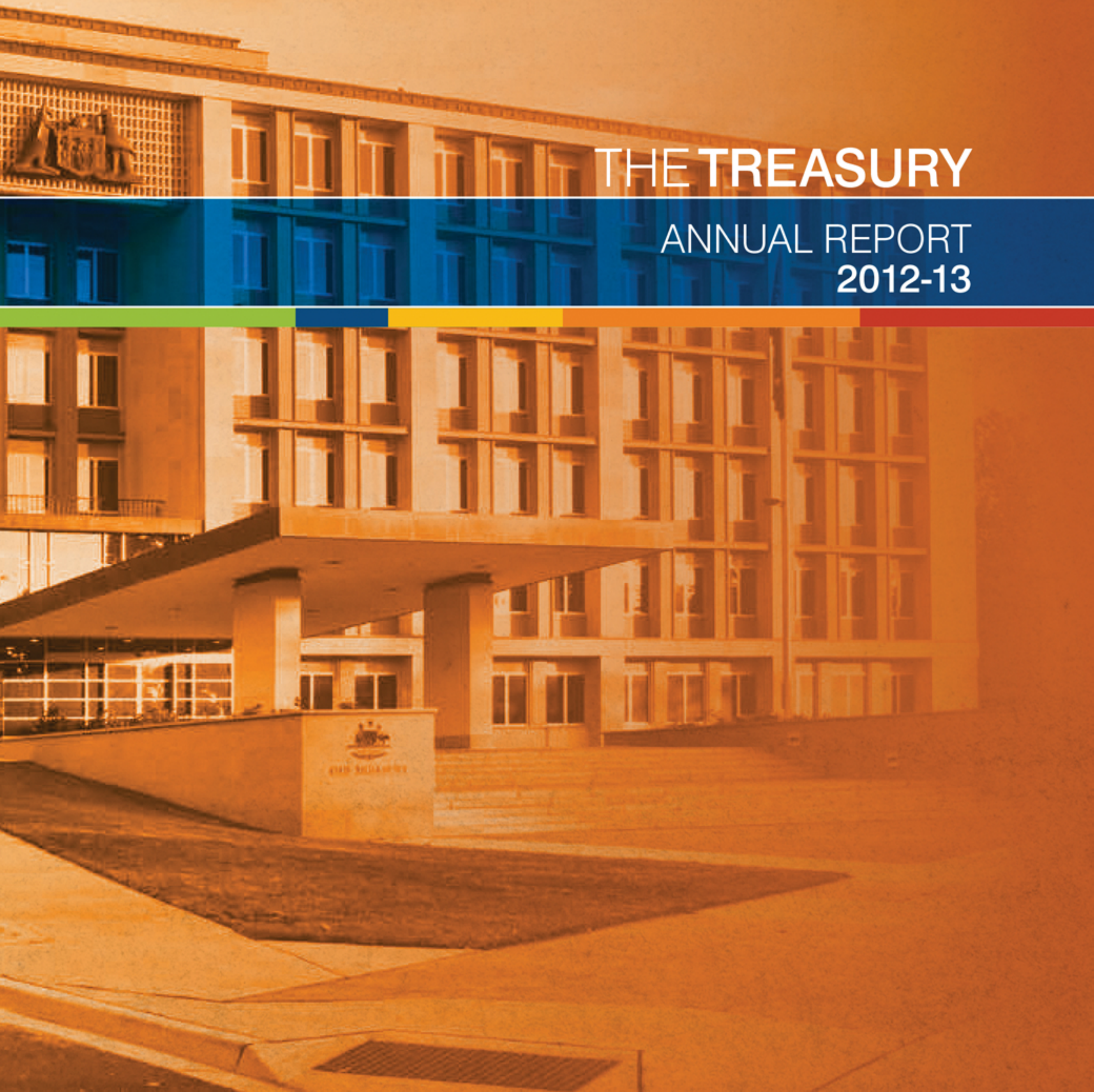
Australian Government
The Treasury

THE TREASURY

ANNUAL REPORT 2012-13



THE **TREASURY**

ANNUAL REPORT
2012-13

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Australian Government

The Treasury

Dr Martin Parkinson PSM
Secretary

Hon. J. B. Hockey MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

I am pleased to present the annual report of the Treasury for the year ended 30 June 2013.

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

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

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

In addition, and as required by the *Commonwealth Fraud Control Guidelines*, I certify that I am satisfied that the Treasury has in place appropriate fraud control mechanisms that meet the Treasury's needs and that comply with the guidelines applying in 2012-13.

Yours sincerely

Martin Parkinson
3 October 2013

CONTENTS

PART FIVE Appendices

LIST OF TABLES

List of figures and charts

INTRODUCTION AND GUIDE TO THE REPORT

The Treasury Annual Report 2012-13 outlines performance against outcomes, programs and performance information contained in the *Portfolio Budget Statements 2012-13* and *Portfolio Additional Estimates Statements 2012-13.*

The 2012-13 annual report includes the reporting requirements and financial accounts for the Australian Government Actuary. The financial accounts for the Foreign Investment Review Board and Takeovers Panel are also included in this report, along with limited performance reporting. More comprehensive performance reporting may be found in their respective annual reports.

Part 1 includes a summary of significant issues and developments during 2012-13, and an overview of the Treasury's performance. The departmental overview in Part 1 details the Treasury's role and functions, senior management structure, organisational structure and portfolio structure.

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

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

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

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

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

OTHER SOURCES OF INFORMATION

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

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

PART **ONE**

OVERVIEW

SECRETARY'S REVIEW

2012-13 was another difficult year in the global economy, with subdued growth in advanced economies, volatility in key emerging economies, and economic crisis in the euro area. Against this backdrop, the Australian economy has been undergoing significant structural change as the mining boom shifts from its investment phase and the terms of trade decline from their historic peak. These conditions create challenges not only for steering economies through difficult times, but for forecasting what lies ahead and developing enduring policy solutions. With this as the context for our work, the Treasury has continued in 2012-13 to pursue its mission of improving the wellbeing of Australians through sound and apolitical policy advice to our ministers.

We continued to forecast revenue and economic performance and implement the recommendations from the 2012 independent review of our forecasting methods. As well as our regular role in preparing the Budget and related documents, we provided advice to the Government on a number of new initiatives including school funding and establishing a national disability insurance scheme, the latter partly funded by an increase in the Medicare levy. Treasury analysis and advice was also provided on initiatives surrounding energy policy, housing, industry and agriculture, defence and national security, federal financial relations, superannuation, and on the future of financial advice. Advice was provided on tax matters, particularly on the sustainability of the corporate tax base. We worked with the OECD on the profit-shifting and base erosion that threaten the transparency and fairness of the global tax system.

With our international partners and with institutions like the G20, the World Bank, and the International Monetary Fund, we worked to promote global economic growth and support robust global financial architecture. We supported Australia's participation in the G20 leadership troika in summits at Los Cabos, Mexico and St Petersburg, Russia, and prepared for Australia's host year in 2014, when we will have a rare opportunity to influence global economic and financial decision-making, and to build our regional and international relationships through an ambitious and focused G20 program. We worked with the Asian Development Bank and other regional partners to develop a regional funds passport that will both promote Asian-region financial interaction and build Australia's capacity and credibility as an important regional financial centre. We continued to build relationships with our regional partners, including China, Japan, India, Indonesia, Korea, Vietnam, the Philippines, Papua New Guinea and the Solomon Islands.

In the context of challenges and change, a focus in 2012-13 was to nurture and strengthen the Treasury's core organisational capabilities, and to implement the recommendations from our two organisational reviews. We made improvements to the mobility and availability of our IT and began using new technology to improve internal and external collaboration. We made progress in building capability through better strategic and operational workforce planning, and by encouraging innovation from staff at all levels. As part of the Progressing Women initiative, all Groups addressed challenges and opportunities in their own work environment while we rolled out unrecognised bias awareness training to our leadership group. As the backdrop to our work continues to evolve, the organisational change being pursued is intended to deliver a more modern, resilient, flexible, and outward-looking organisation.

The outlook for the year ahead is one of continued volatility and structural change. While Australia's economic fundamentals are sound, we are by no means immune to the volatilities and vulnerabilities that beset both developed and developing economies around the globe. The transitions underway in our own Asia-Pacific region have considerable implications for us, particularly the volatility and overall decline in the terms of trade. For almost a decade, high terms of trade due to the demand for our commodities have underpinned growth in the economy and in Australian living standards. With the terms of trade dropping, growth needs to be driven by a lift in productivity if Australians are not to experience a sharp slowing in living standard growth. The challenge of how we lift productivity enough for our living standards to continue to rise will not be easily solved, and will require concerted efforts across a range of social and economic policy areas. The Treasury will play a key role in supporting Government develop and implement a broad-based national productivity agenda while working toward a more sustainable fiscal position.

Martin Parkinson

Secretary to the Treasury

DEPARTMENTAL OVERVIEW

THE TREASURY'S MISSION

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

POLICY OUTCOME

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

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

The Treasury has four policy groups that contribute to achieving this outcome and a further group that provides enabling services, Corporate Services and Strategy Group. The policy groups are:

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

Macroeconomic Group

Macroeconomic Group provides advice on a sound macroeconomic environment, which is an essential foundation for strong, sustainable economic growth.

Macroeconomic Group undertakes monitoring and analysis of economic conditions in Australia and overseas, which forms the basis of quality macroeconomic policy advice to portfolio ministers.

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

Macroeconomic Group is also responsible for payments to international financial institutions as outlined in program 1.2 on pages 68-69.

Fiscal Group

Fiscal Group provides advice on effective government spending arrangements that contribute to the overall fiscal outcome and help deliver strong and sustainable economic growth.

Effective spending measures should meet their stated objectives, minimise behavioural distortions and deliver significant economic and other benefits compared with costs. Fiscal Group provides policy advice to portfolio ministers to promote government decisions that further these objectives.

Fiscal Group is also responsible for the efficient payment of general revenue assistance, National Specific Purpose Payments and National Partnership Payments to the States and Territories as outlined in programs 1.4 to 1.10 on pages 72-85.

Revenue Group

Revenue Group provides advice on effective tax and retirement income arrangements policy and on legislation to implement policy that contributes to the overall fiscal outcome and to strong, sustainable economic growth.

Tax and retirement income policy affects the wellbeing of Australians through influencing individuals' decisions on saving and investment, as well as through labour market participation and businesses' decisions about whether, where and how much to invest.

Well-designed tax legislation contributes to the ability of taxpayers to understand and comply with their tax obligations.

Revenue Group also provides advice on the fiscal and distributional impacts of changes to tax policy.

Markets Group

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

Well-functioning markets enable the most efficient use of resources and maximise consumer confidence in markets, which, in turn, enhance community benefits from economic activity.

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

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

Markets Group is also responsible for payments to support markets and business as outlined in program 1.3 on pages 70-71.

Corporate Strategy and Services Group

The Corporate Strategy and Services Group assists in setting and delivering the corporate strategic direction of Treasury. The group delivers quality and valued corporate advice and services for the department, its people and Ministers.

Corporate Strategy and Services Group is responsible for providing; accommodation and facilities management, communications advice and support, financial management, human resources management, training and development, information management and technology services, freedom of information management, media management and monitoring, ministerial and parliamentary support, procurement, publishing, security and travel.

Corporate Strategy and Services Group functions also include assisting with the development of whole-of-department corporate strategy; providing support to the Secretary, the Executive Board and the Audit Committee, including oversight of departmental structures and systems; designing and facilitating whole-of-department policy discussions; coordinating organisational strategy initiatives; overseeing the risk management framework; and undertaking and assisting with departmental reviews.

TREASURY PEOPLE VALUES

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

Treasury people:

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

Treasury people management principles are:

- open, two-way communications at all levels;
- clear definition of accountabilities;
- remuneration based on work performance, determined by fair and transparent processes; and
- facilitation of an appropriate work and private life balance.

THE TREASURY'S ROLE AND CAPABILITIES

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

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

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

To facilitate objective and thorough analysis, we have identified five dimensions that directly or indirectly have important implications for wellbeing and are particularly relevant to Treasury. These dimensions are:

- The set of opportunities available to people. This includes not only the level of goods and services that can be consumed, but good health and environmental amenity, leisure and intangibles, such as personal and social activities, community participation and political rights and freedoms.
- The distribution of those opportunities across the Australian people. In particular, that all Australians have the opportunity to lead a fulfilling life and participate meaningfully in society.
- The sustainability of those opportunities available over time. In particular, consideration of whether the productive base needed to generate opportunities (the total stock of capital, including human, physical, social and natural assets) is maintained or enhanced for current and future generations.
- The overall level and allocation of risk borne by individuals and the community. This includes a concern for the ability, and inability, of individuals to manage the level and nature of the risks they face.
- The complexity of the choices facing individuals and the community. Our concerns include the costs of dealing with unwanted complexity, the transparency of government and the ability of individuals and the community to make choices and trade-offs that better match their preferences.

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

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

Our organisational capabilities are:

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

FINANCIAL PERFORMANCE

The Treasury received an unqualified audit report on the 2012-13 financial statements from the Australian National Audit Office. These statements can be found in Part 4 on pages 125-232.

Departmental

The Treasury ended 2012-13 with an attributable surplus of $3.0 million, compared to a deficit of $11.6 million in 2011-12. Employee expenses decreased by $12.7 million from 2011-12, which was associated with the corresponding decrease in operational funding. The Treasury's net asset position decreased by $17.9 million in 2012-13, mainly due to the transfer of the Standard Business Reporting software assets to the Australian Taxation Office.

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

Administered

The Treasury incurred $81.4 billion in administered expenses in 2012-13 compared to $86.9 billion in 2011 12. There was a reduction in grant expenses to the States and Territories that the Treasury provides under the *Intergovernmental Agreement on Federal Financial Relations*.

The Treasury's administered net assets increased by $1.4 billion in 2012-13. This is mainly due to an increase in the value of financial assets offset by an increase in provisions and payables. The Treasury has sufficient cash reserves to fund liabilities as and when they fall due.

Figure 1: Treasury senior management structure (as at 30 June 2013)

Secretary: Dr Martin Parkinson PSM

Executive Director (Policy Coordination and Governance): Ms Jan Harris

Corporate Strategy and Services Group
Group General Manager: Mr Steve French
Financial and Facilities Management Division
General Manager: Mr Matthew King
Information Management and Technology Division
General Manager: Mr Peter Alexander
Ministerial and Communications Division
General Manager: Mr Luke Hickey
People and Organisational Strategy Division
General Manager: Ms Marisa Purvis-Smith

Macroeconomic Group: Executive Director (Domestic), Dr David Gruen
Macroeconomic Group: Executive Director (International), Mr Barry Sterland

Domestic Economy Division
General Manager: Mr Jason Allford
Macroeconomic Policy Division
General Manager: Mr Simon Duggan
Macroeconomic Modelling Division
General Manager: Mr Russ Campbell
International Division
General Manager: Mr Jason McDonald
International Finance and Development Division
General Manager: Mr Matt Flavel
G20 Policy Division
General Manager: Ms H K Holdaway
G20 Operations and Logistics Division
General Manager: Ms Mary Balzary
Overseas Operations
Papua New Guinea
Mr Paul Flanagan
Indonesia
Ms Natalie Horvat
Solomon Islands
Mr Colin Johnson
Washington DC
Ms Amanda Sayegh
OECD (Paris)
Sue Vroombout
London
Mr James Kelly
Tokyo
Ms Kate Phipps
Beijing
Mr Adam McKissack
Jakarta
Mr Trevor Thomas
New Delhi
Mr Matt Crooke

Fiscal Group: Executive Director, Mr Nigel Ray

Budget Policy Division
General Manager: Mr John Lonsdale
Commonwealth-State Relations Division
General Manager: Mr Peter Robinson
Industry, Environment and Defence Division
General Manager: Ms Luise McCulloch
Social Policy Division
General Manager: Ms Amanda Cattermole

Revenue Group: Executive Director, Mr Rob Heferen

Law Design Practice
General Manager: Tom Reid
Tax Analysis Division
General Manager: Mr Roger Brake
Corporate and International Division
General Manager: Ms Christine Barron
Tax System Division
General Manager: Mr Gerry Antioch
Personal and Retirement Income Division
General Manager: Mr Paul Tilley
Indirect, Philanthropy and Resource Tax Division
General Manager: Ms Brenda Berkeley
Board of Taxation Secretariat
Secretary: Mr Roger Paul
Small Business Tax Division
Mr Hector Thompson

Markets Group: Executive Director, Mr Jim Murphy

Foreign Investment and Trade Policy Division
General Manager: Mr Jonathan Rollings
Financial System Division
General Manager: Ms Meghan Quinn
Infrastructure Division
General Manager: Mr Chris Legg
Corporations and Capital Markets Division
General Manager: Mr David Woods
Competition and Consumer Policy Division
General Manager: Mr Geoff Francis
Retail Investor Division
General Manager: Ms Irene Sim
Australian Government Actuary
General Manager: Mr Peter Martin
Takeovers Panel
Director: Mr Allan Bulman

Figure 2: Treasury outcome and program structure (as at 30 June 2013)

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

Program 1.1: Department of the Treasury

Macroeconomic Group	Domestic Economy Division Macroeconomic Policy Division Macroeconomic Modelling Division International Finance and Development Division International Division G20 Policy Division G20 Operations and Logistics Division Overseas Operations Overseas Posts
Fiscal Group	Budget Policy Division Commonwealth-State Relations Division Industry, Environment and Defence Division Social Policy Division
Revenue Group	Law Design Practice Indirect, Philanthropy and Resource Tax Division Corporate and International Division Personal and Retirement Income Division Tax Analysis Division Tax System Division Board of Taxation Secretariat Small Business Tax Division
Markets Group	Foreign Investment and Trade Policy Division Financial System Division Infrastructure Division Competition and Consumer Policy Division Corporations and Capital Markets Division Retail Investor Division Australian Government Actuary Takeovers Panel
Corporate Strategy and Services Group	Financial and Facilities Management Division Information Management and Technology Division Ministerial and Communications Division People and Organisational Strategy Division

Program 1.2: Payments to International Financial Institutions
Macroeconomic Group: International Finance and Development Division

Program 1.3: Support for Markets and Business
Markets Group: Financial System Division

Program 1.4: General Revenue Assistance
Fiscal Group: Commonwealth-State Relations Division

Program 1.5: Assistance to the States for Healthcare Services
Fiscal Group: Commonwealth-State Relations Division

Program 1.6: Assistance to the States for Schools
Fiscal Group: Commonwealth-State Relations Division

Program 1.7: Assistance to the States for Skills and Workforce Development
Fiscal Group: Commonwealth-State Relations Division

Program 1.8: Assistance to the States for Disabilities Services
Fiscal Group: Commonwealth-State Relations Division

Program 1.9: Assistance to the States for Affordable Housing
Fiscal Group: Commonwealth-State Relations Division

Program 1.10: National Partnership Payments to the States
Fiscal Group: Commonwealth-State Relations Division

Figure 3: Treasury portfolio outcome and program structure (as at 30 June 2013)

Portfolio Minister — Treasurer
The Hon Chris Bowen MP
Assistant Treasurer
The Hon David Bradbury MP
Minister for Financial Services and Superannuation
The Hon Bill Shorten MP
Minister for Housing and Homelessness
The Hon Mark Butler MP
Parliamentary Secretary to the Treasurer
The Hon Bernie Ripoll MP

Department of the Treasury

Secretary: Dr Martin Parkinson

Outcome 1:	**Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations**
Program 1.1:	Department of the Treasury
Program 1.2:	Payments to International Financial Institutions
Program 1.3:	Support for Markets and Business
Program 1.4:	General Revenue Assistance
Program 1.5:	Assistance to the States for Healthcare Services
Program 1.6:	Assistance to the States for Schools
Program 1.7:	Assistance to the States for Skills and Workforce Development
Program 1.8:	Assistance to the States for Disabilities Services
Program 1.9:	Assistance to the States for Affordable Housing
Program 1.10:	National Partnership Payments to the States

Australian Bureau of Statistics

Statistician: Mr Brian Pink

Outcome 1:	**Informed decisions, research and discussion within governments and the community by leading the collection, analysis and provision of high-quality, objective and relevant statistical information**
Program 1.1:	Australian Bureau of Statistics

Australian Competition and Consumer Commission

Chairman: Mr Rod Sims

Outcome 1:	**Lawful competition, consumer protection, and regulated national infrastructure markets and services through regulation, including enforcement, education, price monitoring and determining the terms of access to infrastructure services**
Program 1.1:	Australian Competition and Consumer Commission

Australian Office of Financial Management

Chief Executive Officer: Mr Robert Nicholl

Outcome 1:	**The advancement of macroeconomic growth and stability, and the effective operation of financial markets, through issuing debt, investing in financial assets and managing debt, investments and cash for the Australian Government**
Program 1.1:	Australian Office of Financial Management

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

Australian Prudential Regulation Authority

Chairman: Dr John Laker AO

Outcome 1:	**Enhanced public confidence in Australia's financial institutions through a framework of prudential regulation that balances financial safety and efficiency, competition, contestability and competitive neutrality**
Program 1.1:	Australian Prudential Regulation Authority

Australian Securities and Investments Commission

Chairman: Mr Greg Medcraft

Outcome 1:	**Improved confidence in financial market integrity and protection of investors and consumers through research, policy, education, compliance and deterrence that mitigates emerging risks**
Program 1.1:	Research, policy, compliance, education and information initiatives
Program 1.2:	Enforcement/deterrence
Outcome 2:	**Streamlined and cost-effective interaction and access to information for business and the public, through registry, licensing and business facilitation services**
Program 2.1:	Legal infrastructure for companies and financial services providers
Program 2.2:	Banking Act and Life Insurance Act, unclaimed moneys and special accounts

Australian Taxation Office

Commissioner: Mr Chris Jordan AO

Outcome 1:	**Confidence in the administration of aspects of Australia's taxation and superannuation systems by helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law**
Program 1.1:	Australian Taxation Office
Program 1.2:	Tax Practitioners Board
Program 1.3:	Australian Business Register
Program 1.4:	Australian Valuation Office
Program 1.5:	Product Stewardship for Oil
Program 1.6:	Cleaner Fuels Grant Scheme
Program 1.7:	Australian Screen Production Incentive
Program 1.8:	Research and Development Tax Offset
Program 1.9:	Private Health Insurance Rebate
Program 1.10:	Superannuation Co-contribution Scheme
Program 1.11:	Superannuation Guarantee Scheme
Program 1.12:	Fuel Tax Credits Scheme
Program 1.13:	Education Tax Refund
Program 1.14:	National Urban Water and Desalination Plan
Program 1.15:	National Rental Affordability Scheme
Program 1.16:	First Home Saver Accounts
Program 1.17:	Baby Bonus
Program 1.18:	Interest on Overpayment and Early Payments of Tax
Program 1.19:	Bad and Doubtful Debts and Remissions
Program 1.20:	Other Administered

Commonwealth Grants Commission

Secretary: Mr John Spasojevic

Outcome 1:	**Informed Government decisions on fiscal equalisation between the States and Territories through advice and recommendations on the distribution of GST revenue and health care grants**
Program 1.1:	Commonwealth Grants Commission

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

Corporations and Markets Advisory Committee

Convenor: Ms Joanne Rees

Outcome 1:	**Informed decisions by Government on issues relating to corporations regulation and financial products, services and markets through independent and expert advice**
Program 1.1:	Corporations and Markets Advisory Committee

Inspector-General of Taxation

Inspector-General: Mr Ali Noroozi

Outcome 1:	**Improved tax administration through community consultation, review and independent advice to Government**
Program 1.1:	Inspector-General of Taxation

National Competition Council

President: Mr David Crawford

Outcome 1:	**Competition in markets that are dependent on access to nationally significant monopoly infrastructure, through recommendations and decisions promoting the efficient operation of, use of and investment in infrastructure**
Program 1.1:	National Competition Council

Office of the Auditing and Assurance Standards Board

Chairman: Ms Merran Kelsall

Outcome 1:	**The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements**
Program 1.1:	Auditing and Assurance Standards Board

Office of the Australian Accounting Standards Board

Chairman: Mr Kevin Stevenson

Outcome 1:	**The formulation and making of accounting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions**
Program 1.1:	Australian Accounting Standards Board

Productivity Commission

Chairman: Mr Peter Harris

Outcome 1:	**Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective**
Program 1.1:	Productivity Commission

Royal Australian Mint

Chief Executive Officer: Mr Ross MacDiarmid

Outcome 1:	**The coinage needs of the Australian economy, collectors and foreign countries are met through the manufacture and sale of circulating coins, collector coins and other minted products**
Program 1.1:	Royal Australian Mint

PART TWO

REPORT ON PERFORMANCE

INTRODUCTION

The report on performance covers the Treasury's departmental and administered items for 2012-13.

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

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

The Treasury's 2012-13 performance is reported at the program level for its policy outcome:

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

Performance outcomes for each program are reported against the objectives, deliverables and key performance indicators published in the *Treasury Portfolio Budget Statements 2012-13* and *Treasury Portfolio Additional Estimates Statements 2012-13*.

The key strategies for 2012-13 are to provide advice on:

- macroeconomic policy, based on careful monitoring and analysis of economic conditions in Australia and overseas;
- fiscal strategy, budget priorities and measures, debt and balance sheet management, as well as a budget coordination role;
- Commonwealth-State financial policy, industry, environment and defence policy and housing, social and income support policy;
- taxation and retirement income arrangements consistent with the Government's reform priorities;
- policies that promote competitive, efficient markets and which work to enhance consumer wellbeing, deliver a secure financial system and sound corporate practices, and foreign investment consistent with Australia's national interest;
- policies that promote well-regulated, competitive and efficient infrastructure and address supply constraints in the housing market that impact on housing affordability;
- a range of international economic policy issues, including strengthening multi-lateral regimes underpinning open trade and capital flows, supporting developing countries' development aspirations, and shaping the evolution of regional economic architecture; and
- administration of a range of payments to the States and Territories, which are reported in programs 1.4 to 1.10.

An assessment of this advice is included under each program.

PROGRAM 1.1: DEPARTMENT OF THE TREASURY

PROGRAM OBJECTIVE

The objectives of program 1.1 are to:

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

PROGRAM KEY PERFORMANCE INDICATORS

The key performance indicators are:

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

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

MACROECONOMIC GROUP

Overview

Macroeconomic Group advised the Government on matters relating to the performance of the Australian economy, including Australia's current economic conditions and outlook, monetary and fiscal policies, and current and prospective international economic issues, in a volatile environment.

Macroeconomic Group examined:

- the implications of ongoing subdued growth in the advanced economies, and volatility in key emerging economies;
- the implications resulting from the economic crisis in the euro area;
- the impact of introducing a carbon price on the Australian economy;
- continued prudent household spending behaviour, and
- the transitions underway in the economy with the peaking of the mining investment boom and the continuing decline in the terms of trade.

Macroeconomic Group is responsible for delivering the Finance Ministers and Central Bank Governors' and related meetings of the G20 in 2014. In preparation for Australia's presidency, the group is supporting Russia, the current chair, to build a strong foundation for 2014.

In response to the *Australia in the Asian Century* White Paper, the group has continued to build bilateral cooperation with strategically important regional partners including China, Japan, India, Indonesia and Korea, while also building relationships and cooperation with Vietnam and the Philippines through Treasury's overseas posts.

Through active engagement with the G20, Macroeconomic Group advanced important initiatives to work towards the achievement of a strong, sustainable and balanced global economy. Specific initiatives sought to support reform that ensures the legitimacy, credibility and effectiveness of international financial institutions, particularly the International Monetary Fund (IMF) and the World Bank; strengthen international standards for the regulation of the financial system; and improve international development outcomes.

Group deliverables

Macroeconomic Group's key deliverables are to advise on:

- domestic and international developments affecting the Australian economy and forecasts of the direction of the Australian and international economies;
- the setting of sound macroeconomic policy;
- economy-wide modelling and a range of government policies, and modelling advice to other departments and agencies;

- findings from Treasury's liaison program with the business community across Australia;
- the effectiveness of international financial institutions, particularly the IMF and the World Bank;
- policy issues, risks and challenges being discussed by the G20 with a view to contributing Australia's perspective and shaping the G20 agenda and actions;
- the policy agenda, engagement priorities and strategies ahead of Australia's G20 host year, as well the preparation of G20 processes and logistics;
- ongoing economic analysis and deeper engagement with China, Japan, India and Indonesia, reflecting the increasing importance of these countries in the international economy; and
- improving the linkages between the priorities of the G20, the Asia-Pacific Economic Cooperation (APEC) process and the East Asia Summit processes.

Group outcomes

Macroeconomic Group's key outcomes were:

- providing analysis, preparing macroeconomic forecasts, and assisting in the formulation of policy solutions, taking into account:
  - ongoing weakness in advanced economies and growth transition in key emerging economies, such as China;
  - domestic and international fiscal consolidation;
  - the transition away from the investment phase in the resources sector to growth in exports and non-resources sectors;
  - the impact of Australia's high exchange rate;
  - the impacts of the Clean Energy Future Plan;
  - the uneven global economic recovery;
  - the evolving economic crisis in the euro zone; and
  - structural reform challenges.
- publicly releasing the results of the 2012 Review of Treasury's Forecasting Methodology and Performance and implementing the recommendations of the Review;
- contributing to the development of the *Australia in the Asian Century* White Paper, including modelling support;
- providing specific modelling analysis of business tax reform options for the Business Tax Working Group;
- providing advice and analysis related to the carbon pricing mechanism and related budget estimates;
- providing modelling assistance to other Government departments and agencies as required;
- delivering presentations and published material, including economic forecasts and analysis, in budget papers and the Treasury's *Economic Roundup and Working Papers series* to increase public awareness of economic issues and developments;

- assisting the Government to manage changing global economic conditions and to influence the development of international economic policy through engagement with international and regional institutions and forums;
- broadening and deepening engagement with key Asian and Pacific economies and contributing to improved policy outcomes through policy dialogue, cooperation, research and capacity building;
- strengthening of key relationships through a number of G20-related meetings with stakeholders, including both member and non-member countries, as well as domestic and international organisations;
- assisting the development of G20 policy positions and priorities, including in preparation for Australia's presidency;
- advising on government initiatives to encourage broad-based, stable and inclusive economic growth and developing well-functioning economic ministries in the south Pacific; and
- Australia's involvement in the African Development Bank (AfDB) and contributing to the work leading to the Australian Government's decision to join the AfDB.

Analysis of performance

During 2012-13, the Treasury advised Treasury ministers, other members of the Government and relevant stakeholders on a range of macroeconomic issues:

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

Economic modelling

The Treasury's economic modelling contributed to the development of evidence-based policy analysis. Economic modelling, such as computable general equilibrium modelling, enables complex implications of policies and developments to be assessed and used to inform policy design.

The Treasury provided modelling advice and support on a wide range of government policy issues, including key analytical work, such as modelling of:

- developments for the *Australia in the Asian Century* White Paper;
- tax policy options, including for the Business Tax Working Group; and

- climate change mitigation policy impacts for Budget estimates and annual emissions projections, as well as commencing analysis in support of reviews being conducted by the Climate Change Authority.

Cross-departmental modelling advice was also provided to a range of portfolios on policy issues under consideration by the Government, as well as also continuing to use our modelling capabilities to support more general macroeconomic analysis and forecasting.

Economic forecasting

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

The Treasury's economic forecasts are subject to discussion and quality assurance through the Joint Economic Forecasting Group. This group, chaired by the Treasury, comprises the Reserve Bank of Australia (RBA), the Department of the Prime Minister and Cabinet, the Department of Finance and Deregulation, and the Australian Bureau of Statistics (ABS). These discussions, together with information gained from liaison with the private sector and other specialist departments and organisations (such as the Bureau of Resources and Energy Economics), helped in developing the final version of the forecasts.

Treasury officials liaised extensively with the ABS, both formally through ongoing representation on the Australian Statistics Advisory Council and the Economic Statistics User Group, and informally through regular discussions, to review the quality and appropriateness of economic data.

In 2012, the Secretary to the Treasury commissioned an independently-overseen Review of Treasury's Forecasting Methodology and Performance. The Review found that Treasury approaches the forecasting task in a professional manner and the forecasts it generates are broadly as accurate as those of both domestic forecasters and those generated by comparable agencies in countries with similar institutional arrangements to Australia. The Review made 11 recommendations on how to improve forecasting performance, all of which are currently being implemented.

The Treasury's forecasting activity focused on 2012-13, 2013-14 and 2014-15, with forecasts published in the 2012-13 MYEFO and the 2013-14 Budget.

2013-14 Budget papers

The Treasury contributed to public awareness and debate on economic policy issues through its economic analysis in the annual budget papers and the 2012-13 MYEFO.

Published forecasts were accompanied by a written assessment of the economic outlook to help inform the public of key developments in the domestic and international economies and their likely effects on short-term economic growth.

The 2012-13 MYEFO and 2013-14 Budget presented the outlook for the Australian economy. The 2013-14 Budget noted that against the backdrop of a fragile global recovery, the Australian economy is expected to undergo two large transitions over the next few years. After the largest investment boom in Australia's recent history, the resources boom will transition away from the investment phase towards growth in production and exports. More broadly, the economy will transition to non-resource drivers of growth. There is, however, a risk that a less-than-seamless transition to non-resources sectors as major contributors to growth will result in a period of weaker growth in activity and jobs, but low interest rates and recent falls in the exchange rate will support this transition. The economy was expected to grow close to its trend rate over the forecast horizon, unemployment was forecast to remain low and inflation was expected to remain well-contained.

In response to Recommendation 5 of the 2012 Review of Treasury's Forecasting Methodology and Performance, Statement 2 of Budget Paper No.1 published a high-level review of Treasury's economic forecast errors.

As part of the 2012-13 Budget, the Government provided the Treasury with $45.2 million over four years for the organisation and logistics of G20 Finance Ministers' and Central Bank Governors' meetings and related officials' meetings associated with Australia's host year, and for related policy development on economic and financial issues.

Statement 4 of Budget Paper No. 1 *Fiscal Policy in the Current Economic Environment* reported on the sustainability of the Government's fiscal position with reference to a range of internationally-recognised metrics and outlined how the Government intended to balance competing fiscal policy priorities over the short and medium term.

Economic publications and speeches

The Treasury's *Economic Roundup* included a regular summary of the key findings from the Treasury's Business Liaison Program as well as research articles and speeches that provided detailed analysis and policy recommendations on:

- Australia-China relations, China's economic transition and growth prospects for consumption and exports;
- Treasury's wellbeing framework;
- the measurement of market expectations for inflation;
- sovereign wealth funds;
- the appreciation of the Australian dollar;
- sustainability; and
- unemployment disparity across regions.

As part of its Working Paper series the Treasury published updated estimates of the structural budget balance of the Australian Government, with the aim of contributing to the broader public debate on fiscal sustainability.

Treasury, the RBA and the IMF jointly hosted a conference on *Structural Change and the Rise of Asia* on 19 September 2012 at the Hyatt Hotel, Canberra. The conference program, papers, speaker profiles and transcript (including video feed) are all available on the Treasury web page.

Senior Treasury officials assisted broader understanding of domestic and international macroeconomic issues by speaking with a range of organisations on topics including:

- the economic outlook;
- macroeconomic forecasting;
- long-term international GDP forecasts;
- productivity;
- global economic developments, including developments in the United States;
- the euro area economic crisis and underlying structural issues in European economies;
- the rise of China, India and other emerging economies;
- *Renminbi* internationalisation in China;
- the Japanese economy;
- unconventional monetary policy;
- fiscal policy and the terms of trade;
- macroprudential policy;
- structural budget balance measures;
- structural change and the Asian century;
- tax base erosion and profit shifting;
- the international monetary system;
- structural change and the impact of Asia's rise;
- state of the Australian economy; and
- wellbeing, living standards and economic growth.

Speeches were delivered to a wide range of organisations including:

- the Australian Business Economists;
- the Australian Conference of Economists;
- the California-Asia Business Council;
- the John Curtin Institute of Public Policy;
- the Reinventing Bretton Woods Committee;
- the Productivity Commission and Australian Bureau of Statistics;
- Senior Executive Service (SES) forums; and
- the Japanese and Indonesian Ministries of Finance.

International policy advice

The Treasury worked to enhancing international economic cooperation, including through the G20 and by providing economic analysis and advice on the implications for the Australian economy of international developments. In particular the advice focused on the evolving Euro area's economic crisis, the drawn-out US economic recovery, quantitative easing policies and growth outlooks in advanced economies, reform policies, leadership change and macroeconomic policies in China.

To achieve our outcomes, the Treasury supported active Australian participation in global and regional forums, assisted Treasury ministers at international meetings, and helped strengthen bilateral relations. There are Treasury officials at posts in Washington DC, London, Beijing, New Delhi, Jakarta, Tokyo and the Organisation for Economic Cooperation and Development (OECD). Treasury maintained close contact with its constituency offices in the International Monetary Fund, World Bank, Asian Development Bank and the European Bank for Reconstruction and Development (EBRD).

G20

The Treasury participated in the G20 and assisted the Deputy Prime Minister and Treasurer at three Finance Ministers' and Central Bank Governors' meetings.

The presidency leads a three-member management group of previous, current and future chairs, referred to at the Troika. From 1 December 2012 the Treasury supported Russia as a member of the Troika and co-chairs, together with Turkey, the G20 Working Group on International Financial Architecture.

The Treasury also undertook bilateral discussions and engagement in the margins of the G20 meetings to strengthen bilateral relations.

- The Treasury undertook initial operational planning for Australia's G20 host year in 2014. This includes developing core functions in the areas of transport, airports and accommodation; security; accreditation; media and communications; venue and event logistics; delegate liaison; and the programming governance to deliver finance track meetings during Australia's hosting.

Financial Stability Board

The Treasury is a member of the Financial Stability Board (FSB) Plenary and Steering Committee and contributes to the work of its Standing Committees. The Treasury advised the Government on the key issues considered by the FSB, and was also involved in the FSB Regional Consultative Group for Asia.

International financial institutions

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

During 2012-13, the Treasury ensured that Australia fulfilled its commitment made at the G20 Summit in Cannes to increase the resources available to the IMF by developing legislation to enable a US$7 billion contingent bilateral loan to the IMF to come into force. This legislation received Royal Assent on 28 June. Treasury also facilitated a contribution of A$13.9 million to the Poverty Reduction Growth Trust (PRGT) as part of the first distribution of IMF windfall gold sales profits and made preparations to participate in the second distribution of gold sales profits in 2014-15, estimated at A$36.7 million.

The Treasury supported the World Bank Group's role in improving the living standards of the world's poor by providing advice to the World Bank's Executive Board and supporting Australia's attendance at the World Bank Spring and Annual meetings. The Treasury also provided a submission to the Independent Panel Review of the World Bank's annual *Doing Business* report.

Regional development banks

The Treasury continued to support the Asian Development Bank's (ADB) efforts to promote development in the Asia-Pacific region through close engagement with the ADB Executive Director.

The Treasury also contributed to the work of the EBRD.

The Treasury advanced the Government's commitment to join the African Development Bank (AfDB) Group.

Official development assistance

The Treasury provided advice on general development and aid issues, including Australia's multilateral and bilateral aid programs, new expenditure initiatives, and the framework for Australia's aid budget. This included examining proposals for Australian Civilian Corps (ACC) deployments and Government Partnership for Development (GPFD) proposals.

Asia

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

- working to improve the effectiveness of the APEC Finance Ministers' process and supporting Australia's engagement with the Asia-Pacific region by undertaking technical workshops to build support for the Asia Region Funds Passport and providing support and technical assistance to Indonesia as 2013 APEC host;
- working to strengthen regional financial cooperation by supporting the sustained establishment of a finance ministers' process under the East Asia Summit;
- supporting the Deputy Prime Minister and Treasurer at bilateral and multilateral meetings with senior Chinese and Hong Kong officials, and further Treasury's engagement with key Chinese policymaking agencies, through joint research with China's National Development and Reform Commission on topics of mutual interest such as global commodity markets;
- signing a new memorandum of understanding on bilateral economic partnership with the Indian Ministry of Finance to provide for the continuation of the annual economic policy dialogue, as well as supporting senior visits in India and in Australia;
- signing a new memorandum of understanding with the Indonesian Fiscal Policy Agency and supporting economic stability in Indonesia by developing a A$1 billion contingent loan facility, which Indonesia can access if global financial conditions deteriorate such that Indonesia's

borrowing costs reach unsustainable levels. Treasury has also worked closely with the Fiscal Policy Office of the Indonesian Ministry of Finance through the Government Partnerships Fund to strengthen Indonesian economic policy advising capabilities and to develop lasting institutional relationships with the Ministry;

- signing a new memorandum of understanding with the Vietnamese Ministry of Finance that includes an ongoing bilateral dialogue;
- attending the ninth annual economic policy dialogue with the Japanese Ministry of Finance; and
- visiting the Korean Ministry of Strategy and Finance for the annual Australia-Korea Strategic Economic Dialogue.

Pacific region

The Treasury continued to promote economic management and development in the Pacific by undertaking research and analysis and by providing policy advice on a range of Australian Government Pacific-related policy issues. The Treasury also supported the attendance of the Parliamentary Secretary to the Treasurer at the 2012 Pacific Islands Forum Economic Ministers' Meeting.

Treasury officials were deployed to Solomon Islands and Papua New Guinea (PNG) to assist in building sustainable and effective economic ministries, where their role involved providing advice and support to local officials on economic and fiscal issues. The Treasury also provided support to Nauru through the short-term placement of a Treasury official.

The Australia-Hong Kong RMB Trade and Investment Dialogue

The Australia-Hong Kong RMB Trade and Investment Dialogue, held in Sydney in April 2013, provided a forum to discuss how to capture new business opportunities arising from the wider use of the RMB in trade and investment in our region and to facilitate the participation of Australian businesses in this growing market.

FISCAL GROUP

Overview

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

- the overall fiscal strategy and budget policy, and coordination of the budget and other reports required under the *Charter of Budget Honesty Act 1998* (the Charter);
- Commonwealth-State financial policy, and arrangements related to state and territory fiscal and tax issues, including through the ongoing management of the *Intergovernmental Agreement on Federal Financial Relations* (Intergovernmental Agreement);
- policy development in industry, regional, agriculture, environment, defence and national security policy; and

- policy development in social and income support policy, including health, the labour market, education, disability, family payments, Indigenous welfare and immigration.

Group deliverables

Fiscal Group's key deliverables are advice on:

- fiscal strategy that aims to ensure fiscal sustainability;
- effective government spending arrangements that contribute to improving the wellbeing of Australians;
- strategies that address intergenerational challenges, including social, fiscal and environmental sustainability; and
- Commonwealth-State financial relations.

Fiscal Group also coordinates the preparation of the Commonwealth Budget and other documents required under the Charter and administers National Specific Purpose Payments (National SPPs), National Health Reform payments, National Partnership payments, goods and services tax (GST) payments and other general revenue assistance to the States. Details of these payments can be found in programs 1.4 to 1.10.

Group outcomes

In 2012-13, Fiscal Group's key outcomes were:

- advising on industry and regional policy responses to continued structural change, environment and agricultural policy, and on defence and national security matters;
- advising on the implementation of the Clean Energy Future Package and the establishment of the Clean Energy Finance Corporation;
- working with other agencies on the development and implementation of the National Plan for School Improvement;
- advising on the fiscal outlook and delivering the Government's commitments on fiscal policy;
- advising on budget priorities consistent with the medium term fiscal strategy;
- preparing, with the Department of Finance and Deregulation, *the Final Budget Outcome 2011-12* (September 2012), *the Mid-Year Economic and Fiscal Outlook (MYEFO) 2012-13* (October 2012) and the 2013-14 Budget (May 2012);
- advising, in consultation with the Australian Office of Financial Management (AOFM), on debt issuance and debt policy issues;
- advising on operational issues related to the Future Fund and the three Nation-Building Funds;
- advising on issues related to the Parliamentary Budget Office (PBO), including amending the *Parliamentary Service Act 1999* to require the PBO to publish a post-election report on the cost of election commitments;

- advising on the framework for federal financial relations, which commenced on 1 January 2009, including the development of new National Partnerships and other agreements;
- payments to the States totalling over $92.3 billion including National Health Reform funding, National SPPs (in schools, skills and workforce development, disability services and affordable housing), GST payments and other general revenue assistance and National Partnership payments;
- providing secretariat support to the GST Distribution Review;
- advising on and monitoring, the First Home Owners Boost;
- advising on the development and implementation of DisabilityCare Australia, the National Disability Insurance Scheme and the National Injury Insurance Scheme;
- providing secretariat support for the Advisory Panel on Positive Ageing;
- advising on social and economic policies in education, employment, immigration, families, health, ageing, disability and Indigenous issues; and
- continuing to participate in the Centre for Market Design in collaboration with the Victorian Department of Treasury and Finance, and the University of Melbourne.

Analysis of performance

Advice on the fiscal and budget strategies

During 2012-13, the Treasury provided advice to the Deputy Prime Minister and Treasurer and other portfolio ministers on the Australian Government's budget position over the forward estimates and the medium term, to inform overall policy settings and to provide context for the Government's decision-making. The fiscal outlook was updated in the 2012-13 MYEFO, and the 2013-14 Budget.

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

The 2012-13 MYEFO was released by the Deputy Prime Minister and Treasurer and Minister for Finance and Deregulation on 22 October 2012, and updated the fiscal estimates published in the 2012-13 Budget.

The 2013-14 Budget, published in May 2013, reported that the budget was returning to balance in 2015-16 and surplus by 2016-17.

The Treasury assisted the Government in implementing its fiscal strategy by managing budget processes and advising on the overall budget strategy and priorities. In particular, the Treasury provided advice to the Government on the medium-term fiscal strategy in the context of returning the budget to surplus once economic growth is around trend. In this respect, good budget processes help governments make decisions based on accurate information, and allow proposals to be prioritised according to overall budget objectives.

Contribution to public debate and awareness

The Government's Budget publications are available free at www.budget.gov.au. Since the 2013-14 Budget, there have been over 210,270 unique visitors to the Budget website and over 2.6 million pages have been viewed. Widespread access to these documents helps keep the public informed of budget decisions and the fiscal outlook.

The Treasury and the Department of Finance and Deregulation jointly prepare the Government's budget documentation. The Treasury also prepares accessible summaries for non-specialist readers. This year, these were the *Budget Overview, Budget at a Glance, the National Plan for School Improvement, DisabilityCare Australia, Nation Building Infrastructure* and the *Tax Reform Road Map.*

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

- the principal budget aggregates and the Government's fiscal strategy and objectives;
- economic assumptions underpinning the budget estimates;
- tax revenue estimates;
- tax expenditure estimates; and
- the conduct of Commonwealth-State financial relations.

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

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

Under the Charter, budget reporting follows an annual cycle comprising the budget in May, a mid-year update before 31 January and a final budget outcome the following September.

The *Final Budget Outcome 2011-12* was published in September 2012. In 2011-12, the Australian Government general government sector recorded an underlying cash deficit of $43.7 billion. This outcome was around $661 million lower than estimated at the 2012-13 Budget, reflecting higher than expected cash receipts and lower than expected cash payments.

Information on the Government's financial relations with State and Local Governments is detailed in the 2013-14 Budget, Budget Paper No. 3*, Australia's Federal Relations.* This paper, produced by the Treasury, is the main public source of information on Australian Government payments to the States. It also informs the States of their expected payments in the upcoming financial year.

In addition, this Budget Paper also includes information on fiscal developments in the States, as well as advice on policies relating to Commonwealth-State financial relations. Relevant information is also included in MYEFO and the Final Budget Outcome documents.

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

Debt management policy

In consultation with the AOFM, Treasury provided advice on debt issuance and debt policy issues. This included advice on issues affecting the Government's debt management operations including the performance, governance and functioning of the Commonwealth debt market.

Specific details of the Government's debt issuance program are on the AOFM website at www.aofm.gov.au.

Future Fund and Nation-Building Funds

During 2012-13, the Treasury continued to provide policy advice to portfolio ministers on operational issues relating to the Future Fund and the three Nation-building Funds. Further information regarding the performance of the Future Fund is at www.futurefund.gov.au.

Australia's Federal Financial Relations

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

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

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

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

Details on general revenue assistance are provided under Program 1.4.

Payments for specific purposes (National SPPs and National Partnerships)

The Commonwealth provides financial support to the States to be spent in five service delivery sectors – comprising four National SPPs (schools, skills and workforce development, disability services and affordable housing) and National Health Reform funding (which replaced the National Healthcare SPP from 1 July 2012). These are associated with six national agreements, which contain mutually-agreed objectives, outcomes and performance indicators, and which clarify the roles and responsibilities that guide the Commonwealth and the States in the delivery of services in these sectors.

In accordance with the transitional arrangements outlined in the National Health Reform Agreement, for 2012-13 and 2013-14 the Commonwealth provides funding equivalent to the amount that would otherwise have been payable under the National Healthcare SPP. From 2014-15, National Health Reform funding will also include an additional element comprising efficient growth funding. National Health Reform funding is paid into a National Health Funding Pool to support public hospital services.

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

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

Standing Council for Federal Financial Relations

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

The Standing Council met twice in 2012-13. Treasurers focused on monitoring the national and state and territory economies; progressing GST Distribution Review recommendations; discussing infrastructure funding; and monitoring progress under the COAG reform agenda.

GST Distribution Review

On 30 March 2011, the Government appointed the Hon John Brumby, Mr Bruce Carter and the Hon Nick Greiner AC to review Australia's system of distributing the GST amongst the States and Territories.

The final report of the GST Distribution Review (the Review) was released publicly on 30 November 2012.

The recommendations of the Review were discussed at the Standing Council meeting in April 2013. The Standing Council agreed to initiate an expedited Commonwealth Grants Commission (CGC) methodology review, taking into account certain recommendations from the Review. The CGC has been issued with terms of reference for the methodology review and a final report is due by 28 February 2015.

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

Australian Loan Council

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

Heads of Treasuries

At Heads of Treasuries meetings, the treasuries of the Australian and State Governments share information on common issues. The Secretary to the Treasury and his state and territory counterparts met on three occasions in 2012-13 to discuss the general operation of the Federal Financial Relations framework, current economic conditions and the fiscal outlook, and tax and financial issues.

GST Administration Sub-committee

The Treasury chairs this sub-committee, which comprises officials from the Treasury, the ATO and State Treasuries. The sub-committee met once in 2012-13. The subcommittee provided advice on GST policy and administrative issues, including discussing GST revenue and payments.

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

Industry and regional policy

The Treasury advised on industry assistance, science and innovation, arts, sports and regional development issues. This included advice on trade remedies, the manufacturing industry, structural and regional adjustment and venture capital.

Environment policy

The Treasury provided advice on implementing carbon pricing and the Clean Energy Future package, as well as on low emissions technologies and energy efficiency, renewable energy and alternative fuels, international engagement on climate change issues, and the establishment of the Clean Energy Finance Corporation (CEFC).

The Treasury advised the Deputy Prime Minister and Treasurer on the Tasmanian Forests Intergovernmental Agreement, the development of the National Food Plan, Australia's Antarctic Territory and live animal exports.

The Treasury participated in inter-departmental committees regarding biodiversity, marine reserves, biosecurity, drought policy, water policy and the Murray-Darling Basin Plan.

Defence and national security policy

The Treasury advised on a range of defence and national security issues, including unauthorised maritime arrivals; the Coordinated National Security Budget process and the 2013 Defence White Paper. The Treasury also provided advice to support the Secretary in his role on a number of subject-specific committees including the Defence Strategic Reform Advisory Board.

The Treasury has continued to participate in the Secretaries' Committee on National Security, which examines and advises on proposals considered by the National Security Committee of Cabinet. It also participated in inter departmental processes concerning Defence Capability Plan projects, cyber policy, border protection policy and various aspects of domestic security arrangements.

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

Social policy

During 2012-13, the Treasury:

- worked with the NDIS Taskforce, the States and Territories and other agencies to develop and implement DisabilityCare Australia, the National Disability Insurance Scheme, and the National Injury Insurance Scheme, and provided secretariat support to the National Injury Insurance Scheme Advisory Group;
- worked with other agencies on the development and implementation of the National Plan for School Improvement;
- worked with other agencies to progress the Social Inclusion agenda;
- provided secretariat support for the Advisory Panel on Positive Ageing;
- provided policy advice on child care and early childhood issues, including input to the development of the *National Partnership Agreement on Universal Access to Early Childhood Education;*
- worked with Revenue Group and the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) to review the adequacy of the Household Assistance Package; and
- provided policy advice on the Commonwealth response to natural disasters and on natural disaster recovery policy more broadly.

Disability policy

Treasury worked closely with the NDIS Taskforce, the States and Territories and other agencies to develop and implement DisabilityCare Australia, the National Disability Insurance Scheme.

Treasury was also tasked with progressing the National Injury Insurance Scheme (NIIS), along with the States and Territories. The NIIS is a federated model of separate, state-based no fault schemes to provide lifetime care and support to people who incur a catastrophic injury as a result of an accident. In 2012-13, the minimum standards for a NIIS for motor vehicle accidents across the States and Territories were developed and agreed. Work on the other accident streams (workplace accidents, medical treatment injury and general accidents) also commenced.

Treasury provided secretariat support to the NIIS Advisory Group established by the Minister for Financial Services and Superannuation. The Advisory Group considered the four accident streams and undertook work on medical treatment injury and general accident injury.

Education policy

The Treasury continued to provide advice on education and skills policy during 2012-13, working collaboratively across Government on the National Plan for School Improvement and a range of other education and training-related budget initiatives. The Treasury also assisted the work of the National Panel for Economic Reform. This Panel, consisting of representatives from government, business, community groups and employee organisations, worked together to identify ways to boost the human capital of the Australian workforce.

Indigenous policy

The Treasury had a continued role in advising on the Government's commitment to closing the gap in Indigenous disadvantage.

Labour market programs, participation and workplace relations

The Treasury advised on a range of employment and participation issues, with a particular focus on working age income support payments. The Treasury also worked closely with the Department of Education, Employment and Workplace Relations to develop a whole-of-government approach to the 2013 Minimum Wage Review and prepare Government submissions to the Minimum Wage Panel's minimum wage decision.

Immigration

The Treasury continued to provide advice that links Australia's immigration policy to labour market needs and prevailing economic conditions. In particular, advice was provided on reforms to the *Migration Act 1958* and policy arrangements applying to temporary visas for skilled workers.

Health policy

A National Health Reform Agreement was finalised with all States and Territories in August 2011. The Treasury continued to assist the Department of Health and Ageing with implementation of this agreement, in the lead up to the July 2014 commencement of new arrangements directly linking Commonwealth National Health Reform funding to the level of services delivered by public hospitals. This included implementing changes to the financial framework and modelling of the fiscal implications of the agreement.

Advisory Panel on Positive Ageing

On 18 April 2012, the Government announced the establishment of an ongoing Advisory Panel on Positive Ageing as part of the Government's response to the Final Report of the Advisory Panel on the Economic Potential of Senior Australians 'Turning Grey into Gold'. In the 2012-13 Budget, the Government announced funding of $4.7 million over four years to establish this Panel. The Panel consists of five members: Mr Everald Compton AM (Chairman); Professor Brian Howe AO; Professor Gill Lewin; Commissioner Susan Ryan AO; and Mr Neville Roach AO. The Secretariat for the Panel is located within Treasury.

The role of the Advisory Panel on Positive Ageing is to lead a national dialogue on ageing issues, improve coordination of policy design across portfolios, and work with the Government on implementation and design of ageing policy. The Panel has held targeted consultations throughout 2012-13 with a range of stakeholders to discuss issues such as lifelong learning, Indigenous aged care, mature-age employment and technology. In December 2012, the Panel held a roundtable to discuss affordable and age-friendly housing.

Further information on the Advisory Panel is available online at http://www.treasury.gov.au/Policy-Topics/PeopleAndSociety/positive-ageing.

Early Childhood

The Treasury continued to provide policy advice on child care and early childhood issues. This included input to the development of the *National Partnership Agreement on Universal Access to Early Childhood Education* through COAG's Senior Officials Working Group, comprising representatives of first ministers Departments, treasuries and early childhood education Departments.

Centre for Market Design

In 2011-12, the Treasury, in collaboration with the Victorian Department of Treasury and Finance and the University of Melbourne, established a Centre for Market Design (the Centre). The Centre provides a mechanism for participants to build capacity and capability in the area of market design and experimental economics and apply economic design techniques to public policy, procurement and resource allocation problems. The concept is being tested as an initial two-year pilot.

During the Centre's first year of operation Treasury, in conjunction with the Department of Resources, Energy and Tourism (DRET), participated in the offshore petroleum auction project which focused on optimising the allocation of permits under the existing legislative framework.

Further information on the Centre is available at www.cmd.org.au.

REVENUE GROUP

Overview

Revenue Group provides policy advice and designs legislative proposals to give effect to Government decisions to improve the efficiency, fairness and transparency of the Australian tax and retirement income systems while minimising their compliance and administration costs. Tax and retirement income policy advice is formulated through an integrated process that, at times, includes consultation with business and community bodies, and close cooperation with the ATO and relevant Commonwealth departments.

During 2012-13, Revenue Group developed legislation giving effect to measures that were announced in the 2012-13 and 2013-14 Budgets and the 2012-13 Mid-Year Economic and Fiscal Outlook.

Revenue Group established a Law Design Practice during 2012-13 to provide greater focus on the implementation of legislation in the Government's taxation and retirement income reform agenda.

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

Group deliverables

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

- tax and retirement income policy proposals and measures, including their impacts on government finances and economic growth, their distributional impact and their overall efficiency and effectiveness;
- implementation of the Government's taxation and retirement income reform agenda;
- a modernised tax treaty network and revised international tax rules, which enhance Australia's international attractiveness for investment while addressing risks from harmful tax jurisdictions and furthering Australia's interests in the Pacific and Asia; and
- Australia's participation in the development of international tax standards at international forums, including the OECD, G20 and the Global Forum.

Group outcomes

Revenue Group's key outcomes were:

- providing quantitative work for the 2012-13 MYEFO and 2013-14 Budget including;
  - developing tax revenue estimates and analysis;
  - costings underpinning taxation proposals; and
  - demographic and labour force projections.
- advising and developing legislation on corporate tax reform including:
  - improving transparency;
  - introducing monthly PAYG instalments for large entities;
  - introducing a new tax loss concession to remove barriers to investment in nationally significant infrastructure projects;
  - redesigning Australia's general anti-avoidance rules; and
  - modernising our transfer pricing rules.
- advising on measures, announced in the 2013-14 Budget, to protect the corporate tax system from erosion and related integrity issues, including:
  - addressing mechanisms that enable entities to shift profits by artificially loading debt into Australia;
  - improving the integrity of our foreign resident capital gains tax regime and addressing the low levels of voluntary compliance with the regime;
  - closing loopholes in the Offshore Banking Unit regime to prevent banks shifting profits from domestic banking activities to the Offshore Banking Unit (while continuing to allow genuine offshore banking activities);
  - better targeting resource sector concessions to support genuine exploration, by limiting the deduction for purchases of mining rights and information first used for exploration;

  - closing loopholes in the consolidation of business entities regime following recommendations from the Board of Taxation; and
  - improving the efficiency and integrity of the tax system by preventing sophisticated investors from engaging in dividend washing; and
  - the investor manager regime.
- advising on and implementing legislation for personal income tax policy reform, including:
  - an increase in the Medicare levy to provide funding for DisabilityCare Australia;
  - phasing out the net medical expenses tax offset;
  - consolidating the dependency offsets into a single offset;
  - removing concessional treatment of 'in-house' fringe benefits; and
  - changes to the fringe benefits tax on living-away-from-home allowances and benefits.
- advising on and implementing a range of superannuation and retirement income policies.
- advising on and implementing legislation for philanthropy policy, including:
  - the Government's not-for-profit reform agenda;
  - establishment of an Australian Charities and Not-for-profits Commission (ACNC);
  - governance and financial reporting regulations for charities registered with the ACNC;
  - introduction of a statutory definition of a charity;
  - continuing negotiations with the states and territories on national not-for-profit reform; and
  - specifically listing organisations in the tax law as deductible gift recipients.
- assisting the Parliamentary Budget Office to fulfil its obligations, including:
  - supporting the PBO in its establishment phase, including seconding a number of staff; and
  - providing data, models and related advice.
- assisting the Government prioritise its tax and retirement income policy legislative agenda.
- developing the *Scoping Paper on Risks to the Sustainability of Australia's Corporate Tax Base* and contributing to the OECD's development of the Action Plan on Base Erosion and Profit Shifting.
- providing a range of secretariat support services including;
  - providing secretariat support to the Business Tax Working Group, the Taxation of Native Title and Traditional Owner Benefits and Governance Working Group, the Not-for-profit Sector Tax Concession Working Group and the Tax Issues Entry System Working Group;
  - providing secretariat support to the Charter Group convened to advise the Government on a Charter of Superannuation Adequacy and Sustainability, to the SuperStream Advisory Council and to the Government's Superannuation Roundtable; and
  - providing secretariat support to the Board of Taxation.

Analysis of performance

Tax revenue estimates and analysis

The Treasury, in collaboration with the ATO, provided the Government with timely monitoring, analysis and estimation of tax revenues. Significant revisions to expected tax revenue in 2012-13 and over the forward estimates were made at both the economic and fiscal outlook releases through 2012-13 (MYEFO and the 2013-14 Budget), primarily reflecting weaker economic growth driven by lower commodity prices, company profits and capital gains.

A review of the quality of Treasury's forecasts of the macroeconomy and revenue was published in December 2012. This review was undertaken by a team from within the Treasury, overseen by an independent external reference group.

Development and management of the legislation program

The Law Design Practice was established in Revenue Group in September 2012 with responsibility to coordinate advice to the Government regarding priority setting of legislation, and to ensure that when a policy is being developed, the legislative implications are taken into account from the outset. This new Division is responsible for ensuring that final legislation introduced to Parliament delivers on the Government's policy intent, both directly and in how it interacts with the rest of the tax and superannuation law. It also ensures that measures are consistent with other laws, and with the legal policy of the Government.

The Law Design Practice has progressed and managed the preparation of tax and superannuation law measures, working with Revenue Group Policy Divisions, the Office of Parliamentary Counsel and the Australian Taxation Office.

A total of 39 tax bills containing 73 measures were introduced into Parliament in 2012-13.

Ensuring the integrity of the corporate tax system

Protecting the corporate tax base from erosion and loopholes

The Treasury provided policy advice on a package of measures, announced in the 2013-14 Budget, to improve the sustainability of the corporate tax base. The package addresses a range of aggressive tax minimisation strategies, which were being exploited to take advantage of design flaws, vulnerabilities and unexpected interactions in Australia's corporate tax laws. The Treasury undertook consultation with the private sector in developing the package, and continues to consult on the implementation of key elements of the package.

The OECD-G20 BEPS project

The Treasury contributed policy advice to the OECD throughout the development of the Action Plan on Base Erosion and Profit Shifting (BEPS). The action plan seeks to ensure that international tax settings are reformed to reflect the changes in global commerce. The Treasury will have ongoing involvement in the implementation of the plan through representatives dedicated to each work stream.

Risks to the corporate tax base

At the request of Government, Treasury developed a scoping paper to assess the risks to the sustainability of the corporate tax base. The increasing use of strategies to exploit gaps and inconsistencies in tax treaties, the increased 'digitisation' of industries and the challenges for the international community to effectively curb the harmful tax practices of some jurisdictions, have all highlighted risks in the international tax framework. A specialist reference group comprising representatives with expertise in tax including the tax profession, corporate Australia and civil society groups was assembled to support Treasury's development of the scoping paper.

Increasing the transparency of tax payable by large corporate entities

The Treasury advised the Government on, and developed legislation, requiring the Commissioner of Taxation to publish limited tax return information of corporate tax entities with total incomes of $100 million or more in an income year. This reform was implemented in the *Tax Laws Amendment (2013 Measures No. 2) Act 2013* which received Royal Assent on 29 June 2013. This reform applies to income reported from the 2013-14 income year onwards.

Personal tax and fringe benefits tax policy reform

Increase in the Medicare levy

The Treasury advised on the 2013-14 Budget measure to increase the Medicare levy. From 1 July 2014, the Medicare levy will increase by half a percentage point from 1.5 per cent to 2 per cent. The revenue from increasing the Medicare levy will be directed to funding DisabilityCare Australia. This reform was implemented by the *Medicare Levy Amendment (DisabilityCare Australia) Act 2013* and associated Acts.

Phasing out the net medical expenses tax offset

The Treasury advised on the 2013-14 Budget measure to phase out the net medical expenses tax offset (NMETO). The NMETO will be available for taxpayers for out-of-pocket expenses relating to disability aids, attendant care or aged care expenses until 1 July 2019. From 1 July 2013 those taxpayers who claimed the NMETO for the 2012-13 income year will be eligible for the NMETO for the 2013-14 income year if they have eligible out-of-pocket medical expenses above the relevant thresholds. Similarly, those who claim the NMETO in 2013-14 will be eligible for the NMETO in 2014-15. Legislation implementing this measure is being developed.

Removal of concessional treatment of 'in-house' fringe benefits if accessed through a salary sacrifice arrangement

The Treasury provided advice and developed legislation to remove the concessional fringe benefits tax treatment for in-house fringe benefits if they are accessed by way of a salary sacrifice arrangement. This measure was implemented by *Tax Laws Amendment (2012 Measures No. 6) Act 2013*.

Superannuation and retirement income policy reform

2012-13 MYEFO measures

The Treasury provided advice for the Government's 2012-13 MYEFO measures, and developed legislation for some of the measures. These measures included:

- increasing the number of lost member accounts transferred to the ATO;
- providing greater tax certainty in situations where a fund member who was receiving a superannuation pension dies; and
- reforming the self-managed superannuation fund levy.

Superannuation reforms announced on 5 April 2013

The Treasury provided advice to the Government on the reforms announced on 5 April 2013 to improve the fairness, sustainability and efficiency of Australia's superannuation system, and developed legislation for some of the measures. The announced changes included:

- better targeting the tax exemption for investment earnings on assets supporting income streams by capping it to the first $100,000 of future earnings from 1 July 2014;
- simplifying the design of the higher concessional contributions cap from 1 July 2013 by setting a cap of $35,000 to anyone who meets certain age requirements;
- allowing individuals to withdraw any excess concessional contributions made from 1 July 2013 from their superannuation fund, and taxing the excess contributions at the individual's marginal tax rate plus an interest charge (rather than at the top marginal rate);
- encouraging the take-up of deferred lifetime annuities by giving these products the same concessional tax treatment that applies to assets supporting superannuation income streams;
- further reforming the arrangements for lost superannuation; and
- establishing a Super Council to ensure any future changes are consistent with an agreed Charter of Superannuation Adequacy and Sustainability.

The Treasury provided secretariat support to the Charter Group convened by the Government to provide advice on the establishment of the Super Council and the Charter of Superannuation Adequacy and Sustainability.

International tax arrangements

Modernising Australia's Transfer pricing rules

The Treasury provided policy advice on the development of modernised transfer pricing rules. The rules align more closely with international best practice and provide a mechanism to access and include international guidance (for instance as developed by the OECD) as relevant to Australia.

Reforms that clarified the application of the tax treaty transfer pricing rules, enacted by *Tax Laws Amendment (Crossborder Transfer Pricing) Act (No. 1) 2012*, were passed by the Parliament on 20 August 2012. Remaining reforms that modernised Australia's transfer pricing rules to better align with international best practice as set out by the OECD, were enacted by *Tax Laws*

Amendment (Tax Avoidance and Multinational Profit Shifting) Act 2013, which received Royal Assent on 29 June 2013.

Investment Manager Reforms

The Treasury has consulted extensively with industry on the implementation of an investment manager regime (IMR), which is intended to provide clear and comprehensive statutory rules for taxing non-resident investment into Australian and foreign assets. Legislation to clarify the tax treatment of income of foreign managed funds for previous income years, and the foreign conduit income of such funds was enacted through *Tax Laws Amendment (Investment Manager Regime) Act 2012* which received Royal Assent on 13 September 2012.

The Treasury continued to progress the Government's tax treaty negotiation program through negotiations and discussions with a number of countries. Australia's new tax treaties with Chile and Turkey, and its amended treaty with India, entered into force in the first half of 2013. Negotiations for a revised treaty with Switzerland were also concluded during this time.

The Treasury provided advice on various international agreements the Government is negotiating, including free trade agreements, film co-production agreements, and proposed agreements with potential tax privileges and immunities. The Treasury also contributed to international tax treaty policy development and capacity-building through its work with the OECD's Committee on Fiscal Affairs. Treasury officials also commenced negotiations with United States officials for an intergovernmental agreement to implement the US Foreign Account Tax Compliance Act (FATCA) in Australia.

Tax information exchange agreements

The Treasury has led Australia's contribution to international efforts to address tax transparency and the use of secrecy for tax evasion purposes, and is involved in G20 and OECD efforts to improve global exchange of information for tax purposes.

A Treasury official represented Australia as Chair of the Global Forum on Transparency and Exchange of Information until 31 December 2012. The Forum has overseen substantial progress in the removal of secrecy and provisions preventing the exchange of information on tax matters between jurisdictions.

Other international tax agreements

Australia ratified the Multilateral Convention on Mutual Administrative Assistance in August 2012. The convention has been signed by nearly 60 jurisdictions and provides for assistance between national revenue authorities in three areas: the exchange of taxpayer information, the recovery of outstanding tax debts and the service of documents.

Australia has also announced that it will participate in a pilot program to automatically exchange information with other countries broadly using the principles of the US FATCA.

International representation

The Treasury represented Australia on the OECD's Committee on Fiscal Affairs and its associated working parties dealing with international tax matters, particularly in relation to the Base Erosion and Profit Shifting (BEPS) project, developing comprehensive tax treaty policy, and the harmful tax practices initiative. In addition, the Treasury represented Australia at the annual meetings of the United Nations Committee of Experts on International Cooperation in Tax Matters and the Global Forum for Transparency and Exchange of Information for Tax purposes.

Productivity Commission Inquiry into the Retail Industry

In response to the Productivity Commission's recommendations relating to the appropriateness of current indirect tax arrangements in its report on the *Economic Structure and Performance of the Australian Retail Industry* the Government established the Low Value Parcel Processing Taskforce (the taskforce) to investigate new approaches for the handling and administration of low value imports of goods. The Treasury assisted the taskforce with its report which was provided to Government in July 2012.

In releasing its interim response to the taskforce report, the Government indicated it will develop business cases and possible implementation plans for reforms to low value parcel processing. The Treasury has been assisting in the development of these business cases and plans.

Tax Expenditures Statement

The Treasury coordinated the *2012 Tax Expenditures Statement* publication and provided quantitative advice in respect of the estimates of tax expenditures (that is, the value of concessional taxation treatment) associated with taxation policy.

ANAO review of Tax Expenditures Statement

On 9 May 2013, the Australian National Audit Office (ANAO) tabled an audit report, *Preparation of the Tax Expenditure Statement*, in the Parliament. The report assesses the extent to which the Treasury has improved the management of tax expenditure estimates by implementing the six recommendations from the original 2007-08 ANAO audit and the three subsequent recommendations by the Joint Committee of Public Accounts and Audit (JCPAA). The ANAO found that two of the previous recommendations have been fully implemented and that the remaining recommendations have been partially addressed. The report made one new recommendation — that the Australian Taxation Office (ATO) and the Treasury review and standardize the methodology for allocating reliability ratings to tax expenditures. The ATO and the Treasury have agreed to this recommendation.

The Treasury is committed to ongoing improvement of the TES, including progressing recommendations made by the ANAO and the JCPAA, in line with available resources and Government priorities.

Tax policy consultation

The Treasury implemented a program of high-level stakeholder consultation meetings to engage the taxpayer community in a wider conversation about strategic tax policy issues. Two consultation meetings were held in 2012-13 with representatives from the tax industry, and business and community groups.

The Treasury updated the Government's Forward Work Program on a monthly basis and made it available publicly. The document is published to inform taxpayers and their advisers about the Government's current and forthcoming consultation process on tax measures. It outlines discussion papers, and exposure drafts of legislation and regulation that are currently open for consultation as well as those currently in preparation.

In addition, the Treasury engaged with members of the Tax Design Advisory Panel, which comprises lawyers, accountants, academics and economists. This panel provides advice on:

- consideration of tax and superannuation issues; and
- the design and implementation of relevant changes to the tax system.

The operation of the panel has been extended until 30 June 2014.

Miscellaneous amendments and technical corrections

Measures making miscellaneous amendments and technical corrections to the taxation laws were included in the *Tax Laws Amendment (2012 Measures No. 6) Act 2013* and the *Tax and Superannuation Laws Amendment (2013 Measures No. 1) Act 2013*, which both received Royal Assent on 28 June 2013.

Issues raised through the Tax Issues Entry System are addressed in miscellaneous amendment packages. The Tax Issues Entry System website (www.ties.gov.au) is jointly operated by the ATO and the Treasury and allows tax professionals and the general public to raise issues on the care and maintenance of the tax system. The Treasury provided support to the Tax Issues Entry System Working Group which met four times during 2012-13.

Secretariat support to the Board of Taxation

The Treasury provided secretariat support to the Board of Taxation, including to the:

- review of the tax arrangements applying to permanent establishments;
- post-implementation review into certain aspects of the consolidation tax cost setting process;
- post-implementation review into Division 7A of Part III of the *Income Tax Assessment Act 1936*;
- review of the debt/equity tax rules; and
- review of the thin capitalisation arm's length test.

MARKETS GROUP

Overview

A focus for the Treasury in 2012-13 was on ensuring the financial system remains robust and dynamic and that regulatory frameworks promoted macroeconomic stability and market confidence.

The Treasury implemented measures designed to empower and protect financial consumers through the development of MySuper, and enhanced the availability and quality of financial advice. The Treasury continued to monitor and provide advice on the prudential framework applying to financial markets, including the banking sector, insurers, superannuation funds and capital markets.

During 2012-13, the Treasury continued to pursue sound regulatory and structural reforms to foster well-functioning markets in infrastructure, energy and housing markets. Treasury's work in supporting the COAG competition and regulatory reform agenda contributed to this goal, particularly ongoing work to support and maintain the national law for consumer protection; contributing to the development of energy market reforms for COAG; and hosting a symposium on Standard Business Reporting (SBR) to help foster greater awareness of the SBR's potential to drive productivity.

The Treasury participated actively in international forums, such as the G20 and Financial Stability Board (FSB), to enhance the regional and global financial system. In addition, the Treasury provided advice on foreign investment and trade policy, and continued to participate in free trade agreement negotiations. Treasury also played an active role in promoting regional financial engagement by organising the Asia-Pacific Financial Market Development Symposium and progressing work to establish an Asia Region Funds Passport.

During 2012-13, the Treasury continued to promote the stable and efficient provision of financial market infrastructure, particularly through emphasising the role of competition. Treasury also provided policy advice regarding the improved operation of Australia's financial reporting, corporate governance and corporate insolvency regimes, and progressed specific reforms in relation to director liability, the reporting of executive remuneration, audit, and reform of the regulation of corporate insolvency.

Group deliverables

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

- measures to promote competition, market confidence, macroeconomic stability, and the efficient flow of funds between entities — including providing advice on the prudential frameworks applying to banking, insurance superannuation and capital markets;
- financial services reform addressing emerging issues in investor protection, including systemic reforms to financial advice and consumer credit;
- reform of corporate regulation, including addressing issues in executive remuneration, corporate governance, financial reporting, auditing, and corporate insolvency;
- COAG's competition and regulatory reform agenda, including the maintenance of a national law for consumer protection, national consumer credit law, cross-jurisdictional reform of personal criminal liability for corporate fault, and the reduction of red tape;
- the administration and management of the forward work program of the Productivity Commission;
- managing incoming foreign investment to ensure that the national interest is protected, and the free flow of investment is encouraged;
- promoting well-functioning infrastructure markets with appropriate regulatory intervention for road, rail and port, communications, energy and housing, and developing possible approaches to funding and financing major infrastructure projects;
- the oversight and administration of Treasury portfolio regulators, including the Australian Competition and Consumer Commission (ACCC), the Australian Securities and Investments Commission (ASIC), and the Australian Prudential Regulatory Authority (APRA);

- initiatives to position Australia as a leading financial services centre in the Asia-Pacific region arising from the Government's response to the Australian Financial Centre Forum's report, *Australia as a Financial Centre: building on our strengths*;
- how to best influence and implement international financial system regulation, such as that formulated by the G20, FSB and other international standard setting bodies, including in areas like banking, corporate governance, financial reporting, auditing and corporate insolvency;
- representation of Australia's interest on investment, financial services, competition and consumer issues in negotiating free trade agreements and, in relation to investment and competition, in multilateral forums like the OECD and APEC; and
- actuarial matters through the Australian Government Actuary, which provides actuarial services to the Government, the Treasury and other agencies.

Group outcomes

Markets Group's key outcomes for 2012-13 were:

- implementing the MySuper and governance aspects of the Government's Stronger Super initiatives to improve retirement benefits, including by requiring improved disclosure of superannuation fund costs and fees;
- implementing regulations supporting the Future of Financial Advice initiatives that became mandatory on 1 July 2013 and which are intended to improve the quality of financial advice provided to Australians;
- implementing and monitoring reforms to foster competition and stability in the banking sector including the new 'tick and flick' deposit account switching service that came into effect on 1 July 2012 and the provision of free transaction facilities at ATMs in selected very remote indigenous communities;
- implementing the National Insurance Affordability Initiative and Council to reduce flood risk and reduce insurance premiums;
- implementing the *Insurance Contracts Amendment Act 2012* including establishing a standard definition of 'flood' and developing a fact sheet for home building and home and contents insurance policies, securing passage of the *Insurance Contracts Amendment Act 2013* and introducing reforms into Parliament governing unfair terms in insurance contracts;
- progressing the Government's initiative to position Australia as a leading financial services centre in the Asia-Pacific region, including work to develop an Asia Region Funds Passport;
- hosting a symposium on Asia-Pacific Financial Market Development in April 2013 which brought together regulators, officials and private sector leaders from across the region;
- providing advice to Government on financial regulation reforms and representing Australia at key international forums, including sub-committees of the Financial Stability Board;
- working closely with the IMF on its financial stability assessment of Australia in 2012 and providing advice to Government on the IMF's recommendations;

- continuing to work on refining Australia's arrangements for crisis management and resolution of financial institutions, including in conjunction with the Australian Council of Financial Regulators and New Zealand's financial regulators;
- achieving closer economic integration with New Zealand through the adoption of the Protocol on Investment to the Australia-New Zealand Closer Economic Relations Trade Agreement which came into force on 1 March 2013;
- facilitating the implementation for banks, superannuation, and companies of COAG Housing Supply and Affordability Reform recommendations, which were developed to improve housing supply in Australia;
- leading reforms of the COAG Business Regulation and Competition Working Group to progress reforms in some of the 27 areas where duplicate and/or inconsistent regulation across jurisdictions imposes an unnecessary burden on business;
- providing advice on competition policy, as well as supporting links with economies in the region to encourage the development of sound competition regulatory regimes;
- maintaining and enhancing a national consumer law through engagement with the ACCC, and States and Territories to support consistency in consumer protection, product safety regulation, and cooperative enforcement;
- delivering the Energy Security Council program, including liaising with potential applicants for assistance and between energy market institutions;
- developing legislation to amend the *National Consumer Credit Protection Act 2009* to give consumers better and more efficient outcomes when they use small amount credit contracts, consumer leases, and reverse mortgages;
- providing advice on the Parliamentary Joint Committee (PJC) on Corporations and Financial Services report Inquiry into the Collapse of Trio Capital, and developing the Government's response to the recommendations in Mr Richard St. John's report, *Compensation Arrangements for Consumers of Financial Services*;
- progressing reforms to remove unnecessary regulatory burdens on directors and corporate officers, and minimise inconsistency between Australian jurisdictions in the application of personal criminal liability for corporate fault. The *Personal Liability for Corporate Fault Reform Act 2012* was enacted in December 2012 to implement Commonwealth reforms to this effect;
- progressing reforms to the framework for corporate and personal insolvency regulation to promote practitioner professionalism and competency, as well as increased efficiency in insolvency administration. A draft Bill, the Insolvency Law Reform Bill 2012, was released for public consultation on 19 December 2012;
- providing advice, in consultation with the Foreign Investment Review Board, on significant foreign investment cases;
- contributing to free trade agreement negotiations with Australia's key trading partners;
- leading the inter-agency working group established by the Government on 15 June 2012 to canvass the issues and consult with the community on developing a national foreign ownership register for agricultural land;
- implementing G20 commitments related to over-the-counter (OTC) derivatives by passing legislative framework that allows for flexible implementation of obligations (in coordination

with other jurisdictions) and enabling the introduction of a new trade reporting regime for OTC derivatives;

- enabling the introduction of retail trading in Commonwealth Government Securities, with the passage of the *Commonwealth Government Securities Legislation Amendment (Retail Trading) Act 2012*;
- working with other Council of Financial Regulators agencies to complete the review of competition in clearing cash equities, leading to the establishment by ASX of its Code of Practice for Clearing and Settlement of Cash Equities in Australia;
- completion, in conjunction with ASIC, of its review of cost recovery arrangements related to the supervision of financial markets;
- facilitating the transition of business names registration from State and Territory-based registers to a single national register operated by ASIC. Additional funding, offset by a small increase in business name registration fees, was provided to ASIC in the 2013-14 Budget to alleviate congestion in ASIC's Client Contact Centre caused by larger-than-expected volumes of inquiries relating to the national register;
- reviewing the current stock of legislation and regulatory instruments overseen by Markets Group for the purposes of the sun-setting regime that applies under the *Legislative Instruments Act 2003*, including considering the need to continue, remake or exempt instruments;
- leading the ongoing governance of SBR through to April 2013, at which point the SBR Program Office moved from the Treasury to the Australian Business Registrar, which is housed in the Australian Taxation Office; and
- continuing to provide advice relating to the currency system and maintaining successful operations of the Australian Government Actuary.

Analysis of performance

Superannuation

Following extensive consultation with stakeholders, on 21 September 2011, the Government announced the details of its Stronger Super reforms, which were in response to the review into the governance, efficiency, structure and operation of Australia's superannuation system (Super System Review). The Stronger Super reforms include:

- creating a new simple, low-cost default superannuation product called MySuper;
- introducing new duties for trustees and trustee directors managing the superannuation system, particularly for those managing default superannuation funds in which the majority of Australians invest;
- providing APRA, ASIC and the ATO with the tools they need to improve their oversight of superannuation; and
- making the process of everyday transactions easier, cheaper and faster through the Government's SuperStream reforms.

The Treasury provided advice to the Government in developing legislation to implement the reforms. During 2012-13, four tranches of legislation implementing the Government's MySuper and governance reforms received Royal Assent.

- The *Superannuation Legislation Amendment (MySuper Core Provisions) Act 2012* received Royal Assent on 8 September 2012. The *Superannuation Legislation Amendment (Trustee Obligations and Prudential Standards) Act 2012* received Royal Assent on 3 December 2012. The *Superannuation Legislation Amendment (Further MySuper and Transparency Measures) Act 2012* received Royal Assent on 3 December 2012. The *Superannuation Legislation Amendment (Service Providers and Other Governance Measures) Act 2013* received Royal Assent on 26 June 2013.

Two tranches of regulations to support the MySuper and governance reforms were made in 2012-13:

- the Superannuation Legislation Amendment Regulation 2013 (No. 1) was made on 1 March 2013; and
- the Superannuation Legislation Amendment (MySuper Measures) Regulation 2013 was made on 28 June 2013.

In consultation with the Department of Education, Employment and Workplace Relations, the Treasury provided advice on the development of a new system for assessing and selecting default superannuation funds in modern awards. The relevant amendments to the *Fair Work Act 2009* were included in the *Superannuation Laws Amendment (MySuper Capital Gains Tax Relief and Other Measures) Act 2013*, which received Royal Assent on 28 June 2013.

On 16 May 2012, the Parliamentary Joint Committee (PJC) on Corporations and Financial Services released its report, *Inquiry into the Collapse of Trio Capital*. The Treasury, in conjunction with the regulators (APRA, ASIC and the ATO), provided advice on the Government's response to the PJC report, which was released on 26 April 2013. The Treasury continues to work with the regulators to further strengthen the regulatory framework.

The Treasury provided advice on two applications for compensation to members of APRA regulated superannuation funds under Part 23 of the *Superannuation Industry (Supervision) Act 1993* and formulated regulations for collecting the industry levy to fund the compensation.

The Superannuation (Financial Assistance Funding) Levy and Collection Amendment Regulation 2013 (No. 1) was registered on 18 March 2013.

Infrastructure policy

The Treasury provided advice on the Government's investment in infrastructure projects announced in the 2012-13 Budget, including a number of nationally significant projects identified by Infrastructure Australia as priorities for Australia.

The Secretary to the Treasury is a member of the Infrastructure Australia Council, the Government's key advisory body on nationally significant infrastructure. The Treasury is also engaged in the activities of the COAG Infrastructure Working Group, including the Private-Public Partnership Subgroup.

During the year, the Treasury continued its work on ways to encourage greater private sector investment in infrastructure. The Treasury was provided funding in the 2013-14 Budget to establish an advisory function that will provide advice to the Government on the financial risks and implications of funding agreements for certain infrastructure projects, utilising specialist financial, legal and probity expertise from the private and public sectors.

The Treasury continued to work with the Department of Infrastructure and Transport and State governments to progress COAG's Heavy Vehicle Charging and Investment reforms.

The Treasury provided advice on the interaction of the Government's climate change policies and the Australian energy market, including the implementation of the Energy Security Council and secretariat support to the Council. The Treasury was actively engaged in the work of the Senior Committee of Officials of the Standing Council on Energy and Resources, which provides advice on ongoing energy market reforms.

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

The Treasury also continued to work with the Department of Broadband, Communications and the Digital Economy on ensuring that the radio frequency spectrum is efficiently allocated.

The Treasury led key activities of the COAG Housing Supply and Affordability Reform (HSAR) Working Party, which is responsible for reporting to COAG through the Ministerial Council for Federal Financial Relations on issues like planning and zoning, infrastructure charges and an audit of under-utilised land. COAG endorsed the HSAR report during 2012-13 and it was released on the COAG website in August 2012.

The Treasury advised the Government on housing supply policy and provided strategic analysis of broader housing matters.

Competition policy

The Treasury provides advice on competition policy issues as they arise, including on competition laws in Part IV of the *Competition and Consumer Act 2010*. In 2012-13, this included considering competition issues and small business concerns in concentrated markets.

The Treasury contributed to COAG's competition and regulatory reform agenda, including by participating in the inter-jurisdictional Taskforce, which was set up to advise COAG following the Prime Minister's Business Advisory Forum (BAF) meeting in April 2012. Following the BAF, COAG committed to pursuing a range of reforms to lower costs for business and improve productivity, such as energy market reform and reforms to lift regulatory performance and reduce red tape.

These reforms build on the *National Partnership Agreement to Deliver a Seamless National Economy*, which ended on 31 December 2012. The Treasury provided advice on progressing reforms in some of the 27 areas where duplicate and inconsistent regulation across jurisdictions unnecessarily burdens business.

The Treasury coordinates the Productivity Commission's work program and advises departments and the Government on preparing terms of reference for reviews. In 2012-13, the Productivity Commission commenced five public inquiries and three commissioned studies. In 2012-13, the PC also completed four public inquiries and two commissioned research studies.

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

Consumer policy

In 2012-13, the Treasury provided advice to the Government on Australia's consumer policy framework, including ongoing work to support and maintain the Australian Consumer Law (ACL). The ACL includes provisions about unfair practices and fair trading, unfair contract terms, consumer guarantees and product safety. Specific amendments in 2012-13 included exempting restaurant and café menu surcharges from the component pricing laws; clarifying lay-by sales rules; and enhancing the tobacco information standard.

The Treasury worked with both national and State and Territory consumer agencies during 2012-13 to maintain the policy and enforcement framework for the ACL. The Treasury played an active role in considering the role of the consumer policy framework in regulating food labelling claims, examining the provision of price information to consumers on fuel price boards and preparing guidelines to assist jurisdictions to ensure laws remain consistent with the ACL.

The Treasury provided secretariat support to the COAG Legislative and Governance Forum on Consumer Affairs, as well as Consumer Affairs Australia and New Zealand (including its advisory committees). The Treasury also provided secretariat support to the Commonwealth Consumer Affairs Advisory Council, which, in 2012-13, gave independent advice to the Assistant Treasurer on a range of consumer-related issues, such as app purchases on mobile and hand-held devices, as well as sharing repair information in the automotive industry.

In 2012-13, the Treasury continued to represent Australia in international forums on consumer policy, including as a member of the OECD Committee on Consumer Policy.

National regulation of credit

The *Consumer Credit Legislation Amendment (Enhancements) Act 2012* passed the Senate in August 2012. It introduced specific protections for seniors in relation to reverse mortgages, a national cap on costs (to replace inconsistent State and Territory caps), changes to make it more straightforward for consumers to obtain a variation of their repayments when they experience financial hardship, and reforms to address the current regulatory arbitrage between consumer leases and credit contracts.

The reforms were developed through consultations with stakeholders, principally through a Working Group with representation from major industry bodies, the Law Council, external dispute resolution schemes, consumer groups and the Law Council of Australia.

These reforms supplement previous legislation introduced as part of the National Credit Reforms, following the 2008 COAG decision to transfer responsibility for consumer credit regulation to the Australian Government. The first phase of these reforms was implemented by the *National Consumer Credit Protection Act 2009* (Credit Act). This statute replaced the State and Territory-administered Uniform Consumer Credit Code with a nationally consistent consumer credit framework; introduced a national credit licensing system with both entry standards and ongoing conduct requirements for all persons engaging in credit activities; and required lenders, as well as those intermediaries who provide credit assistance, to meet responsible lending obligations, which include assessing the capacity of borrowers to make the proposed repayments.

Phase two of the National Credit Reforms requires consideration of the need to regulate investment lending and fringe financial products, and to also address avoidance of the Credit Act. The Commonwealth is continuing to negotiate with the states in relation to a possible referral of legislative power to comprehensively support any reforms.

Financial system reform

A specific focus during 2012-13 was the provision of policy analysis and advice to deepen the supply potential of the economy after the global financial crisis and the global recession. These policies focused on ensuring the financial system remained robust and dynamic, and the regulatory framework promoted macroeconomic stability and market confidence.

Treasury officials continued to participate in the work of the G20, contributing to the development of global reforms to financial regulation. Treasury provided advice on implementation of strengthened standards for capital and liquidity and is implementing the Australian Government's G20 over-the-counter derivatives market commitments.

The Treasury contributed to the work of other international bodies to foster international cooperation in financial system regulation, corporate governance, financial reporting, auditing and corporate insolvency.

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

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

Financial sector crisis management

The Treasury released the *Strengthening APRA's Crisis Management Powers* consultation paper in September 2012 for a three-month consultation period. The proposals outlined in the paper will more closely align APRA's powers with the Financial Stability Board's *Key Attributes of Effective Crisis Resolution Regimes*.

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

The department continued to monitor developments in overseas and domestic financial markets to inform policy considerations across the financial system.

IMF Financial Stability Assessment Program Report

The IMF conducted its Financial Stability Assessment Program (FSAP) review of Australia in 2012. The FSAP provides a comprehensive and in-depth analysis of a country's financial sector. It is a key instrument of the IMF's surveillance and provides a valuable opportunity to obtain an independent analysis of the health of a country's financial sector and the robustness of its regulatory framework and supervisory approach. The IMF's FSAP Report, delivered in October 2012, found Australia's financial system is sound, resilient and well-managed, and that the Australian financial regulatory and supervisory framework exhibits a high degree of compliance with international standards.

The Treasury and the other CFR agencies worked closely with the IMF review team that developed the FSAP report. The Treasury also provided advice on the IMF's recommendations to enhance Australia's financial regulatory framework.

Unclaimed moneys

Treasury advised the Government on the implementation of changes, announced in October 2012, to the treatment of unclaimed money in relation to unclaimed bank accounts. This included developing legislation and regulations in consultation with industry on special rules for certain types of accounts, such as term deposits, children's accounts, security and escrow accounts, and reactivated accounts. New regulations were also introduced that make it possible for account holders to inform their banks that they do not want their accounts to become unclaimed, without having to make a transaction.

Banking competition reforms

The Treasury continued to work on implementing reforms to foster competition and stability in the banking sector. In 2012-13, the following measures were implemented:

- the commencement of an initiative by the banking industry and two major independent automatic teller machine (ATM) companies to voluntarily provide free transactions at ATMs in selected very remote Indigenous communities. The initiative has provided fee-free ATMs at up to 85 sites since 1 December 2012, alongside a Government information and education campaign; and
- the Government's new 'tick and flick' deposit account switching service came into effect on 1 July 2012, making it easier for consumers to move their deposit accounts between financial institutions.

National Insurance Affordability Initiative and Insurance Contract Reforms

Treasury has advised on the implementation of the National Insurance Affordability Initiative, which will invest $100 million in targeted flood and other natural disaster mitigation measures and create a National Insurance Affordability Council (NIAC). The Initiative complements existing flood risk management strategies by ensuring that Government action is informed by the needs of the insurance industry, and has the effect of reducing insurance premiums.

Securitisation market

Treasury provided advice on developments in the domestic securitisation market. In 2008, the Government agreed to provide temporary support to the securitisation market during a period of severe dislocation. The Government provided assistance by investing in the highly rated securitisation issuances of smaller lenders. This supported competition in the banking sector while also preserving securitisation market infrastructure. The market recovered substantially in 2012-13 and on 9 April 2013 the Government ceased new investment in the securitisation market. The Government continues to manage the existing portfolio of securitisation investments and is adjusting its holdings consistent with supporting the market's ongoing sustainability.

Financial industry supervisory levies

During 2012-13, the Treasury, in conjunction with APRA, consulted with industry and provided advice to the Government on the determination of financial industry supervisory levies that support the operations of APRA and other agencies.

In addition, the Treasury, in conjunction with APRA, commenced a four-yearly review in 2013 of the parameters and methodology underpinning financial industry supervisory levies. To support consultation on the methodology, Treasury released a discussion paper in April 2013 and received feedback from key industry groups and entities. It intends to consult further with key stakeholders and APRA before releasing a response paper in late 2013. The findings of the methodology review will inform the Treasury's advice in the 2014-15 levies process.

Financial market infrastructure

In April 2011, the Deputy Prime Minister and Treasurer made an order under the *Foreign Acquisitions and Takeovers Act 1975* prohibiting the acquisition of ASX by Singapore Exchange Limited (SGX). In the context of this decision, the Deputy Prime Minister and Treasurer sought advice from the CFR on how to ensure that appropriate resolution and recovery arrangements were in place for financial market infrastructure and that regulatory influence and control were preserved in an increasingly internationalised environment.

The CFR responded to that request by advising the Government on potential measures to ensure Australia's regulatory system for financial market infrastructure continues to protect the interests of Australian issuers, investors and market participants, including under a scenario where the ASX is part of a foreign-domiciled group. The working group is also progressing reforms that ensure appropriate crisis management arrangements are in place to systemically import financial market infrastructure.

G20 commitments on over-the-counter derivatives

Treasury developed policy advice during 2012-13 in conjunction with APRA, ASIC and the RBA, and consulted on mandatory reporting of OTC derivatives trades to trade repositories. May 2013, the Minister made a determination that enabled ASIC to make rules, and subsequently approved initial rules in June.

Treasury also engaged in international efforts to address conflicting and inconsistent implementation of these commitments across jurisdictions. This work is designed to minimise duplicative regulatory burdens by ensuring that Australian businesses can continue to participate in international markets while remaining primarily regulated in Australia; and that Australia does its part to maintain a consistent global framework and remove opportunities for regulatory arbitrage.

Market supervision and competition cost-recovery

New market supervision and competition cost-recovery arrangements commenced on 1 July 2013. The arrangements provide a mechanism for the Australian Government to recover the funding it has provided to ASIC to meet its additional costs for undertaking its new regulatory functions following the transfer of market supervision (on 1 August 2010), the introduction of market competition (in equity securities, in October 2011), and enhancements to market supervision announced in the 2012-13 Budget.

The new cost-recovery regime was developed by Treasury and ASIC in consultation with industry, and complies with the Australian Government cost-recovery guidelines.

Competition in the clearing of Australian Cash Equity Market

In the course of the review of financial market infrastructure regulation, a question arose about competition in clearing and settlement. Treasury, together with other Council agencies, subsequently invited the ACCC to form a working group to further develop analysis of the competition aspects of clearing and settlement.

In December 2012, the working group finalised a conclusions paper that made recommendations to Government on how to approach competition in clearing and settling the Australian cash equity market.

In February 2013, the Government accepted the CFR recommendations, which included a deferral of consideration of competition for two years; adoption of a Code of Practice to address stakeholder concerns in relation to the status quo; and a review of the Code's effectiveness following the deferment period.

Following the ASX's commitment to implement the recommendations, the Treasury — together with the other CFR agencies (the RBA, APRA and ASIC) — provided guidance to ASX in developing its Code of Practice for Clearing and Settlement of Cash Equities in Australia to ensure that the code was consistent with the principles and developed in consultation with industry. The ASX released the final code on 18 July, with a start date of 9 August 2013.

Australian Government Bonds and Retail Corporate Bonds

Facilitating trading of Australian Government Bonds (AGB) on retail financial markets forms part of the banking package announced by the Government in December 2010. One of the objectives of that package is to secure the long-term safety and sustainability of the Australian financial system by reducing reliance on off-shore wholesale funding markets. To that end, the Government has committed to fostering a deep and liquid corporate bond market. Introducing trading of AGB on retail financial markets will provide retail investors with a visible pricing benchmark for investments in corporate bonds.

The Treasury coordinated the implementation of the arrangements required to facilitate the trading of AGB on retail financial markets. The *Commonwealth Government Securities Legislation Amendment (Retail Trading) Act 2012* was passed in November 2012 and trading in retail AGB commenced on 21 May 2013.

In 2012-13, the Treasury continued retail corporate bond reforms, which will cut red tape for businesses issuing simple corporate bonds, thereby making it easier to buy and sell such products. The reforms focus on streamlining disclosure, refining director liabilities and establishing a framework for parallel trading.

The Corporations Amendment (Simple Corporate Bonds and Other Measures) Bill 2013 was introduced into Parliament on 20 March 2013. The Treasury has commenced work on developing supporting regulation.

Financial services reforms

Financial advice reform

In June 2012, Parliament passed the Future of Financial Advice (FoFA) reforms, which focused on improving the quality of advice and enhancing retail investor protection. In particular, the FoFA initiatives introduced an obligation for financial advisers to act in the best interests of their clients; banned financial advisers from receiving conflicted remuneration; and established an adviser charging regime for ongoing fees.

In 2012-13, the Treasury developed regulations to support the measures passed by Parliament. Among other things, these regulations:

- introduced grandfathering arrangements for the ban on conflicted remuneration;
- made it easier for professionals wanting to provide financial advice to clients without a specific product recommendation to obtain a licence;
- clarified the operation of the simplified best interests duty for basic banking and general insurance products;
- exempted limited forms of superannuation advice fees from the adviser charging regime and clarified the operation of the product fee exemption; and
- provided exemptions from the ban on conflicted remuneration for additional stockbroker-related activities.

The FoFA package became mandatory on 1 July 2013; parts of the ban on conflicted remuneration will, however, apply only to new clients after 1 July 2014. The Treasury will continue to monitor the impact of the initiative in 2013-14 to assess if any further changes are needed.

Statutory Compensation Scheme Review

As part of the FoFA package, Mr Richard St. John was commissioned to undertake a review of the cost and benefits of a statutory compensation scheme for financial services. In May 2012, Mr St. John provided his report, *Compensation Arrangements for Consumers of Financial Services*, to Government. During 2012-13, the Treasury worked on developing a Government response to the recommendations in this report. On 26 April 2013, the Government released its response, accepting the vast majority of the report's recommendations, including:

- legislative changes to strengthen the professional indemnity insurance requirements of providers of financial services that deal with retail consumers;
- changes to improve the communication of risks to investors and to ensure the adequacy of regulatory processes; and

- consultation papers by the Treasury on powers to support ASIC in its enforcement role and to improve the governance arrangements of managed investment schemes.

During 2013-14, the Treasury will work on implementing these recommendations.

Insurance contract reforms

On 28 June 2013, the *Insurance Contracts Amendment Act 2013* (the Act) received Royal Assent. The Act gives effect to a number of recommendations made by Mr Alan Cameron AM and Ms Nancy Milne in their 2004 review of the operation of the *Insurance Contracts Act 1984* (ICA).

The Act facilitates beneficial outcomes for insurers and those insured by modernising and streamlining the operation of the ICA. In particular, the Act enables insurers to communicate with consumers via electronic means. The ability to communicate with consumers through electronic means allows insurers to provide consumers with key documents in a way that is more in keeping with the way consumers currently access information.

Australia as a Financial Centre

In September 2008, the Government commissioned a panel of experts — the Australian Financial Centre Forum — to identify the key priority areas that would position Australia as a leading financial centre in the Asia-Pacific region.The Forum's report, *Australia as a Financial Centre: building on our strengths*, was released in January 2010. The Government has supported all 19 recommendations. These included recommendations on the taxation of financial services, commissioning a Board of Taxation review of Islamic financial products and collective investment vehicles, and the development of an Asia Region Funds Passport.

The Asia Region Funds Passport is being led by the Treasury and progressed under the auspices of APEC. Considerable progress was made in the first half of 2013 to develop the proposed arrangements, including at a policy and technical workshop held in Taipei in June 2013 attended by officials from 12 APEC economies.

Financial sector trends and structures

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

Corporations regulation reforms

Executive remuneration

Treasury developed legislative reforms to implement the Government's decision to further strengthen Australia's executive remuneration framework. Several of the proposed reforms address recommendations made by the Corporations and Markets Advisory Committee in its 2011 report on executive remuneration, and include proposals to relieve certain unlisted entities from the obligation to prepare a remuneration report and relieve public companies from the obligation to appoint auditors if audits are not required. Draft legislation was released in December 2012 for public comment. Regulations were also developed to ensure continued reporting of related party transactions following changes to relevant accounting standards.

Director liability

Reforms have been developed to remove unjustified or excessive regulatory burdens on directors and corporate officers, and to enhance consistency between Australian jurisdictions in applying personal criminal liability for corporate fault. These reforms aim to reduce the risk that directors will be prosecuted for misconduct in situations where they could not reasonably be expected to prevent the misconduct. The reforms form part of the Commonwealth's obligations under the COAG Seamless National Economy National Partnership to implement a coordinated national approach to director liability. The *Personal Liability for Corporate Fault Reform Act 2012* was enacted in December 2012 to implement Commonwealth reforms to this effect. The majority of the States and Territories have also enacted similar legislation.

Insolvency regulation

On 19 December 2012, the Parliamentary Secretary to the Treasurer and the former Attorney-General jointly released the draft Insolvency Law Reform Bill 2012 for public comment. The draft Bill set out a framework for corporate and personal insolvency regulation that promotes a high level of practitioner professionalism and competence, enhances transparency and communication between insolvency practitioners and stakeholders, and promotes increased efficiency in insolvency administration.

Dividends test

The Parliamentary Secretary to the Treasurer released draft legislation in December 2012 outlining amendments to the test for payment of dividends (dividends test). The Government is currently considering issues raised in the submissions received in response to the draft legislation.

Individual foreign investment proposals: advice and processing

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

Foreign persons are required to notify the Treasurer when entering into an agreement to acquire an interest in certain types of Australian real estate or a substantial interest[1] in an Australian business or corporation valued above $248 million.[2] All foreign government investors must notify and get prior approval before making a direct investment in Australia, starting a new business or acquiring any interest in land, regardless of the value of the investment.

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

2 Under the Australia-United States Free Trade Agreement and the Protocol to the Australia and New Zealand Closer Economic Relations Trade Agreement, a higher threshold of $1,078 million applies for United States and New Zealand investors. The higher threshold does not apply to government investors or investments in prescribed sensitive sectors.

During 2012-13, the Foreign Investment Review Board (a non-statutory body that advises the Treasurer on foreign investment matters) provided advice to the Treasurer on major proposals. The General Manager of the Foreign Investment and Trade Policy Division is the Executive Member of the Foreign Investment Review Board.

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

Advice on investment and trade policy

The Treasury provides advice to the Government on general foreign investment and trade policy matters. The Treasury also provides advice on Australia's participation in multilateral, regional and bilateral investment and trade agreements.

Representation in international forums and trade negotiations

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

On 1 March 2013, the Protocol on Investment to the Australia-New Zealand Closer Economic Relations Trade Agreement came into force. The Treasury was responsible for implementing the Protocol.

OECD Investment Committee

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

The committee also oversees the operation of the OECD Guidelines for Multinational Enterprises, a voluntary code providing recommendations for responsible business conduct. As a member of the OECD, the Australian Government promotes and implements the guidelines. This responsibility rests with the Treasury and is performed by the Australian National Contact Point (ANCP), a role filled by the General Manager of the Foreign Investment and Trade Policy Division.

In 2012-13, the Australian National Contact Point received one specific instance complaint under the guidelines. This complaint concerned the operation of an Australian mining company in the Eastern Cape region of South Africa. The ANCP was not able to accept the matter as a specific instance complaint under the guidelines. Additional information is provided on the ANCP website at www.ausncp.gov.au.

APEC

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

International liaison

Asia Region Funds Passport

The sixth and seventh Asia Region Funds Passport Policy and Technical Workshops were held in Hanoi in December 2012 and Taipei in June 2013, respectively. The workshops were co-organised by Treasury and the Department of Foreign Affairs and Trade, and were attended by representatives of 12 APEC economies. The sixth workshop was also attended by representatives of the Shanghai Financial Services Office. The workshops developed further the framework for, and governance of, an Asia Region Funds Passport.

Asia-Pacific Financial Market Development Symposium

Australia hosted a symposium on Asia-Pacific Financial Market Development in April 2013, which was co-organised by Treasury and the APEC Business Advisory Council (ABAC). Regulators, government officials and industry representatives from over 15 countries met in Sydney to explore ABAC's proposal to establish an Asia Pacific Financial Forum (APFF) to promote regional financial market integration. ABAC will draw on these discussions to present a refined proposal to APEC finance ministers in September 2013.

G20/Financial Stability Board

The Treasury has provided the Australian representatives to various Financial Stability Board (FSB) committees, including the Standing Committee on Standards Implementation (SCSI) and the Standing Committee for Supervisory and Regulatory Cooperation (SRC). The SCSI monitors the implementation of international financial regulations standards agreed by the G20 and FSB and undertakes peer reviews of individual FSB countries and on key priorities issues. The SRC aims to address key financial stability issues relating to the development of supervisory and regulatory policy and assist in enhancing cross-border cooperation between national supervisors.

OECD Insurance and Private Pensions Committee

The Treasury provided an Australian representative to the OECD Insurance and Private Pensions Committee, which also includes the Working Party on Private Pensions and the Working Party of Governmental Experts on Insurance. In 2012-13, the committee focused on emerging issues of relevance to insurance sectors and private pension funds across member countries. These included issues around long-term investment by institutional investors' retirement savings adequacy, disaster risk and insurance financing, and annuities markets.

International Financial Reporting Standards regional policy forum

The seventh International Financial Reporting Standards regional policy forum, which was held in Hong Kong in June 2013, was attended by many jurisdictions from the Asia-Oceania region. Australia participated in the forum through representatives from the Treasury, the Financial Reporting Council, the accounting standard setters, professional accounting bodies and business representatives. The theme of the forum was 'A Journey to Better Financial Reporting'.

Trans-Tasman coordination to develop a Single Economic Market

In August 2009, the Australian and New Zealand Prime Ministers agreed to principles and a range of shared short and medium-term practical outcomes in business law for developing the Single Economic Market. The range of shared outcomes include insolvency law, financial reporting policy, financial services policy, competition policy, business reporting, corporations law, personal property securities law, intellectual property law and consumer policy.

A Trans-Tasman Outcomes Implementation Group comprising senior officials from the Australian and New Zealand Governments has been tasked with overseeing and, wherever possible, accelerating the progress of the reform agenda. The Treasury and the New Zealand Ministry of Economic Development co-chair the group.

Australia New Zealand Therapeutic Products Agency (ANZTPA)

In 2003, the Australian and New Zealand Governments signed an agreement to establish a joint regulatory scheme for therapeutic products, which will regulate medicines (including complementary medicines) and medical devices. The objective is to safeguard public health and safety while encouraging economic integration and benefitting industry in both countries.

In 2012-13 Parliamentary Secretary to the Treasurer was a member of the ANZTPA Implementation Ministerial Council and the Treasury is a member of a Trans-Tasman Senior Officials Group (TTSOG), which supports the Ministerial Council.

Trans-Tasman Accounting and Auditing Standards Advisory Group

The Trans-Tasman Accounting and Auditing Standards Advisory Group (TTAASAG) comprises representatives from accounting and auditing standard setters, professional accounting bodies, and policymakers from Australia and New Zealand. TTAASAG's focus is to ensure that the financial reporting and auditing frameworks of both countries do not unnecessarily impede Trans-Tasman business activity. During 2012-13, the Group helped to progress a range of crossborder economic initiatives designed to ensure greater commonality and alignment between the two frameworks. All outcomes agreed between the Australian and New Zealand Governments related to accounting and auditing have been achieved or otherwise dealt with, and the Group continues to monitor their operation.

Trans-Tasman Council on Banking Supervision

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

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

Financial Reporting Council

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

The Treasury provides secretariat support to the FRC, including its meetings, and is also responsible for advising the Minister on the appointment of members to the FRC to ensure that it is broadly representative of stakeholders (including the Treasury) with an interest in financial reporting. The Treasury maintains a close relationship with the FRC and engages in high-level discussions with the FRC, which benefits both the Treasury in developing policy advice and the FRC in guiding their strategic direction.

The FRC has four committees — nominations, audit quality, public sector and strategic plan. The FRC currently has two task forces — Integrated Reporting and Financial Report. The Managing Complexity and Board Education Task Forces reported to the FRC and completed their work in 2012-13. The Treasury has engaged with the activities of the various task forces and committees by providing secretarial support, fostering dialogue with stakeholders on the issues being explored, liaising with the chairs of the committees and taskforces to form their strategic direction and providing assistance to key outputs.

Takeovers Panel

The Takeovers Panel contributed to well-functioning securities markets in Australia by dealing with 20 applications, which are essentially disputes relating to takeovers made under the Takeovers Chapter of the *Corporations Act 2001* and other control transactions. The Panel, a peer review body with regulatory functions, has 48 members who are specialists in mergers and acquisitions as investment bankers, lawyers, company directors or other professionals. In resolving disputes, the panel helps to ensure that acquisition of control over voting shares in listed and widely-held companies occurs in an efficient, competitive and informed market; security holders and directors are given enough information; and security holders have a reasonable and equal opportunity to participate in any benefits of a proposal. The Panel also publishes guidance notes to help foster market confidence and efficiency.

In 2012-13, the Panel:

- considered a number of applications alleging association;
- considered some significant and complex applications including on the policies in relation to truth in takeovers and rights issues; and
- issued an index of its decisions from 2005-2012 (inclusive).

Standard Business Reporting

SBR is co-designed by Commonwealth, State and Territory government agencies and the private sector to reduce the business-to-government reporting burden by providing standardised electronic reporting. SBR simplifies financial reporting to government and makes it a byproduct of natural business systems.

Since the SBR Program became operational in 2010, the whole-of-government functions were split between a small team within the Treasury and a larger team under the Australian Business Registrar, which is housed in the Australian Taxation Office.

To enhance these activities and improve information-sharing and stakeholder engagement, these two teams were co-located in April 2013 under the Australian Business Registrar.

The direction and governance of the SBR Program will not change and the Secretary of the Treasury will continue to chair the SBR Board.

Currency

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

Secretariat services

The Treasury provided secretariat services to the Legislative and Governance Forum for Corporations (formerly constituted as the Ministerial Council for Corporations (MINCO)). The Treasury also assisted ministers in fulfilling the Government's obligations under the Corporations Agreement 2002, the Intergovernmental Agreement (IGA) for Business Names Agreement, and the IGA on National Credit Law.

The Treasury provided secretariat support to the Financial Sector Advisory Council, which brings together a range of senior financial market participants to provide advice to the Government on policies to facilitate the growth of a strong and competitive financial sector. FSAC has discussed and provided advice on a range of topics including financial sector regulation; exchange rate intervention; the G20 agenda; and the future of the Australian financial sector.

The Treasury provided secretariat support to the Insurance Reform Advisory Group, which provides a forum in which consumers, insurers and other stakeholders can be heard by government and can contribute to the fair, efficient and effective regulation of the general and life insurance industries.

During 2012, the Treasury a provided secretariat support for the former COAG Business Regulation and Competition Working Group (BRCWG) Competition Sub-Committee, which was chaired by the Assistant Treasurer. The Sub-Committee oversaw the eight competition reform areas under the *National Partnership to Deliver a Seamless National Economy* (SNE NP), which ended on 31 December 2012. Since 2013, oversight of implementation of the SNE NP reforms, previously undertaken by the BRCWG, has been coordinated through the BAF Taskforce.

The Treasury provided secretariat support to the Energy Security Council, which was established as part of the Government's Clean Energy Future package. The Council's purpose is to provide advice to the Treasurer on risks on energy security that could emerge from financial impairment arising from any source. The Council is responsible for assessing two categories of applications for assistance, including loans for generator-owners who need to refinance their debt if finance on reasonable commercial terms is not otherwise available; and loans or other assistance to seek to address systemic risk to energy security in light of an energy market participant's financial distress.

The Treasury provided secretariat support to the National Housing Supply Council (NHSC). On 1 March 2013, the NHSC released the *Housing Supply and Affordability Issues 2012-13* report. The report contains detailed information on housing trends including Census analysis, summaries of studies on housing and ageing, migration and recent housing policy developments around Australia.

Australian Government Actuary

Australian Government Actuary operates in a competitive and contestable market for actuarial services. Income from consultancy services relative to total costs is, therefore, a primary indicator of performance. Australian Government Actuary maintains a special account to ensure its financial operations are managed properly and transparently. At 30 June 2013, the account was in a sound financial position.

Demand for service was again high during 2012-13.

Consultancy services

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

Departments that sought advice included Defence; Attorney-General's; Industry, Innovation, Science, Research and Tertiary Education; Families, Housing, Community Services and Indigenous Affairs; Health and Ageing; Finance and Deregulation, and Veterans' Affairs. Human Services and Immigration and Citizenship also sought advice.

Feedback from these agencies indicates general satisfaction with the advice received and its value as an input in achieving agencies' objectives.

Services to the Treasury

Australian Government Actuary contributed its technical expertise on policy issues, including the superannuation system and insurance matters. The Australian Government Actuary reported on an investigation into strata title insurance price rises in North Queensland and provided advice on the National Disability Insurance Scheme.

CORPORATE STRATEGY AND SERVICES GROUP

The Corporate Strategy and Services Group assists in setting and delivering the corporate strategic direction of Treasury. The group delivers quality and valued corporate advice and services for the department, its people and Ministers.

The four divisions in the group are Financial and Facilities Management, Information Management and Technology, Ministerial and Communications, and People and Organisational Strategy.

Key priorities

The key priorities in 2012-13 were:

- Facilitating behavioural and organisational change by implementing the Strategic Review and Progressing Women agendas.

- Implementing strategic and operational workforce planning and more considered analysis, reporting and evaluation.
- Improving the availability and security of IT infrastructure, and its operational capabilities in the event of a disaster.
- Increasing productivity by improving IT mobility.
- Deploying technology that enhances internal and external collaboration.
- Managing the implementation of the Business Innovation project as part of Treasury's Strategic Review.
- Undertaking business as usual operations for all statutory and other Commonwealth financial framework requirements.
- Continuing to improve the provision of financial information to assist decision makers in a tight fiscal environment.
- Delivering production and logistics services for Budget 2013-14 and related processes (eg MYEFO).
- Implementing a new Treasury intranet.
- Coordinating the production of Treasury's Annual Report.
- Maintaining effective working relationships with Treasury Ministers' offices.

Key outcomes

The key outcomes were:

- Continuing work on behavioural and organisational change implemented through the Strategic Review and Progressing Women agendas.
- The implementation of Strategic and operational workforce planning and more considered analysis, reporting and evaluation.
- An improved availability and security of IT infrastructure to develop business continuity and operational capabilities in the event of a disaster.
- An improvement in IT mobility with beneficial improvements to productivity.
- The enhancement of internal and external collaboration by deploying technology.
- Continuing the implementation of the Business Innovation project.
- The progression of business as usual operations for all statutory and other Commonwealth financial framework requirements.
- Assisting decision makers in a tight fiscal environment through improvement in the provision of financial information.
- The delivery of production and logistics services for Budget 2013-14 and related processes.
- The production of Treasury's Annual Report.
- The continuance of effective working relationships with Treasury Ministers' offices.

PROGRAM 1.2: PAYMENTS TO INTERNATIONAL FINANCIAL INSTITUTIONS

PROGRAM OBJECTIVE

The objectives of program 1.2 are to:

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

PROGRAM DELIVERABLES

The program deliverables are:

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

KEY PERFORMANCE INDICATORS

The key performance indicators are:

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

ANALYSIS OF PERFORMANCE

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

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

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

Table 1: Financial transactions with international financial institutions in 2012-13

	Nature of transaction	Number of transactions	Total $'000
Receipts			
IMF net remuneration*	Revenue	4	1,034
Payments			
IMF special drawing rights allocation charges*	Expense	4	3,489
IMF financial transactions plan	Financing transaction	2	96,875
IMF new arrangements to borrow	Financing transaction	7	204,280 -31,582
Asian Development Bank general capital increase	Investing transaction	1	16,239
International Bank for Reconstruction and Development general capital increase	Investing transaction	1	9,623

*The proportion of the IMF net remuneration and charges referring to May and June is based on estimated figures as of 30 June 2013.

PROGRAM 1.3: SUPPORT FOR MARKETS AND BUSINESS

PROGRAM OBJECTIVE

The objectives of program 1.3 are to:

- put Australia at the forefront of regional and global examination of financial sector developments and the design of regulatory responses by providing funding of $12.1 million over four years for the Centre for International Finance and Regulation. The centre, led by the University of New South Wales, comprises a consortium of Australian and international universities, research centres and financial organisations;
- make payments in respect of insurance claims arising from the residual Housing Loans Insurance Company Limited portfolio. The Housing Loans Insurance Company Limited pre-transfer contract portfolio will be managed to ensure all liabilities arising from claims under this portfolio are met and any related debts are recovered;
- make payments of assistance to eligible HIH insurance policy holders under the HIH Claims Support Scheme. Work is now focused on finalising remaining claims so assistance can be paid, and the claims portfolio wound up; and
- make loan payment to New South Wales to help it provide funding to the Asbestos Injuries Compensation Fund if required, to address an expected funding shortfall. This will help the Asbestos Injuries Compensation Fund to continue making upfront compensation payments to victims of asbestos-related diseases.

PROGRAM DELIVERABLES

The program deliverables are:

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

KEY PERFORMANCE INDICATORS

The key performance indicators are:

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

ANALYSIS OF PERFORMANCE

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

PROGRAM 1.4: GENERAL REVENUE ASSISTANCE

PROGRAM OBJECTIVE

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

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

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

PROGRAM DELIVERABLES

The program deliverables are:

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

KEY PERFORMANCE INDICATORS

The key performance indicators are:

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

ANALYSIS OF PERFORMANCE

In accordance with the Intergovernmental Agreement, total general revenue assistance payments of $49.3 billion were made to the States and Territories in 2012-13. Payments included:

- GST entitlements to the States and Territories totalling $48.1 billion;
- payments to Western Australia of a share of royalties collected by the Commonwealth under the *Offshore Petroleum (Royalty) Act 2006* totalling $1.0 billion; and
- other general revenue assistance payments totalling $154.9 million.

The Treasury also recouped $0.7 billion in GST administration costs in 2012-13.

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

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

PROGRAM 1.5: ASSISTANCE TO THE STATES FOR HEALTHCARE SERVICES

PROGRAM OBJECTIVE

The objective of program 1.5 is:

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

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

PROGRAM DELIVERABLES

The program deliverable is:

- Payments to the States and Territories are made according to the payment arrangements specified in the Intergovernmental Agreement and the National Health Reform Agreement.

KEY PERFORMANCE INDICATORS

The key performance indicators are:

- From 1 July 2012, the National Healthcare SPP will be replaced by National Health Reform funding and be paid into a National Health Funding Pool. The national efficient price of public hospital services will be determined by the Independent Hospital Pricing Authority, to allow the introduction of activity-based funding for public hospital services from 1 July 2012. This will ensure public hospital funding is more transparent and drive efficiency, as public hospitals will be funded according to the number and kind of services they provide. In addition, the National Health Performance Authority will report on the performance of every Local Hospital Network, hospital and Medicare Local, through Hospital Performance Reports and Healthy Communities Reports.
- To reflect the changed payment arrangements for public hospital and health services under the National Health Reform Agreement, amendments have been made to the Intergovernmental Agreement on Federal Financial Relations and are underway for the *Federal Financial Relations Act 2009*. An Administrator, which will be jointly established by the Commonwealth and the States, will be responsible for calculating the Commonwealth funding amount for public hospitals, and advising the Treasurer of the level of Commonwealth funding.
- The Administrator will be responsible for making payments from the National Health Funding Pool of Commonwealth and State funding to Local Hospital Networks on an activity basis. The Administrator will transparently report each month on the amounts paid through the National Health Funding Pool to Local Hospital Networks, the basis on which payments were made and the number of services provided.

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2012-13 financial support for the States and Territories in the delivery of healthcare services.

- From 1 July 2012, National Health Reform funding replaced the National Healthcare SPP. Payments totalling $13.3 billion were paid into the National Health Funding Pool.
- The national efficient price of public hospital services was determined by the Independent Hospital Pricing Authority on 30 May 2012, which allowed the introduction of activity-based funding for public hospital services from 1 July 2012. In addition, the National Health Performance Authority has published several reports on Hospital Performance and Healthy Communities.
- Amendments were made to the *Federal Financial Relations Act 2009* to reflect the changed payment arrangements. An Administrator of the National Health Funding Pool has been jointly established by the Commonwealth and the States, with responsibility for calculating the Commonwealth funding amount for public hospitals, and advising the Treasurer of the level of Commonwealth funding.
- The Administrator is responsible for making payments from the National Health Funding Pool of Commonwealth and State funding to Local Hospital Networks on an activity basis. The Administrator has published monthly reports on the amounts paid through the National Health Funding Pool to Local Hospital Networks, the basis on which payments were made and the number of services provided.

PROGRAM 1.6: ASSISTANCE TO THE STATES FOR SCHOOLS

PROGRAM OBJECTIVE

The objective of program 1.6 is:

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

This program also has links to the Education, Employment and Workplace Relations portfolio. Although the Treasury makes payments for non-government schools, where funding agreements exist, the funding and expense for the non-government schools component is in the Education, Employment and Workplace Relations portfolio.

PROGRAM DELIVERABLES

The program deliverable is:

- payments to the States and Territories in accordance with the payment arrangements specified in the Intergovernmental Agreement.

KEY PERFORMANCE INDICATORS

The key performance indicators are:

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

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2012-13 financial support for the States and Territories in the delivery of government schools services.

- Payments under the National Schools SPP (government schools component) payments were $3.9 billion.
- All payments were accurately determined and made in a timely manner in accordance with payment arrangements specified in the Intergovernmental Agreement.

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

To demonstrate that the National Schools SPP (government schools component) has been spent in the relevant sector, each State and Territory Treasurer will provide a report to the Standing Council within six months of 30 June 2013, disclosing relevant information in accordance with the Intergovernmental Agreement.

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

PROGRAM OBJECTIVE

The objective of program 1.7 is:

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

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

PROGRAM DELIVERABLES

The program deliverable is:

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

KEY PERFORMANCE INDICATORS

The key performance indicators are:

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

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2012-13 financial support for the States and Territories in the delivery of skills and workforce development services.

- Payments under the National Skills and Workforce Development SPP were $1.4 billion.
- All payments were accurately determined and made in a timely manner in accordance with payment arrangements specified in the Intergovernmental Agreement.
- Advice was provided to the States and Territories prior to each payment being made.

To demonstrate that the Skills and Workforce Development SPP has been spent in the relevant sector, each State and Territory Treasurer will provide a report to the Standing Council within six months of 30 June 2013, disclosing relevant information in accordance with the Intergovernmental Agreement.

PROGRAM 1.8: ASSISTANCE TO THE STATES FOR DISABILITY SERVICES

PROGRAM OBJECTIVE

The objective of program 1.8 is:

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

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

PROGRAM DELIVERABLES

The program objective is:

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

KEY PERFORMANCE INDICATORS

The key performance indicators are:

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

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2012-13 financial support for the States and Territories in the delivery of disability services.

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

To demonstrate that the National Disability SPP has been spent in the relevant sector, each State and Territory Treasurer will provide a report to the Standing Council within six months of 30 June 2013, disclosing relevant information in accordance with the Intergovernmental Agreement.

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

PROGRAM 1.9: ASSISTANCE TO THE STATES FOR AFFORDABLE HOUSING

PROGRAM OBJECTIVE

The objective of program 1.9 is:

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

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

PROGRAM DELIVERABLES

The program deliverable is:

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

KEY PERFORMANCE INDICATORS

The key performance indicators are:

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

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2012-13 financial support for the States and Territories in the delivery of affordable housing services.

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

To demonstrate that the National Affordable Housing SPP has been spent within the relevant sector, each State and Territory Treasurer will provide a report to the Standing Council within six months of 30 June 2013, disclosing relevant information in accordance with the Intergovernmental Agreement.

PROGRAM 1.10: NATIONAL PARTNERSHIP PAYMENTS TO THE STATES

PROGRAM OBJECTIVE

The objective of program 1.10 is:

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

This program is linked to the portfolios of Agriculture, Fisheries and Forestry; Attorney-General's; Australian Securities and Investments Commission; Broadband, Communications and the Digital Economy; Defence; Education, Employment and Workplace Relations; Families, Housing, Community Services and Indigenous Affairs; Finance and Deregulation; Health and Ageing; Industry, Innovation, Climate Change, Science, Research and Tertiary Education; Infrastructure and Transport; Prime Minister and Cabinet; Regional Australia, Local Government, Arts and Sport; Resources, Energy and Tourism; Sustainability, Environment, Water, Population and Communities; and Veterans Affairs.

PROGRAM DELIVERABLES

The key program deliverable is:

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

KEY PERFORMANCE INDICATORS

The key performance indicators are:

- The Commonwealth Treasury will make payments to the States and Territories that reflect the requirements, the amounts and time-frames set out in each of the National Partnership agreements and any related agreements. These payments will only be made upon the Commonwealth Treasury's receipt of authorisations from the relevant agency in respect of performance benchmarks or payment schedules set out in each of the National Partnership agreements; and
- The Commonwealth Treasury will provide advice to the States and Territories on the components of each payment prior to each payment being made.

ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2012-13 financial support for the States and Territories in improving outcomes in areas specified in National Partnership agreements.

National Partnership payments for 2012-13 were $13.9 billion, comprising:

- Payments to support state health services of $1.7 billion;

- payments to support state education services of $1.6 billion;
- payments to support state skills and workforce development-related services of $0.3 billion;
- payments to support state community services of $0.9 billion;
- payments to support affordable housing services of $0.5 billion;
- payments to support state infrastructure services of $3.6 billion;
- payments to support state environmental services of $0.6 billion;
- payments to support other state services of $2.6 billion; and
- contingent payments to the States of $1.9 billion.

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

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

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

PART THREE

MANAGEMENT AND ACCOUNTABILITY

CORPORATE GOVERNANCE

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

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

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

STRATEGIC AND ORGANISATIONAL REVIEWS

Strategic Review of the Treasury

The Strategic Review, announced by the Secretary in July 2011, aimed to ensure that the Treasury has the strategic capabilities to deliver on its mission over the next five years. The Strategic Review sought feedback from staff, ministers and their offices, as well as a range of public, private and community sector stakeholders on the Treasury's performance.

The Strategic Review identified four broad areas as offering opportunities for improvement. These were: building key strengths to better support our ministers; enhancing our engagement skills; greater innovation and use of information technology tools; and allocating resources and managing priorities. The department is implementing the review's recommendations.

People Development System

In 2012-13, the Inclusive Workplace Committee (IWC) oversaw the design of a People Development System (PDS). The PDS is aimed at providing a more cohesive and holistic system to allow staff to develop their potential. The PDS brings together a number of existing processes and combines them with new elements to improve Treasury's people practices and processes. The PDS was agreed to by the IWC in June 2013 following staff consultations and will start to be implemented in 2013-14.

SENIOR MANAGEMENT COMMITTEES AND THEIR ROLE

Executive Board

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

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

The Executive Board members as at 30 June 2013 were:

- Dr Martin Parkinson, Secretary;
- Dr David Gruen, Executive Director, Macroeconomic Group — Domestic;
- Mr Barry Sterland, Executive Director, Macroeconomic Group — International;
- Mr Jim Murphy, Executive Director, Markets Group;
- Mr Nigel Ray, Executive Director, Fiscal Group;
- Mr Rob Heferen, Executive Director, Revenue Group;
- Ms Jan Harris, Executive Director, Policy Coordination and Governance; and
- Mr Steve French, General Manager, Corporate Strategy and Services Group.

The Executive Board is supported by the Secretary to the Board and the Strategic Projects and Governance Team within the Corporate Strategy and Services Group.

Audit Committee

The audit committee assists the Executive Board by independently reviewing and considering the Department's operations, its risk management framework and the integrity of its financial accounts. The audit committee reviews audit issues by:

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

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

The audit committee met seven times during 2012-13. As at 30 June 2013, the audit committee comprised an independent external Chair, an external member and a number of internal members. External observers at audit committee meetings included representatives from the ANAO and KPMG.

People Committee

The People Committee is a strategic reference and decision-making group with responsibility for ensuring that the Treasury maintains its capability to provide sound and timely advice to government through a high-performing and flexible workforce.

The People Committee provides advice and feedback to the Corporate Strategy and Services Group on a range of people strategies, including workforce planning, and has a decision-making role to facilitate staff mobility within the department and to ensure that the Treasury engages and promotes employees with high level capabilities and potential.

Remuneration committees

Remuneration committees are established within the executive and the five groups in the Treasury to recommend to the Secretary the determination of salary rates beyond that available through the Performance Management System for eligible APS6, EL1 and EL2 employees.

The Executive Board determines each remuneration committee's membership and the executive director of the relevant group chairs each remuneration committee. The committee comprises the chair, the General Manager of People and Organisational Strategy Division and all general managers within the group. One general manager from another group acts as a cross-group representative to promote consistency of outcomes.

Inclusive Workplace Committee

The Inclusive Workplace Committee (IWC) was formed in early 2012 and has responsibility for guiding and monitoring the development and implementation of the Progressing Women program of work. The IWC comprises all members of the Executive Board, five additional internal members and two external members, and meets quarterly.

Information Management and Technology Committee

The Information Management and Technology Committee (IMTC) meets bi-monthly and was established in late 2011 to provide a formal mechanism for business engagement and feedback into strategic direction for information management and technology. The IMTC replaced the IT Projects Committee which provided advice on and governed the delivery of ICT-enabled projects.

The IMTC is chaired by the Group General Manager, Corporate Strategy and Services Group and comprises the Chief Information Officer, the Chief Finance Officer and a general manager or SES representative from each policy group.

Security Committee of Treasury

The Security Committee of Treasury provides independent assurance and assistance to the Secretary and the Executive Board in relation to the department's security risk, control and compliance framework and its external accountability responsibilities.

The committee comprises the chair, the Group General Manager, Corporate Strategy and Services, the General Managers, Financial and Facilities Management Division and Information

Management and Technology Services Division and SES representatives from the intelligence, defence and budget related policy areas. The Committee convenes on a bi-annual basis.

Health and Safety Committee

The Health and Safety Committee — established in accordance with the *Work Health and Safety Act 2011* — facilitates cooperation between Treasury management and its workers. The committee meets every three months and comprises of worker and management representatives. The committee provides a mechanism to develop and monitor health, safety and wellbeing programs and resolve any emerging issues.

CORPORATE PLANNING AND REPORTING

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

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

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

RISK MANAGEMENT

The Treasury pursues a comprehensive, coordinated and systematic approach to risk management.

- The Treasury's risk management framework aims to:
  - establish robust, pragmatic risk management practices that support business needs and provide the methodology and tools to enable effective management of risk across the Treasury;
  - develop a consistent Treasury-wide understanding of risk management;
  - foster an environment where all staff assume responsibility for managing risk and where managers formally consider risks as part of the decision making process;
  - ensure that significant risks facing the Treasury have been identified, understood, documented and are being actively managed;
  - ensure that risks are assessed in a balanced way, with upside risks (opportunities) considered alongside downside risks; and
  - ensure that risk registers remain useful and practical tools for analysing risk.
- The Treasury's risk management framework is reviewed annually. The key changes made in the 2012-13 review were the addition of six work health and safety risks, greater emphasis on accountability for implementing risk treatment plans and a statement about the underlying philosophy of risk management for the Treasury (the 'three lines of defence').
- The Fraud Control Plan complies with Australian Government Fraud Control Guidelines.

- The Chief Executive Instructions put into effect the *Financial Management and Accountability Act 1997* requirements, setting out responsibilities and procedures which provide an overarching framework for transparent and accountable financial management. They also contain topics relating specifically to risk management and internal accountability.
- The Internal Audit Plan identifies services and functions for auditing, and is approved by the Audit Committee and the Executive Board.
- Risk management and insurable risks are aligned through Comcover and Comcare.

The Treasury uses a range of strategies to identify and manage risks associated with the delivery of Information Technology services. New IT-enabled business solutions are assessed against key IT principles to manage IT investments strategically. The framework for delivering IT services includes:

- an IT Disaster Recovery Plan which sets out the strategies and processes to restore services if the Treasury's central computing infrastructure is lost completely or partially;
- a Business Continuity Plan for the Treasury's business which provides a process for identifying priority IT systems to restore, as well as alternative methods and processes so the Treasury can continue to work while the environment is restored;
- an IT Security Policy which addresses the requirements to protect information holdings and secure operation of the Treasury's IT resources;
- an Internet and Email Acceptable Use Policy which sets out responsibilities for appropriate use of the internet, email facilities and services;
- a Social Media Policy that helps enable external and internal engagement while ensuring protocols are in place for appropriate use of social media and to protect Treasury's reputation;
- IT Change Control Guidelines (an internal management tool) which assists with quality assurance control over proposed changes to the technical environment and facilities; and
- Project Standards, internal standards based on the structured project management methodology, PRINCE2, which ensure correct project governance is applied to IT-enabled business projects.

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

FRAUD PREVENTION AND CONTROL

The Treasury Fraud Control Plan accords with the Commonwealth Fraud Control Guidelines and the Australian National Audit Office Better Practice Guide on Fraud Control in Australian Government Entities.

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

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

The Fraud Control Plan is to be reviewed again in 2014.

ETHICAL STANDARDS AND ACCOUNTABILITY

The Treasury aims to promote a workplace which is accountable and utilises Commonwealth resources in an ethical and efficient way.

- The Treasury Management Model underpins the accountability and governance frameworks and incorporates the department's mission and values.
- The Treasury Performance Management System, along with the APS Code of Conduct, provides mechanisms for ensuring individual values and behaviours align with these shared corporate values and behaviours.
- The Treasury Workplace Agreement contains a commitment from employees to be aware of, and observe, the Treasury's and APS values.

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

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

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

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

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

SENIOR EXECUTIVE SERVICE REMUNERATION

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

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

An increase in ranking based on longer-term performance can lead to an increase in base salary (see Table 5 on page 109). Additional information on remuneration is set out in Note 12: Senior Executive Remuneration in the financial statements on pages 179-183.

EXTERNAL SCRUTINY

AUDIT

The Audit Committee met seven times during 2012-13. Its work included reviewing the Treasury's financial statements and a range of internal and external audit reports.

The Audit Committee's Financial Statements Subcommittee met five times during 2012-13, with three of the meetings being related to the 2011-12 financial statements and two meetings related to the 2012-13 financial statements. The subcommittee comprises members from the Treasury, the Australian National Audit Office (ANAO), the Treasury's internal audit service provider and an external representative of the Treasury Audit Committee. The subcommittee monitors production of the financial statements and helps resolve issues.

The Treasury currently engages KPMG to provide internal audit services. This involves development of internal audit programs, conducting various internal audit reviews, and working with the audit committee to ensure internal audit recommendations are being implemented effectively.

INTERNAL AUDITS

The Treasury completed seven internal audits/reviews during 2012-13.

Review of the Management of Sensitive Information

Using a cross-section of various Treasury divisions, this review assessed the processes and practices applied by the Treasury in managing access to commercially sensitive information, and whether the controls in place to prevent and detect any intentional or inadvertent release of information were suitably designed. The report made three recommendations around investigating the root-causes of security breaches, reviewing accesses to network drives and ensuring that all staff are well-informed of security procedures for classified and sensitive material.

Implementation of the Clean Energy Finance Corporation

This review assisted the Treasury to manage the establishment of the Clean Energy Finance Corporation. The review was conducted in three phases; the first ensured that the Treasury had the appropriate processes, reporting and procedures in place in relation to interim support to the CEFC; the second identified the broad organisational and governance frameworks, processes and protocols that the CEFC needed to have in place to effectively manage its operational and investment funds; and the third assessed the operational readiness of the CEFC before the actual transfer of the funds.

Post-Implementation Review of Odysseus

The Treasury has developed a custom data analytics system that provides Treasury staff with analytical and reporting tools designed to increase efficiency and timeliness of economic analysis. The review assessed whether the system, named 'Odysseus', had achieved an outcome consistent with stakeholders' expectations and business requirements. Through understanding the services and capability of the system and undertaking consultations with a targeted sample of business areas, Internal Audit considered how Odysseus, or other tailored data analytic solutions in the market, could add value more broadly across the Treasury.

Review of Credit and Travel Cards

This review considered how the Treasury could implement travel and related card services as part of the broader Whole of Australian Government (WoAG) Travel Services initiative to ensure better value-for-money outcomes and increased efficiency. The review included an analysis of purchasing data involving credit card and travel activity, an analysis of which types of transactions could benefit from the implementation of credit cards, and an analysis of the risks associated with the implementation of credit cards, including a review of preventative and detective controls. The Treasury agreed to five recommendations to realise the intended benefits of the WoAG initiative and to ensure that the necessary systems and processes were in place.

Internal Reporting

This review assessed the Treasury's internal management reporting arrangements to ensure that reports are suitable for decision-making and compliance-reporting purposes. The review found that the various stakeholders involved were generally comfortable with the level of detail being provided in the management reports, and made five recommendations for improvement, including around the inclusion of forecast information, and steps to improve the timeliness of monthly reporting.

Review of Shared Services Cost-Recovery Arrangements

The Treasury provides shared services to six agencies within the Treasury portfolio. These services include financial management, information management, people and organisational management and marketing and communication services. This review examined the approaches that determine the price of shared services and investigated potential improvements to these approaches. The review provided recommendations around changes to the pricing methodology, particularly changes to primary cost allocation statistics and potential longer-term pricing improvements.

Post-Implementation Review of the Federal Payments Management System

The Federal Payments Management System (FPMS) was introduced to streamline the certification and collation of information for payments to the States. FPMS is used by agencies to submit and certify payment information, and is used within Treasury to review and approve the submitted information and to export the information for payment. The engagement assessed whether the end-user system controls are operating as intended and that the level of evidence maintained is appropriate and sufficient. The Treasury agreed to the four recommendations made in the audit report, including ongoing training for external agency users, and the investigation of further possible system enhancements.

AUSTRALIAN NATIONAL AUDIT OFFICE REPORTS

In 2012-13, the ANAO completed the following audit related to the Treasury's operations.

Audit Report Number 34: Preparation of the Tax Expenditures Statement

This audit assessed the extent to which the Treasury and the ATO had improved the management of tax expenditure estimates by implementing the six recommendations in a 2008 ANAO audit report in this area and the three recommendations made by the Joint Committee of Public Accounts and Audit (JCPAA) following its inquiry.

The ANAO tabled the report (Audit Report No. 34 2012-13) in Parliament on 9 May 2013. The ANAO found that two of the previous ANAO recommendations had been fully implemented, with the remaining recommendations having been partially addressed. The Treasury will continue to pursue improvements in the TES through progressing recommendations made by the ANAO and JCPAA, with regard to departmental and Government priorities. The 2012-13 report made one recommendation on the review and standardisation of internal methodologies for allocating reliability ratings to tax expenditure items, in order to improve the consistency of the reliability ratings disclosed in the Tax Expenditures Statement. The Treasury and the ATO have each agreed to the recommendation.

Other audit reports

Other ANAO reports relevant to the Treasury in 2012-13 were:

Report No. 4	Confidentiality in Government Contracts: Senate Order for Departmental and Agency Contracts (Calendar Year 2011 Compliance) (tabled 20 September 2012)
Report No. 16	Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2012 (tabled 20 December 2012)
Report No. 28	The Australian Government Performance Measurement and Reporting Framework — Pilot Project to Audit Key Performance Indicators (tabled 23 April 2013)
Report No. 33	The Regulation of Tax Practitioners by the Tax Practitioners Board (tabled 8 May 2013)
Report No. 35	Control of Credit Card Use (tabled 16 May 2013)
Report No. 44	Management and Reporting of Goods and Services Tax and Fringe Benefits Tax Information (tabled 13 June 2013)
Report No. 49	Interim Phase of the Audits of the Financial Statements of Major General Government Sector Agencies for the Year Ending 30 June 2013 (tabled 20 June 2013)
Report No. 51	Management of the Australian Taxation Office's Property Portfolio (tabled 24 June 2013)
Report No. 52	Management of Debt Relief Arrangements (tabled 25 June 2013)
Report No. 53	Agencies' Implementation of Performance Audit Recommendations (tabled 25 June 2013)
Report No. 54	Administration of Government Advertising Arrangements: August 2011 to March 2013 (tabled 26 June 2013)

Details of audit reports are available at www.anao.gov.au.

PARLIAMENTARY COMMITTEES

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

In 2012-13, officials from the Treasury appeared before the following parliamentary committees:

- 26 July 2012 — House of Representatives Standing Committee on Economics, Review of the Tax Laws Amendment (2012 Measures No. 4) Bill 2012.
- 26 July 2012 — Senate Economics Legislation Committee, Inquiry into the Tax Laws Amendment (Cross-Border Transfer Pricing) Bill (No. 1) 2012.
- 26 and 27 July 2012 — House of Representatives Standing Committee on Economics, Inquiry into the Australian Charities and Not-for-profits Commission Exposure Draft Bills.
- 8 August 2012 — Senate Economics References Committee, Inquiry into the post-GFC banking sector.
- 16 August 2012 — Senate Standing Committees on Rural and Regional Affairs and Transport, Inquiry into the Foreign Investment Review Board National Interest Test.
- 22 August 2012 — House of Representatives Standing Committee on Regional Australia Inquiry into the use of 'fly-in, fly-out' (FIFO) workforce practices in regional Australia.
- 3 September 2012 — Parliamentary Joint Committee on Corporations and Financial Services, Inquiry into the Australian Charities and Not for Profits Commission Bill 2012, the Australian Charities and Not-for-profits Commission (Consequential and Transitional) Bill & the Tax Laws Amendment (Special Conditions for Not-for-profit Concessions) Bill 2012.
- 27 September 2012 — House of Representatives Standing Committee on Economics, Clean Energy Amendment Bills 2012.
- 5 October 2012 — Parliamentary Joint Committee on Corporations and Financial Services Inquiry into the Corporations Legislation Amendment (Derivative Transactions) Bill 2012.
- 5 October 2012 — Parliamentary Joint Committee on Corporations and Financial Services, Inquiry into the Superannuation Amendment (Further MySuper and Transparency Measures) Bill 2012.
- 11 October 2012 — Senate Standing Committees on Rural and Regional Affairs and Transport, Inquiry into the Foreign Investment Review Board National Interest Test.
- 18 October 2012 — Senate Economics Legislation Committee, Budget Supplementary Estimates.
- 19 October 2012 — Senate Economics Legislation Committee, Inquiry into the Clean Energy Amendment (International Emissions Trading and Other Measures) Bill 2012 and related bills.
- 22 October 2012 — Parliamentary Joint Committee on Corporations and Financial Services, Inquiry into Personal Liability for Corporate Fault Reform Bill 2012.
- 12 November 2012 — Senate Economics Legislation Committee, Treasury Legislation Amendment (Unclaimed Money and Other Measures) Bill 2012.
- 13 November 2012 — Parliamentary Joint Committee on Corporations and Financial Services, Inquiry into Family Business in Australia.

- 26 November 2012 — Joint Standing Committee on Treaties, Report 132: Review into Treaties tabled on 18 September and 30 October 2012.
- 22 January 2013 — Parliamentary Joint Committee on Corporations and Financial Services, Inquiry into the Superannuation Legislation Amendment (Service Providers and Other Governance Measures) Bill 2012.
- 30 January 2013 — House of Representatives Standing Committee on Economics, Tax Laws Amendment (2012 Measures No. 6) Bill 2012.
- 7 February 2013 — Parliamentary Joint Committee on Corporations and Financial Services, Inquiry into Family Business in Australia.
- 14 February 2013 — Senate Economics Legislation Committee, Additional Estimates.
- 21 March 2013 — Senate Standing Committees on Rural and Regional Affairs and Transport, Inquiry into the Foreign Investment Review Board National Interest Test.
- 3 April 2013 — Senate Economics References Committee, Development and Operation of the Minerals Resource Rent Tax.
- 18 April 2013 — House of Representatives Standing Committee on Economics, Inquiry into the Tax and Superannuation Laws Amendment (2013 Measures No. 2) Bill 2013.
- 22 April 2013 — Parliamentary Joint Committee on Corporations and Financial Services, Inquiry into the Corporations Amendment (Simple Corporate Bonds and Other Measures) Bill 2013.
- 22 April 2013 — Parliamentary Joint Committee on Corporations and Financial Services, Inquiry into the Corporations and Financial Sector Legislation Amendment Bill 2013.
- 30 April 2013 — Senate Economics Legislation Committee, Tax Laws Amendment (Countering Tax Avoidance and Multinational Profit Shifting) Bill 2013.
- 9 May 2013 — Senate Standing Committees on Rural and Regional Affairs and Transport, Inquiry into the Foreign Investment Review Board National Interest Test.
- 12 June 2013 — Parliamentary Joint Committee on Corporations and Financial Services, Inquiry into a regulatory framework for tax (financial) advice services (previously Tax Laws Amendment [2013 Measures No. 2] Bill 2013, Schedules 3 and 4).
- 5 and 6 June 2013 — Senate Economics Legislation Committee, Budget Estimates.

OMBUDSMAN COMMENTS, COURT DECISIONS AND ADMINISTRATIVE TRIBUNAL DECISIONS

Judicial and Administrative Appeals Tribunal Decisions

There were no judicial or Administrative Appeals Tribunal decisions that had, or may have, a significant impact on the operations of the Treasury in 2012-13.

Commonwealth Ombudsman

The Commonwealth Ombudsman did not issue any reports on the operations of the Treasury in 2012-13.

MANAGEMENT OF HUMAN RESOURCES

The People and Organisational Strategy Division, within the Corporate Strategy and Services Group, has primary responsibility for the Treasury's people management. The Division assists the department to set and deliver on its strategic direction and to provide a work environment that enables our people to be productive. It provides advice and delivers on organisational strategies, change management, workforce planning, organisational development and wellbeing, performance management, recruitment, people strategies, governance and audit, learning and development and employee services and policies.

In 2012-13, the key outcomes were:

- facilitating behavioural, organisational and cultural change by progressing the implementation of the recommendations from the 2011 Strategic Review and the Progressing Women initiative;
- continuing the implementation of the Graduate Development Program review to enhance workforce capability and to strengthen talent management within the department;
- ongoing development of the workforce planning framework to drive the development of strategies to attract, retain and develop a targeted, skilled and diverse workforce within a context of reducing overall resources;
- undertaking a consultative process with internal business groups to determine a comprehensive risk profile for Work Health and Safety hazards following the implementation of the *Work Health and Safety Act 2011*;
- refreshing the department's Performance Management System to ensure it continues to support and drive individual and organisational performance including mandatory performance management training for all staff; and
- producing regular workforce reports identifying trends and emerging issues along with improved data capture and workforce metrics analysis to assist with staff resource management across the Treasury.

THE TREASURY MANAGEMENT MODEL

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

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

PEOPLE MANAGEMENT SYSTEMS

All recruitment, promotion, mobility, resource planning and development processes within the Treasury are aligned with the Treasury Management Model, and the Performance Management and Career Development Systems. The Treasury regularly monitors and reviews these systems to ensure they are meeting the desired outcomes.

PERFORMANCE MANAGEMENT SYSTEM

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

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

All appraisals are subject to oversight by review panels. Review panels are held at the divisional level to examine the outcomes of appraisals to ensure consistency in the application of the framework across each division. Cross-group representatives ensure objectivity and consistency in the application of the Work Value Matrix and ratings across the department.

Feedback is sought on managers by the manager-one-removed to inform their appraisals.

During 2012-13, mandatory performance management training was rolled out to all staff.

CAREER DEVELOPMENT SYSTEM

The Career Development System is a part of the Treasury's people management system and seeks to foster a shared individual and organisational responsibility for career development. The system provides staff with the opportunity to consider and clarify career aspirations and receive career development guidance from their manager-one-removed. The Career Development System will be refined as part of the roll out of the People Development System in 2013-14 to enhance the effectiveness of the process including clarifying purpose, process and role/responsibility.

WORKPLACE RELATIONS

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

The Workplace Agreement operates in conjunction with Commonwealth legislation and Treasury policies, manuals and guidelines to define the terms and conditions of employment for staff.

The Treasury consults with staff on workplace matters, and the Workplace Agreement reinforces staff involvement in decision making. Consultation mechanisms include the Workplace Relations

Committee, elected by Treasury staff and comprising eight members. Terms of reference for the Workplace Relations Committee reflect a principles-based approach to workplace relations.

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

RECRUITMENT AND SUCCESSION PLANNING

The Treasury's recruitment activity in 2012-13 included two major recruitment campaigns, selection processes for senior executives at the Band 1, Band 2 and Band 3 levels, a graduate campaign, and participation in the indigenous cadetship and indigenous graduate programs. A total of 43 recruitment processes were advertised in 2012-13 and a total of 104 employment opportunities were filled from advertised vacancies. The Treasury recruited 37 policy and corporate graduates in 2012-13. Two formal departmental transfer rounds were run in 2012-13 and 51 internal expressions of interest were managed centrally in 2012-13.

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

The Treasury continues to utilise the recruitment service provider's panel for scribing services, placement of non-ongoing staff and executive search functions.

The number of secondments both to and from the Treasury increased during 2012-13. Staff were seconded to the Treasury for various policy initiatives, such as the G20 taskforce and in specialist taxation and superannuation areas. Secondees from the Treasury continue to work on a variety of initiatives across a number of agencies both within the APS and private sectors.

LEARNING AND DEVELOPMENT

The Treasury develops staff and organisational capability by offering a variety of internal and external learning and development opportunities to employees. The total investment in learning and development activities in 2012-13 was over $2 million. This figure represents costs associated with the design, development and delivery of internal training courses; payment for executive coaching services; registration fees associated with external programs; and financial assistance for employee study. (This figure does not include overheads, such as venue hire, catering and travel.)

The learning and development opportunities which the Treasury makes available to staff form part of the overarching People Development System (PDS). This was approved by the Inclusive Workplace Committee during 2012-13. The PDS recognises the importance of the 70:20:10 principle, which emphasises the role of on-the-job learning, coaching and feedback.

During 2012-13, Treasury implemented a Learning Management System (Treasury Learning). Treasury Learning hosts a range of eLearning courses, which include Induction modules, Microsoft products, organisational wellbeing modules, Treasury-specific training, workplace skills, and specialist and technical training. This system will also be used to manage face-to-face training.

The Graduate Development Program continued to combine on-the-job training with formal in-house courses. Some of these were delivered centrally; others were delivered on a group-by-group basis. The program also included external courses, such as Introduction to the Senate, and participation in key events such as the budget lockup and post budget question time.

Broadly speaking, learning and development opportunities made available to Treasury staff fall under four headings:

- core skills;
- technical training;
- leadership and coaching; and
- assistance for post-graduate study.

Core skills

Capability development in core skills is primarily targeted via one or two-day workshops which are delivered in-house, mainly by external providers. During 2012-13 the Treasury's learning and development calendar included workshops on APS and Treasury accountabilities, writing and grammar, presentation and representation, financial management, negotiation skills, and providing oral advice. Two-day policy advising workshops delivered by senior internal and external presenters used case studies and hypotheticals to develop policy advising capabilities of analysts and executive level staff. All workshops were tailored to the Treasury's current operating environment.

The ability of all staff to engage with the Treasury's Performance Management System (PMS) was enhanced through talking performance workshops. These half-day sessions were initially developed as part of the PMS Refresh project, and are designed to equip all staff, whether in managerial or non-managerial roles, with specific skills and knowledge which will enable them to make the most of the PMS. Attendance at these workshops was mandatory for all staff at the time of the PMS refresh; further sessions are held in January and July each year to cater for staff who have joined the Treasury since the PMS refresh.

In addition, as part of the broader Progressing Women initiative, unrecognised bias awareness training was available to all SES and EL2 employees. These workshops, and the follow-up coaching, were designed to assist staff to identify and understand common and unrecognised biases on the part of men and women that may impact on judgements of management, leadership styles and the allocation of work. These workshops will be rolled out to EL1 staff during 2013-14.

Technical training

During 2012-13 semester-long introduction to law and introduction to economics courses were delivered inhouse by the Australian National University. The aim of these programs was to provide an understanding of the fundamental principles of law and economics to staff without tertiary qualifications in these fields. Evaluations for both programs reflected high levels of satisfaction with the quality of teaching and impact on staff knowledge and understanding.

The Treasury Certificate in Business Services Program was again offered to Treasury staff at the APS 3-6 level. The aim of this program is to provide participants with an understanding of the Treasury environment and how they contribute to its business. Participants also develop skills that are directly related to the Work Value Matrix. In 2012-13, participants also had the opportunity to complete the Certificate IV in Government as a result of their participation in the program; in total, 10 employees applied for recognition of specific competencies towards this qualification.

Twelve Treasury staff participated in the courses offered by the National Security College in 2012-13. The National Security College is a joint venture between the Commonwealth Government and the Australian National University. The college aims to enhance the functioning of the national security community and strengthen networks and policy capability within the APS by building partnerships with academia, research institutions, and the community and private sectors.

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

In addition to these programs, Treasury staff attended a wide variety of external workshops, conferences and seminars targeting capability development in a variety of domains, including (but not limited to), economics, modelling, law, project management, IT, human resources, taxation, languages other than English, first aid, workplace health and safety, and superannuation.

Leadership

The Treasury offers a number of programs to support leadership and management development. The Management Development Program is designed to provide new and emerging managers with the practical tools and skills to equip them to fulfil their roles under the Treasury Management Model and assist in building their capability for future advancement. Twenty-five staff participated in the program during 2012. Feedback on the program was extremely positive; all participants indicated that the program met or exceeded their expectations.

Treasury staff also participated in a variety of Australian Public Service Commission leadership programs, including the Career Development Assessment Centre (two EL2s), SES Orientation (six SES1s), SES Talent Development (one SES2 and one SES3), and SES Leadership (one SES1).

One Treasury SES1 employee attended the Cranlana Public Service Colloquium during 2012-13. The colloquium is designed to enable participants to define and understand the principles that lie at the heart of leadership and decision-making.

As part of the broader Progressing Women agenda, a formal mentoring program was introduced in 2012-13. The objective of the program is to offer mentoring to high performing, high potential women and men at the EL and SES levels to assist them to develop to their full potential, both personally and professionally. Capability development workshops were initially delivered to SES officers who had expressed interest in acting as mentors; this training was subsequently made available to all SES officers.

SES officers are also able to access executive coaching services, delivered in-house by a variety of providers.

Seminars delivered as part of the Treasury Leadership Series continued throughout 2012-13. The seminars, which are held quarterly, are designed to provide staff with valuable perspectives and insights on leadership from high profile leaders in the public and private sectors.

Assistance for post-graduate study

The Treasury assists employees who wish to undertake formal post-graduate study in a number of ways. Studies Assistance provides financial assistance and study leave for staff undertaking approved study relevant to the Treasury. A total of 141 staff were approved for Studies Assistance in 2012-13, mainly for study undertaken in economics, law, commerce and public policy.

The Treasury also provides a limited number of Post Graduate Study Awards (PGSAs) for high-performing staff who wish to take leave without pay to pursue post-graduate study. Six PGSAs were awarded for study commencing in 2013, including two awards for employees wishing to study overseas.

The Sir Roland Wilson Foundation PhD scholarships are designed to nurture future senior leaders in the APS and strengthen ties between academia and the Australian Public Service. One Treasury employee was awarded a scholarship in the 2012 round for a course of study commencing at the ANU in February 2013.

The two-year Graduate Diploma in Economic Studies, which commenced in March 2011, continued with 25 participants, including 14 participants from other agencies. The course is delivered by Monash University and is tailored to public sector agencies, with a focus on public policy. The course is designed for staff qualified in disciplines other than economics and facilitates an understanding of economic frameworks and public policy issues.

WELLBEING

The Treasury measures and monitors staff wellbeing through the State of the Service results, exit survey reports and human resource data. Performance is also benchmarked against the broader APS and similar private sector organisations. The People and Organisational Strategy Division provides regular reports to the Executive Board, the People Committee, the Workplace Relations Committee, the Inclusive Workplace Committee, the Work Health and Safety Committee, that include the results and strategies developed to improve performance.

Stress Management program

Treasury's managers were invited to attend workshops to assist them with identifying and managing acute and chronic staff stress. Managers were provided with information on the physiological, psychological and behavioural consequences of chronic and sustained stress and how these can impact on work performance, productivity and team morale. Through a practical workshop, managers gained skills to identify the early warning signs of stress and were provided with tools they could use to address this appropriately. Sixty-three managers participated in the workshops.

Employee assistance program

The Treasury provides staff and their immediate family members with access to an employee assistance program. The program provides a free professional and confidential counselling service to assist staff experiencing work-related or personal problems. The employee assistance service collects generic data that provides guidance for departmental wellbeing strategies. To compliment this service, the employee assistance service also offers an online wellbeing resource which provides interactive and user-friendly information and guidance on work and personal issues. Managers and executives may seek advice and support on managerial issues through a dedicated and confidential program.

The usage rate for new staff referrals to the program was 4.28 per cent, which is slightly lower than the average 2012-13 APS usage rate of 6.83 per cent.

Child care centre

Treasury staff have access to onsite childcare facilities in the Abacus Childcare and Education Centre which is managed by Communities@Work.

As at 30 June 2013 there were 85 children from Treasury families enrolled at the Abacus Childcare and Education Centre. The centre can accommodate a total of 143 child care places.

Health and wellbeing program

The Treasury promotes a workplace culture that values, supports and improves the health and wellbeing of employees. Several health and wellbeing activities were arranged during 2012-13 including 386 influenza vaccinations, 136 workstation assessments and 130 contacts with the employee assistance program. Resilience coaching was also available to staff who were experiencing difficulty in managing stress. The resilience coaching covers several key concepts in promoting emotional resilience and self-care and covers topics such as developing resilience, physiological balance, stress management and developing a personal action plan. Staff have the opportunity to participate in health and fitness activities during lunch times with lockers and shower facilities available onsite.

Lifestyle payment and corporate gym memberships

In recognition of the benefit that can be achieved by staff undertaking their own initiatives to achieve a healthy lifestyle, the Treasury's Workplace Agreement 2011-14 provides eligible non-SES staff with the option of applying for a single lifestyle contribution payment of $600. The lifestyle payment is available for activities such as gym memberships, sporting apparel and relaxation programs. From 1 July to 31 December 2012, 19 lifestyle payments were made and from 1 January 2013 to 30 June 2013, 850 lifestyle payments were made.

Treasury staff can access discounted gym and health club memberships through participating providers. There were five providers that agreed to offer discounted memberships.

STAFFING INFORMATION

Ongoing and non-ongoing employee numbers in the Treasury decreased from 988 in 2011-12 to 949 in 2012-13 (Table 2).

Due to natural attrition, there was a decrease in staff numbers across all levels, except at the APS4 level and the EL1 level, where this figure increased by 10 and 8 respectively. The most significant decrease was at the APS5 level, where staffing numbers reduced by 25. The number of APS3 and EL2 employees decreased by 22 and 9 respectively.

Part-time employees increased from 11.03 per cent in 2011-12 to 13.4 per cent in 2012-13. Part-time females at the EL1 level increased from 30 in 2011-12 to 38 in 2012-13. Part-time EL2 level females reduced from 24 to 21.

Table 2: Operative and paid inoperative staff by classification and gender as at 30 June 2013

	Ongoing				Non-ongoing				
	Full-time		Part-time		Full-time		Part-time		
Classification	Male	Female	Male	Female	Male	Female	Male	Female	Total
Cadet					1				1
APS1									
APS2		1							1
APS3	30	24		2		1			57
APS4	19	32		14	3	1			69
APS5	55	64	3	9					131
APS6	111	94	4	10	1	1			221
EL1	103	62	4	38	2	1		4	214
EL2	80	50	10	21	3	1			165
SES Band 1	44	10	3	3	1	1			62
SES Band 2	12	6	1	1	1				21
SES Band 3	5	1							6
Secretary	1								1
Total	460	344	25	98	12	6	0	4	949

Note: Staff paid by other agencies are not included.

Table 3: As at 30 June 2013 — Proportion of female representation at senior levels

SES % female representation	24.4%
'CEO' minus one % female representation	16.7%
'CEO' minus two % female representation	35.0%
'CEO' minus three % female representation	21.7%

The three layers of management below the Secretary, articulated as CEO minus one, CEO minus two and CEO minus three.

Table 4: Staff located at overseas posts

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

Note: Locally engaged staff are not included.

Senior Executive Service remuneration

Remuneration and conditions for the Treasury's Senior Executive Service (SES) are determined under AWAs and section 24(1) determinations, supported by a remuneration model that determines pay levels within each SES level, based on performance (Table 5). The Treasury does not offer performance pay.

Table 5: Salary scales — SES

	September 2011		September 2012	
	Minimum	Maximum	Minimum	Maximum
Classification	$	$	$	$
SES Band 1	180,614	209,913	185,129	215,161
SES Band 2	221,366	259,099	226,900	265,576
SES Band 3	286,876	335,976	294,048	344,375

Senior Executive Service staff are appraised using the APSC Senior Executive Leadership Capability Framework to assess performance and rank each employee relative to their peers. An increase in relative ranking can lead to an increase in base salary.

Remuneration — non-SES employees

The *Treasury Workplace Agreement 2011-14* determines salary rates for all non-SES staff (Table 6). The Treasury does not offer performance bonuses.

Table 6: Workplace agreement salary scales — non-SES

	July 2011		July 2012	
	Minimum	Maximum	Minimum	Maximum
Classification	$	$	$	$
APS1	41,068	44,597	42,094	45,712
APS2	47,338	50,471	48,521	51,733
APS3	53,605	56,736	54,945	58,155
APS4	59,871	63,003	61,367	64,578
APS5	67,314	71,624	68,997	73,414
APS6	75,932	91,994	77,831	94,294
EL1	99,045	113,617	101,522	116,457
EL2	120,981	138,845	124,006	142,316

Under the *Treasury Workplace Agreement 2011-14*, access to some pay points for APS6, EL1 and EL2 staff can only be determined by the remuneration committee process and are based on sustained performance under the Treasury's Performance Management System.

Senior management changes

Several senior management movements occurred in 2012-13 (Table 7).

Table 7: SES commencements and cessations

Reason	SES Band 3	SES Band 2	SES Band 1	Total
Engagement			3	3
External promotion		1		1
Internal promotion	1	5	10	16
Resignation				
Retirement	1	1	1	3
Transfer to another department			2	2
Promoted to another department				
Total	2	7	16	25

During 2012-13 four SES commenced in the Treasury.

Ms Leesa Croke was promoted to an SES band 2 from the Department of Families, Housing, Community Services and Indigenous Affairs.

There were three retirements at the SES level during 2012-13.

There were sixteen internal promotions at the SES level during 2012-13, including Ms Jan Harris who joined the Executive board, promoted to the SES band 3 level.

ASSETS MANAGEMENT

The Treasury has developed an asset management framework. The framework includes:

- an asset register that records details of all assets held by the Treasury. Assets on the Treasury's register are subject to an annual stocktake to keep records accurate and up-to-date;
- an asset management guide that sets out the Treasury's policies and asset management guidelines for the day-to-day care and custody of assets. The guide is incorporated into the Treasury's Chief Executive Instructions. Further details on the Treasury's asset policies are in notes 1.14 to 1.18 of the Treasury's Financial Statements; and

a capital management plan that sets out the Treasury's longer term asset requirements and funding sources for ongoing asset replacement and investment. The Treasury's capital budget process is integrated with strategic planning and occurs prior to the beginning of each financial year, in conjunction with the Treasury's annual operating budget process. In determining the capital budget, the Treasury considers the level of funding available for asset purchases, immediate and longer term asset replacement requirements and organisational opportunities that an investment in new assets can address.

PURCHASING

The Treasury's purchasing activities are undertaken in accordance with government policy and best practice. Procurement of all goods and services is consistent with the requirements of the Commonwealth Procurement Rules (CPRs). The Treasury applies the CPRs to all its activities through the Chief Executive Instructions and supporting operational guidelines.

The Treasury's purchasing processes focus on the core principle of value for money. This is achieved through:

- encouraging competitive and non-discriminatory processes;
- using Commonwealth resources in an efficient, effective, economical and ethical manner that is consistent with the policies of the Commonwealth;
- making decisions in an accountable and transparent manner;
- considering the risks; and
- conducting a process commensurate with the scale and scope of the procurement.

Responsibility for procurement is devolved to individual groups with support from a central team of procurement specialists. The Treasury supports devolved procurement by providing a central point of contact for staff seeking purchasing advice, and by providing ongoing support and training on procurement policies and procedures to staff. The Treasury's procurement framework makes appropriate financial delegates responsible for procurement. Currently, all proposed procurements valued at $10,000 or more are reviewed by the Treasury's Procurement Team to ensure due process is followed.

The Treasury publishes, on the AusTender website at www.tenders.gov.au, all contracts awarded with a value of $10,000 or more, and, in an annual procurement plan, information about significant procurements the department expects to undertake during the following year.

CONSULTANTS

The Treasury engages consultants where specialist skills are required that are not available inhouse or when independent research, review or assessment is required. Consultants are typically engaged to investigate or diagnose a defined issue or problem; carry out defined reviews or evaluations; or provide independent advice, information or innovative solutions to assist in the Treasury's decision making.

Before engaging consultants, the Treasury takes into account the skills and resources required for the task, the skills available internally, and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with the FMA Act and related regulations including the Commonwealth Procurement Rules (CPRs) and relevant internal policies.

Providers of consultancy services are selected through the following methods:

- Open tender — a procurement procedure which publishes a request for tender, inviting all businesses that satisfy the conditions for participation to submit tenders. Public tenders are generally sought from the Australian Government AusTender website.
- Prequalified tender — publishing an approach to market inviting submissions from all potential suppliers on:
  a) a shortlist of potential suppliers that responded to an initial open approach to market on AusTender;
  b) a list of potential suppliers selected from a multi-use list established through an open approach to market; or
  c) a list of all potential suppliers that have been granted a specific licence or that comply with a legal requirement, where the licence or compliance with the legal requirement is essential to the conduct of the procurement.
- Limited tender — a form of restricted tendering, available only under certain defined circumstances, with a single potential supplier or suppliers being invited to bid because of their unique expertise and/or special ability to supply the goods and/or services sought.
- Panel — an arrangement whereby a number of suppliers, initially selected through an open tender process, may each supply property or services to an agency as specified in the panel arrangements. Quotes are sought from suppliers that have pre-qualified on the agency panels to supply to the Government. This category includes standing offers and supplier panels where the supply of goods and services may be provided for a predetermined length of time, usually at a prearranged price.
- Multi-Use List — a list of pre-qualified potential suppliers of nominated goods and/or services, who have satisfied the conditions for inclusion. A multi-use list is a procurement tool available under the Commonwealth Procurement Rules and is intended for use in more than one procurement process.

During 2012-13, 98 new consultancy contracts were entered into involving total actual expenditure of $1,255,486. In addition, 29 ongoing consultancy contracts were active during the 2012-13 year, involving total actual expenditure of $861,019. These amounts include GST.

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

AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES

The Treasury is required to provide details of any contract let during 2012-13 of $100,000 or more (inclusive of GST) that does not provide for the Auditor-General to have access to the contractor's premises. The Treasury must include the name of the contractor, the purpose and value of the contract, and the reason for not including standard access clauses in the contract.

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

EXEMPT CONTRACTS

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

The Treasury did not have any contracts that were exempt from publication on AusTender.

WORKPLACE DIVERSITY

The Treasury is committed to providing an organisational culture that embraces and actively promotes diversity. Several important initiatives were introduced in 2012-13.

Treasury launched the Progressing Women initiative in December 2011 after staff consultations identified challenges faced by Treasury women. Progressing Women comprises a suite of strategies to widen and deepen the pool of future leaders in the Treasury by harnessing the talents of women at all levels. The strategies are based on five themes:

- leadership, governance and accountability;
- workplace policies;
- training and networks;
- performance assessment and career development; and
- measuring success.

To achieve the outcomes of the Progressing Women initiative:

- the Inclusive Workplace Committee met quarterly to review progress and to set milestones and priorities to drive the initiatives;
- each group committed to broadening the accountability for the progress of women by examining its own operating environment, its challenges and approach to the progress of women and presenting this back to the IWC;
- SES and EL2 staff attended unrecognised bias awareness training to increase their understanding of institutional and individual biases and reported an increase in recognising cultural and gender bias and using more inclusive language;
- staff were consulted about flexible working arrangements and were invited to join the Flexible Work Forum;
- senior staff who have worked part-time and in other flexible working arrangements while in senior positions participated in open forums to discuss their experiences as part of a community of practice; and
- a formal mentoring program was implemented to provide guidance and support to high-performing EL1, EL2 and SES participants.

In December 2011 the Treasury committed to a target of 35 per cent female representation in the SES by 2016. As at 30 June 2013 24.4 per cent of the SES were female.

In June 2013 the Treasury formally committed to Gender Reporting. This framework is a Male Champions of Change initiative involving senior corporate and government leaders and organisations and provides greater transparency in reporting the advancement of women into senior leadership positions. The Treasury will now report on the progress of women for three layers of management. To provide consistency of reporting across sectors, gender reporting articulates the senior management relationship by reference to the 'CEO'. The Treasury is reporting on the three layers of management below the Secretary, articulated as CEO minus one; CEO minus two; and CEO minus three.

As at 30 June 2013 at the CEO minus one level (SES Band 3) there was 16.7 per cent female representation. The CEO minus two level (SES Band 2) had 35 per cent female representation and the CEO minus three (SES Band1) level had 21.7 per cent female representation.

As part of the Government's response to the Access and Equity Inquiry report released in June 2012, all Australian Government departments and agencies were required to prepare and implement a two year Agency Multicultural Plan (AMP). As the lead department in its portfolio, the Treasury developed an AMP which covers the Australian Office of Financial Management, the Commonwealth Grants Commission, the Corporations and Markets Advisory Committee, the Inspector General of Taxation, the National Competition Council and the Office of Auditing and Assurance Standards Board. The Treasury's AMP has been designed to identify priority actions, responsibilities, timelines and measurable targets to address its access and equity obligations.

In September 2012 the Treasury participated in the Jawun Indigenous Corporate Partnerships Program.

The Treasury employed four indigenous cadets in 2012-13 through the APSC's Indigenous Cadetship Program. The cadets are studying business, commerce, economics and law.

The Treasury ensures that all office accommodation fitout construction works undertaken in the tenancy comply with the *Australian Standard 1428.1 — 2001 Design for Access and Mobility* and the Building Codes of Australia 2013.

As at 30 June 2013, 13.4 per cent of Treasury staff worked part time. Over two thirds of these staff were executive level employees or SES. Both male and female employees have used part-time work to enable them to balance work and family requirements. In addition to part-time work, the Treasury provided access to job-share arrangements and home-based work through its 2011-14 Workplace Agreement. These flexibilities help the Treasury to contribute to the retention of staff with valuable skills and knowledge.

At 30 June 2013 (see Table 8 below), departmental staff comprised:

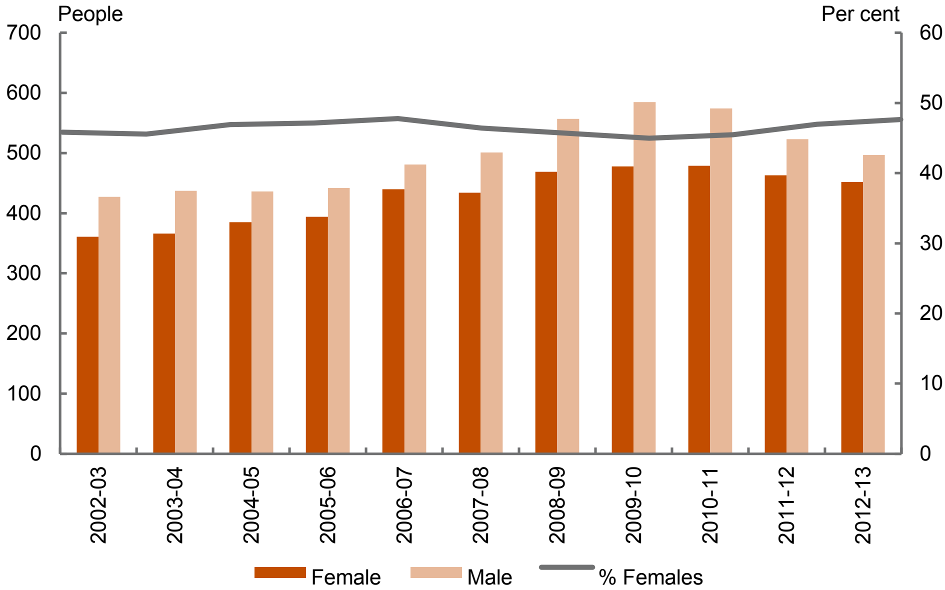
- 47.6 per cent women;
- 23.7 per cent born overseas;
- 0.4 per cent who identified as indigenous;
- 11.4 per cent with English as a second language; and
- 1.9 per cent who identified as having a disability.

Table 8: Operative and paid inoperative staff by Equal Employment Opportunity target group (as at 30 June 2013)

Classification	Female	Born Overseas	English as second Language	Indigenous	Disability
CADET				1	
APS1					
APS2	1				2
APS3	25	9	2	1	2
APS4	35	10	5		1
APS5	81	37	31		4
APS6	98	48	24	1	1
EL1	110	52	28	1	5
EL2	80	47	15		2
SES1	14	17	2		1
SES2	7	1	1		
SES3	1	4			
Grand Total	452	225	108	4	18

As at 30 June 2013, 47.6 per cent of the Treasury's workforce were women. This is an increase over the 30 June 2012 figure of 47 per cent and only slightly lower than the 30 June 2007 peak of 47.8 per cent (see Chart 1 below).

Chart 1: Treasury staff by gender 2001-2013



As at 30 June 2013, four staff identified as being indigenous (0.4 per cent of the workforce). This compares with seven staff members who identified as indigenous in 2011-12. The Treasury has continued to support indigenous employment (including the graduate and cadetship programs) in 2012-13 through the Indigenous Pathways program managed by the APSC. The Treasury employed four indigenous cadets in 2012-13.

In the *Treasury Workplace Agreement 2011-14*, the department maintained its commitment to a range of family-friendly working arrangements, such as access to information about child care and school holiday care through the intranet and an external service provider, access to a carer's room, and accreditation as a breastfeeding-friendly workplace.

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007-08, reporting on the employer role was transferred to the *APSC's State of the Service Report* and the *APS statistical bulletin*. These reports are available on the Australian Public Service Commission website at www.apsc.gov.au.

The Treasury has continued to provide access to adaptive technologies and other practical support for staff with a disability. This included voice-activated software, the provision of six sit-stand work stations and three workstation height adjusters to enable effective working arrangements, and the regular provision of an interpreter through the Deaf Society of NSW. In providing the interpreter services the Treasury connected with the JobAccess Employment Assistance Fund to gain support for staff at the Treasury with a disability. Tailored reasonable Adjustment arrangements were undertaken to ensure safe and effective working arrangements for individual staff. These and other activities to assist employees with a disability are provided for under the *Treasury's Disability Action Plan 2009-2012*.

Table 9: Appointments of women to boards or equivalent of statutory and non-statutory bodies (as at 30 June 2013)

	Total number of Board positions as at 30 June	Number of women	Number of appointments made during the year	Number of appointments of women
Auditing and Assurance Standards Board	1	1	–	–
Australian Accounting Standards Board	1	–	–	–
Australian Charities and Not-for-profits Commission	1	1	1	1
Australian Charities and Not-for-profits Advisory Board	12	5	12	5
Australian Competition and Consumer Commission	10	4	3	2
Australian Competition Tribunal	13	1	-	–
Australian Energy Regulator	2	1	1	1
Australian Government Financial Literacy Board	13	3	13	3
Australian Prudential Regulation Authority	3	–	–	–
Australian Reinsurance Pool Corporation	7	5	5	4
Australian Securities and Investments Commission	5	1	1	1
Australian Statistics Advisory Council	23	5	6	2
Australian Taxation Office	4	-	2	–
Board of Taxation	10	3	4	2
Clean Energy Finance Corporation	7	2	7	2
Commonwealth Consumer Affairs Advisory Council	9	4	-	-
Commonwealth Grants Commission	6	2	-	-
Companies Auditors and Liquidators Disciplinary Board	13	2	6	2
Corporations and Markets Advisory Committee	11	4	3	2
Energy Security Council	8	1	-	-
Financial Reporting Council	18	4	9	1
Financial Sector Advisory Council	15	2	-	-
Foreign Investment Review Board	4	1	1	–
Inspector-General of Taxation	1	–	–	–
Legal Committee of Corporations and Markets Advisory Committee	5	2	-	-
National Competition Council	3	1	3	1
National Housing Supply Council	9	4	5	2

Table 9: Appointments of women to boards or equivalent of statutory and non-statutory bodies (as at 30 June 2013) (continued)

	Total number of Board positions as at 30 June	Number of women	Number of appointments made during the year	Number of appointments of women
Payments System Board	7	1	1	1
Productivity Commission	12	5	2	–
Reserve Bank of Australia	9	3	3	1
Superannuation Complaints Tribunal	26	11	-	-
Takeovers Panel	48	16	19	8
Tax Practitioners Board	9	4	9	4
Total	335	99	117	45

*Ex-officio appointments are included.

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 $'000	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'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	**-**	-	**-**	-	**(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

Average annual reportable remuneration[1]	2013						
	Senior Executives	Reportable salary[2]			Contributed superannuation[3]	Bonus paid[4]	Total
		Salary payments	Domestic allowances	Overseas allowances			
	No.	$	$	$	$	$	$
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	Salary payments	Domestic allowances	Overseas allowances			
	No.	$	$	$	$	$	$
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

Average annual reportable remuneration[1]	2013					
		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)

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	
	Change in risk variable	**Profit and loss 2013**	**Equity 2013**
Risk Variable	**%**	**$'000**	**$'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	
	Change in Risk variable	Profit and loss 2012	Equity 2012
Risk Variable	%	$'000	$'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

		2013	2012
		$'000	$'000
Financial assets	**Notes**		
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)	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	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	
Authority	Type	Purpose	2013 $'000	2012 $'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	
Authority	**Type**	**Purpose**	**2013 $'000**	2012 $'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	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.

PART **FIVE**

APPENDICES

WORK HEALTH AND SAFETY

The Treasury promotes early intervention and prevention through its health, safety and wellbeing systems, policies and programs. The Treasury actively encourages employees to contribute to a safer workplace by reporting potential hazards, incidents and accidents as soon as they occur, and being sensible about their actions in the workplace.

To assist officers to exercise due diligence in accordance with the *Work Health and Safety Act 2011*, the Treasury undertook a consultative process with internal business groups to review its risk profile for Work Health and Safety hazards and associated risks. The department's risk registers were reviewed for consistency and a system was implemented to continuously review and update the registers through the Work Health and Safety Committee.

The Treasury continues to explore and implement strategies to help minimise the human and financial costs of injury and illness. Case management presents issues that are complex and varied. In 2012-13 the Treasury offered flexible arrangements that benefited both the department and injured or ill employees by supporting them to manage their illness or injury appropriately and to remain at work. Potential compensation claims and loss of productivity were reduced through the Treasury Early Intervention Policy which assisted employees to access immediate treatment for illnesses and injuries likely to impact their capacity to work.

The Treasury's 2011-12 Comcare premium rate was revised from 0.61 per cent to 0.62 per cent and the 2012-13 Comcare premium rate was revised from 0.39 per cent to 0.40 per cent. The Treasury's Comcare premium rate has consistently remained lower than the Commonwealth average of 1.41 per cent and 1.77 per cent respectively.

In accordance with Part 10 of the *Work Health and Safety Act 2011*, the Treasury is required to provide a report on work health and safety activities and statistics for notifiable incidents, investigations and notices.

Table 10: Work Health and Safety Act

Work Health and Safety Act 2011	Number
Deaths that required notice under section 38	0
Serious injury or illness that required notice under section 38	0
Dangerous incidents that required notification under section 38	0
Investigations conducted under Part 9	0
Notices given to The Treasury under section 191 (improvement notices)	0
Notices given to The Treasury under section 195 (prohibition notices)	0
Notices given to The Treasury under section 198 (non-disturbance)	0

Ongoing risk management activities within the Treasury's Health and Safety Management Arrangements included:

- Ergonomic workstation setup and assessments as requested; implementation of Comcare's Work Health and Safety eLearning module for both staff and managers; lens reimbursements; the Employee Assistance Program; review of the Work Health and Safety risk profile; review of the Health and Safety Representative network and active promotion and engagement of the Health and Safety Committee.
- The Health and Safety Committee met every three months in accordance with the *Work Health and Safety Act 2011*. The meetings monitored and reviewed health and safety measures and facilitated cooperation and communication amongst staff.
- Timely reporting of work-related incidents ensures immediate action is taken to rectify hazards. During 2012-13, the Treasury received 23 work-related incident reports which included a number of trips, slips, falls, outside the Treasury building.
- Managers are encouraged to report absences which may be related to physical or psychological injury or illness to enable staff and managers to be supported. This includes assistance under the Treasury Early Intervention Policy.
- Health and Safety Representatives and their work groups are aligned to the Treasury's group structure. There are two health and safety representatives from each Group and all of the positions are filled.
- First aid officers are located throughout the department. Staff with underlying health conditions such as epilepsy, asthma and diabetes are encouraged to advise nearby first aid officers to ensure timely and appropriate assistance is provided.
- The Treasury offers individual workstation assessments and training on ergonomics, workstation adjustment and recommended workstation practices. A total of 24 employees were referred for external workstation assessments and 112 employees received individual workstation setups conducted by trained Treasury employees during 2012-13. Workstation setup training is offered as part of the Treasury's Health and Wellbeing Program.
- Employees requiring glasses for screenbased use can be reimbursed a portion of the cost. In 2012-13, 21 employees received reimbursement.

Free influenza vaccinations are offered annually with 386 employees receiving the vaccination in April 2013.

ADVERTISING AND MARKET RESEARCH

The Treasury undertook the following advertising and marketing research in 2012-13.

Table 11: Advertising and marketing research expenditure for 2012-13

Purpose	Vendor	Cost ($)
Advertising campaign		-
Business advertising	Adcorp Australia Pty Ltd	13,024
Recruitment advertising	Adcorp Australia Pty Ltd	24,070
Total		37,094

Note: These figures exclude GST. Payments less than $2,000 are not included in this table.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

The department's objective is to improve its environmental outcomes in accordance with the Energy Efficiency in Government Operations Policy while at the same time providing services of the highest quality.

The Treasury has in place an Environmental Management Plan which details its environmental policies and programs to meet its commitments under the Treasury Building Management Committee Green Improvement Agreement, to improve its environmental performance.

The Treasury actively participates in various environmental forums through the Australian Property Institute and Facilities Management Association of Australia. The Treasury participates in the annual Earth Hour.

Energy management

The Treasury is progressing with various energy savings initiatives, including a review of the tenancy lighting control system, the installation of solar film on windows and a trial of double glazed windows in selected areas of the tenancy.

Environmental initiatives already implemented include:

- the procurement of five star energy rated electrical appliances;
- installation of motion sensors to control lighting in areas such as conference rooms, meeting rooms and storage facilities;
- upgrading of lighting with new triphosphor light tubes, which use 45 per cent less energy; and
- a range of signage and intranet messages to encourage employees to minimise the department's energy use.

The Treasury uses 10 per cent Greenpower in the Treasury Building. The percentage of green energy is determined by an existing Whole of Government procurement arrangement for electricity.

The Treasury used approximately 5,411 mega joules of electricity per person for office tenant light and power, below the Energy Efficiency in Government Operations Policy target of 7,500 mega joules per person per annum.

In 2012-13 total tenant light and power consumption was approximately 1,799,851 kilowatt hours.

Recycling

Comingled and organic recycling

All tenancy kitchens have been provided with waste recycling stations to facilitate a number of recycling streams (including commingled recycling, paper recycling facilities and organic waste).

Staff are encouraged to sort waste appropriately in order to maximise recycling and minimise the disposal of waste to landfill.

During the 2012-13 reporting period the Treasury recycled 5.8 tons of commingled waste, 4.0 tons of used paper towel, and 4.8 tons of organic waste.

Paper recycling

The Treasury recycles paper and cardboard products. Classified waste paper is pulped and reused in the production of paper and cardboard products.

The Treasury also participates in the recycling of toner cartridges, fluorescent lighting tubes and batteries, and the department promotes the recycling of old mobile phones, donating them to charity.

Vehicles

In the 2012-13 financial year, the departmental fleet vehicles comprised three cars. During this period the fleet consumed approximately 1,625 litres of fuel and travelled an estimated total of 16,618 kilometres.

The department promotes and supports the biofuels / ethanol industry in Australia by using E10 blended fuel.

During the 2012-13 financial year departmental pool vehicles averaged a Green Vehicle Guide (GVG) of 14; the GVG rating combines air pollution and greenhouse ratings. The Treasury received four stars out of a possible five star rating.

Air Travel

Treasury employees are encouraged to minimise air travel and fleet vehicle usage. They are instructed to undertake travel only where there is a demonstrated business need. Telepresence, teleconferencing and videoconferencing are encouraged as alternatives.

Resource efficiencies

During the year the department deployed a pilot of ‘follow-me-print’, a secure printing facility that allows staff to print documents at any printer by authenticating themselves using a swipe card. ‘Follow-me-print’ automatically purges any print jobs not accessed within a set timeframe.

The use of automatic double-sided printing also reduces the amount of paper consumed. All employees are encouraged to consider ways to minimise printing.

In compliance with the *Australian Government ICT Sustainability Plan 2010–2015*, the department’s general-use office copy paper has a post-consumer recycled content of 50 per cent.

Water

Treasury uses a mix of different types of water flow restriction controls and water-efficient appliances in kitchens and toilets to minimise use across the Treasury Building tenancy.

Treasury Building tenancies are not metered separately for water consumption.

CARER SUPPORT

The Treasury recognises that all carers have the same rights, choices and opportunities as other Australians, regardless of age, race, gender, disability, sexuality, religious or political beliefs, cultural or linguistic heritage or differences, socioeconomic status or locality.

The Treasury's carer support framework includes:

- a nondiscriminatory definition of family in the *Treasury Workplace Agreement 2011-14* recognising relatives by blood, marriage, strong traditional or ceremonial affinity and genuine domestic or household relationships;
- a range of family-friendly working arrangements such as access to information about childcare and school holiday care, access to a carer's room, access to carer's leave and accreditation as a breastfeeding-friendly workplace;
- using accumulated personal leave to care for sick family and household members, or a person they have caring responsibilities for. Staff may also access unpaid carer's leave to care for or support family or household members or if an unexpected family or household emergency arises;
- access to an Employee Assistance Program. The program provides a free professional and confidential counselling service to assist staff and their immediate family members experiencing work-related or personal problems;
- access to onsite childcare facilities in the Abacus Childcare and Education Centre which is managed by Communities@Work. As at 30 June 2013 there were 85 children from Treasury families enrolled at the Abacus Childcare and Education Centre. The centre can accommodate a total of 143 child care places;
- part-time and flexible working arrangements. At 30 June 2013, 13.2 per cent of Treasury staff worked part-time. Both male and female employees use part-time work to enable them to balance work and personal responsibilities. The proportion of females working part-time increased from 19.3 per cent at 30 June 2012 to 22.1 per cent at 30 June 2013 while males working part-time increased from 3.3 per cent to 5.2 per cent. Access to job-share arrangements and home-based work help Treasury staff balance work and personal commitments.

GRANTS

Consistent with requirements in the Commonwealth Grant Guidelines, information on grants awarded by the Treasury during the period 1 July 2012 to 30 June 2013 is available at www.treasury.gov.au.

PUBLICATION SCHEME

Agencies subject to the *Freedom of Information Act 1982 (FOI Act)* are required to publish information as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements.

Treasury's IPS plan can be located on the Treasury website at www.treasury.gov.au.

SPATIAL REPORTING

Treasury does not administer any subsidies or personal benefits. All spatial information can be found in the Australian Taxation Office's annual report.

RESOURCE TABLES

Table 10: Summary resource statement

		Actual available appropriation 2012-13 $'000	Payments made 2012-13 $'000	Balance remaining $'000
		(a)	(b)	(a-b)
Ordinary annual services				
Departmental appropriation				
Departmental appropriation [1]		189,365	184,883	4,482
Total departmental		189,365	184,883	4,482
Administered expenses				
Outcome 1 [1]		20,103	18,645	n/a
Total administered expenses		20,103	18,645	n/a
Total ordinary annual services	**A**	**209,468**	**203,528**	**n/a**
Other services				
Departmental non-operating				
Equity injections [2]		1,839	1,631	208
Total		1,839	1,631	208
Administered non-operating				
Administered assets and liabilities				
Outcome 1 [2]		57,000	13,691	n/a
Total		57,000	13,691	n/a
Total other services	**B**	**58,839**	**15,322**	**n/a**
Total available annual appropriations (A+B)		**268,307**	**218,850**	**n/a**
Special appropriations				
Asian Development Bank (Additional Subscription) Act 2009		16,239	16,239	n/a
Federal Financial Relations Act 2009		68,403,140	68,375,596	n/a
International Monetary Agreements Act 1947		251,666	236,304	n/a
Superannuation Industry (Supervision) Act 1993		16,763	16,763	n/a
Total special appropriations	**C**	**68,687,808**	**68,644,902**	**n/a**
Total appropriations excluding Special accounts (A+B+C)		**68,956,115**	**68,863,752**	**n/a**

Table 10: Summary resource statement (continued)

		Actual available appropriation 2012-13 $'000	Payments made 2012-13 $'000	Balance remaining $'000
		(a)	(b)	(a–b)
Special accounts				
Appropriation receipts		–	–	n/a
Non–appropriation receipts to special accounts		10,261,363	10,260,826	n/a
Total special account	**D**	**10,261,363**	**10,260,826**	**n/a**
Total resourcing and payments (A+B+C+D)		**79,217,478**	**79,124,578**	**n/a**
Less appropriation drawn from annual or special appropriations and/or CAC Act bodies through annual appropriations credited to special accounts		-	-	n/a
Total net resourcing for the Treasury		**79,217,478**	**79,124,578**	**n/a**

1. Appropriation Act (No. 1) 2012-13 and Appropriation Act (No. 3) 2012-13. The departmental appropriation includes the departmental capital budget and receipts received under s31 of the *Financial Management and Accountability Act 1997*.
2. Appropriation Act (No. 2) 2012-13 and Appropriation Act (No. 4) 2012-13.
Note: Details of appropriations are disclosed in Note 28 to the Financial Statements.

Table 11: Resourcing for Outcome 1

Outcome 1: Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations	Budget 2012-13 $'000	Actual expenses 2012-13 $'000	Variation $'000
	(a)	(b)	(a)–(b)
Program 1.1: Department of the Treasury			
Departmental expenses			
Departmental appropriation	182,727	180,336	2,391
Special accounts	1,629	1,456	173
Expenses not requiring appropriation in the Budget year	13,018	16,407	(3,389)
Administered expenses			
Other services (Appropriation Bill No. 1)	-	85	(85)
Expenses not requiring appropriation[1]	74,043	-	74,043
Total for Program 1.1	271,417	198,284	73,133
Program 1.2: Payments to international financial institutions			
Administered expenses			
Other services (Appropriation Bill No. 1)	13,928	13,928	-
Special Appropriations	4,670	3,489	1,181
Total for Program 1.2	18,598	17,417	1,181
Program 1.3: Support for markets and business			
Administered expenses			
Other services (Appropriation Bill No. 1)	6,175	4,717	1,458
Special Appropriations	16,720	16,763	(43)
Total for Program 1.3	22,895	21,480	1,415
Program 1.4: General revenue assistance			
Administered expenses			
Special appropriations	47,700,000	48,060,961	(360,961)
Special accounts	1,235,036	1,194,596	40,440
Total for Program 1.4	48,935,036	49,255,557	(320,521)
Program 1.5: Assistance to the States for healthcare services			
Administered expenses			
Special Appropriations	13,280,449	13,305,440	(24,991)
Total for Program 1.5	13,280,449	13,305,440	(24,991)
Program 1.6: Assistance to the States for government schools			
Administered expenses			
Special Appropriations	3,944,991	3,944,991	-
Total for Program 1.6	3,944,991	3,944,991	-

Table 11: Resourcing for Outcome 1

	Budget expenses 2012-13 $'000 (a)	Actual expenses 2012-13 $'000 (b)	Variation $'000 (a)-(b)
Program 1.7: Assistance to the States for skills and workforce development			
Administered expenses			
Special appropriations	1,387,532	1,387,532	-
Total for Program 1.7	1,387,532	1,387,532	-
Program 1.8: Assistance to the States for disabilities services			
Administered expenses			
Special appropriations	1,244,118	1,272,875	(28,757)
Total for Program 1.8	1,244,118	1,272,875	(28,757)
Program 1.9: Assistance to the States for affordable housing			
Administered expenses			
Special appropriations	1,263,727	1,263,727	-
Total for Program 1.9	1,263,727	1,263,727	-
Program 1.10: National Partnership Payments to the States			
Administered expenses			
Special accounts	10,966,356	10,967,451	(1,095)
Total for Program 1.10	10,966,356	10,967,451	(1,095)
Outcome 1 Totals by appropriation type			
Administered expenses			
Other services (Appropriation Bill No. 1 & 3)	20,103	18,730	1,373
Special appropriations	68,842,207	69,255,778	(413,571)
Special accounts	12,201,392	12,162,047	39,345
Expenses not requiring appropriation	74,043	-	74,043
Departmental expenses			
Departmental appropriation	182,727	180,336	2,391
Special accounts	1,629	1,456	173
Expenses not requiring appropriation in the Budget year	13,018	16,407	(3,389)
Total expenses for Outcome 1	81,335,119	81,634,754	(299,635)
Average staffing level (number)	937	930	7

1. Represents the budgeted revaluation expense associated with the Natural Disaster Relief and Recovery Arrangements provision.

LIST OF REQUIREMENTS

Description	Requirement	Page/s
Introduction		
Letter of transmittal	Mandatory	iii
Table of contents	Mandatory	v-vii
Index	Mandatory	260-261
Glossary	Mandatory	256-258
Contact officer(s)	Mandatory	ii
Internet home page address and Internet address for report	Mandatory	ii
Review by Secretary		
Review by Departmental Secretary	Mandatory	3-4
Summary of significant issues and developments	Suggested	3-4
Overview of department's performance and financial results	Suggested	3-10
Outlook for following year	Suggested	3-4
Significant issues and developments — portfolio	Suggested	3-4
Departmental overview		
Role and functions	Mandatory	5-10
Organisational structure	Mandatory	11
Outcome and program structure	Mandatory	12-15
Where outcome and program structures differ from PB Statements/PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	n/a
Portfolio structure	Mandatory	13-15
Report on performance		
Review of performance during the year in relation to programs and contribution to outcomes	Mandatory	17-84
Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	17-84
Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory	n/a
Narrative discussion and analysis of performance	Mandatory	17-84
Trend information	Mandatory	17-84
Significant changes in nature of principal functions/services	Suggested	17-84
Performance of purchaser/provider arrangements	If applicable, suggested	n/a
Factors, events or trends influencing departmental performance	Suggested	17-84
Contribution of risk management in achieving objectives	Suggested	17-84

Description	Requirement	Page/s
Social inclusion outcomes	If applicable, mandatory	17-84
Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	n/a
Discussion and analysis of the department's financial performance	Mandatory	10
Discussion of any significant changes from the prior year, from budget or anticipated to have a significant impact on future operations	Mandatory	10
Agency resource statement and summary resource tables by outcome	Mandatory	272-274
Management and accountability		
Corporate governance		
Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines	Mandatory	iii
Statement of the main corporate governance practices in place	Mandatory	89
Names of the senior executive and their responsibilities	Suggested	11
Senior management committees and their roles	Suggested	89-92
Corporate and operational planning and associated performance reporting and review	Suggested	92
Approach adopted to identifying areas of significant financial or operational risk	Suggested	92-93
Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	94
How nature and amount of remuneration for SES officers is determined	Suggested	95
External scrutiny		
Significant developments in external scrutiny	Mandatory	96-100
Judicial decisions and decisions of administrative tribunals	Mandatory	100
Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	Mandatory	100
Management of human resources		
Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	101-111
Workforce planning, staff turnover and retention	Suggested	101-111
Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and AWAs	Suggested	102-111
Training and development undertaken and its impact	Suggested	104-105
Work health and safety performance	Suggested	235-236
Productivity gains	Suggested	n/a
Statistics on staffing	Mandatory	108-111

Description	Requirement	Page/s
Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	102-111
Performance pay	Mandatory	n/a
Assets management		
Assessment of effectiveness of assets management	If applicable, mandatory	112
Purchasing		
Assessment of purchasing against core policies and principles	Mandatory	113
Consultants		
The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website	Mandatory	114-115
Australian National Audit Office access clauses		
Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	116
Exempt contracts		
Contracts exempt from the AusTender	Mandatory	117
Financial statements		
Financial statements	Mandatory	125-232
Other information		
Work health and safety (Schedule 2, Part 4 of the *Work Health and Safety Act 2011*)	Mandatory	235-236
Advertising and market research (section 311A of the *Commonwealth Electoral Act 1918*) and statement on advertising campaigns	Mandatory	237
Ecologically sustainable development and environmental performance (section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*)	Mandatory	238
Compliance with agency's obligations under the *Carer Recognition Act 2010*	If applicable, mandatory	241
Grant programs	Mandatory	242
Disability reporting — explicit and transparent reference to agency-level information available through other reporting mechanisms	Mandatory	118-124
Information Publication Scheme statement	Mandatory	243
Spatial reporting — expenditure by program between regional and non-regional Australia	Mandatory	244

ABBREVIATIONS AND ACRONYMS

AASB	Australian Accounting Standards Board
ABAC	APEC Business Advisory Council
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACL	Australian Consumer Law
ACNC	Australian Charities and Not-for-profit Commission
ADB	Asian Development Bank
AMP	Agency Multicultural Plan
ANAO	Australian National Audit Office
ANCP	Australian National Contact Point
ANZTPA	Australia New Zealand Therapeutic products Agency
AOFM	Australian Office of Financial Management
APEC	Asia Pacific Economic Cooperation
APFF	Asia Pacific Financial Forum
APRA	Australian Prudential Regulation Authority
APS	Australian Public Service
APSC	Australian Public Service Commission
ARPC	Australian Reinsurance Pool Corporation
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
AusAID	Australian Agency for International Development
AWA	Australian Workplace Agreement
BAF	Business Advisory Forum
BEPS	Base Erosion and Profit Shifting
BRCWG	COAG Business Regulation and Competition Working Group
BTWG	Business Tax Working Group
CAC Act	*Commonwealth Authorities and Companies Act 1997*
CBA	Commonwealth Bank of Australia
CBOSC	Commonwealth Bank Officers' Superannuation Corporation
CEFC	Clean Energy Finance Corporation
CFR	Council of Financial Regulators
CGS	Commonwealth Government Securities
COAG	Council of Australian Governments
CPRs	Commonwealth Procurement Rules
CRF	Consolidated Revenue Fund

CSS	Commonwealth Superannuation Scheme
EBRD	European Bank for Reconstruction and Development
EL	Executive level
FATCA	*Foreign Account Tax Compliance Act*
FCA	Federal Court of Australia
FIFO	Fly-in, fly-out
FIRB	Foreign Investment Review Board
FMA Act	*Financial Management and Accountability Act 1997*
FMO	Finance Minister's Orders
FoFA	Future of Financial Advice
FOI	Freedom of Information
FPMS	Federal Payments Management System
FSAP	Financial Stability Assessment Program
FSB	Financial Stability Board
GRA	General revenue assistance
GST	Goods and services tax
GVG	Green Vehicle Guide
HCS	HIH Claims Support
HLIC	Housing Loans Insurance Corporation
IBRD	International Bank for Reconstruction and Development
ICA	*Insurance Contracts Act 1984*
IDA	International Development Association
IFC	International Finance Corporation
IGA	Intergovernmental Agreement
IMF	International Monetary Fund
IMR	Investment manager regime
IMTC	Information Management and Technology Committee
IT	Information technology
IWC	Inclusive Workplace Committee
JCPAA	Joint Committee of Public Accounts and Audit
KPMG	Klynveld Peat Marwick Goerdeler
LISC	Low income superannuation contribution
MIGA	Multilateral Investment Guarantee Agency
MIT	Managed Investment Trusts
MRRT	Minerals Resource Rent Tax
MYEFO	Mid-Year Economic and Fiscal Outlook
NDIS	National Disability Insurance Scheme
NHSC	National Housing Supply Council
NIIS	National Injury Insurance Scheme

NMETO	Net medical expenses tax offset
NP	National Partnerships
NSW	New South Wales
NTLG	National Tax Liaison Group
NZ	New Zealand
OECD	Organisation for Economic Cooperation and Development
OPA	Official Public Account
OTC	Over-the-counter
PBS	Portfolio Budget Statements
PDS	People Development System
PGSAs	Post Graduate Study Awards
PIR	Post Implementation Review
PJC	Parliamentary Joint Committee
PRRT	Petroleum Resource Rent Tax
PSS	Public Sector Superannuation Scheme
PSSap	Public Sector Superannuation accumulation plan
RBA	Reserve Bank of Australia
SBR	Standard Business Reporting
SCSI	Standing Committee on Standards Implementation
SDR	Special Drawing Rights
SES	Senior Executive Service
SNE NP	*National Partnership to Deliver a Seamless National Economy*
SPP	Specific Purpose Payment
SRC	Supervisory and Regulatory Cooperation
TES	Tax Expenditure Statement
TTAASAG	Trans-Tasman Accounting and Auditing Standards Advisory Group
TTSOG	Trans-Tasman Senior Officials Group
WET	Wine Equalisation Tax

GLOSSARY

Activities	The actions/functions performed by agencies to deliver government policies.
Administered item	Appropriation that consists of funding managed on behalf of the Commonwealth. This funding is not at the discretion of the agency and any unspent appropriation is returned to the Consolidated Revenue Fund (CRF) at the end of the financial year. An administered item is a component of an administered program. It may be a measure but will not constitute a program in its own right.
Appropriation	An amount of public money parliament authorises for spending with funds to be withdrawn from the CRF. Parliament makes laws for appropriating money under the Annual Appropriation Acts and under Special Appropriations, with spending restricted to the purposes specified in the Appropriation Acts.
APS employee	A person engaged under section 22, or a person who is engaged as an APS employee under section 72, of the *Public Service Act 1999.*
Clear read principle	Under the Outcomes arrangements, there is an essential clear link between the Appropriation Bills, the Portfolio Budget Statements (PBS), the Portfolio Additional Estimates Statements, and annual reports of agencies. Information should be consistent across these and other budget documents, and, where possible, duplication of reporting within the PBS should be avoided. This is called the clear read between the different documents. Under this principle, the planned performance in PBS is to be provided on the same basis as actual performance in the annual reports covering the same period, to permit a clear read across planning and actual performance reporting documents. Agencies should take this into account in designing their performance reporting arrangements.
Commonwealth Authorities and Companies Act 1997 (CAC Act)	The CAC Act sets out the financial management, accountability and audit obligations on Commonwealth statutory authorities and companies in which the Commonwealth has at least a direct controlling interest. A list of CAC Act bodies can be found at: finance.gov.au/financialframework/caclegislation/docs/CACbodylist.pdf.
Consolidated Revenue Fund (CRF)	The principal operating fund from which money is drawn to pay for the activities of the Government. Section 81 of the Australian Constitution provides that all revenue raised or monies received by the Executive Government forms one consolidated revenue fund from which appropriations are made for the purposes of the Australian Government.

Contractor	A person engaged by an agency, usually on a temporary basis. Treated as an employee of the agency for the purposes of program performance reporting.
Corporate governance	The process by which agencies are directed and controlled. It is generally understood to encompass authority, accountability, stewardship, leadership, direction and control.
Departmental item	Resources (assets, liabilities, revenues and expenses) that agency chief executive officers control directly. This includes outsourced activities funded and controlled by the agency. Examples of departmental items include agency running costs, accrued employee entitlements and net appropriations. A departmental item is a component of a departmental program.
Financial Management and Accountability Act 1997 (FMA Act)	The FMA Act sets out the financial management, accountability and audit obligations of agencies (including departments) that are financially part of the Commonwealth (and form part of the General Government Sector). A list of FMA Act agencies can be found at: finance.gov.au/financialframework/fmalegislation/docs/FMAAgenciesList.pdf.
Financial results	The results shown in the financial statements of an agency.
Grant	Commonwealth financial assistance as defined under Regulations 3A(1) and 3A(2) of the *Financial Management and Accountability Regulations 1997*.
Materiality	Takes into account the planned outcome and the relative significance of the resources consumed in contributing to the achievement of that outcome.
Mid-Year Economic and Fiscal Outlook (MYEFO)	The MYEFO provides an update of the Government's budget estimates by examining expenses and revenues in the year to date, as well as provisions for new decisions that have been taken since the Budget. The report provides updated information to allow the assessment of the Government's fiscal performance against the fiscal strategy set out in its current fiscal strategy statement.
Non-ongoing APS employee	A person engaged as an APS employee under subsection 22(2)(a) of the *Public Service Act 1999*.
Official Public Account (OPA)	The OPA is the Australian Government's central bank account held within the Reserve Bank of Australia. The OPA reflects the operations of the Consolidated Revenue Fund.
Ongoing APS employee	A person engaged as an ongoing APS employee under section 22(2)(a) of the *Public Service Act 1999.*
Operations	Functions, services and processes performed in pursuing the objectives or discharging the functions of an agency.

Outcomes	The results, impacts or consequence of actions by the Commonwealth on the Australian community. They should be consistent with those listed in agencies' Portfolio Budget Statements.
Performance information	Evidence about performance that is collected and used systematically, which may relate to appropriateness, effectiveness and efficiency and the extent to which an outcome can be attributed to an intervention. While performance information may be quantitative (numerical) or qualitative (descriptive), it should be verifiable.
Portfolio Budget Statements (PBS)	Budget-related paper detailing budget initiatives and explanations of appropriations specified by outcome and program by each agency within a portfolio.
Programs	An activity or groups of activities that deliver benefits, services or transfer payments to individuals, industry/business or the community as a whole and are the primary vehicles for government agencies to achieve the intended results of their outcome statements.
Public service care agency	A public service care agency is defined in section 4 of the *Carer Recognition Act 2010* to mean an agency as defined in the *Public Service Act 1999* that is responsible for the development, implementation, provision or evaluation of policies, programs or services directed to carers or the persons for whom they care.
Senate Estimates Hearings	Senate Standing Committees hold hearings to scrutinise the appropriation bills and any explanatory documentation tabled to accompany them. Public servants are called as witnesses to hearings.
Specific Purpose Payments (SPP)	Commonwealth payments to the States for specific purposes in order to pursue important national policy objectives in areas that may be administered by the States.

INDEX

A

B

C

D

E

F