PART **FOUR**

FINANCIAL STATEMENTS

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of the Treasury for the year ended 30 June 2013, which comprise: a Statement by the Departmental Secretary and Chief Finance Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Schedule of Administered Cash Flows; Schedule of Administered Commitments; Schedule of Administered Contingencies and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

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opinion on the effectiveness of the department's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive of the Department of the Treasury, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Department of the Treasury:

(a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997,* including the Australian Accounting Standards; and

(b) give a true and fair view of the matters required by the Finance Minister's Orders including the Department of the Treasury's financial position as at 30 June 2013 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

Note 29 "Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund" of the financial statements discloses information on the Department of the Treasury's review of its exposure to risks of not complying with statutory conditions for payments from appropriations. Non-compliance with statutory conditions may lead to a contravention of section 83 of the Constitution, which requires that no money shall be drawn from the Treasury of the Commonwealth except under an appropriation made by law.

As disclosed in Note 29, legal advice confirmed that three groups of payments totalling $4.3 million reported in the 2011–12 financial statements breached section 83 of the Constitution.

Note 29 also discloses that the Department of the Treasury is aware there is a risk of a breach of section 83 of the Constitution where payments made to State and Territory Governments from the COAG Reform Fund Special Account do not accord with terms and conditions of specific National Partnership Agreements. The Department of the Treasury has indicated that it will continue to review circumstances that may result in a breach and, if necessary, will investigate legal remedies to ensure payments made in good faith do not result in breaches of section 83 of the Constitution.

Further, as disclosed in Note 29, the Department of the Treasury has indicated it will continue to review its processes around payments made from annual appropriations for long service leave, goods and services tax and for payments made under determinations of the Remuneration Tribunal.

Australian National Audit Office

Ian McPhee

Auditor-General

Canberra

3 October 2013

THE TREASURY

Statement by the Departmental Secretary and Chief Finance Officer

Certification of financial statements

In our opinion, the attached financial statements for the year ended 30 June 2013 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Martin Parkinson PSM
Secretary to the Treasury

Matthew King
Chief Finance Officer

Statement of comprehensive income

for the period ended 30 June 2013

	Notes	2013 $'000	2012 $'000
EXPENSES			
Employee benefits	3A	**122,724**	135,386
Supplier expenses	3B	**38,135**	39,663
Grants	3C	**23,352**	4,109
Depreciation and amortisation	3D	**13,733**	13,418
Finance costs	3E	**1**	17
Write-down and impairment of assets	3F	**230**	245
Losses from asset sales	3G	**24**	-
TOTAL EXPENSES		**198,199**	192,838
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	**9,946**	8,333
Other revenues	4B	**565**	868
Total own-source revenue		**10,511**	9,201
Gains			
Sale of assets	4C	**-**	4
Other gains	4D	**2,420**	526
Total gains		**2,420**	530
TOTAL OWN-SOURCE INCOME		**12,931**	9,731
Net cost of services		**185,268**	183,107
Revenue from Government	4E	**174,569**	158,119
Surplus / (Deficit)		**(10,699)**	(24,988)
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation reserves		**-**	(60)
Total other comprehensive income		**-**	(60)
TOTAL COMPREHENSIVE INCOME / (LOSS)		**(10,699)**	(25,048)

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

Balance sheet

as at 30 June 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	**1,223**	1,108
Trade and other receivables	5B	**61,996**	55,141
Total financial assets		**63,219**	56,249
Non-Financial Assets			
Land and buildings	6A	**6,815**	7,028
Plant and equipment	6B	**11,906**	12,927
Intangibles[1]	6C	**6,260**	25,711
Other non-financial assets	6D	**2,665**	2,502
Total non-financial assets		**27,646**	48,168
TOTAL ASSETS		**90,865**	104,417
LIABILITIES			
Payables			
Suppliers	7A	**2,516**	311
Other payables	7B	**8,499**	7,278
Total payables		**11,015**	7,589
Provisions			
Employee provisions	8A	**42,825**	41,876
Total provisions		**42,825**	41,876
TOTAL LIABILITIES		**53,840**	49,465
NET ASSETS		**37,025**	54,952
EQUITY			
Asset revaluation reserve		**5,186**	5,186
Contributed equity		**40,731**	47,959
Retained surplus		**(8,892)**	1,807
TOTAL EQUITY		**37,025**	54,952

1. The decrease in intangible non-financial assets is the result of the transfer of the Standard Business Reporting (SBR) software to the Australian Taxation Office (ATO) due to restructuring of administrative arrangements on 11 April 2013. Further details are described in Note 9: Restructuring.

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

Statement of changes in equity

for the period ended 30 June 2013

	Retained earnings		Asset revaluation reserves		Contributed equity		Total equity	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Opening balance as at 1 July	**1,807**	26,795	**5,186**	5,246	**47,959**	46,621	**54,952**	78,662
Comprehensive income								
Other comprehensive income	**-**	-	**-**	(60)	**-**	-	**-**	(60)
Surplus (Deficit) for the period	**(10,699)**	(24,988)	**-**	-	**-**	-	**(10,699)**	(24,988)
Total comprehensive income	**(10,699)**	(24,988)	**-**	(60)	**-**	-	**(10,699)**	(25,048)
Transactions with owners								
Distribution to owners								
Return of capital:								
Other - prior year appropriation returned	**-**	-	**-**	-	**-**	(5,730)	**-**	(5,730)
Contributions by owners								
Equity injection appropriation	**-**	-	**-**	-	**1,839**	583	**1,839**	583
Departmental capital budget appropriation	**-**	-	**-**	-	**5,218**	6,485	**5,218**	6,485
Restructuring[2]	**-**	-	**-**	-	**(14,285)**	-	**(14,285)**	-
Total transactions with owners	**-**	-	**-**	-	**(7,228)**	1,338	**(7,228)**	1,338
Closing balance as at 30 June	**(8,892)**	1,807	**5,186**	5,186	**40,731**	47,959	**37,025**	54,952

1. The Treasury returned $5.73m in unspent prior year appropriation in 2011-12. The amount related to funding for the Standard Business Reporting software development and the wind up of the Financial Reporting Panel. This figure is also disclosed in Note 28A.
2. The Standard Business Reporting (SBR) function was relinquished to the Australian Taxation Office (ATO) during 2013 due to restructuring of administrative arrangements on 11 April 2013.

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

Cash flow statement

for the period ended 30 June 2013

	Notes	2013 $'000	2012 $'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		**183,184**	188,594
Goods and services		**9,998**	12,195
Net GST received from ATO		**3,960**	2,982
Other		**592**	1,301
Total cash received		**197,734**	205,072
Cash used			
Employees		**121,763**	132,955
Suppliers		**36,046**	48,098
Grants		**23,352**	4,109
Financing costs		**1**	17
Section 31 receipts transferred to OPA		**16,081**	14,149
Other		**5**	2
Total cash used		**197,248**	199,330
Net cash from (used by) operating activities	10	**486**	5,742
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of plant and equipment		**21**	9
Total cash received		**21**	9
Cash used			
Purchase of land and buildings		**2,278**	26
Purchase of plant and equipment		**2,675**	11,431
Purchase of intangibles		**2,288**	1,329
Total cash used		**7,241**	12,786
Net cash from (used by) investing activities		**(7,220)**	(12,777)
FINANCING ACTIVITIES			
Cash received			
Contributed equity - departmental capital budget		**5,218**	6,724
Contributed equity - equity injections		**1,631**	583
Total cash received		**6,849**	7,307
Net cash from (used by) financing activities		**6,849**	7,307
Net increase (decrease) in cash held		**115**	272
Cash at the beginning of the reporting period		**1,108**	836
Cash at the end of the reporting period	5A	**1,223**	1,108

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

Schedule of commitments

as at 30 June 2013

	2013 $'000	2012 $'000
BY TYPE		
Commitments payable		
Capital commitments		
Land and buildings[1]	**248**	1,057
Plant and equipment[2]	**-**	588
Intangibles[3]	**716**	108
Total capital commitments	**964**	1,753
Other commitments		
Operating leases[4]	**20,392**	29,489
Other[5]	**9,194**	11,859
Total other commitments	**29,586**	41,348
Total commitments payable	**30,550**	43,101
Commitments receivable		
GST receivable[6]	**(2,581)**	(3,700)
Total commitments receivable	**(2,581)**	(3,700)
NET COMMITMENTS BY TYPE	**27,969**	39,401
BY MATURITY		
Commitments payable		
Capital commitments		
One year or less	**964**	1,744
From one to five years	**-**	9
Total capital commitments	**964**	1,753
Operating lease commitments		
One year or less	**7,259**	8,528
From one to five years	**13,034**	20,961
Over five years	**99**	-
Total operating lease commitments	**20,392**	29,489
Other commitments		
One year or less	**3,957**	8,359
From one to five years	**5,237**	3,500
Total other commitments	**9,194**	11,859
Total commitments payable	**30,550**	43,101
Commitments receivable		
One year or less	**(1,082)**	(1,585)
From one to five years	**(1,499)**	(2,115)
Total commitments receivable	**(2,581)**	(3,700)
NET COMMITMENTS BY MATURITY	**27,969**	39,401

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

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

Schedule of commitments

as at 30 June 2013

Operating leases included are effectively non cancellable and comprise of:

Nature of lease	General description of leasing arrangement
Leases for accommodation	Commercial — leases comprise of various periods, including both initial and options periods. Overseas estate — some commercial lease payments are adjusted annually by two per cent and residential lease payments are reviewed bi annually to reflect market movements. The initial periods of office accommodation leases are still current and each may be renewed with options for a further three or five years.
Agreements for the provision of motor vehicles to Senior Executive Officers	No contingent rentals exist. No renewal or purchase options are available to the Treasury.
Leases for computer equipment and office equipment	The lessor provides all computer equipment designated as necessary in the supply contract for three years with an option to extend the term for a fixed period as agreed by both parties. The lessor provides all photocopier equipment designated as necessary in the supply contract for four years with an option to extend the term for a fixed period as agreed by both parties.

Schedule of contingencies

as at 30 June 2013

	2013 $'000	2012 $'000
Contingent liabilities		
Studies Assistance	-	297
Total contingent liabilities	-	297
NET CONTINGENT LIABILITIES	-	(297)

1. Details of contingent liabilities listed above are disclosed in Note 11: Contingent assets and liabilities.
2. During 2012-13, the Treasury recognised a liability in respect of studies assistance.

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

Schedule of administered comprehensive income

for the period ended 30 June 2013

	Notes	2013 $'000	2012 $'000
EXPENSES			
Grants	16A	**81,432,914**	86,845,786
Interest	16B	**3,489**	11,289
Other	16C	**152**	11,388
Total expenses administered on behalf of government		**81,436,555**	86,868,463
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Non-taxation revenue			
Interest	17A	**2,341**	4,039
Dividends	17B	**-**	900,000
Sale of goods and rendering of services	17C	**1,289,007**	1,588,520
COAG revenue from government agencies	17D	**1,521,247**	3,230,916
Other	17E	**37,959**	28,767
Total non-taxation revenue		**2,850,554**	5,752,242
Total own-source revenue administered on behalf of government		**2,850,554**	5,752,242
Gains			
Foreign exchange	17F	**238,670**	5,894
Total gains administered on behalf of government		**238,670**	5,894
Total own-source income administered on behalf of government		**3,089,224**	5,758,136
Net cost of (contribution by) services		**78,347,331**	81,110,327
Surplus (Deficit)		**(78,347,331)**	(81,110,327)
OTHER COMPREHENSIVE INCOME			
Administered revaluations taken to reserves		**3,732,786**	713,548
Total comprehensive income		**3,732,786**	713,548
Total comprehensive income/(loss)		**(74,614,545)**	(80,396,779)

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

Schedule of administered assets and liabilities

as at 30 June 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Financial Assets			
Cash and cash equivalents	18A	**3,719**	1,735
Trade and other receivables	18B	**1,730,167**	2,989,864
Investments	18C	**16,456,446**	12,165,485
Total financial assets		**18,190,332**	15,157,084
Non-Financial Assets			
Other	19A	**149,505**	88,260
Total non-financial assets		**149,505**	88,260
Total assets administered on behalf of Government		**18,339,837**	15,245,344
LIABILITIES			
Payables			
Grants[1]	20A	**768,391**	461,211
Other payables	20B	**4,999,212**	4,571,394
Unearned income	20C	**535,934**	1,330,104
Total payables		**6,303,537**	6,362,709
Interest bearing liabilities			
Loans	21A	**3,167,335**	3,259,907
Total interest bearing liabilities		**3,167,335**	3,259,907
Provisions			
Other provisions	22A	**5,753,617**	3,955,066
Total provisions		**5,753,617**	3,955,066
Total liabilities administered on behalf of government		**15,224,489**	13,577,682
Net assets/(liabilities)		**3,115,348**	1,667,662

1. 2012 comparative adjustment due to a minor correction of the first time application of the National Disaster Relief and Recovery (NDRRA) accounting treatment in 2011.
This schedule should be read in conjunction with the accompanying notes.

Administered reconciliation schedule

for the period ended 30 June 2013

	2013 $'000	2012 $'000
Opening administered assets less administered liabilities as at 1 July[1]	**1,667,662**	(1,711,001)
Surplus (deficit) items:		
Plus: Administered income	**3,089,224**	5,758,136
Less: Administered expenses (non CAC)	**(81,436,555)**	(86,868,463)
Other comprehensive income		
Administered revaluations taken to/from reserves	**3,732,786**	713,548
Administered transfers to/from Australian Government:		
Appropriation transfers from OPA:		
Annual appropriation for administered expenses (non CAC)	**20,732**	12,748
Administered assets and liabilities appropriations	**13,690**	15,561
Special appropriations (limited) (non CAC)	**16,239**	14,812
Special appropriations (unlimited) (non CAC)	**68,628,643**	66,448,615
Special accounts - COAG Reform Fund	**10,259,370**	21,474,821
Refunds of receipts (s28 FMA)	**10**	-
Transfers to OPA	**(2,876,453)**	(4,191,115)
Restructuring	**-**	-
Closing administered assets less administered liabilities as at 30 June	**3,115,348**	1,667,662

1. 2012 comparative adjustment due to a minor correction of the first time application of the National Disaster Relief and Recovery (NDRRA) accounting treatment in 2011.

Schedule of administered cash flows

for the period ended 30 June 2013

	Notes	2013 $'000	2012 $'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services		**611,859**	930,357
Interest		**1,759**	4,580
Dividends		**675,000**	-
Net GST received		**121**	1,352
HIH Group liquidation proceeds		**4,045**	23,479
COAG receipts from government agencies		**1,523,829**	3,014,862
Revenue receipts for non-government schools		**8,906,423**	8,569,820
Other		**26,096**	4,853
Total cash received		**11,749,132**	12,549,303
Cash used			
Grant payments		**78,668,586**	86,948,308
Grants to states for non-government schools		**8,906,423**	8,569,820
Interest		**3,918**	14,273
Other		**12,010**	17,412
Total cash used		**87,590,937**	95,549,813
Net cash from (used by) operating activities	23	**(75,841,805)**	(83,000,510)
INVESTING ACTIVITIES			
Cash received			
Repayment of IMF loans		**30,142**	-
IMF movement of value		**12**	58
Total cash received		**30,154**	58
Cash used			
Settlement of IMF loans		**222,734**	736,184
Settlement of international financial institution's obligations		**25,862**	26,984
Settlement of Loans to States and Territories		**-**	14,850
Total cash used		**248,596**	778,018
Net cash from (used by) investing activities		**(218,442)**	(777,960)
Net increase (decrease) in cash held		**(76,060,247)**	(83,778,470)
CASH TO/(FROM) OFFICIAL PUBLIC ACCOUNT			
Cash and cash equivalents at the beginning of the reporting period		**1,735**	4,763
Cash from Official Public Account for:			
- Appropriations		**68,679,314**	66,491,736
- Special Accounts		**10,259,370**	21,474,821
		78,938,684	87,966,557
Cash to Official Public Account for:			
- Appropriations		**2,876,453**	4,191,115
- Special Accounts		**-**	-
		2,876,453	4,191,115
Total cash to/(from) Official Public Account		**76,063,966**	83,780,205
Cash and cash equivalents at the end of the reporting period	18A	**3,719**	1,735

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

Schedule of administered commitments

as at 30 June 2013

	2013 $'000	2012 $'000
BY TYPE		
Commitments payable		
Capital commitments		
Investments[1]	**116,408**	103,293
Total capital commitments	**116,408**	103,293
Commitments receivable		
GST receivable	**(2)**	(51)
Total commitments receivable	**(2)**	(51)
Net commitments by type	**116,406**	103,242
BY MATURITY		
Commitments payable		
Capital commitments		
One year or less	**53,006**	18,064
From one to five years	**63,402**	85,229
Total capital commitments	**116,408**	103,293
Commitments receivable		
One year of less	**(2)**	(51)
Total commitments receivable	**(2)**	(51)
Net commitments by maturity	**116,406**	103,242

1. The nature of the capital commitments relate to the unpaid instalments of General Capital Increases in shares for the Asian Development Bank and the International Bank for Reconstruction and Development.
2. All commitments are GST inclusive where relevant
3. In 2012 the Treasury received an exemption from the Finance Minister related to the commitments for grants payable to the States and Territories (for the current and comparative years). The budgeted information for payment of grants to States and Territories can be found in Budget Paper 3. Refer to Note 1.26 for more information.

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

Schedule of administered contingencies

as at 30 June 2013

	2013 $'000	2012 $'000
Administered contingent liabilities		
Uncalled shares or capital subscriptions[1]	**11,321,323**	10,144,409
Total administered contingent liabilities	**11,321,323**	10,144,409
Net administered contingent assets (liabilities)	**11,321,323**	10,144,409

1. Comprises uncalled shares or capital subscriptions in the European Bank for Reconstruction and Development (EBRD), the International Bank for Reconstruction and Development (IBRD), the Multilateral Investment Guarantee Agency (MIGA) and the Asian Development Bank (ADB). See Note 1.3 for further details.

Note: Administered unquantifiable contingencies are disclosed in Note 24: Administered contingent liabilities and assets. The Treasury has given financial guarantees for which the details are disclosed at Note 1.31 and Note 26: Administered financial instruments.

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

Notes to and forming part of the financial statements

Note 1. Summary of significant accounting policies

1.1 Objectives of the Treasury

The Treasury is an Australian Government controlled, not for profit entity.

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

The Treasury is structured to meet one outcome:

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

The reporting entity, hereafter referred to as 'the Treasury', comprises the Treasury and the Australian Government Actuary.

Activities contributing towards the outcome detailed above are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the Treasury in its own right. Administered activities involve the management or oversight by the Treasury, on behalf of the Government, of items controlled or incurred by the Government.

Departmental activities are identified under Program 1.1. Administered activities are identified under Programs 1.1 to 1.10 listed below:

- Program 1.1 — Department of the Treasury
- Program 1.2 — Payments to International Financial Institutions
- Program 1.3 — Support for Markets and Business
- Program 1.4 — General Revenue Assistance
- Program 1.5 — Assistance to the States for Healthcare Services
- Program 1.6 — Assistance to the States for Schools
- Program 1.7 — Assistance to the States for Skills and Workforce Development
- Program 1.8 — Assistance to the States for Disability Services
- Program 1.9 — Assistance to the States for Affordable Housing
- Program 1.10 — National Partnership Payments to the States

Program 1.2 provides for administered payments to International Financial Institutions as required to:

- promote international monetary cooperation, exchange stability and orderly exchange arrangements;
- strengthen the international financial system; and

- support development objectives through the multilateral development banks.

Program 1.3 provides for administered activities in respect of:

- insurance claims arising from the residual Housing Loans Insurance Corporation (HLIC) portfolio;
- assistance under the HIH Claims Support Scheme (HCSS);
- the Guarantee of State and Territory Borrowing in assisting State and Territory governments to access funding;
- the Guarantee Scheme for Large Deposits and Wholesale Funding to promote financial system stability in Australia; and
- developing the Centre for International Finance and Regulation.

Program 1.4 provides for administered payments of general revenue assistance to the States and Territories, including payments of revenue received from the GST.

Programs 1.5 to 1.9 provide for administered payments to the States and Territories for healthcare services, schools services, skills and workforce development services, disability services and affordable housing services; according to the payment arrangements specified in the *Intergovernmental Agreement on Federal Financial Relations*.

Program 1.10 provides for administered payments to the States and Territories, according to National Partnership agreements, providing financial support for the States and Territories to be spent on improving outcomes in the areas specified.

The continued existence of the Treasury in its present form and with its present programs is dependent on government policy and on continuing appropriations by Parliament for the Treasury's policy advice, administration and programs.

1.2 Basis of preparation of the financial statements

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are general purpose financial statements.

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

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the Treasury or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

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

Administered revenues, expenses, assets, liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items, except where otherwise stated at Note 1.23.

1.3 Significant accounting judgements and estimates

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

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

- the valuation of the HCSS liability is based on an independent actuarial assessment by the Australian Government Actuary (AGA);
- uncalled shares disclosed in the administered contingencies table, the Treasury has judged the risk of these shares being called as low for the foreseeable future. This judgment is based on historic and current performance of the international financial institutions. Some of the factors considered are the financial strength of the development banks (that is, most have AAA credit ratings), established risk management policies, healthy debt ratios and no adverse financial statement audit opinions; and
- the NDRRA liability represents the Treasury's best estimate of payments expected to be made to States and Territories as at balance date under NDRRA and is based on information provided by States and Territories to the Attorney General's Department, the Commonwealth agency responsible for the administration of disaster relief. The estimates provided by States and Territories are based on their assessment of the costs expected to be incurred that would be eligible for assistance under NDRRA for disaster occurring prior to 1 July 2013. Given the nature of disasters and uncertainty around the costs and timing of the reconstruction effort, the liability may require adjustment in future reporting periods.

1.4 Changes in Australian Accounting Standards

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. None of the new standards, amendments to standards and interpretations issued by the AASB that are applicable to the current period have had a material financial impact on the Treasury. The following standards or amendments to standards have become effective but have had no financial impact to the operations of the Treasury.

Standards

- *AASB 1 – First-time Adoption of Australian Accounting Standards (Compilation)*
- *AASB 5 – Non-current Assets Held for Sale and Discontinued Operations (Compilation)*
- *AASB 7 – Financial Instruments: Disclosures (Compilation)*
- *AASB101 – Presentation of Financial Statements (Compilation)*
- *AASB 112 – Income Taxes (Compilation)*
- *AASB 120 – Accounting for Government Grants and Disclosure of Government Assistance (Compilation)*
- *AASB 121 – The Effects of Changes in Foreign Exchange Rates (Compilation)*
- *AASB 132 – Financial Instruments: Presentation (Compilation)*
- *AASB 133 – Earnings Per Share (Compilation)*
- *AASB 134 – Interim Financial Reporting (Compilation)*
- *AASB 1039 – Concise Financial Reports (Compilation)*
- *AABS 1049 – Whole of Government and General Government Sector Financial Reporting (Compilation)*
- *AASB 2013-2 – Amendments to AASB 1038 – Regulatory Capital*

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 Legal Compliance

The Australian Government continues to have regard to developments in case law, including the most recent decision on Commonwealth expenditure in *Williams v Commonwealth* (2012) 288 ALR 410, as they contribute to the larger body of law relevant to the Development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

Section 83 of the constitution provides that no amount may be paid out of the Consolidated Revenue fund except under an appropriation made by law. The Department of Finance and Deregulation provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts. Further details of risk assessments and compliance relating to the Treasury can be found in Note 29.

During 2012-13, additional legal advice was received that indicated there could be breaches of s83 under certain circumstances with overpayments for long service leave, goods and services tax (GST) and payments under determinations of the Remuneration Tribunal. Further details relating to these items can be found in Note 29.

1.6 Revenue

Revenue from Government

Amounts appropriated for departmental outputs for the year (adjusted for any formal additions and reductions) are recognised as revenue when the agency gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

Other types of revenue

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the agency retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred for the transaction can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

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

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

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

1.7 Gains

Resources received free of charge

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

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

Sale of assets

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

1.8 Transactions with the Government as owner

Equity injections

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

Restructuring of administrative arrangements

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

Other distributions to owners

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

1.9 Employee benefits

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

Liabilities for 'short-term employee benefits' (as defined by AASB 119 *Employee Benefits*) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

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

Leave

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

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

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

Separation and redundancy

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

Superannuation

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

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

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

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

The liability for superannuation recognised as at 30 June 2013 represents outstanding contributions for the final fortnight of the year.

1.10 Leases

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

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

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

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

1.11 Borrowing costs

All borrowing costs are expensed as incurred.

1.12 Cash

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount. Any interest receivable is credited to revenue as it accrues. The Treasury maintains bank accounts with the Reserve Bank of Australia for administration of the receipt and payment of monies.

1.13 Financial risk management

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

1.14 Other financial instruments

The Treasury classifies its financial instruments in the following categories:

- financial instruments at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets; and
- loans and receivables.

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

Effective interest method

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

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

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. 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 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 (2012: 30 days).

Other financial liabilities

Other financial liabilities include trade creditors and accruals are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Settlement is usually made net 30 days.

1.15 Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period. No indicators of impairment were identified for assets as at 30 June 2013.

Financial assets held at amortised cost

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

Available for sale financial assets

If there is objective evidence that an impairment loss on an available for sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the statement of comprehensive income.

Financial assets held at cost

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

1.16 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.

1.17 Acquisition of assets

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

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

1.18 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 in total).

Revaluations

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

Asset class	Fair value measured at
Buildings – leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price

Following initial recognition at cost, buildings – leasehold improvements and plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

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

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

The Treasury performed a valuation of leasehold improvements, plant and equipment assets on 30 June 2013. The valuation was performed by independent valuers Preston Rowe Paterson NSW Pty Limited and was based on valuing the assets at fair value. Preston Rowe Paterson NSW Pty Limited confirmed that net asset values materially reflected fair value at 30 June 2013.

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 straightline method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

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

	2013	2012
Buildings - leasehold improvements	5-10 years	5-10 years
Plant and equipment:		
Computers, plant and equipment	3-10 years	3-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 3D.

Impairment

All assets were assessed for impairment at 30 June 2013. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. No indicators of impairment were found for departmental assets as at 30 June 2013 (2012: nil).

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

1.19 Intangibles

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

Software is amortised on a straightline basis over its anticipated useful life. The useful lives of the Treasury's software are 3 to 5 years (2012: 3 to 5 years).

All software assets were assessed for indications of impairment as at 30 June 2013. No indicators of impairment were identified as at 30 June 2013 (2012: nil).

1.20 Taxation/competitive neutrality

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

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

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

1.21 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.

1.22 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.

1.23 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.

1.24 Administered cash transfers to and from the Official Public Account

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

1.25 Administered revenue

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

Reserve Bank of Australia dividend

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

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

Australian Reinsurance Pool Corporation dividend

The dividend from the Australian Reinsurance Pool Corporation (ARPC) is recognised when the Minister for Financial Services and Superannuation signs the legislative instrument, and thus control of the income stream is established. On this basis, the declared dividend of $400 million for ARPC has been recognised in the financial statements for 2011-12 (2010-11: Nil).

The legislative instrument requires payment over four years, commencing in 2012-13. Further details can be found in the legislative instrument http://www.comlaw.gov.au/Details/F2012L01542

International Monetary Fund remuneration

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

Where the IMF's holdings of Australian dollars fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is equal to the SDR interest rate. This rate is then adjusted to account for the financial consequences of overdue obligations to the IMF which are shared between members and reflected in Note 18 as 'burden sharing'.

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

Australia also receives interest on amounts lent to the IMF under the New Arrangements to Borrow (NAB). Interest on the NAB is paid quarterly. The NAB provides supplementary resources to the IMF.

Guarantee Scheme for Large Deposits and Wholesale Funding

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

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

The Guarantee of State and Territory Borrowing

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

Financial Guarantee Contracts

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

1.26 Administered capital

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

1.27 Grants

The Treasury sought and received an exemption from reporting payments to the States and Territories as administered commitments as required by section 81 of the FMOs. The Treasury formed the view that these payments do not meet the definition of a commitment and should not be reported in the administered commitments schedule.

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

The Treasury accounts for payments made to States and Territories under the NDRRA by recognising a liability equal to the discounted value of estimated future payments to States and Territories under NDRRA regardless of whether or not a State or Territory has completed eligible disaster reconstruction work or submitted an eligible claim under the NDRRA. As disclosed in Note 1.3, States and Territories were requested to provide an estimate of costs expected to be incurred for disasters affecting States and Territories that occurred prior to 1 July 2013 which would be eligible for assistance.

This accounting treatment provides readers of the financial statements with an estimate of the amount yet to be paid to States and Territories for eligible disaster assistance which was not provided under the earlier accounting treatment.

Grants to States and Territories

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

There are three main types of payments under the framework, as follows:

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

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

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

The Funds were established to provide financing sources to meet the Government's commitment to Australia's future by investment in critical areas of infrastructure.

The three Funds are the:

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

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

Mirror taxes collected by State Governments

On behalf of the States, the Australian Government imposes mirror taxes which replace State taxes in relation to Australian Government places that may be constitutionally invalid. Mirror taxes are collected and retained by the States, under the *Commonwealth Places (Mirror Taxes) Act 1998*. State Governments bear the administration costs of collecting mirror taxes. Mirror taxes are disclosed at Note 28D.

1.28 Administered investments

Development banks

Investments in development banks are classified as 'monetary — available for sale financial assets' refer Note 1.32. As such, the foreign currency value of investments is translated into Australian dollars (AUD) using relevant foreign currency exchange rates at balance date.

International Monetary Fund

The quota is the current value in Australian dollars of Australia's subscription to the IMF. Quota subscriptions represent a member's shareholding in the IMF and generate most of the IMF's financial resources. Twenty five per cent of the quota increase will be paid in SDR and the remainder will be paid through issuing AUD denominated nonnegotiable, non-interest bearing promissory notes.

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 2013. Fair value has been taken to be the net assets of the entities as at balance date. These entities are listed below:

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

Impairment of administered investments

Administered investments were assessed for impairment at 30 June 2013. No indicators of impairment were identified (2012: nil).

1.29 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 noninterest bearing and relate to the undrawn paidin capital subscriptions.

Foreign currency gains and losses are recognised where applicable.

1.30 IMF Special Drawing Rights Allocation

The SDR allocation liability reflects the current value in AUD of the Treasury's liability to repay to the IMF the cumulative allocations of SDRs provided to Australia since joining the IMF. This liability is classified as 'other payables' in Note 20.

1.31 Provisions and contingent liabilities

HIH Claims Support Scheme liability

The HIH Claims Support Scheme (the Scheme) was established by the Australian Government following the collapse of the HIH Group of companies in March 2001. The purpose of the Scheme is to provide financial assistance to eligible HIH policyholders affected by the collapse of the group. Initial funding of $640 million was provided by special appropriation through the *Appropriation (HIH Assistance) Act 2001*.

HIH Claims Support Limited was established by the Insurance Council of Australia as a notforprofit company in May 2001 to manage claims made under the Scheme and to operate the HIH Claims Support Trust on behalf of the Australian Government. As the sole beneficiary of the trust the Australian Government is entitled to any residual balance of the trust.

Since 2001, a total of 10,900 claims have been granted eligibility for assistance. Each year an actuarial review of the claims portfolio has been conducted to assess the development of claims reserves and to estimate the overall liability associated with the Scheme portfolio. In 2006, approval was sought and obtained to increase the Scheme appropriation to a total of $861 million to meet the estimated cost of the Scheme portfolio. This additional funding is provided through annual appropriations.

The Australian Government Actuary reviews the portfolio annually to reassess the estimated Scheme liability in future years. The most recent review has indicated that the overall cost of the Scheme is estimated to be $730.5 million in discounted terms. This amount incorporates an allowance for future inflation and covers the expected cost of past and future claim payments and associated expenses of managing the Scheme. There is an estimated outstanding claims liability of $6.4m as at 30 June 2013 (2012: $18.6m) as calculated by the Australian Government Actuary.

1.32 Administered financial instruments

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

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

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

- Loans to States and Territories (measured initially at fair value and then measured at amortised cost using the effective interest rate method); and
- Dividends receivable (measured at fair value).

Available-for-sale financial assets:

- investments in development banks (measured initially at cost or notional cost and then measured at fair value);
- the IMF quota (measured at cost); and
- Investments in Government Entities (measured at fair value based on net asset position of the entity at 30 June 2013).

Financial liabilities:

- the SDR allocation (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
- promissory notes (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
- IMF related monies payable (measured initially at fair value and then measured at amortised cost using the effective interest rate method); and
- the Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation (measured initially at fair value and then measured at amortised cost using the effective interest rate method).

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or that are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Although a number of the Treasury's financial instruments are classified as 'available-for-sale', the Treasury does not hold these instruments for the purposes of trading. Assets that can be reliably measured at reporting date are valued at fair value, otherwise, at cost.

Promissory notes are financial liabilities that are required to be measured at amortised cost using the effective interest rate method. The contractual terms of the promissory notes are non-interest bearing making the effective interest rate zero. Therefore, the measurement would be the initial value less any repayments plus or minus movements in exchange rates as a result of translation on the balance date.

The Guarantee Scheme for Large Deposits and Wholesale Funding and the Guarantee of State and Territory Borrowing contractual fee receivable represents the requirement under AASB 139 *Financial Instruments: Recognition and Measurement* for the Treasury to recognise upfront, its entitlements under the financial guarantee contract to revenue received or receivable from authorised deposit-taking institutions over the contracted guarantee period. Conversely, the Treasury is required to recognise a corresponding initial liability for its contractual obligation to provide a guarantee service over the period covered by each guarantee contract (analogous to unearned income).

Recognition of these amounts only relates to fee revenue aspects of the financial guarantee contracts. These amounts do not reflect any expected liability under the Guarantee Scheme itself as these are considered remote and unquantifiable. Administered contingent liabilities and assets are disclosed at Note 24.

Administered financial instruments are accounted for in accordance with the accounting policies detailed above and are disclosed at Note 26.

Note 2. Events After the Reporting Period

Departmental

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

Administered

On the 18 July 2013 Australia entered into a contingent bilateral loan to provide up to $7.7 billion (as at 18 July 2013, SDR $4.7 billion) with the International Monetary Fund (IMF) to provide financial support for crisis prevention and resolution. It would be drawn upon by the IMF only if needed to supplement the IMF's quota and New Arrangements to Borrow (NAB) resources, and would be repaid in full with interest. This will be reported in 2013-14 as an Administered contingency.

Note 3. Operating Expenses

	2013 $'000	2012 $'000
Note 3A: Employee Benefits		
Wages and salaries	**92,274**	94,753
Superannuation:		
Defined contribution plans	**5,525**	5,035
Defined benefit plans	**10,590**	10,407
Redundancies	**51**	5,563
Leave and other entitlements	**10,990**	16,663
Other	**3,294**	2,965
Total employee benefits	**122,724**	135,386
Note 3B: Suppliers		
Goods and services[1]		
Information communication technology	**6,055**	5,336
Conferences and Training	**2,357**	2,397
Consultants and Contractors	**6,046**	7,222
Fees - Audit, Accounting, Bank and Other	**1,433**	1,174
Insurance	**370**	1,009
Legal	**2,382**	1,810
Printing	**445**	631
Property operating expenses	**11,092**	11,362
Publications and Subscriptions	**1,460**	1,707
Travel	**4,706**	5,230
Other	**1,789**	1,785
Total goods and services	**38,135**	39,663
Goods and services are made up of:		
Provision of goods from:		
related entities	**61**	64
external entities	**2,712**	2,511
Rendering of services from:		
related entities	**7,011**	7,502
external entities	**20,490**	20,632
Operating lease rentals:[2]		
related entities	**494**	482
external entities	**7,199**	7,683
Workers compensation premiums	**168**	789
Total supplier expenses	**38,135**	39,663
Note 3C: Grants		
Grants paid		
Public sector:		
Clean Energy Finance Corporation	**18,383**	-
Australian Government entities - other	**139**	78
Private sector:		
Non-profit organisations	**4,830**	4,031
Total grants	**23,352**	4,109

1. Certain comparative figures have been reclassified and do not match what was published in the 2011-12 financial statements.
2. Operating lease rentals comprise minimum lease payments only.

Note 3. Operating Expenses (continued)

	2013 $'000	2012 $'000
Note 3D: Depreciation and amortisation		
Depreciation		
Plant and equipment	**2,571**	2,568
Buildings – leasehold improvements	**3,091**	2,365
Total depreciation	**5,662**	4,933
Amortisation		
Intangibles – computer software	**8,071**	8,485
Total amortisation	**8,071**	8,485
Total depreciation and amortisation	**13,733**	13,418
Note 3E: Finance costs		
Leases	**1**	17
Total finance costs	**1**	17
Note 3F: Write-down and impairment of assets		
Non-financial assets		
Plant and equipment	**213**	245
Intangibles	**17**	-
Total write-down and impairment of assets	**230**	245
Note 3G: Losses from asset sales		
Property, plant and equipment		
Proceeds from sale	**(29)**	-
Carrying value of asset sold	**44**	-
Selling expense	**9**	-
Total losses from asset sales	**24**	-

Note 4. Income

	2013 $'000	2012 $'000
Note 4A: Sale of goods and rendering of services		
Rendering of services to:		
related entities	**9,494**	7,852
external entities	**348**	387
Operating lease rental - external entities	**104**	94
Total sale of goods and rendering of services	**9,946**	8,333
Note 4B: Other revenue		
MCCA contributions received	**341**	500
Other	**224**	368
Total other revenues	**565**	868
Note 4C: Sale of assets		
Plant and equipment		
Proceeds from sale	**-**	11
Net book value of assets disposed	**-**	(7)
Net gain from sale of assets	**-**	4
Note 4D: Other gains		
Resources received free of charge	**2,420**	526
Total other revenue	**2,420**	526
Note 4E: Revenue from Government Appropriations		
Departmental appropriation	**174,569**	158,119
Total revenue from Government	**174,569**	158,119

Note 5. Financial Assets

	2013 $'000	2012 $'000
Note 5A: Cash and cash equivalents		
Special Accounts	**100**	296
Cash on hand or on deposit	**1,123**	812
Total cash and cash equivalents	**1,223**	1,108
Note 5B: Trade and other receivables		
Goods and Services:		
related entities	**451**	790
external parties	**1,342**	1,128
Total goods and services	**1,793**	1,918
Appropriations Receivable:		
for existing programs	**59,608**	51,933
Total appropriations receivable	**59,608**	51,933
Other receivables:		
Net GST receivable from the ATO	**595**	1,290
Total other receivables	**595**	1,290
Total trade and other receivables (net)	**61,996**	55,141
All receivables are current assets		
Receivables (net) are aged as follows:		
Not overdue	**61,854**	54,844
Overdue by:		
0 to 30 days	**32**	176
31 to 60 days	**66**	85
61 to 90 days	**43**	16
More than 90 days	**1**	20
Total receivables (net)	**61,996**	55,141

Credit terms for goods and services were within 30 days (2012: 30 days).

Note 6. Non-Financial Assets

	2013 $'000	2012 $'000
Note 6A: Land and buildings		
Buildings – Leasehold improvements		
Under construction	**576**	747
At fair value	**11,643**	8,644
Accumulated depreciation	**(5,404)**	(2,363)
Total Buildings – Leasehold improvements	**6,815**	7,028

No indicators of impairment were found for land and buildings.
All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.18.

	2013 $'000	2012 $'000
Note 6B: Plant and equipment		
Plant and equipment		
Under construction	**4,400**	6,297
At fair value	**11,638**	9,157
Accumulated depreciation	**(4,132)**	(2,527)
Total plant and equipment	**11,906**	12,927

No indicators of impairment were found for plant and equipment.
All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.18.

	2013 $'000	2012 $'000
Note 6C: Intangibles		
Computer software		
Under construction	**909**	538
Internally developed – in use[1]	**7,114**	40,237
Purchased	**4,513**	3,176
Accumulated amortisation	**(6,276)**	(18,240)
Total computer software	**6,260**	25,711

1. The decrease in internally developed intangible non-financial assets is the result of the transfer of the SBR software to the ATO due to restructuring of administrative arrangements on 11 April 2013. Further details are described in Note 9: Restructuring.

No indicators of impairment were found for intangibles.
No intangibles are expected to be sold or disposed of within the next 12 months.

Note 6: Non-Financial Assets (continued)

	Buildings – leasehold improvements $'000	Plant and equipment $'000	Computer software $'000	Total $'000
As at 1 July 2012				
Gross book value	**9,391**	**15,454**	**43,951**	**68,796**
Accumulated depreciation and impairment	**(2,363)**	**(2,527)**	**(18,240)**	**(23,130)**
Net book value 1 July 2012	**7,028**	**12,927**	**25,711**	**45,666**
Additions	**2,879**	**1,806**	**3,287**	**7,972**
Impairments recognised in the operating result	**-**	**(213)**	**(17)**	**(230)**
Depreciation / amortisation expense	**(3,091)**	**(2,571)**	**(8,071)**	**(13,733)**
Disposals:				
From disposal of operations (restructuring)[1]	**-**	**-**	**(14,650)**	**(14,650)**
Other disposals	**(1)**	**(43)**	**-**	**(44)**
Net book value 30 June 2013	**6,815**	**11,906**	**6,260**	**24,981**
Net book value as of 30 June 2013 represented by:				
Gross book value	**12,219**	**16,038**	**12,536**	**40,793**
Accumulated depreciation and impairment	**(5,404)**	**(4,132)**	**(6,276)**	**(15,812)**
Net book value 30 June 2013	**6,815**	**11,906**	**6,260**	**24,981**

1. The SBR function was relinquished to the ATO during 2013 due to restructuring of administrative arrangements on 11 April 2013. Further details are described in Note 9: Restructuring.

Note 6: Non-Financial Assets (continued)

	Buildings – leasehold improvements $'000	Plant and equipment $'000	Computer software $'000	Total $'000
As at 1 July 2011				
Gross book value	19,653	13,655	41,408	74,716
Accumulated depreciation and impairment	(11,775)	(5,260)	(10,291)	(27,326)
Net book value 1 July 2011	7,878	8,395	31,117	47,390
Additions	1,687	7,232	3,087	12,006
Revaluations and impairments recognised in other comprehensive income	(172)	112	-	(60)
Depreciation / amortisation expense	(2,365)	(2,568)	(8,485)	(13,418)
Disposals:				
Other disposals	-	(244)	(8)	(252)
Net book value 30 June 2012	7,028	12,927	25,711	45,666
Net book value as of 30 June 2012 represented by:				
Gross book value	9,391	15,454	43,951	68,796
Accumulated depreciation and impairment	(2,363)	(2,527)	(18,240)	(23,130)
Net book value 30 June 2012	7,028	12,927	25,711	45,666

A revaluation of Treasury's buildings – leasehold improvement and plant and equipment was conducted on 1 July 2011.

Note 6: Non-Financial Assets (continued)

	2013 $'000	2012 $'000
Note 6D: Other non-financial assets		
Prepayments	**2,665**	2,502
Total other non-financial assets	**2,665**	2,502
Other non-financial assets are expected to be recovered in:		
No more than 12 months	**2,359**	2,055
More than 12 months	**306**	447
Total other non-financial assets	**2,665**	2,502

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

Note 7. Payables

	2013 $'000	2012 $'000
Note 7A: Suppliers		
Trade creditors		
related entities	**358**	112
external entities	**2,158**	199
Total trade creditors	**2,516**	311
Total supplier payables	**2,516**	311
All supplier payables are expected to be settled within 12 months.		
Note 7B: Other payables		
Salaries and wages	**2,522**	2,313
Superannuation	**441**	411
Other creditors	**2,806**	1,393
Prepayments received	**2,730**	3,161
Total other payables	**8,499**	7,278
Other payables are expected to be settled in:		
No more than 12 months	**8,499**	7,278
More than 12 months	**-**	-
Total other payables	**8,499**	7,278

Note: Settlement is usually made within 30 days.

Note 8. Provisions

	2013 $'000	2012 $'000
Note 8A: Employee provisions		
Leave	**42,693**	41,771
Other employee entitlements	**132**	105
Total employee provisions	**42,825**	41,876
Employee provisions are expected to be settled in:		
No more than 12 months	**13,649**	12,860
More than 12 months	**29,176**	29,016
Total employee provisions	**42,825**	41,876

Note 9. Restructuring

	2013 SBR ATO $'000	2012 Housing policy DSEWPaC $'000
FUNCTIONS ASSUMED		
Assets recognised		
Appropriation receivable	-	161
Total assets recognised	-	161
Liabilities recognised		
Employer payables	-	312
Supplier payables	-	5
Total liabilities recognised	-	317
Net assets/(liabilities) assumed	-	(156)
Income		
Recognised by the receiving entity	-	1,115
Recognised by the losing entity	-	1,445
Total Income	-	2,560
Expenses		
Recognised by the receiving entity	-	1,007
Recognised by the losing entity	-	1,445
Total Expenses	-	2,452
FUNCTIONS RELINQUISHED		
Assets relinquished		
Intangibles	14,650	-
Other non-financial assets	159	-
Total assets relinquished	14,809	-
Liabilities relinquished		
Employee provisions	524	-
Total liabilities relinquished	524	-
Net assets/(liabilities) relinquished	14,285	-

1. The Treasury assumed responsibility for the housing policy function from the Department of Sustainability, Environment, Water, Population and Communities (DSEWPaC) during 2012 due to restructuring of administrative arrangements on 27 January 2012.
2. The Standard Business Reporting (SBR) function was relinquished to the Australian Taxation Office (ATO) during 2013 due to restructuring of administrative arrangements on 11 April 2013.

Note 10. Cash Flow Reconciliation

	2013 $'000	2012 $'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	**1,223**	1,108
Balance sheet	**1,223**	1,108
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	**(10,699)**	(24,988)
Adjustments for non-cash items		
Depreciation / amortisation	**13,733**	13,418
Net write down of non-financial assets	**230**	245
Gain on disposal of assets	**-**	(4)
Loss on disposal of non-current assets	**24**	-
Changes in assets / liabilities		
(Increase) / decrease in net receivables	**(6,855)**	17,102
(Increase) / decrease in other non-financial assets	**(322)**	(166)
Increase / (decrease) in provisions	**949**	3,162
Increase / (decrease) in other payables	**1,221**	(915)
Increase / (decrease) in supplier payables	**2,205**	(2,112)
Net cash from / (used by) operating activities	**486**	5,742

Note 11. Contingent Assets and Liabilities

	Studies Assistance		Total	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Contingent liabilities				
Balance from previous period	**297**	300	**297**	300
New	**-**	297	**-**	297
Liabilities recognised	**-**	-	**-**	-
Obligations expired / crystallised	**(297)**	(300)	**(297)**	(300)
Total contingent liabilities	**-**	297	**-**	297
CONTINGENT LIABILITIES	**-**	297	**-**	297

Quantifiable contingencies

The schedule of contingencies reports liabilities of $0 (2012: $297,389). The amount in 2012 represented an estimate of the Treasury's liability in respect of studies assistance. During 2012-13, the Treasury recognised a liability in respect of studies assistance.

Remote Contingencies

The Treasury's lease on its current premises contains a make good clause which has been estimated by an independent valuer at $2.7 million. The Treasury has assessed the likelihood of the make good provision being required and has deemed it as remote.

As at 30 June 2013, the Treasury has a number of contracts which may give rise to contingent liabilities based on certain events occurring. The Treasury has assessed the likelihood of such events occurring as being remote and unquantifiable

Note 12. Senior Executive Remuneration

Note 12A: Senior executive remuneration expense for the reporting period

	2013	2012
	$	$
Short-term employee benefits		
Salary	**18,789,223**	18,825,103
Annual leave accrued	**242,514**	287,365
Allowances	**1,431,890**	1,204,316
Total short-term employee benefits	**20,463,627**	20,316,784
Post-employment benefits		
Superannuation	**2,816,556**	2,694,551
Total post-employment benefits	**2,816,556**	2,694,551
Other long-term benefits		
Long-service leave	**999,935**	2,078,060
Total other long-term benefits	**999,935**	2,078,060
Termination benefits	**-**	481,476
Total employment benefits	**24,280,118**	25,570,871

1. Note 12A is prepared on an accrual basis. No performance bonuses were paid in 2013 (2012: Nil).
2. Note 12A excludes acting arrangements and part-year service where total remuneration expensed for a senior executive was less than $180,000.
3. Note 12A includes employees posted overseas.
4. The comparative figures have been revised and do not match what was published in the 2011-12 financial statements due to new disclosure requirements. The reporting requirements can be found in the Finance Ministers Orders, which are available on www.finance.gov.au.

Note 12: Senior Executive Remuneration (continued)

Note 12B: Average annual reportable remuneration paid to substantive senior executives during the reporting period

	2013						
Average annual reportable remuneration[1]		Reportable salary[2]			Contributed superannuation[3]	Bonus paid[4]	Total
	Senior Executives No.	Salary payments $	Domestic allowances $	Overseas allowances $	$	$	$
Total remuneration (including part-time arrangements):							
less than $180,000	17	77,089	364	-	14,849	-	92,302
$180,000 to $209,999	16	161,779	2,378	2,762	30,895	965	198,779
$210,000 to $239,999	27	189,113	264	2,309	34,370	-	226,056
$240,000 to $269,999	18	195,335	6,596	11,352	37,172	-	250,455
$270,000 to $299,999	11	204,094	5,434	33,467	40,580	-	283,575
$300,000 to $329,999	4	250,591	80	21,258	42,743	-	314,672
$330,000 to $359,999	4	282,238	133	26,888	45,377	-	354,636
$360,000 to $389,999	4	253,104	13	83,678	44,140	-	380,935
$390,000 to $419,999	2	347,929	530	-	50,313	-	398,772
$660,000 to $699,999	1	570,134	-	-	93,163	-	663,297
Total	**104**						

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
a) gross payments;
b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
c) exempt foreign employment income; and
d) salary sacrificed amounts.
3. The 'contributed superannuation' amount is the average cost to the Treasury for the provision of superannuation benefits to substantive senior executives in that reportable band during the reporting period.
4. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The Treasury does not pay bonuses. The bonuses included in the table above relate to secondees. No secondees received a bonus in 2011-12.
5. There were no reportable allowances paid in 2012-13.
6. Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.
7. Employees posted overseas are included in this table.

Note 12: Senior Executive Remuneration (continued)

Average annual reportable remuneration[1]	2012						
		Reportable salary[2]			Contributed superannuation[3]	Bonus paid[4]	Total
	Senior Executives No.	Salary payments $	Domestic allowances $	Overseas allowances $	$	$	$
Total remuneration (including part-time arrangements):							
less than $180,000	21	82,139	300	1,555	18,142	-	102,136
$180,000 to $209,999	17	170,270	2,173	583	28,279	-	201,305
$210,000 to $239,999	32	180,252	4,397	-	39,302	-	223,951
$240,000 to $269,999	10	200,775	2,968	3,327	45,484	-	252,554
$270,000 to $299,999	6	234,061	53	11,069	42,876	-	288,059
$300,000 to $329,999	3	237,499	194	23,981	47,624	-	309,298
$330,000 to $359,999	3	278,280	212	23,208	37,340	-	339,040
$360,000 to $389,999	5	292,985	265	39,365	47,591	-	380,206
$390,000 to $419,999	1	329,282	-	-	74,086	-	403,368
$540,000 to $579,999	1	439,927	-	-	114,300	-	554,227
Total:	**99**						

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
a) gross payments;
b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
c) exempt foreign employment income; and
d) salary sacrificed amounts.
3. The 'contributed superannuation' amount is the average cost to the Treasury for the provision of superannuation benefits to substantive senior executives in that reportable band during the reporting period.
4. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. No bonuses were paid in 2012.
5. There were no reportable allowances paid in 2011-12.
6. Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'salary payments' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.
7. Employees posted overseas are included in this table.
8. The comparative figures have been revised and do not match what was published in the 2011-12 financial statements due to new disclosure requirements. The reporting requirements can be found in the Finance Ministers Orders, which are available on www.finance.gov.au.

Note 12: Senior Executive Remuneration (continued)

Note 12C: Other highly paid staff

	2013					
Average annual reportable remuneration[1]		Reportable salary[2]			Contributed superannuation[3]	Total
	Staff No.	Salary payments $	Domestic allowances $	Overseas allowances $	$	$
Total remuneration (including part time arrangements):						
$180,000 to $209,999	-	-	-	-	-	-
Total	-					

1. This table reports staff:
a) who were employed by the entity during the reporting period;
b) whose reportable remuneration was $180,000 or more for the financial period; and
c) were not required to be disclosed in Table B.
Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
a) gross payments;
b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes); and
c) exempt foreign employment income.
3. The 'contributed superannuation' amount is the average cost to the Treasury for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period.
4. Various salary sacrifice arrangements were available to other highly paid staff including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'salary payments' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.
5. Employees posted overseas are included in this table.

Note 12: Senior Executive Remuneration (continued)

Average annual reportable remuneration[1]		2012				
		Reportable salary[2]			Contributed superannuation[3]	Total
	Staff No.	Salary payments $	Domestic allowances $	Overseas allowances $	$	$
Total remuneration (including part time arrangements):						
$180,000 to $209,999	2	172,781	40	-	26,712	199,533
$300,000 to $329,999	1	165,749	-	124,565	21,034	311,348
Total	3					

1. This table reports staff:
a) who were employed by the entity during the reporting period;
b) whose reportable remuneration was $180,000 or more for the financial period; and
c) were not required to be disclosed in Table B.
Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
a) gross payments;
b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes); and
c) exempt foreign employment income.
3. The 'contributed superannuation' amount is the average cost to the Treasury for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period.
4. Various salary sacrifice arrangements were available to other highly paid staff including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.
5. Employees posted overseas are included in this table.
6. The comparative figures have been revised and do not match what was published in the 2011-12 financial statements due to new disclosure requirements. The reporting requirements can be found in the Finance Ministers Orders, which are available on www.finance.gov.au.

Note 13. Remuneration of Auditors

	2013 $'000	2012 $'000
Financial statement audit services were provided free of charge to the Treasury by the Australian National Audit Office.		
The fair value of the services provided was:		
Financial statement audit services	**400**	398
Total	**400**	398

No other services were provided by the auditors of the financial statements.

Note 14. Financial Instruments

	2013 $'000	2012 $'000
Note 14A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	**1,223**	1,108
Trade receivables	**1,793**	1,918
Carrying amount of financial assets	**3,016**	3,026
Financial Liabilities		
Liabilities at amortised cost		
Supplier payables	**2,516**	311
Other payables - other creditors	**2,806**	1,393
Carrying amount of financial liabilities	**5,322**	1,704
Note 14B: Net income and expense from financial liabilities		
Financial liabilities - at amortised cost		
Interest expense	**(1)**	(17)
Net gain/(loss) from financial liabilities - at amortised cost	**(1)**	(17)
Net gain/(loss) from financial liabilities	**(1)**	(17)

Note 14C: Fair value of financial instruments

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

The financial assets and financial liabilities as disclosed in Note 14A are measured under Level 2 of the fair value hierarchy as they are based on observable inputs. There have been no reclassifications between levels of the fair value hierarchy.

Note 14: Financial Instruments (continued)

Note 14D: Credit risk

The Treasury is exposed to minimal credit risk as financial assets only include cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2013: $1,792,029 and 2012: $1,918,669). The Treasury has assessed the risk of default on payment as being minimal.

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

The Treasury holds no collateral to mitigate against credit risk.

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

	Not past due nor impaired 2013 $'000	Not past due nor impaired 2012 $'000	**Past due or impaired 2013 $'000**	Past due or impaired 2012 $'000
Loans and receivables				
Cash and cash equivalents	**1,223**	1,108	**-**	-
Trade receivables	**1,651**	1,620	**142**	298
Total	**2,874**	2,728	**142**	298

Ageing of financial assets that were past due but not impaired for 2013

	0 to 30 days $'000	**31 to 60 days $'000**	**61 to 90 days $'000**	**90+ days $'000**	**Total $'000**
Loans and receivables					
Trade receivables	**32**	**66**	**43**	**1**	**142**
Total	**32**	**66**	**43**	**1**	**142**

Ageing of financial assets that were past due but not impaired for 2012

	0 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	90+ days $'000	Total $'000
Loans and receivables					
Trade receivables	176	86	16	20	298
Total	176	86	16	20	298

Note 14: Financial Instruments (continued)

Note 14E: Liquidity risk

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

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

Maturities for non-derivative financial liabilities 2013

	On demand $'000	**Within 1 year $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**> 5 years $'000**	**Total $'000**
Liabilities at amortised cost						
Payables - suppliers	**-**	**2,516**	**-**	**-**	**-**	**2,516**
Other payables	**-**	**2,806**	**-**	**-**	**-**	**2,806**
Total	**-**	**5,322**	**-**	**-**	**-**	**5,322**

Maturities for non-derivative financial liabilities 2012

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Liabilities at amortised cost						
Payables - suppliers	-	311	-	-	-	311
Other payables	-	1,393	-	-	-	1,393
Total	-	1,704	-	-	-	1,704

Note 14F: Market risk

The Treasury holds only basic financial instruments that do not expose the department to certain market risks.

Note 15. Financial Assets Reconciliation

		2013	2012
		$'000	$'000
Financial assets	**Notes**		
Total financial assets as per balance sheet		**63,219**	56,249
Less: non-financial instrument components			
Appropriation receivables	5B	**59,608**	51,933
GST receivable from the ATO	5B	**595**	1,290
Total non-financial instrument components		**60,203**	53,223
Total financial assets as per financial instruments note	14A	**3,016**	3,026

Note 16. Administered Expenses

	2013 $'000	2012 $'000
Note 16A: Grants		
Public sector:		
State and Territory Governments	**79,876,326**	83,612,420
Payment of COAG receipts from Government agencies	**1,521,247**	3,230,916
Grants to international financial institutions[1]	**13,928**	-
Grants to private sector	**21,413**	2,450
Total grants	**81,432,914**	86,845,786
Note 16B: Interest		
IMF charges	**3,489**	11,289
Total interest	**3,489**	11,289
Note 16C: Other expenses		
Suppliers expenses	**152**	11,388
Total other expenses	**152**	11,388

1. Grant made to the IMF, Poverty Reduction and Growth Trust as agreed with the IMF upon Australia's receipt of funds from the IMF Gold Sale. See note 17E.

Note 17. Administered Income

	2013 $'000	2012 $'000
Note 17A: Interest		
Gross IMF remuneration	**1,069**	3,129
Less: Burden sharing	**(35)**	(63)
Net IMF remuneration	**1,034**	3,066
Interest on loan to IMF under NAB	**613**	722
Interest on loans to States and Territories	**694**	251
Total interest	**2,341**	4,039
Note 17B: Dividends		
Reserve Bank of Australia	**-**	500,000
Australian Reinsurance Pool Corporation	**-**	400,000
Total dividends	**-**	900,000
Note 17C: Sale of goods and rendering of services		
GST administration fees - external entities	**708,095**	677,367
Guarantee Scheme for Large Deposits and Wholesale Funding Fee	**528,740**	847,780
Guarantee of State and Territory Borrowing	**52,172**	63,373
Total sale of goods and rendering of services	**1,289,007**	1,588,520
Note 17D: COAG receipts from Government		
Building Australia Fund revenue	**981,610**	2,236,700
Health and Hospital Fund revenue	**460,037**	885,575
Education and Innovation Fund revenue	**3,769**	24,877
Interstate road transport revenue	**75,831**	83,764
Total COAG receipts from government agencies	**1,521,247**	3,230,916
Note 17E: Other revenue		
HIH Group liquidation proceeds	**4,045**	23,479
IMF receipt of gold sales distribution[1]	**13,928**	-
Recovery of building education revolution funds	**12,651**	-
Other revenue	**7,335**	5,288
Total other revenue	**37,959**	28,767
Note 17F: Foreign exchange gains		
IMF SDR allocation	**(428,287)**	14,954
IMF maintenance of value	**59,607**	6,309
IMF quota revaluation	**449,572**	(15,697)
IFIs revaluation	**82,741**	10,459
IMF NAB loans revaluation	**79,340**	(7,907)
Other	**(4,303)**	(2,224)
Total foreign exchange gains	**238,670**	5,894

1. Funds received from the IMF Gold Sale were committed by Australia to being returned to the IMF, Poverty Reduction and Growth Trust as a grant. See note 16A.

Note 18. Administered Financial Assets

	2013 $'000	2012 $'000
Note 18A: Cash and cash equivalents		
Cash on hand or on deposit	**3,719**	1,735
Total cash and cash equivalents	**3,719**	1,735
Note 18B: Receivables & loans		
Advances and loans:		
Loans to States and Territories	**15,794**	15,101
IMF NAB loans	**895,785**	661,133
Total advances and loans	**911,579**	676,234
Other receivables:		
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable[1]	**337,070**	1,064,144
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	**30,833**	60,882
Guarantee of State and Territory Borrowing contractual fee receivable[1]	**198,864**	265,960
Guarantee of State and Territory Borrowing fee receivable	**3,840**	4,738
Net GST receivable from the ATO	**2**	52
IMF related moneys owing	**166**	277
Dividends receivable	**225,000**	900,000
Other receivables	**22,813**	17,577
Total other receivables	**818,588**	2,313,630
Total trade and other receivables (gross)	**1,730,167**	2,989,864
Receivables are expected to be recovered in:		
No more than 12 months	**460,696**	1,452,023
More than 12 months	**1,269,471**	1,537,841
Total receivables (gross)	**1,730,167**	2,989,864
Receivables are aged as follows:		
Not overdue	**1,730,167**	2,989,864
Total receivables (gross)	**1,730,167**	2,989,864

1. Refer Note 1.31 for details on accounting treatment and Note 20C for corresponding liability.

Note 18. Administered Financial Assets (continued)

	2013 $'000	2012 $'000
Note 18C: Investments		
International financial institutions		
Asian Development Bank	**391,780**	338,793
European Bank for Reconstruction and Development	**88,231**	77,360
International Bank for Reconstruction and Development	**220,460**	180,902
International Finance Corporation	**51,029**	46,442
Multilateral Investment Guarantee Agency	**6,684**	6,084
Total international financial institutions	**758,184**	649,581
Australian Government entities		
Reserve Bank of Australia	**10,012,000**	6,369,000
Australian Reinsurance Pool Corporation	**432,685**	349,394
Clean Energy Finance Corporation	**6,495**	-
Total Australian Government entities	**10,451,180**	6,718,394
Other Investments		
IMF quota	**5,247,082**	4,797,510
Total other investments	**5,247,082**	4,797,510
Total Investments	**16,456,446**	12,165,485
Investments are expected to be recovered in:		
More than 12 months	**16,456,446**	12,165,485
Total Investments	**16,456,446**	12,165,485

Note 19. Administered Non-Financial Assets

	2013 $'000	2012 $'000
Note 19A: Other non-financial assets		
Prepayments - Infrastructure	**773**	1,788
Prepayments - FaHCSIA	**19,841**	26,900
Prepayments - Health	**128,891**	59,572
Total other non-financial assets	**149,505**	88,260
Other non-financial assets are expected to be recovered in:		
No more than 12 months	**149,505**	88,260
More than 12 months	**-**	-
Total other non-financial assets	**149,505**	88,260

Note 20. Administered Payables

	2013 $'000	2012 $'000
Note 20A: Grants		
COAG grants payable[1]	**768,276**	459,116
Other grants payable	**115**	2,095
Total grants	**768,391**	461,211
Total grants are expected to be settled in:		
No more than 12 months	**768,391**	461,211
More than 12 months	**-**	-
Total grants, subsidies and personal benefits	**768,391**	461,211
Note 20B: Other payables		
GST appropriation payable	**2**	51
IMF SDR allocation	**4,998,656**	4,570,369
IMF related monies owing	**544**	973
Other	**10**	1
Total other payables	**4,999,212**	4,571,394
Total other payables are expected to be settled in:		
No more than 12 months	**556**	1,025
More than 12 months	**4,998,656**	4,570,369
Total other payables	**4,999,212**	4,571,394
Note 20C: Unearned income		
Guarantee Scheme for Large Deposits and Wholesale Funding Contractual guarantee service obligation[2]	**337,070**	1,064,144
Guarantee of State and Territory Borrowing contractual guarantee service obligation[2]	**198,864**	265,960
Total Unearned income	**535,934**	1,330,104
Total unearned income are expected to be settled in:		
No more than 12 months	**328,042**	693,497
More than 12 months	**207,892**	636,607
Total unearned income	**535,934**	1,330,104

1. 2012 comparative adjustment due to a minor correction of the first time application of the Natural Disaster Relief and Recovery Arrangements (NDRRA) accounting treatment in 2011.
2. Refer Note 1.31 for details on accounting treatment and Note 18B for corresponding receivable.

Note 21. Administered Interest Bearing Liabilities

	2013 $'000	2012 $'000
Note 21A: Loans		
IMF promissory notes[1]	**3,044,851**	3,141,726
Other promissory notes[1]	**122,484**	118,181
Total loans	**3,167,335**	3,259,907
Payable:		
Within one year	**-**	-
In one to five years	**74,606**	50,247
In more than five years	**3,092,729**	3,209,660
Total loans	**3,167,335**	3,259,907

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

Note 22. Administered Provisions

Note 22A: Other provisions		
Provision for HCS Scheme	**6,415**	18,162
NDRRA provision	**5,747,202**	3,936,904
Total other provisions	**5,753,617**	3,955,066
Other provisions are expected to be settled in:		
No more than 12 months	**2,269,439**	420,943
More than 12 months	**3,484,178**	3,534,123
Total other provisions	**5,753,617**	3,955,066

Reconciliation of movements in other provisions	**Provision for HCS Scheme $'000**	**NDRRA provision $'000**	**Total $'000**
Carrying amount 1 July 2012	**18,162**	**3,936,904**	**3,955,066**
Additional provisions made	**-**	**1,812,439**	**1,812,439**
Amounts used	**(11,747)**	**(77,061)**	**(88,808)**
Amounts reversed	**-**	**(5,071)**	**(5,071)**
Unwinding of discount or change in discount rate	**-**	**79,991**	**79,991**
Closing balance 30 June 2013	**6,415**	**5,747,202**	**5,753,617**

Note 23. Administered Cash Flow Reconciliation

	2013 $'000	2012 $'000
Reconciliation of cash and cash equivalents as per Administered Schedule of Assets and Liabilities to Administered Cash Flow Statement		
Cash and cash equivalents as per:		
Schedule of administered cash flows	**3,719**	1,735
Schedule of administered assets and liabilities	**3,719**	1,735
Difference	**-**	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	**78,347,331**	81,110,327
Adjustments for non-cash items		
Foreign exchange loss/(gain)	**(238,670)**	(5,894)
Changes in assets / liabilities		
(Increase) / decrease in net receivables	**1,494,349**	42,424
(Increase) / decrease in other non-financial assets	**(61,245)**	(73,469)
Increase / (decrease) in grants payable	**307,180**	(410,725)
Increase / (decrease) in unearned income	**(794,170)**	(797,751)
Increase / (decrease) in loans	**-**	-
Increase / (decrease) in other payables	**(469)**	(2,974)
Increase / (decrease) in other provisions	**1,798,551**	(641,794)
Net cash from (used by) operating activities	**(75,841,805)**	(83,000,510)

Note 24. Administered Contingent Assets and Liabilities

Quantifiable administered contingencies

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

Commitments under expanded IMF New Arrangements to Borrow (NAB)

Australia has made a line of credit available to the IMF under its NAB since 1998. In line with G20 Leaders' commitments, Australia has joined with other countries to increase its credit line under an expanded NAB. The NAB is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The funds are drawn upon by the IMF as needed to supplement the IMF's usual quota resources and will be repaid in full with interest.

When the expanded NAB came into effect on 11 March 2011, Australia's NAB credit arrangement increased from SDR801.3 million (A$1,299.1 million as at 30 June 2013) to SDR 4,370.4 million (A$7,085.6 million as at 30 June 2013).

Unquantifiable administered contingencies

1.25 Contingent Liabilities

Housing Loans Insurance Corporation — guarantee

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

Terrorism insurance — Australian Reinsurance Pool Corporation

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

Commitments under expanded IMF New Arrangements to Borrow (NAB)

Australia has made a line of credit available to the IMF under its NAB since 1998. During 2012-13 Australia met four calls under the NAB totalling A$185.4 million (SDR 126.0 million). In 2011-12 Australia provided A$444.6 million (SDR 295.1 million) under the NAB. These calls have been recognised as loans to the IMF in Note 18.

Under the IMF's current 'Resource Mobilization Plan', a maximum of SDR 679.7 million (A$1,102.0 million as at 30 June 2013) could be called by the IMF between the period 1 July 2013 to 30 September 2013, although this is subject to change. The precise amount that will be called by the IMF cannot be determined accurately. As at the completion of these statements, the IMF has not called on the NAB.

Note 24: Administered Contingent Assets and Liabilities (continued)

Grants to States and Territories

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

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

The Australian Government has agreed to lend up to $160 million to the State Government of New South Wales (NSW) to support the loan facility to top up the James Hardie Asbestos Injuries Compensation Fund. Draw down on the loan is subject to the James Hardie Asbestos Injuries Compensation Fund requiring funds to meet its liabilities and is contingent on NSW meeting a number of conditions under the loan agreement with the Australian Government. The timing and amounts that may be drawn down by NSW cannot be determined accurately. No further funding was provided to the State Government of NSW in respect of the loan facility in 2012-13. (2011-12: $14.9 million).

Contingent Assets

HIH Claims Support Scheme

As an insured creditor in the liquidation of the HIH Group, the Australian Government is entitled to payments arising from the HCSS's position in the Proof of Debt of respective HIH companies. Treasury has received payments from the HIH Estate during 2012-13, however the timing and amount of future payments are unknown and will depend on the outcome of the estimation process and the completion of the liquidation of the HIH Group.

Burden sharing in the International Monetary Fund remuneration

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

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

Likewise, precautionary balances held in the Special Contingent Account would be distributed back to members in proportion to their cumulative contributions when there are no overdue charges or principal balances. The IMF could also decide to make an early distribution.

As there is considerable and inherent uncertainty around the timing and amounts of burden sharing to be refunded to Australia this contingent asset cannot be reliably measured and as such is recorded as an unquantifiable contingent asset.

Note 24: Administered Contingent Assets and Liabilities (continued)

Significant Remote administered contingencies

Guarantees

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

Borrower	Legislation authorising guarantee	Principal covered by guarantee 2013 $'000	Balance outstanding 2013 $'000	Balance outstanding 2012 $'000
Papua New Guinea	*Papua New Guinea 1949* *Papua New Guinea 1975* *Papua New Guinea Loans Guarantee Act 1975*	**1,300**	**1,300**	1,800
Commonwealth Bank of Australia[1]	*Commonwealth Bank of Australia Act 1959* s117	**750,616**	**750,616**	780,811
Commonwealth Bank of Australia - Officers Superannuation Corporation[1]	*Commonwealth Bank of Australia Act 1959* s117	**4,180,500**	**4,180,500**	3,721,200
Guarantee Scheme for Large Deposits and Wholesale Funding	*Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008*	**48,300,000**	**48,300,000**	91,000,000
Guarantee of State and Territory Borrowing	*Guarantee of State and Territory Borrowing Appropriation Act 2009*	**25,400,000**	**25,400,000**	32,000,000
Reserve Bank of Australia[2]	*Reserve Bank of Australia Act 1959 s77*	**56,943,000**	**56,943,000**	58,349,000
Total		**135,575,416**	**135,575,416**	185,852,811

1. Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various liabilities of the Commonwealth Bank of Australia (CBA), and the Commonwealth Bank Officers' Superannuation Corporation (CBOSC). The guarantee for the CBA relates to both on and off balance sheet liabilities. The guarantee of the CBOSC covers the due payments of any amount that is payable to or from Officers' of the Superannuation Fund (the Fund), by CBOSC or by CBA, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996. The guarantee of the CBA and CBOSC reflected in the above table is the value at 30 June 2013.
2. The contingent liability for the RBA, relates to the Australian Government's guarantee of the liabilities of the RBA. It is measured as the Bank's total liabilities excluding the Bank's distribution to the Commonwealth and Australian Government deposits. The major component of the Bank's liabilities are notes (that is, currency) on issue.

Note 24: Administered Contingent Assets and Liabilities (continued)

Guarantee Scheme for Large Deposits and Wholesale Funding

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

The Scheme closed to new deposits from 31 March 2010. Since then, Australian authorised deposit-taking institutions have been prohibited from issuing any new guaranteed wholesale funding or accepting new guaranteed deposits above $1 million. Existing guaranteed wholesale funding is guaranteed to maturity. Depositors who covered their balances above $1 million under the Guarantee Scheme can have those funds covered to maturity for term deposits up to five years, or until October 2015 for at call deposits.

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

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

As at 30 June 2013, total liabilities covered by the Guarantee Scheme were estimated at $48.3 billion, including $2.3 billion of large deposits and $46.0 billion of wholesale funding.

Guarantee of State and Territory Borrowing

The Guarantee of State and Territory Borrowing commenced on 24 July 2009 and closed to new issuances of guaranteed liabilities on 31 December 2010. Securities covered by the guarantee will continue to be guaranteed until these securities either mature or are bought back and extinguished by the issuer.

The expected liability under the guarantee is remote and unquantifiable. Government expenditure would arise under the guarantee only in the unlikely event that a State or Territory failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant State or Territory at a future date. The impact on the Government's budget would depend upon the extent of the default and the State or Territory's ability to meet the Government's claim.

As at 30 June 2013, the face value of state and territory borrowings covered by the guarantee was $25.4 billion.

Note 25. Administered Investments

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

Development Banks

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to assist former communist eastern European countries committed to the principles of multiparty democracy, pluralism and market economies, to develop their private sector and capital markets. The EBRD currently operates in 29 countries from Central Europe to Central Asia. It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatisation, restructuring state-owned firms and improvement of municipal services. The EBRD uses its close relationship with governments in the region to promote policies that will bolster the business environment.

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

The World Bank was established in 1944 and comprises the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). The IBRD provides financing and technical assistance to middle income countries and lends on harder terms than the IDA. The IDA provides concessional finance and technical assistance to low income countries. The IFC supports the development of the private sector by providing direct finance to private sector operations. MIGA provides guarantee services for projects, which reduce the risks for other co-financing partners including the private sector.

International Monetary Fund

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

Australian Government entities

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

Note 25. Administered Investments (continued)

Reserve Bank of Australia

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

Australian Reinsurance Pool Corporation

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

Clean Energy Finance Corporation

The Clean Energy Finance Corporation (CEFC) is a legislated fund dedicated to investing in the clean energy sector in Australia. The CEFC's purpose is to catalyse and leverage an increased flow of finance for the commercialisation and deployment of renewable energy, low emissions and energy efficiency technologies, thus preparing and positioning the Australian economy and industry for a carbon constrained world. The CEFC's mission is to accelerate Australia's transformation towards a more competitive economy in a carbon constrained world, by acting as a catalyst to increase investment in the clean energy sector.

Note 26. Administered Financial Instruments

	2013 $'000	2012 $'000
Note 26A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	**3,719**	1,735
IMF related monies owing	**166**	277
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	**337,070**	1,064,144
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	**30,833**	60,882
Guarantee of State and Territory Borrowing contractual fee receivable	**198,864**	265,960
Guarantee of State and Territory Borrowing fee receivable	**3,840**	4,738
IMF NAB loan	**895,785**	661,133
Loans to States and Territories	**15,794**	15,101
Dividends receivable	**225,000**	900,000
Other receivables	**22,813**	17,577
Total loans and receivables	**1,733,884**	2,991,547
Available for sale:		
International financial institutions	**758,184**	649,581
Australian Government entities	**10,451,180**	6,718,394
IMF Quota	**5,247,082**	4,797,510
Total available for sale	**16,456,446**	12,165,485
Carrying amount of financial assets	**18,190,330**	15,157,032
Financial Liabilities		
At amortised cost:		
Promissory notes	**3,167,335**	3,259,907
Grant liabilities	**768,391**	473,356
IMF SDR allocation liability	**4,998,656**	4,570,369
Other payables	**554**	974
Guarantee Scheme for Large Deposits and Wholesale funding contractual guarantee service obligation	**337,070**	1,064,144
Guarantee of State and Territory Borrowing contractual guarantee service obligation	**198,864**	265,960
Other liabilities	**6,415**	18,162
Total financial liabilities at amortised cost	**9,477,285**	9,652,872
Carrying amount of financial liabilities	**9,477,285**	9,652,872

Note 26: Administered Financial Instruments (continued)

	2013 $'000	2012 $'000
Note 26B: Net income and expense from financial assets		
Loans and receivables		
Guarantee Scheme for Large Deposits and Wholesale Funding fee	**528,740**	847,780
Guarantee of State and Territory Borrowing	**52,172**	63,373
Interest revenue	**1,307**	973
Net gain/(loss) from loans and receivables	**582,219**	912,126
Available for sale		
Interest revenue	**1,034**	3,066
Exchange gains/(loss)	**671,260**	1,071
Net gain/(loss) from available for sale	**672,294**	4,137
Net gain/(loss) from financial assets	**1,254,513**	916,263
Note 26C: Net income and expense from financial liabilities		
Financial liabilities - at amortised cost		
IMF Charges	**3,489**	11,289
Exchange gains/(loss)	**(432,590)**	12,730
Net gain/(loss) financial liabilities - at amortised cost	**(429,101)**	24,019
Net gain/(loss) from financial liabilities	**(429,101)**	24,019

Note 26: Administered Financial Instruments (continued)

Note 26D: Fair value of financial instruments

The net fair values of Treasury's administered financial instruments are equal to the carrying amount.

Fair value measurements categorised by fair value hierarchy

The following table provides an analysis of financial instruments that are measured at fair value, by valuation method. The different levels are defined below:
Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value hierarchy for financial assets

	Level 1		Level 2		Level 3		Total	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000
Loans and receivables								
IMF related monies owing	**-**	-	**166**	277	**-**	-	**166**	277
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	**-**	-	**-**	-	**337,070**	1,064,144	**337,070**	1,064,144
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	**-**	-	**30,833**	60,882	**-**	-	**30,833**	60,882
Guarantee of State and Territory Borrowing contractual fee receivable	**-**	-	**-**	-	**198,864**	265,960	**198,864**	265,960
Guarantee of State and Territory Borrowing fee receivable			**3,840**	4,738			**3,840**	4,738
IMF NAB loan	**-**	-	**895,785**	661,133	**-**	-	**895,785**	661,133
Loans to States and Territories	**-**	-	**15,794**	15,101	**-**	-	**15,794**	15,101
Dividend receivables	**-**	-	**225,000**	900,000	**-**	-	**225,000**	900,000
Other receivables	**-**	-	**22,813**	17,577	**-**	-	**22,813**	17,577
Total	**-**	-	**1,194,231**	1,659,708	**535,934**	1,330,104	**1,730,165**	2,989,812

Note 26: Administered Financial Instruments (continued)

	Level 1 2013 $'000	Level 1 2012 $'000	Level 2 2013 $'000	Level 2 2012 $'000	Level 3 2013 $'000	Level 3 2012 $'000	Total 2013 $'000	Total 2012 $'000
Available for sale								
International financial institutions	**-**	-	**758,184**	649,581	**-**	-	**758,184**	649,581
Australian Government entities	**-**	-	**10,451,180**	6,718,394	**-**	-	**10,451,180**	6,718,394
IMF Quota	**-**	-	**5,247,082**	4,797,510	**-**	-	**5,247,082**	4,797,510
Total	**-**	-	**16,456,446**	12,165,485	**-**	-	**16,456,446**	12,165,485

Fair value hierarchy for financial liabilities

	Level 1		Level 2		Level 3		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Amortised cost								
Promissory notes	**-**	-	**3,167,335**	3,259,907	**-**	-	**3,167,335**	3,259,907
Grant liabilities	**-**	-	**768,391**	461,211	**-**	-	**768,391**	461,211
IMF SDR allocation liability	**-**	-	**4,998,656**	4,570,369	**-**	-	**4,998,656**	4,570,369
Other payables	**-**	-	**554**	974	**-**	-	**554**	974
Other liabilities	**-**	-	**-**	-	**6,415**	18,162	**6,415**	18,162
Guarantee Scheme for Large Deposits and Wholesale funding contractual guarantee service obligation	**-**	-	**-**	-	**337,070**	1,064,144	**337,070**	1,064,144
Guarantee of State and Territory Borrowing contractual guarantee service obligation	**-**	-	**-**	-	**198,864**	265,960	**198,864**	265,960
Total	**-**	-	**8,934,936**	8,292,461	**542,349**	1,348,266	**9,477,285**	9,640,727

Note 26: Administered Financial Instruments (continued)

Fair value measurements categorised by fair value hierarchy

	Loans and receivables	
	2013	2012
	$'000	$'000
Financial assets at fair value - Level 3		
Opening balance	**1,330,104**	2,127,855
Settlement	**(794,170)**	(797,751)
Closing balance	**535,934**	1,330,104

	Available for sale financial assets	
	2013	2012
	$'000	$'000
Financial assets at fair value - level 3		
Opening balance	**-**	6,570,427
Total gains or losses for the period recognised in profit or loss[1]	**-**	10,439
Total gains or losses recognised in other comprehensive income[2]	**-**	713,548
Purchases	**-**	73,561
Transfers out of Level 3[3]	**-**	(7,367,975)
Closing balance	**-**	-

1. These gains and losses are presented in the schedule of administered comprehensive income under other gains, net foreign exchange gains exchange losses.

2. These gains and losses are presented in the Administered Reconciliation Schedule

3. Investments in International Financial Institutions are based on paid in capital, and in Australian Government entities are based on the Net asset position of the entity. Both are recorded at fair value using observable prices and should be recorded as Level 2 financial assets.

	At amortised cost	
	2013	2012
	$'000	$'000
Financial liabilities at fair value - Level 3		
Opening balance	**1,348,266**	2,149,628
Total gains or losses recognised in other comprehensive income[3]	**-**	-
Issues	**(794,170)**	(797,751)
Settlements	**(11,747)**	(3,611)
Closing balance	**542,349**	1,348,266

Note 26: Administered Financial Instruments (continued)

Note 26E: Credit risk

The maximum exposure to credit risk of the Treasury's administered financial assets is the carrying amount of 'loans and receivables' (2013: $1,730,167,000 and 2012: $2,989,864,000) and the carrying amount of 'available for sale financial assets' (2013: $16,456,446,000 and 2012: $12,165,485,000).

However, the international financial institutions that the Treasury holds its financial assets with, hold a minimum of AAA credit ratings. The contractual fee receivable arising from the Guarantee Scheme for Large Deposits and Wholesale Funding and Guarantee of State and Territory Borrowing that the Treasury holds relates only to prudentially regulated Authorised Deposit-taking Institutions (ADIs) and State and Territory Governments. These entities hold a minimum of AA credit ratings, therefore the Treasury does not consider any of its financial assets to be at risk of default.

Note 26: Administered Financial Instruments (continued)

Note 26F: Liquidity risk

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

The following tables illustrate the maturities for financial liabilities:

2013	**On demand $'000**	**Within 1 year $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**> 5 years $'000**	**Total $'000**
Promissory notes	**-**	**-**	**-**	**74,606**	**3,092,729**	**3,167,335**
Grant liabilities	**-**	**768,391**	**-**	**-**	**-**	**768,391**
IMF SDR allocation liabilities	**-**	**-**	**-**	**-**	**4,998,656**	**4,998,656**
Other payables	**554**	**-**	**-**	**-**	**-**	**554**
Other liabilities	**6,415**	**-**	**-**	**-**	**-**	**6,415**
Total	**6,969**	**768,391**	**-**	**74,606**	**8,091,385**	**8,941,351**

2012	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Promissory notes	-	-	-	50,247	3,209,660	3,259,907
Grant liabilities	-	473,356	-	-	-	473,356
IMF SDR allocation liabilities	-	-	-	-	4,570,369	4,570,369
Other payables	974	-	-	-	-	974
Other liabilities	18,162	-	-	-	-	18,162
Total	19,136	473,356	-	50,247	7,780,029	8,322,768

Note 26: Administered Financial Instruments (continued)

Note 26G: Market risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Treasury is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency. The Treasury is exposed to foreign currency denominated in USD, EUR and SDR.

The following table details the effect on profit and equity as at 30 June 2013 from a 15.7 per cent (30 June 2012 from a 15 per cent) favourable/unfavourable change in AUD against the Treasury with all other variables held constant.

Sensitivity analysis of the risk that the entity is exposed to for 2013

		Effect on	
Risk Variable	**Change in risk variable %**	**Profit and loss 2013 $'000**	**Equity 2013 $'000**
IFI Investments	15	**(102,882)**	**(102,882)**
IFI investments	(15)	**141,204**	**141,204**
IMF related moneys owing	15	**(22)**	**(22)**
IMF related moneys owing	(15)	**31**	**31**
IMF NAB loan	15	**(121,554)**	**(121,554)**
IMF NAB loan	(15)	**166,831**	**166,831**
Quota	15	**(712,007)**	**(712,007)**
Quota	(15)	**977,215**	**977,215**
Promissory notes	15	**6,497**	**6,497**
Promissory notes	(15)	**(8,917)**	**(8,917)**
IMF allocation liability	15	**678,296**	**678,296**
IMF allocation liability	(15)	**(930,948)**	**(930,948)**
Other liabilities	15	**74**	**74**
Other liabilities	(15)	**(101)**	**(101)**

Sensitivity analysis of the risk that the entity is exposed to for 2012

		Effect on	
Risk Variable	Change in Risk variable %	Profit and loss 2012 $'000	Equity 2012 $'000
IFI Investments	15	(84,728)	(84,728)
IFI investments	(15)	114,632	114,632
IMF related moneys owing	15	(36)	(36)
IMF related moneys owing	(15)	49	49
IMF NAB loan	15	(86,235)	(86,235)
IMF NAB loan	(15)	116,670	116,670
Quota	15	(625,762)	(625,762)
Quota	(15)	846,619	846,619
Promissory notes	15	5,684	5,684
Promissory notes	(15)	(7,690)	(7,690)
IMF allocation liability	15	596,135	596,135
IMF allocation liability	(15)	(806,536)	(806,536)
Other liabilities	15	127	127
Other liabilities	(15)	(172)	(172)

Note 27. Administered Financial Assets Reconciliation

Financial assets	Notes	2013 $'000	2012 $'000
Total financial assets per administered schedule of assets and liabilities		**18,190,332**	15,157,084
Less: non-financial instrument components			
GST receivable		**(2)**	(52)
Total non-financial instrument components		**(2)**	(52)
Total financial assets as per financial instruments note	26A	**18,190,330**	15,157,032

Note 28. Appropriations

Note 28A: Annual Appropriations ('Recoverable GST exclusive')

	2013 Appropriations							Appropriation applied in 2013 (current and prior years)	Variance
	Appropriation Act			*FMA Act*					
	Annual Appropriation $'000	Appropriations reduced[1] $'000	AFM[2] $'000	Section 30 $'000	Section 31 $'000	Section 32 $'000	Total appropriation $'000	$'000	$'000
DEPARTMENTAL									
Ordinary annual services	179,014	-	-	-	10,351	-	189,365	(184,883)	4,482
Other services									
Equity	1,839	-	-	-	-	-	1,839	(1,631)	208
Loans									
Total departmental	180,853	-	-	-	10,351	-	191,204	(185,514)	4,690
ADMINISTERED									
Ordinary annual services									
Administered items	20,103	(1,458)	-	-	-	-	18,645	(20,740)	(2,095)
Payments to CAC Act bodies	-	-	-	-	-	-	-	-	-
Other services									
States, ACT, NT and Local government	-	-	-	-	-	-	-	-	-
New administered outcomes	-	-	-	-	-	-	-	-	-
Administered assets and liabilities[1]	57,000	-	-	-	-	-	57,000	(13,691)	43,309
Payments to CAC bodies	-	-	-	-	-	-	-	-	-
Total administered	77,103	(1,458)	-	-	-	-	75,645	(34,431)	41,214

1. Appropriation Acts (Nos. 1, 3) 2012-13: sections 10, 11, 12 and 15. Appropriation Acts (Nos. 2, 4) 2012-13: sections 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament.

As with departmental appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of Appropriation Acts (Nos, 1, 3) 2012-13 and section 12 of Appropriation Acts (Nos. 2, 4) 2012-13, the appropriation is taken to be reduced to the required amount specified in Note 28E once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination, which is disallowable by Parliament.

2. Advance to the Finance Minister (AFM) – Appropriation Acts (No. 1, 3) 2012-13: section 13 and Appropriation Acts (No. 2, 4) 201: section 15.

3. Variance relates to undrawn appropriations payable to NSW as a loan to support the James Hardie Asbestos Compensation Fund. The loan funding was not required by NSW in 2012-13.

Note 28: Appropriations (continued)

	2012 Appropriations							Appropriation applied in 2012 (current and prior years) $'000	Variance $'000
	Appropriation Act			*FMA Act*			Total appropriation $'000		
	Annual Appropriation $'000	Appropriations reduced[1] $'000	AFM[2] $'000	Section 30 $'000	Section 31 $'000	Section 32 $'000			
DEPARTMENTAL									
Ordinary annual services	161,230	(5,730)	-	-	11,317	1,115	167,932	(191,500)	(23,568)
Other services									
Equity	583	-	-	-	-	-	583	(583)	-
Loans	-	-	-	-	-	-	-	-	-
Total departmental	161,813	(5,730)	-	-	11,317	1,115	168,515	(192,083)	(23,568)
ADMINISTERED									
Ordinary annual services									
Administered items	18,687	(4,886)	-	-	-	-	13,801	(12,741)	1,060
Payments to CAC bodies	-	-	-	-	-	-	-	-	-
Other services									
States, ACT, NT and Local government	-	-	-	-	-	-	-	-	-
New administered outcomes	-	-	-	-	-	-	-	-	-
Administered assets and liabilities	62,708	(60,571)	-	-	-	-	2,137	(15,561)	(13,424)
Payments to CAC bodies	-	-	-	-	-	-	-	-	-
Total administered	81,395	(65,457)	-	-	-	-	15,938	(28,302)	(12,364)

1. Appropriations reduced under Appropriation Acts (Nos. 1,3) 2011-12: sections 10, 11, 12 and 15. Appropriation Acts (Nos. 2,4) 2011-12: sections 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. On 26 June 2012, the Finance Minister issued a determination to reduce departmental appropriation following a request by the Minister. The amount of reduction determined under Appropriation Act (No.1) was $5,729,267.00.
As with departmental appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of Appropriation Acts (Nos, 1, 3) 2012-13 and section 12 of Appropriation Acts (Nos. 2, 4) 2011-12, the appropriation is taken to be reduced to the required amount specified in Note 28G once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination, which is disallowable by Parliament. On 26 June 2012, the Finance Minister issued a determination to reduce administered appropriations following a request by the Minister. The amount of the reduction under the Appropriation Acts (nos. 2, 4) was $60,571,841.29.
2. Advance to the Finance Minister (AFM) – Appropriation Acts (No. 1, 3) 2011-12: section 13 and Appropriation Acts (No. 2, 4) 201: section 15.
Note: the variance associated with the Departmental ordinary annual services was the result of voluntary redundancies paid during 2011-12 and higher than expected capital purchases.

Note 28: Appropriations (continued)

Note 28B: Departmental and Administered Capital Budgets ('Recoverable GST exclusive')

	2012-13 Capital Budget Appropriations				Capital Budget Appropriations applied in 2012-13 (current and prior years)			
	Appropriation Act		*FMA Act*					
	Annual Capital Budget $'000	Appropriations reduced[2] $'000	Section 32 $'000	Total Capital Budget Appropriations $'000	Payments for non-financial assets[3] $'000	Payments for other purposes $'000	Total payments $'000	Variance $'000
DEPARTMENTAL								
Ordinary annual services								
Capital Budget[1]	5,218	-	-	5,218	5,218	-	5,218	-
ADMINISTERED								
Ordinary annual services								
Capital Budget(a)	-	-	-	-	-	-	-	-

1. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Table A: Annual appropriations
2. Appropriations reduced under Appropriation Acts (No. 1,3,5) 2012-13: sections 10,11,12 and 15 or via a determination by the Finance Minister
3. Payments made on non-financial assets include purchase of assets, expenditure on assets which have been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

Note 28: Appropriations (continued)

	2011-12 Capital Budget Appropriations				Capital Budget Appropriations applied in 2011-12 (current and prior years)			
	Appropriation Act		*FMA Act*					
	Annual Capital Budget $'000	Appropriations reduced[2] $'000	Section 32 $'000	Total Capital Budget Appropriations $'000	Payments for non-financial assets[3] $'000	Payments for other purposes $'000	Total payments $'000	Variance $'000
DEPARTMENTAL								
Ordinary annual services								
Capital Budget[1]	6,485	-	-	6,485	6,724	-	6,724	(239)
ADMINISTERED								
Ordinary annual services								
Capital Budget[(a)]	-	-	-	-	-	-	-	-

1. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services and are no separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Table A: Annual appropriations
2. Appropriations reduced under Appropriation Acts (No. 1,3,5) 2011-12: sections 10,11,12 and 15 or via a determination by the Finance Minister
3. Payments made on non-financial assets include purchase of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

Note 28: Appropriations (continued)

Note 28C: Unspent Annual Appropriations (‘Recoverable GST exclusive’)

Authority	2013 $'000	2012 $'000
Appropriation Act (No. 1) 2008-09	**-**	578
Appropriation Act (No. 1) 2011-12[1]	**-**	44,062
Appropriation Act (No. 3) 2011-12	**4,158**	4,158
Appropriation Act (No. 1) 2012-13[1]	**34,681**	-
Appropriation Act (No. 3) 2012-13	**3,666**	-
Total unspent departmental annual appropriations[2]	**42,505**	48,798

Authority	2013 $'000	2012 $'000
Appropriation Act (No. 2) 2009-10	**-**	18,508
Appropriation Act (No. 2) 2010-11	**161,844**	143,336
Appropriation Act (No. 2) 2011-12	**61,997**	61,997
Appropriation Act (No. 3) 2011-12	**-**	3,281
Appropriation Act (No. 1) 2012-13	**466**	-
Appropriation Act (No. 3) 2012-13	**1,000**	-
Total unspent administered annual appropriations	**225,307**	227,122

1. Cash held amounts are included in Appropriation Act (No. 1) for the relevant year.
2. Adjustment to 2012 total due to summing error in the 2011-12 Financial Statements

Note 28: Appropriations (continued)

Note 28D: Special Appropriations ('Recoverable GST exclusive')

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

The Treasury process to complete the 2012-13 financial statements identified no payments (2012: 8 payments) made from the COAG Reform Fund special account that resulted in technical breaches of Section 83 of the Constitution (refer to Note 29 for more information).

After reviewing the circumstances of Section 83 breaches in relation to the COAG Reform Fund special account, the Treasury considers that there is a risk of non-compliance with Section 83 of the Constitution where payments are made from special appropriations and special accounts in circumstances where the payments do not accord with conditions included in the relevant legislation.

The Treasury will investigate these circumstances and any impact on its special appropriations and special accounts shown below, seeking legal advice as appropriate.

			Appropriation applied	
			2013	2012
Authority	**Type**	**Purpose**	**$'000**	$'000
Asian Development Bank (Additional Subscription) Act 2009 (Administered)	Limited	To provide an appropriation for subscription Act 2009 payments to the ADB. The balance available (Administered) is USD$4,742,173,913.5 in callable shares and USD$181,781,020.18 in paid-in shares.	**(16,239)**	(14,812)
Federal Financial Relations Act 2009 (Administered)	Unlimited Amount	To provide an appropriation for payments of financial assistance to the States, the ACT and the NT.	**(68,375,596)**	(65,685,936)
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide an appropriation for redemipth of securities by the IMF.	**(37,279)**	(291,567)
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide appropriation for Australia's obligations as a participant in the IMF's New Arrangements to Borrow.	**(185,428)**	(444,619)
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide an appropriation for the payment of charges on Special Drawing Rights issued to Australia by the IMF.	**(3,954)**	(14,274)
International Monetary Agreements Act 1947 (Administered)	Limited Amount	To provide an appropriation for Australia's purchase of additional shares in the International Bank for Reconstruction and Development. Balance available is USD$859,886,280.	**(9,643)**	(12,171)

Note 28D: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied 2013 $'000	Appropriation applied 2012 $'000
Commonwealth Places (Mirror Taxes) Act 1998 (Administered)	Unlimited Amount	To provide an appropriation for the purpose of paying compensation to the States in respect of constitutionally invalid States levied on Commonwealth Places.	**(484,379)**	(466,870)
Superannuation Industry (Supervision) Act 1993 (Administered)	Unlimited Amount	To provide an appropriation for financial assistance to superannuation funds that have suffered an eligible loss as a result of fraudulent conduct or theft.	**(16,763)**	-
Clean Energy Act 2011 (Administered)	Unlimited Amount	Provides a mechanism to deal with climate change by encouraging the use of clean energy.	**-**	-
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide an appropriation for Special Drawing Rights sold by the RBA to the Commonwealth.	**-**	-
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide an appropriation for Australia's obligations as a participant in the IMF's Special Drawing Rights Department.	**-**	-
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide an appropriation for Australia's support of the IMF's programs.	**-**	-
International Monetary Agreements Act 1947 (Administered)	Unlimited Amount	To provide an appropriation for Australia's support of the World Bank and Asian Development Banks Programs.	**-**	-
A New Tax System (Managing the GST Rate and Base) Act 1999 (Administered)[1]	Unlimited Amount	To provide an appropriation for payments to States if a State was under paid (Administered) GST revenue in the 2008-09 financial year.	**-**	-
Asian Development Bank Act 1996 (Administered)	Limited Amount	To provide an appropriation for payments to establish the Bank. Balance available is USD$42,500,000 in callable shares.	**-**	-
Asian Development Bank Act (Additional Subscription) Act 1972 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD$102,000,000 in callable shares.	**-**	-
Asian Development Bank Act (Additional Subscription) Act 1977 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD$258,180,000 in callable shares.	**-**	-

1. *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999* was superseded by this legislation in 2009.

Note 28D: Special Appropriations ('Recoverable GST exclusive')

			Appropriation applied	
			2013	2012
Authority	**Type**	**Purpose**	**$'000**	$'000
Asian Development Bank Act (Additional Subscription) Act 1983 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD$498,110,000 in callable shares.	**-**	-
Asian Development Bank Act (Additional Subscription) Act 1995 (Administered)	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD$1,210,246,511 in callable shares.	**-**	-
European Bank for Reconstruction and Development Act 1990 (Administered)	Limited Amount	To provide an appropriation for payments to establish the Bank. Balance available is USD$81,690,700 in callable shares.	**-**	-
Financial Agreements (Commonwealth Liability) Act 1932 (Administered)	Unlimited Amount	To provide an appropriation for payment of principal and interest on bonds issued under the *Financial Agreement Validation Act 1929*, consolidating State debts.	**-**	-
Financial Services Reform Act 2001 (Administered)	Unlimited Amount	To provide an appropriation for payment of compensation in respect to levies payable by participants in particular financial markets.	**-**	-
Financial Services Reform Act 2001 (Administered)	Unlimited Amount	To provide an appropriation for payment of compensation in respect of a loss that is connected with a financial market.	**-**	-
Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008 (Administered)	Unlimited Amount	To provide an appropriation for payment of claims under the Deed of Guarantee in accordance with the Guarantee Scheme for Large Deposits and Wholesale Funding.	**-**	-
Guarantee of State and Territory Borrowing Appropriation Act 2008 (Administered)	Unlimited Amount	To provide an appropriation for payment of claims under the Deed of Guarantee in accordance with the Guarantee of State and Territory Borrowing.	**-**	-
International Bank for Reconstruction and Development (Share Increase) Act 1988 (Administered)	Limited Amount	To provide an appropriation for the purchase of additional shares in the IBRD.	**-**	-
International Bank for Reconstruction and Development (General Capital Increase) Act 1989 (Administered)	Limited Amount	To provide an appropriation for the purchase of additional shares in the IBRD.	**-**	-

Note 28D: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied 2013 $'000	Appropriation applied 2012 $'000
International Finance Corporation Act 1955 (Administered)	Limited Amount	To provide an appropriation for the subscription to the capital stock of the IFC.	**-**	-
International Finance Institutions (Share Increase) Act 1982 (Administered)	Limited Amount	To provide an appropriation for the purchase of additional shares in the IFC and the IBRD. Balance available is USD$692,927,440 in callable shares.	**-**	-
International Finance Institutions (Share Increase) Act 1986 (Administered)	Limited Amount	To provide an appropriation for the purchase of additional shares in The IFC and the IBRD.	**-**	-
International Monetary Agreements Act 1959 (Administered)	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF and increase in Australia's capital stock in the IBRD.	**-**	-
International Monetary Agreements Act 1960 (Administered)	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF and increase in Australia's capital stock in the IBRD.	**-**	-
International Monetary Agreements Act 1965 (Administered)	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	**-**	-
International Monetary Agreements Act 1970 (Administered)	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	**-**	-
International Monetary Agreements Act 1974 (Administered)	Limited Amount	To provide an appropriation for payments to the IBRD. Balance available is USD$37,368,120 in callable shares.	**-**	-
International Monetary Fund (Quota Increase) Act 1983 (Administered)	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	**-**	-
International Monetary Fund (Quota Increase and Agreements Amendments) Act 1991 (Administered)	Unlimited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	**-**	-

Note 28D: Special Appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied 2013 $'000	Appropriation applied 2012 $'000
Multilateral Investment Guarantee Agency Act 1997 (Administered)	Limited Amount	To provide an appropriation for payments to establish the Agency. Balance available is USD$14,827,728 in callable shares.	**-**	-
Papua New Guinea Loans Guarantee Act 1975 (Administered)	Limited Amount	To provide an appropriation for Australia's guarantee of certain public loans raised by Papua New Guinea. Balance available is AUD$3,530,000.	**-**	-
Papua New Guinea Loan (International Bank) Act 1970 (Administered)	Limited Amount	To provide an appropriation for Australia's guarantee of the loan to Papua New Guinea by the IBRD. Balance available is $1,365,000.	**-**	-
Papua New Guinea Loan (International Bank) Act 1970 (Administered)	Limited Amount	To provide an appropriation for Australia's guarantee of the loan to Papua New Guinea by the IBRD.	**-**	-
Payment of Tax Receipts (Victoria) Act 1996 (Administered)	Unlimited Amount	To provide an appropriation for payments to Victoria for certain taxes collected by the Australian Government of Victoria's behalf.	**-**	-
State Grants Act 1927 (Administered)	Unlimited Amount	To provide an appropriation for the distribution of surplus revenue to the States.	**-**	-
States (Work and Housing) Assistance Act 1984 (Administered)	Unlimited Amount	To provide an appropriation for financial assistance to the States in connection with expenditure on Public Housing.	**-**	-
States (Work and Housing) Assistance Act 1988 (Administered)	Unlimited Amount	To provide an appropriation for financial assistance to the States in connection with expenditure on Public Housing.	**-**	-
Terrorism Insurance Act 2003 (Administered)	Unlimited Amount	To provide an appropriation for payments to the Australian Reinsurance Pool Corporation.	**-**	-
Terrorism Insurance Act 2003 (Administered)	Unlimited Amount	To provide an appropriation for payments of compensation in the acquisition of land.	**-**	-
Total			**(69,129,281)**	(66,930,249)

Note 28: Appropriations (continued)

Note 28E: Disclosure by agent in relation to Annual and Special Appropriations ('Recoverable GST exclusive')

2013	**Department of Education, Employment and Workplace Relations** National Partnership Payments and Assistance to States and Territories for Non-Government Schools $'000	**Inspector General of Taxation** Transaction service provider $'000
Total receipts	**8,906,423**	**2,654**
Total payments	**8,906,423**	**2,594**

2012	**Department of Education, Employment and Workplace Relations** National Partnership Payments and Assistance to States and Territories for Non-Government Schools $'000	**Inspector General of Taxation** Transaction service provider $'000
Total receipts	8,569,820	2,361
Total payments	8,569,820	2,344

Note 28: Appropriations (continued)

Note 28F: Reduction in Administered Items ('Recoverable GST exclusive')

2012-13	Amount required[3] - by Appropriation Act			Total amount required[3]	Total amount appropriated[4]	Total reduction[5]
Ordinary Annual Services	**Act (No.1)**	**Act (No.3)**	**Act (No. 5)**			
Outcome 1	**4,716,947.49**	**13,927,931.49**	**-**	**18,644,878.98**	**20,103,000.00**	**1,458,121.02**

2011-12	Amount required[3] - by Appropriation Act			Total amount required[3]	Total amount appropriated[4]	Total reduction[5]
Ordinary Annual Services	**Act (No.1)**	**Act (No.3)**	**Act (No. 5)**			
Outcome 1	13,800,581.04	-	-	13,800,581.04	18,687,000.00	4,886,418.96

1. Numbers in this section of the table must be disclosed to the cent.
2. Administered items for 2012-13 were reduced to these amounts when these financial statements were tabled in Parliament as part of the department's 2012-13 annual report. This reduction is effective in 2013-14, but the amounts are reflected in Table A in the 2012-13 financial statements in the column 'Appropriations reduced' as they are adjustments to 2012-13 appropriations.
3. Amount required as per Appropriation Act (Act 1 s. 11; Act 2 s. 12).
4. Total amount appropriated in 2012-13.
5. Total reduction effective in 2013-14.

Note 29. Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance and Deregulation provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts.

In 2011-12, Treasury reported three groups of payments (totalling $4,320,123, total payments for all special accounts and appropriations in 2011-12 was $87,938,199,311) as potential breaches of Section 83. Based on legal advice Treasury has confirmed the payments are breaches of Section 83. Details of these breaches were published in the 2011-12 Financial Statements (Note 29).

During 2012-13, Treasury developed a plan to review exposure to risks of not complying with statutory conditions on payments from appropriations. The plan involved:

- identifying each special appropriation and special account;
- determining the risk of non-compliance by assessing the difficulty of administering the statutory conditions and assessing the extent to which existing payment systems and processes satisfy those conditions;
- determining procedures to confirm risk assessments in medium risk cases and to quantify the extent of non-compliance, if any, in higher risk situations;
- obtaining legal advice as appropriate to resolve questions of potential non-compliance; and
- considering legislative or procedural changes to reduce the risk of non-compliance in the future to an acceptably low level.

Treasury identified 7 appropriations involving statutory conditions for payment, comprising:

- 6 special appropriations; and
- 1 special account.

As at 30 June 2013 this work had been completed and identified:

- no payments were made in 2012-13 without legal authority in contravention of section 83 of the Constitution; and
- amounts for which recovery or offset against a later payment has occurred is nil.

While no issues were identified, recent ANAO performance audits have included discussions of agencies' monitoring arrangements relating to the achievement of milestones or performance benchmarks specified in individual national partnership agreements (NPA). In a number of instances the audits identified that greater attention should be given to strengthening these arrangements, including mechanisms for assuring information provided by the States and Territories. As a result, there is the risk that payments made by the Treasury based on the portfolio department directions may be in contravention of the terms and conditions of the specific NPA. The legal advice received by the Treasury indicates that only payments made through the *COAG Reform Fund Act 2008* may result in a breach of section 83 of the Constitution if the payments were in contravention of the terms and conditions of the NPA. Since many of the NPA's do not contain specific terms and conditions, payments would not be in breach of Section 83 of the Constitution. Nevertheless, before making payments from the COAG Reform Fund Special Account, the Treasury obtains certification from the Portfolio Departments that the requirements for payments have been met. Details about the COAG Reform Fund Special Account, including the amount paid out of the Special Account, can be found at Note 30A.

In order to address this risk, Treasury will continue to review verification procedures in consultation with Portfolio Departments in 2013-14, at the same time clarifying the risk of breach and, if necessary, investigating legal remedies to ensure that NPA payments made in good faith do not result in breaches of section 83.

During 2012-13, the Department of Finance and Deregulation received additional legal advice that indicated there could be breaches of s83 under certain circumstances with payments for long service leave, goods and services tax (GST) and payments under determinations of the Remuneration Tribunal.

Treasury has determined that there is a low risk to the certain circumstances mentioned in this legal advice applying to the department, and is not aware of any specific breaches of s83 in respect of these items.

Treasury has processes and procedures in place to ensure that payments made under determinations of the Remuneration Tribunal are made in accordance with the specific requirements under the determination. Payments made to employees under long service leave entitlements are processed in accordance with entitlement conditions. The Treasury will conduct further testing of entitlement payments in 2013-14 to verify that entitlements are not breached. GST payments to suppliers are made according to the invoices provided by suppliers, with regular reviews undertaken to ensure that the GST invoiced is calculated correctly for payment. Treasury will continue to review its current processes and controls over GST payments for these items to minimise the possibility of future breaches as a result of these payments.

Note 29: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund (continued)

Appropriations	Payment amount 2012-13 $'000	Review complete?	Breaches identified				Potential breaches to date yet to be resolved		Remedial action taken or proposed
Special appropriations			Number	Total $'000	Incorrect $'000	Recovered /offset as at 30 June 2013	Yes/No	Indicative extent	
International Monetary Agreements Act 1947 s7	37,279	Yes	-	-	-	-	N/A	N/A	N/A
International Monetary Agreements Act 1947 s8	3,954	Yes	-	-	-	-	N/A	N/A	N/A
International Monetary Agreements Act 1947 s8B	185,428	Yes	-	-	-	-	N/A	N/A	N/A
International Monetary Agreements Act 1947 s9	9,623	Yes	-	-	-	-	N/A	N/A	N/A
Asian Development Bank (Additional Subscription) Act 2009	16,239	Yes	-	-	-	-	N/A	N/A	N/A
Federal Financial Relations Act 2009	68,375,596	Yes	-	-	-	-	N/A	N/A	N/A
Superannuation Industry (Supervision) Act 1993	16,762,971	Yes	-	-	-	-	N/A	N/A	N/A
Special accounts									
COAG Reform Fund Act 2008	10,259,370	Yes	-	-	-	-	N/A	N/A	N/A

Note 30. Special Accounts and FMA Act Section 39

Note 30A: Special Accounts ('Recoverable GST exclusive')

	Actuarial Services Special Account[1]		COAG Reform Fund Special Account[2]	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Balance brought forward from previous period	**2,282**	2,149	**-**	-
Appropriation for reporting period	**-**	-	**8,735,541**	18,247,153
Other receipts from rendering of services	**1,993**	1,842	**-**	-
Receipts from other agencies	**-**	-	**1,523,829**	3,227,667
Total increase	**4,275**	3,991	**10,259,370**	21,474,820
Available for payments	**4,275**	3,991	**-**	-
Decreases:				
Departmental				
Payments made to employees	**(1,379)**	(1,316)	**-**	-
Payments made to suppliers	**(77)**	(393)	**-**	-
Total Departmental decreases	**(1,456)**	(1,709)	**-**	**-**
Administered				
Payments made to suppliers	**-**	-	**(10 259 370)**	(21 474 821)
Repayments debited from the Special Account	**-**	-	**-**	-
Repayments debited from the Special Account (FMA Act section 39)	**-**	-	**-**	-
Total Administered decreases	**-**	-	**(10 259 370)**	(21 474 821)
Total decrease	**(1,456)**	(1,709)	**(10,259,370)**	(21,474,821)
Total balance carried to the next period	**2,819**	2,282	**-**	**-**

1. 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.

2. Legal authority: *COAG Reform Fund Act 2008*
Appropriations: *Financial Management and Accountability Act 1997*; section 21
Purpose: For the making of grants of financial assistance to the States and Territories.

Note: The Treasury makes payments to the States and Territories from the COAG Reform Fund special account based on information provided by other Government departments that have policy and program implementation responsibility. Some payments have been found to have breached s83 of the Constitution. See note 29 for more details.

Note 30:Special Accounts and FMA Act Section 39 (continued)

Financial System Stability Special Account (Administered)

The Treasury's 'Financial System Stability' special account established under section 70E of the *Banking Act 1959* for the making of payments authorised under specified sections of the *Banking Act 1959*, the *Insurance Act 1973* and the *Life Insurance Act 1995* and to meet expenses of administering the special account. For the years ended 30 June 2012 and 30 June 2013 this special account had nil balances and no transactions were credited or debited to the account.

Other trust moneys account (Departmental — Special Public Money)

The Treasury has an 'Other trust monies' special account established under section 20 of the FMA Act. The purpose of this special account is for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Australian Government. Any money held is thus special public money under section 16 of the FMA Act. This account was abolished on 26 June 2012. For the years ended 30 June 2012 and 30 June 2013 this special account had nil balances and no transactions were credited or debited to the account.

Other trust moneys account (Administered — Special Public Money)

The Treasury has an 'Other trust monies' special account established under section 20 of the FMA Act. The purpose of this special account is for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Australian Government. Any money held is thus special public money under section 16 of the FMA Act. This account was abolished on 26 June 2012. For the years ended 30 June 2012 and 30 June 2013 this special account had nil balances and no transactions were credited or debited to the account.

Special Accounts investment of public money

For the periods 2011-12 and 2012-13, the Treasury has not used section 28 or 39 of the FMA Act in respect of all special accounts.

Services for Other Entities and Trust Money Special Account

On 26 June 2012 the Services for Other Entities and Trust Money Special Account was established under the section 20 of the FMA Act. The purpose of the account is to hold and expend amounts on behalf of persons or entities other than the Commonwealth. There were no transactions on the account during the 2012-13 financial year, the balance of the account is nil.

Clean Energy Finance Corporation Special Account

On 3 August 2012 the Clean Energy Finance Corporation Special Account was established under the section 45 of the *Clean Energy Finance Corporation Act 2012*. The purpose of the account is to make payments to the Clean Energy Finance Corporation, or the Australian Renewable Energy Agency as approved by the relevant Minister. There were no transactions on the account during the 2012-13 financial year, the balance of the account is nil.

Note 31. Compensation and Debt Relief

	2013	2012
	$	$
Departmental		
No 'Act of Grace' expenses were incurred during the reporting period (2012: No expenses).	**-**	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997*.(2012: No waiver)	**-**	-
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period. (2012: No payments)	**-**	-
No ex-gratia payments were provided for during the reporting period. (2012: No payments).	**-**	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the *Public Service Act 1999* (PS Act) during the reporting period. (2012: No payments).	**-**	-
Administered		
No 'Act of Grace' expenses were incurred during the reporting period (2012: No expenses).	**-**	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997*.(2012: No waivers)	**-**	-
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period. (2012: No payments)	**-**	-
No ex-gratia payments were provided for during the reporting period. (2012: No payments).	**-**	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the *Public Service Act 1999* (PS Act) during the reporting period. (2012: No payments).	**-**	-

Note 32. Reporting of Outcomes

Note 32A: Net Cost of Outcome Delivery

	Outcome 1	
	2013	2012
	$'000	$'000
Departmental		
Expenses	**198,199**	192,838
Own-source income	**12,931**	9,731
Administered		
Expenses	**81,436,555**	86,868,463
Own-source income	**2,850,554**	5,752,242
Net cost/(contribution) of outcome delivery	**78,771,269**	81,299,328

Note 33. Net Cash Appropriation Arrangements

	2013 $'000	2012 $'000
Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations and other comprehensive income[1]	**3,034**	(11,570)
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	**(13,733)**	(13,418)
Plus: other comprehensive income/(loss)	**-**	(60)
Total comprehensive income (loss) - as per the Statement of Comprehensive Income	**(10,699)**	(25,048)

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