by 11 and the number of part-time ongoing women increased from 69 to 85.

**Table 2: Operative and paid inoperative staff by classification and gender (as at 30 June 2009)**

Classification	Ongoing				Non-Ongoing				Total
	Full-time		Part-time		Full-time		Part-time		
	Male	Female	Male	Female	Male	Female	Male	Female	
Cadet	-	1	-	-	-	-	-	-	1
APS1	-	2	-	-	1	-	-	-	3
APS2	2	-	-	2	2	-	-	-	6
APS3	52	36	2	4	1	4	-	1	100
APS4	16	36	-	11	2	1	-	-	66
APS5	68	63	-	8	2	3	-	-	144
APS6	89	90	3	16	4	6	-	2	210
EL1	106	73	5	21	2	1	-	-	208
EL2	122	48	8	19	2	-	1	-	200
SES Band 1	42	13	1	3	2	-	1	-	62
SES Band 2	12	3	1	1	-	-	1	-	18
SES Band 3	7	-	-	-	-	-	-	-	7
Secretary	1	-	-	-	-	-	-	-	1
<b>Total</b>	<b>517</b>	<b>365</b>	<b>20</b>	<b>85</b>	<b>18</b>	<b>15</b>	<b>3</b>	<b>3</b>	<b>1,026</b>

Note: Staff paid by other agencies are not included.

**Table 3: Staff located at overseas posts**

Overseas post	SES Band 2	SES Band 1	EL2	Total
Beijing	-	1	-	1
Jakarta	-	1	-	1
Paris	-	2	-	2
Tokyo	-	2	-	2
Washington	-	1	-	1
<b>Total</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>7</b>

Note: Locally engaged staff are not included.

## Senior executive service — remuneration and performance appraisal

Remuneration and conditions for Treasury senior executives are determined under AWAs and section 24(1) determinations, supported by a remuneration model that determines pay levels within each SES level, based on performance (refer to Table 4 below).

**Table 4: Salary scales — SES**

Classification	September 2007		September 2008	
	Minimum	Maximum	Minimum	Maximum
	\$	\$	\$	\$
SES Band 1	157,402	182,935	163,698	190,252
SES Band 2	192,916	225,801	200,633	234,833
SES Band 3	250,008	292,798	260,008	304,510

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

## Remuneration — non-SES employees

The Treasury Workplace Agreement 2006-09 determines salary rates for all non-SES staff (refer to Table 5 below).

**Table 5: Workplace Agreement salary scales — non-SES**

Classification	September 2007		September 2008	
	Minimum	Maximum	Minimum	Maximum
	\$	\$	\$	\$
APS1	36,212	39,324	37,660	40,897
APS2	41,740	44,502	43,410	46,283
APS3	47,266	50,028	49,157	52,029
APS4	52,792	55,554	54,903	57,776
APS5	59,355	63,155	61,729	65,681
APS6	66,954	70,753	69,632	73,583
EL1	78,802	87,334	81,954	90,827
EL2	97,003	106,676	100,883	110,943

Note: Salary levels under AWAs are determined on the basis of performance under the Treasury's Performance Management System.

The Treasury's remuneration policy provides for access to pay rates higher than those in the Workplace Agreement for all APS6, EL1 and EL2 staff, through AWAs and section 24(1) determinations (refer to Table 6 below).

**Table 6: APS6, EL1 and EL2 additional pay points**

Classification	Staff eligible 2008-09	Staff receiving additional pay point 2008-09	Minimum additional pay point 2008-09 \$	Maximum additional pay point 2008-09 \$
APS6	116	98	79,332	84,361
EL1	177	135	97,954	104,190
EL2	179	148	116,404	127,325
Total	472	381		

Salary levels under AWAs and section 24(1) determinations are determined by the Secretary, based on remuneration committee recommendations aligned with performance appraisal assessments and assessment of long term sustainable performance, as well as relevant skills and responsibilities.

### Senior management changes

Several senior management movements occurred in 2008-09 (refer to Table 7 below).

**Table 7: SES commencements and cessations**

Reason	SES Band 3	SES Band 2	SES Band 1	Total
Engagement	1	1	3	5
External promotion	–	–	–	–
Internal promotion	–	6	6	12
Resignation	–	–	1	1
Retirement	–	–	–	–
Transfer to another department	1	1	2	4
Promoted to another department	–	–	–	–
Total	2	8	12	22

# PROCUREMENT AND ASSET MANAGEMENT

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## PROCUREMENT

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

The Treasury's procurement policies and processes help ensure the Treasury undertakes competitive, non-discriminatory procurement processes; uses resources efficiently, effectively and ethically; and makes decisions in an accountable and transparent manner. Responsibility for procurement is devolved to individual business groups. The Treasury supports the decentralised approach to procurement by providing information and training about procurement policies and procedures to all staff, and maintaining a single point of contact for staff to seek advice on the guidelines, Chief Executive Instructions and tendering processes.

The Treasury has also developed standard tendering and contracting documentation to ensure procurement practices are consistent across the department.

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

Details of certain agency agreements and Commonwealth contracts are published on AusTender. However, if the Secretary decides details of an agency agreement or Commonwealth contract (including standing offers) are exempt under the Freedom of Information Act, he may then direct that details are not to be published. No such directions were issued during 2008–09.

## ASSET MANAGEMENT

The Treasury manages both current and non-current assets in accordance with guidelines set out in the Chief Executive Instructions and relevant accounting standards.

The Treasury's non-current assets are subject to an annual stocktake to ensure records are accurate. All assets were tested for impairment, and no adjustments to the carrying value were required. Also refer to notes 1.14 to 1.18 of the financial statements on pages 182 to 185.

## CONSULTANCIES

Consultants are engaged to investigate or diagnose a defined issue or problem; carry out defined research, reviews or evaluations; provide independent advice; and provide information or creative solutions to assist the Treasury in its decision-making. The most common reasons to engage consultants are:

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

Providers of consultancy services are selected through open tender, select tender, direct sourcing or panels. These processes are detailed in the note to Table 8 on page 149.

During 2008-09, 84 new consultancy contracts were entered into involving total expenditure of \$4,820,146. In addition, 22 on-going consultancy contracts were active during the year, involving total actual expenditure of \$2,070,745. These amounts include GST.

Information on expenditure on contracts and consultancies is also available on the AusTender website at [www.tenders.gov.au](http://www.tenders.gov.au).

Table 8, below, summarises consultancy contracts let in 2008-09 valued at \$10,000 or more.

**Table 8: List of new consultancies over \$10,000 in 2008-09**

Consultant name	Description	Contract price \$	Selection process <sup>(1)</sup>	Justification <sup>(2)</sup>
ABARE	Research taxes on natural resources	60,000	Direct sourcing	A
Access Economics Pty Ltd	Analyse financial product disclosure documents	77,360	Select tender	A
Amity Management Consulting Group	Provide advice, direction and input as an independent member of a client experience reference group	15,000	Direct sourcing	A
Australian Government Solicitor	Provide legal advice on matters relating to implementing the Government's decision to guarantee bank deposits and authorised deposit-taking institutions' wholesale borrowings	122,593	Panel	A
Australian Government Solicitor	Provide legal advice on preparing disclosure documentation for foreign markets in relation to the Australian Government wholesale funding guarantee	4,220,366	Panel	A

**Table 8: List of new consultancies over \$10,000 in 2008-09 (continued)**

Consultant name	Description	Contract price \$	Selection process <sup>(1)</sup>	Justification <sup>(2)</sup>
Australian Government Solicitor	Provide legal advice on the National Consumer Protection Legislation Project	30,000	Panel	A
Australian Government Solicitor	Provide legal advice on West State Fund status	15,389	Panel	A
Australian Government Solicitor	Provide legal advice on consumer credit reform	12,839	Panel	A
Australian Government Solicitor	Provide legal advice on Acts of General Application	11,000	Panel	A
Australian Government Solicitor	Provide legal advice on car dealer financing arrangements	85,000	Panel	A
Australian Government Solicitor	Provide legal advice on constitutional law — varying the operation of tax laws	10,406	Panel	A
Australian Government Solicitor	Provide legal advice on the Australian Business Investment Partnership	250,000	Panel	A
Australian Government Solicitor	Provide legal advice on the <i>Foreign Acquisitions and Takeovers Act 1975</i>	120,000	Panel	A
Australian Government Solicitor	Provide legal advice on issues relating to licensing finance brokers under National Consumer Credit Protection Bill 2009	15,029	Panel	A
Australian Government Solicitor	Provide constitutional legal advice on proposed amendments to the operation of tax laws	15,356	Panel	A
Australian Government Solicitor	Provide legal advice on Trustee Corporations	23,500	Panel	A
Australian Government Solicitor	Provide legal advice on the guarantee of state borrowing	115,500	Panel	A
Australian Government Solicitor	Provide legal advice on possible acquisition of property issues under National Consumer Credit Code Bill 2009	25,000	Panel	A
Australian Government Solicitor	Provide legal advice on Cartel Conduct and Other Measures Bill	13,805	Panel	A
Australian Government Solicitor	Provide legal advice on issues relating to excise and customs excise bills	24,793	Panel	A
Australian Government Solicitor	Provide legal advice on contract for Grocery Choice website	44,718	Panel	A
Barmco Mana Partnership	Develop a comprehensive maintenance schedule for the Treasury Building Data Centre	12,413	Direct sourcing	A



**Table 8: List of new consultancies over \$10,000 in 2008-09 (continued)**

Consultant name	Description	Contract price \$	Selection process <sup>(1)</sup>	Justification <sup>(2)</sup>
Blake Dawson	Assist the Board of Taxation in reviewing tax arrangements applying to managed investment trusts	20,000	Direct sourcing	A
Blake Dawson	Provide legal advice on SBR core services transformation and related matters	108,552	Panel	A
Blake Dawson	Provide legal advice on same day payment of guaranteed short term liabilities	275,000	Panel	A
Broadleaf Capital International	Provide risk and liability services to SBR	15,378	Panel	A
Business Driven Systems (Australia)	Provide technical review and feedback services for SBR	31,400	Direct sourcing	A
Centre for International Economics	Assess financial sector capacity building	111,741	Select tender	A
Credit Suisse (Australia) Limited	Provide commercial banking and finance advice	250,000	Direct sourcing	A
CSIRO Mathematical and Information Science	Prepare a report on human behavioural responses to complexity for Australia's Future Tax System	13,000	Direct sourcing	A
Cybertrust Pty Ltd	Provide an I-RAP IT security consultancy	35,200	Direct sourcing	A
DBM Consultants Pty Ltd	Provide industry cost research regarding financial product disclosure documents	79,860	Select Tender	A
Dr Andrew Leigh	Provide a research paper on the impact of the Tax-Transfer System on Education	50,000	Select tender	A
Financial Sector Services Pty Ltd	Provide specialist advisory support to the Australian Financial Centre Forum	335,800	Direct sourcing	A
Gartner Australasia Pty Ltd	Provide IT advisory relationship and assistance	140,580	Direct sourcing	B
Getronics Australia Pty Ltd	Provide grocery price monitoring website system design, implementation and services	455,706	Panel	A
Greenfields Financial Services	Provide research for the improved disclosure of fees for superannuation and managed investment products	71,500	Select tender	A
Greenwoods and Freehills Pty Ltd	Provide consultancy services for the design of the Foreign Source Income Attribution Rules	10,914	Direct sourcing	A

**Table 8: List of new consultancies over \$10,000 in 2008-09 (continued)**

Consultant name	Description	Contract price \$	Selection process <sup>(1)</sup>	Justification <sup>(2)</sup>
Greenwoods and Freehills Pty Ltd	Provide consultancy services for the redesign of the Foreign Source Income Attribution Rules	10,606	Direct sourcing	A
Jayant Sathaye	Provide consultancy services for Australia's Low Pollution Future	24,194	Direct sourcing	A
KPMG	Provide tax economics expertise	300,000	Open tender	A
KPMG	Provide internal audit services for the HIH Claims Support Scheme	128,933	Direct sourcing	A
KPMG	Provide internal audit services for the HIH Claims Support Scheme	71,723	Direct sourcing	A
La Trobe University	Research a conceptual framework for the reform of taxes related to roads and transport	71,400	Select tender	A
Les Bell and Associates	Provide consumer research on financial product disclosure documents	81,346	Select tender	A
Lyndcote Pty Ltd	Provide advice on issues relating to the global financial crisis and its impact on the Australian financial services sector	150,000	Direct sourcing	A
Magellan Asset Management Ltd	Provide expert commercial advice to assist the Treasury in developing a detailed understanding of resource based foreign investment proposals	49,500	Direct sourcing	A
Minjela Pty Ltd	Facilitate preparations to establish the Australian Business Investment Partnership	60,000	Direct sourcing	A
Mynahs Pty Ltd	Provide input to a Financial Reporting Council project on issues arising from the global financial crisis	40,000	Direct sourcing	A
Oakton AA Services Pty Ltd	Provide financial analysis and technical solution services for SBR	243,032	Panel	A
Oakton AA Services Pty Ltd	Provide threat and risk assessment services for SBR	96,272	Panel	A
Property Mentor Pty Ltd	Provide advice on building and facilities management, leasing and property management issues	15,000	Direct sourcing	A

**Table 8: List of new consultancies over \$10,000 in 2008-09 (continued)**

Consultant name	Description	Contract price \$	Selection process <sup>(1)</sup>	Justification <sup>(2)</sup>
Royal Melbourne Institute of Technology	Research the impact of the tax transfer system on housing in Australia and possible reforms	79,200	Direct sourcing	C
Salinger Privacy	Provide privacy services for SBR	61,000	Panel	A
Salinger Privacy	Provide privacy services for SBR	15,100	Panel	A
SBN Lawyers Pty Ltd	Provide advice to the Board of Taxation on the review of tax arrangements applying to managed investment trusts	20,000	Direct sourcing	A
Sparke Helmore	Provide a report on laws of implied conditions and warranties in the <i>Trade Practices Act 1974</i> and state and territory Fair Trading Acts, and sale of goods legislation	47,000	Panel	A
The Pain Hamilton Family Trust	Provide communications consultancy for Australia's Future Tax System	49,962	Direct sourcing	A
Workplace Research Associates Pty Ltd	Provide advice in relation to the 2009 Treasury staff survey	15,000	Direct sourcing	A
<b>Total consultancies over \$10,000</b>		<b>8,953,966</b>		

Note: All amounts include GST.

(1) Explanation of selection process terms:

Open tender — public tenders are sought from the marketplace using national and major metropolitan newspaper advertising and the Australian AusTender internet site.

Select tender — tenders are invited from a short list of competent suppliers.

Direct sourcing — one supplier (or a limited number of suppliers) is approached directly in certain defined circumstances.

Panel — standing offers and supplier panels provide for a consultant to offer to supply goods and services for a pre-determined length of time and usually at a pre-arranged price.

(2) Justification for decision to use consultancy:

A Skills currently unavailable within agency.

B Need for specialised or professional skills.

C Need for independent research or assessment.

## WORKPLACE DIVERSITY

The Workplace Diversity Program fosters an environment which attracts, develops and supports people from diverse backgrounds, experiences and perspectives. Workplace diversity is central to the values and behaviours that shape the Treasury culture, and the workforce is guided by People Values which require respect, fairness and the valuing of diversity.

The Treasury's diversity profile is relatively stable (refer to Table 9 below). At 30 June 2009, it included:

- 46 per cent women;
- 25 per cent born overseas;
- 11 per cent with English as a second language; and
- 1.8 per cent who identify as having a disability.

**Table 9: Operative and paid inoperative staff by EEO target group (as at 30 June 2009)**

Classification	Female	Born overseas	English as a second language	Aboriginal and Torres Strait Islander	Disability
Cadet	1	–	–	1	–
APS1	2	2	–	–	1
APS2	2	–	–	–	1
APS3	45	22	13	–	1
APS4	48	15	9	–	1
APS5	74	27	14	–	2
APS6	114	58	31	–	4
EL1	96	58	23	–	2
EL2	67	53	17	–	4
SES Band 1	16	17	3	–	2
SES Band 2	4	2	–	–	–
SES Band 3	–	3	–	–	–
<b>Total</b>	<b>469</b>	<b>257</b>	<b>110</b>	<b>1</b>	<b>18</b>

The Treasury's diversity initiatives in 2008-09 included developing an Indigenous Employment Strategy to help attract and retain Aboriginal and Torres Strait Islander employees. The strategy is part of the Treasury's updated Reconciliation Action Plan, and will include recruitment activities, such as raising awareness of the Treasury's role in Indigenous policy issues. The department continues to participate in Indigenous graduate

and cadet selection processes, coordinated by the Australian Public Service Commission, and has one Indigenous cadet.

During the year, the Treasury promoted important Indigenous cultural events such as Reconciliation Week and the National Aborigines and Islanders Day Observance Committee (NAIDOC) Week. The Reconciliation Action Plan was launched in NAIDOC Week and included a presentation by the Hon Fred Chaney AO. During the year, staff were also invited to participate in a celebratory event in recognition of International Women's Day.

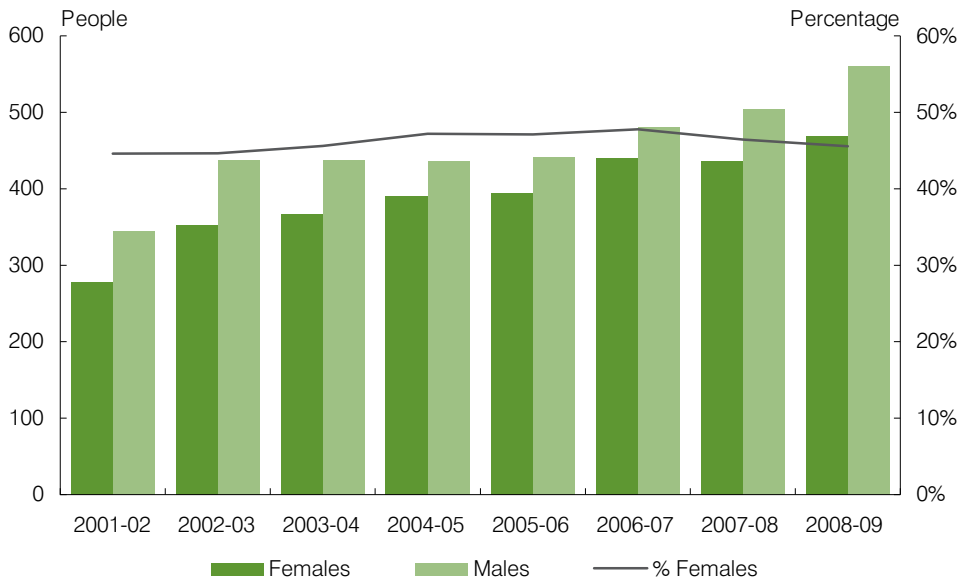
To support workforce diversity, the Treasury offers flexible working arrangements and a family-friendly work environment. The Treasury is accredited as a breastfeeding friendly workplace and a carer's room is provided to assist staff with parental or other caring responsibilities. To support women returning to work from maternity leave, the Treasury introduced nursing breaks for breastfeeding mothers in 2008-09. For the first time, those on maternity leave were provided with access to the Treasury intranet from home, or other remote locations, to keep in touch and assist in the transition back to the workforce. The department continues to provide staff with access to an external service provider to assist with information on care requirements including childcare.

At 30 June 2009, 10.8 per cent of Treasury staff worked part-time. More than half of these are executive level or higher. In addition to part-time work, Treasury staff can access job-share arrangements and, in particular circumstances, may apply for home-based work.

The Treasury's Mature Age Workers' Strategy is under review to ensure it meets the needs of a diverse workforce. The strategy is designed to support mature age workers to continue in the workforce and make the transition to retirement.

A number of Treasury staff are trained to act as workplace harassment contact officers to assist employees who may require support. State of the Service Employee Survey results continued to confirm that the Treasury records low levels of bullying and harassment compared with the APS average.

Chart 1: Treasury staff levels



Women remain marginally under-represented in the overall Treasury workforce. The percentage of women in the Treasury increased from 44.6 per cent at 30 June 2002 to 47.8 per cent at 30 June 2007. By 30 June 2009, this percentage had declined to 45.6 per cent, the same percentage as at 30 June 2004.

### Disability Action Plan

As required under the Commonwealth's Disability Strategy, and in accordance with the Treasury's Disability Action Plan, the department ensures people with a disability are able to fully participate and maximise their potential in the workplace. The Treasury's recruitment and selection processes support the diverse needs of applicants, including those with a disability. Applications can be accepted in different formats and appropriate adjustments can be made for interviews, including provision of translators for hearing impaired staff.

A range of assistance is provided to staff with a disability in the Treasury, including work station set-up and the purchase of special equipment, such as voice recognition software. The department endeavours to identify, wherever possible, the needs of staff with a disability before they commence work in the department and provide staff and their managers with ongoing support and assistance. Staff with special needs are able to access tutoring in written communication and translators for the hearing impaired.

**Table 10: Appointments of women to boards or equivalent of statutory and non-statutory bodies (as at 30 June 2009)**

	Total positions filled as at 30 June	Number of women	Number of appointments made during the year	Number of appointments of women
Auditing and Assurance Standards Board	1	1	–	–
Australian Accounting Standards Board	1	–	1	–
Australian Competition and Consumer Commission	6	1	3	–
Australian Competition Tribunal	15	2	12	1
Australian Energy Regulator	3	–	2	–
Australian Prudential Regulation Authority	3	–	2	–
Australian Reinsurance Pool Corporation	8	2	2	–
Australian Securities and Investments Commission	6	1	3	–
Companies Auditors and Liquidators Disciplinary Board	14	–	4	–
Corporations and Market Advisory Committee	11	4	6	2
Financial Reporting Council	19	4	15	3
Financial Reporting Panel	9	1	9	1
National Competition Council	4	1	–	–
Payments System Board	7	1	1	–
Productivity Commission	11	5	6	3
Superannuation Complaints Tribunal	20	10	20	10
Takeovers Panel	53	17	14	5
Australian Statistics Advisory Council	16	4	10	3
Reserve Bank of Australia	9	1	–	–
Inspector-General of Taxation	1	–	1	–
Commonwealth Grants Commission	5	1	1	–
Commonwealth Consumer Affairs Advisory Council	9	3	8	3
Australian Government Financial Literacy Board	11	4	4	1
Financial Sector Advisory Council	11	2	1	1
Foreign Investment Review Board	3	1	–	–
HIH Claims Support Limited	4	–	–	–
Legal Subcommittee of Corporations and Market Advisory Committee	10	6	3	1
Board of Taxation	10	–	–	–
<b>Total</b>	<b>280</b>	<b>72</b>	<b>128</b>	<b>34</b>







# PART FOUR

## FINANCIAL STATEMENTS

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Auditor-General for Australia



## INDEPENDENT AUDITOR'S REPORT

### To the Treasurer

#### Scope

I have audited the accompanying financial statements of the Department of the Treasury for the year ended 30 June 2009, which comprise: a Statement by the Secretary and Chief Financial Officer; Income statement; Balance sheet; Statement of changes in equity; Cash flow statement; Schedule of commitments; Schedule of contingencies; Schedule of Administered Items and Notes to and forming part of the financial statements, including a Summary of significant accounting policies.

#### *The Responsibility of the Secretary for the Financial Statements*

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

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

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

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

***Independence***

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

**Auditor's Opinion**

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Department of the Treasury's financial position as at 30 June 2009 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Ian McPhee

Auditor-General  
Canberra

7 September 2009

## THE TREASURY

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### Statement by the Departmental Secretary and Chief Financial Officer

#### Certification of financial statements

In our opinion, the attached financial statements for the year ended 30 June 2009 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Ken Henry  
Secretary to the Treasury



Rob Donnelly  
Chief Financial Officer

## Income statement

for the period ended 30 June 2009

	Notes	2009 \$'000	2008 \$'000
<b>INCOME</b>			
<b>Revenue</b>			
Revenue from Government	3A	148,680	149,315
Sale of goods and rendering of services	3B	8,823	7,666
Other revenues	3C	290	824
<b>Total revenue</b>		<b>157,793</b>	157,805
<b>Gains</b>			
Other gains	3D	534	360
<b>Total gains</b>		<b>534</b>	360
<b>TOTAL INCOME</b>		<b>158,327</b>	158,165
<b>EXPENSES</b>			
Employee benefits	4A	107,575	101,143
Suppliers	4B	47,046	40,403
Grants	4C	3,248	4,625
Depreciation and amortisation	4D	4,191	3,344
Finance costs	4E	94	93
Write-down and impairment of assets	4F	33	47
Net losses from sale of assets	4G	9	20
<b>TOTAL EXPENSES</b>		<b>162,196</b>	149,675
<b>SURPLUS/(DEFICIT)</b>		<b>(3,869)</b>	8,490

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

Balance sheet  
as at 30 June 2009

	Notes	2009 \$'000	2008 \$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	5A	1,367	2,270
Trade and other receivables	5B	76,793	73,469
<b>Total financial assets</b>		<b>78,160</b>	<b>75,739</b>
<b>Non-financial assets</b>			
Land and buildings	6A	10,314	10,442
Plant and equipment	6B	8,009	7,067
Intangibles	6C	19,650	788
Other non-financial assets	6D	1,042	1,443
<b>Total non-financial assets</b>		<b>39,015</b>	<b>19,740</b>
<b>TOTAL ASSETS</b>		<b>117,175</b>	<b>95,479</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	3,853	2,789
Other payables	7B	4,991	4,098
<b>Total payables</b>		<b>8,844</b>	<b>6,887</b>
<b>Interest bearing liabilities</b>			
Leases	8	233	890
<b>Total interest bearing liabilities</b>		<b>233</b>	<b>890</b>
<b>Provisions</b>			
Employee provisions	9	37,687	34,696
<b>Total provisions</b>		<b>37,687</b>	<b>34,696</b>
<b>TOTAL LIABILITIES</b>		<b>46,764</b>	<b>42,473</b>
<b>NET ASSETS</b>		<b>70,411</b>	<b>53,006</b>
<b>EQUITY</b>			
Asset revaluation reserve		5,246	5,276
Contributed equity		34,243	12,939
Retained surplus		30,922	34,791
<b>TOTAL EQUITY</b>		<b>70,411</b>	<b>53,006</b>
<b>Current assets</b>		<b>79,115</b>	<b>77,182</b>
<b>Non-current assets</b>		<b>38,060</b>	<b>18,297</b>
<b>Current liabilities</b>		<b>42,968</b>	<b>33,030</b>
<b>Non-current liabilities</b>		<b>3,796</b>	<b>9,443</b>

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

Statement of changes in equity  
as at 30 June 2009

	Retained earnings		Asset revaluation reserve		Contributed equity		Total equity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Opening balance as at 1 July</b>	34,791	26,301	5,276	3,644	12,939	3,961	53,006	33,906
<b>Income and expense</b>								
Surplus/(Deficit) for the period	(3,869)	8,490	-	-	-	-	(3,869)	8,490
Net revaluation increment/(decrement)	-	-	(30)	1,632	-	-	(30)	1,632
<b>Total income and expenses recognised directly in equity</b>	(3,869)	8,490	(30)	1,632	-	-	(3,899)	10,122
<b>Transactions with owners:</b>								
<b>Contributions by owners:</b>								
Appropriations (equity injections)	-	-	-	-	21,304	8,978	21,304	8,978
<b>Sub-total transactions with owners</b>	-	-	-	-	21,304	8,978	21,304	8,978
<b>Closing balance as at 30 June</b>	30,922	34,791	5,246	5,276	34,243	12,939	70,411	53,006
<b>Total equity attributable to the Australian Government</b>	30,922	34,791	5,246	5,276	34,243	12,939	70,411	53,006

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



Cash flow statement  
for the period ended 30 June 2009

	Notes	2009 \$'000	2008 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Goods and services		11,046	9,149
Appropriations		145,800	132,002
GST received from ATO		5,228	2,713
Other cash received		924	1,653
<b>Total cash received</b>		<b>162,998</b>	<b>145,517</b>
<b>Cash used</b>			
Employees		105,216	100,278
Suppliers		52,049	43,267
Grants		3,248	4,625
Financing costs		94	93
Cash to the OPA		-	1,422
Other cash used		-	6
<b>Total cash used</b>		<b>160,607</b>	<b>149,691</b>
<b>Net cash from/(used by) operating activities</b>	10	<b>2,391</b>	<b>(4,174)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sale of property, plant and equipment		12	35
<b>Total cash received</b>		<b>12</b>	<b>35</b>
<b>Cash used</b>			
Purchase of property, plant and equipment		4,770	3,829
Purchase of intangibles		19,059	208
<b>Total cash used</b>		<b>23,829</b>	<b>4,037</b>
<b>Net cash from/(used by) investing activities</b>		<b>(23,817)</b>	<b>(4,002)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Capital injections		21,304	8,978
<b>Total cash received</b>		<b>21,304</b>	<b>8,978</b>
<b>Cash used</b>			
Repayment of borrowings (includes finance lease principal)		781	788
<b>Total cash used</b>		<b>781</b>	<b>788</b>
<b>Net cash from/(used by) financing activities</b>		<b>20,523</b>	<b>8,190</b>
<b>Net increase/(decrease) in cash held</b>		<b>(903)</b>	<b>14</b>
Cash at the beginning of the reporting period		2,270	2,256
<b>Cash at the end of the reporting period</b>	5A	<b>1,367</b>	<b>2,270</b>

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

## Schedule of commitments

as at 30 June 2009

	2009 \$'000	2008 \$'000
<b>BY TYPE</b>		
<b>Capital commitments</b>		
Land and buildings	-	475
Infrastructure, plant and equipment	15,859	-
<b>Total capital commitments</b>	15,859	475
<b>Other commitments</b>		
Operating leases	57,146	58,810
Other	10,377	14,876
<b>Total other commitments</b>	67,523	73,686
<b>Commitments receivable</b>		
GST receivable	(7,170)	(6,556)
<b>Total commitments receivable</b>	(7,170)	(6,556)
<b>NET COMMITMENTS</b>	76,212	67,605
<b>BY MATURITY</b>		
<b>Capital commitments</b>		
One year or less	13,450	432
From one to five years	967	-
Over five years	-	-
<b>Total capital commitments</b>	14,417	432
<b>Operating lease commitments</b>		
One year or less	8,640	8,115
From one to five years	31,309	27,762
Over five years	12,214	17,734
<b>Total operating lease commitments</b>	52,163	53,611
<b>Other commitments</b>		
One year or less	6,369	9,557
From one to five years	3,263	4,005
Over five years	-	-
<b>Total other commitments</b>	9,632	13,562
<b>NET COMMITMENTS BY MATURITY</b>	76,212	67,605

This schedule should be read in conjunction with the accompanying notes.  
Note: Commitments are GST inclusive where relevant.

### Schedule of commitments (continued)

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

Nature of lease	General description of leasing arrangement
Leases for accommodation	<ul style="list-style-type: none"> <li>• Commercial — leases comprise of various periods, including both initial and options periods.</li> <li>• Overseas estate — some commercial lease payments are adjusted annually by 2 per cent and residential lease payments are reviewed bi-annually to reflect market movements.</li> <li>• The initial periods of office accommodation leases are still current and each may be renewed with options for a further three or five years.</li> <li>• Australian estate — residential lease payments are reviewed bi-annually to reflect market movements.</li> </ul>
Agreements for the provision of motor vehicles to Senior Executive Officers	<ul style="list-style-type: none"> <li>• No contingent rentals exist.</li> <li>• No renewal or purchase options are available to the Treasury.</li> </ul>
Leases for computer equipment and office equipment	<ul style="list-style-type: none"> <li>• The lessor provides all computer equipment designated as necessary in the supply contract for three years with an option to extend the term for a fixed period as agreed by both parties.</li> <li>• The lessor provides all photocopier equipment designated as necessary in the supply contract for four years with an option to extend the term for a fixed period as agreed by both parties.</li> </ul>

Other commitments include commitments for consultants, building services and other commitments.

Schedule of contingencies  
as at 30 June 2009

	Claims for damages or costs		Other		Total	
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Contingent liabilities</b>						
Balance from previous period	-	-	255	232	255	232
New	-	-	224	232	224	232
Obligations expired/crystallised	-	-	(231)	(209)	(231)	(209)
<b>Total contingent liabilities</b>	-	-	248	255	248	255
<b>NET CONTINGENT LIABILITIES</b>	-	-	248	255	248	255

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

Note: Departmental quantifiable and unquantifiable contingencies are disclosed in Note 11: Contingent liabilities and assets.

Schedule of administered items  
for the period ended 30 June 2009

	Notes	2009 \$'000	2008 \$'000
<b>Income administered</b>			
<b>on behalf of Government</b>			
for the period ended 30 June 2009			
<b>Revenue</b>			
<b>Non-taxation revenue</b>			
Interest	16A	3,817	3,652
Dividends	16B	1,402,968	1,084,822
Sale of goods and rendering of services	16C	1,106,895	600,200
COAG receipts from government agencies	16D	2,060,272	-
Other revenue	16E	137,216	68,980
<b>Total non-taxation revenue</b>		<b>4,711,168</b>	<b>1,757,654</b>
<b>Total revenues administered</b>		<b>4,711,168</b>	<b>1,757,654</b>
<b>on behalf of Government</b>			
<b>Gains</b>			
Net foreign exchange gains	16F	-	67,519
<b>Total gains administered</b>		<b>-</b>	<b>67,519</b>
<b>on behalf of Government</b>			
<b>Total income administered</b>		<b>4,711,168</b>	<b>1,825,173</b>
<b>on behalf of Government</b>			
<b>Expenses administered</b>			
<b>on behalf of Government</b>			
for the period ended 30 June 2009			
Grants	17A	53,643,549	42,627,153
Interest	17B	14,265	28,738
Other expenses	17C	(232)	(203)
<b>Losses</b>			
Net foreign exchange losses	17D	403,553	-
<b>Total expenses administered</b>		<b>54,061,135</b>	<b>42,655,688</b>
<b>on behalf of Government</b>			

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

Schedule of administered items (continued)

as at 30 June 2009

	Notes	2009 \$'000	2008 \$'000
<b>Assets administered</b>			
<b>on behalf of Government</b>			
as at 30 June 2009			
<b>Financial assets</b>			
Cash and cash equivalents	18A	8,230	10,213
Receivables	18B	2,744,885	1,418
Investments	18C	25,947,373	17,273,877
<b>Total financial assets</b>		<b>28,700,488</b>	17,285,508
<b>Non-financial assets</b>			
Other	18D	-	1,833
<b>Total non- financial assets</b>		-	1,833
<b>Total assets administered</b>			
<b>on behalf of Government</b>		<b>28,700,488</b>	17,287,341
<b>Liabilities administered</b>			
<b>on behalf of Government</b>			
as at 30 June 2009			
<b>Payables</b>			
Loans	19A	3,889,425	3,881,382
Grants	19B	558,917	2,500
Other payables	19C	1,895,869	800,894
Unearned income	19D	2,660,585	-
<b>Total payables</b>		<b>9,004,796</b>	4,684,776
<b>Provisions</b>			
Other provisions	19E	38,306	144,793
<b>Total other provisions</b>		<b>38,306</b>	144,793
<b>Total provisions and payables</b>		<b>9,043,102</b>	4,829,569
<b>Total liabilities administered</b>			
<b>on behalf of Government</b>		<b>9,043,102</b>	4,829,569
<b>Net assets administered</b>			
<b>on behalf of Government</b>	20	<b>19,657,386</b>	12,457,772

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

**Administered cash flows**  
for the period ended 30 June 2009

	Notes	2009 \$'000	2008 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Sale of goods and rendering services		1,023,165	600,200
Interest		3,893	3,961
Dividends		1,402,968	1,084,822
Net GST received from ATO		465	703
HIH Group liquidation proceeds		22,860	55,271
COAG receipts from government agencies		2,060,272	-
Other		72,502	5,874
<b>Total cash received</b>		<b>4,586,125</b>	<b>1,750,831</b>
<b>Cash used</b>			
Grant payments		53,084,810	42,627,153
Interest		17,543	-
Other		63,314	70,350
<b>Total cash used</b>		<b>53,165,667</b>	<b>42,697,503</b>
<b>Net cash flows from/(used by) operating activities</b>		<b>(48,579,542)</b>	<b>(40,946,672)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
IMF		-	312,875
<b>Total cash received</b>		<b>-</b>	<b>312,875</b>
<b>Cash used</b>			
Settlement of international financial institution's obligations		592	1,105
<b>Total cash used</b>		<b>592</b>	<b>1,105</b>
<b>Net cash flows from/(used by) investing activities</b>		<b>(592)</b>	<b>311,770</b>
<b>Net increase/(decrease) in cash held</b>		<b>(48,580,134)</b>	<b>(40,634,902)</b>
Cash and cash equivalents at the beginning of reporting period		10,213	13,168
Cash from Official Public Account for:			
- Appropriations		44,858,979	42,695,095
- Special accounts		5,928,084	-
		<b>50,787,063</b>	<b>42,695,095</b>
Cash to Official Public Account for:			
- Appropriations		2,208,912	2,063,148
- Special accounts		-	-
		<b>2,208,912</b>	<b>2,063,148</b>
<b>Cash and cash equivalents at end of reporting period</b>	18A	<b>8,230</b>	<b>10,213</b>

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

## Administered commitments

as at 30 June 2009

	2009 \$'000	2008 \$'000
<b>BY TYPE</b>		
<b>Other commitments</b>		
Other <sup>1</sup> - HCS Scheme	477	289
Other <sup>1</sup> - IGA	<b>310,887,246</b>	-
<b>Total other commitments</b>	<b>310,887,723</b>	289
<b>Commitments receivable</b>		
GST receivable	(43)	(26)
<b>Total commitments receivable</b>	<b>(43)</b>	(26)
<b>NET ADMINISTERED COMMITMENTS BY TYPE</b>	<b>310,887,680</b>	263
<b>BY MATURITY</b>		
<b>Other commitments</b>		
One year or less	<b>78,207,761</b>	263
From one to five years	<b>232,679,962</b>	-
<b>Total other commitments</b>	<b>310,887,723</b>	263
<b>NET ADMINISTERED COMMITMENTS BY MATURITY</b>	<b>310,887,723</b>	263

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

Note: All commitments are GST inclusive where relevant.

- 1 Other commitments relate to services provided with respect to the HIH Claims Support Scheme (HCS) and the Intergovernmental Agreements (IGA) with the States and Territories for the payment of grants.



Administered contingencies  
as at 30 June 2009

	Guarantees		Indemnities		Uncalled shares or capital subscriptions <sup>1</sup>		Claims for damages or costs		Warranties		Letters of comfort		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Administered contingent liabilities</b>														
Balance from previous period	-	-	-	-	5,659,186	6,397,285	-	-	-	-	-	-	5,659,186	6,397,285
Re-measurement	-	-	-	-	1,038,495	(738,099)	-	-	-	-	-	-	1,038,495	(738,099)
Liabilities recognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total contingent liabilities</b>	-	-	-	-	<b>6,697,681</b>	<b>5,659,186</b>	-	-	-	-	-	-	<b>6,697,681</b>	<b>5,659,186</b>
<b>Total contingent assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET CONTINGENT LIABILITIES</b>	-	-	-	-	<b>6,697,681</b>	<b>5,659,186</b>	-	-	-	-	-	-	<b>6,697,681</b>	<b>5,659,186</b>

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

Note: Administered unquantifiable contingencies are disclosed in Note 21: Administered contingent liabilities and assets. The Treasury has given financial guarantees which are disclosed at Note 1.31 and Note 23: Administered financial instruments.

<sup>1</sup> Comprise of EBRD, IBRD, MIGA and ADB uncalled shares.

## Statement of activities administered on behalf of Government

The major administered activities of the Treasury are directed towards achieving the four outcomes described in Note 1 to the Financial Statements. Details of planned activities for the year can be found in the Treasury Portfolio Budget Statements, Portfolio Additional Estimates Statements and Portfolio Supplementary Estimates Statements for 2008-09, which have been tabled in Parliament.

**Notes to and forming part of the financial statements**  
for the period ended 30 June 2009

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## Note 1: Summary of significant accounting policies

### 1.1 Objectives of the Treasury

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

The Treasury is structured to meet four outcomes:

- Outcome 1: Sound macroeconomic environment;
- Outcome 2: Effective government spending arrangements;
- Outcome 3: Effective taxation and retirement income arrangements; and
- Outcome 4: Well functioning markets.

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

Activities contributing towards the outcomes detailed above are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the Treasury in its own right. Administered activities involve the management or oversight by the Treasury on behalf of the Government, of items controlled or incurred by the Government. For these purposes, the HIH Claims Support Limited and the HIH Scheme have been included in the administered schedules.

Departmental and administered activities are identified under four Output Groups. Outcome 1 has one output group, 1.1 Macroeconomic. Outcome 2 has one output group, 2.1 Fiscal. Outcome 3 has one output group, 3.1 Revenue and Outcome 4 has one output group, 4.1 Markets.

The output groups comprise the following outputs:

- Output Group 1.1 Macroeconomic — Outputs 1.1.1 and 1.1.2;
- Output Group 2.1 Fiscal — Outputs 2.1.1, 2.1.2, 2.1.3 and 2.1.4;
- Output Group 3.1 Revenue — Outputs 3.1.1 and 3.1.2; and
- Output Group 4.1 Markets — Outputs 4.1.1, 4.1.2, 4.1.3 and 4.1.4

All outputs under Output Groups 1.1, 2.1 and 3.1 provide services on a non-profit basis.

Under Output Group 4.1, Outputs 4.1.1, 4.1.2 and 4.1.3 also provide services on a non-profit basis. Output 4.1.4, relates to the Australian Government Actuary which operates via a special account.

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

### 1.2 Basis of preparation of the financial report

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

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

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2008; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report has been prepared on an accrual basis and is in accordance with 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 report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

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

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

Administered revenues, expenses, assets, liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items, except where otherwise stated at Note 1.22.

### 1.3 Significant accounting judgments and estimates

Apart from an Australian Government Actuary review on employee benefits resulting in changes to on-cost calculations and discount factors, no accounting assumptions or estimates have been identified for departmental items that have a significant risk of causing

a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

In the process of applying the accounting policies for administered items listed in Notes 1.29 and 1.30, the Treasury has obtained independent actuarial assessments of the HIH Claims Support Scheme liability and the Housing Loans Insurance Corporation (HLIC) premiums, recoveries, claims and acquisition costs.

In relation to uncalled shares disclosed in the administered contingencies table, the Treasury has judged the risk of these shares being called as low for the foreseeable future. This judgment is based on historical and current performance of the international financial institutions. Some of the factors considered are the financial strength of the development banks (that is, most have AAA credit ratings), established risk management policies, healthy debt ratios, no adverse financial statement audit opinions and the fact that no calls have ever been made.

## 1.4 Changes in Australian Accounting Standards

### Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. None of the new standards, amendments to standards and interpretations issued by the AASB that are applicable to the current period have had a material financial impact on the Treasury. The following standards or amendments to standards have become effective but have had no financial impact to the operations of the Treasury.

#### Standards

- AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB 1050 *Administered items*
- AASB 1052 *Disaggregated items*

### Future Australian Accounting Standard requirements

Of the new standards, amendments to standards and interpretations issued by the AASB that are applicable to future periods, it is estimated that the impact of adopting the pronouncements when effective will have no material financial impact on future reporting periods but may affect disclosures in future financial reports.

## 1.5 Revenue

### Revenue from Government

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

Appropriations receivable are recognised at their nominal amounts.

### Other types of revenue

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the seller retains no managerial involvement nor effective control over the goods;
- the revenue and transaction costs incurred for the transaction can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

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

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

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

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

## 1.6 Gains

### Resources received free of charge

Resources received free of charge are recognised as gains when and only when 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 (refer to Note 1.7).

Resources received free of charge are recorded as either revenue or gains depending on their nature.



### Sale of assets

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

## 1.7 Transactions with the Government as owner

### Equity injections

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

### Restructuring of administrative arrangements

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

### Other distributions to owners

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

## 1.8 Employee benefits

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

Liabilities for 'short-term employee benefits' (as defined by AASB 119 *Employee Benefits*) and termination benefits due within 12 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.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

### Leave

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

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

The liability for both annual and long service leave has been determined by reference to the work of the Australian Government Actuary as at 30 June 2009. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and general pay increases.

### Separation and redundancy

No provision has been made for separation and redundancy benefit payments during the year (2008: Nil).

### Superannuation

Employees of the Treasury are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

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

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

The Treasury makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the cost to the government of the superannuation entitlements of the Treasury's employees. The Treasury accounts for the contribution as if they were contributions to defined contribution plans.

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

## 1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease 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 discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense. At reporting date, the Treasury had finance leases with

terms averaging 2.75 years and a maximum term of 3.25 years. The interest rate implicit in the leases averaged 6.24 per cent (2008: 7.11 per cent). The lease assets secure the lease liabilities.

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

### 1.10 Borrowing costs

All borrowing costs are expensed as incurred.

### 1.11 Cash

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

### 1.12 Financial risk management

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

### 1.13 Other financial instruments

#### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance date. These are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest methods less impairment. Interest is usually recognised by applying the effective interest rate. Collectability of debts is reviewed regularly throughout the year and at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely. Credit terms are net 30 days (2008: 30 days).

#### Trade creditors

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

### 1.14 Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

### Financial assets held at amortised cost

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

### Available for sale financial assets

If there is objective evidence that an impairment loss on an available for sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the income statement.

### Available for sale financial assets (held at cost)

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

## 1.15 Contingent liabilities and contingent assets

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

## 1.16 Acquisition of assets

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

## 1.17 Property, plant and equipment

### Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant and total \$20,000 or more).

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

### Revaluations

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

Asset class	Fair value measured at
Leasehold improvements	Depreciated replacement cost
Infrastructure, plant and equipment	Market selling price

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

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

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

The Treasury performed a valuation of leasehold improvements, infrastructure, plant and equipment assets on 30 November 2007. The valuation was performed by independent valuers Preston Rowe Paterson NSW Pty Limited and was based on valuing the assets at fair value.

## Depreciation

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

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

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

	2008-09	2007-08
Computers, plant and equipment	3-10 years	3-10 years
Leasehold improvements	5-10 years	5-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4D.

## Impairment

All assets were assessed for impairment at 30 June 2009. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

No indicators of impairment were found for assets at fair value.

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

### 1.18 Intangibles

The Treasury's intangible assets comprise internally developed and purchased software for internal use. These assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Treasury's software are 3 to 5 years (2007-08: 3 to 5 years).

The Treasury's largest intangible asset under construction is for Standard Business Reporting (SBR). SBR is a multi-agency initiative that will simplify business-to-government reporting by introducing a single secure way to interact on-line with participating agencies, for further information visit [www.sbr.gov.au](http://www.sbr.gov.au).

All software assets were assessed for indications of impairment as at 30 June 2009.

### 1.19 Taxation/competitive neutrality

The Treasury is exempt from all forms of taxation except fringe benefits tax and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

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

### 1.20 Foreign currency

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

### 1.21 Insurance

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

### 1.22 Reporting of administered activities

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

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

### 1.23 Administered cash transfers to and from the Official Public Account

Revenue collected by the Treasury for use by the Australian Government rather than the Treasury is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Deregulation. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of the Australian Government. These transfers to and from the OPA are adjustments to the administered cash held by the Treasury on behalf of the Australian Government and reported as such in the statement of cash flows in the schedule of administered items and in

the administered reconciliation table in Note 20. The schedule of administered items largely reflects the Australian Government's transactions, through the Treasury, with parties outside the Australian Government.

#### 1.24 Administered revenue

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

##### Reserve Bank of Australia dividend

Dividends from the Reserve Bank of Australia (RBA) are recognised when a determination is made by the Treasurer and thus control of the income stream has been established. On this basis, the RBA's dividend for 2007-08 is recognised in the Treasury's financial statements in 2008-09. Dividends are measured at nominal amounts.

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

##### International Monetary Fund remuneration

Remuneration is interest paid by the International Monetary Fund (IMF) to Australia for the use of its funds. It includes the proportion of the member currencies (quota) that was paid in Special Drawing Rights (SDR) and held by the IMF and money lent out under the financial transaction plan.

Where the IMF's holdings of Australian dollars fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is equal to the SDR interest rate. This rate is then adjusted to account for the financial consequences of overdue obligations to the IMF which are shared between members and reflected in Note 16 as burden sharing.

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

##### Guarantee Scheme for Large Deposits and Wholesale Funding

Under the Guarantee Scheme for Large Deposits and Wholesale Funding, a fee is paid to guarantee the portion of eligible deposits over \$1 million. The fees are reported as a fee for service in accordance with AASB 118 — *Revenue*.

##### Financial Guarantee Contracts

Financial guarantee contracts are accounted for in accordance with AASB 139. They are not treated as a contingent liability, as they are regarded as financial instruments outside



the scope of AASB 137. The Treasury's administered financial guarantee contracts relate to components of the Guarantee Scheme for Large Deposits and Wholesale Funding.

### 1.25 Administered capital

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

### 1.26 Grants

The Treasury administers a number of grant schemes on behalf of the Australian Government.

Grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made. A commitment is recorded when the Australian Government enters into an agreement to make these grants but services have not been performed or criteria satisfied.

#### Grants to the IMF

This represents Australia's contribution to the Poverty Reduction and Growth Facility (PRGF), of the IMF. The PRGF will enable the IMF to provide concessional funding to support medium term macroeconomic adjustment and structural reforms in low income countries. The PRGF will assist Australia to promote its international economic and aid interests with developing countries in the Asian region. Australia's contribution involves \$30 million to be paid in annual instalments of \$2.5 million over a 12 year period, with the final instalment paid during 2008-09.

#### Grants to States and Territories

The Council of Australian Governments (COAG) federal financial framework reforms (the framework) commenced with effect from 1 January 2009. Under the framework, the Treasurer is accountable for the efficient payment of National Partnership (NP) and general revenue grants to the States and Territories. Portfolio Ministers are accountable for relevant Government policy associated with those payments. In addition the Treasurer is accountable for payment and policy associated with GST revenue grants and National Specific Purpose Payments (SPP). An overview of the Government's policy in respect of accountabilities under the new financial framework is presented in the 2009-10 Budget papers, Part 6 of Budget Paper No. 3, *Australia's Federal Relations*.

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

- National SPPs — a financial contribution to support a State or Territory to deliver services in a particular sector.

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

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

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

### Payments to the States and Territories through the Nation Building Funds

The *Nation Building Funds Act 2008* (the Funds Act) outlines the requirements for payments to be authorised from the three Nation — Building Funds (collectively known as ‘the Funds’); the responsibilities of Ministers; and the process for channeling payments to recipients through portfolio special accounts.

The Funds were established to provide financing sources to meet the Government’s commitment to Australia’s future by investment in critical areas of infrastructure.

The three Funds are the:

- Building Australia Fund — for payments in relation to the creation or development of transport, communications, eligible national broadband network matters, energy and water infrastructure;

- Education Investment Fund — for payments in relation to the creation or development of higher education infrastructure, vocational education and training infrastructure, eligible education and research infrastructure; and
- Health and Hospitals Fund — for payments in relation to the creation or development of health infrastructure.

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

#### Mirror taxes collected by State Governments

On behalf of the States, the Australian Government imposes mirror taxes which replace State taxes in relation to Australian Government places that may be constitutionally invalid. Mirror taxes are collected and retained by the States, under the *Commonwealth Places (Mirror Taxes) Act 1998*. State Governments bear the administration costs of collecting mirror taxes. Mirror taxes are disclosed at Note 25F.

#### 1.27 Administered investments

Administered investments were assessed for impairment at 30 June 2009. No indicators of impairment were noted.

#### Development banks

Investments in development banks are classified as non-monetary assets and owing to their nature, these investments are not revalued. As such, these investments are recognised at historical cost where the information is available. Where historical cost records are not readily available, a notional cost has been established at 30 June 1993 by reference to the development banks' financial statements and exchange rates at that time.

Initial investments in the Asian Development Bank (prior to 1995), the International Finance Corporation (prior to 1991) and the International Bank for Reconstruction and Development (prior to 1988) have been recognised at notional cost. Any subsequent capital subscriptions to these development banks have been recognised at historical cost.

Investments in the European Bank for Reconstruction and Development and the Multilateral Investment Guarantee Agency are recognised at historical cost.

### International Monetary Fund

The quota is the current value in Australian dollars of Australia's subscription to the IMF.

The SDR allocation liability reflects the current value in Australian dollars of the Treasury's liability to repay to the IMF Australia's cumulative allocations of SDR. This is classified as 'other payables'.

### Australian Government entities

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

The Australian Government's investment in controlled entities and companies in the Treasury portfolio are measured at their fair value as at 30 June 2009. Fair value has been taken to be the net assets of the entities as at balance date. These entities are listed below:

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

#### 1.28 Promissory notes

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

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

Foreign currency gains and losses are recognised where applicable.

#### 1.29 Mortgage insurance policies written by the Housing Loans Insurance Corporation up to 12 December 1997

The Australian Government sold HLIC on 12 December 1997. Under the terms and conditions of the sale the Australian Government retained ownership of all mortgage insurance policies written up to the time of the sale.

Accounting policies adopted are:

#### Premiums

Premiums comprise amounts charged to the policy holder or other insurer, excluding amounts collected on behalf of third parties, principally stamp duties. The earned portion of premiums received and receivable is recognised as revenue. Premiums are treated as earned from the date of attachment of risk.

Premiums received in respect of insured loans are apportioned over a number of years in accordance with an actuarial determination of the pattern of risk in relation to the loans. Premium amounts carried forward in this way are credited to 'provision for unearned premiums'.

Given the maturity of the portfolio, the provision for unearned premiums is now zero.

### Recoveries

Claims incurred recoveries and a receivable for outstanding recoveries are recognised in respect of insurance policies. The asset (HLIC premiums receivable) has been recognised in Note 18, based on the estimated discounted future cash flows.

### Claims

Claims incurred expenses and a liability for outstanding claims are recognised in respect of insurance policies. The liability covers claims incurred but not yet paid, incurred but not yet reported and the anticipated direct and indirect costs of settling those claims. The liability has been recognised based on the estimated discounted future cash flows. Given the maturity of the portfolio, the liability is now estimated to be negligible.

### Acquisition costs

A portion of acquisition costs relating to unearned premium revenue is deferred in recognition that it represents future benefits. Deferred acquisition costs are amortised on an actuarial basis over the reporting periods expected to benefit from the expenditure. Since the provision for unearned premium is now zero, the deferred acquisition cost asset is also now zero.

## 1.30 Provisions and contingent liabilities

### HIH Claims Support Scheme liability

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

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

Since 2001, a total of 10,900 claims have been granted eligibility for assistance. Each year an actuarial review of the claims portfolio has been conducted to assess the development

of claims reserves and to estimate the overall liability associated with the Scheme portfolio. In 2006, approval was sought and obtained to increase the Scheme appropriation to a total of \$861 million to meet the estimated cost of the Scheme portfolio. This additional funding was provided through annual appropriations.

The Australian Government Actuary has continued to review the portfolio annually to reassess the estimated Scheme liability in future years. The most recent review has indicated that the overall cost of the Scheme is estimated to be \$739.1 million in discounted terms. This amount incorporates an allowance for future inflation and covers the expected cost of past and future claim payments and associated expenses of managing the Scheme.

### 1.31 Administered financial instruments

AASB 139 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 follows:

- Loans and receivables (these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market);
  - IMF related moneys receivable (measured initially at fair value and then measured at amortised cost using the effective interest rate method); and
  - 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).
- Available-for-sale financial assets;
  - investments in development banks (measured at cost); and
  - IMF quota (measured at cost).
- Financial liabilities;
  - 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
  - Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation (measured initially at fair value and then measured at amortised cost using the effective interest rate method).

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

Although a number of the Treasury's financial instruments are classified as 'available-for-sale', due to their unique nature they do not have a quoted market price in an active market and their fair value cannot be reliably measured at the reporting date. These items are valued at cost. The Treasury does not hold these instruments for the purposes of trading.

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

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

Recognition of these amounts only relates to fee revenue aspects of the financial guarantee contracts. These amounts do not reflect any expected liability under the Guarantee Scheme itself as these are considered remote and unquantifiable. Contingent liabilities and assets are disclosed at Note 21.

Administered financial instruments are accounted for in accordance with the accounting policies detailed above.

Administered financial instruments are disclosed at Note 23.

## Note 2: Events occurring after reporting date

### RBA Dividend

The RBA has calculated a dividend of \$5.977 billion in respect of its results for the year ended 30 June 2009 (\$1.403 billion in 2007-08). The Treasurer has determined that payment to the Government will be in two tranches: \$5.227 billion in 2009-10 and the balance of \$750 million in 2010-11. As a consequence, the Treasury will record this dividend income and a dividend receivable in its accounts for the year ended 30 June 2010 in accordance with its accounting policy (Note 1.24).

### Nation Building — Specific purpose payments

As at 1 July 2009 the Treasury assumed responsibility for the payment of Nation Building specific purpose payments which were previously paid by the Department of Infrastructure, Regional Development and Local Government. The impact of the change will be the requirement for the Treasury to recognise a prepayment asset in its balance sheet of \$247.148 million and to recognise any grant payments made during the financial year in the income statement. The Treasury will also report the associated administered commitment items in the 2009-10 financial year.

### OzCar special purpose vehicle

The Australian Government will guarantee all non AAA-rated securities issued by the OzCar special purpose vehicle to facilitate the purchase of those securities by Australia's four major domestic banks. Legislation to provide an appropriation to support the Australian Government guarantee of those securities received Royal Assent on 6 July 2009.

### Australian Government Guarantee of State and Territory Borrowing

The Australian Government Guarantee of State and Territory Borrowing formally commenced on 24 July 2009. Under the Guarantee, state and territory governments can apply for a guarantee over new and existing securities. Legislation to provide an appropriation to support the Australian Government guarantee of those securities received Royal Assent on 29 June 2009.

### IMF SDR allocation

An allocation by the IMF of SDRs equivalent to US\$250 billion was supported by G-20 leaders and the International Monetary and Financial Committee in April 2009. The allocation was formally agreed by the IMF Board of Governors on 7 August 2009 and allocated to IMF members on 28 August 2009. Australia's share equated to AUD\$4.454 billion.



**Note 3: Operating revenues**

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
<b>Note 3A: Revenue from Government</b>		
<b>Appropriations</b>		
Departmental outputs	<b>145,931</b>	147,495
Other	<b>2,749</b>	1,820
<b>Total revenue from Government</b>	<b>148,680</b>	149,315
<b>Note 3B: Sale of goods and rendering of services</b>		
Provision of goods to:		
external entities	-	97
Rendering of services to:		
related entities	<b>7,853</b>	5,859
external entities	<b>878</b>	1,630
Operating lease rental	<b>92</b>	80
<b>Total sale of goods and rendering of services</b>	<b>8,823</b>	7,666
<b>Note 3C: Other revenues</b>		
Other	<b>290</b>	824
<b>Total other revenues</b>	<b>290</b>	824
<b>Note 3D: Other gains</b>		
Resources received free of charge	<b>534</b>	360
<b>Total other gains</b>	<b>534</b>	360

## Note 4: Operating expenses

	2009 \$'000	2008 \$'000
<b>Note 4A: Employee benefits</b>		
Wages and salaries	79,743	73,580
Superannuation		
Defined benefit plan	12,905	13,034
Defined contribution plan	2,643	1,777
Leave and other entitlements	9,540	10,082
Separation and redundancies	-	46
Other	2,744	2,624
<b>Total employee benefits</b>	<b>107,575</b>	<b>101,143</b>
<b>Note 4B: Suppliers</b>		
Provision of goods from:		
related entities	83	160
external entities	1,798	2,192
Rendering of services from:		
related entities	7,013	5,153
external entities	29,285	24,270
Operating lease rentals <sup>1</sup>	8,403	8,235
Workers compensation premiums	464	393
<b>Total supplier expenses</b>	<b>47,046</b>	<b>40,403</b>
<b>Note 4C: Grants</b>		
Grants paid	3,248	4,625
<b>Total grants</b>	<b>3,248</b>	<b>4,625</b>
<b>Note 4D: Depreciation and amortisation</b>		
<b>Depreciation</b>		
Other plant and equipment	1,472	1,120
Buildings - leasehold improvements	1,460	949
<b>Total depreciation</b>	<b>2,932</b>	<b>2,069</b>
<b>Amortisation</b>		
Intangibles - computer software	551	432
Assets held under finance lease	708	843
<b>Total amortisation</b>	<b>1,259</b>	<b>1,275</b>
<b>Total depreciation and amortisation</b>	<b>4,191</b>	<b>3,344</b>
<b>Note 4E: Finance costs</b>		
Leases	94	93
<b>Total finance costs</b>	<b>94</b>	<b>93</b>
<b>Note 4F: Write-down and impairment of assets</b>		
Non-financial assets		
Plant and equipment	7	46
Intangibles	26	1
<b>Total write-down and impairment of assets</b>	<b>33</b>	<b>47</b>
<b>Note 4G: Net losses from sale of assets</b>		
Other plant and equipment		
Proceeds from disposal	(12)	(35)
Net book value of assets disposed	21	55
<b>Net losses from sale of assets</b>	<b>9</b>	<b>20</b>

1 These comprise minimum lease payments only.

## Note 5: Financial assets

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
<b>Note 5A: Cash and cash equivalents</b>		
<b>Cash</b>		
Special accounts	586	588
Departmental (other than special accounts)	781	1,682
<b>Total cash</b>	<b>1,367</b>	<b>2,270</b>
<b>Note 5B: Trade and other receivables</b>		
Goods and services		
- related entities	2,475	2,416
- external entities	539	449
Total goods and services	3,014	2,865
Net GST receivable from the ATO	732	436
Appropriations receivable - undrawn	73,047	70,168
<b>Total trade and other receivables (net)</b>	<b>76,793</b>	<b>73,469</b>
All receivables are current assets		
<b>Receivables (gross) are aged as follows:</b>		
Not overdue	76,275	73,115
Overdue by:		
Less than 30 days	398	209
30 to 60 days	69	6
61 to 90 days	34	114
More than 90 days	17	25
<b>Total receivables (gross)</b>	<b>76,793</b>	<b>73,469</b>

**Note 6: Non-financial assets**

	2009	2008
	\$'000	\$'000
<b>Note 6A: Land and buildings</b>		
<b>Leasehold improvements - fair value</b>		
Under construction	137	2,963
At fair value	18,312	14,154
Accumulated depreciation	(8,135)	(6,675)
<b>Total leasehold improvements - fair value</b>	<b>10,314</b>	<b>10,442</b>
<b>Total land and buildings (non-current)</b>	<b>10,314</b>	<b>10,442</b>
<b>Note 6B: Plant and equipment</b>		
<b>Plant and equipment - fair value</b>		
Under construction	169	-
At fair value	9,815	6,992
Accumulated depreciation	(2,131)	(736)
<b>Total plant and equipment - fair value</b>	<b>7,853</b>	<b>6,256</b>
<b>Plant and equipment under finance lease</b>		
Under finance lease	2,347	2,294
Accumulated amortisation	(2,191)	(1,483)
<b>Total plant and equipment under finance lease</b>	<b>156</b>	<b>811</b>
<b>Total plant and equipment (non-current)</b>	<b>8,009</b>	<b>7,067</b>
<b>Note 6C: Intangibles</b>		
<b>Computer software - at cost</b>		
Under construction	17,970	-
At cost	4,429	2,997
Accumulated amortisation	(2,749)	(2,209)
<b>Total computer software - at cost</b>	<b>19,650</b>	<b>788</b>
<b>Total intangibles (non-current)</b>	<b>19,650</b>	<b>788</b>

All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.17.

Note 6: Non-financial assets (continued)

Table A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles (2008-09)

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
<b>As at 1 July 2008:</b>				
Gross book value	17,117	9,286	2,997	29,400
Accumulated depreciation/amortisation	(6,675)	(2,219)	(2,209)	(11,103)
<b>Net book value 1 July 2008</b>	<b>10,442</b>	<b>7,067</b>	<b>788</b>	<b>18,297</b>
<b>Additions</b>				
By purchase	2,910	1,941	19,060	23,911
By finance lease	-	53	-	53
Net revaluation increment/(decrement)	-	(30)	-	(30)
<b>Depreciation/amortisation expense</b>	<b>(1,460)</b>	<b>(2,180)</b>	<b>(551)</b>	<b>(4,191)</b>
<b>Recoverable amount write-downs</b>	<b>-</b>	<b>(7)</b>	<b>(26)</b>	<b>(33)</b>
<b>Disposals</b>				
Other disposals	-	(8)	-	(8)
<b>Transfers</b>	<b>(1,578)</b>	<b>1,173</b>	<b>379</b>	<b>(26)</b>
<b>As at 30 June 2009:</b>				
Gross book value	18,449	12,331	22,399	53,179
Accumulated depreciation/amortisation	(8,135)	(4,322)	(2,749)	(15,206)
<b>Net book value 30 June 2009</b>	<b>10,314</b>	<b>8,009</b>	<b>19,650</b>	<b>37,973</b>

Table A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles (2007-08)

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
<b>As at 1 July 2007:</b>				
Gross book value	11,716	11,991	3,300	27,007
Accumulated depreciation/amortisation	(4,624)	(4,121)	(2,370)	(11,115)
<b>Opening net book value</b>	<b>7,092</b>	<b>7,870</b>	<b>930</b>	<b>15,892</b>
<b>Additions</b>				
By purchase	3,646	325	208	4,179
By finance lease	-	180	-	180
Net revaluation increment/(decrement)	1,405	227	-	1,632
<b>Depreciation/amortisation expense</b>	<b>(949)</b>	<b>(1,963)</b>	<b>(432)</b>	<b>(3,344)</b>
<b>Disposals</b>				
Other disposals	-	(172)	(2)	(174)
<b>Transfers</b>	<b>(752)</b>	<b>600</b>	<b>84</b>	<b>(68)</b>
<b>As at 30 June 2008:</b>				
Gross book value	17,117	9,286	2,997	29,400
Accumulated depreciation/amortisation	(6,675)	(2,219)	(2,209)	(11,103)
<b>Closing net book value</b>	<b>10,442</b>	<b>7,067</b>	<b>788</b>	<b>18,297</b>

Note 6: Non-financial assets (continued)

Table B: Property, plant and equipment and intangibles held under finance lease  
(2008-09)

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
<b>As at 30 June 2009:</b>				
Gross book value	-	2,347	-	2,347
Accumulated depreciation/amortisation	-	(2,191)	-	(2,191)
<b>Closing net book value</b>	<b>-</b>	<b>156</b>	<b>-</b>	<b>156</b>
<b>As at 30 June 2008:</b>				
Gross book value	-	2,294	-	2,294
Accumulated depreciation/amortisation	-	(1,483)	-	(1,483)
<b>Closing net book value</b>	<b>-</b>	<b>811</b>	<b>-</b>	<b>811</b>

Table C: Property, plant and equipment and intangibles under construction (2008-09)

	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
<b>As at 30 June 2009:</b>				
Gross book value	137	169	17,970	18,276
<b>As at 30 June 2008:</b>				
Gross book value	2,963	-	-	2,963

**Note 6: Non-financial assets (continued)**

	2009	2008
	\$'000	\$'000
<b>Note 6D: Other non-financial assets</b>		
Prepayments	1,042	1,443
<b>Total other non-financial assets</b>	<b>1,042</b>	<b>1,443</b>
<b>Other non-financial assets are represented by:</b>		
Current	955	1,443
Non-current	87	-
<b>Total other non-financial assets</b>	<b>1,042</b>	<b>1,443</b>

**Note 7: Payables**

	2009	2008
	\$'000	\$'000
<b>Note 7A: Suppliers</b>		
Trade creditors		
- related entities	1,316	729
- external entities	2,537	2,060
Total trade creditors	<b>3,853</b>	<b>2,789</b>
<b>Total supplier payables</b>	<b>3,853</b>	<b>2,789</b>
All supplier payables are current liabilities		
<b>Note 7B: Other payables</b>		
Other creditors	3,753	3,118
Prepayments received / unearned revenue	1,238	980
<b>Total other payables</b>	<b>4,991</b>	<b>4,098</b>
<b>Other payables are represented by:</b>		
Current	4,979	4,091
Non-current	12	7
<b>Total other payables</b>	<b>4,991</b>	<b>4,098</b>

Note: Settlement is usually made net 30 days.

## Note 8: Interest bearing liabilities

	2009 \$'000	2008 \$'000
<b>Note 8: Leases</b>		
Finance leases:	233	890
Payable:		
Within one year		
Minimum lease payments	201	739
Deduct: future finance charges	(8)	(44)
<b>Total leases payable within one year</b>	<b>193</b>	<b>695</b>
In one to five years		
Minimum lease payments	41	202
Deduct: future finance charges	(1)	(7)
<b>Total leases payable within one year to five years</b>	<b>40</b>	<b>195</b>
<b>Finance leases recognised on the balance sheet</b>	<b>233</b>	<b>890</b>

Note: Finance leases exist in relation to certain major office equipment assets. The leases are non-cancellable and for fixed terms averaging 2.75 years, with a maximum of 3.25 years. The interest rate implicit in the leases averaged 6.24 per cent (2008: 7.11 per cent). The Treasury guarantees the residual values of all assets leased. There are no contingent rentals.

## Note 9: Provisions

	2009 \$'000	2008 \$'000
<b>Note 9: Employee provisions</b>		
Salaries and wages	1,374	886
Leave	35,976	33,517
Superannuation	256	176
<b>Aggregate employee benefit liability</b>	<b>37,606</b>	<b>34,579</b>
Other employee entitlements	81	117
<b>Aggregate employee benefit liability and related on-costs</b>	<b>37,687</b>	<b>34,696</b>
Current	33,943	25,455
Non-current	3,744	9,241
<b>Aggregate employee benefit liability and related on-costs</b>	<b>37,687</b>	<b>34,696</b>

Note: All other entitlements are current liabilities. The classification of current includes amounts for which there is not an unconditional right to defer settlement by one year, hence in the case of employee provisions, the above classification does not represent the amount expected to be settled within one year of the reporting date. Employee provisions expected to be settled in twelve months from the reporting date is \$11,584,936 (2008: \$18,641,361), in excess of one year \$26,101,756 (2008: \$16,053,841).



### Note 10: Cash flow reconciliation

	<b>2009</b>	2008
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of cash and cash equivalents as per balance sheet to cash flow statement</b>		
<b>Report cash and cash equivalents as per</b>		
Cash flow statement	1,367	2,270
Balance sheet	1,367	2,270
<b>Reconciliation of operating result to net cash from operating activities</b>		
Operating result	(3,869)	8,490
Depreciation/amortisation	4,191	3,344
Loss on disposal of non-current assets	9	20
Net write down of non-financial assets	33	47
(Increase)/decrease in net receivables	(3,323)	(18,752)
(Increase)/decrease in other non financial assets	401	(574)
Increase/(decrease) in provisions	2,992	1,905
Increase/(decrease) in other payables	893	125
Increase/(decrease) in supplier payables	1,064	1,221
<b>Net cash from/(used by) operating activities</b>	<b>2,391</b>	<b>(4,174)</b>

### Note 11: Contingent liabilities and assets

#### Quantifiable contingencies

The schedule of contingencies reports other liabilities of \$248,224 (2008: \$254,606). This amount represents an estimate of the Treasury's liability in respect of studies assistance.

#### Unquantifiable contingencies

As at 30 June 2009, the Treasury had a number of legal claims against it. The Treasury has denied liability and is defending the claims. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these claims.

The courts may award legal costs against the Treasury in the event it is unsuccessful in an action before the courts. As there is uncertainty over the outcome of outstanding and pending court cases, duration of court cases and the legal costs of the opposing party, these costs cannot be reliably measured.

#### Remote contingencies

The Treasury's lease on its current premises contains a make good clause which has been estimated by an independent valuer at \$1.3 million. The Treasury received an external assessment on the likelihood of this being required and has deemed it as remote.

As at 30 June 2009, the Treasury has a number of contracts which may give rise to a contingent liability based on certain events occurring. The Treasury has assessed the likelihood of such events happening as being remote and unquantifiable.

## Note 12: Executive remuneration

Total remuneration includes salary, allowances, employer superannuation, leave accrued during the period, vehicle costs and fringe benefits tax.

	2009	2008
<b>The number of executives who received or were due to receive total remuneration of \$130,000 or more:</b>		
\$130,000 to \$144,999	2	2
\$145,000 to \$159,999	2	1
\$160,000 to \$174,999	2	4
\$175,000 to \$189,999	2	11
\$190,000 to \$204,999	11	8
\$205,000 to \$219,999	13	10
\$220,000 to \$234,999	18	11
\$235,000 to \$249,999	5	10
\$250,000 to \$264,999	8	1
\$265,000 to \$279,999	3	1
\$280,000 to \$294,999	-	4
\$295,000 to \$309,999	1	3
\$310,000 to \$324,999	3	1
\$325,000 to \$339,999	1	1
\$340,000 to \$354,999	-	2
\$370,000 to \$384,999	2	-
\$430,000 to \$444,999	1	-
\$475,000 to \$489,999	-	1
\$520,000 to \$534,999	-	1
\$625,000 to \$639,999	1	-
	<b>75</b>	<b>72</b>
<b>Aggregate amount of total remuneration of executives as shown above</b>	<b>\$17,861,832</b>	<b>\$16,617,659*</b>
<b>Aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above</b>	<b>\$0</b>	<b>\$0</b>

\* The comparative aggregate total amount has been revised and does not match what was previously published due to a miscalculation at the time of preparing the Treasury's financial statements for 2007-08.

**Note 13: Remuneration of auditors**

	<b>2009</b>	2008
	<b>\$'000</b>	<b>\$'000</b>
Financial statement audit services are provided free of charge to the Treasury		
The fair value of the services provided was:		
The Treasury	<b>395</b>	320
<b>Total</b>	<b>395</b>	320

Note: The above amounts are exclusive of GST. No other services were provided by the Auditor-General.

**Note 14: Average staffing levels**

	<b>2009</b>	2008
The Treasury	<b>936</b>	903
<b>Total</b>	<b>936</b>	903

## Note 15: Financial instruments

### Note 15A: Categories of financial instruments

	2009	2008
	\$'000	\$'000
<b>Financial assets</b>		
Loans and receivables		
Cash and cash equivalents	1,367	2,270
Trade receivables	3,014	2,865
<b>Carrying amount of financial assets</b>	<b>4,381</b>	<b>5,135</b>
<b>Financial liabilities</b>		
Liabilities at amortised cost		
Finance leases	233	890
Payables - suppliers	3,853	2,789
Other payables	3,753	3,118
<b>Carrying amount of financial liabilities</b>	<b>7,839</b>	<b>6,797</b>

Note: Implicit interest rate on finance leases for 2009 is 6.24 per cent (2008: 7.11 per cent).

### Note 15B: Net income and expense from financial liabilities

	2009	2008
	\$'000	\$'000
<b>Liabilities at amortised cost</b>		
Interest expense	(94)	(93)
<b>Net gain/(loss) financial liabilities - at amortised cost</b>	<b>(94)</b>	<b>(93)</b>
<b>Net gain/(loss) from financial liabilities</b>	<b>(94)</b>	<b>(93)</b>

**Note 15: Financial instruments (continued)**

**Note 15C: Net fair values of financial assets and liabilities**

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

The net fair values of the finance leases are based on discounted cash flows using current interest rates for liabilities with similar risk profiles. The Treasury enters into finance lease arrangements in relation to certain major office equipment assets. The leases are non-cancellable and for fixed terms averaging 2.75 years, with a maximum of 3.25 years. The Treasury guarantees the residual values of all assets leased and there are no contingent rentals.

The net fair values for trade creditors and other liabilities are approximated by their carrying amounts.

**Note 15D: Credit risk exposures**

The Treasury is exposed to minimal credit risk as loans and receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2009: \$3,014,090 and 2008: \$2,864,668). The Treasury has assessed the risk of default on payment as being minimal.

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

The Treasury holds no collateral to mitigate against credit risk.

## Note 15: Financial instruments (continued)

### Note 15D: Credit risk exposures (continued)

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

	<b>Not past due nor impaired 2009 \$'000</b>	Not past due nor impaired 2008 \$'000	<b>Past due or impaired 2009 \$'000</b>	Past due or impaired 2008 \$'000
<b>Loans and receivables</b>				
Cash and cash equivalents	1,367	2,270	-	-
Trade receivables	2,496	2,511	518	354
<b>Total</b>	<b>3,863</b>	<b>4,781</b>	<b>518</b>	<b>354</b>

#### Ageing of financial assets that are past due but not impaired for 2009

	<b>0 to 30 days \$'000</b>	<b>31 to 60 days \$'000</b>	<b>61 to 90 days \$'000</b>	<b>90+ days \$'000</b>	<b>Total \$'000</b>
<b>Loans and receivables</b>					
Trade receivables	398	69	34	17	518
<b>Total</b>	<b>398</b>	<b>69</b>	<b>34</b>	<b>17</b>	<b>518</b>

#### Ageing of financial assets that are past due but not impaired for 2008

	<b>0 to 30 days \$'000</b>	<b>31 to 60 days \$'000</b>	<b>61 to 90 days \$'000</b>	<b>90+ days \$'000</b>	<b>Total \$'000</b>
<b>Loans and receivables</b>					
Trade receivables	209	6	114	25	354
<b>Total</b>	<b>209</b>	<b>6</b>	<b>114</b>	<b>25</b>	<b>354</b>

### Note 15E: Liquidity risk

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

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

**Note 15: Financial instruments (continued)**

**Note 15E: Liquidity risk (continued)**

**Maturity of financial liabilities**

	On demand	within 1 year	1 to 5 years	> 5 years	Total
	2009	2009	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Liabilities at amortised cost</b>					
Finance leases	-	193	40	-	233
Payables - suppliers	-	3,853	-	-	3,853
Other payables	-	3,741	12	-	3,753
<b>Total</b>	-	<b>7,787</b>	<b>52</b>	-	<b>7,839</b>
	On demand	within 1 year	1 to 5 years	> 5 years	Total
	2008	2008	2008	2008	2008
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Liabilities at amortised cost</b>					
Finance leases	-	695	195	-	890
Payables - suppliers	-	2,789	-	-	2,789
Other payables	-	3,111	7	-	3,118
<b>Total</b>	-	<b>6,595</b>	<b>202</b>	-	<b>6,797</b>

**Note 15F: Market risk**

The Treasury holds only basic financial instruments that do not expose the department to certain market risks.

The only interest-bearing items on the balance sheet are finance leases. All finance leases entered into bear interest at a fixed interest rate and will not fluctuate due to changes in the market interest rate. Current implicit interest rate is 6.24 per cent (2008: 7.11 per cent).

Note 16: Income administered on behalf of Government

	2009 \$'000	2008 \$'000
<b>Non-taxation revenue</b>		
<b>Note 16A: Interest</b>		
Gross IMF remuneration	3,833	3,562
Less: Burden sharing	(86)	(158)
Add: Burden sharing refunds	-	-
Net IMF remuneration	3,747	3,404
Other interest	70	248
<b>Total interest</b>	<b>3,817</b>	<b>3,652</b>
<b>Note 16B: Dividends</b>		
Reserve Bank of Australia	1,402,968	1,084,822
<b>Total dividends</b>	<b>1,402,968</b>	<b>1,084,822</b>
<b>Note 16C: Sale of goods and rendering of services</b>		
GST administration fees - external entities	630,480	600,200
Guarantee Scheme for Large Deposits and Wholesale Funding Fee	476,415	-
<b>Total sale of goods and rendering of services</b>	<b>1,106,895</b>	<b>600,200</b>
<b>Note 16D: COAG receipts from government agencies</b>		
Building Australia Fund receipts	1,005,000	-
Health and Hospital Fund receipts	109,200	-
Education and Innovation Fund receipts	-	-
Interstate road transport receipts	8,790	-
Non-government schools receipts	937,282	-
<b>Total COAG receipts from government agencies</b>	<b>2,060,272</b>	<b>-</b>
<b>Note 16E: Other revenue</b>		
Write back of HCS Scheme	42,634	8,318
HIH Group liquidation proceeds	22,860	55,271
State cellar door subsidy savings	68,723	900
Other revenue	2,999	4,491
<b>Total other revenue</b>	<b>137,216</b>	<b>68,980</b>
<b>Total revenues administered on behalf of Government</b>	<b>4,711,168</b>	<b>1,757,654</b>
<b>Gains</b>		
<b>Note 16F: Net foreign exchange gains/(losses)</b>		
IMF SDR allocation	-	42,786
IMF maintenance of value	-	312,875
IMF quota revaluation	-	(294,279)
Other	-	6,137
<b>Total net foreign exchange gains/(losses)</b>	<b>-</b>	<b>67,519</b>
<b>Total gains administered on behalf of Government</b>	<b>-</b>	<b>67,519</b>
<b>Total income administered on behalf of Government</b>	<b>4,711,168</b>	<b>1,825,173</b>



**Note 17: Expenses administered on behalf of Government**

	2009	2008
	\$'000	\$'000
<b>Note 17A: Grants</b>		
Grants to State and Territory Governments	51,583,434	42,627,153
Payment of COAG receipts from government agencies	2,060,272	-
Other grants	(157)	-
<b>Total grants</b>	<b>53,643,549</b>	<b>42,627,153</b>
<b>Note 17B: Interest</b>		
IMF charges	14,265	28,738
<b>Total Interest</b>	<b>14,265</b>	<b>28,738</b>
<b>Note 17C: Other expenses</b>		
HLIC claims <sup>1</sup>	(298)	(203)
Other expenses	66	-
<b>Total other expenses</b>	<b>(232)</b>	<b>(203)</b>
<b>Losses</b>		
<b>Note 17D: Net foreign exchange losses/(gains)</b>		
IMF SDR allocation	102,292	-
IMF maintenance of value	996,192	-
IMF quota	(703,565)	-
Other	8,634	-
<b>Total net foreign exchange losses/(gains)</b>	<b>403,553</b>	<b>-</b>
<b>Total losses administered on behalf of Government</b>	<b>403,553</b>	<b>-</b>
<b>Total expenses administered on behalf of Government</b>	<b>54,061,135</b>	<b>42,655,688</b>

1 HLIC claims expenses includes an actuarial adjustment decreasing provision for insurance claims resulting in an offsetting negative expense.

## Note 18: Assets administered on behalf of Government

	2009 \$'000	2008 \$'000
<b>Financial assets</b>		
<b>Note 18A: Cash and cash equivalents</b>		
Cash on hand or on deposits	8,230	10,213
<b>Total cash and cash equivalents</b>	<b>8,230</b>	<b>10,213</b>
<b>Note 18B: Receivables</b>		
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	2,660,585	-
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	83,730	-
Net GST receivable from the ATO	9	62
HLIC premiums receivable	29	747
IMF related moneys owing	532	596
Other receivables	-	13
<b>Total receivables</b>	<b>2,744,885</b>	<b>1,418</b>
<b>Receivables were aged as follows:</b>		
Current	988,385	1,418
Non-current	1,756,500	-
<b>Total receivables (net)</b>	<b>2,744,885</b>	<b>1,418</b>
<b>Note 18C: Investments</b>		
<b>International financial institutions</b>		
Asian Development Bank	287,069	287,069
European Bank for Reconstruction and Development	84,824	84,824
International Finance Corporation	69,144	69,144
International Bank for Reconstruction and Development	259,049	259,049
Multilateral Investment Guarantee Agency	10,694	10,694
<b>Total international financial institutions</b>	<b>710,780</b>	<b>710,780</b>
<b>Quota</b>		
International Monetary Fund	6,183,416	5,479,851
<b>Australian Government entities</b>		
Reserve Bank of Australia	18,502,000	10,622,643
Australian Reinsurance Pool Corporation	551,177	456,703
Australian Accounting Standards Board <sup>1</sup>	-	3,257
Auditing and Assurance Standards Board <sup>1</sup>	-	643
<b>Total Australian Government entities</b>	<b>19,053,177</b>	<b>11,083,246</b>
<b>Total investments</b>	<b>25,947,373</b>	<b>17,273,877</b>
<b>Non-financial assets</b>		
<b>Note 18D: Other</b>		
Prepayments	-	1,833
<b>Total other</b>	-	1,833
<b>Total non-financial assets</b>	-	1,833
<b>Total assets administered on behalf of Government</b>	<b>28,700,488</b>	<b>17,287,341</b>

1 From 1 July 2008 the Australian Accounting Standards Board and Auditing and Assurance Standards Board became prescribed agencies under the Financial Management and Accountability Act, hence the net asset position of these agencies was derecognised from Treasury's financial statements.

### Note 19: Liabilities administered on behalf of Government

	2009 \$'000	2008 \$'000
<b>Note 19A: Loans</b>		
IMF promissory notes	3,834,696	3,834,696
Other promissory notes	54,729	46,686
<b>Total loans</b>	<b>3,889,425</b>	<b>3,881,382</b>
Maturity schedule for loans is as follows:		
Payable: Within one year	-	554
In one to two years	-	-
In two to five years	-	-
In more than five years	3,889,425	3,880,828
<b>Total loans</b>	<b>3,889,425</b>	<b>3,881,382</b>
<b>Note 19B: Grants</b>		
IMF - poverty reduction and growth facility	-	2,500
COAG grants payable	558,917	-
<b>Total grants</b>	<b>558,917</b>	<b>2,500</b>
Maturity schedule for grants is as follows:		
Payable: Within one year	558,917	2,500
In one to two years	-	-
In two to five years	-	-
In more than five years	-	-
<b>Total grants</b>	<b>558,917</b>	<b>2,500</b>
<b>Note 19C: Other payables</b>		
GST appropriation payable	9	62
IMF SDR allocation	899,016	796,724
IMF maintenance of value	996,192	-
IMF related monies owing	651	3,929
Other	1	179
<b>Total other payables</b>	<b>1,895,869</b>	<b>800,894</b>
<b>Note 19D: Unearned income</b>		
Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation	2,660,585	-
<b>Total unearned income</b>	<b>2,660,585</b>	<b>-</b>
<b>Note 19E: Other provisions</b>		
Provision for insurance claims	79	385
Provision for HCS Scheme	38,227	144,408
<b>Total other provisions</b>	<b>38,306</b>	<b>144,793</b>
<b>Total liabilities administered on behalf of Government</b>	<b>9,043,102</b>	<b>4,829,569</b>

Note 20: Administered reconciliation table

	Notes	2009 \$'000	2008 \$'000
<b>Opening administered assets less administered liabilities as at 1 July</b>		<b>12,457,772</b>	11,635,014
Adjustment for change in accounting policies		1,499	-
<b>Adjusted opening administered assets less administered liabilities</b>		<b>12,459,271</b>	11,635,014
<b>Plus</b> administered income	16	<b>4,711,168</b>	1,825,173
<b>Less</b> administered expenses	17	<b>(54,061,135)</b>	(42,655,688)
Administered transfers to/from Australian Government:			
Appropriation transfers from OPA:			
Annual appropriations for administered expenses		615,825	254,002
Administered assets and liabilities appropriations		65,749	26,098
Special appropriations (limited)		-	11,016
Special appropriations (unlimited)		44,177,404	42,403,925
Special Account - COAG Reform Fund		5,928,084	-
Refunds of receipts (s28 FMA)		1	54
Transfers to OPA		(2,208,912)	(2,063,148)
Administered investments - gains/(losses)		7,969,931	1,021,326
<b>Closing administered assets less administered liabilities as at 30 June</b>		<b>19,657,386</b>	12,457,772

## Note 21: Administered contingent liabilities and assets

### Quantifiable administered contingencies

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

### Unquantifiable administered contingencies

#### Contingent loss

Housing Loans Insurance Corporation — guarantee

The Australian Government sold HLIC on 12 December 1997 and has assumed all residual contingencies. The contingent liability relates to the HLIC's contracts of mortgage insurance and any borrowings approved by the Treasurer up to the time of sale. The principal amount covered by the guarantee and the balances outstanding are unable to be reliably measured.

Terrorism insurance — Australian Reinsurance Pool Corporation (ARPC)

The *Terrorism Insurance Act 2003* established a scheme for replacement terrorism insurance covering damage to commercial property including associated business interruption and public liability. The ARPC uses reinsurance premiums paid by insurers to meet its administrative expenses and to build a reserve for claims and purchase retrocession to help meet future claims. The Australian Government guarantees to pay any liabilities of the ARPC above the reserve for claims and retrocession placed by the ARPC, but the Treasurer must declare a reduced payout rate to insured parties if the Australian Government's liability would otherwise exceed \$10 billion.

#### Contingent gain

HIH Claims Support Scheme

As the beneficiary of the HIH Claims Support Trust, the Australian Government is entitled to the residual balance of the Trust, after the collection of recoveries. Due to the inherent uncertainty of future recoveries, it is not possible to quantify these amounts accurately. During 2008-09 the Treasury received distributions from the Trust, however, the amount and timing of future recoveries and subsequent distributions are unknown.

International Monetary Fund (IMF)

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 guard against the ultimate failure of debtor members to settle their overdue principal obligations to the IMF.

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

## Note 21: Administered contingent liabilities and assets (continued)

Likewise, precautionary balances held in the Special Contingent Account would be distributed back to members in proportion to their cumulative contributions when there are no overdue charges or principal balances. The IMF could also decide to make an early distribution.

As there is considerable and inherent uncertainty around the timing and amounts of burden sharing to be refunded to Australia this contingent asset cannot be reliably measured and as such is recorded as an unquantifiable contingent asset.

### Remote administered contingencies

#### Guarantees

The following borrowings have been guaranteed by the Australian Government within the Treasury portfolio:

Borrower	Legislation authorising guarantee	Principal covered by guarantee 2009 \$	Balance outstanding 2009 \$	Balance outstanding 2008 \$
Papua New Guinea	<i>Papua New Guinea Act 1949</i> <i>Papua New Guinea Act 1975</i> <i>Papua New Guinea Loans Guarantee Act 1975</i>	4,480,000	4,480,000	4,480,000
Commonwealth Bank of Australia <sup>1</sup>	<i>Commonwealth Bank of Australia Act 1959 s117</i>	1,800,000,000	1,800,000,000	1,600,000,000
Commonwealth Bank of Australia - Officers Superannuation Fund <sup>1</sup>	<i>Commonwealth Bank of Australia Act 1959 s117</i>	3,600,000,000	3,600,000,000	3,900,000,000
Financial Claims Scheme	<i>Banking Act 1959 s70C</i> <i>Insurance Act 1973 s131A</i> <i>Life Insurance Act 1975 s251A</i>	680,100,000,000	680,100,000,000	-
Guarantee Scheme for Large Deposits and Wholesale Funding	<i>Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008</i>	139,885,000,000	139,885,000,000	-
Reserve Bank of Australia <sup>2</sup>	<i>Reserve Bank of Australia Act 1959 s77</i>	76,965,000,000	76,965,000,000	64,900,000,000
<b>Total</b>		<b>902,354,480,000</b>	<b>902,354,480,000</b>	<b>70,404,480,000</b>

1 Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various liabilities of the Commonwealth Bank of Australia (CBA), and the Commonwealth Bank Officers' Superannuation Corporation (CBOSC). The guarantee for the CBA relates to both on and off balance sheet liabilities. The guarantee of the CBOSC covers the due payments of any amount that is payable to or from Officers' of the Superannuation Fund (the Fund), by CBOSC or by CBA, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996. The guarantee of the CBA and CBOSC reflected in the above table is the value at 31 March 2009 and 31 December 2008 respectively.

2 The contingent liability for the RBA, relates to the Australian Government's guarantee of the liabilities of the RBA. It is measured as the Bank's total liabilities excluding capital, reserves and Australian Government deposits. The major component of the Bank's liabilities are notes (that is, currency) on issue. As at 30 June 2009, notes on issue totalled \$48.96 billion.

## Note 21: Administered contingent liabilities and assets (continued)

### Financial Claims Scheme

The Australian Government has established a Financial Claims Scheme to provide depositors of authorised deposit-taking institutions and general insurance policyholders with timely access to their funds in the unlikely event of a financial institution failure.

The Early Access Facility for Depositors established under the *Banking Act 1959* provides a mechanism for making payments to depositors under the Government's guarantee of deposits in authorised deposit-taking institutions.

From 12 October 2008 deposits up to \$1 million at eligible authorised deposit-taking institutions are eligible for coverage under the Financial Claims Scheme. The \$1 million cap is temporary and will be reviewed after three years.

The expected liability for deposits under the Financial Claims Scheme is remote and unquantifiable. Australia's financial system is considered among the strongest and best regulated in the world. Authorised deposit-taking institutions are subject to prudential regulation by the Australian Prudential Regulation Authority (APRA) in accordance with international standards, which are designed to ensure that financial institutions have the capacity to meet their financial promises. This framework requires institutions to be adequately capitalised and have appropriate risk management systems in place. Furthermore, Australia's four major banks (which hold the majority of government guaranteed deposits) are among only eight large banks globally rated AA or higher.

Government expenditure would arise under the guarantee only in the unlikely event that an institution failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant institution. The impact on the Government's budget would depend on the extent of the institution's default and its ability to meet the Government's claim. If there were a shortfall, a levy would be applied to industry to recover the difference between the amount expended and the amount recovered in the liquidation.

As at 30 June 2009, deposits eligible for coverage under the Financial Claims Scheme were estimated to be approximately \$660 billion.

The Policyholder Compensation Facility established under the *Insurance Act 1973* provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed general insurer. Amounts available to meet payments and administer this facility, in the event of activation, are capped at \$20.1 billion under the legislation.

The expected liability under the Policyholder Compensation Facility is remote and unquantifiable. The likelihood of a collapse that requires the activation of the scheme is low and the payments made under the scheme would be likely to be recovered through the liquidation of the failed institution.

## Note 21: Administered contingent liabilities and assets (continued)

If there were a shortfall, a levy would be applied to industry to recover the difference between the amount expended and the amount recovered in the liquidation.

APRA is responsible for the administration of the Financial Claims Scheme. In the unlikely event that payments would be required under the Financial Claims Scheme any payments to eligible depositors or general insurance policyholders will be made out of APRA's Financial Claims Scheme Special Account.

### Guarantee of large deposits in authorised deposit-taking institutions

The Australian Government has guaranteed eligible deposits in authorised deposit-taking institutions from 12 October 2008.

Deposits over \$1 million, and eligible deposits at foreign bank branches, are eligible for coverage under the Guarantee Scheme for Large Deposits and Wholesale Funding for a fee. Deposits up to \$1 million are eligible for coverage under the Financial Claims Scheme (see above). The large deposit guarantee is a temporary measure in light of the global financial crisis.

The expected liability for deposits under the guarantee scheme is remote and unquantifiable. Australia's financial system is considered among the strongest and best regulated in the world. Authorised deposit-taking institutions are subject to prudential regulation by APRA in accordance with international standards, which are designed to ensure that financial institutions have the capacity to meet their financial promises. This framework requires institutions to be adequately capitalised and have appropriate risk management systems in place. Furthermore, Australia's four major banks (which hold the majority of government guaranteed deposits) are among only eight large banks globally rated AA or higher.

Government expenditure would arise under the large deposit guarantee only in the unlikely event that an institution failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant institution. The impact on the Government's budget would depend on the extent of the institution's default and its ability to meet the Government's claim.

As at 30 June 2009, authorised deposit-taking institutions' deposits covered by this guarantee were estimated at \$23.3 billion.

### Guarantee of wholesale funding of authorised deposit-taking institutions

The Australian Government has guaranteed eligible wholesale funding of authorised deposit-taking institutions from 12 October 2008. The guarantee facility will be withdrawn when market conditions normalise.



### Note 21: Administered contingent liabilities and assets (continued)

The expected liability under this guarantee is remote and unquantifiable. Australia's financial system is considered among the strongest and best regulated in the world. Authorised deposit-taking institutions are subject to prudential regulation by APRA in accordance with international standards, which are designed to ensure that financial institutions have the capacity to meet their financial promises. This framework requires institutions to be adequately capitalised and have appropriate risk management systems in place. Furthermore, Australia's four major banks (which hold the majority of government guaranteed wholesale funding) are among only eight large banks globally rated AA or higher.

Government expenditure would arise under the guarantee only in the unlikely event that an institution failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant institution. The impact on the Government's budget would depend on the extent of the institution's default and its ability to meet the Government's claim.

As at 30 June 2009, authorised deposit-taking institutions' wholesale funding covered by this guarantee was estimated at \$116.6 billion.

#### Grants to States and Territories

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

### Note 22: Administered investments

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

#### Development Banks

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to assist post-communist, democratic, Eastern European Countries develop their private sector and capital markets. It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatisation, restructuring state-owned firms and improvement of municipal services. The EBRD uses its close relationship with governments in the region to promote policies that will bolster the business environment.

## Note 22: Administered investments (continued)

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

The World Bank was established in 1944 and comprises the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). The IBRD provides financing and technical assistance to Middle Income Countries and lends on harder terms than the IDA, which provides concessionary finance and technical assistance to low income countries. The IFC supports the development of the private sector by providing direct finance to private sector operations. MIGA provides guarantee services for projects, which reduce the risks for other co-financing partners including the private sector.

### International Monetary Fund (IMF)

The IMF is an organisation of 185 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty. It undertakes surveillance and annual economic assessments, provides technical assistance to developing countries and provides short term loans to countries experiencing currency and financial crisis.

### Australian Government entities

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

## Note 23: Administered financial instruments

### Note 23A: Categories of financial instruments

	2009	2008
	\$'000	\$'000
<b>Financial assets</b>		
Loans and receivables		
Cash and cash equivalents	8,230	10,213
IMF related moneys owing	532	596
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	2,660,585	-
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	83,730	-
Other receivable	29	760
	<b>2,753,106</b>	<b>11,569</b>
Available for sale financial assets		
International financial institutions Quota	710,780	710,780
	<b>6,183,416</b>	<b>5,479,851</b>
	<b>6,894,196</b>	<b>6,190,631</b>
<b>Carrying amount of financial assets</b>	<b>9,647,302</b>	<b>6,202,200</b>
<b>Financial liabilities</b>		
At amortised cost		
Promissory notes	3,889,425	3,881,382
Grant liabilities	558,917	2,500
IMF SDR allocation liability	899,016	796,724
Other payables	652	4,108
Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation	2,660,585	-
Other liabilities	38,306	144,793
	<b>8,046,901</b>	<b>4,829,507</b>
<b>Carrying amount of financial liabilities</b>	<b>8,046,901</b>	<b>4,829,507</b>

### Note 23B: Net income and expenses from financial assets

	2009	2008
	\$'000	\$'000
<b>Loans and receivables</b>		
Guarantee Scheme for Large Deposits and Wholesale Funding fee	476,415	-
Interest revenue	70	248
<b>Net gain/(loss) loans and receivables</b>	<b>476,485</b>	<b>248</b>
<b>Available for sale financial assets</b>		
Interest revenue	3,747	3,404
Exchange gain/(loss)	(292,627)	18,596
<b>Net gain/(loss) available for sale financial assets</b>	<b>(288,880)</b>	<b>22,000</b>
<b>Net gain/(loss) from financial assets</b>	<b>187,605</b>	<b>22,248</b>

**Note 23: Administered financial instruments (continued)**

**Note 23C: Net income and expenses from financial liabilities**

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
<b>Financial liabilities - at amortised cost</b>		
IMF Charges	<b>(14,265)</b>	(28,738)
Exchange gain/(loss)	<b>(110,926)</b>	48,923
<b>Net gain/(loss) financial liabilities - at amortised cost</b>	<b>(125,191)</b>	20,185
<b>Net gain/(loss) from financial liabilities</b>	<b>(125,191)</b>	20,185

**Note 23D: Net fair value of financial assets and liabilities**

The net fair values of the Treasury's administered financial instruments are equal to the carrying amount and are not required to be disclosed in a separate table.

**Note 23E: Credit risk exposure**

The maximum exposure to credit risk of the Treasury's administered financial assets is the carrying amount of 'loans and receivables' (2009: \$2,753,106,000 and 2008: \$11,569,000) and the carrying amount of 'available for sale financial assets' (2009: \$6,894,196,000 and 2008: \$6,190,631,000). However, the international financial institutions that the Treasury holds its financial assets with hold a minimum of AA credit ratings. The contractual fee receivable arising from the Guarantee Scheme for Large Deposits and Wholesale Funding that the Treasury holds relates only to prudentially regulated authorised deposit-taking institutions and the majority of the contractual fee receivable comprises of AA-rated authorised deposit-taking institutions. Therefore the Treasury does not consider any of its financial assets to be at risk of default.

**Note 23: Administered financial instruments (continued)**

**Note 23F: Liquidity risk**

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

	On demand		Within 1 year		1 to 5 years		> 5 years		Total	
	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Promissory notes	-	-	-	-	-	-	3,889,425	-	3,889,425	-
Grant liabilities	-	-	558,917	-	-	-	-	-	558,917	-
IMF SDR allocation liability	-	-	-	-	-	-	899,016	-	899,016	-
Other payables	652	-	-	-	-	-	-	-	652	-
Other liabilities	38,306	-	-	-	-	-	-	-	38,306	-
<b>Total</b>	<b>38,958</b>	<b>558,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,788,441</b>	<b>-</b>	<b>5,386,316</b>	<b>-</b>

	On demand		Within 1 year		1 to 5 years		> 5 years		Total	
	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Promissory notes	-	-	554	-	-	-	3,880,828	-	3,881,382	-
Grant liabilities	-	-	2,500	-	-	-	-	-	2,500	-
IMF SDR allocation liability	-	-	-	-	-	-	796,724	-	796,724	-
Other payables	4,108	-	-	-	-	-	-	-	4,108	-
Other liabilities	144,793	-	-	-	-	-	-	-	144,793	-
<b>Total</b>	<b>148,901</b>	<b>3,054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,677,552</b>	<b>-</b>	<b>4,829,507</b>	<b>-</b>

## Note 23: Administered financial instruments (continued)

### Note 23G: Market risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Treasury is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency.

The Treasury is exposed to foreign currency denominated in USD, EUR and SDR.

The following table details the effect on the profit and equity as at 30 June 2009 from a 10 per cent favourable/unfavourable change in AUD against the USD, EUR and SDR with all other variables held constant.

Risk variable	Change in risk variable %	Effect on	
		Profit and loss 2009 \$'000	Equity 2009 \$'000
IMF related moneys owing	10.00%	(48)	(48)
IMF related moneys owing	-10.00%	59	59
Quota	10.00%	(562,129)	(562,129)
Quota	-10.00%	687,046	687,046
Promissory notes	10.00%	4,975	4,975
Promissory notes	-10.00%	(6,081)	(6,081)
IMF allocation liability	10.00%	81,729	81,729
IMF allocation liability	-10.00%	(99,891)	(99,891)
Other liabilities	10.00%	59	59
Other liabilities	-10.00%	(72)	(72)

Risk variable	Change in risk variable %	Effect on	
		Profit and loss 2008 \$'000	Equity 2008 \$'000
IMF related moneys owing	10.00%	(54)	(54)
IMF related moneys owing	-10.00%	66	66
Quota	10.00%	(498,168)	(498,168)
Quota	-10.00%	608,872	608,872
Promissory notes	10.00%	4,244	4,244
Promissory notes	-10.00%	(5,187)	(5,187)
IMF allocation liability	10.00%	72,429	72,429
IMF allocation liability	-10.00%	(88,525)	(88,525)
Other liabilities	10.00%	357	357
Other liabilities	-10.00%	(437)	(437)

Shares in international financial institutions are valued at cost and as such their fair value is not altered by exchange rates.

**Note 23: Administered financial instruments (continued)**

**Note 23G: Market risk (continued)**

The sensitivity analysis of the Treasury's exposure to foreign currency risk at the reporting date has been determined based on the Department of Finance and Deregulation's calculated average of the five main currencies for which the Australian Government is exposed. USD, EUR, GBP, JPY and NZD. For each of the five currencies an average of the past five years annual standard deviation is used, then calculated from observed daily movement of the AUD. Three standard deviations were selected as a 'reasonably' possible change as it accommodates for 99 per cent of the variation in the movement of historical foreign exchange rates.

The Guarantee Scheme for Large Deposits and Wholesale Funding contractual obligation liability represents Treasury's obligation to provide a guarantee service to authorised deposit-taking institutions. The liability will always be equal to the value of the Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable.

Note 24: Administered consolidation

	Treasury		HCS Scheme		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>REVENUE:</b>						
<b>Non-taxation revenue</b>						
<b>Interest</b>						
Gross IMF remuneration	3,833	3,562	-	-	3,833	3,562
Less: Burden sharing	(86)	(158)	-	-	(86)	(158)
Add: Burden sharing refunds	-	-	-	-	-	-
Net IMF remuneration	3,747	3,404	-	-	3,747	3,404
Other interest	-	13	70	235	70	248
<b>Total interest</b>	<b>3,747</b>	<b>3,417</b>	<b>70</b>	<b>235</b>	<b>3,817</b>	<b>3,652</b>
<b>Dividends</b>						
Reserve Bank of Australia	1,402,968	1,084,822	-	-	1,402,968	1,084,822
<b>Total dividends</b>	<b>1,402,968</b>	<b>1,084,822</b>	<b>-</b>	<b>-</b>	<b>1,402,968</b>	<b>1,084,822</b>
<b>Sale of goods and rendering of services</b>						
GST administration fees						
- external entities	630,480	600,200	-	-	630,480	600,200
Guarantee Scheme for Large Deposits and Wholesale Funding fee	476,415	-	-	-	476,415	-
<b>Total sale of goods and rendering of services</b>	<b>1,106,895</b>	<b>600,200</b>	<b>-</b>	<b>-</b>	<b>1,106,895</b>	<b>600,200</b>
<b>COAG receipts from government agencies</b>						
Building Australia Fund receipts	1,005,000	-	-	-	1,005,000	-
Health and Hospital Fund receipts	109,200	-	-	-	109,200	-
Education and Innovation Fund receipts	-	-	-	-	-	-
Interstate road transport receipts	8,790	-	-	-	8,790	-
Non-government schools receipts	937,282	-	-	-	937,282	-
<b>Total COAG receipts from government agencies</b>	<b>2,060,272</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,060,272</b>	<b>-</b>



Note 24: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Other revenue</b>						
Write back of HCS scheme	42,634	8,318	-	-	42,634	8,318
HIH Group liquidation proceeds	22,860	55,271	-	-	22,860	55,271
State cellar door subsidy savings	68,723	900	-	-	68,723	900
Other revenue	3,058	4,491	(59)	-	2,999	4,491
<b>Total other revenue</b>	<b>137,275</b>	<b>68,980</b>	<b>(59)</b>	<b>-</b>	<b>137,216</b>	<b>68,980</b>
<b>Total revenues administered on behalf of Government</b>	<b>4,711,157</b>	<b>1,757,419</b>	<b>11</b>	<b>235</b>	<b>4,711,168</b>	<b>1,757,654</b>
<b>Gains</b>						
<b>Net foreign exchange gains/(losses)</b>						
IMF SDR allocation	-	42,786	-	-	-	42,786
IMF maintenance of value	-	312,875	-	-	-	312,875
IMF quota revaluation	-	(294,279)	-	-	-	(294,279)
Other foreign exchange	-	6,137	-	-	-	6,137
<b>Total net foreign exchange gains/(losses)</b>	<b>-</b>	<b>67,519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,519</b>
<b>Total gains administered on behalf of Government</b>	<b>-</b>	<b>67,519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,519</b>
<b>Total income administered on behalf of Government</b>	<b>4,711,157</b>	<b>1,824,938</b>	<b>11</b>	<b>235</b>	<b>4,711,168</b>	<b>1,825,173</b>

Note 24: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>EXPENSES:</b>						
<b>Grants</b>						
Grants to State and Territory Governments	51,583,434	42,627,153	-	-	51,583,434	42,627,153
Payment of COAG receipts from government agencies	2,060,272	-	-	-	2,060,272	-
Other grants	(157)	-	-	-	(157)	-
<b>Total grants</b>	<b>53,643,549</b>	<b>42,627,153</b>	<b>-</b>	<b>-</b>	<b>53,643,549</b>	<b>42,627,153</b>
<b>Interest</b>						
IMF charges	14,265	28,738	-	-	14,265	28,738
<b>Total interest</b>	<b>14,265</b>	<b>28,738</b>	<b>-</b>	<b>-</b>	<b>14,265</b>	<b>28,738</b>
<b>Other expenses</b>						
H LIC claims	(298)	(203)	-	-	(298)	(203)
Other expenses	55	-	11	-	66	-
<b>Total other expenses</b>	<b>(243)</b>	<b>(203)</b>	<b>11</b>	<b>-</b>	<b>(232)</b>	<b>(203)</b>
<b>Losses</b>						
<b>Net foreign exchange losses / (gains)</b>						
IMF SDR allocation	102,292	-	-	-	102,292	-
IMF maintenance of value	996,192	-	-	-	996,192	-
IMF quota revaluation	(703,565)	-	-	-	(703,565)	-
Other	8,634	-	-	-	8,634	-
<b>Total net foreign exchange losses/(gains)</b>	<b>403,553</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>403,553</b>	<b>-</b>
<b>Total losses administered on behalf of Government</b>	<b>403,553</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>403,553</b>	<b>-</b>
<b>Total expenses administered on behalf of Government</b>	<b>54,061,124</b>	<b>42,655,688</b>	<b>11</b>	<b>-</b>	<b>54,061,135</b>	<b>42,655,688</b>

Note 24: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>ASSETS:</b>						
<b>Financial assets</b>						
<b>Cash and cash equivalents</b>						
Cash on hand or on deposits	8,229	6,034	1	4,179	8,230	10,213
<b>Receivables</b>						
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	2,660,585	-	-	-	2,660,585	-
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	83,730	-	-	-	83,730	-
Net GST receivable from the ATO	9	62	-	-	9	62
HLIC premiums receivable	29	747	-	-	29	747
IMF related moneys owing	532	596	-	-	532	596
Other receivables	-	-	-	13	-	13
<b>Total receivables (net)</b>	<b>2,744,885</b>	<b>1,405</b>	<b>-</b>	<b>13</b>	<b>2,744,885</b>	<b>1,418</b>
<b>Investments</b>						
<b>International financial institutions</b>						
Asian Development Bank	287,069	287,069	-	-	287,069	287,069
European Bank for Reconstruction and Development	84,824	84,824	-	-	84,824	84,824
International Finance Corporation	69,144	69,144	-	-	69,144	69,144
International Bank for Reconstruction and Development	259,049	259,049	-	-	259,049	259,049
Multilateral Investment Guarantee Agency	10,694	10,694	-	-	10,694	10,694
<b>Total international financial institutions</b>	<b>710,780</b>	<b>710,780</b>	<b>-</b>	<b>-</b>	<b>710,780</b>	<b>710,780</b>
<b>Quota</b>						
International Monetary Fund	6,183,416	5,479,851	-	-	6,183,416	5,479,851

Note 24: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Australian Government entities</b>	<b>18,502,000</b>	<b>10,622,643</b>	<b>-</b>	<b>-</b>	<b>18,502,000</b>	<b>10,622,643</b>
Reserve Bank of Australia						
Australian Reinsurance Pool Corporation	551,177	456,703	-	-	551,177	456,703
Australian Accounting Standards Board	-	3,257	-	-	-	3,257
Auditing and Assurance Standards Board	-	643	-	-	-	643
<b>Total Australian Government entities</b>	<b>19,053,177</b>	<b>11,083,246</b>	<b>-</b>	<b>-</b>	<b>19,053,177</b>	<b>11,083,246</b>
<b>Total investments</b>	<b>25,947,373</b>	<b>17,273,877</b>	<b>-</b>	<b>-</b>	<b>25,947,373</b>	<b>17,273,877</b>
<b>Non-financial assets</b>						
Other prepayments	-	3,271	-	(1,438)	-	1,833
<b>Total non-financial assets</b>	<b>-</b>	<b>3,271</b>	<b>-</b>	<b>(1,438)</b>	<b>-</b>	<b>1,833</b>
<b>Total assets administered on behalf of Government</b>	<b>28,700,487</b>	<b>17,284,587</b>	<b>1</b>	<b>2,754</b>	<b>28,700,488</b>	<b>17,287,341</b>

Note 24: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>LIABILITIES:</b>						
<b>Loans</b>						
IMF promissory notes	3,834,696	3,834,696	-	-	3,834,696	3,834,696
Other promissory notes	54,729	46,686	-	-	54,729	46,686
<b>Total loans</b>	<b>3,889,425</b>	<b>3,881,382</b>	<b>-</b>	<b>-</b>	<b>3,889,425</b>	<b>3,881,382</b>
<b>Grants</b>						
COAG grants payable	558,917	-	-	-	558,917	-
IMF - poverty reduction and growth facility	-	2,500	-	-	-	2,500
<b>Total grants</b>	<b>558,917</b>	<b>2,500</b>	<b>-</b>	<b>-</b>	<b>558,917</b>	<b>2,500</b>
<b>Other payables</b>						
GST appropriation payable	9	62	-	-	9	62
IMF SDR allocation	899,016	796,724	-	-	899,016	796,724
IMF maintenance of value	996,192	-	-	-	996,192	-
IMF related monies owing	651	3,929	-	-	651	3,929
Other	-	179	1	-	1	179
<b>Total other payables</b>	<b>1,895,868</b>	<b>800,894</b>	<b>1</b>	<b>-</b>	<b>1,895,869</b>	<b>800,894</b>

Note 24: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Unearned income</b>						
Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation	2,660,585	-	-	-	2,660,585	-
<b>Total unearned income</b>	<b>2,660,585</b>	-	-	-	<b>2,660,585</b>	-
<b>Other provisions</b>						
Provision for insurance claims	79	385	-	-	79	385
Provision for HCS scheme	38,227	144,408	-	-	38,227	144,408
<b>Total other provisions</b>	<b>38,306</b>	<b>144,793</b>	-	-	<b>38,306</b>	<b>144,793</b>
<b>Total other provisions and payables</b>	<b>4,594,759</b>	<b>945,687</b>	<b>1</b>	-	<b>4,594,760</b>	<b>945,687</b>
<b>Total liabilities administered on behalf of Government</b>	<b>9,043,101</b>	<b>4,829,569</b>	<b>1</b>	-	<b>9,043,102</b>	<b>4,829,569</b>
<b>Net assets administered on behalf of Government</b>	<b>19,657,386</b>	<b>12,455,018</b>	-	<b>2,754</b>	<b>19,657,386</b>	<b>12,457,772</b>

Note 25: Appropriations

Note 25A: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations

	Administered expenses				Departmental outputs				Total			
	Outcome 1		Outcome 2		Outcome 3		Outcome 4		2009		2008	
	2009	2008	2009	2008	2009	2008	2009	2008	\$'000	\$'000	\$'000	\$'000
Balance carried from previous period	-	-	-	-	-	-	4,955	4,706	70,978	52,216	75,933	56,922
Adjustment to prior year	-	-	-	-	-	-	-	-	-	-	-	-
Reductions of appropriations (prior years)	-	-	-	-	-	-	(4,955)	(4,706)	-	-	(4,955)	(4,706)
Adjusted balance carried from previous period	-	-	-	-	-	-	-	-	70,978	52,216	70,978	52,216
Appropriation Act (No. 1)	-	-	-	-	-	-	5,000	5,000	146,446	137,991	151,446	142,991
Appropriation Act (No. 3)	-	-	-	-	-	-	-	-	728	13,017	728	13,017
Appropriation Act (No. 5)	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment to appropriations on change of entity function (FMA s32)	-	-	-	-	-	-	-	-	(1,243)	(164)	(1,243)	(164)
Refunds credited (FMA s30)	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation reduced by section 9 determination (current year)	-	-	-	-	-	-	-	-	-	(3,349)	-	(3,349)
Sub-total annual appropriation	-	-	-	-	-	-	5,000	5,000	145,931	147,495	150,931	152,495
Adjusted annual appropriation balance	-	-	-	-	-	-	5,000	5,000	145,931	147,495	150,931	152,495
Comcover Receipts (Appropriation Act s13)	-	-	-	-	-	-	-	-	-	-	-	-
Appropriations to take account of recoverable GST (FMA s30A)	-	-	-	-	-	-	5	5	4,566	2,457	4,571	2,462
Annotations to 'net appropriations' (FMA s31)	-	-	-	-	-	-	-	-	10,389	9,135	10,389	9,135
Total appropriations available for payments	-	-	-	-	-	-	5,005	5,005	231,864	211,303	236,869	216,308

**Note 25: Appropriations (continued)**

Note 25A: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations (continued)

	Administered expenses				Departmental outputs				Total			
	Outcome 1		Outcome 2		Outcome 3		Outcome 4		2009		2008	
	2009	2008	2009	2008	2009	2008	2009	2008	\$'000	\$'000	\$'000	\$'000
Cash payments made during the year (GST inclusive)	-	-	-	-	-	(50)	(62)	(50)	(158,801)	(140,325)	(158,863)	(140,375)
Balance of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations	-	-	-	-	-	4,943	4,943	4,955	73,063	70,978	78,006	75,933
<i>Represented by:</i>												
Cash at bank and on hand	-	-	-	-	-	-	-	-	781	1,682	781	1,682
Departmental appropriations receivable	-	-	-	-	-	-	-	-	71,777	68,898	71,777	68,898
GST receivable from the ATO	-	-	-	-	-	-	-	-	760	447	760	447
Receivables - goods and services	-	-	-	-	-	-	-	-	48	115	48	115
GST receivable from customers	-	-	-	-	-	-	-	-	(303)	(164)	(303)	(164)
Payables - suppliers - GST portion	-	-	-	-	-	-	-	-	-	-	-	-
Undrawn, unexpired administered appropriations	-	-	-	-	-	4,943	4,943	4,955	-	-	4,943	4,955
<b>Total</b>	-	-	-	-	-	<b>4,943</b>	<b>4,943</b>	<b>4,955</b>	<b>73,063</b>	<b>70,978</b>	<b>78,006</b>	<b>75,933</b>



**Note 25: Appropriations (continued)**

**Note 25A: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations (continued)**

	Outcome 1		Outcome 2		Outcome 3		Outcome 4	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Reduction in administered items</b>	-	-	-	-	-	-	5,000,000	-
Total administered items appropriated	-	-	-	-	-	-	-	-
Less administered items required by the agency per Appropriation Act s11:								
Appropriation Act (No. 1) 2008-2009	-	-	-	-	-	-	56,679	-
Appropriation Act (No. 3) 2008-2009	-	-	-	-	-	-	-	-
Appropriation Act (No. 5) 2008-2009	-	-	-	-	-	-	-	-
Other annual appropriation acts	-	-	-	-	-	-	-	-
Total administered items required by the agency	-	-	-	-	-	-	56,679	-
<b>Total reduction in administered items - effective 2009-2010</b>	-	-	-	-	-	-	<b>4,943,321</b>	-

**Note 25: Appropriations (continued)**

Note 25B: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations

	Operating				Non-operating				Total		
	Outcome 2		Outcome 4		Previous years'		Admin assets and liabilities		Total		
	SPPs	SPPs	SPPs	SPPs	2008	2009	2008	2009	2008	2009	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance carried from previous period	-	19,504	-	3,151	-	-	-	48,507	14,798	51,658	34,302
Reduction of appropriations (prior years)	-	(19,504)	-	(3,151)	-	-	-	-	-	(3,151)	(19,504)
Adjusted balance carried from previous period	-	-	-	-	-	-	-	48,507	14,798	48,507	14,798
Appropriation Act (No. 2)	74,713	2,399	7,120	173,204	110	1,820	1,800	79,844	53,773	184,781	231,306
Appropriation Act (No. 4)	-	14	3,150	3,904	8,868	-	-	3,996	-	7,146	12,786
Appropriation Act (No. 6)	-	77,587	-	-	-	-	-	-	-	-	77,587
Other annual appropriation acts	1,184,883	-	-	-	-	-	-	-	-	1,184,883	-
Adjustment of appropriations on change of entity function (FMA s32)	-	-	-	-	-	-	949	-	-	949	-
Refunds credited (net) (FMA s30)	-	-	-	-	-	-	-	-	-	-	-
Appropriation reduced by section 11 determination (current period)	-	-	-	-	-	-	-	-	-	-	-
Sub-total annual appropriation	1,259,596	80,000	10,270	177,108	8,978	2,749	1,820	83,840	53,773	1,377,759	321,679
Appropriations to take account of recoverable GST (FMA s30A)	-	-	-	-	898	275	182	407	447	2,812	1,527
Departmental adjustments	-	-	-	-	-	-	-	-	-	-	-
Total appropriations available for payments	1,259,596	80,000	10,270	177,108	9,876	3,024	2,002	132,754	69,018	1,429,078	338,004

**Note 25: Appropriations (continued)**  
**Note 25B: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations (continued)**

	Operating		Non-operating				Total				
	Outcome 2		Outcome 4		Previous years'			Admin assets and liabilities			
	2009	2008	2009	2008	2009	2008					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000				
Cash payments made during the year (GST inclusive)	(613,850)	(80,000)	(1,918)	(173,957)	(23,434)	(9,876)	(3,024)	(20,511)	(706,187)	(286,346)	
Appropriations credited to special accounts (GST exclusive)	-	-	-	-	-	-	-	-	-	-	
Balance of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations	645,746	-	8,352	3,151	-	-	-	68,793	48,507	722,891	51,658
<i>Represented by:</i>											
Cash at bank and on hand	-	-	-	-	-	-	-	8,229	6,034	8,229	6,034
Undrawn, unexpired administered appropriations	645,746	-	8,352	3,151	-	-	-	60,564	42,473	714,662	45,624
<b>Total</b>	<b>645,746</b>	<b>-</b>	<b>8,352</b>	<b>3,151</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,793</b>	<b>48,507</b>	<b>722,891</b>	<b>51,658</b>

**Note 25: Appropriations (continued)**

Note 25B: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations (continued)

	Outcome 2 SPPs		Outcome 4 SPPs	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Reduction in administered items</b>				
Total administered items appropriated	1,259,596,000	-	10,270,000	-
Less administered items required by the agency per Appropriation Act s11:				
Appropriation Act (No. 2) 2008-2009	3,516,191	-	1,918,419	-
Appropriation Act (No. 4) 2008-2009	-	-	-	-
Appropriation Act (No. 6) 2008-2009	610,334,000	-	-	-
Other annual appropriation acts	613,850,191	-	1,918,419	-
Total administered items required by the agency	645,745,809	-	8,351,581	-
<b>Total reduction in administered items - effective 2009-2010</b>				

**Note 25: Appropriations (continued)**

**Note 25C: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (unlimited amount)**

<b>A New Tax System (Commonwealth-State) Financial Arrangements Act 1999</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
		<b>Outcome 2</b>
<i>Purpose:</i> An Act under which the Australian Government guaranteed that in the transitional years following the introduction of tax reform, each State's budgetary position would be no worse off than had the reforms not been implemented.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	(40,996,912)	(42,373,196)
Total charged to appropriation	(40,996,912)	(42,373,196)
Budget estimate	41,450,756	42,673,196
		<b>Outcome 2</b>
<b>Federal Financial Relations Act 2009</b>		
	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
		<b>Outcome 2</b>
<i>Purpose:</i> An Act to provide financial assistance to the States, the Australian Capital Territory and the Northern Territory, and for related purposes.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	(3,162,950)	-
Total charged to appropriation	(3,162,950)	-
Budget estimate	3,181,600	-

**Note 25: Appropriations (continued)**

Note 25C: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (unlimited amount) (continued)

	2009 \$'000	2008 \$'000
<b>International Monetary Agreements Act 1947</b>		
<b>Outcome 1</b>		
<i>Purpose:</i> An Act to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease the balance of payments adjustment.		
Cash payments made during the year	(17,543)	(30,730)
Total charged to appropriation	(17,543)	(30,730)
Budget estimate	433,711	31,050
<b>Superannuation Industry (Supervision) Act 1993</b>		
<b>Outcome 4</b>		
<i>Purpose:</i> An Act to provide the framework for providing financial assistance to superannuation funds that had suffered an eligible loss, that is a loss as a result of fraudulent conduct or theft.		
All transactions under this Act are recognised as administered items.		
Refunds credited (net) (FMA s30)	157	-
Total charged to appropriation	157	-
Budget estimate	-	-
<b>Totals for unlimited special appropriations</b>		
Cash payments made during the year	(44,177,405)	(42,403,926)
Refunds credited (net) (FMA s30)	157	-
Total charged to appropriation	(44,177,248)	(42,403,926)
Budget estimate	45,066,067	42,704,246

**Note 25: Appropriations (continued)**

**Note 25C: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations**  
(limited amount) (continued)

<b>Appropriation (HIH Assistance) Act 2001</b>	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
		<b>Outcome 4</b>
<i>Purpose:</i> An Act to provide Australian Government funded assistance to policy holders suffering financial hardship as a result of the failure of the HIH group companies and the appointment of the provisional liquidators of the HIH group companies. This special appropriation is limited to \$640,000,000.		
All transactions under this Act are recognised as administered items.		
Amount available carried from previous period	-	19,798
Appropriations to take account for recoverable GST (FMA s30A)	-	320
Available for payments	-	20,118
Cash payments made during the year	-	(20,118)
Amount available carried to the next period	-	-
<i>Represented by:</i>		
Cash	-	-
Undrawn, unexpired administered appropriations	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

Note: During 2007-08 the *Appropriation (HIH Assistance) Act 2001* was exhausted, the HIH program is now funded through an annual capital appropriation.

## Note 25: Appropriations (continued)

Note 25D: Acquittal of authority to draw cash from the consolidated revenue fund — Special Appropriations (Refund Provisions)

<b>Financial Management and Accountability Act 1997</b>		2008
Transactions reported in this table are Administered items		\$'000
		<b>Outcome 2</b>
Cash payments made during the year		54
Appropriations credited to special accounts		-
Refunds credited (net) (FMA Act s30)		-
Total charged to appropriation		54
<i>Budget estimate (FMA s28)</i>		-

		<b>Outcome 4</b>
Cash payments made during the year		1
Appropriations credited to special accounts		-
Refunds credited (net) (FMA Act s30)		-
Total charged to appropriation		1
<i>Budget estimate (FMA s28)</i>		-

Note 25E: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (section 39 of the FMA Act)

For the periods 2007-08 and 2008-09, the Treasury has not drawn cash under section 39 of the FMA Act.



## Note 25: Appropriations (continued)

### Note 25F: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (other disclosures)

The special appropriations listed below are administered in nature and the responsibility of the Treasury and were not used in the current reporting period or the previous reporting period and are therefore not shown in separate tables.

<b>Limited</b>	
<b>Act</b>	<b>Purpose</b>
<i>Asian Development Bank Act 1966</i>	Payments and promissory notes to establish the Bank. Balance available is USD\$42,500,000 in callable shares.
<i>Asian Development Bank (Additional Subscription) Act 1972</i>	Subscribe to 2,550 (paid-in) and 10,200 (callable) shares. Balance available is USD\$102,000,000 in callable shares.
<i>Asian Development Bank (Additional Subscription) Act 1977</i>	Subscribe to 2,869 (paid-in) and 25,818 (callable) shares. Balance available is USD\$258,180,000 in callable shares.
<i>Asian Development Bank (Additional Subscription) Act 1983</i>	Subscribe to 2,622 (paid-in) and 49,811 (callable) shares. Balance available is USD\$498,110,000 in callable shares.
<i>Asian Development Bank (Additional Subscription) Act 1995</i>	Subscribe to 2,047 (paid-in) and 100,323 (callable) shares. Balance available is USD\$1,210,246,511 in callable shares.
<i>European Bank for Reconstruction and Development Act 1990</i>	Payments and promissory notes to establish the Bank. Balance available is USD\$81,690,700 in callable shares.
<i>International Financial Institutions (Share Increase) Act 1982</i>	For payments for additional shares of capital stock in the International Finance Corporation (IFC) and the International Bank for Reconstruction and Development (IBRD). Balance available is USD\$692,927,440 in callable shares (IBRD).
<i>International Monetary Agreements Act 1974</i>	Making payments, including for promissory notes, to the International Bank for Reconstruction and Development (IBRD). Balance available is USD\$37,638,120 in callable shares (IBRD).
<i>Multilateral Investment Guarantee Agency Act 1997</i>	Payments of capital and on securities issued to establish the Agency. Balance available is USD\$14,827,728 in callable shares.
<i>Papua New Guinea Loans Guarantee Act 1975</i>	Continuation of guarantees under the <i>Papua New Guinea Act 1949-75</i> . Balance available is AUD\$4,480,000.
<b>Unlimited</b>	
<b>Act</b>	<b>Purpose</b>
<i>Financial Agreements (Commonwealth Liability) Act 1932</i>	Payment of principal and interest on bonds issued under the <i>Financial Agreement Validation Act 1929</i> , consolidating State debts.
<i>Housing Loans Insurance Corporation (Transfer of Assets and Abolition) Act 1996</i>	Payments for amounts arising from claims made before the transfer period leading to the abolition of the HLIC.
<i>Mint Employees Act 1964</i>	Top up superannuation entitlements.
<i>Payment of Tax Receipts (Victoria) Act 1996</i>	Payment to Victoria of certain taxes collected by the Australian Government on Victoria's behalf.
<i>States Grants Act 1927</i>	Distribution of surplus revenue to the States.

**Note 25: Appropriations (continued)**

**Note 25F: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (other disclosures) (continued)**

The disclosure below is for note purposes only and is not recognised in the financial statements.

*Commonwealth Places (Mirror Taxes) Act 1998*

The Treasury is responsible for administering the above Act for the purpose of paying compensation to the States in respect of constitutionally invalid States taxes levied on Commonwealth places. Under the Act, the Australian Government is liable to pay to a State amounts equal to amounts received by the Australian Government (including amounts received by a State on behalf of the Australian Government) under an applied law of the State. During the current reporting period and previous reporting period the States collected and provided the following estimates of taxes pursuant to the Act:

	<b>2009</b>	2008
	<b>\$</b>	\$
Total mirror tax collection	<b>404,026,217</b>	384,621,285

Note 25: Appropriations (continued)

Note 25G: Special accounts

Actuarial Services Special Account (Departmental)

Legal authority: Financial Management and Accountability Act 1997: s20

Purpose: providing actuarial services and advice

Note: Actuarial Services Special Account was established on 1 October 2006.

	2009 \$'000	2008 \$'000
<i>This account is non-interest bearing</i>		
Balance carried from Australian Government Actuary Account	1,858	1,672
GST credit (FMA s30A)	29	8
Other receipts from rendering of services	1,518	1,611
Available for payments	3,405	3,291
Payments made to employees	(1,136)	(1,016)
Payments made to suppliers	(412)	(417)
<b>Balance carried to next period</b>	<b>1,857</b>	<b>1,858</b>
<i>Represented by:</i>		
Cash held by the Australian Government Actuary	586	588
Add: Receivables - Monies held in the OPA	1,270	1,270
Add: Receivables - goods and services - GST receivable from customers	45	29
Less: Other payables - net GST payable to the ATO	(44)	(26)
Less: Payable - suppliers - GST portion	-	(3)
<b>Total balance carried to the next period</b>	<b>1,857</b>	<b>1,858</b>

**Note 25: Appropriations (continued)**

**Note 25G: Special accounts (continued)**

**Lloyd's Deposit Trust Special Account (Departmental)**

*Legal authority: Financial Management and Accountability Act 1997; s20*

*Purpose: to disburse amounts in accordance with section 92Q of the Insurance Act 1973.*

*Note: Lloyd's Deposit Trust Special Account was established on 1 October 2006. The Lloyd's Deposit Trust Special Account was transferred to APRA during the 2007-08 financial year.*

	2009 \$'000	2008 \$'000
<i>This account is non-interest bearing</i>		
Balance carried from Lloyd's Deposit Trust Account	-	2,000
Other receipts from provision of goods	-	150
Available for payments	-	2,150
Payments made to suppliers	-	(150)
Transfer to APRA	-	2,000
<b>Balance carried to next period</b>	<b>-</b>	<b>-</b>
<i>Represented by:</i>		
Securities held by Treasury	-	-
<b>Total balance carried to the next period</b>	<b>-</b>	<b>-</b>

**Note 25: Appropriations (continued)**

**Note 25G: Special accounts (continued)**

**COAG Reform Fund Special Account (Administered)**

*Legal authority: COAG Reform Fund Act 2008*

*Appropriations: Financial Management and Accountability Act 1997; s21*

*Purpose: For the making of grants of financial assistance to the States and Territories.*

	2009 \$'000	2008 \$'000
Balance carried from previous period	-	-
Adjustment to prior year	-	-
Adjusted balance carried forward from previous period	-	-
Appropriation for reporting period	5,928,084	-
Receipts from other agencies	2,060,272	-
GST credits (FMA s30A)	-	-
Payments made to suppliers	(7,988,356)	-
<b>Balance carried to next period (excluding investment balances) and</b>	<b>-</b>	<b>-</b>
<i>Represented by:</i>		
Securities held by Treasury	-	-
<b>Total balance carried to the next period</b>	<b>-</b>	<b>-</b>

**Financial System Stability Special Account (Administered)**

*Legal authority: Banking Act 1959; s70E*

*Appropriations: Financial Management and Accountability Act 1997; s21*

*Purpose: For the making of payments authorised under specified sections of the Banking Act 1959, the Insurance Act 1973 and the Life Insurance Act 1975 and to meet expenses of administering the special account.*

*No receipts have been received or payments made from the Financial System Stability Special Account.*

	2009 \$'000	2008 \$'000
<b>Total balance carried to the next period</b>	<b>-</b>	<b>-</b>

**Note 25: Appropriations (continued)**

**Note 25G: Special accounts (continued)**

**Services for other Governments and non agency bodies account (Departmental)**

The Treasury has a 'Services for other Governments and non-agency bodies special account' established under section 20 of the *Financial Management and Accountability Act 1997* (FMA Act). The purpose of this special account is for the expenditure in connection with services performed on behalf of other Governments and bodies that are not agencies under the FMA Act. For the years ended 30 June 2008 and 30 June 2009 this special account had nil balances and no transactions were credited or debited to the account.

**Other trust moneys account (Departmental — Special Public Money)**

The Treasury has an 'Other trust moneys special account' established under section 20 of the FMA Act. The purpose of this special account is for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Australian Government. Any money held is thus special public money under section 16 of the FMA Act. For the years ended 30 June 2008 and 30 June 2009 this special account had nil balances and no transactions were credited or debited to the account.

**Other trust moneys account (Administered — Special Public Money)**

The Treasury has an 'Other trust moneys special account' established under section 20 of the FMA Act. The purpose of this special account is for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Australian Government. Any money held is thus special public money under section 16 of the FMA Act.

For the years ended 30 June 2008 and 30 June 2009 this special account held monies in relation to HIH recoveries received from the HIH Claims Manager, which were recovered from third parties in relation to claims made by persons insured by HIH. These recoveries comprise a portion which is due to third parties (non-Australian Government) and part to the Australian Government. Receipts and subsequent payments relating to third parties (non-Australian Government) are treated as special public monies.

	<b>2009</b>	2008
	<b>Actual</b>	Actual
	<b>\$'000</b>	\$'000
Balance carried forward from previous year	-	11
Receipts during the year	<b>23</b>	1,164
Available for payments	<b>23</b>	1,175
Payments made	<b>(23)</b>	(1,175)
<b>Balance carried forward to next year held by the entity</b>	<b>-</b>	-
<i>Represented by:</i>		
Cash held by Treasury	-	-
<b>Balance carried forward to next year held by the entity</b>	<b>-</b>	-

### **Note 25: Appropriations (continued)**

#### **Note 25H: Special accounts investment of public money**

For the periods 2007-08 and 2008-09, the Treasury has not used section 39 of the FMA Act or section 18 and 19 of the Commonwealth Authorities and Companies Act in respect of this special account.

### **Note 26: Compensation and debt relief**

For the periods of 2007-08 and 2008-09, the Treasury made no administered or departmental act of grace, ex-gratia or section 73 of the *Public Service Act 1999* payments.

### **Note 27: Reporting of outcomes**

The Treasury uses a process of cost allocation to estimate the allocation of shared costs. The cost of each output is comprised of direct and indirect costs. Direct costs are assigned to outputs according to detailed cost profiles. Indirect costs that comprise corporate and overhead items such as information technology, accommodation and human resource management are allocated to outputs based on a (cost driver) consumption basis. This basis of allocation is consistent with the basis used for previous years.

**Note 27: Reporting of outcomes (continued)**  
**Note 27A: Net cost of outcome delivery**

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Expenses</b>										
Administered expenses	417,818	28,738	53,643,706	42,453,196	-	-	(389)	173,754	54,061,135	42,655,688
Departmental expenses	32,771	33,270	24,122	20,822	46,000	40,899	59,303	54,684	162,196	149,675
<b>Total expenses</b>	<b>450,589</b>	<b>62,008</b>	<b>53,667,828</b>	<b>42,474,018</b>	<b>46,000</b>	<b>40,899</b>	<b>58,914</b>	<b>228,438</b>	<b>54,223,331</b>	<b>42,805,363</b>
<b>Costs recovered from provision of goods and services to the non-government sector</b>										
Administered	-	-	-	-	-	-	-	-	-	-
Departmental	142	233	65	56	-	-	79	19	286	308
<b>Total costs recovered</b>	<b>142</b>	<b>233</b>	<b>65</b>	<b>56</b>	<b>-</b>	<b>-</b>	<b>79</b>	<b>19</b>	<b>286</b>	<b>308</b>
<b>Other external revenues</b>										
Administered										
Interest	3,747	3,404	-	-	-	-	70	248	3,817	3,652
Dividends	1,402,968	1,084,822	-	-	-	-	-	-	1,402,968	1,084,822
GST administration fees	-	-	630,480	600,200	-	-	-	-	630,480	600,200
Australian Government Guarantee Fee	-	-	-	-	-	-	476,415	-	476,415	-
COAG receipts from government agencies	-	-	2,060,272	-	-	-	-	-	2,060,272	-
HIH Group liquidation proceeds	-	-	-	-	-	-	22,860	55,271	22,860	55,271
Net foreign exchange gains	-	67,519	-	-	-	-	-	-	-	67,519
Other revenue	-	-	68,723	900	-	-	45,633	12,809	114,356	13,709
<b>Total administered</b>	<b>1,406,715</b>	<b>1,155,745</b>	<b>2,759,475</b>	<b>601,100</b>	<b>-</b>	<b>-</b>	<b>544,978</b>	<b>68,328</b>	<b>4,711,168</b>	<b>1,825,173</b>
<b>Departmental</b>										
Net gains	104	93	82	48	227	128	121	91	534	360
Other	65	332	43	99	86	192	96	201	290	824
Related goods and services revenue	3,778	3,005	67	70	294	259	3,540	2,349	7,679	5,683
External goods and services revenue	422	886	7	20	33	76	396	693	858	1,675
<b>Total departmental</b>	<b>4,369</b>	<b>4,316</b>	<b>199</b>	<b>237</b>	<b>640</b>	<b>655</b>	<b>4,153</b>	<b>3,334</b>	<b>9,361</b>	<b>8,542</b>
<b>Total other external revenues</b>	<b>1,411,084</b>	<b>1,160,061</b>	<b>2,759,674</b>	<b>601,337</b>	<b>640</b>	<b>655</b>	<b>549,131</b>	<b>71,662</b>	<b>4,720,529</b>	<b>1,833,715</b>
<b>Net cost / (contribution) of outcome</b>	<b>(960,637)</b>	<b>(1,098,286)</b>	<b>50,908,089</b>	<b>41,872,625</b>	<b>45,360</b>	<b>40,244</b>	<b>(490,296)</b>	<b>156,757</b>	<b>49,502,516</b>	<b>40,971,340</b>

Outcomes 1, 2, 3 and 4 are described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual budget outcome.





## Note 27: Reporting of outcomes (continued)

### Note 27B: Major classes of Departmental revenues and expenses by output group and outputs (continued)

	Output Group 2.1 Output 2.1.1		Output Group 2.1 Output 2.1.2		Output Group 2.1 Output 2.1.3		Output Group 2.1 Output 2.1.4		Outcome 2 Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Departmental expenses</b>										
Employee benefits	3,664	3,149	2,679	2,338	6,939	5,589	5,312	4,547	18,594	15,623
Suppliers and grants	790	774	793	623	2,232	2,250	1,082	1,044	4,897	4,691
Depreciation and amortisation	120	97	93	78	232	174	167	134	612	483
Write down of assets	1	1	1	3	2	2	1	2	5	8
Finance costs	3	3	2	2	5	5	4	4	14	14
Net losses from sale of assets	-	1	-	-	-	1	-	1	-	3
<b>Total Departmental expenses</b>	<b>4,578</b>	<b>4,025</b>	<b>3,568</b>	<b>3,044</b>	<b>9,410</b>	<b>8,021</b>	<b>6,566</b>	<b>5,732</b>	<b>24,122</b>	<b>20,822</b>
<b>Funded by:</b>										
Revenues from Government	4,282	4,095	3,201	2,987	9,113	8,725	6,359	5,099	22,955	20,906
Sale of goods and services	26	28	20	23	55	54	38	41	139	146
Other non-taxation revenues	9	19	7	15	14	39	13	26	43	99
Net gains	11	9	9	8	23	18	39	13	82	48
<b>Total Departmental revenues</b>	<b>4,328</b>	<b>4,151</b>	<b>3,237</b>	<b>3,033</b>	<b>9,205</b>	<b>8,836</b>	<b>6,449</b>	<b>5,179</b>	<b>23,219</b>	<b>21,199</b>

**Note 27: Reporting of outcomes (continued)**  
**Note 27B: Major classes of Departmental revenues and expenses by output group and outputs (continued)**

	Output Group 3.1		Output Group 3.1		Outcome 3 Total	
	Output 3.1.1		Output 3.1.2			
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Departmental expenses</b>						
Employees	27,334	23,189	5,703	7,173	33,037	30,362
Suppliers and grants	9,958	7,675	1,792	1,806	11,750	9,481
Depreciation and amortisation	955	769	219	237	1,174	1,006
Write down of assets	8	11	2	3	10	14
Finance costs	22	22	5	7	27	29
Net losses from sale of assets	2	5	-	2	2	7
<b>Total Departmental expenses</b>	<b>38,279</b>	<b>31,671</b>	<b>7,721</b>	<b>9,228</b>	<b>46,000</b>	<b>40,899</b>
<b>Funded by:</b>						
Revenues from Government	36,216	33,730	7,502	9,021	43,718	42,751
Sale of goods and services	274	256	53	79	327	335
Other non-taxation revenues	70	147	16	45	86	192
Net gains	207	105	20	23	227	128
<b>Total Departmental revenues</b>	<b>36,767</b>	<b>34,238</b>	<b>7,591</b>	<b>9,168</b>	<b>44,358</b>	<b>43,406</b>

Note 27: Reporting of outcomes (continued)

Note 27B: Major classes of Departmental revenues and expenses by output group and outputs (continued)

	Output Group 4.1		Output Group 4.1		Output Group 4.1		Output Group 4.1		Output Group 4.1		Outcome 4 Total	
	Output 4.1.1	Output 4.1.2	Output 4.1.3	Output 4.1.3	Output 4.1.4	Output 4.1.4	Output 4.1.4	Output 4.1.4	Output 4.1.4	Output 4.1.4	Output 4.1.4	Output 4 Total
	Foreign investment and trade policy advice and administration	Financial system and corporate governance policy advice	Competition and consumer policy advice	Competition and consumer policy advice	Actuarial Services	Actuarial Services						
	2009	2009	2009	2009	2009	2009	2008	2008	2008	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Departmental expenses</b>												
Employees	4,224	15,567	11,745	12,349	1,134	1,078					32,670	31,344
Suppliers and grants	1,589	12,320	11,007	10,291	352	423					25,268	22,346
Depreciation and amortisation	177	662	481	359	2	3					1,322	951
Write down of assets	1	5	4	5	-	-					10	13
Finance costs	4	14	11	10	-	-					29	25
Net losses from sale of assets	-	3	1	2	-	-					4	5
<b>Total Departmental expenses</b>	<b>5,995</b>	<b>28,571</b>	<b>23,249</b>	<b>23,016</b>	<b>1,488</b>	<b>1,504</b>					<b>59,303</b>	<b>54,684</b>
<b>Funded by:</b>												
Revenues from Government	5,685	27,111	21,149	28,049	-	-					53,945	57,319
Sale of goods and services	161	2,051	103	169	1,700	1,539					4,015	3,061
Other non-taxation revenues	13	47	36	71	-	-					96	201
Net gains	16	59	46	36	-	-					121	91
<b>Total Departmental revenues</b>	<b>5,875</b>	<b>29,268</b>	<b>21,334</b>	<b>28,325</b>	<b>1,700</b>	<b>1,539</b>					<b>58,177</b>	<b>60,672</b>

Note 27: Reporting of outcomes (continued)

Note 27C: Major classes of Departmental assets and liabilities by outcome

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Departmental assets</b>										
Cash and cash equivalents	205	467	116	245	219	506	827	1,052	1,367	2,270
Trade and other receivables	19,682	19,957	11,172	10,460	21,031	21,617	24,908	21,435	76,793	73,469
Land and buildings	2,707	2,901	1,537	1,520	2,893	3,142	3,177	2,879	10,314	10,442
Plant and equipment	2,102	1,962	1,193	1,028	2,246	2,125	2,468	1,952	8,009	7,067
Intangibles	579	219	328	115	618	237	18,125	217	19,650	788
Other non-financial assets	274	400	155	210	292	433	321	400	1,042	1,443
<b>Total Departmental assets</b>	<b>25,549</b>	<b>25,906</b>	<b>14,501</b>	<b>13,578</b>	<b>27,299</b>	<b>28,060</b>	<b>49,826</b>	<b>27,935</b>	<b>117,175</b>	<b>95,479</b>
<b>Departmental liabilities</b>										
Suppliers	1,004	766	570	401	1,073	830	1,206	792	3,853	2,789
Other payables	1,310	1,132	744	593	1,400	1,226	1,537	1,147	4,991	4,098
Leases	61	247	35	130	65	268	72	245	233	890
Employees provisions	9,807	9,547	5,567	5,004	10,479	10,341	11,834	9,804	37,687	34,696
<b>Total Departmental liabilities</b>	<b>12,182</b>	<b>11,692</b>	<b>6,916</b>	<b>6,128</b>	<b>13,017</b>	<b>12,665</b>	<b>14,649</b>	<b>11,988</b>	<b>46,764</b>	<b>42,473</b>

**Note 27: Reporting of outcomes (continued)**

**Note 27D: Major classes of Administered revenues, expenses, assets and liabilities by outcome**

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Administered revenues</b>										
Interest	3,747	3,404	-	-	-	-	70	248	3,817	3,652
Dividends	1,402,968	1,084,822	-	-	-	-	-	-	1,402,968	1,084,822
Goods and services	-	-	630,480	600,200	-	-	-	-	630,480	600,200
Australian Government Guarantee Fee	-	-	-	-	-	-	476,415	-	476,415	-
COAG receipts from government agencies	-	-	2,060,272	-	-	-	-	-	2,060,272	-
HIH Group liquidation proceeds	-	-	-	-	-	-	22,860	55,271	22,860	55,271
Other	-	-	68,723	900	-	-	45,633	12,809	114,356	13,709
Net foreign exchange gains	-	67,519	-	-	-	-	-	-	-	67,519
<b>Total administered revenues</b>	<b>1,406,715</b>	<b>1,155,745</b>	<b>2,759,475</b>	<b>601,100</b>	<b>-</b>	<b>-</b>	<b>544,978</b>	<b>68,328</b>	<b>4,711,168</b>	<b>1,825,173</b>
<b>Administered expenses</b>										
Grants	-	-	53,643,706	42,453,196	-	-	(157)	173,957	53,643,549	42,627,153
Other	14,265	28,738	-	-	-	-	(232)	(203)	14,033	28,535
Net foreign exchange losses	403,553	-	-	-	-	-	-	-	403,553	-
<b>Total administered expenses</b>	<b>417,818</b>	<b>28,738</b>	<b>53,643,706</b>	<b>42,453,196</b>	<b>-</b>	<b>-</b>	<b>(389)</b>	<b>173,754</b>	<b>54,061,135</b>	<b>42,655,688</b>
<b>Administered assets</b>										
Cash and cash equivalents	-	-	-	-	-	-	8,230	10,213	8,230	10,213
Receivables	532	596	-	-	-	-	2,744,353	822	2,744,885	1,418
Investments	6,894,196	6,190,631	-	-	-	-	19,053,177	11,083,246	25,947,373	17,273,877
Other non-financial assets	-	-	-	-	-	-	-	1,833	-	1,833
<b>Total administered assets</b>	<b>6,894,728</b>	<b>6,191,227</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,805,760</b>	<b>11,096,114</b>	<b>28,700,488</b>	<b>17,287,341</b>
<b>Administered liabilities</b>										
Loans	3,889,425	3,881,382	-	-	-	-	-	-	3,889,425	3,881,382
Grants	-	2,500	558,917	-	-	-	-	-	558,917	2,500
Other payables	1,895,859	800,653	-	-	-	-	2,660,595	241	4,556,454	800,894
Other provisions	-	-	-	-	-	-	38,306	144,793	38,306	144,793
<b>Total administered liabilities</b>	<b>5,785,284</b>	<b>4,684,535</b>	<b>558,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,698,901</b>	<b>145,034</b>	<b>9,043,102</b>	<b>4,829,569</b>



# PART FIVE

## APPENDICES

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## OCCUPATIONAL HEALTH AND SAFETY

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In accordance with the *Occupational Health and Safety Act 1991* the Treasury is committed to providing and maintaining a safe and healthy work environment for all its employees, contractors and visitors to the workplace. The Treasury places high importance on the welfare of its employees and continues to explore and implement strategies to assist staff in enhancing their personal wellbeing, with an emphasis on prevention, early intervention and education. Feedback continues to indicate that the majority of Treasury employees consider the Treasury to be a safe and healthy workplace.

In October 2008, Dr Peter Cotton, organisational and clinical psychologist, launched the Treasury's Health Month which had a strong mental health and wellbeing theme. Dr Cotton focused on organisational health and building both individual and work team resilience. Other seminars covered depression, work/life balance, relationships, motivation, sleep and nutrition. Approximately 330 staff attended these sessions. Participation rates for other activities were high with 270 individual health assessments, 140 hearing checks, 144 in the 'Great Wall of China' 10,000 Steps challenge and 92 in the Treasury's fun run.

Throughout 2008-09, the Treasury reviewed its existing health and safety policies and introduced new policies and reference materials. This included early intervention, guidance for managers in supporting employees with injuries and life threatening illness, a workers compensation information pack, an induction kit for Health and Safety Committee members, a toolkit for health and safety representatives, incorporation of psychosocial hazards into the Treasury's workplace inspection checklist and a social functions policy. In addition, access to first aid and the Treasury's Employee Assistance Program information on the intranet was enhanced. The Treasury's reference guide on services to support staff wellbeing was updated and distributed to all staff.

In 2009, the Treasury streamlined its pandemic action plan, providing practical and concise guidance on steps to minimise the impact of a pandemic on the Treasury's operations and staff. In response to the H1N1 Influenza 09 outbreak, the department implemented its pandemic plan, including appropriate control measures, and provided ongoing advice to staff.

In December 2008, the Treasury introduced new safety and emergency procedures cards for staff to wear with their Treasury pass. The cards provide guidance on actions in an emergency and contact numbers. Regular emails provide up-to-date information on emergency procedures, first aid and support officer contact details.

As a signatory to Comcare's Employer Statement of Commitment, the Treasury continues to observe the Occupational Health and Safety and Rehabilitation Performance Improvement Targets (2002-12) and maintains its relatively low rate of workplace injury by monitoring and evaluating performance. The Treasury's Comcare premium rate for 2008-09 was 0.8 per cent and remained lower than the Commonwealth average of 1.4 per cent.

The Treasury's Health and Safety Management Arrangements 2007-10 include the Treasury's health, safety and wellbeing framework, responsibilities, support networks and strategies for fostering a safe and healthy workplace. Ongoing arrangements include the following:

- The Occupational Health and Safety presentation in induction sessions for new employees demonstrates appropriate workstation set-up and provides information on first aid, emergency procedures, accident/incident reporting, eyesight testing, health activities, the Health and Safety Committee, health and safety representatives and the Employee Assistance Program.
- Regular meetings with Health and Safety Committee members and health and safety representatives assist in developing, monitoring and reviewing health and safety measures and facilitating cooperation amongst employees.
- Quarterly workplace inspections conducted by health and safety representatives assist in rectifying both workplace and psychosocial hazards. As a result of the inspections conducted in 2008-09, no notices were given under sections 29, 46 and 47 of the *Occupational Health and Safety Act 1991*.
- Employees are encouraged to report work-related incidents promptly to ensure immediate action is taken to rectify hazards. During 2008-09, the Treasury received 28 work-related incident reports with most relating to body stressing injuries. Of the 28 incidents, 5 compensation claims were submitted, 4 were accepted and 1 was rejected. No incidents were reported to Comcare under section 68 of the *Occupational Health and Safety Act 1991*.
- Managers are encouraged to report absence which may be related to injury/illness or a depressed/stressed state so appropriate action can be put in place as soon as possible. Leave data is analysed fortnightly to enable early intervention of potentially non-reported issues.
- First aid officers are conveniently located throughout the department. Employees with underlying health conditions such as epilepsy, asthma and diabetes are encouraged to advise first aid officers within their immediate area to ensure timely assistance is provided.
- The Treasury offers individual workstation assessments and training on ergonomics and workstation adjustment, stretching and taking breaks: 270 individual workstation assessments were conducted in 2008-09. Workstation set-up training is also offered as part of Health Month.
- The Treasury's Employee Assistance Program continues to provide free, professional and confidential counselling services to Treasury employees and their immediate family members for both work and personal issues.
- An annual lifestyle payment of \$450 is available for activities such as gym memberships and stress management programs. In 2008-09, 843 lifestyle payments were made.
- On-site exercise including power45, aerobics, thai chi and yoga are offered.

- Employees who require glasses for screen-based use can be reimbursed for a portion of the cost: 30 employees were reimbursed in 2008-09.
- Influenza vaccinations paid by the Treasury are offered annually: 322 employees received vaccinations in April 2009.
- In cooperation with the Department of Finance and Deregulation, a 10 metre smoking exclusion zone is in place around the Treasury building.

## FREEDOM OF INFORMATION

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The Treasury handles freedom of information matters for the Treasury, the Foreign Investment Review Board, the Takeovers Panel, the Financial Reporting Panel, the Australian Office of Financial Management, the Companies Auditors and Liquidators Disciplinary Board and the Financial Reporting Council.

Under section 8 of the *Freedom of Information Act 1982*, the Treasury must report on its activities. The Australian Competition Tribunal's statement then follows. The tribunal is a separate body within the Treasury portfolio but does not publish an annual report.

### The Treasury

Section 8 of the *Freedom of Information Act 1982* requires the Treasury to publish detailed information about:

- how it is organised and what decision-making powers it has;
- what arrangements it makes for public involvement in its work;
- what types of documents it holds; and
- how the public can obtain access to these documents.

The following information addresses these requirements.

### Organisation of the Treasury

Details of the Treasury's organisational and senior management structure are set out on page 14. The Treasury's functions and the decision-making powers exercised in carrying out those functions are described in the Departmental Overview and Corporate Governance sections of this report.

Details of the organisation and structure of the Foreign Investment Review Board, the Takeovers Panel and the Financial Reporting Panel are published separately in the annual reports of each of those bodies.

### The Treasury delegations and authorisations

The Treasurer, other ministers and the Secretary to the Treasury have delegated certain powers to officials, or have authorised officials to act on their behalf, under Acts of Parliament and agreements. These delegations and authorisations stand in force until renewed, and are listed below.

- The Treasurer has the discretionary power to guarantee the borrowings of some Commonwealth statutory authorities, and in some cases, to delegate his guarantee powers to Treasury officers. The Treasurer has delegated his powers to

guarantee the borrowings of Australian National Railways to the General Manager, Commonwealth-State Relations Division; Manager, Federal Finances Unit; and Manager, State Finances Unit.

- Under section 21 of the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*, the Treasurer has delegated the power to make payments to the states under sections 18 and 19 of the Act to the Executive Director, Fiscal Group; General Manager, Commonwealth-State Relations Division; and General Manager, Budget Policy Division.
- Under section 23 of the *Federal Financial Relations Act 2009*, the Treasurer has delegated the power to make payments to the States under section 5 and Part 2 of the Act to the Executive Director, Fiscal Group; General Manager, Commonwealth-State Relations Division; and General Manager, Budget Policy Division.
- Under the *Crimes (Currency) Authorisation 2006*, the Treasurer has delegated certain powers to the General Manager, Corporations and Financial Services Division; the Chief Executive Officer, Royal Australian Mint; and the Senior Manager, Note Development, Research and Security, Reserve Bank of Australia, pursuant to the definition of 'an authorised person' in subsection 3(1) of the *Crimes (Currency) Act 1981*.
- Under the *Currency Delegation 2007*, the Treasurer has delegated the power to determine the issue price of coins of certain denominations under subsection 14A(2) of the *Currency Act 1965*, to the General Manager, Corporations and Financial Services Division and the Chief Executive Officers of the Royal Australian Mint and the Gold Corporation.
- Under the *Gold Corporation Agreement Delegation 1999*, the Treasurer has delegated authority to approve a range of essentially administrative matters provided for under the Gold Corporation Agreement between the Commonwealth and Goldcorp Australia relating to gold, platinum and silver coins to the Executive Director, Markets Group and the General Manager, Corporations and Financial Services Division.
- Under subsections 22(1) and 21A(2) of the *Foreign Acquisitions and Takeovers Act 1975*, the Treasurer has authorised the General Manager, Managers and Assistant Managers of the Foreign Investment and Trade Policy Division to act on his behalf to approve and conditionally approve various proposals and, in specific circumstances, to make an order.
- Under section 22 of the *Mutual Assistance in Business Regulation Act 1992*, the Treasurer has delegated to the General Manager, Corporations and Financial Services Division the authorisation to exercise the Treasurer's powers to consider requests raised under the Act from foreign regulators for information, documents or evidence, including the ability to impose conditions on an authorisation.

- The Treasurer has delegated to Treasury officials the authority to vote on the Treasurer's behalf on routine matters arising from the Treasurer's Governorship of the IMF, the World Bank Group, the Asian Development Bank and the European Bank for Reconstruction and Development.
- Under subsection 9A(2) of the *Australian Prudential Regulation Authority Act 1988*, the Minister for Financial Services, Superannuation and Corporate Law, on behalf of the Treasurer, has delegated power to the Executive Director, Markets Group and the General Manager, Financial System Division to approve APRA to enter into an agreement to provide prudential regulation of advice services for a fee.
- Under subsection 35(1) of the *Archives Act 1983*, the Minister for Financial Services, Superannuation and Corporate Law, on behalf of the Treasurer, has delegated to the Secretary to the Treasury and Executive Directors the authorisation to arrange to exempt records from the open access period.
- Under subsection 56(2) of the *Archives Act 1983*, the Minister for Finance and Deregulation has delegated to the Treasurer, the Secretary to the Treasury and Executive Directors the authorisation to approve access to records not in the open access period.
- Under subsections 147(2) and 601DC(2) of the *Corporations Act 2001*, the Assistant Treasurer has delegated the powers to consent to a name being available to a body corporate, to ASIC's Chief Executive Officer and Director, Public Information Program — Operations.
- Under the *Financial Management and Accountability Act 1997*, and the *Financial Management and Accountability Regulations 1997*, the Minister for Finance and Deregulation has delegated certain powers to the Secretary to the Treasury who has sub-delegated them to Treasury officials. The Secretary to the Treasury holds powers in his own right under the *Financial Management and Accountability Act 1997*, and these have also been delegated to Treasury officials.
- Under subsection 23(1) of the *Freedom of Information Act 1982*, the Secretary to the Treasury has authorised senior executive service officers within the Treasury to make decisions regarding initial requests for access to documents. Executive Directors are authorised under section 23 to consider and make decisions on applications for internal review.
- In accordance with subsections 33(5), 33A(6) and 36(8) of the *Freedom of Information Act 1982*, the Treasurer has delegated his powers to the Secretary to the Treasury, in respect of documents of the Treasury.
- Under section 22(1) of the *Reserve Bank Act 1959*, the Secretary to the Treasury has nominated a senior executive service officer from within the Treasury to attend meetings of the Reserve Bank Board at which the Secretary is not present.

- Under the following legislation, the Secretary to the Treasury has delegated to nominated Treasury officials certain of his responsibilities and decision-making powers as an employer: *Public Service Act 1999*; *Public Service Regulations 1999*; *Public Service Classification Rules 2000*; *Public Service Commissioner's Directions 1999*; *Long Service Leave (Commonwealth Employees) Act 1976*; *Maternity Leave (Commonwealth Employees) Act 1973*; and *Safety, Rehabilitation and Compensation Act 1988*.

## Arrangements for outside participation

People or organisations outside the Australian Government administration may participate in forming policy or administering enactments and schemes for which the Treasury is responsible. They can do this by writing to Treasury portfolio ministers, the Secretary to the Treasury, or agencies in the Treasury portfolio. In addition, the Treasury website includes details of current public consultations, reviews and inquiries, with details on how to make submissions.

### Consultation arrangements

Community consultation enables the Treasury to be better informed when providing advice to the government.

As part of the Business Liaison Program, Treasury officers conduct regular discussions with companies and organisations to monitor, analyse and report on economic conditions and prospects. The Treasury also engages in consultation to inform the development and implementation of specific policy proposals, including a comprehensive consultation program on substantive tax and superannuation policy proposals. By being fully informed of the effects of specific proposals, the Treasury can better advise the government on how to best meet its objectives and minimise any unintended consequences.

The Treasury takes a number of different approaches to liaison and consultation, depending on time available or commercial and other sensitivities surrounding an issue.

Following implementation of the Tax Design Review Panel recommendations, the Treasury generally conducts public consultation on proposed tax changes at both the policy design and legislative design stages. The default minimum period for consultation is four weeks, although on occasions this may be reduced, for example, where introducing the legislation is the priority. Consultation summaries are posted on the Treasury website when new legislation is introduced into Parliament. These summaries provide feedback to consultation participants on the key issues raised in consultation; changes made as a result of consultation; and where, possible, why certain suggestions were not adopted. Consultation summaries also invite feedback on the consultation process to provide information for the Treasury to continuously improve its consultation practices and arrangements.

The Tax Design Review Panel also recommended consultation on tax changes should generally occur at the initial policy design stage. In particular, it recommended the Treasury

engage private sector experts to provide advice on policy design. To support implementing the recommendation, in the 2009-10 Budget, the Government provided the Treasury with \$1.8 million over three years to support the engagement of private sector experts. On 26 May 2009, the Treasury initiated a tender process to establish a Tax Design Advisory Panel. Tenders closed on 22 June 2009 and were being evaluated as at 30 June 2009.

The Tax Design Review Panel recognised that, from time to time, conflicts will arise between the needs of consultation and drafting of measures for introduction, particularly in integrity and budget measures. Budget tax measures generally remain confidential until their announcement, with consultation following the announcement.

To facilitate consultation, proposed consultation arrangements for tax measures are set out in the Government's forward work program for tax measures, consistent with the Tax Design Review Panel's recommendation. The forward work program also indicates which measures are proposed for introduction in the next sittings of Parliament. The Government released its first forward work program in February 2009 and updated it in June 2009. It will be updated several times each year.

Additionally, the following arrangements allow bodies outside the Australian Government administration to participate in advising on policy and administering enactments or schemes.

#### Australian Office of Financial Management Advisory Board

The Australian Office of Financial Management (AOFM) Advisory Board, a non-statutory advisory body established by the Secretary to the Treasury in December 2000, advises on the activities of the AOFM. The board comprises seven members: the Secretary to the Treasury, the AOFM Chief Executive Officer, a senior Treasury official, a senior officer of the Department of Finance and Deregulation and three experts drawn from the financial sector. The outside appointments are for three years and members may be reappointed.

The AOFM Advisory Board is accountable to the Secretary to the Treasury who is the Chair of the Board. The board performs an advisory role and does not possess executive powers or decision-making authority in its own right. The board provides general counsel and guidance to the Secretary to the Treasury on all aspects of operational debt policy matters and AOFM performance generally. It reviews the financial statements, legislative and policy compliance, and management recommendations on matters requiring ministerial approval.

#### Board of Taxation

The Board of Taxation, a non-statutory advisory body established in August 2000, advises on the design and operation of Australia's tax laws, ensuring full and effective community consultation in designing and implementing tax legislation.



The board comprises ten members; seven are drawn from the business and community sectors, including the Chair. These members are appointed on a part-time basis and with a view to their ability personally to contribute a broad range of relevant business, practitioner and broader community knowledge and experience to developing the tax system. The appointments are for up to three years and members may be reappointed. The Secretary to the Treasury, the Commissioner of Taxation and the First Parliamentary Counsel serve as ex-officio members.

The Board of Taxation provides advice to the Treasurer on:

- the quality and effectiveness of tax legislation and processes for its development, including community consultation and tax design;
- improvements to the general integrity and functioning of the tax system;
- research and other studies it commissions on topics approved or referred to it by the Treasurer; and
- other tax matters referred to it by the Treasurer.

The Treasury provides secretariat support to the Board.

#### Commonwealth Consumer Affairs Advisory Council

The Commonwealth Consumer Affairs Advisory Council is a non-statutory, expert advisory body established in May 1999. Its primary role is to provide the relevant minister with independent advice on consumer affairs matters.

Members of the Commonwealth Consumer Affairs Advisory Council are appointed by the Minister and come from a range of industries and backgrounds. All serve as individuals, rather than as representatives of organisations.

The Commonwealth Consumer Affairs Advisory Council meets regularly to identify and advise on new and emerging consumer issues and investigate, advise and report on consumer issues referred to the council by the Minister for Competition and Consumer Affairs. The council is currently undertaking a review of statutory implied conditions and warranties, and is required to provide a report to the Minister by 30 October 2009.

#### Corporations and Markets Advisory Committee

The Corporations and Markets Advisory Committee is a body corporate established under Part 9 of the *Australian Securities and Investments Commission Act 2001* (ASIC Act).

The Corporations and Markets Advisory Committee comprises part-time members appointed by the Treasurer. Members are selected from throughout Australia on the basis of their knowledge of, or experience in business, company administration, financial markets, law, economics or accounting. The chairman of ASIC is an ex-officio member of the Advisory Committee by the operation of section 147 of the ASIC Act.

The committee, on its own initiative or when requested by the minister, provides advice and recommends on such matters connected with:

- a proposal to make or amend corporations legislation (except excluded provisions);
- the operation or administration of the corporations legislation (except excluded provisions);
- law reform on corporations legislation (except excluded provisions);
- companies or a segment of the financial products and financial services industry; and
- a proposal to improve the efficiency of financial markets.

In fulfilling these functions, the committee seeks to stimulate and lead public debate to enhance the standards for corporations and participants in financial markets, and propose suitable regulatory reform when necessary.

The committee is assisted by its legal subcommittee.

#### Financial Sector Advisory Council

The Financial Sector Advisory Council is a non-statutory body established in April 1998 as part of the Government's response to the Financial System Inquiry. The council provides advice to the Government on policies to facilitate the growth of a strong and competitive financial system. The Treasurer appoints members in their personal capacity for two years, subject to their continued involvement in the relevant area of the financial sector.

Financial Sector Advisory Council submissions and recommendations to Treasury portfolio ministers are confidential.

The Treasury provides secretariat support.

#### Foreign Investment Review Board

The Foreign Investment Review Board is a non-statutory body that advises the Government on foreign investment policy and its administration. The Board comprises four members; three, including the Chair, are drawn from the business and community sectors. These members are appointed on a part-time basis. The General Manager of the Foreign Investment and Trade Policy Division also serves on the Board as an Executive Member. The Board:

- examines proposals by foreign interests for acquisitions and new investment projects in Australia and, against the background of the Government's foreign investment policy, makes recommendations to the Treasurer on those proposals;
  - advises the Government on foreign investment matters generally;
  - fosters an awareness and understanding, both in Australia and abroad, of the Government's foreign investment policy;

- provides guidance, where necessary, to foreign investors so their proposals conform with the policy; and
- monitors and ensures compliance with foreign investment policy.

The Board's functions are advisory only. Responsibility for the Government's foreign investment policy and for making decisions on proposals rests with the Treasurer.

### **Categories of documents held by the Treasury**

The Treasury holds correspondence, analysis and policy advice by Treasury officers, comments on Cabinet submissions and drafts of these and other documents. Every six months the Treasury posts an indexed list of its policy file titles at [www.treasury.gov.au](http://www.treasury.gov.au).

The Treasury holds representations made to Treasury portfolio ministers on matters falling within their portfolio responsibilities, including:

- economic, fiscal and monetary policy;
- international economic conditions;
- Commonwealth-State financial relations;
- tax and excise;
- superannuation;
- microeconomic reform;
- competition policy;
- consumer affairs;
- corporate regulation;
- financial sector policy and regulation;
- foreign investment in Australia and free trade agreements; and
- activities of portfolio agencies.

The Treasury holds files dealing with policy and administration in areas falling within the responsibilities of the Treasury portfolio detailed in the annual report.

### **Documents on internal departmental administration**

The Treasury documents relating to staff, the organisation and operations include personal records, organisation and staffing records, financial and expenditure records, and internal operations, such as office procedures and instructions.

The Treasury holds documents relating to grants that the Government provides to other levels of government and to certain organisations under the programs it administers.

A detailed listing of the Treasury's documents published during the year and available on request (publications, papers and annual reports) is available at [www.treasury.gov.au](http://www.treasury.gov.au).

### Facilities for access to documents

If a member of the public requests a document and the Treasury approves access, the Treasury will provide copies of documents after the applicant pays any charges.

Alternatively, applicants may arrange to inspect documents at the Treasury, Langton Crescent, Parkes, ACT between 9.00 am and 5.00 pm, Monday to Friday (except on public and public service holidays).

### Freedom of information applications and initial contact points

The Executive and Parliamentary Division coordinates requests under the *Freedom of Information Act 1982*. Applicants seeking access under the Act to the Treasury's documents should apply in writing to:

The Secretary  
The Treasury  
Langton Crescent  
PARKES ACT 2600  
Attention: Freedom of Information

An application fee of \$30 or a written request, pursuant to subsection 30A(1) of the Act, that the application fee be waived should accompany requests. Telephone inquiries should be directed to the Freedom of Information Coordinator, telephone 02 6263 2111, between 9.00 am and 5.00 pm Monday to Friday (except on public or public service holidays).

Under section 23 of the *Freedom of Information Act 1982*, Treasury senior executive service officers can grant or refuse requests for access to documents. In accordance with section 54 of the Act, an applicant may, within 30 days of receiving notification of a decision under the Act, apply to the Secretary, seeking an internal review of a decision to refuse a request. The prescribed fee of \$40 should accompany the application. Executive Directors are authorised under section 23 to consider and make decisions on applications for internal review.

### Freedom of information activity

In 2008-09, the Treasury and the Treasurer received 66 requests for access to documents under the *Freedom of Information Act 1982*, compared with 62 requests in the previous year. Further details are set out in Table 11 on the following page.

Table 11: Freedom of information statistics for 2008-09

Description	Number
<b>Requests received</b>	
On hand at 1 July 2008	17
Received	66
<b>Breakdown across the Treasury</b>	
Treasurer	3
Assistant Treasurer	2
Executive	0
Macroeconomic Group	15
Fiscal Group	14
Revenue Group	16
Markets Group	12
Corporate Services Group	2
Executive and Parliamentary Division	2
<b>Action on requests</b>	
Access in full	8
Access in part	22
Access refused or no documents located	7
Transferred in whole	3
Withdrawn/lapsed	25
Current as at 30 June 2009	13
<b>Internal review</b>	
Applications	3
<b>Review by Administrative Appeals Tribunal</b>	
Outstanding at 1 July 2008	1
New applications	1
Withdrawn	2
<b>Fees and charges</b>	
Total application fees collected	\$1,820.00
Total charges collected	\$14,346.00
Total application fees and charges collected	\$16,166.00

Note: A new request does not include an internal review or an appeal to the Administrative Appeals Tribunal. Section 16 of the *Freedom of Information Act 1982* provides that, as far as possible, the most appropriate agency will deal with a freedom of information request, regardless of which agency receives it. Details relating to reviews by the Administrative Appeals Tribunal are provided in Part 3, Internal and External Scrutiny.

## Australian Competition Tribunal

The tribunal is an agency within the Treasury portfolio. As it does not publish an annual report; its section 8 statement follows.

### Establishment

The tribunal was established under the *Trade Practices Act 1965* and continues under the *Trade Practices Act 1974*.

### Organisation

The tribunal consists of a president and such number of deputy presidents and other members as the Governor-General appoints. All presidential members must be judges of the Federal Court of Australia. Other members must have knowledge of, or experience in, industry, commerce, economics, law or public administration. For the purposes of hearing and determining proceedings, the tribunal is constituted by a presidential member and two non-presidential members.

The Federal Court of Australia manages the tribunal's funds and provides registry services and administrative support. The registry receives documents, arranges tribunal sittings and undertakes general administration.

### Functions and powers

The tribunal is mainly a review body that re-hears or reconsiders matters. It may perform all the functions and exercise all the powers of the original decision-maker to affirm, set aside or vary the original decision.

The tribunal hears applications for review of determinations of the ACCC, granting or revoking authorisations that permit conduct and arrangements that otherwise would be prohibited under the Trade Practices Act because of their anti-competitive effect. The tribunal also hears applications for authorisation of company mergers and acquisitions which would otherwise be prohibited under the Trade Practices Act.

In addition, the tribunal hears applications for review of certain decisions on access matters under the Trade Practices Act's regime to facilitate third party access to the services of certain essential facilities of national significance. The tribunal also hears applications for review of the ACCC's exclusive dealing determinations and certain decisions under the Trade Practices Act's regime for non-conference ocean carriers.

## Arrangements for outside participation

Tribunal review proceedings, except under special circumstances, are public.

When a new review application is made to the tribunal, the tribunal ascertains who made submissions to, or registered their interest with the ACCC or the National Competition Council on the decision. The tribunal directs the applicant to serve the application on each interested party. At the same time, these parties are advised when the application will first come before the tribunal, and whether they have leave to intervene in the proceedings.

The tribunal may permit a person to intervene in the proceedings before it. Participants may appear on their own behalf or represent a firm or association, subject to the tribunal's approval, or, be represented by a barrister or solicitor.

## Categories of documents the tribunal holds

The tribunal maintains the following categories of documents:

- documents lodged with the registrar on particular proceedings, including applications, notices of appearance, statements of facts and contentions, and witness statements;
- correspondence concerning particular tribunal proceedings;
- tribunal decisions and reasoning;
- reports on tribunal inquiries into shipping matters;
- register of applications made to the tribunal;
- documents concerning administrative and financial aspects of the tribunal's operations; and
- general correspondence.

The public may inspect the following categories of documents free of charge:

- documents lodged with the registrar in respect to particular proceedings (except where the Act or the tribunal restricts public access on the ground of confidentiality);
- tribunal decisions and reasoning;
- reports on tribunal inquiries into shipping matters; and
- register of applications made to the tribunal.

The public can obtain copies of the above four categories of documents after paying the fees set out in the Trade Practices Regulations.

### Facilities for access to documents

Facilities are provided to access documents from 9.00 am to 4.00 pm, Monday to Friday (except on public and public service holidays).

If an applicant does not live in Sydney, alternative arrangements could reduce the inconvenience to the applicant.

### Freedom of information applications and initial contact points

General inquiries relating to freedom of information should be directed to:

Registrar  
Australian Competition Tribunal  
Level 16  
Law Courts Building  
Queens Square  
SYDNEY NSW 2000

Telephone: 02 9230 8567  
Facsimile: 02 9230 8535  
DX: 613 — Sydney

The Registrar of the Tribunal, as principal officer, can deny access to a document under the *Freedom of Information Act 1982*.

### Freedom of information activity

The tribunal did not receive any requests for access to documents under the *Freedom of Information Act 1982* in 2008-09.



## ADVERTISING AND MARKET RESEARCH

The Treasury undertook the following advertising and marketing research in 2008-09.

**Table 12: Advertising and market research expenditure for 2008-09**

Vendor	Purpose	Cost (\$)
HMA Blaze	Recruitment advertising — general vacancies	202,675
HMA Blaze	Recruitment advertising — graduate recruitment	14,697
Graduate Careers Council	Recruitment advertising — graduate recruitment	11,880
HMA Blaze	Media Releases — Australia's Future Tax System Review	36,092
HMA Blaze	Promotional material — SBR — international conference	19,869
HMA Blaze	Public consultation — Australia's Future Tax System Review	50,673
Total		335,886

Note: These figures include GST. Projects totaling less than \$10,900 are not included in this table.

## ECOLOGICALLY SUSTAINABLE DEVELOPMENT

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The Treasury continues to develop and incorporate strategies to improve its overall environmental performance. It participates in various government environmental forums and reviews information on property, building and environmental management through its membership of property and building industry groups.

During the year, the Treasury developed a Green Improvement Agreement in collaboration with the building owner. The agreement reflects a desire to improve and be accountable for energy efficiency and other elements of environmental sustainability in the Treasury Building. Under the agreement, the Treasury Building Management Committee is seeking to progressively raise the Australian Building Greenhouse Rating of tenancies in the building. Energy initiatives already instituted under the agreement include participating in Earth Hour 2008 and installing improved electricity metering devices to better manage consumption.

### Energy management

The general office lighting system interfaces with building management systems, and lighting is programmed to operate only during normal working hours. The after hours lighting system has manually operated switches which run for two hours. Additionally, infrared motion detection devices control lighting in areas not in constant use, such as conference and meeting rooms. Other initiatives, including installing more energy efficient plant and equipment, are being considered.

### Recycling

The Treasury recycles paper and cardboard products, which a local recycling firm collects. Paper recycling containers are available at staff workstations, adjacent to printers and in utility rooms. Classified waste paper is pulped and paper hand towels are recycled. Bins and compost waste containers are provided in staff kitchens for separate recyclable items and organic waste.

During 2008-09, the Treasury recycled 2,886 kilograms of compostable waste; 196.6 cubic metres of used paper hand towels and shredded paper; and 130 cubic metres of co-mingled glass, plastics and cans from staff kitchens.

The Treasury also participates in the recycling of toner cartridges, fluorescent tubes and batteries and helps staff recycle old mobile phones, donating them to charity.

## Water

Tenancies in the Treasury Building are not metered separately for water consumption. The landlord has installed flow restrictors on taps and dual flush toilets throughout the Treasury's tenancy, and the Treasury Building Management Committee is investigating other water savings initiatives.

## GRANTS

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In 2008-09, the Treasury awarded the following grants:

- Australian Legal Information Institute: contribution of \$2,500 in support of the Australian Legal Information Institute's expanding legal and research facilities;
- Australian National University: contribution of \$5,500 towards the 2008 Sovereign Wealth Funds conference in Sydney;
- Australian National University: contribution of \$11,000 towards a workshop on behavioural macroeconomics in Sydney;
- Responsible Investment Association Australia: contribution of \$1,000,000 to assist in establishing the Responsible Investment Association Australia to deliver education and training programs to members of the investment community on how to assess the environmental, social and governance considerations of investment opportunities;
- St James Ethics Centre: contribution of \$750,000 to assist companies in implementing responsible business practices; and
- Queensland Government — Office of Fair Trading: contribution of \$5,500 towards the 2008 National Toy Safety Summit in Brisbane.

Information on grants awarded by the Treasury since 1 January 2009 is available at [www.treasury.gov.au](http://www.treasury.gov.au).

## LEGAL SERVICES EXPENDITURE

The Treasury required the following legal services in 2008-09. Publication of this information complies with paragraph 11.1(ba) of the *Legal Services Directions 2005*.

**Table 13: Legal services expenditure for 2008-09**

	No.	\$
Total external legal services expenditure including disbursements		4,081,854
External expenditure on solicitors		3,935,053
External expenditure on counsel		146,801
Number of female counsel briefed	3	
Value of briefs to female counsel		11,244
Number of male counsel briefed	9	
Value of briefs to male counsel		135,557
Total internal legal services expenditure including disbursements		431,119
Total legal services expenditure including disbursements		4,512,973

Note: These figures represent accrued expenditure figures for legal services provided in 2008-09. All amounts include GST. Numbers of counsel briefed relate to new briefs delivered to counsel in 2008-09. Values of briefs include all fees and disbursements for new briefs delivered to counsel in this period and ongoing briefs delivered to counsel before this period.

## RESOURCE TABLES

Table 14: Summary resource statement

	Actual available appropriation 2008-09 \$'000 (a)	Payments made 2008-09 \$'000 (b)	Balance remaining \$'000 (a-b)
<b>Ordinary annual services</b>			
<b>Departmental appropriation</b>			
Departmental appropriation	145,931	143,052	2,879
S.31 relevant agency receipts	11,936	11,936	-
<b>Total departmental</b>	<b>157,867</b>	<b>154,988</b>	<b>2,879</b>
<b>Administered expenses</b>			
Outcome 4	5,000	57	n/a
<b>Total administered expenses</b>	<b>5,000</b>	<b>57</b>	<b>n/a</b>
<b>Total ordinary annual services</b>	<b>162,867</b>	<b>155,045</b>	<b>n/a</b>
<b>Other services</b>			
<b>Administered expenses</b>			
<b>Payments to States, ACT, NT and local government</b>			
Outcome 2	613,850	613,850	n/a
Outcome 4	1,918	1,918	n/a
<b>Total</b>	<b>615,768</b>	<b>615,768</b>	<b>n/a</b>
<b>Departmental non-operating</b>			
Equity injections	21,304	21,304	-
Previous years' outputs	949	949	-
<b>Total</b>	<b>22,253</b>	<b>22,253</b>	<b>-</b>
<b>Administered non-operating</b>			
Administered assets and liabilities			
Outcome 2	83,840	63,554	n/a
<b>Total</b>	<b>83,840</b>	<b>63,554</b>	<b>n/a</b>
<b>Total other services</b>	<b>721,861</b>	<b>701,575</b>	<b>n/a</b>
<b>Total available annual appropriations</b>	<b>884,728</b>	<b>856,620</b>	<b>n/a</b>
<b>Special appropriations</b>			
<i>Federal Financial Relations Act 2009</i>	3,181,600	3,162,950	n/a
<i>International Monetary Agreements Act 1947</i>	433,711	17,543	n/a
<i>A New Tax System (Commonwealth- State Financial Arrangements) Act 1999</i>	41,450,756	40,996,912	n/a
<b>Total special appropriations</b>	<b>45,066,067</b>	<b>44,177,405</b>	<b>n/a</b>
<b>Total appropriations excluding special accounts</b>	<b>45,950,795</b>	<b>45,034,025</b>	<b>n/a</b>

Table 14: Summary resource statement (continued)

	Actual available appropriation 2008-09 \$'000	Payments made 2008-09 \$'000	Balance remaining \$'000
	(a)	(b)	(a-b)
<b>Special accounts</b>			
Appropriation receipts	7,988,356	7,988,356	n/a
Non-appropriation receipts to special accounts	1,547	1,547	n/a
<b>Total special account</b>	<b>7,989,903</b>	<b>7,989,903</b>	<b>n/a</b>
<b>Total resourcing and payments</b>	<b>53,940,698</b>	<b>53,023,928</b>	<b>n/a</b>
Less receipts from other sources credited to special accounts	1,547	1,547	n/a
<b>Total resourcing and payments for the Treasury</b>	<b>53,939,151</b>	<b>53,022,381</b>	<b>n/a</b>

Table 15: Outcome 1 — Sound macroeconomic environment

	Budget expenses 2008-09 \$'000 (a)	Actual expenses 2008-09 \$'000 (b)	Variation \$'000 (a-b)
<b>Output Group 1.1: Macroeconomic Group</b>			
Administered items:			
Subscriptions to international financial institutions	3,151	3,150	1
Special appropriations:			
<i>International Monetary Agreements Act 1947</i>	433,711	14,265	419,446
Departmental Outputs:			
Output 1.1.1 Domestic economic advice and forecasting	10,712	9,929	783
Output 1.1.2 International economic policy advice and assessment	24,361	22,842	1,519
<b>Total Output Group 1.1</b>	<b>471,935</b>	<b>50,186</b>	<b>421,749</b>
<b>Outcome 1</b>			
Departmental	35,073	32,771	2,302
Administered	436,862	17,415	419,447
<b>Total Outcome 1</b>	<b>471,935</b>	<b>50,186</b>	<b>421,749</b>
<b>Average staffing level (number)</b>	<b>195</b>	<b>169</b>	<b>26</b>

Table 16: Outcome 2 — Effective government spending arrangements

	Budget expenses 2008-09 \$'000 (a)	Actual expenses 2008-09 \$'000 (b)	Variation \$'000 (a-b)
<b>Output Group 2.1: Fiscal Group</b>			
Administered items:			
Crude oil excise condensate	3,516	3,516	-
Special Appropriations:			
<i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i>	41,450,756	41,189,398	261,358
First Home Owners Boost - <i>Appropriation (Economic Security Strategy) Act (No. 2) 2008-09</i>	610,334	610,334	-
<i>Federal Financial Relation Act 2009</i>	3,181,600	3,162,950	18,650
Special accounts:			
COAG Reform Fund Special Account	7,936,847	8,668,557	(731,710)
Departmental Outputs:			
Output 2.1.1 Budget policy advice and coordination	4,815	4,578	237
Output 2.1.2 Commonwealth-State financial policy advice	3,762	3,568	194
Output 2.1.3 Industry, environment and defence policy advice	9,719	9,410	309
Output 2.1.4 Social and income support policy advice	6,646	6,566	80
<b>Total Output Group 2.1</b>	<u>53,207,995</u>	<u>53,658,877</u>	<u>(450,882)</u>
<b>Outcome 2</b>			
Departmental	24,942	24,122	820
Administered	<u>53,183,053</u>	<u>53,634,755</u>	<u>(451,702)</u>
<b>Total Outcome 2</b>	<u>53,207,995</u>	<u>53,658,877</u>	<u>(450,882)</u>
<b>Average staffing level (number)</b>	157	158	(1)



**Table 17: Outcome 3 — Effective taxation and retirement income arrangements**

	Budget expenses 2008-09 \$'000 (a)	Actual expenses 2008-09 \$'000 (b)	Variation \$'000 (a-b)
<b>Output Group 3.1: Revenue Group</b>			
Departmental Outputs:			
Output 3.1.1 Taxation policy and legislation advice	36,699	38,279	(1,580)
Output 3.1.2 Retirement income and saving policy and legislation advice	8,390	7,721	669
<b>Total Output Group 3.1</b>	<b>45,089</b>	<b>46,000</b>	<b>(911)</b>
<b>Outcome 3</b>			
Departmental	45,089	46,000	(911)
Administered	-	-	-
<b>Total Outcome 3</b>	<b>45,089</b>	<b>46,000</b>	<b>(911)</b>
<b>Average staffing level (number)</b>	<b>310</b>	<b>311</b>	<b>(1)</b>

**Table 18: Outcome 4 — Well functioning markets**

	Budget expenses 2008-09 \$'000 (a)	Actual expenses 2008-09 \$'000 (b)	Variation \$'000 (a-b)
<b>Output Group 4.1: Markets Group</b>			
Administered items:			
HIH Claims Support Scheme	-	-	-
Housing Loan Insurance Company Limited - payment in respect of insurance claims	1,000	57	943
Standard Business Reporting — payments to State Revenue Offices	1,918	1,918	-
Departmental Outputs:			
Output 4.1.1 Foreign investment and trade policy advice and administration	6,193	5,995	198
Output 4.1.2 Financial system and corporate governance policy advice	28,680	28,571	109
Output 4.1.3 Competition and consumer policy advice	21,122	23,249	(2,127)
Output 4.1.4 Actuarial services	1,600	1,488	112
<b>Total Output Group 4.1</b>	<b>60,513</b>	<b>61,278</b>	<b>(765)</b>
<b>Outcome 4</b>			
Departmental	57,595	59,303	(1,708)
Administered	2,918	1,975	943
<b>Total Outcome 4</b>	<b>60,513</b>	<b>61,278</b>	<b>(765)</b>
<b>Average staffing level (number)</b>	<b>270</b>	<b>271</b>	<b>(1)</b>

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## ABBREVIATIONS AND ACRONYMS

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AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ADB	Asian Development Bank
ANAO	Australian National Audit Office
AOFM	Australian Office of Financial Management
APEC	Asia-Pacific Economic Cooperation
APRA	Australian Prudential Regulation Authority
APS	Australian Public Service
ARPC	Australian Reinsurance Pool Corporation
ASEAN	Association of Southeast Asian Nations
ASIC	Australian Securities and Investments Commission
AS/NZS	Australian/New Zealand Standard
ATO	Australian Taxation Office
AusAID	Australian Agency for International Development
AWA	Australian Workplace Agreement
CBA	Commonwealth Bank of Australia
CBOSC	Commonwealth Bank Officers' Superannuation Corporation
COAG	Council of Australian Governments
CSS	Commonwealth Superannuation Scheme
EBRD	European Bank for Reconstruction and Development
EL	Executive level
FCA	Family Court of Australia
FIFA	Fédération Internationale de Football Association
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FMO	Finance Minister's Orders
GRA	General revenue assistance
GST	Goods and services tax
HCS	HIH Claims Support
HLIC	Housing Loans Insurance Corporation
IBRD	International Bank for Reconstruction and Development
ICP	Insurance Core Principle
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IT	Information technology
KPMG	Klynveld Peat Marwick Goerdeler

MIGA	Multilateral Investment Guarantee Agency
MYEFO	Mid-Year Economic and Fiscal Outlook
NAIDOC	National Aborigines and Islanders Day Observance Committee
NP	National Partnerships
NSW	New South Wales
NZ	New Zealand
OECD	Organisation for Economic Co-operation and Development
OPA	Official Public Account
PAYG	Pay-as-you-go
PRGF	Poverty Reduction and Growth Facility
PRINCE 2	Projects in Controlled Environments
PSS	Public Sector Superannuation Scheme
PSSap	Public Sector Superannuation accumulation plan
RBA	Reserve Bank of Australia
SBR	Standard Business Reporting
SDR	Special Drawing Rights
SES	Senior executive service
SPP	Specific Purpose Payment
TOFA	Taxation of Financial Arrangements
UEFO	Updated Economic and Fiscal Outlook
US	United States

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