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Australian Government: The Treasury

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# THE TREASURY

ANNUAL REPORT  
2009-10

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**Australian Government**

**The Treasury**

**Office of the Secretary**

14 October 2010

The Hon Wayne Swan MP  
Deputy Prime Minister and Treasurer  
Parliament House  
CANBERRA ACT 2600

Dear Deputy Prime Minister and Treasurer

I am pleased to present the annual report of the Treasury for the year ended 30 June 2010.

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 2009-10.

Yours sincerely

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

Ken Henry  
Secretary to the Treasury



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# INTRODUCTION AND GUIDE TO THE REPORT

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*The Treasury Annual Report 2009-10* outlines performance against outcomes, programs and performance information contained in the *Portfolio Budget Statements 2009-10* and *Portfolio Additional Estimates Statements 2009-10*.

The 2009-10 annual report includes the reporting requirements and financial accounts for the Australian Government Actuary and the Foreign Investment Review Board. The financial accounts for the Financial Reporting Panel and the Takeovers Panel are included in this report; however, the performance reporting does not extend to the activities of the Financial Reporting Panel or the Takeovers Panel as they publish their own annual reports.

**Part 1** includes a summary of significant issues and developments during 2009-10, 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 and list of abbreviations and acronyms and an index to the report.

## Other sources of information

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

## Contact details

The contact officer for enquiries regarding this report may be directed to:

Mr Tony Murcutt  
The Treasury  
Langton Crescent  
PARKES ACT 2600  
Telephone: 02 6263 2111

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

# PART ONE

## OVERVIEW



## SECRETARY'S REVIEW

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As the Australian economy recovers from the effects of the global financial crisis, the Treasury has continued to pursue its goal of improving the wellbeing of all Australians through providing quality advice to government and assisting in the implementation of key policy initiatives.

### Significant achievements in 2009-10

The Treasury's recent achievements include advising on and implementing the Government's fiscal strategy. The fiscal outlook has significantly improved with the 2010-11 Budget projecting a return to surplus in 2012-13.

The Treasury's work in assisting the Government deliver the 2010 Intergenerational Report, *Australia to 2050*:

*Future Challenges*, has helped shape the debate on the long term challenges that Australia will face over the next 40 years. The report, released in February 2010, outlined the need to support strong, sustainable economic growth in response to the economic and fiscal pressures of an ageing and growing population.

The Government has begun to address these challenges through a broad agenda that includes investments in infrastructure, skills, education and the health system, and adhering to a disciplined fiscal strategy.

The final report of the Australia's Future Tax System Review was delivered to the Treasurer in December 2009. The Treasury advised the Government on the review's recommendations and helped develop and implement the Government's response, *Stronger, Fairer, Simpler: a tax plan for our future*.

### Macroeconomic outcomes

The Treasury continues to consider productivity, population and participation effects in developing policies to promote economic growth. The Treasury's advice and analysis focused on the economic conditions, including business and household development, external trade and financial flows, and on inflation and labour market developments. As the economy strengthens, policy priorities will shift towards improving the productive capacity of the economy to overcome a re-emergence of capacity constraints, particularly through investment in infrastructure and skills development.

The Treasury continued to assist the Government to take an active role in international forums and institutions to manage the transition from crisis to recovery. The G-20 has become the premier forum for international economic cooperation. Through the G-20, the



Treasury has been involved in a number of important reform initiatives, including enhancing global standards for financial regulation and supervision, strengthening the legitimacy, credibility and effectiveness of the international financial institutions, particularly the International Monetary Fund and World Bank, and improving access to financial services amongst the poor.

Reflecting the increasing importance of China and India to Australia's economic performance, the Treasury is increasing the resources devoted to monitoring and understanding these economies. The Treasury continues to advise the Government on Australia's role in key international and regional forums.

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### Effective government spending arrangements

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

During 2009-10, the Treasury assisted the Government in delivering the 2010-11 Budget, which showed an improved fiscal outlook. The budget contributed to the implementation of the Government's fiscal strategy.

The Government's fiscal strategy requires that the level of tax receipts be allowed to recover naturally as the economy improves, while taxation is maintained as a share of GDP below the 2007-08 level, on average. Once the economy is growing above trend, real growth in spending will be held to no more than 2 per cent per year until the budget is returned to surplus. It will then be held to 2 per cent, on average, until a surplus of 1 per cent of GDP is achieved. The implementation of the fiscal strategy means that an improved outlook for the Australian economy is associated with a significantly improved fiscal outlook.

In 2009-10, the Treasury played a significant role in contributing to the development of the *National Health and Hospitals Network*, which includes reforms to the financial framework and new health system governance arrangements, through the provision of policy advice and the modelling of healthcare costs.

### Effective taxation and retirement income arrangements

During 2009-10, the Treasury continued to provide secretariat services to the Australia's Future Tax System Review. The Government released the final report, together with its initial recommendations, on 2 May 2010. The Treasury provided assistance to the Government in framing its response.

The review considered how Australia could best structure its tax and transfer system to meet the challenges of the 21st century. The review aimed to set the strategic directions for the future development of the Australian tax and transfer system.

The review made 138 recommendations under nine broad themes — concentrating revenue raising on four efficient tax bases; configuring taxes and transfers to support productivity, participation and growth; an equitable, transparent and simplified personal income tax; a fair, adequate, and work supportive transfer system; integrating consumption tax compliance with business systems; efficient land and resource taxation; completing retirement income reform and securing aged care; toward more affordable housing; and a more open, understandable and responsive tax system.

The Treasury also worked with the Australian Financial Centre Forum as it prepared its report, *Australia as a Financial Centre — Building on our Strength*. This was released by the Government in early 2010.

The Treasury actively supports the international tax transparency agenda, with Australia being elected as Chair of the Global Forum on Transparency and Exchange of Information. The Global Forum is a multilateral initiative for the adoption and effective implementation of international standards in the area of transparency and exchange of information for tax purposes.

In 2009-10, 31 bills containing 80 tax and superannuation measures were introduced into the Parliament. These included amendments to tax law to: introduce a new framework for the protection of taxpayer information; introduce a significant step towards achieving a single income tax assessment act; and implement a new tax incentive for research and development activities.

### **Achieving well functioning markets**

Well functioning markets underpin strong, sustainable economic growth and enhanced living standards. The Treasury supports well functioning markets through initiatives that promote competition and efficiency, and reduce the regulatory burden on business. Particular attention has been given to key infrastructure, housing, financial and labour markets.

This includes work to further the reform agenda of the Council of Australian Governments designed to reduce the regulatory burden on business, including developing a national approach to consumer policy and consumer credit; improving housing supply and affordability; and implementing Standard Business Reporting, a multi-agency program led by the Treasury, to reduce the business-to-government reporting burden. Standard Business Reporting is being implemented progressively from July 2010 and the Treasury will continue to lead its ongoing design and continuing enhancement, and report progress to government.

A major focus in 2009-10 was providing policy analysis and advice to improve Australia's productivity and international competitiveness, and deepen the supply potential of the economy, in the wake of the global financial crisis and global recession. These policies focused on promoting economic growth and supporting employment, ensuring the

financial system remained robust and dynamic, and that regulatory frameworks promoted macroeconomic stability and market confidence.

## 2010-11 outlook

The Australian economy has grown faster than was expected during the global financial crisis. The Treasury's analysis and advice to government on domestic monetary and fiscal stimulatory responses, along with Australia's robust institutional and regulatory systems, has made a contribution to ensuring that our economy has weathered the crisis in good shape.

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Ensuring that our financial system remains robust, competitive and dynamic promotes macroeconomic stability and market confidence. The Treasury will pursue policy advice to the Government aimed at enhancing the frameworks for competition and consumer policy, modernising credit regulation, and removing impediments to the efficient operation of the housing market. Additionally, the Treasury will implement the agreed recommendations from the *Review into the Governance, Efficiency, Structure and Operation of Australia's Superannuation System* (the Cooper Review).

In 2010-11, the Treasury will have a primary role in assisting the Government to implement its tax reform agenda following the release on 2 May 2010 of the Government's response to the final report on the Australia's Future Tax System Review. Key reforms will ensure that Australia can meet both challenges and opportunities arising over the coming decades.

## Our organisation

The Treasury is committed to nurturing and strengthening its core organisational capabilities and is constantly seeking better ways of doing business. An organisational review was conducted in 2009-10, to consider how the Treasury could sustain its capacity to contribute to policy outcomes while preserving and reinforcing people management values and principles. The review examined the department's governance arrangements and key organisational systems and behaviours.

As a result, the Treasury made structural changes, including forming a Policy Coordination and Governance Unit (to facilitate high level policy coordination and whole-of-department organisational corporate strategy) and a Ministerial and Communications Division (to provide ministerial, parliamentary, publishing and communication services to the department).

Our effectiveness continues to rest on an ability to anticipate the developments that will affect Australia's economy, and to respond rapidly to those that we do not anticipate. The outcomes of the organisational review will further position us to mobilise resources to those ends.

During 2009-10, the Australian National Audit Office conducted a performance audit of events that occurred in relation to the Treasury's operations in 2008-09. The audit into

*Representations to the Department in Relation to Motor Dealer Financing Arrangements* did not make any recommendations to the Treasury; however, the Department has reviewed its practices in light of the matters raised in the audit, to strengthen our capabilities in resource allocation, project management and record keeping.

In relation to our financial performance, the Treasury ended 2009-10 with a surplus of \$5.5 million, compared to a \$3.9 million deficit in 2008-09. Employee expenses increased by \$11 million from 2008-09 which was associated with a staffing increase of 71 financed by additional funding provided in budget measures. The Treasury received from the Australian National Audit Office an unqualified audit report on the 2009-10 financial statements.

Several staff received awards and scholarships in the reporting period. Mr Matthew Bowd and Ms Litsa Vavakis were granted Partial Post Graduate Study Awards to complete their Masters of Economics and Masters of Science (Local Economic Development) respectively. Short term Economic Research Projects were also awarded to Ms Ewa Orzechowska-Fischer and Ms Yong Yan under a Memorandum of Understanding with the Australian National University. The Treasury also provided two scholarships for Australian National University economics students who demonstrate an interest in pursuing a career in public policy.

In the past 12 months Treasury staff have demonstrated ongoing commitment to pursuing outcomes that will ensure that the wellbeing of future generations of Australians is at least as high as the wellbeing we enjoy today.

I want to thank all Treasury staff for their continuing professionalism, enthusiasm and adaptability in facing the considerable challenges and opportunities that lie before us.

Ken Henry  
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.

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### CHANGES TO OUTCOME STRUCTURE

From the 2009-10 Budget, the Treasury has reported on a program basis, moving from four outcomes with 12 outputs to a single outcome with 10 programs. In summary:

- all previous departmental outputs now come under Program 1.1;
- administered items previously in Outcome 1 are now included in Program 1.2;
- administered items previously in Outcome 2 are now included as part of Programs 1.4 and 1.10;
- administered items previously in Outcome 4 are now included in Program 1.3; and
- as a result of the new framework for federal financial relations, the Treasury has additional Programs 1.4 to 1.10.

The Treasury's new outcome and program structure is detailed in Figure 2 on page 16.

### POLICY OUTCOME

As a result of Operation Sunlight and the Outcomes Statement Review, the Treasury has moved from four outcomes to a single 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:

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

## Macroeconomic Group

Macroeconomic Group provides advice on a sound macroeconomic environment that is an essential foundation for strong, sustainable economic growth and the improved wellbeing of Australians.

Macroeconomic Group contributes to a sound macroeconomic environment by providing careful monitoring and analysis of economic conditions in Australia and overseas which forms the basis of 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 shaping 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 99 to 100.

## Fiscal Group

Fiscal Group provides advice on effective government spending arrangements that contribute to the overall fiscal outcome, influence strong sustainable economic growth and improve the wellbeing of Australians.

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

Fiscal Group provides policy advice to portfolio ministers to promote government decisions that further these objectives.

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

Fiscal Group is also responsible for the efficient payment to and through the States and Territories of general revenue assistance, National Specific Purpose Payments and National Partnership payments as outlined in Programs 1.4 to 1.10 on pages 102 to 111.

## Revenue Group

Revenue Group provides advice on effective taxation and retirement income arrangements that contribute to the overall fiscal outcome, influence strong sustainable economic growth and the improved wellbeing of Australians.

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

Revenue Group provides policy advice to government to promote government decisions that further these objectives.

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Revenue Group takes a whole-of-government and whole-of-economy perspective in developing its taxation and retirement income policies.

## 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, thereby enhancing community benefits from economic activity.

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

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

Markets Group is also responsible for payments in respect of support for markets and business as outlined in Program 1.3 on page 101.

## Treasury support services

To support the Treasury's policy outcomes, Corporate Services Group and the Policy Coordination and Governance Unit provide key services to assist with systems and facilities which provide essential support and organisational backup to the groups.

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

The Policy Coordination and Governance Unit functions include facilitation of whole-of-department policy discussions; support to the Executive Board and the Audit Committee; coordination of organisational strategy initiatives; departmental governance structures and systems; risk management, quality assurance and policy evaluation frameworks; implementation monitoring and tools; issues management and coordination of freedom of information requests.

## TREASURY PEOPLE VALUES

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

The Treasury people management principles:

- stipulate open, two-way communication at all levels;
- clearly define accountabilities;
- use work performance as the basis for remuneration, which is determined by fair and transparent processes; and
- facilitate staff in achieving an appropriate work and private life balance.

Treasury people:

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

## THE TREASURY'S ROLE AND CAPABILITIES

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

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

- the opportunity and freedom that allows individuals to lead lives of real value to them;



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

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

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

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

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

- a deep understanding of its mission, the economic and policy environment, and stakeholders' views;
- a collaborative approach with internal and external stakeholders to develop effective policy;
- pro-activity 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, through being flexible, adaptable and innovative; and
- efficiency and productivity, through managing costs, allocating resources and enabling efficiencies.

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

- policy development, through identifying policy issues, shaping policy approaches, managing issues during a process of change and providing up-to-date information;
- quantitative analysis of the economy, of policy options and their impacts, and of government and departmental finances;
- policy implementation and development of legislation and related instruments;
- public consultation and information in developing policy and legislation, and managing issues;
- good working relationships within the Treasury portfolio and with external stakeholders;
- effective and collaborative international engagement; and
- administration of governance arrangements, legislation and programs.

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

## FINANCIAL PERFORMANCE

The Treasury received an unqualified audit report on the 2009-10 financial statements from the Australian National Audit Office. These statements can be found in Part 4 from pages 157 to 266.

### Departmental

The Treasury ended 2009-10 with a surplus of \$5.5 million, compared to a \$3.9 million deficit in 2008-09. Employee expenses increased by \$11 million from 2008-09 which was associated with a staffing increase of 71. This was due to additional funding provided in budget measures.

The Treasury's net asset position increased by \$10 million in 2009-10. This is mainly due to an increase in intangible assets of \$16 million, mainly due to the Standard Business Reporting asset which was completed late in 2009-10 and was available for use on 1 July 2010, offset by an increase of \$6 million in liabilities mainly associated with creditors and employee provisions.

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

## Administered

The Treasury incurred \$88 billion in administered expenses in 2009-10 compared to \$54 billion in 2008-09. The \$34 billion increase predominantly relates to additional payments to the States and Territories that the Treasury provides under the *Intergovernmental Agreement on Federal Financial Relations* which were implemented progressively from 1 January 2009.

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The Treasury's administered net assets reduced by \$10 billion in 2009-10. This is mainly due to a decrease in the value of financial asset investments and an increase in payables due to Australia's International Monetary Fund Special Drawing Rights allocation.

Figure 1: Treasury senior management structure (as at 30 June 2010)

|  |  |
|--|--|
| <b>Secretary: Dr Ken Henry AC</b>  |  |
| <b>Executive Director (Policy Coordination and Governance): Mr Richard Murray</b>  |  |
| <b>Corporate Services Group</b><br>Group General Manager: Ms Deidre Gerathy<br><b>Financial and Facilities Management Division</b><br>General Manager: Mr Rob Donelly<br><b>Ministerial and Communications Division</b><br>General Manager: Mr Tony Murray (A/g)   | <b>Human Resources Division</b><br>General Manager: Ms Pamela Henderson<br><b>Information Management and Technology Services Division</b><br>General Manager: Ms Alaine King   |
| <b>Macroeconomic Group: Executive Director (Domestic), Dr David Gruen</b>  |  |
| <b>Macroeconomic Group: Executive Director (International/Special Envoy), Mr Mike Callaghan</b>  |  |
| <b>Domestic Economy Division</b><br>General Manager: Dr Steve Morling<br><b>Macroeconomic Policy Division</b><br>General Manager: Mr Tony McDonald<br><b>Macroeconomic Modelling Division</b><br>General Manager: Mr Robert Ewing (A/g)<br><b>International and G-20 Division</b><br>General Manager: Mr Bill Brummitt<br><b>International Finance and Development Division</b><br>General Manager: Mr Paul Flanagan | <b>Overseas Posts</b><br><b>Washington</b><br>Mr David Pearl<br><b>Paris</b><br>Mr Matthew Flavel<br><b>London</b><br>Ms Kerstin Wijeyewardene<br><b>Tokyo</b><br>Mr Hector Thompson<br><b>Beijing</b><br>Ms Irene Sim<br><b>Jakarta</b><br>Mr Neil Richardson |
| <b>Fiscal Group: Executive Director, Mr Nigel Ray</b>  |  |
| <b>Budget Policy Division</b><br>General Manager: Ms Jan Harris<br><b>Commonwealth-State Relations Division</b><br>General Manager: Ms Sue Vroombout   | <b>Industry, Environment and Defence Division</b><br>General Manager: Mr Steve French<br><b>Social Policy Division</b><br>General Manager: Ms Peta Furnell   |
| <b>Revenue Group: Executive Director, Mr David Parker</b>  |  |
| <b>International Tax and Treaties Division</b><br>General Manager: Mr Mike Rawstron<br><b>Tax Analysis Division</b><br>General Manager: Ms Maryanne Mrakovcic<br><b>Business Tax Division</b><br>General Manager: Mr Paul McCullough<br><b>Tax System Division</b><br>General Manager: Ms Christine Barron   | <b>Personal and Retirement Income Division</b><br>General Manager: Mr Michael Willcock<br><b>Indirect Tax Division</b><br>General Manager: Ms Brenda Berkeley<br><b>Board of Taxation Secretariat</b><br>Secretary: Ms Brenda Berkeley                         |
| <b>Markets Group: Executive Director, Mr Jim Murphy</b>  |  |
| <b>Foreign Investment and Trade Policy Division</b><br>General Manager: Mr Patrick Colmer<br><b>Financial System Division</b><br>General Manager: Mr John Lonsdale<br><b>Infrastructure, Competition and Consumer Policy Division</b><br>General Manager: Dr Steven Kennedy<br><b>Corporations and Financial Services Division</b><br>General Manager: Mr Geoff Miller   | <b>Australian Government Actuary</b><br>General Manager: Mr Peter Martin<br><b>Takeovers Panel</b><br>Director: Mr Allan Bulman<br><b>Standard Business Reporting Management Group</b><br>Program Director: Mr Paul Madden                                     |

**Figure 2: Treasury outcome and program structure (as at 30 June 2010)**

|   |   |
|---|---|
| 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 |
| <b>Program 1.1: Department of the Treasury</b>                                    |   |
| Macroeconomic Group   | Domestic Economy Division<br>Macroeconomic Policy Division<br>Macroeconomic Modelling Division<br>International and G-20 Division<br>International Finance and Development Division<br>Overseas Posts   |
| Fiscal Group  | Budget Policy Division<br>Commonwealth-State Relations Division<br>Industry, Environment and Defence Division<br>Social Policy Division   |
| Revenue Group   | Business Tax Division<br>Indirect Tax Division<br>International Tax and Treaties Division<br>Personal and Retirement Income Division<br>Tax Analysis Division<br>Tax System Division<br>Board of Taxation Secretariat   |
| Markets Group   | Foreign Investment and Trade Policy Division<br>Financial System Division<br>Infrastructure, Competition and Consumer Policy Division<br>Corporations and Financial Services Division<br>Australian Government Actuary<br>Takeovers Panel<br>Standard Business Reporting Management Group         |
| Treasury support services   | Corporate Services Group<br>Policy Coordination and Governance Unit   |
| <b>Program 1.2: Payments to International Financial Institutions</b>              |   |
|   | Macroeconomic Group: International Finance and Development Division   |
| <b>Program 1.3: Support for Markets and Business</b>                              |   |
|   | Markets Group: Financial System Division  |
| <b>Program 1.4: General Revenue Assistance</b>                                    |   |
|   | Fiscal Group: Commonwealth-State Relations Division   |
| <b>Program 1.5: Assistance to the States for Healthcare Services</b>              |   |
|   | Fiscal Group: Commonwealth-State Relations Division   |
| <b>Program 1.6: Assistance to the States for Government Schools</b>               |   |
|   | Fiscal Group: Commonwealth-State Relations Division   |
| <b>Program 1.7: Assistance to the States for Skills and Workforce Development</b> |   |
|   | Fiscal Group: Commonwealth-State Relations Division   |
| <b>Program 1.8: Assistance to the States for Disabilities Services</b>            |   |
|   | Fiscal Group: Commonwealth-State Relations Division   |
| <b>Program 1.9: Assistance to the States for Affordable Housing</b>               |   |
|   | Fiscal Group: Commonwealth-State Relations Division   |
| <b>Program 1.10: National Partnership Payments to the States</b>                  |   |
|   | Fiscal Group: Commonwealth-State Relations Division   |

Figure 3: Treasury portfolio outcome and program structure (as at 30 June 2010)

|  |   |
|--|---|
| <p><b>Portfolio Minister — Treasurer</b><br/>The Hon Wayne Swan MP</p> <p><b>Assistant Treasurer</b><br/>Senator the Hon Nick Sherry</p> <p><b>Minister for Financial Services, Superannuation and Corporate Law</b><br/>The Hon Chris Bowen MP</p> <p><b>Minister for Competition Policy and Consumer Affairs</b><br/>The Hon Dr Craig Emerson MP</p> <p><b>Minister for Sustainable Population</b><br/>The Hon Tony Burke MP</p> |   |
| <p><b>Department of the Treasury</b><br/>Secretary: Dr Ken Henry AC</p>  |   |
| <p><b>Outcome 1:</b></p> <p>Program 1.1:</p> <p>Program 1.2:</p> <p>Program 1.3:</p> <p>Program 1.4:</p> <p>Program 1.5:</p> <p>Program 1.6:</p> <p>Program 1.7:</p> <p>Program 1.8:</p> <p>Program 1.9:</p> <p>Program 1.10:</p>  | <p><b>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</b></p> <p>Department of the Treasury</p> <p>Payments to International Financial Institutions</p> <p>Support for Markets and Business</p> <p>General Revenue Assistance</p> <p>Assistance to the States for Healthcare Services</p> <p>Assistance to the States for Government Schools</p> <p>Assistance to the States for Skills and Workforce Development</p> <p>Assistance to the States for Disabilities Services</p> <p>Assistance to the States for Affordable Housing</p> <p>National Partnership Payments to the States</p> |
| <p><b>Australian Bureau of Statistics</b><br/>Statistician: Mr Brian Pink</p>  |   |
| <p><b>Outcome 1:</b></p> <p>Program 1.1:</p>   | <p><b>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</b></p> <p>Australian Bureau of Statistics</p>   |
| <p><b>Australian Competition and Consumer Commission</b><br/>Chairman: Mr Graeme Samuel AC</p>   |   |
| <p><b>Outcome 1:</b></p> <p>Program 1.1:</p>   | <p><b>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</b></p> <p>Australian Competition and Consumer Commission</p>   |
| <p><b>Australian Office of Financial Management</b><br/>Chief Executive Officer: Mr Neil Hyden</p>   |   |
| <p><b>Outcome 1:</b></p> <p>Program 1.1:</p>   | <p><b>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</b></p> <p>Australian Office of Financial Management</p>   |

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 which balances financial safety and efficiency, competition, contestability and competitive neutrality

Program 1.1: Australian Prudential Regulation Authority

**Australian Securities and Investments Commission**

Chairman: Mr Tony D'Aloisio

**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 Michael D'Ascenzo AO

**Outcome 1:** Confidence in the administration of aspects of Australia's taxation and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing noncompliance with the law

Program 1.1: Australian Taxation Office

Program 1.2: Tax Practitioners Board

Program 1.3: Tax Bonus

Program 1.4: Product Stewardship Waste (Oil) Scheme

Program 1.5: Cleaner Fuels Grant Scheme

Program 1.6: Refundable Film and Television Tax Offset

Program 1.7: Research and Development Tax Offset

Program 1.8: Private Health Insurance Rebate

Program 1.9: Superannuation Coordination Scheme

Program 1.10: Superannuation Guarantee Scheme

Program 1.11: Fuel Tax Credits Scheme

Program 1.12: Education Tax Refund

Program 1.13: National Urban Water and Desalination Plan

Program 1.14: National Rental Affordability Scheme

Program 1.15: First Home Saver Accounts

Program 1.16: Baby Bonus

Program 1.17: Resource Exploration Rebate

Program 1.18: Domestic Ethanol Assistance

Program 1.19: Interest on Overpayment and Early Payments of Tax

Program 1.20: Bad and Doubtful Debts and Remissions

**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)

|  |   |
|--|---|
| <b>Corporations and Markets Advisory Committee</b><br>Convenor: Ms Joanne Rees             |   |
| <b>Outcome 1:</b>  | <b>Informed decisions by Government on issues relating to corporations regulation and financial products, services and markets through independent and expert advice</b>  |
| Program 1.1:   | Corporations and Markets Advisory Committee   |
| <b>Inspector-General of Taxation</b><br>Inspector-General: Mr Ali Noroozi                  |   |
| <b>Outcome 1:</b>  | <b>Improved tax administration through community consultation, review and independent advice to Government</b>  |
| Program 1.1:   | Inspector-General of Taxation   |
| <b>National Competition Council</b><br>President: Mr David Crawford                        |   |
| <b>Outcome 1:</b>  | <b>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</b> |
| Program 1.1:   | National Competition Council  |
| <b>Office of the Auditing and Assurance Standards Board</b><br>Chairman: Ms Merran Kelsall |   |
| <b>Outcome 1:</b>  | <b>The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements</b>  |
| Program 1.1:   | Auditing and Assurance Standards Board  |
| <b>Office of the Australian Accounting Standards Board</b><br>Chairman: Mr Kevin Stevenson |   |
| <b>Outcome 1:</b>  | <b>The formulation and making of accounting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions</b>  |
| Program 1.1:   | Australian Accounting Standards Board   |
| <b>Productivity Commission</b><br>Chairman: Mr Gary Banks AO                               |   |
| <b>Outcome 1:</b>  | <b>Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective</b>        |
| Program 1.1:   | Productivity Commission   |
| <b>Royal Australian Mint</b><br>Chief Executive Officer: Mr Ross MacDiarmid                |   |
| <b>Outcome 1:</b>  | <b>The coinage needs of the Australian economy, collectors and foreign countries are met through the manufacture and sale of circulating coins, collector coins and other minted like products</b>                                |
| Program 1.1:   | Royal Australian Mint   |





# PART TWO

## REPORT ON PERFORMANCE

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## INTRODUCTION

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The report on performance covers the Treasury's departmental and administered items for 2009-10.

Departmental items are the goods and services the department provides for, and on behalf of, the Government and involves the use of assets, liabilities, revenues and expenses controlled or incurred by the Treasury in its own right. Program 1.1 relates predominantly 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 2009-10 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 2009-10* and the *Treasury Portfolio Additional Estimates Statements 2009-10*.

The key strategies for 2009-10 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, and debt and balance sheet management, as well as a budget coordination role;
- Commonwealth-State financial policy, industry, environment and defence policy, and social and income support policy;
- taxation and retirement income arrangements consistent with the Government's reform priorities;
- policies that promote competitive, efficient markets and that work to enhance consumer wellbeing, a secure financial system and sound corporate practices, and foreign investment consistent with Australia's national interest;
- a range of international economic policy issues, including strengthening multilateral regimes underpinning open trade and capital flows, supporting developing countries' development aspirations, and shaping the evolution of regional economic architecture; and
- the 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

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The Treasury has four policy groups that contribute to the achievement of Program 1.1:

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

These groups are supported by Treasury support services that provide key services to assist with systems and facilities which provide essential support and organisational backup to the policy groups.

### 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 the overall fiscal outcomes, influence strong sustainable economic growth and improve the wellbeing of Australians;
- develop effective taxation and retirement income arrangements consistent with the Government's reform priorities;
- ensure well functioning markets by providing advice on policies that promote competitive, efficient markets and that work to enhance consumer wellbeing, a secure financial system and sound corporate practices, and foreign investment consistent with Australia's national interest; and
- use global and regional forums, and bilateral relationships to advance Australia's interests and improve the international economic environment, and assist other governments in Asia and the southwest Pacific to improve economic governance.

### PROGRAM KEY PERFORMANCE INDICATORS

The key performance indicators are:

- advice meets the Government's needs in administering its responsibilities and making and implementing decisions. Advice is timely, of high quality, and is 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 formal and informal 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 stimulate and inform government and public debate through robust analysis, modelling and research. Publications are timely, 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 aims to contribute to a sound macroeconomic environment by monitoring and assessing economic conditions and prospects, both in Australia and overseas, and by providing advice on formulating and implementing effective macroeconomic policy, including monetary and fiscal policy. Macroeconomic Group uses global and regional forums, and bilateral relationships to advance Australia's interests and improve the international economic environment.

The Australian economy has performed better than expected during the global financial crisis through a combination of domestic monetary and fiscal stimulatory responses, Australia's robust institutional and regulatory systems, and the economic strength of the Asian region. Nevertheless, the lingering effects of the global recession are likely to be felt for some time and policy advice has been directed to continuing to manage the recovery. As the economy strengthens, the policy priorities will shift towards improving the productive capacity of the economy to overcome a re-emergence of capacity constraints, particularly through investment in infrastructure and skills development.

The G-20 is now the premier forum for international economic cooperation, with the objective of establishing stronger and more secure foundations for the global economy. The Treasury

has been engaged in the G-20 Framework for Strong, Sustainable and Balanced Growth, which involves a collective consideration by G-20 members of the global policy challenges and a shared evaluation of whether national policy responses are collectively consistent with achieving stronger, more sustainable and balanced global growth. Through the G-20, the Treasury has been involved in a number of important reform initiatives including strengthening global standards for financial regulation and supervision, strengthening the legitimacy, credibility and effectiveness of the international financial institutions, particularly the International Monetary Fund (IMF) and World Bank, and improving access to financial services amongst the poor.

Reflecting the increasing importance of China and India to Australia's economic performance, the Treasury has increased the resources devoted to monitoring these economies and deepening and extending contacts with relevant officials.

The Treasury's work on both the Asia-Pacific Economic Cooperation (APEC) and the East Asia Summit (EAS) continues to support the objectives of the G-20 to address the key global economic policy challenges.

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

## 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 policies in the current environment;
- Australia's involvement in the G-20 processes, reflecting the contribution the systemically important countries can make to coordinating international responses to global economic policy challenges;
- deeper economic engagement strategies with China, India and Indonesia, reflecting the importance of these countries for Australia's economic and strategic interests;
- Australia's participation in the APEC Finance Ministers' process and the EAS process; and
- the role the Treasury plays in government initiatives to develop well functioning economic ministries in the southwest Pacific.

## Group outcomes

Macroeconomic Group's key outcomes were:

- providing analysis of economic conditions including business and household developments, external trade and financial flows, and on inflation and labour market developments. A particular focus was on assessing the impact of the discretionary fiscal stimulus packages on economic activity and employment, and the impact of their phased withdrawal;
- underpinning the analysis and advice by extensive macroeconomic modelling and information from the Treasury Business Liaison Program;
- preparing macroeconomic forecasts, taking into account the effect of the large global economic and financial shocks, the effect of policy measures, and the heightened risks and uncertainties around the global outlook;
- medium and longer-term projections were prepared to inform the medium-term fiscal projections and the 2010 Intergenerational Report: *Australia to 2050 Future Challenges* (IGR2010);
- providing an ongoing assessment of the risks to the domestic and international outlook;
- publishing material, including economic forecasts and analysis in budget papers, *Economic Roundup*, working papers and speeches to inform the public better about economic developments and issues;
- working actively to shape the G-20 agenda and outcomes to advance Australia's international economic interests;
- advancing Australia's interests through engagement with international organisations such as the IMF and Organisation for Economic Co-operation and Development (OECD) and foreign governments, on macroeconomic policy discussions and structural reform challenges;
- continuing to assist the Government take an active role in international forums and institutions to manage the transition from crisis to recovery;
- broadening and deepening engagement with key Asian economies through policy dialogue, cooperation and capacity building; and
- continuing to provide deployees to assist countries experiencing economic challenges including Papua New Guinea (PNG), Solomon Islands and Nauru.

## Analysis of performance

During 2009-10, the Treasury advised the Treasurer and other members of the Government on a range of macroeconomic issues including:

- the Treasury Business Liaison Program where officers discuss business and economic conditions with organisations in major centres then disseminate the findings in the



*Economic Roundup.* The Treasury also held regular phone consultations with key sectoral contacts to gauge the current state of economic activity;

- macro prudential issues emanating from the global financial crisis. The Treasury provided specialist advice on linkages between the financial sector and the macro economy, particularly on the effect of financial factors on macroeconomic risk;
- advice on monetary policy to the Secretary as a member of the Reserve Bank of Australia (RBA) Board. The Treasury monitored economic, financial and policy developments to assess their implications for policy settings;
- information and analysis of the Australian economic and fiscal outlook to credit rating agencies;
- advice to the Treasurer on the evolution and drivers of the Australian economy and factors likely to influence medium-term performance;
- advice to the Treasurer on policies to improve Australia's economic growth potential, living standards and wellbeing; and
- informing the public better about economic developments and issues. The Treasury contributed to public awareness and debate through international forums, foreign government agencies, state government agencies, tertiary institutions and public meetings. The Treasury's economic publications and selected presentations are at [www.treasury.gov.au](http://www.treasury.gov.au).

## Economic forecasts

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

Forecasting activity focused on 2009-10, 2010-11 and 2011-12 with forecasts published in MYEFO and the 2010-11 Budget. Attention focused on the impact of the fiscal stimulus packages on the economy and the likely transition from public to private demand as government stimulus was withdrawn and the global economy recovered from the financial crisis.

The 2009-10 Budget forecasts were prepared against a backdrop of an uneven and patchy global recovery and still elevated levels of uncertainty and financial market volatility, with risks still predominately on the downside. As the year unfolded, however, it became clear that the Australia economy had performed remarkably well in the face of the most challenging global economic conditions since the Great Depression. Forecasts were revised upwards at MYEFO (released in November 2009) and again at the 2010-11 Budget (released in May 2010).

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

## Economic modelling

In 2009-10, the Treasury provided advice in response to and in support of economic modelling of climate change mitigation and energy efficiency policies by government, industry and other groups.

The Treasury worked closely with the Department of Climate Change and Energy Efficiency in producing Australia's greenhouse gas emission projections, which are a key information input to Australia's greenhouse policy agenda. The projections play a vital role in assessing the effectiveness of existing climate change mitigation measures, and the development of least cost options for further abatement.

## 2010-11 Budget papers

The Treasury contributes to public awareness and debate on economic policy issues through its economic analysis in the annual budget papers.

Published forecasts in MYEFO and the 2010-11 Budget were accompanied by an update on the economic outlook to help inform the public of key developments in the domestic and international economies and the likely effects on short-term economic growth.

Statement 2 of Budget Paper No. 1, *Economic Outlook* provided a comprehensive report on the domestic and international outlook. The report noted the solid prospects for the Australian economy, with strong growth in the Asian region expected to support a rising terms of trade and a rebound in business investment. Policy continued to be directed toward supporting an expansion in the economy's productive capacity to ensure sustainable growth.

Statement 4 of Budget Paper No. 1, *Benefiting from our mineral resources: opportunities, challenges and policy settings*, outlined some of the economic and policy implications of continuing global demand for Australia's mineral resources. It discussed some of the policy and institutional settings necessary to ensure that the mining boom is of enduring benefit to the Australian community.

## The Treasury's economic publications and speeches

*Economic Roundup* included research articles and speeches on productivity growth, participation and educational attainment, fiscal policy, lessons from the Great Depression, measuring progress, taxation, Australia's current account deficit in a global imbalances context, the Australian financial system, China, as well as a regular summary of the key findings from Treasury's Business Liaison Program.

Economic growth is underpinned by policies that support productivity, participation and population — the '3Ps'. The IGR2010 underlined the importance of productivity as a driver of long-term economic growth. The IGR2010 outlined the need to support strong, sustainable economic growth as the best means of responding to the economic and fiscal pressures of an ageing and growing population.

Past issues of the *Economic Roundup*, the IGR2010 and selected speeches are available on the Treasury website at [www.treasury.gov.au](http://www.treasury.gov.au).

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The Treasury's submission to the House of Representatives Standing Committee on Economics, *Inquiry into raising the productivity growth rate in the Australian economy*, sought to outline the public policy settings necessary for achieving productivity growth and included policies that support well functioning markets, remove distortions and enhance flexibilities, promote appropriate incentives and remove market failures in areas of infrastructure, innovation and human capital.

The Treasury appeared at the Senate Economics References Committee, *Inquiry into the Government's economic stimulus initiatives*, and provided a briefing paper for the committee on the economic effects of the fiscal stimulus packages and a quantification of the various factors which supported economic activity in Australia during the global financial crisis.

The Treasury spoke to a range of organisations on issues including the economic outlook, the global financial crisis, global imbalances, long-run forces affecting the Australian economy in decades to come, housing supply and affordability, measures of social progress and wellbeing and contemporary challenges in fiscal policy. The speeches were to a range of organisations, including the Australian Economic Forum, the Australian Industry Group, the Australia-New Zealand Leadership Forum, the Australia-China Investment Forum, the American Chamber of Commerce, the Committee for Economic Development of Australia, Australian Business Economists, the Constitutional Law Forum and the Environment Business Forum.

The Treasury also distributed quarterly updates of its macroeconomic model of the Australian economy and associated database. The model has evolved to reflect structural changes in the economy. The Treasury is in the process of transferring this model to a new platform to improve the accessibility of the model.

## Reviews of economic data

The Treasury liaised extensively with the ABS, both informally with regular discussions at all levels, and formally through ongoing representation on the Australian Statistics Advisory Council, the Economic Statistics User Group, the International Trade in Services User Group, the Labour Statistics Advisory Group and the Demography Statistics Advisory Group. The Treasury also provided a formal submission to the 16th Series Australian Consumer Price Index Review conducted by the ABS.

## Coordinating international responses to global economic policy challenges

### G-20

The Treasury played an active role in helping the G-20 develop and deliver on its ambitious agenda, through ministerial engagement and through the officials-level working and experts groups. The Treasury was co-chair of the working group on IMF quota and governance reform (with the South African Treasury), and the South African Treasury now co-chairs the IMF reform working group. The Treasury also co-chairs a sub-group of the working group on financial inclusion (with the Brazilian Finance Ministry). The Treasury actively participated in the working group on the Framework for Strong, Sustainable and Balanced Growth, the working group on global financial safety nets (with the RBA) and the G-20 Energy Experts Group (with the Department of Resources, Energy and Tourism).

The Treasury worked closely with other government departments, in particular the Department of the Prime Minister and Cabinet and the Department of Foreign Affairs and Trade, to develop a whole-of-government response to the issues being considered within the G-20 agenda.

The Treasury worked with the Government to shape the G-20 agenda and outcomes for the two G-20 Leaders' Summits held in 2009-10. The first was held in Pittsburgh on 24-25 September 2009. The second was held in Toronto on 26-27 June 2010. The Treasurer accompanied the Prime Minister to the Pittsburgh Summit. At the Toronto Summit, the Treasurer represented Australia in his capacity as Deputy Prime Minister. The Treasury supported the Treasurer by preparing briefings and working papers.

The Treasury also worked to shape the G-20 agenda and outcomes of the four G-20 Finance Ministers and Central Bank Governors meetings held in 2009-10. The first two meetings were held in London and St Andrews (4-5 September 2009 and 8-9 November 2009 respectively). Following the St Andrews meeting, chairmanship of the G-20 passed from the United Kingdom to the Republic of Korea. The third meeting was held back-to-back with the spring meetings of the IMF and World Bank in Washington DC (23 April 2010). The fourth was held in Busan, Korea (4-5 June 2010). The Treasurer represented Australia at each of these meetings. The Treasury supported the Treasurer with the preparation of briefings and working papers.

The focus of the Pittsburgh Summit was on managing the transition from crisis to recovery. The most important outcome was agreement by G-20 members to undertake a process of mutual assessment with the support of the IMF and World Bank as part of the Framework for Strong, Sustainable and Balanced Growth. The aim of the mutual assessment process is to align national policy frameworks with the objectives of increasing long-run growth potential, reducing global imbalances and narrowing the global development gap.

The Pittsburgh Summit also delivered important outcomes on IMF and World Bank reform and strengthened international financial regulation.

- Leaders agreed to a shift of at least 5 per cent in IMF quotas to dynamic emerging market and developing countries from over-represented to under-represented countries by January 2011. They also agreed to a shift in World Bank shareholding of at least 3 per cent to developed and transition economies. Finally they agreed to governance reform at both institutions.
- Leaders agreed to establish strict deadlines for agreement on reforms to strengthen bank capital standards, reform financial sector compensation practices, improve over-the-counter derivative markets, and address the problem of systemically important financial institutions that are 'too big to fail'.

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In recognition of its success in stabilising financial markets and averting the threat of a global depression, leaders designated the G-20 as the premier forum for international economic cooperation. Australia's membership of the G-20 has increased its capacity to influence global economic decision making.

The focus of the Toronto Summit was on strengthening economic recovery through the continued implementation of the Framework for Strong, Sustainable and Balanced Growth. The Treasury actively contributed to this working group. The summit took place against the backdrop of concerns about fiscal sustainability, particularly in southern Europe, and its implications for global financial markets.

Prior to the Toronto Summit, economic policy frameworks of G-20 members had been analysed by the IMF and World Bank. The IMF produced a baseline scenario for the world economy as well as upside and downside scenarios based on different policy choices. The World Bank contributed analysis of the development implications. On the basis of this analysis, G-20 Finance Ministers and Central Bank Governors developed a basket of policy measures that different groups of G-20 members could adopt to create stronger, more sustainable and balanced growth.

Leaders endorsed three groups of measures at the Toronto Summit.

- The first related to 'growth friendly' fiscal consolidation. Advanced economies committed to halve their budget deficits by 2013 and stabilise public debt by 2016. Japan agreed to a different timeline in recognition of its circumstances.

- The second related to rebalancing global growth. This will involve advanced deficit economies taking action to boost domestic savings while emerging surplus economies boost consumption through measures such as improved social safety nets, increased infrastructure spending and more flexible exchange rate regimes.
- The third related to boosting growth potential. There was agreement to pursue structural reforms across the entire G-20 membership to increase and sustain growth prospects.

In addition to these measures, leaders welcomed delivery of the Pittsburgh commitment on World Bank shareholding reform; reaffirmed their commitment to IMF quota and governance reform; agreed to finalise new capital, leverage and liquidity standards; and agreed on measures to address systemically important financial institutions that are 'too big to fail'. These last two commitments are scheduled to be agreed at the next Leaders' Summit in Seoul. In relation to new capital standards, leaders agreed that banks should be required to hold capital that would enable them to withstand the type of stress experienced during the financial crisis.

During 2009-10, an official from the Treasury was seconded to the Korean G-20 Secretariat to assist with preparations for the Seoul Summit.

The Treasury have offices in Washington DC, London, Beijing, Jakarta and Tokyo that have played valuable roles promoting Australia's G-20 priorities with their counterparts. They have assisted the Treasurer at G-20 meetings and helped strengthen G-20 bilateral relations including by facilitating high-level meetings.

### Financial Stability Board (FSB)

The Treasury and RBA represent Australia on the FSB's Plenary. The FSB had its first full year of operation in 2009-10. Some of its main achievements included:

- monitoring the delivery of the G-20 agenda to strengthen financial regulation;
- working on development of new international standards in areas such as financial sector compensation (supplementing the principles released in April 2009), systemically important financial institutions that are 'too big to fail', and strengthening over-the-counter derivatives markets; and
- launching of three initiatives to strengthen adherence to international standards: thematic reviews; country reviews; and a process to promote adherence to information exchange and cooperation standards in non-cooperative jurisdictions.

The FSB Plenary met on three occasions: 15 September 2009, 9 January 2010 and 14 June 2010. The Treasury also represents Australia on the FSB's Standing Committee on Standards Implementation (SCSI). This committee is responsible for promoting and improving adherence to international prudential, supervisory and regulatory standards (including thematic and country reviews). The SCSI held three meetings: 29-30 October 2009, 26 February 2010 and 15 June 2010. The Treasury represents Australia

on the SCSI's Experts Group on Non-Cooperative Jurisdictions. This body held its only face-to-face meeting on 8 December 2009. In addition to these three bodies, the Treasury participates in the FSB Monitoring Implementation Network, which is responsible for monitoring progress on G-20 commitments relating to the reform of financial regulation.

In 2009-10, the Treasury contributed significantly to the FSB's work on boosting adherence to international standards.

- The Treasury was represented on the six member team that carried out the FSB's first thematic review. This examined implementation by FSB members of principles and standards on financial sector compensation.
- The Treasury chaired the FSB's first peer review of a member's national regulatory framework (Mexico).
- The Treasury is leading one of three small teams established by the FSB SCSI to assist jurisdictions in improving adherence to information exchange and cooperation standards.

### International Monetary Fund

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The Treasury prepared briefings and working papers to support the IMF in its role of ensuring the stability of the international monetary system, including through the Executive Board, the G-20 Working Group on IMF Quota and Governance Reform, the G-20 Experts Group on Financial Safety Nets and attendance at the IMF spring and annual meetings.

At the IMF, Australia was represented by Mr Chris Legg as Alternate Executive Director and Mr Hi-Su Lee, of South Korea, as Executive Director. They were briefed by the Treasury and the RBA on matters coming before the Executive Board.

The recent global financial crisis saw an expansion in the lending activities of the IMF, with Special Drawing Rights (SDR) 51.8 billion in total fund credit outstanding at 30 June 2010, including active Stand-By Arrangements with 21 countries worth SDR38.9 billion. This also included an expansion of concessional lending to assist low income countries to deal with the crisis, reaching SDR3.1 billion as at 30 June 2010, compared to a pre-crisis level of SDR1.1 billion as at 1 July 2008.

The Treasury contributed to the significant progress made in delivering the G-20 leaders' commitments to strengthen the IMF's capacity to assist its members.

- The IMF is exceeding the G-20 leaders' commitment to provide \$US6 billion additional concessional and flexible finance for the poorest countries over the two to three years following the London G-20 Leaders' Summit. As part of this international effort, Australia contributed an A\$30 million grant to the interest subsidy account of the Poverty Reduction and Growth Trust in January 2010. The IMF also created a new architecture of concessional facilities that is better tailored to the needs of low income countries.

- To boost global liquidity, the IMF undertook, on 28 August 2009, a general allocation of SDR161.2 billion, equivalent to US\$250 billion, and a special one-off allocation on 9 September 2009 of SDR21.4 billion. Australia's share of these allocations was approximately SDR2.612 billion.
- The IMF, together with the FSB, conducted the first Early Warning Exercise at the Annual Meetings in October 2009. The Early Warning Exercise findings will continue to be discussed with ministers and governors during the spring and annual meetings of the International Monetary and Financial Committee in order to identify and respond to tail risks in the global economic outlook.
- In June 2010, the IMF established a Post-Catastrophe Debt Relief Trust Fund designed to assist very poor countries hit by catastrophic natural disasters. This fund will be used to relieve Haiti's debts to the IMF.
- To improve the adequacy of the IMF's financial resources in the face of any similar future crisis, the Executive Board revised the structure of the New Arrangements to Borrow in April 2010 to expand its size from SDR34 billion to SDR367 billion and make it more flexible. Australia adhered to the expanded and more flexible arrangements in June 2010 and, as part of the expansion, Australia's existing line of credit will increase from SDR801 million to SDR4,370 million.

In response to the crisis, G-20 leaders committed to reform the mandates, scope and governance of the international financial institutions to reflect changes in the world economy.

The IMF commenced a fundamental re-examination of its mandate, with a report to the International Monetary and Financial Committee expected in October 2010. The Executive Board has discussed reforms to its lending instruments and its surveillance. Proposals to reform lending instruments include enhancing precautionary lending to reduce risks of financial contagion. The IMF has also considered a range of proposals aimed at strengthening its surveillance, focused on improving its monitoring of the spillover of risks across economies, and its financial sector surveillance capability.

IMF quota and governance reform negotiations proceeded, guided by the parameters agreed by G-20 leaders in Pittsburgh. Agreement on reforms is expected by November 2010. The IMF Executive Board held a number of discussions on realigning quota shares and broader governance reforms. In September 2009, Australia formally accepted the package of IMF quota and governance reforms adopted by the IMF Board of Governors in April 2008, on which current negotiations will build.

The Deputy Managing Director of the IMF, Mr Murilo Portugal, visited Australia from 13 March 2010. The visit centred on an address at the Australian Bureau of Agricultural and Resource Economics Outlook Conference, as well as meetings with the Treasury, the RBA and other departments and agencies.



## World Bank

The Treasury prepared briefings and working papers to support the World Bank's leadership role in improving the living standards of the world's poor including through the Executive Board and attendance at the World Bank spring and annual meetings. Australia also engaged with World Bank management including hosting a visit by Mr Jim Adams, Vice President, East Asia and Pacific.

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

Key developments at the World Bank during 2009-10 included significant lending in response to the global financial crisis, agreement to voice reforms and a general capital increase, and the establishment of a new trust fund to scale up agricultural assistance to low income countries. Australia supported these activities, particularly the focus on voice and participation reform.

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Since the start of the global financial crisis, the multilateral development banks have provided US\$235 billion in lending, more than half of which has come from the World Bank Group.

Following a first phase of reform to enhance the voice and participation of developing countries in 2008, the World Bank's Development Committee agreed at the 2010 Spring Meetings to a second phase of reforms, including providing for a greater voice for developing and transition countries within the World Bank, a selective and a general capital increase, and selected internal reforms.

The package endorsed by governors will increase the voting power of developing and transition countries in the International Bank for Reconstruction and Development (IBRD) by 3.13 percentage points, bringing their voting power to 47.19 per cent, representing a total shift of 4.59 percentage points to developing and transition countries since 2008. Associated with this shift will be a selective capital increase of US\$27.8 billion, with paid-in capital of US\$1.6 billion. Australia actively worked towards the achievement of these voice reforms.

Governors also endorsed a general capital increase for the IBRD of US\$58.4 billion, of which 6 per cent or US\$3.5 billion will be paid-in. An increase in basic votes at the International Finance Corporation (IFC) and a selective capital increase of US\$200 million, representing a shift of 6.07 per cent to developing and transition countries, was also endorsed. To leave room for developing countries to increase their shareholding at the IFC, Australia will not participate in the selective capital increase.

Australia will contribute a total of US\$51.6 million in paid-in capital over five years towards the general and selective capital increases at the IBRD, and increase its uncalled capital subscription by US\$808.3 million, which will only be drawn down if the IBRD is unable to meet its financial obligations. Founded in 1944, the IBRD has never drawn on its uncalled capital subscriptions.

In response to G-20 calls to develop a multilateral trust fund to scale-up agricultural assistance to low-income countries, the World Bank became the trustee of the US\$800 million Global Agriculture and Food Security Program in April 2010. The program will provide predictable financing for low income countries to improve agricultural productivity, raise rural incomes and build sustainable agricultural systems.

### **Asian Development Bank (ADB)**

The Treasury continued to support the ADB's efforts to assist developing countries in the Asia-Pacific region as they recover from the effects of the global financial and economic crisis. The Treasury contributed to decision making through representation on the Board of Directors and attendance at the 2010 annual meeting in Tashkent, Uzbekistan. Australia is represented on the ADB Board of Directors by Mr Phil Bowen. Mr Bowen's term has been extended until 2013.

In its country statement at the 2010 annual meeting, Australia supported the ADB's US\$9 billion in additional lending from 2008-2010, including US\$3 billion through its counter-cyclical support facility. The Treasury encouraged the ADB to continue to work closely with the G-20 and with regional member governments to consider how longer term policy adjustments can be made to lift global growth.

On 8 January 2010, Australia became the first non-borrowing member to subscribe to the ADB's 200 per cent general capital increase. As part of its subscription, Australia will contribute an additional US\$197.6 million worth of paid-in capital over 10 years, with the first payment on 1 July 2010. Australia also increased its uncalled capital subscription so that it totalled SDR5.8 billion, which will only be drawn down if the ADB cannot meet its financial obligations. The ADB has never drawn on its uncalled capital subscriptions.

### **European Bank for Reconstruction and Development (EBRD)**

The Treasury continued to support the EBRD's work in helping the transition to open, market economies in Europe and central Asia. The Treasury contributed to the decision making process at the EBRD through representation on the Board of Directors. Australia is represented on this board by Dr John Eyers, who was appointed on 16 November 2009.

Australia supported the EBRD's general capital increase announced on 14 May 2010. As part of this Australia received €10.1 million in paid-in shares free of charge and will increase its uncalled capital subscription by €90.0 million. The EBRD has never drawn down on its uncalled capital subscription.

## Organisation for Economic Cooperation and Development

The Treasury contributed to the OECD's work on macroeconomic issues focusing particularly on the transition from recession to recovery.

In November 2009 and July 2010, the Treasury hosted an OECD delegation related to the 2010 Economic Survey of Australia — due to be formally released in late 2010. Other notable contributions from Australian officials were on taxation, corporate governance, foreign investment and intergovernmental relations.

In May 2010, the Treasury attended the OECD Ministerial Council Meeting in Paris — in support of the then Trade Minister, the Hon Simon Crean MP, who was a vice-chair at the meeting. Ministers discussed the importance of fiscal consolidation, structural reforms, innovation and employment, sources of growth and trade and investment.

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

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## Pacific Islands Forum Economic Ministers' Meeting

The Pacific Islands Forum Economic Ministers' Meeting provides an opportunity to discuss with Pacific island economic ministers the importance of improving economic performance to deliver stable and improved living standards. The Treasury supported the Assistant Treasurer's attendance at the October 2009 meeting. Pacific ministers focused on the socio-economic impacts of the global economic crisis and the importance of appropriate economic policy responses.

## Asia-Pacific Economic Cooperation

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

The Treasury supported the Treasurer's attendance at the 2009 APEC Finance Ministers' Meeting in Singapore from 11-13 November 2009.

The APEC Finance Ministers' Process is currently focused on supporting the G-20 agenda on strong, sustainable and balanced growth, with a particular emphasis on macroeconomic policy adjustments and structural reforms.

As a major contribution to supporting the objectives of the APEC Finance Ministers' Process, the Treasury delivered a capacity building workshop in Jakarta on 27-28 May 2010, representing the first phase in the delivery of the APEC Infrastructure Pathfinder Initiative.

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

This initiative is designed to support key partner economies within the region including Thailand, Indonesia, Vietnam, the Philippines and PNG to move toward best practice in the delivery of public-private infrastructure partnerships. The ultimate aim of this structural reform initiative is to foster greater commonality in public-private infrastructure markets within the APEC region. In moving towards best practice and greater commonality, this initiative seeks to help address in a practical and focused way the region's significant infrastructure investment needs. With infrastructure provision a key driver of stronger global growth the initiative is also closely aligned with the wider G-20 growth agenda.

Within the APEC Economic Committee, the Treasury have led the Friends of the Chair Group on Regulatory Reform which included conducting a survey on regulatory progress across economies to better inform the future work agenda, and contributed to the formation of the new structural reform agenda to replace the Leaders' Agenda to Implement Structural Reform.

The Treasury also provided support to a green growth initiative led by Korea. The Treasury hosted a workshop and commissioned the production of new research into market based green growth policies. This initiative is responsive to the aims of both the APEC Finance Ministers' Process and the G-20 in supporting sustainable growth.

The Treasury has also continued to work closely with Japan, the 2010 host of APEC.

### East Asia Summit

The EAS is the most recent addition to the regional architecture and the first regional forum to bring together all the major economies in East Asia, including Australia, New Zealand, India, Japan, China, and Korea. The Treasury have been working to strengthen regional financial cooperation through the EAS process for a number of years.

In May 2010, Vietnam, as the Association of South-east Asian Nations and EAS Chair, convened an inaugural informal EAS Finance Ministers' Meeting. The Treasury supported the Assistant Treasurer at this meeting. Key topics of discussion included the G-20 and regional cooperation and capacity building.

One of the Treasury's major contributions to the EAS finance agenda is designing, developing and delivering targeted capacity building programs. In late 2009 and early 2010, the Treasury launched the inaugural pilot of the financial sector capacity building program, in partnership with Malaysia, that focused on strengthening the institutional development and function of securities market supervisory agencies in the less developed economies of Cambodia, Lao People's Democratic Republic (PDR) and Vietnam. This initiative involved six EAS economies including India.

Following strong interest from participants in the pilot program, the Treasury, in partnership with Malaysia, launched a second capacity building program in June 2010, that focused on structuring and restructuring financial markets. This program attracted involvement from

10 out of the 16 EAS economies, Australia, Malaysia, Cambodia, Lao PDR, Vietnam, India, Philippines, Indonesia, Thailand and China.

### Overseas development assistance

The Treasury provided advice on general development and aid issues including Australia's multilateral and bilateral aid programs, new expenditure initiatives and the framework for Australia's aid budget. The Treasury provided advice on 2010-11 Budget initiatives (such as enhancing education, the development partnership with Indonesia and increased assistance to Africa) and the effectiveness of Australia's overseas development assistance. The Treasury also participated in the Development Effectiveness Steering Committee, an interdepartmental committee convened to ensure effectiveness in Australia's overseas development assistance.

## International policy advice

### Relations with Asia

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The Treasury continued to broaden and deepen its engagement with key Asian economies. In September 2009, the Treasurer visited India, the first bilateral visit to India by an Australian Treasurer since 2002. He met with the Indian Finance Minister and the Deputy Head of the Planning Commission, and discussed issues concerning the G-20, global financial markets and regional cooperation. The Treasury supported the Treasurer on these visits.

In November 2009, the Treasurer supported the Treasurer on his visit to Indonesia, where he met with the Indonesian Finance Minister and the then newly appointed Vice-President. The visit helped to entrench cooperation with Indonesia across a number of fronts including the G-20, climate change and regional financial arrangements. The Treasurer also issued a joint ministerial statement with the Indonesian Finance Minister.

In June 2010, the Treasurer went to the Shanghai World Expo 2010, where he delivered a speech on Australia's role as a regional financial centre. The Treasurer met with financial sector representatives and investors to promote Australia as a place for business and investment. He also travelled to Beijing, where he held bilateral meetings with the Chairman of the National Development and Reform Commission, the Governor of the People's Bank of China, and the Vice Premier, Mr Li Keqiang, to discuss G-20 related issues, financial services, foreign investment and the global economic outlook.

In January 2010, as part of the Memorandum of Understanding between the Treasury and China's National Development and Reform Commission, two bilateral seminars were held at the Treasury. The memorandum, signed in October 2008, seeks to establish a bilateral seminar program between the two institutions. The seminar program provides an opportunity to strengthen the Treasury's institutional links with its counterpart agency in China and foster a better understanding of the Chinese economy. The seminars were presented by the Director-General of the Fiscal and Financial Affairs Department, on

the topics of 'China's macroeconomic policy response to the global financial crises' and 'Emerging trends in China's labour market'.

The strong relationship between the Treasury and Indonesia's Fiscal Policy Office within the Indonesian Ministry of Finance continued in 2009-10. The Treasury has two deployees there as part of the Government Partnerships Fund who work to strengthen Indonesian economic policy advising capabilities and to develop lasting institutional relationships. The partnership continued to strengthen over 2009-10, with a number of key activities and visits combined with continued ongoing close working relationships. These relationships have facilitated the enhanced cooperation between the Treasury and the Indonesia's Fiscal Policy Office across a number of fronts including on G-20, APEC and EAS issues.

Over the past financial year, the Treasury hosted two Indonesian delegations. In November 2009, an Indonesian delegation led by the then head of Indonesia's Fiscal Policy Office, met with the Treasury and a number of other government agencies to exchange views on the prospects for the Australian and Indonesian economies and discuss economic cooperation between Australian and Indonesia on a number of fronts. In March 2010, a visit by a combined Fiscal Policy Office/Indonesian Ministry of Finance Corporate Services delegation aimed to gain insight into the Treasury's approach to a range of corporate management issues.

The Treasury also hosted a delegation from Vietnam led by Vietnam's Vice Minister of Finance to discuss economic cooperation between Australia and Vietnam and key issues surrounding the budget, policy formulation and debt management processes.

The Treasury held its annual economic policy dialogue with the Japanese Ministry of Finance in Canberra during March 2010. The dialogue allowed for the shared discussion of economic conditions and collaborative work in international forums.

In May 2010, the Minister for Financial Services, Superannuation and Corporate Law attended meetings in Malaysia to promote Australia as a regional financial centre.

The Treasury reported on regional economic and policy developments in Beijing, Jakarta and Tokyo. This helped strengthen relations with the Treasury's counterparts in their countries of accreditation and facilitated high-level meetings.

### Relations with Pacific economies

The Treasury advised ministers and agencies on economic and fiscal issues relating to the Pacific, particularly the Solomon Islands, PNG and Nauru, where deployed officials work to build sustainable and effective economic ministries.

The Treasury also provided assistance to PNG under the *Joint Understanding between PNG and Australia on further cooperation on the PNG Liquefied Natural Gas (LNG) Project*, to assist PNG consider the establishment of a transparent, well governed sovereign

wealth fund. The Treasury also hosted four officials from the Pacific region (two from PNG, two from Solomon Islands) on officer exchange to the department.

### Economic reconstruction issues

#### Solomon Islands

The Treasury worked in the Solomon Islands Ministry of Finance and Treasury as part of the Regional Assistance Mission to Solomon Islands. Through the establishment of the Core Economic Working Group, this engaged the Government, donors and other stakeholders to assist in economic reform and support the Solomon Islands economy. The Treasury also worked to increase the capacity and capability of the Ministry of Finance and Treasury, and provided quality advice to the Solomon Islands Government on economic and public financial management.

#### Papua New Guinea

The Treasury contributed to PNG's continued macroeconomic stability through high-quality advice and provided support to the PNG Treasury in considering the impact of a large liquefied natural gas project on the PNG economy, including how project revenue might be managed in the future. This also supported the PNG Treasury on a range of structural policy, forecasting, taxation, budget and investment issues.

#### Nauru

The Treasury worked to strengthen financial management capacity, liaised with donors to administer Nauru's debt position and provided advice on further economic reforms to assist Nauru's economy. In consultation with the Government of Nauru, the Treasury's assistance to Nauru during 2009-10 reduced from three to one official, as two positions became AusAID managed positions. The remaining position (Secretary of Finance) will be an AusAID managed position from mid-July 2010.

## FISCAL GROUP

### Overview

Fiscal Group aims to ensure government spending arrangements are effective, as they are crucial to influencing strong, sustainable economic growth and the improved wellbeing of Australians. Ongoing 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 policies, and coordination of the budget and other reports required under the *Charter of Budget Honesty Act 1998* (the Charter);
- Commonwealth-State financial policy, and arrangements related to state and territory fiscal and tax issues, including implementing the *Intergovernmental Agreement on Federal Financial Relations* (Intergovernmental Agreement) which commenced on

1 January 2009, and the progress of ongoing reforms across a broad spectrum of policy responsibilities through the Council of Australian Governments (COAG) process;

- policy development in industry, environment, defence and national security policy; and
- policy development in social and income support policy, including health, the labour market, education, Indigenous welfare and immigration.

Fiscal Group works with other departments and agencies to develop and provide policy advice to Treasury portfolio ministers and the Government on industry, climate change and environment, and defence and national security. Fiscal Group also works with other departments in areas such as early childhood and families, education and skills, social housing, Indigenous policy, labour markets, immigration and health policy. While other departments have primary responsibility for policy and programs in these areas, Fiscal Group focuses on improving productivity and competitiveness, and ensuring sustainable economic growth, taking account of fiscal policy objectives and broader issues relating to wellbeing.

During 2009-10, the Treasury participated in a wide range of policy development processes, worked with other agencies to develop policy approaches, provided advice for Cabinet ministers, and briefed the Treasurer for his participation in Cabinet and the budget processes. Fiscal Group also assisted in preparing briefings for the other Treasury portfolio ministers, and coordinated the preparation of the IGR2010.

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Fiscal Group provides high quality advice on Commonwealth-State financial policy, arrangements related to state and territory fiscal and tax issues, and also manages the administration of payments to the States and Territories (the States). Since 1 January 2009, under the Intergovernmental Agreement, the Treasury has been responsible for administering National Specific Purpose Payments (National SPPs), 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 on pages 102 to 111.

## Group deliverables

Fiscal Group's key deliverables are to advise on:

- fiscal strategy which aims to ensure fiscal sustainability over the economic cycle;
- effective government spending arrangements which contribute to improving the wellbeing of Australians;
- preparation of the Commonwealth Budget and other financial related papers required under the Charter; and
- supporting Commonwealth-State relationships through the coordination and delivery of various Commonwealth-State forums, including the progress of COAG reform agendas.



## Group outcomes

Fiscal Group's key outcomes were:

- advising on the fiscal outlook and fiscal strategy;
- advising on budget priorities consistent with the medium-term fiscal strategy;
- preparing, with the Department of Finance and Deregulation, the 2010-11 Budget (May 2010) and related financial papers — *Final Budget Outcome 2008-09* (September 2009) and MYEFO (November 2009);
- advising the Treasurer, in consultation with the Australian Office of Financial Management (AOFM) on debt issuance and debt policy issues;
- preparing the IGR2010, including advising on the challenges that Australia will face over the next 40 years, the fiscal and economic consequences of an ageing population, environmental challenges and social sustainability;
- advising on operational issues relating to the Future Fund and the three Nation-building Funds;
- implementing the framework for federal financial relations which commenced on 1 January 2009, including advising on the development of new National Partnerships;
- managing the administration of payments to the States including five National SPPs in healthcare, schools, skills and workforce development, disability services and affordable housing, plus general revenue assistance and National Partnership payments;
- providing secretariat support for the Ministerial Council for Federal Financial Relations on policy issues relevant to both the Australian Government and the States;
- advising on, and monitoring the First Home Owners Boost and the Guarantee of State and Territory Borrowing;
- establishing a Sustainable Population Strategy Taskforce in May 2010 to provide policy advice on issues relevant to population, as a follow on to the IGR2010;
- advising on industry, climate change and environment, and defence and national security. The Treasury was engaged in a diverse range of issues and processes, including: climate change mitigation and adaptation policy; the commencement of work on a National Plan for Environmental Information; the inaugural Coordinated National Security Budget process; Australia's bids for the soccer World Cup and Asian Cup; and the Government's response to the review into the Future of Sport in Australia; and
- advising on social, education, Indigenous, labour market, immigration and health policy, including: contributing to the development of the *National Health and Hospitals Network Agreement*; providing advice on the development of the Skills for Sustainable Growth strategy; several reforms to immigration policy; and Indigenous policy. Fiscal Group also worked with other agencies to progress the service delivery reform in the Human Services Portfolio and implement the Government's Paid Parental Leave scheme.

## Analysis of performance

### Advice on the fiscal and budget strategies

During 2009-10, the Treasury provided advice to the Treasurer and other portfolio ministers on the Australian Government's budget position over the forward estimates and the medium-term, to inform overall policy settings and provide the context for the Government's decision making. The fiscal outlook was updated in the 2009-10 MYEFO and the 2010-11 Budget.

With an improved economic outlook in the lead up to the 2009-10 MYEFO and the 2010-11 Budget, the Treasury advised the Government on the fiscal strategy.

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 2009-10 MYEFO was released by the Treasurer and Minister for Finance and Deregulation on 2 November 2009, updating the fiscal estimates published in the 2009-10 Budget. The forecast underlying cash deficit of \$57.7 billion for 2009-10 was largely unchanged from the 2009-10 Budget, although beyond 2009-10, underlying cash balances improved in each year across the forward estimates.

The 2010-11 Budget, published in May 2010, showed further improvements to the projected budget position in each year of the forward estimates. The underlying cash deficit for 2010-11 was estimated to be \$40.8 billion, with the budget expected to return to surplus in 2012-13, three years earlier than previously projected.

The Treasury assisted the Government in implementing its fiscal strategy by managing budget processes and advising the Treasurer 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 at or above trend. 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](http://www.budget.gov.au). Widespread access to these documents helps the public keep informed of budget decisions and the fiscal outlook.

The Treasury and the Department of Finance and Deregulation jointly prepare the Government's budget documentation. The Treasury also prepares accessible summaries for

non-specialist readers. This year, these were the *Budget Overview*, *Budget at a Glance*, and an overview of health reform *A National Health and Hospitals Network for Australia's Future*.

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 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.

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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 2008-09* was published in September 2009. In 2008-09, the Australian Government general government sector recorded an underlying cash deficit of \$27.1 billion. This outcome was around \$5.0 billion better than estimated at the 2009-10 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 in the 2010-11 Budget, Budget Paper No. 3, *Australia's Federal Relations*. The paper, prepared by the Treasury, is the main public source of information on Australian Government payments to the States and Local Governments. It also informs the States of their expected payments in the upcoming financial year.

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

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

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

### **Debt management policy**

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

Treasury Bond issuance in 2010-11 is expected to be around \$56 billion. The face value of securities offered at each tender will be between \$500 million and \$1.2 billion. In addition, Treasury Notes will be offered at regular tenders to support the within-year financing task.

In 2009-10 the Government recommenced issuance of Treasury Indexed Bonds. In 2010-11, Treasury Indexed Bond issuance is expected to be around \$4 billion.

On 7 April 2009, the Government announced that it would partially fund its investment in the National Broadband Network by issuing Aussie Infrastructure Bonds. During 2009-10, the Treasury provided advice on the design and issuance of Aussie Infrastructure Bonds. The Government announced in the 2010-11 Budget that \$300 million of Aussie Infrastructure Bonds will be issued in 2010-11.

Specific details of the Government's forward debt issuance program in 2010-11 is on the AOFM website at [www.aofm.gov.au](http://www.aofm.gov.au).

### **Intergenerational Report**

The Charter stipulates that an intergenerational report be produced on a five-yearly cycle.

The IGR2010 was tabled by the Treasurer in February 2010. In assessing the challenges that Australia will face over the next 40 years, the report sets out the fiscal and economic consequences of an ageing population coupled with a discussion on environmental challenges and social sustainability.

### **Future Fund and Nation-building Funds**

During 2009-10, 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](http://www.futurefund.gov.au).

## Australia's Federal Financial Relations

The current framework for federal financial relations, introduced on 1 January 2009, provides a strong foundation for COAG to pursue economic and social reforms to underpin growth, prosperity and wellbeing into the future.

Significant progress has been made in implementing the framework, with the institutional arrangements well established, payment arrangements bedded down and performance reporting well underway.

Over 2009-10, fiscal stimulus payments to the States made under the framework, including for the Nation Building and Jobs Plan and the First Home Owners Boost, have supported the recovery of the economy from the global financial crisis.

The framework has demonstrated that it can respond flexibly to events, such as the global financial crisis, as well as lay the foundation for improved community wellbeing and a high standard of living for Australians in the future. The framework has supported and is being adapted to incorporate new reforms, including the *National Health and Hospitals Network* agreed at COAG by all States other than Western Australia on 20 April 2010.

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To ensure that the framework continues to be effective in driving COAG's ambitious reform agenda, a review of agreements under the framework is being conducted by Heads of Treasuries over the course of 2010, with a report to COAG by the end of the year. The review currently being undertaken by the Australian and State Treasuries is considering options to improve the efficiency and effectiveness of the federal financial relations framework, with a focus on improvements that will enhance the delivery of national outcomes as agreed by COAG.

In 2009-10, the Treasury has made payments for general revenue assistance, including GST, National SPPs and National Partnership payments.

### General revenue assistance

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, distributed in accordance with relativities determined by the Treasurer, following recommendations by the Commonwealth Grants Commission and discussion at the Ministerial Council meeting.

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 on pages 102 and 103.

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

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

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

Details on National SPPs and National Partnerships are provided under Programs 1.5 to 1.10 on pages 104 to 111.

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### Ministerial Council for Federal Financial Relations

The Ministerial Council, comprising the Australian 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 Ministerial Council. The website for the Ministerial Council is [www.federalfinancialrelations.gov.au](http://www.federalfinancialrelations.gov.au).

At Ministerial Council meetings held in 2009-10, treasurers focused on: bedding down the new framework for Federal Financial Relations; monitoring economic conditions and prospects; and considering the financing aspects of the health and hospital network reforms.

### Australian Loan Council

The Australian Loan Council, chaired by the Treasurer, meets annually to consider each jurisdiction's expected borrowing for the next financial year. The Treasury advised the Treasurer on key issues and coordinated arrangements for this meeting. The Australian Loan Council took on two new roles in 2009-10: to look at macroeconomic impacts on infrastructure; and an oversight function for the Commonwealth guarantee of State and Territory borrowing.

### Heads of Treasuries

At the Heads of Treasuries meetings, the treasuries of the Australian and State Governments share information on common issues. The Secretary to the Treasury and his

state counterparts met twice in 2009-10 to discuss the general operation of the Federal Financial Relations framework, current economic conditions and the fiscal outlook, tax and financial issues.

### **GST Administration Sub-committee**

The Treasury chairs this sub-committee, which comprises officials from the Treasury, the ATO and State Treasuries. The sub-committee met three times in 2009-10. The sub-committee monitored the performance agreement agreed in 2008-09 and discussed GST revenue and payments, GST policy and administrative issues.

## **Industry, Climate Change and Environment, and Defence and National Security policy**

### **Industry policy**

The Treasury advised on industry assistance, export assistance, science and innovation, arts, sports and regional policy issues. This included advice on the development of Commercialisation Australia and the Government's response to the review of Australia's sports system, entitled the Future of Sport in Australia.

The Treasury also participated in interdepartmental committee meetings and forums during 2009-10, including the implementation of the national tourism strategy, the Government's response to the Productivity Commission's review of Australia's Anti-Dumping and Countervailing System, Australia's bid for the FIFA World Cup and Asian Football Confederation Cup, and Export Finance and Insurance Corporation proposals.

### **Climate change and environment policy**

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

The Treasury worked closely with the Department of Climate Change and Energy Efficiency and the Department of Resources, Energy and Tourism on the enhancements to the Clean Energy Initiative, including the Renewable Energy Future Fund, changes to the Renewable Energy Target and through participation in the Prime Minister's Energy Efficiency Task Force.

The Treasury supported Australia's engagement in international climate change issues and processes through work in forums such as the United Nations Framework Convention on Climate Change. The Treasury's advice focused on international climate change financing issues, including the United Nations Secretary General's High-level Advisory Group on Climate Change Financing.

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

The Treasury's advice covered the development of a National Plan for Environmental Information, the design of the Western Australian drought pilot as part of the Government's drought policy reform announced in the 2010-11 Budget, and the terms of reference for Productivity Commission inquiries into micro-economic reform in the urban water sector and rural research and development corporations. Additional advice was on specific agricultural commodity issues including wheat, fisheries, logging and sugar.

During 2009-10, the Treasury also contributed to interdepartmental committees dealing with water policy, quarantine and drought.

### **Defence and National Security policy**

The Treasury advised on a range of defence and national security issues, including the Coordinated National Security Budget process and advice to support the Secretary in his role as a member of the Defence Strategic Reform Advisory Board.

The Treasury has continued to participate in the Secretaries' Committee on National Security that examines and advises on proposals considered by the National Security Committee of Cabinet. It also participated in interdepartmental processes concerning Defence Capability Plan projects, Defence estate, and various aspects of domestic security arrangements.

## **Social, Education, Indigenous, Labour Market, Immigration and Health policy**

### **Social policy**

During 2009-10, the Treasury:

- worked with other agencies to progress the Social Inclusion agenda, including the Government's approach to reducing homelessness;
- continued to contribute to the National Disaster Resilience Strategy, currently under development for COAG;
- provided policy advice supporting the development of the child care reforms announced in the 2010-11 Budget, and was involved in the implementation of the Government's Paid Parental Leave scheme; and
- participated in the Steering Committee for the Review of Military Compensation Arrangements.

### **Education policy**

The Treasury undertook significant work on skills policy during 2009-10, working collaboratively with the Department of Education, Employment and Workplace Relations and



other departments on skills policy advice both during the recovery and in the longer term, such as the Skills for Sustainable Growth strategy announced in the 2010-11 Budget.

### Indigenous policy

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

### Labour market programs and participation

The Treasury advised on a range of employment and participation issues, including the Keep Australia Working initiative announced by the Government as part of its response to the economy's downturn. Work was also undertaken on longer term policy issues, including the impact of demographic change on participation, and ways to improve the labour market engagement of mature-age Australians, including through the Productive Ageing Package, announced alongside the release of the IGR2010.

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### Workplace relations

The Treasury worked closely with the Department of Education, Employment and Workplace Relations to develop a whole-of-government approach to the 2010 Minimum Wage Review and prepare submissions to the Minimum Wage Panel's final minimum wage decision.

### Immigration

Advice was provided on several reforms to immigration policy that the Government progressed, including those arising from the review of the Migration Occupations in Demand List, the review of the General Skilled Migration points test and the changes to the composition of the 2010-11 Migration Program. The reforms were designed to enhance the contribution of immigration to the productive capacity of the economy and help to address emerging demands for skilled labour during the economic recovery.

### Health policy

In April 2010, COAG, with the exception of Western Australia, agreed to the *National Health and Hospitals Network Agreement*. The Treasury played a significant role in developing the *National Health and Hospitals Network*, including the reforms to the financial framework, the health system governance arrangements and the modelling of healthcare costs. Work also commenced on the implementation of these health reforms, particularly the financial framework aspects for which the Treasury has responsibility.

The Treasury also advised the Treasurer on Medicare, the Pharmaceutical Benefits Scheme, the Medicare Benefits Schedule, private health insurance, and aged and community care.

## Australian Government Service Delivery Reform

The Treasury worked closely with other policy agencies in progressing the Government's commitments to service delivery reform in the Human Services Portfolio, and contributed to developing a more strategic approach to managing fraud and compliance efforts across health and social welfare payments.

## REVENUE GROUP

### Overview

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

Revenue Group has primary responsibility for providing high-quality advice to Treasury portfolio ministers on tax and retirement income policies and legislation. The Treasury designs policy options and legislative proposals to make the Australian tax system more efficient, fair and transparent, and minimise compliance and administration costs. Advice is formulated through an integrated process, which includes consultation with business and community bodies, and close cooperation with the ATO and relevant Commonwealth departments.

During 2009-10, tax and retirement income policy considerations were integral to the Treasury's advice to assist the Government to improve the tax and transfer system. Revenue Group developed legislation giving effect to measures announced in the 2009-10 Budget to ensure the budget's sustainability, including superannuation and private health insurance rebate changes that supported the pension reform package and better targeting the tax exemption for Australians' foreign employment income. Revenue Group also developed medium-term revenue projections as an input to the medium-term analysis undertaken in Statement 3 of the 2009-10 Budget.

The Treasury continued to host the Australia's Future Tax System (AFTS) Review secretariat which supported the panel conducting the comprehensive review of Australia's tax and transfer system. The secretariat operated in the Treasury until the review's final report was delivered to the Treasurer in December 2009. Revenue Group then advised the Government on its response to the review's recommendations, *Stronger, Fairer, Simpler: a tax plan for our future*. The Government released the review panel's final report, together with its initial response on 2 May 2010. Key measures included changes to resource and business taxation arrangements, infrastructure funding, and changes to superannuation arrangements.

In the 2010-11 Budget, the Government also announced the introduction of a standard deduction for work related expenses and a tax discount for interest earned on savings. The

Treasury also advised on a range of other business, personal and indirect tax policy issues, including: 'ready-to-drink' alcoholic beverages and tobacco excise; the signing of new tax treaties with Chile and Turkey; and entry into force of the new treaty with New Zealand. Revenue Group contributed to the preparation of the IGR2010, providing revenue projections for the Government's tax revenue out to 2049-50.

The Treasury continued to develop enhanced consultation processes for tax and superannuation measures, including establishing a Tax Design Advisory Panel to facilitate consultation at the initial policy design stage of a measure's development. It also provided secretariat services to the Board of Taxation. The Board of Taxation publishes its own annual report at [www.taxboard.gov.au](http://www.taxboard.gov.au).

## Group deliverables

Revenue Group's key deliverables are to advise on:

- the comprehensive review of Australia's tax and transfer system by the AFTS Review Panel, which provided a final report to the Treasurer by the end of 2009;
- tax and retirement income initiatives which assist taxpayers deal with the impacts of the global financial crisis and advance the Government's other policy goals, including a simpler and fairer tax system, improved international competitiveness and investment decisions leading to higher productivity;
- the costs and impacts of tax proposals, measures and expenditures, including their distributional impact and overall efficiency; and
- a modernised tax treaty network and revised international tax rules which address risks from harmful tax jurisdictions, promote growth and investment, and further Australia's interests, particularly in the Pacific and Asia.

## Group outcomes

Revenue Group's key outcomes were:

- providing secretariat and other support to the AFTS Review Panel, including examining a broad range of tax and transfer issues, analysing public submissions, organising consultations with a wide range of stakeholders, commissioning research and delivering the final report to the Treasurer in December 2009;
- advising the Government on the recommendations of the AFTS Review, the Government's response to those recommendations and the Johnson Review;
- regularly revising tax revenue estimates and analysis, taking into account the improving domestic economy despite continuing global uncertainty, and incorporating these into the overall fiscal outlook and strategy in MYEFO and the 2010-11 Budget, as well as providing input into the IGR2010;

- advising on and implementing legislation for business tax proposals, including providing advice and policy support on the taxation of non-renewable resources, amending the consolidation regime, amending the taxation of financial arrangements rules, making a regulation on term subordinated debt, amending the capital gains tax rules to remove the trust cloning exception, providing limited rollover for assets transferred between certain trusts and removing certain income tax impediments to mergers of superannuation funds, developing the framework for the tax agent services regulatory reform, reforming the taxation of managed investment trusts, implementing legislation to protect investors in forestry managed investment schemes, and implementing the Board of Taxation recommendations on off-market share buy-backs;
- advising on proposals for personal tax policy reform, including a standard deduction for work-related expenses and the cost of managing tax affairs, a 50 per cent discount for individuals with up to \$1,000 interest income, a higher threshold above which taxpayers may claim the Net Medical Expenses Tax Offset, and greater flexibility for holders of first home saver accounts;
- advising on and implementing legislation for philanthropy tax policy, including improving the integrity of public ancillary funds, extending deductible gift recipient status to all volunteer fire brigades and related emergency services, as well as specifically listing organisations in the tax law as deductible gift recipients and income tax exempt;
- advising on and implementing legislation for superannuation and retirement income policies, including the lost members framework, the small business superannuation clearing house provided through Medicare Australia, and legislation to give effect to the Memorandum of Understanding between Australia and New Zealand to establish a retirement savings portability scheme;
- advising on and implementing legislation for Australia's international tax arrangements, reflecting efforts to maintain the integrity of the tax base while providing a competitive and modern international tax system, including recommendations from the Board of Taxation's *Review of the foreign source income anti-tax-deferral regimes*, and the Johnson Report;
- progressing tax treaty negotiations with key investment partners, including enacting a new tax treaty with New Zealand, signing new treaties with Chile and Turkey, and concluding tax information exchange agreements with several other jurisdictions;
- contributing to global efforts to address tax transparency and harmful tax regimes, including the election of Australia as the Chair of the Global Forum on Transparency and Exchange of Information;
- advising on and implementing legislation on a range of indirect tax measures, including recommendations from the Board of Taxation's *Review of the Legal Framework for the Administration of the Goods and Services Tax*, tobacco excise and 'ready-to-drink' alcoholic beverages and advising on GST policy issues, including the Board of Taxation's *Review of the Application of the Goods and Services Tax to Cross-Border Transactions*,

the Treasury's *Review of the Margin Scheme* and the Treasury's *Review of the Goods and Services Tax Financial Supply Provisions*;

- providing quantitative advice, including analysis of the distributional considerations, into the AFTS Review process and the government's response, the Carbon Pollution Reduction Scheme, the fiscal stimulus and various tax proposals, such as the tobacco excise and increased thresholds for the Net Medical Expenses Tax Offset;
- coordinating the *2009 Tax Expenditures Statement* publication and providing quantitative advice on estimates of tax expenditures;
- concluding the Participation Modelling Project and having achieved a step up in the capacity of the Treasury — and more broadly across government — to model the impact on labour market behaviour of tax and transfer policy, including retirement incomes policy and child care policy;
- continuing to develop enhanced consultation processes for tax and superannuation measures, including establishing a Tax Design Advisory Panel to allow the Government, in appropriate circumstances, to develop tax legislation by teams involving the Treasury, the ATO and the private sector (as represented by panel members);
- advising the Government on ways to improve the operation of the running balance account and interest on overpayments provisions in the tax laws and developing legislation to transfer provisions from the *Income Tax Assessment Act 1936* to the *Income Tax Assessment Act 1997*;
- providing secretariat support to the Board of Taxation, including to its reviews of tax arrangements applying to managed investment trusts, elements of the taxation of employee share scheme arrangements, application of GST to cross-border transactions, tax treatment of collective investment vehicles, tax treatment of Islamic finance products, review of the Tax Issues Entry System and its post-implementation review into certain aspects of the consolidation regime; and
- providing secretariat support to the Superannuation Advisory Committee, which met three times during 2009-10.

## Analysis of performance

### Australia's Future Tax System Review and the Government response

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

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

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

A secretariat was established within the Treasury to support the panel. The secretariat operated in the Treasury until the review panel's final report, *Australia's future tax system: Report to the Treasurer* was delivered to the Treasurer in December 2009.

The Treasury advised the Government on the recommendations and in developing and implementing the Government's response to the review. The Government released the final report, together with its initial response *Stronger, Fairer, Simpler: a tax plan for our future* on 2 May 2010.

### Tax revenue estimates and analysis

The Treasury, in collaboration with the ATO, provided the Government with timely monitoring, analysis and estimation of tax revenues as the Australian economy recovered from the global financial crisis. Revisions to expected tax revenue in 2009-10 and over the forward estimates, reflected the recovery in the domestic economy despite continued global uncertainty and the lags inherent in the tax system, and were made at both the economic and fiscal outlook releases through 2009-10 (MYEFO and the 2010-11 Budget). The Treasury provided revenue estimates into the medium term as an input into the medium term analysis undertaken in Budget Statement 3 of the Budget. The Treasury provided revenue projections for Government tax revenue out to 2049-50 for the IGR2010.

### Other analysis

The Treasury also undertook other quantitative analysis in preparing advice for government policies, such as the change to the threshold for the Net Medical Expenses Tax Offset and increase to tobacco excise in the 2010-11 Budget. The Treasury's analysis of interactions in the Australian tax and transfer system was also provided to the OECD for international comparisons in the *2009 Taxing Wages* and the *2007 Net Social Expenditures*.

### Business tax reform

#### Taxation of non-renewable resources

Following the completion of the AFTS Review, the Treasury advised on the taxation of non-renewable resources and development of the Resource Super Profits Tax. The Treasury undertook extensive consultation with the mining sector following the announcement of the Resource Super Profits Tax and provided secretariat support to the Resource Tax Consultation Panel. Following consultations with the sector, the Government announced changes to the resource tax arrangements, including the Minerals Resource Rent Tax and extension of the Petroleum Resource Rent Tax.

### Tax agent services regulatory reform

The Treasury continued to provide policy advice and develop legislation to implement the new tax agent services regime which started in March 2010. The *Tax Agent Services Act 2009*, which received Royal Assent on 26 March 2009, established a national statutory body, the Tax Practitioners Board, with an enhanced regulatory function to replace the existing state-based boards and introduced a legislative Code of Professional Conduct for registered agents, along with wider and more flexible disciplinary sanctions.

The Treasury developed legislation on transitional arrangements through the *Tax Agent Services (Transitional Provisions and Consequential Amendments) Act 2009*, which received Royal Assent on 16 November 2009 and helped appoint 12 members to the new board.

### Confidentiality of taxpayer information

The Treasury continued to provide advice and develop legislation to protect the confidentiality of taxpayer information held by the ATO. The Tax Laws Amendment (Confidentiality of Taxpayer Information) Bill 2009 was introduced into the House of Representatives on 19 November 2009. The legislation, when enacted, will rationalise a multitude of secrecy provisions in various tax laws and generally prohibit the disclosure of taxpayer information, except in specified circumstances.

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### Small business tax measures

The Treasury has advised on numerous potential small business tax measures, including the immediate asset write-off for depreciating assets valued at under \$5,000 and the early start to the reduced company tax rate of 29 per cent for small business companies from 2012-13.

### Managed investment trusts

The Treasury advised on reforms to the tax arrangements for managed investment trusts, including introducing a new tax system for managed investment trusts, in response to the Board of Taxation's review. The Government announced the reforms on 7 May 2010. They include allowing qualifying managed investment trusts (those with clearly defined rights) to elect an attribution method of taxation to determine when an investor is liable to taxation.

The Treasury also provided policy advice and developed legislation to allow managed investment trusts to irrevocably elect to apply the capital gains tax provisions as the primary code for taxing gains and losses on disposing of certain assets (primarily shares, units and real property). The measure announced in the 2009-10 Budget implements interim advice that the Board of Taxation provided to the Government during the Managed Investment Trusts Review. The Treasury undertook public consultation on a discussion paper and draft legislation. The measure included in *Tax Laws Amendment (2010 Measures No. 1) Act 2010*, received Royal Assent on 3 June 2010.

### Restricting eligibility to the Entrepreneurs' Tax Offset through an income test

The 2008-09 Budget announced the introduction of an income test into the eligibility criteria for the Entrepreneurs' Tax Offset to reduce the offset that taxpayers with other significant sources of income (income not referable to the relevant small business) could claim. The income test restricts the eligibility of single individuals whose income is over \$70,000 and members of families whose incomes are over \$120,000. The Treasury undertook public consultation on draft legislation. The measure included in *Tax Laws Amendment (2010 Measures No. 1) Act 2010*, received Royal Assent on 3 June 2010.

### Extending tax file number withholding arrangements to closely held trusts

The Treasury provided policy advice, consulted and developed legislation and regulations on the 2009-10 Budget announcement to extend the tax file number withholding arrangements to closely held trusts, including family trusts. This measure included in the *Taxation Laws Amendment (2010 Measures No. 1) Act 2010*, received Royal Assent on 28 June 2010.

### Review of elections in the income tax law

The Treasury developed and released a consultation paper on the *Review of Elections in the Income Tax Law*. The paper examines the advantages and disadvantages of elections and seeks submissions on a proposed set of guidelines for the future drafting of election provisions.

### Unlimited amendment periods

The Treasury provided advice and developed legislation to repeal over 100 provisions that allowed the Commissioner of Taxation an unlimited period to amend a taxpayer's income tax assessment. This measure, implemented through the *Tax Laws Amendment (2010 Measures No. 2) Act 2010*, received Royal Assent on 28 June 2010.

### Capital gains tax treatment of water entitlements and termination fees

The Treasury provided policy advice and developed legislation to provide a capital gains tax rollover for taxpayers who replace an entitlement to water with different water entitlements and include these costs in the asset's cost base so termination fees are recognised when calculating a capital gain or capital loss on an asset. This changed treatment of termination fees applies to all assets, not just those relating to water. These changes, included in the *Tax Laws Amendment (2010 Measures No. 4) Bill 2010*, were introduced into Parliament on 23 June 2010. The water entitlement rollover is available on an optional basis from 2005-06.

### Abolishing trust cloning and providing a capital gains tax rollover for certain trusts

The Treasury provided policy advice and developed legislation to remove the trust cloning exception that allowed assets to be transferred between two trusts with the same terms and beneficiaries without triggering a capital gains tax taxing point, and provide limited capital



gains tax rollover for assets transferred between trusts that have the same beneficiaries with the same entitlements and no material discretionary elements (typically referred to as fixed trusts). The measure, included in the *Tax Laws Amendment (2009 Measures No. 6) Act 2010*, received Royal Assent on 24 March 2010.

### Loss relief for merging superannuation funds

The Treasury provided policy advice and developed legislation to provide temporary loss relief for mergers on or after 24 December 2008 and before 1 July 2011 between complying superannuation funds by permitting the rollover of capital losses and transfer of revenue losses. The measure included in the *Tax Laws Amendment (2009 Measures No. 6) Act 2010*, received Royal Assent on 24 March 2010.

### Reform of research and development tax concession

The Treasury advised on introducing a new research and development tax incentive to replace the existing one from 2010-11. The Government announced this policy in the 2009-10 Budget. The new incentive will provide a 45 per cent refundable tax offset for companies with turnover less than \$20 million and a 40 per cent non-refundable tax offset for other companies. These changes were included in the Tax Laws Amendment (Research and Development) Bill 2010 which was introduced into Parliament on 13 May 2010.

### Forestry managed investment schemes

The Treasury provided policy advice and developed legislation to protect investors in forestry managed investment schemes from an adverse and unintended tax outcome following the collapse of some scheme managers. The amendment ensures investors do not have their previously claimed tax deductions denied, if they do not hold their forestry investments for four years for reasons genuinely outside their control. Such events could include the insolvency of the managed investment scheme manager, the death of the investor, or cancellation of a managed investment scheme interest because the trees are destroyed by fire, flood or drought. Minor amendments were also made to ensure the promoter penalties provisions continue to operate as a robust integrity measure. The measure, included in *Tax Laws Amendment (2010 Measures No. 1) Act 2010*, received Royal Assent on 3 June 2010.

### Consolidation

The Treasury provided policy advice and developed legislation to modify the circumstances when a consolidated group can use tax losses transferred it by an insolvent joining entity. The measure, included in *Tax Laws Amendment (2009 Measures No. 4) Act 2009*, received Royal Assent on 18 September 2009.

The Treasury provided policy advice and developed legislation to refine the consolidation regime and to clarify its interactions with other parts of the income tax law. The measure, included in *Tax Laws Amendment (2010 Measures No. 1) Act 2010*, received Royal Assent on 3 June 2010.

On 3 June 2009, the Government announced that the Board of Taxation would undertake a post-implementation review of aspects of the consolidation regime. The Treasury provided ongoing assistance to the board and the board issued its discussion paper on 9 December 2009.

The 2010-11 Budget announced changes to improve the operation of the joint and several liability rules that apply to consolidated groups. The Treasury issued a discussion paper on the issues on 25 June 2010.

### Taxation of financial arrangements

The Treasury provided policy advice and developed legislation to refine, as part of an implementation process, the taxation of financial arrangements stages 3 and 4 legislation. The *Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009*, which received Royal Assent on 26 March 2009, modernises the taxation of financial arrangements, reduces compliance costs and better reflects economic and commercial reality.

### Immediate annuity business of life insurance companies

The Treasury provided policy advice and developed legislation to clarify the circumstances in which the immediate annuity business of life insurance companies qualifies as non-assessable non-exempt income. The measure, included in *Tax Laws Amendment (2009 Measures No. 6) Act 2010*, received Royal Assent on 24 March 2010.

### General insurance business

The Treasury provided policy advice and developed legislation to transfer the provisions on the taxation of general insurance business from the *Income Tax Assessment Act 1936* to the *Income tax Assessment Act 1997*. The measure, included in *Tax Laws Amendment (Transfer of Provisions) Act 2010*, received Royal Assent on 29 June 2010.

### Changes to the non-commercial loan rules

The Treasury consulted with the community and provided policy advice on implementing the 2009-10 Budget changes to the non-commercial loan rules in Division 7A of the *Income Tax Assessment Act 1936*. The changes broaden the definition of 'payments' to include the 'use' of an asset, improve the operation of the interposed entity rules and remedy other technical deficiencies. The measures, introduced in the *Taxation Laws Amendment (2010 Measures No. 2) Act 2010*, received Royal Assent on 28 June 2010.

### Changes to the taxation of the unexpended income of special disability trusts

The Treasury consulted with the community and provided policy advice on tax changes to the unexpended income of special disability trusts. The amendments tax the unexpended income of a special disability trust at the beneficiary's personal marginal rate of tax, rather than at the highest marginal rate of tax. The measure, included in the *Taxation Laws Amendment (2010 Measures No. 3) Act 2010*, received Royal Assent on 29 June 2010. This measure, announced in the 2008-09 Budget, applies from 2008-09.

### Action against fraudulent phoenix activity

The Treasury developed the *Action Against Fraudulent Phoenix Activity* proposals paper, which was released for public consultation on 14 November 2009.

## Personal tax policy reform

### Increasing the flexibility of First Home Saver Accounts

The Government announced changes in the 2010-11 Budget to increase the flexibility of First Home Saver Accounts. These accounts provide a simple, tax effective way for Australians to save for their first home through a combination of government contributions and low taxes.

The Treasury advised on the change to allow savings in a First Home Saver Account to be paid into an approved mortgage after the end of a minimum qualifying period, rather than into a superannuation account, as is currently the case, and is preparing consultation materials on this.

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### Rebalancing support for private health insurance

The Treasury advised the Government and developed legislation giving effect to the Government's 2009-10 Budget measure to introduce, from 1 July 2010, three new private health insurance incentive tiers. These tiers would have meant high income earners received less in government payments for their private health insurance, and higher costs if they opted out of their health cover.

The original legislation to put the reforms into effect was defeated in the Senate on 9 September 2009. The Bills were reintroduced into Parliament on 19 November 2009 but were again defeated in the Senate. The Fairer Private Health Insurance Incentives (Medicare Levy Surcharge) Bill 2009 and the Fairer Private Health Insurance Incentives (Medicare Levy Surcharge — Fringe Benefits) Bill 2009 were defeated on 24 February 2010 and the Fairer Private Health Insurance Incentives Bill 2009 was defeated 9 March 2010.

### Improving employee share scheme arrangements

The Government enacted changes to the tax concessions for employee share scheme arrangements announced in the 2009-10 Budget. The changes target eligibility for the tax concessions and reduce opportunities for tax avoidance. The Treasury undertook public consultation, provided advice and prepared the legislation.

### Reductions in personal income tax

The 2010-11 Budget honoured the tax cuts announced in the 2008-09 Budget. The tax cuts, which included changes to the low income tax offset, were included in the *Tax Laws Amendment (Personal Income Tax Reduction) Act 2008*, which received Royal Assent on 23 June 2008.

From 1 July 2010:

- the 30 per cent marginal tax rate threshold increased from \$35,001 to \$37,001;
- the 38 per cent marginal tax rate fell to 37 per cent; and
- the low income tax offset increased from \$1,350 to \$1,500 and will continue to phase out from \$30,000. Taxpayers eligible for the full low income tax offset will not pay tax until their annual income exceeds \$16,000.

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

### **Increase in the Net Medical Expenses Tax Offset claim threshold**

In the 2010-11 Budget, the Government announced that it will increase the threshold above which a taxpayer may claim the Net Medical Expenses Tax Offset from \$1,500 to \$2,000 (indexed) with effect from 1 July 2010. The legislation giving effect to this measure was introduced into Parliament in the Tax Laws Amendment (2010 Measures No. 4) Bill 2010 on 23 June 2010 but lapsed with the calling of the election.

### **Fifty per cent tax discount on up to \$1,000 of interest**

In the 2010-11 Budget, the Government announced that from 1 July 2011, individuals would receive a 50 per cent tax discount on up to \$1,000 of interest, including interest earned on deposits held in authorised deposit-taking institutions (banks, building societies and credit unions), as well as bonds, debentures and annuity products. The Treasury provided advice to the Government in developing the policy and is expecting to undertake public consultation later in the year.

On 7 September 2010, the Government announced a 12 month deferral in commencement of the interest discount to 1 July 2012 and a phase-in of the interest income threshold, with a \$500 threshold from 1 July 2012, rising to \$1,000 from 1 July 2013.

### **Taxpayer standard deduction for the cost of work-related expenses and managing tax affairs**

In the 2010-11 Budget, the Government announced that it would provide individual taxpayers with a standard deduction of \$500 for work-related expenses and the cost of managing tax affairs from 1 July 2012. From 1 July 2013, the Government will increase the standard deduction to \$1,000. The Treasury provided advice to the Government in developing the policy and is expecting to undertake public consultation.

## Philanthropy tax policy

### Improving the integrity of public ancillary funds

In the 2010-11 Budget, the Government announced it would improve the integrity of public ancillary funds. A public ancillary fund is a philanthropic public fund providing money, property or benefits to deductible gift recipients.

This measure will provide trustees of public ancillary funds with greater certainty as to their philanthropic obligations by legislating guidelines, ensuring regular valuation of assets at market rates, increasing the size of compulsory distributions and giving the ATO greater regulatory powers.

The legislation and guidelines are expected to come into effect on 1 July 2011. The Treasury provided policy advice and is preparing materials for consultation.

### Deductible gift recipient status for volunteer fire brigades and related services

The Treasury advised the Government, undertook public consultation and developed legislation to extend deductible gift recipient status to all volunteer fire brigades and related emergency services. Volunteer fire brigades aim to prevent, respond to and assist with recovery from fire-related emergencies. Some brigades also provide broader emergency services.

Legislation implementing these changes was included in the Tax Laws Amendment (2010 Measures No. 4) Bill 2010.

## Superannuation and retirement income policy reform

### 2010-11 Budget superannuation measures

The Treasury provided policy advice for the Government's 2010-11 Budget measures, including:

- increasing the superannuation guarantee rate from 9 to 12 per cent by 2019-20;
- raising the superannuation guarantee age limit from 70 to 75 from 1 July 2013;
- providing a superannuation contributions tax rebate of up to \$500 annually for individuals with an adjusted taxable income up to \$37,000;
- increasing the concessional contributions cap to \$50,000 for those aged 50 or over whose superannuation balances total less than \$500,000;
- changes to the superannuation co-contribution scheme;
- facilitating the transfer of state and territory unclaimed superannuation to the Commonwealth;

- extending the range of benefits for superannuation funds to claim tax deductions for insurance premiums to include benefits released to terminally ill members; and
- making minor amendments to improve superannuation legislation.

### Trans-Tasman retirement savings portability

The Treasury continues to work with New Zealand officials to finalise legislation to provide a new regime so Australians and New Zealanders can take their retirement savings with them when they move across the Tasman.

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

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

### Lost members

The Treasury developed amending legislation to the *Superannuation (Unclaimed Money and Lost Members) Act 1999* to require superannuation providers to transfer the balance of a lost member's account to the Commissioner of Taxation where:

- the balance of the account is less than \$200; or
- the account has been inactive for five years and the provider is satisfied it will never be possible to pay an amount to the member.

Individuals who have their accounts transferred to unclaimed monies will be able to reclaim these amounts directly from the commissioner.

The amendments commenced from Royal Assent on 14 December 2009.

### Clearing house

In the 2008-09 Budget, the Government announced that it would introduce an optional, free superannuation clearing house service for small business. Small businesses could discharge their superannuation guarantee obligations by making a single payment to the clearing house. The clearing house then would distribute the contributions to the relevant superannuation funds, as selected by employees.

The Treasury developed and implemented legislation to enable employers to fulfil their obligations by making payments to Medicare Australia, the approved clearing house, from 1 July 2010.

The *Tax Laws Amendment (2010 Measures No. 1) Act 2010* received Royal Assent on 2 June 2010, amending the *Superannuation Guarantee (Administration) Act 1992*, the

*Retirement Savings Accounts Act 1997* and the *Superannuation Industry (Supervision) Act 1993* to give effect to this measure. The *Superannuation Guarantee (Administration) Amendment Regulations 2010 (No. 1)* specify Medicare Australia as an approved clearing house.

### Superannuation System Review

The Treasury provided secretariat, quantitative analysis and other support to the Governance, Efficiency, Structure and Operation of Australia's Superannuation System Review Panel in developing its final report.

### Other superannuation measures

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

- amending the Retirement Savings Account Regulations 1997 and the Superannuation Industry (Supervision) Regulations 1994 to allow payments under the pilot Farm Family Support Scheme to be a Commonwealth income support payment for early release of superannuation on severe financial hardship grounds;
- adding self-managed superannuation fund Specialist Auditors, of the self-managed superannuation fund Professionals' Association of Australia, to the list of approved auditors for superannuation funds;
- reducing the minimum payment amounts for account-based pensions by 50 per cent for 2010-11 to assist self-funded retirees affected by the global financial crisis. This extended the drawdown relief provided in 2008-09 and 2009-10;
- developing draft legislation and explanatory material to allow the trustee of a regulated superannuation fund to acquire an asset in specie from a related party of the fund, following the relationship breakdown of a member of the fund; and
- developing draft legislation, explanatory material, and a discussion paper to provide transitional relief for income tax deductibility of total and permanent disability insurance premiums paid by superannuation funds.

### Model development

The Treasury undertook enhancements to its superannuation costing models so that it could more accurately cost the Government's decisions to increase the concessional contributions threshold for contributors 50 and over, extend the superannuation guarantee rate to 12 per cent and introduce a low income contribution rebate.

The Treasury redeveloped its models for the IGR2010, providing the demographic, labour force, GDP, tax, age pension, income support, aged care and education projections. The models were also used in the updated projections of the medium-term budget projections.

## International tax arrangements

### Thin capitalisation rules

The *Tax Laws Amendment (2010 Measures No. 3) Act 2010* amended the thin capitalisation rules for authorised deposit-taking institutions to take account of the 2005 adoption of Australian equivalents to International Financial Reporting Standards. This amendment clarifies the treatment of Treasury shares, the business insurance asset known as EMVONA (excess market value over net assets) and capitalised software costs.

### Managed investment trusts

The *Tax Laws Amendment (2010 Measures No. 3) Act 2010* amended the withholding tax definition of a managed investment trust to include wholesale and government owned trusts, a requirement for certain investment management activities to be carried out in Australia, a trading trust exclusion, a closely held exclusion and recognition of the widely held nature of certain types of investors.

### Strengthening Australia's finance markets

The *Tax Laws Amendment (2009 Measures No. 5) Act 2009* amended interest withholding tax provisions of the *Income Tax Assessment Act 1936* to extend the exemption from interest withholding tax to Commonwealth Government Securities.

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

### Review into Australia's foreign source income anti-tax deferral regime

The former Government announced it would reform the foreign source income attribution rules. The reforms will better balance the integrity objective of the rules with other objectives such as efficiency, equity, simplicity and low compliance costs. The reforms maintain the controlled foreign company rules as the primary set of rules to counter tax deferral arrangements, and repeal the Foreign Investment Fund and deemed present entitlement rules. Legislation repealing the Foreign Investment Fund rules and the deemed present entitlement rules received Royal Assent on 14 July 2010.

Recognising that a small opportunity for deferral may still be present, a more targeted anti-avoidance rule (the anti-roll-up rule) is being developed. The proposed anti-roll-up rule will target the most abusive cases of deferral that may occur outside the controlled foreign company rules. Exposure draft legislation and explanatory material dealing with the anti-roll-up rule was released on 28 April 2010. The design of taxation laws that will modernise the controlled foreign company rules was also released by the Treasury as a consultation paper on 16 July 2010. This paper followed on from an earlier paper released on 5 January 2010 which outlined the proposed high level design of the controlled foreign



company rules. Public consultation has occurred on the design of these reforms and further consultation will occur on the draft legislation.

### Codification of the tax treatment of certain sovereign investments

The Government announced on 20 August 2009 that it would codify the current administrative practice that exempts from Australian taxation certain income arising from investments made by foreign governments. The application of this principle in Australia is limited to income arising from non-commercial investments. The objectives of this project are to encourage investment in Australia through greater certainty surrounding the tax consequences of these investments and to reduce the compliance and administrative costs associated with current arrangements. The Treasury developed a discussion paper detailing the framework rules for the proposed regime and released it on 28 June 2010. This paper expanded on an earlier discussion paper released in November 2009.

### Tax treaty negotiations

Australia has a tax treaty network of over 40 treaties. Bilateral tax treaties promote closer economic cooperation by eliminating possible barriers to trade and investment by overlapping tax jurisdictions. Tax treaties offer protection for Australian businesses investing offshore, and reduce or eliminate double taxation of income flows between treaty partner countries. They also create a framework through which tax administrations can combat international fiscal evasion. During 2009-10, the Treasury continued to progress the Government's tax treaty negotiation program and negotiations were held with Austria, Canada and the Taipei Economic and Cultural Office.

New tax treaties were signed with Chile and Turkey; amending protocols on tax information exchange were signed with Singapore and Malaysia; and the new tax treaty with New Zealand was enacted and entered into force. Work to progress negotiations with several other countries occurred.

Tax policy advice was provided on various international agreements the Government is negotiating, including free trade agreements, film co-production agreements, and proposed agreements with potential tax privileges and immunities. The Treasury also contributed to international tax treaty policy development and capacity-building through its work with the OECD's Committee on Fiscal Affairs.

### Tax information exchange agreements and international transparency

#### Tax information exchange agreements

Australia continued to make significant progress in securing tax information exchange agreements with low tax jurisdictions, including signing tax information exchange agreements with Anguilla, Aruba, the Bahamas, Belize, the Cayman Islands, Cook Islands, Dominica, Gibraltar, Guernsey, the Marshall Islands, Monaco, Samoa, San Marino, St Kitts

and Nevis, St Lucia, St Vincent and the Grenadines, Turks and Caicos Islands, and Vanuatu. Tax information exchange agreements provide a legal basis for bilateral exchange of tax information, for both civil and criminal tax purposes, and are important to combat offshore tax evasion.

Australia has been active in international efforts to address tax transparency and the use of secrecy for tax evasion purposes. Australia participated in the ministerial conference on the fight against international tax fraud and evasion hosted by the French and German Governments in Berlin in mid-2009 and is involved in G-20 and OECD efforts to improve global exchange of information for tax purposes. In August 2009, the Global Forum on Transparency and Exchange of Information was reinvigorated with a renewed mandate to conduct peer reviews of its members' commitment to international standards on tax transparency commitments. These standards have been endorsed by the United Nations and provide for the removal of secrecy and other interests that may prevent the exchange of information on tax matters between jurisdictions.

The peer reviews commenced in early 2009 and will continue until 2012 when it is anticipated that most of the Global Forum's 94 member countries and jurisdictions, would have undergone some level of review. It is expected that the outcome of these reviews will be made public. As an active contributor of the work of the Global Forum, Australia is one of the first countries to undergo a comprehensive review of its implementation of the international standards on tax transparency and exchange of information. The review commenced in March 2010 and is scheduled to conclude in early 2011.

### International representation

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

### Indirect tax policy reform

#### Review of the legal framework for the administration of the GST

The Treasury conducted consultations and developed amendments to implement the recommendations agreed to by the Government arising from the Board of Taxation's review of the legal framework for the administration of the GST. These amendments were included in *Tax Laws Amendment (2009 GST Administration Measures) Act 2009*, *Tax Laws Amendment (2010 GST Administration Measures No. 1) Act 2010*, *Tax Laws Amendment (2010 GST Administration Measures No. 2) Act 2010* and *Tax Laws Amendment (2010 GST Administration Measures No. 3) Act 2010*. The Treasury is developing further legislation to implement the remaining agreed recommendations.

## Excise and customs duty

The Treasury developed legislation to increase tax on 'ready-to-drink' beverages and to change the definition of beer and wine products for tax purposes. On 27 April 2008, the excise and excise-equivalent customs duty rates applying to 'other excisable beverages not exceeding 10 per cent by volume of alcohol', that is 'ready-to-drink' beverages, were increased from \$39.36 per litre of alcohol content to the full strength spirits rate of \$66.67 per litre of alcohol content, by tariff proposal. The subsequent legislative amendment to the *Excise Tariff Amendment (2009 Measures No. 1) Act 2009* and the *Customs Tariff Amendment (2009 Measures No. 1) Act 2009* received Royal Assent on 27 August 2009.

The Treasury also developed legislation to increase tobacco excise and excise-equivalent customs duty (concurrently with the Australian Customs and Border Protection Service). The *Excise Tariff Amendment (Tobacco) Act 2010* and the *Customs Tariff Amendment (Tobacco) Act 2010*, which received Royal Assent on 28 June 2010, increased the excise and excise-equivalent customs duty rates applying to tobacco, cigars, cigarettes and snuff by 25 per cent, on and from, 30 April 2010.

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## Board of Taxation review of the application of GST to cross-border transactions

On 11 May 2010, the Government also announced its intention to reform how GST applies to cross-border transactions. This followed a review by the Board of Taxation which was provided to the Assistant Treasurer in February 2010. The Treasury provided support to the board and assisted in preparing the initial discussion paper released in July 2009.

## GST and cross-border transport and telecommunications supplies for global roaming

The Treasury conducted consultations and developed amendments to implement the Government's decisions on the tax treatment of cross-border transport supplies and telecommunications supplies for global roaming in Australia. These amendments were included in *Tax Laws Amendment (2010 GST Administration Measures No. 3) Act 2010*.

## Review of the GST margin scheme and financial supply provisions

The Treasury conducted reviews of the GST margin scheme and the GST financial supply provisions during 2009, issuing a discussion paper on each review and consulting broadly. It subsequently provided advice to the Government on amendments to the GST law. In response, the Government announced a series of reforms in these areas on 11 May 2010.

## Quantitative advice

### Carbon Pollution Reduction Scheme

The Treasury provided ongoing advice on the Carbon Pollution Reduction Scheme household assistance measures to be delivered through the tax and transfer systems, including changes due to revisions in the estimated carbon price. Special consideration was given to the distributional impact of the scheme on the cost of living and assistance

measures which would most effectively help those disproportionately affected during the transition to the scheme.

### Fiscal stimulus

Monitoring outcomes of the household payment components of the Government's fiscal stimulus package and evaluating observed impacts in comparison to forecasted impacts.

### Tax Expenditures Statement

The Treasury coordinated the *2009 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 areas of taxation policy where concessional treatment is applied. The *2009 Tax Expenditures Statement* also incorporated changes as a result of recommendations from a performance audit undertaken by the Australian National Audit Office in 2007-08. Such changes included preparation of estimates under the *revenue gain* approach, rather than the traditional *revenue forgone* approach to measuring tax expenditures.

### Participation Modelling Project

The Participation Modelling Project concluded in 2009, having achieved a step up in the capacity of the Treasury, and more broadly across government, to model the impact on labour market behaviour of tax and transfer policy, including retirement incomes and child care policy.

Published material was included in *Economic Roundup* and Treasury Working Papers on the relationship between female labour force participation and child care, and on added worker and discouraged worker effects for married women.

The Treasury continues to increase capacity through further development of quantitative modelling and analysis to identify the revenue, distributional and labour force participation effects of government policy proposals.

### Consultation for tax and superannuation measures

During 2009-10, the Treasury continued to develop enhanced consultation processes for tax and superannuation measures, including establishing a Tax Design Advisory Panel. This allows the Government, in appropriate circumstances, to develop tax legislation by teams involving the Treasury, the ATO and the private sector, as represented by members of the panel.

Consultation on tax and retirement incomes policy continued to be extensive, with public consultation on new measures occurring at both the policy design and legislative design stages. The Treasury published discussion papers, draft legislation and draft explanatory

materials on its website for comment. The default minimum period for consultation is four weeks, although on occasions this is reduced, for example, where the priority is to introduce legislation.

The Treasury also published submissions made to consultation processes on its website, except when confidentiality was requested.

In addition, the Treasury also posted consultation summaries on its website for a number of new legislative measures introduced into Parliament. These outline the issues raised in consultation, changes resulting from consultation and, where possible, reasons why certain suggestions were not adopted. Consultation summaries also invite feedback on the consultation process to inform the Treasury, so it continuously improves its consultation practices and arrangements.

## Running account balance and progress towards a single Income Tax Assessment Act

### 72 Running balance accounts discussion paper released

On 20 May 2010, the Assistant Treasurer released a discussion paper on streamlining and improving the operation of the running balance account and interest on overpayments provisions in the tax laws, as a first step to rewriting those provisions to provide flexibility to manage tax debts and entitlements, and be more useful for taxpayers. Comments on the discussion paper were due by 8 August 2010.

### Progress towards a single Income Tax Assessment Act

The Treasury progressed towards achieving a single Income Tax Assessment Act following the passage into law of the *Tax Laws Amendment (Transfer of Provisions) Act 2010*. This Act rewrote provisions relating to income tax collection and recovery; forgiveness of commercial debts; luxury car leases; the farm management deposit scheme; and taxation of general insurance companies. The rewrite also expanded the use of security deposits and increased associated penalties.

## Secretariat support to the Board of Taxation

The Treasury provided secretariat support to the Board of Taxation, including to its reviews of tax arrangements applying to managed investment trusts, elements of the taxation of employee share scheme arrangements, application of GST to cross-border transactions, tax treatment of collective investment vehicles, tax treatment of Islamic finance products, review of the Tax Issues Entry System and its post-implementation review into certain aspects of the consolidation regime.

### Technical corrections and minor improvements

Measures making technical corrections and amendments to the law and other minor improvements included in the *Tax Laws Amendment (2010 Measures No. 1) Act 2010*, received Royal Assent on 3 June 2010.

Issues raised through the Tax Issues Entry System are addressed in minor amendment packages. The Tax Issues Entry System website ([www.ties.gov.au](http://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.

### Secretariat support to the Superannuation Advisory Committee

The Treasury provided secretariat support to the Superannuation Advisory Committee, which met three times during 2009-10.

### Policy evaluation frameworks

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

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

### Management of legislation program

Advice to the Government on tax policy and legislation was timely, influential and high in quality, enabling the Government to make informed decisions in responding to the global financial crisis and developing a range of other business, personal, indirect, international and personal income tax measures.

The Treasury published the Government's updated forward work program on the Treasury website in February 2010. The program sets out the consultation planned for announced tax measures and also indicates the legislation planned for the next parliamentary sittings.

Forty-seven of the 57 tax and retirement income legislative prospective measures (82 per cent) introduced into Parliament during 2009-10 were introduced within 12 months of being announced. Nine of the 19 retrospective measures (47 per cent) introduced during 2009-10 were introduced within six months of announcement. Another four measures introduced during 2009-10 were not announced previously.

## MARKETS GROUP

### Overview

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

The efficient operation of Australia's product and services markets is supported by a combination of laws, institutions, policies and administrative practices. The Treasury provides advice to the Government on developing and implementing policies to maintain and improve markets, so that investors and consumers can have confidence and certainty in making decisions that are well-informed and free from market distortions and impediments. The Treasury also provides advice to promote sound corporate practices, remove impediments to competition in product and services markets, and safeguard the public interest in matters such as consumer protection and foreign investment.

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The Treasury also supports the operations of the Australian Government Actuary, the Takeovers Panel and the Financial Reporting Panel.

A key focus for the Treasury in 2009-10 was providing policy analysis and advice to improve Australia's productivity and international competitiveness, and deepen the supply potential of the economy, in the wake of the global financial crisis. These policies focused on promoting economic growth and supporting employment, ensuring the financial system remained robust and dynamic, and ensuring that regulatory frameworks promoted macroeconomic stability and market confidence.

The Treasury also continued to monitor and provide advice on the general prudential framework applying to the banking sector, insurers and superannuation funds. The Treasury participated actively in international forums, such as the G-20 and Financial Stability Board, to enhance the regional and global financial architecture.

During 2009-10, the Treasury continued to pursue sound regulatory and structural reforms to foster well functioning markets in key infrastructure, housing, financial and labour markets. This included work to further the COAG reform agenda to reduce the regulatory burden on business, including a national approach to consumer policy and consumer credit; housing supply and affordability; and Standard Business Reporting (SBR).

The multi-agency SBR program was delivered on time and within budget on 1 July 2010. Participating agencies include the ABS, the Australian Prudential Regulatory Authority (APRA), the Australian Securities and Investments Commission (ASIC), the ATO, and all State and Territory government revenue offices.

In addition, the Treasury provided advice on foreign investment and trade policy, and continued to participate in negotiating free trade agreements.

## Group deliverables

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

- measures to promote competition and financial system stability;
- availability of finance to key financial institutions, including banks and credit unions, and to key sectors of the economy to support growth and jobs;
- implementation of the Government's principles for assisting borrowers facing financial hardship in servicing housing and personal debt;
- the efficient operations of the guarantees on deposits and wholesale funding of banks and other Australian deposit taking institutions;
- the impact of the Government's investment in residential mortgage-backed securities;
- how best to implement G-20 decisions to strengthen the financial regulatory system while ensuring settings are appropriate for Australia's domestic circumstances;
- further reforms to executive remuneration arrangements through the recommendations of the Productivity Commission's inquiry into director and executive remuneration and the work of APRA on its prudential standards for sound remuneration;
- initiatives arising from the Australian Financial Centre Forum to strengthen Australia as a regional centre;
- financial services and corporate reform addressing emerging issues in investor protection, corporate governance and reporting, and market integrity;
- the introduction and implementation of criminal sanctions for serious cartel conduct;
- key planks in the COAG reform agenda designed to reduce the regulatory burden facing business including a national law for consumer policy, national consumer credit law and as the lead agency in the multi-agency SBR initiative;
- international cooperation in financial system regulation, corporate governance, financial reporting, auditing and corporate insolvency;
- reform of the national access regime, and building the nation's infrastructure, including a national broadband network;
- managing incoming foreign investment to ensure that the national interest is protected and encourage free flows of investment;
- representation of Australia's interests on investment and financial service issues in negotiating free trade agreements and the Doha Round and, in relation to investment, in multilateral forums such as the OECD and APEC; and
- actuarial matters through the Australian Government Actuary which provides actuarial services to government, the Treasury and other agencies.



## Group outcomes

Markets Group's key outcomes were:

- supporting the review into the governance, efficiency, structure and operation of Australia's superannuation system. The review reported to the Government on 30 June 2010 and the Government released the report publically on 5 July 2010;
- developing legislation to introduce reforms to improve the efficiency, timeliness and effectiveness of regulatory decision-making under the National Access Regime. The legislation was passed by Parliament on 24 June 2010;
- developing a Housing Supply and Affordability Reform Agenda to examine a range of factors and government policies that influence housing supply and demand in Australia. COAG has agreed to the reform agenda;
- leading key reforms of the COAG Business Regulation and Competition Working Group to progress reforms in some of the 27 areas where duplicate and inconsistent regulation across jurisdictions imposes an unnecessary burden on business;
- developing legislative amendments to implement the Government's commitments to reform the unconscionable conduct and mergers and acquisitions provisions of the *Trade Practices Act 1974*, which were introduced as part of the Competition and Consumer Legislation Amendment Bill 2010 on 27 May 2010;
- developing legislation to implement the Australian Consumer Law, which will replace provisions in 17 Commonwealth, State and Territory laws with a single national consumer law commencing on 1 January 2011. The Australian Consumer Law was enacted in two Bills that were passed by both Houses of Parliament during 2009-10;
- developing the National Consumer Credit Protection Laws which came into force on 1 July 2010, and give effect to the October 2008 COAG agreement to transfer responsibility for consumer credit regulation to the Australian Government;
- developing the *Financial Sector Legislation Amendment (Prudential Refinements and Other Measures) Act 2010* to improve the efficiency and operation of a range of financial legislation;
- developing the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and associated Regulations to reduce the regulatory burden on companies and improve Australia's corporate reporting framework;
- developing the *Corporations Amendment (Improving Accountability on Termination Payments) Act 2009* and associated Regulations to strengthen the regulatory framework for the payment of termination benefits to company directors and executives;
- developing the *Corporations Amendment (Financial Market Supervision) Act 2010* and the *Corporations (Fees) Amendment Act 2010* to give effect to the Government's decision to transfer the responsibility for supervision of Australia's domestic licensed financial markets from market operators to ASIC;

- progressing the Government's initiative to position Australia as a leading financial services centre in the Asia-Pacific region, including work to establish a Centre for International Finance and Regulation;
- providing advice, in consultation with the Foreign Investment Review Board, on significant and high profile foreign investment cases of national interest and trade policy matters; dealing with global investment, trade flows and trends, foreign government investment and trade policy responses; and the implications for Australia;
- amending the *Foreign Acquisitions and Takeovers Act 1975* to ensure it applies equally to foreign investment proposals irrespective of the ways they are financially structured;
- implementing the changes to the foreign investment policy on residential real estate, announced by the Government on 24 April 2010;
- leading the negotiations for an Investment Protocol to the Closer Economic Relations Trade Agreement with New Zealand. Contributing to free trade agreement negotiations with Japan, China, Korea, Malaysia and the Gulf Cooperation Council, and participating in the first two rounds of the Trans-Pacific Partnership Agreement negotiations held in March 2010 and June 2010;
- achieving substantive progress towards a single economic market between Australia and New Zealand. In August 2009, the Australian and New Zealand Prime Ministers agreed on a framework of principles for developing cross-border economic initiatives and a range of shared practical outcomes as the next step towards commitment to a single economic market;
- delivering SBR which provides a quicker and easier way for businesses to fulfil their government reporting requirements; and
- continuing to provide advice relating to the currency system and maintaining successful operations of the Australian Government Actuary and the Financial Reporting Panel.

## Analysis of performance

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

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

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

The review reported to the Government on 30 June 2010 and the Government released the report publically on 5 July 2010. The review report is available at [www.supersystemreview.gov.au](http://www.supersystemreview.gov.au).

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The Treasury provided secretariat support to the review and will provide advice to the Government in its response to the report.

### Infrastructure policy

The Treasury provided advice on the Government's investment in infrastructure projects announced in the 2010-11 Budget. The Secretary to the Treasury is a member of Infrastructure Australia, the Government's key advisory body on nationally significant infrastructure. The Treasury is engaged in the activities of the COAG Infrastructure Working Group, including the Private Public Partnership Sub-group.

The Treasury provided advice on the interaction of the Government's climate change policies and the Australian energy market. The Treasury was actively engaged in the work of the Ministerial Council on Energy Standing Committee of Officials which provides advice on ongoing energy market reforms.

The Treasury worked with the Department of Infrastructure, Transport, Regional Development and Local Government to progress COAG reforms in the transport sector to improve market-based frameworks and promote greater competition.

The Treasury worked with the Department of Infrastructure, Transport, Regional Development and Local Government to develop the National Aviation White Paper.

The Treasury provided advice on a package of reforms to help improve the efficiency, timeliness and effectiveness of regulatory decision-making under the National Access Regime in Part IIIA of the Trade Practices Act. The Treasury assisted in developing legislation to introduce these reforms, which was passed by Parliament on 24 June 2010. The Treasury

also developed regulations, which commenced on 8 June 2010, to support the competitive tendering provisions of Part IIIA.

The Treasury is working 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 telecommunications regulatory issues.

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

The Treasury was instrumental in COAG agreeing to a Housing Supply and Affordability Reform Agenda that is examining a range of factors and government policies that influence housing supply and demand in Australia. The Treasury leads key activities of the COAG Housing Supply and Affordability Working Party, which is responsible for reporting to COAG through the Ministerial Council for Federal Financial Relations on issues such as planning and zoning, infrastructure charges and an audit of under-utilised land. Consistent with the Housing Supply and Affordability Reform Agenda, the Treasury is also working on a review of Commonwealth policies that affect the housing market.

The Treasury was an ex-officio member of the National Housing Supply Council and contributed to its *2nd State of Supply Report*.

The Treasury advised the Government on funding for housing measures in, and announced after, the 2010-11 Budget.

## Competition policy

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

The Treasury provided advice to Government on possible reforms to the mergers and acquisitions provisions of the Trade Practices Act to address creeping acquisitions. The Treasury developed legislative amendments to implement the Government's reforms to the Trade Practices Act, introduced as part of the Competition and Consumer Legislation Amendment Bill 2010 on 27 May 2010.

The Treasury informed public debate on competition policy-related matters by making public submissions and appearing before Senate Inquiries held into the Grocerychoice website, the Trade Practices Amendment (Guaranteed Lowest Prices — Blacktown Amendment) Bill 2009, the Trade Practices Amendment (Material Lessening of Competition — Richmond Amendment) Bill 2010, and the Competition and Consumer Legislation Amendment Bill 2010.

The Treasury leads key reforms of the COAG Business Regulation and Competition Working Group. These include progressing reforms in some of the 27 areas where duplicate and inconsistent regulation across jurisdictions unnecessarily burdens business, eight competition reform areas and other reforms such as examining the effects of State and Territory planning and zoning laws on grocery retailing.

The Treasury coordinates and advises the Government on preparing terms of reference for Productivity Commission research and inquiries. In 2009-10, this involved four public inquiries and six commissioned research references.

The Treasury assisted in developing the Government's regulatory reform agenda, including the revision of the *Best Practice Regulation Handbook*.

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

## 80 Consumer policy

In 2009-10, the Treasury provided advice to the Government on the consumer policy framework.

The Treasury is leading a number of projects being progressed under COAG's consumer policy agenda, including the development of the Australian Consumer Law.

The Treasury developed legislation to implement the Australian Consumer Law. The Australian Consumer Law will replace provisions in 17 Commonwealth, State and Territory laws with a single national consumer law and will commence on 1 January 2011. The Australian Consumer Law was enacted in two Bills that were passed by both Houses of Parliament during 2009-10.

The *Trade Practices Amendment (Australian Consumer Law) Act (No. 1) 2010* (first Australian Consumer Law Act) established the Australian Consumer Law as a schedule to the Trade Practices Act. The first Australian Consumer Law Act includes the national unfair contract terms law and new civil penalties, enforcement powers and consumer redress options. This Act passed both houses of Parliament on 17 March 2010 and received Royal Assent on 14 April 2010. The enforcement-related provisions commenced on 15 April 2010 and the national unfair contract terms provisions commenced on 1 July 2010.

The *Trade Practices Amendment (Australian Consumer Law) Act (No. 2) 2010* (second Australian Consumer Law Act) completed the text of the Australian Consumer Law. The second Australian Consumer Law Act includes a single set of provisions about unfair practices and fair trading, new consumer guarantees provisions, new provisions dealing with unsolicited consumer agreements, simple national laws for lay-by agreements, a new

national product safety regime and new provisions on information standards that will apply to services as well as goods. The second Australian Consumer Law Act also changes the name of the Trade Practices Act to the *Competition and Consumer Act 2010*. The reforms in the second Act will commence on 1 January 2011.

The Treasury, in collaboration with the Department of Innovation, Industry, Science and Research, supported the work of an Expert Panel in preparing a report entitled *Strengthening Unconscionable Conduct and the Franchising Code of Conduct*, which was published in March 2010. The recommendations of the report formed the basis of the unconscionable conduct provisions of the Competition and Consumer Legislation Amendment Bill 2010, which was introduced into Parliament in May 2010.

The Treasury commenced work during 2009-10 to review legislation that may be inconsistent with or alter the effect of the Australian Consumer Law. The Treasury also worked with national, State and Territory regulators during 2009-10 to implement a new policy and enforcement framework for the Australian Consumer Law.

The Treasury represents Australia in international forums on consumer policy. The Treasury is a member of the OECD Committee on Consumer Policy. The Treasury contributed to the development of the OECD's *Consumer Policy Toolkit*, which was published in July 2010, and the establishment of the OECD's Working Group on Consumer Product Safety.

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

### National regulation of credit

The Treasury continued work throughout 2009-10 on developing the National Consumer Credit Protection laws, which came into force on 1 July 2010. The legislation gives effect to the COAG agreement of October 2008 to transfer responsibility for consumer credit regulation to the Australian Government.

The National Consumer Credit Protection laws:

- replace the State and Territory administered Uniform Consumer Credit Code with a nationally consistent consumer credit framework;
- introduce a national credit licensing system with both entry standards and ongoing conduct requirements for all persons engaging in credit activities; and
- require lenders, and those intermediaries who provide credit assistance, to meet responsible lending obligations, so that borrowers are not provided with products that are unsuitable.

## Financial system reform

### Financial sector crisis management

A key focus of activities during 2009-10 was providing policy analysis and advice to improve Australia's productivity and international competitiveness, and deepen the supply potential of the economy in the wake of the global financial crisis. These policies focused on promoting economic growth and supporting employment, ensuring the financial system remained robust and dynamic, and the regulatory framework promoted macroeconomic stability and market confidence.

The Treasury continued to participate in the work of the G-20, contributing to the development of key global reforms to financial regulation, including strengthened standards for capital and liquidity and providing advice to government on implementing these reforms so that they are appropriate for Australian domestic circumstances. The Treasury also contributed to the work of other international bodies to foster international cooperation in financial system regulation, corporate governance, financial reporting, auditing and corporate insolvency.

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

In the case of financial reporting, the Treasury worked with the Financial Reporting Council on regional and international initiatives to promote convergence to International Financial Reporting Standards.

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

In March 2009, the Government announced reforms to strengthen the regulatory framework for the payment of termination benefits to company directors and executives. The Treasury developed and implemented these reforms through the *Corporations Amendment (Improving Accountability on Termination Payments) Act 2009* and the associated Regulations, which commenced in November 2009.

In November 2009, the Corporations Amendment Regulations 2009 (No. 8) were made regarding the disclosure of covered short sales. The new rules are intended to promote market transparency, reduce the scope for market manipulation and restore confidence in Australia's financial markets.

The Treasury also provided advice on Australia's financial sector crisis management arrangements, including the operation of the Guarantee of Large Deposits and Wholesale Funding (Guarantee Scheme), and the Financial Claims Scheme.

The Guarantee Scheme enabled Australian authorised deposit-taking institutions to continue to raise funds and to provide credit throughout the crisis. The Government closed the Guarantee Scheme on 31 March 2010 following advice from the Council of Financial Regulators that it was no longer required.

The Financial Claims Scheme provides depositors and insurance policyholders with timely access to funds if a financial institution fails. Depositor claims are currently capped at \$1 million, a level which reflected the need to reassure depositors and the market at the time it was set. The Government has committed to review these arrangements by October 2011.

The Treasury also provided advice on liquidity support arrangements for the car dealership financing sector.

The Treasury provided advice and developed legislation to improve the efficiency and operation of a range of financial legislation. The *Financial Sector Legislation Amendment (Prudential Refinements and Other Measures) Act 2010*, which contained amendments to 17 Acts and repealed five redundant Acts, received Royal Assent on 29 June 2010. The legislation strengthens the ability of APRA to effectively fulfil its mandate and is consistent with international developments to review and strengthen regulatory frameworks.

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

## Corporations and financial services reform

### Corporate reporting reform

In December 2009, the Government announced it would implement a range of reforms to reduce the regulatory burden on companies and improve Australia's corporate reporting framework. The Treasury developed and implemented these reforms through the *Corporations Amendment (Corporate Reporting Reform) Act 2010* and the associated Regulations, which commenced in June 2010.

### Executive remuneration

Following the Government's announcement in April 2010 that it would introduce a package of reforms to strengthen Australia's remuneration framework, the Treasury developed draft legislation to progress the reforms. The proposals address many of the recommendations made by the Productivity Commission in its recent inquiry into Australia's executive remuneration framework.



### Unsolicited share offers

In June 2010, the Government introduced the Corporations Amendment Bill (No. 1) 2010. The Bill includes measures to address unsolicited share offers by changing rules regarding the access and use of information held on share registers.

### Market supervision

On 24 August 2009, the Government announced it had decided to transfer the responsibility for supervision of Australia's domestic licensed financial markets from market operators to ASIC. The Treasury developed the *Corporations Amendment (Financial Market Supervision) Act 2010* and the *Corporations (Fees) Amendment Act 2010*, which give effect to the Government's decision. The Bills received Royal Assent on 25 March 2010. The Regulations which provide the detail of the new regulatory framework were approved by the Executive Council on 8 July 2010.

### Trustee companies

In 2009-10, in consultation with industry and the States and Territories, the Treasury implemented the Government's decision to establish national regulation of trustee companies. Legislation and supporting Regulations were made during 2009-10 and largely came into effect on 6 May 2010, with detailed regulation of common funds coming into effect from 1 July 2010.

### Whistleblower reforms

In October 2009, the Government released an options paper setting out some possible options to improve access to, and the operation of, protections to corporate whistleblowers in the Corporations Act. The paper sought feedback and comments from the community and over 20 written submissions were received. In March 2010 the Treasury held roundtable discussions to gather further information.

### Financial sector trends and structures

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

## Financial services developments

### Australian Financial Centre Forum

On 15 January 2010, the Minister for Financial Services, Superannuation and Corporate Law released the report *Australia as a Financial Centre: Building on our Strengths* (the

Johnson Report) which made a series of recommendations to advance the international competitiveness of Australia's financial services sector. This followed the creation of the Australian Financial Centre Forum to progress the Government's initiative to position Australia as a leading financial services centre in the Asia-Pacific region.

On 11 May 2010, the Government announced its response to the recommendations in the Johnson Report, providing in-principle or direct support for nearly all 19 recommendations. The recommendations fell into four areas:

- taxation of financial services, which included asking the Board of Taxation to undertake reviews into Islamic financial products and collective investment vehicles;
- regulation of financial services, including development of an Asia Region Funds Passport and an online regulatory gateway for potential investors into Australia;
- promotion of Australia and regional engagement on financial services issues; and
- an ongoing role for a dedicated industry taskforce.

Complementing the recommendations of the Johnson Report, in May 2010, the Government announced that it was establishing a Centre for International Finance and Regulation in Australia, with funding of up to \$25 million over four years, to address ways to foster financial sector innovation, while ensuring the risk inherent in the financial system is appropriately managed through best practice regulation.

The Government has appointed an ongoing Financial Centre Taskforce to continue the work of the Australian Financial Centre Forum. The taskforce will comprise Mr Mark Johnson as Chair, Mr Paul Binsted, Ms JoAnne Bloch, Mr Alf Capito, Mr Phil Chronican, Mr Jeremy Duffield, Mr Craig Dunn, Mr Shane Finemore and Mr Paul Schroder.

### **Financial Services Working Group**

In 2008, the Minister for Finance and Deregulation and the then Minister for Superannuation and Corporate Law created the Financial Services Working Group, comprising officials from the Treasury, the Department of Finance and Deregulation and ASIC.

Throughout 2009-10 the working group undertook projects to simplify disclosure for margin loans, superannuation funds and simple managed investment schemes. The working group finalised the Product Disclosure Statements for margin loans (four pages), superannuation, and simple managed investment products (both eight pages) by making these documents shorter and simpler to read, while still containing the key information consumers need to know for making an investment decision. The working group has now completed its tasks.

### **Review of product rationalisation**

Through product rationalisation investors in an outdated managed investment product are transferred to a new similar product with equivalent rights and benefits for the investor. The

process phases out economically inefficient older financial products, or 'legacy products', by transferring investors into newer, more efficient products.

In 2009-10, the Treasury released a proposals paper to consult with stakeholders about a proposed product rationalisation framework for superannuation products, managed investment schemes and life insurance products. The Treasury used the submissions from this paper to revise the proposed product rationalisation framework in consultation with ASIC and APRA.

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

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

The Treasurer is notified when a foreign person enters into an agreement to acquire an interest in Australian urban land or a substantial interest<sup>2</sup> in an Australian corporation valued above \$231 million<sup>3</sup>. The Treasurer is also notified of proposals that involve direct investments by foreign governments and their agencies, regardless of size and including proposals to establish new businesses.

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

During 2009-10, the Treasury began to implement changes to the screening regime for residential real estate purchases announced by the Assistant Treasurer on 24 April 2010. These changes removed the exemption from notification that had been applied to temporary residents since April 2009. They also included measures to strengthen compliance with the screening regime.

The Treasury considered around 4,474 proposals in 2009-10, around 23 per cent fewer proposals than in 2008-09. This decrease reflected fewer real estate proposals as a consequence of the full implementation of the policy changes affecting residential real estate screening announced in December 2008. The number of business cases increased to 617 from around 525 in 2008-09. About 97 per cent of proposals were decided within 30 days. In examining large or otherwise significant proposals, the Treasury consults with Commonwealth and State government departments and authorities, with responsibilities relevant to the proposed activity, to assist in assessing the implications of proposals.

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

3 Under the Australia-US Free Trade Agreement, higher thresholds apply for US investors. From 1 January 2010, the threshold is \$1,004 million except for acquisitions involving a US government entity or in prescribed sensitive sectors.

During 2009-10, the Foreign Investment Review Board (an independent body which advises the Treasurer on foreign investment matters) provided advice to the Treasurer on major proposals and oversaw the Treasury's investment screening function. The General Manager of the Foreign Investment and Trade Policy Division is the Executive Member of the Foreign Investment Review Board.

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

### **Advice on investment and trade policy**

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

### **Representation in international forums**

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

### **Free trade agreements/closer economic cooperation**

#### Concluded negotiations

The Association of Southeast Asian Nations-Australia-New Zealand free trade agreement entered into force on 1 January 2010 for eight of the countries that signed the agreement. In March 2010 the agreement entered into force for Thailand. Cambodia, Indonesia and Laos are working towards ratification in late 2010.

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

#### Continuing negotiations

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

In November 2008, Australia announced it would participate in Trans-Pacific Partnership Agreement negotiations with Brunei, Chile, New Zealand, Peru, Singapore and the

United States. The Treasury participated in the first two rounds of negotiations held in March 2010 and June 2010. Vietnam is an associate member.

### OECD Investment Committee

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

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

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In 2009-10, the Australian National Contact Point received a specific instance relating to the industrial relations practices of an Australian company operating in New Zealand. The matter has been handled primarily by the New Zealand National Contact Point in consultation with Australia.

The Australian National Contact Point also continued the promotional program for the guidelines, including participating in business and non-government organisation forums. Further information is available at [www.ausncp.gov.au](http://www.ausncp.gov.au). The OECD Ministerial Council launched a review of the guidelines in May 2010, which will involve consultation with stakeholders at the national level through national contact points.

### APEC

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

The Treasury held the chair of the Investment Experts Group until the end of 2009. The group focused on liberalising investment, improving the transparency of investment regimes and capacity-building in the APEC region. The 2009-10 work program included:

- continuing analysis of barriers to investment climate reform;
- providing project management for a number of APEC funded projects which are designed to enhance capacity-building and benchmark performance improvement in removing barriers to investment; and
- developing, then getting APEC ministers and leaders to endorse, a number of action plans within the overarching APEC Investment Facilitation Action Plan.

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

### **Liaison with the Department of Foreign Affairs and Trade**

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

### **International liaison**

#### **International Financial Reporting Standards Regional Policy Forum**

The fourth International Financial Reporting Standards Regional Policy Forum, which was held in Singapore in May 2010, was attended by many jurisdictions from the Asia-Oceania region. Australia actively participated in the forum through representatives from the Treasury, the accounting standard setters, the auditing standard setters and professional accounting bodies. The forum discussed a number of pertinent issues, including the auditing challenges that have arisen from the global financial crisis, the global convergence of International Financial Reporting Standards, differential reporting for small and medium sized entities, reporting by the not-for-profit sector, and the experiences of Asia-Oceanic jurisdictions in adopting International Financial Reporting Standards.

#### **Coordination of business law with New Zealand**

The Australian and New Zealand Governments are taking a strategic approach to shaping and guiding a single economic market to realise the benefits to business, consumers and investors of harmonising the two economies.

In August 2009, the Australian and New Zealand Prime Ministers agreed on a framework of principles for developing cross-border economic initiatives and a range of shared practical outcomes as the next step towards commitment to a single economic market. In 2009-10 substantive progress was achieved towards:

- a single cross-border insolvency proceeding;
- alignment of accounting standards for profit entities;
- functional equivalence of financial reporting standards bodies;
- mutual recognition of auditors and financial advisors;
- a single entry point for the registration of companies which are intending to do business on both sides of the Tasman;
- cross-appointments at the Australian Competition and Consumer Commission and the New Zealand Commerce Commission at associate member level; and
- a harmonised or coordinated approach to the enforcement of consumer laws.

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 currently co-chairs the group.

In June 2010, a revised Memorandum of Understanding on the Coordination of Business Law between Australia and New Zealand was signed by the two governments. The memorandum was amended to include the work program announced by the Prime Ministers in August 2009.

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

The Trans-Tasman Accounting and Auditing Standards Advisory Group comprises representatives from the accounting and auditing standard setters, the professional accounting bodies, and the policy makers of both Australia and New Zealand. The Treasury chaired the group and provided secretariat support for the two years ending December 2009.

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The Trans-Tasman Accounting and Auditing Standards Advisory Group's focus is to ensure that the financial reporting and auditing frameworks of both countries do not unnecessarily impede Trans-Tasman business activity. During 2009-10, the group progressed a range of reforms designed to ensure greater commonality and alignment between the two frameworks.

### **Trans-Tasman Council on Banking Supervision**

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

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

### **OECD Insurance and Private Pensions Committee**

The Treasury has provided the Australian representative to the OECD Insurance and Private Pensions Committee, which also includes the Working Party on Private Pensions and the Working Party on Government Experts on Insurance. In 2009-10, the committee focused on issues which arose in the financial crisis relevant to insurance sectors and private pension funds across member countries. These included crisis resolution options, corporate structures, consumer protection and accounting standards. It also undertook further work on the OECD guidelines on insurer corporate governance in cooperation with International Association of Insurance Supervisors.

### Standard Business Reporting International Forum

The SBR International Forum is jointly chaired by the SBR Program Director and a representative from the Netherlands Government. In October 2009 officials from Singapore, Taiwan, Australia, the Netherlands and New Zealand, along with representatives of the software development community and several major accounting firms, met at an SBR International Forum in Singapore. Australia subsequently hosted an SBR International Forum in Sydney in May 2010 with delegates attending from New Zealand, US and Taiwan. Australia has played a key role in the promotion of SBR internationally since the inception of SBR in 2007.

### Takeovers Panel

The Takeovers Panel contributed to well functioning securities markets in Australia by dealing with 25 applications, which are essentially disputes relating to takeovers made under the Takeovers Chapter of the *Corporations Act 2001*. The panel, a peer review body with regulatory functions, has 54 members who are specialists in mergers and acquisitions either 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 2009-10 the panel:

- considered a number of high profile applications including Multiplex Prime Property Fund 03, Macarthur Coal Limited and Transurban Group; and
- updated four existing guidance notes and released a consultation paper containing proposals to issue a new guidance note on Recommendations and Undervalue Statements and an update of an existing guidance note.

### Financial Reporting Panel

The Financial Reporting Panel is an alternative dispute resolution body in relation to the treatment of accounting standards. This independent third party mechanism could alleviate ASIC from initiating court proceedings when a dispute on the application of accounting standards arises between it and companies. No cases were referred to the Panel during 2009-10.

### Standard Business Reporting

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



and Territory government revenue offices. The government side of SBR was implemented on 1 July 2010, with take-up expected to grow over the next three years.

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

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

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

During 2009-10 the program built, tested and deployed the main components of the SBR solution: taxonomies (the single language used to enable business software to send reports to government agencies); core services (the system which ensures that a report from business software is delivered to the relevant agency, and receipts and messages are returned); and the single secure sign on, AUSkey. AUSkey is positioned to be the single key to access government online services. By 1 July 2010, over 51,000 AUSkeys had been issued to around 36,000 Australian businesses.

SBR was in place and functionally ready to commence on 1 July 2010 with participating agencies able to accept lodgments of reports. Software developers are progressively SBR-enabling their financial/accounting and payroll software products for use by businesses and reporting professionals. Maximum take-up, projected to be 60 per cent of targeted Australian businesses, is expected to be achieved by the end of 2013-14.

A number of recommendations have been made regarding the potential expansion of SBR to other business areas. These recommendations appear in the review into AFTS, the report into reform of Australian Government administration, the review into Australia's superannuation system and Productivity Commission reports on the review of the regulatory burdens of business and the contribution of the not-for-profit sector.

## 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 to develop its

policy and administer 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.

## Statutory and other procedural requirements

### Financial sector levies

During 2009-10, the Treasury, in conjunction with APRA, consulted with industry and provided advice to the Government on the determination of financial sector levies which primarily support APRA's operations.

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

On 1 July 2003, the Australian Government established a terrorism insurance scheme to minimise the wider economic impacts that flowed from the withdrawal of terrorism insurance following the terrorist attacks of September 2001. The *Terrorism Insurance Act 2003* requires the Act be reviewed at least once every three years, if it is to continue in operation. The 2009 Review recommended some minor refinements to the scheme. Following the Government's agreement, the Treasury is working with the Australian Reinsurance Pool Corporation to implement the review's recommendations.

### Appointments

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

## Secretariat services

The Treasury provided secretariat services to the Ministerial Council for Corporations, which met three times during 2009-10. The Treasury also assisted ministers to fulfil the Government's obligations under the Corporations Agreement 2002. The Ministerial Council's role was expanded during 2009-10 under new intergovernmental agreements on business names and consumer credit, and in relation to a new national framework for regulation of trustee corporations.

The Treasury provided secretariat support for the Financial Reporting Council, which met five times during 2009-10. This statutory body provides strategic oversight of the accounting and audit standard-setting processes, including the Australian Accounting Standards Board and the Auditing and Assurance Standards Board, and monitors the effectiveness of Australia's auditor independence requirements. The Australian Accounting Standards Board deals with the setting of accounting standards for the public and private sectors of the Australian economy, while the Auditing and Assurance Standards Board focuses on the development and making of Australian Auditing Standards. Since 1 July 2008, both boards have been agencies for the purposes of the *Financial Management and Accountability Act 1997* and are preparing separate annual reports.

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

### Australian Government Actuary

The Australian Government Actuary operates in a competitive and contestable market for actuarial services. Income from consultancy services relative to total costs is, therefore, a primary indicator of performance. The Australian Government Actuary operates a special account to ensure its financial operations are managed properly and transparently. At 30 June 2010, the account was in a sound financial position.

Demand for service was again high during 2009-10.

### Consultancy services

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

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

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

### Services to the Treasury

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

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

### Operational outcomes

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

## TREASURY SUPPORT SERVICES

To support the Treasury's policy outcome, Corporate Services Group and the Policy Coordination and Governance Unit provide key services to assist with systems and facilities which provide essential support and organisational back-up to the groups.

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

The Policy Coordination and Governance Unit was established in 2010 as an outcome of the organisational review. The organisational review considered how the Treasury can sustain its capacity to contribute to policy outcomes while preserving and reinforcing people management values and principles. The review examined the department's governance arrangements and key organisational systems and behaviours.

As a result, the Policy Coordination and Governance Unit is responsible for facilitating high level policy coordination and whole-of-department organisational corporate strategy. The unit provides support to the Secretary, the Executive Board and the Audit Committee. It designs and facilitates whole-of-department policy discussions; coordinates organisational strategy initiatives; oversees the risk management, quality assurance and policy evaluation frameworks; seeks to facilitate constructive and effective relationships with the Treasurer and Ministerial offices; and manages Freedom of Information (FOI) requests.

### Corporate Services Group

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

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

The work of the group in 2009-10 was directed towards:

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

## Group deliverables

Corporate Services Group's key deliverables for 2009-10 were:

- implementing new payment and financial reporting arrangements under the Federal Financial Relations reforms;
- negotiating and implementing a competitive and flexible workplace agreement;
- refreshing the desktop hardware and software;
- delivering improved document search tools and review record-keeping policies;
- progressing priority ICT-enabled business projects;
- reviewing and implementing new time-off in lieu arrangements;
- progressing initiatives flowing out of the staff survey and the organisational review;
- implementing the Manager's Portal;
- ensuring delivery of appropriate services to Treasury portfolio ministers; and
- enhancing advice and assistance on communication activities and media management.

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## Group outcomes

Corporate Services Group's key outcomes were:

- successful implementation of payment and financial reporting arrangements under the Federal Financial Relations reforms;
- completion and audit of the 2008-09 financial statements with no major issues raised;
- review and update of the Treasury Environmental Management Plan;
- coordination of liaison and correspondence for the Treasury and its stakeholders;
- management of the budget lock-up and media lock-ups;
- media management, including advice to the Secretary and Executive Board, ministers' offices and the AFTS review;
- implementation of the Treasury Workplace Agreement 2009-2011;
- implementation of new development programs and tools to assist managers;
- major upgrades and enhancements to the Department's data network, email system, electronic data storage facilities and active directory environment;
- preparation for a technology refresh of the Department's desktop computers, and an upgrade to the standard operating environment, deployed in August 2010;
- deployment of the Unified Revenue System to automate management of revenue information;

- deployment of Treasury Search to allow searching across multiple information repositories;
- improved IT security capability, including spam filtering software and IT security monitoring software and implementation of encrypted USB devices; and
- design of a collaboration environment for team sites, with embedded record-keeping capability, to be deployed in 2011.

The Treasury is also participating in a study with the Departments of Finance and Deregulation and the Prime Minister and Cabinet as to the feasibility of jointly operating a shared services arrangement to deliver transactional human resource and finance services. The outcomes of the study will be reported to government in December 2010.

## Policy coordination and governance unit

The Policy Coordination and Governance Unit seeks to link policy strategy with organisational strategy to maintain the capacity of the department to deliver on its mission.

The unit is responsible for providing support to the Executive Director — Policy Coordination and Governance; and to the Secretary, the Executive Board and the Audit Committee; managing the relationships with Ministerial offices and Departmental Liaison Officers; coordinating policy issues that traverse the Treasury's groups; overseeing the risk management framework; managing FOI requests and issues in relation to the Privacy Act; undertaking corporate planning and performance monitoring; and providing policy evaluation guidance and services to the Treasury's staff.

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## Key priorities

The key priorities in 2009-10 were to:

- provide high-level services to the Secretary and the Executive Board to support and enable key forums within the Treasury's governance framework;
- establish, coordinate and support processes within the department to develop and progress an ongoing strategic policy dialogue;
- ensure the effectiveness, efficiency and conformity to legislative and accountability requirements of the Treasury's activities, systems and processes;
- facilitate better relationships with Ministerial offices, providing managerial support to Departmental Liaison Officers; and
- continue to provide a policy implementation monitoring and advising capability.

## Key outcomes

The key outcomes were:

- coordinating significant briefing products, including for the Secretaries' Board and the Secretaries' Committee on service delivery;
- managing the Treasury's compliance with FOI and Privacy Act requirements on reporting and other matters;
- planning the implementation of changes required under the FOI Reform Act and publication regime;
- organising the ongoing policy dialogue across the department, including arranging policy strategy meetings, senior executive service (SES) meetings and executive level forums;
- continuing to provide secretariat support for the work of the Executive Board and the Audit Committee;
- developing products to further improve risk management and corporate planning in the Treasury; and
- commissioning the Treasury's internal auditors to review the risk management framework for consistency with the Australian/New Zealand Standard.

## PROGRAM 1.2: PAYMENTS TO INTERNATIONAL FINANCIAL INSTITUTIONS

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### 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, including strengthening the international financial system, multilateral debt relief and institutional reform in multilateral development banks.

### 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 significant financial commitments to international financial institutions to support their operations.

The Treasury manages most of Australia's financial relations with the IMF and capital contributions to the World Bank Group (IBRD, the Multilateral Investment Guarantee Agency and the IFC), the ADB and the EBRD.



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 2009-10**

|   | Nature of transaction | Number of transactions | Total \$'000 |
|---|-----------------------|------------------------|--------------|
| <b>Receipts</b>                               |                       |                        |              |
| IMF net remuneration                          | Revenue               | 4                      | 2,388        |
| IMF special drawing rights allocation         | Financing transaction | 2                      | 4,845,258    |
| <b>Payments</b>                               |                       |                        |              |
| IMF special drawing rights allocation charges | Expense               | 4                      | 9,850        |
| IMF Poverty Reduction and Growth Trust        | Expense               | 1                      | 30,000       |

## PROGRAM 1.3: SUPPORT FOR MARKETS AND BUSINESS

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### PROGRAM OBJECTIVE

The objectives of Program 1.3 are to:

- 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; and
- make payments of assistance to eligible HIH insurance policy holders under the HIH Claims Support Scheme. Work is now focused on finalising remaining claims as quickly as possible so assistance can be paid and the claims portfolio wound-up.

### PROGRAM DELIVERABLES

The program deliverables are:

- 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.

### KEY PERFORMANCE INDICATORS

The key performance indicators are:

- 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.

### ANALYSIS OF PERFORMANCE

Payments made from the Housing Loans Insurance Corporation Limited met the cost of administering and meeting the Commonwealth's obligations 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+Partners, and the contracted claims manager, Gallagher Bassett Services Pty Ltd, to settle remaining claims. Since the scheme started in July 2001, to 30 June 2010, it has paid \$656 million in assistance to 10,865 eligible policyholders.

All payments were accurately determined, in accordance with industry best practice and government regulations, and made in a timely manner.

## PROGRAM 1.4: GENERAL REVENUE ASSISTANCE

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### 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;
- payment for budget balancing assistance if the share of GST payments in a financial year was less than the guaranteed minimum amount for that year (2008-09 was the last year of these payments although a final residual adjustment was made in 2009-10);
- payments to the Australian Capital Territory to assist in meeting the additional municipal costs which arise from Canberra's role as the national capital and to compensate for the additional costs resulting from the national capital planning influences on the provision of water and sewerage services;
- payments to compensate for the deferral of GST revenue collected from small businesses and non-profit organisations which registered to pay and report on an annual rather than monthly or quarterly basis;
- 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.

This program also has links to the Attorney-General's and Resources, Energy and Tourism portfolios.

### PROGRAM DELIVERABLES

The program deliverables are:

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

## KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Treasury will make general revenue assistance payments to the States and Territories that reflect the requirements, the amounts and timeframes specified in the Intergovernmental Agreement; and
- the 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 \$45.5 billion were made to the States and Territories in 2009-10. Payments included:

- GST payments to the States and Territories totalling \$44.5 billion; and
- other general revenue assistance payments totalling \$1.0 billion.

The Treasury also recouped \$0.9 billion in general revenue assistance in 2009-10 which included GST administration costs, state cellar door subsidy savings, and overpayments of compensation for the deferral of GST revenue collected from small business and non-profit organisations.

Monthly, quarterly and annual GST revenue data was provided by the twentieth of 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

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### PROGRAM OBJECTIVE

The objectives of Program 1.5 are:

- 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 deliverables are:

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

### KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Australian Treasury will transfer to each State and Territory the amounts of their monthly and annual entitlements under the National Healthcare SPP and will make the payments on the dates specified in the Intergovernmental Agreement;
- the Australian Treasury will provide advice to the States and Territories on the components of each payment prior to each payment being made; and
- the Australian Treasury will review the reports provided by each State and Territory on their expenditure in the healthcare sector.

### ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2009-10 financial support for the States and Territories in the delivery of healthcare services.

- Payments under the National Healthcare SPP were \$11.2 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 the National Healthcare SPP has been spent in the relevant sector, each State and Territory will provide a report to the Ministerial Council within six months of 30 June 2010, disclosing relevant information in accordance with the Intergovernmental Agreement.

## PROGRAM 1.6: ASSISTANCE TO THE STATES FOR GOVERNMENT SCHOOLS

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### PROGRAM OBJECTIVE

The objectives of Program 1.6 are:

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

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

### PROGRAM DELIVERABLES

The program deliverables are:

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

### KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Australian Treasury will transfer to each State and Territory the amounts of their monthly and annual entitlements under the National Schools SPP (government schools component) and will make the payments on the dates specified in the Intergovernmental Agreement;
- the Australian Treasury will provide advice to the States and Territories on the components of each payment prior to each payment being made; and
- the Australian Treasury will review the reports provided by each State and Territory on their expenditure in the schools sector.

### ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2009-10 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 \$3.3 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 the National Schools SPP (government schools component) was spent in the relevant sector, each State and Territory Treasurer will provide a report to the Ministerial Council within six months of 30 June 2010, disclosing relevant information in accordance with the Intergovernmental Agreement.

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

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### PROGRAM OBJECTIVE

The objectives of Program 1.7 are:

- 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 to the Education, Employment and Workplace Relations portfolio.

### PROGRAM DELIVERABLES

The program deliverables are:

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

### KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Australian 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 Australian Treasury will provide advice to the States and Territories on the components of each payment prior to each payment being made; and
- the Australian Treasury will review the reports provided by each State and Territory on their expenditure in the delivery of skills and workforce development services.

### ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2009-10 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 \$1.3 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 was spent in the relevant sector, each State and Territory Treasurer will provide a report to the Ministerial Council within six months of 30 June 2010, disclosing relevant information in accordance with the Intergovernmental Agreement.



## PROGRAM 1.8: ASSISTANCE TO THE STATES FOR DISABILITY SERVICES

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### PROGRAM OBJECTIVE

The objectives of Program 1.8 are:

- 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 deliverables are:

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

### KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Australian 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 Australian Treasury will provide advice to the States and Territories on the components of each payment prior to each payment being made; and
- the Australian Treasury will review the reports provided by each State and Territory on their expenditure in the delivery of disability services.

### ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2009-10 financial support for the States and Territories in the delivery of disability services.

- Payments under the National Disability SPP were \$903.7 million.
- 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 was spent in the relevant sector, each State and Territory will provide a report to the Ministerial Council within six months of 30 June 2010, disclosing relevant information in accordance with the Intergovernmental Agreement.

## PROGRAM 1.9: ASSISTANCE TO THE STATES FOR AFFORDABLE HOUSING

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### PROGRAM OBJECTIVE

The objectives of Program 1.9 are:

- 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.

### PROGRAM DELIVERABLES

The program deliverables are:

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

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### KEY PERFORMANCE INDICATORS

The key performance indicators are:

- the Australian 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 Australian Treasury will provide advice to the States and Territories on the components of each payment prior to each payment being made; and
- the Australian Treasury will review the reports provided by each State and Territory on their expenditure in the delivery of affordable housing.

### ANALYSIS OF PERFORMANCE IN 2009-10

The Treasury facilitated the Government's 2009-10 financial support for the States and Territories in the delivery of affordable housing services.

- Payments under the National Affordable Housing SPP were \$1.2 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 was spent within the relevant sector, each State and Territory will provide a report to the Ministerial Council within six months of 30 June 2010, disclosing relevant information in accordance with the Intergovernmental Agreement.

## PROGRAM 1.10: NATIONAL PARTNERSHIP PAYMENTS TO THE STATES

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### PROGRAM OBJECTIVE

The objectives of Program 1.10 are:

- 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 also has links to the portfolios of Agriculture, Fisheries and Forestry; Attorney-General's; Broadband, Communications and the Digital Economy; Climate Change and Energy Efficiency; Defence, and Veteran's Affairs; Education, Employment and Workplace Relations; Environment, Water, Heritage and the Arts; Families, Housing, Community Services and Indigenous Affairs; Health and Ageing; Infrastructure, Transport, Regional Development and Local Government; Prime Minister and Cabinet; and Resources, Energy and Tourism.

### PROGRAM DELIVERABLES

The program deliverables are:

- payments to the State 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 Australian 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 Australian Treasury's receipt of any authorisations in respect of performance benchmarks or payment schedules set out in each of the National Partnership agreements;
- the Australian Treasury will provide advice to the States and Territories on the components of each payment prior to each payment being made; and
- the Australian Treasury will review the reports provided by each State and Territory on their expenditure under each of the National Partnership agreements.

## ANALYSIS OF PERFORMANCE

The Treasury facilitated the Government's 2009-10 financial support for the States and Territories in improving outcomes in areas specified in National Partnership agreements.

National Partnership payments for 2009-10 were \$21.5 billion comprising:

- payments to support state health services of \$739.4 million;
- payments to support state education and skills services of \$7.9 billion;
- payments to support state community services of \$1.6 billion;
- payments to support affordable housing services of \$6.0 billion;
- payments to support state infrastructure services of \$4.2 billion;
- payments to support state environmental services of \$445.1 million;
- payments to support other state services of \$234.8 million; and
- contingent payments to the States of \$434.2 million.

Payments were made by the Treasury on advice from portfolio agencies, with amounts to be paid certified by the agency's Chief Financial Officer, or other authorised delegate.

All payments were accurately determined and made in a timely manner in accordance with the payment arrangements specified in National Partnership agreements.

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



# PART THREE

## MANAGEMENT AND ACCOUNTABILITY

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## CORPORATE GOVERNANCE

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

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

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

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

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

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

## SENIOR MANAGEMENT COMMITTEES AND THEIR ROLES

### Executive Board

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

- organisational development — shaping the Treasury's future;
- policy development and coordination — involving major and/or new economic policy issues, generally with implications that involve more than one group;



- corporate governance — ensuring the efficient, effective and ethical use of resources; and
- planning and allocation of resources — meeting current and future work priorities.

The Executive Board members as at 30 June 2010 were:

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

The Executive Board is supported by the Policy Coordination and Governance Unit.

## Audit Committee

The Audit Committee reviews audit issues by:

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

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

Audit committee members as at 30 June 2010 were Mr David Parker (Chair), Mr Geoff Miller, Ms Luise McCulloch, Ms Deidre Gerathy, Mr Michael Willcock, Mr Tony McDonald and Mr Bruce Jones (the external representative). The committee met six times during 2009-10.

## Remuneration committees

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

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

## SENIOR MANAGEMENT STRUCTURE

The Treasury's senior management structure is detailed in Figure 1 on page 15.

## CORPORATE PLANNING AND REPORTING

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

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

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

## RISK MANAGEMENT

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

- The Corporate Policy and Framework for Managing Risk and associated guidelines, released in April 2006. This framework is consistent with the Australian/New Zealand Standard for Risk Management and aims to:
  - integrate and formalise risk management processes across the Treasury;
  - ensure appropriate identification, analysis and evaluation of relevant risks;
  - provide for monitoring risk and considering treatment strategies; and
  - provide a risk communication strategy and training framework for stakeholders.

In 2009-10, the Treasury commissioned its internal auditors to review the risk management framework for consistency with the Australian/New Zealand Standard to maintain best practice and further embed risk management in the Treasury's work processes.

- The Fraud Control Plan complies with Australian Government Fraud Control Guidelines.
- The Chief Executive Instructions put into effect the *Financial Management and Accountability Act 1997* requirements, setting out responsibilities and procedures which provide an overarching framework for transparent and accountable financial management. They also contain topics relating specifically to risk management and internal accountability.
- The Internal Audit Plan identifies services and functions for auditing. The plan incorporates issues raised by the ANAO in its audit of the Treasury's financial statements, and where appropriate, recent ANAO reports on cross-agency matters, upcoming management issues, policy evaluations, previous internal audits and strategic risk management issues.
- Risk management and insurable risks are aligned through Comcover and Comcare.

The Treasury uses a range of strategies to identify and manage risks associated with the delivery of IT services. New IT-enabled business solutions are assessed against key IT principles. A range of plans deliver IT services, including:

- the IT Disaster Recovery Plan sets out the strategies and processes to restore services if the Treasury's central computing infrastructure is lost completely or partially;
- the Business Continuity Plan for the Treasury's IT application systems sets out alternative methods and processes, so the Treasury can continue to work while the environment is restored;
- the IT Security Policy addresses the requirements to protect information holdings and secure operation of the Treasury's IT resources;
- the Internet and Email Acceptable Use Policy sets out responsibilities for appropriate use of the internet, email facilities and services;
- the IT Change Control guidelines (an internal management tool) assist 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, 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 in hard copy and on the intranet.

## ETHICAL STANDARDS AND ACCOUNTABILITY

The Treasury places a strong emphasis on activities which are designed to support an ethical culture. The Treasury Management Model underpins the accountability and

governance frameworks and incorporates the department's mission and values. These values are consistent with, and enhance, the Australian Public Service (APS) values.

The Treasury Workplace Agreement contains a commitment from employees to be aware of, and observe the Treasury's and APS values, and 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's Personal Accountability Framework encapsulates departmental policies and guidelines into a single framework covering all aspects of behaviour, conduct and values. The framework provides a guide on how these responsibilities should translate into working relationships and standards of ethical and personal behaviour, and is promoted to new staff in their induction.

During the induction process, new staff also receive information on the Australian Public Service Commission's (APSC) Ethics Advisory Service and 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. A two-day financial management workshop is delivered twice a year to assist staff understand the APS Financial Management Framework.

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

## SENIOR EXECUTIVE SERVICE REMUNERATION

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

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

An increase in ranking based on longer-term performance can lead to an increase in base salary (see Table 4 on page 139). Additional information on remuneration is set out in Note 13: Executive remuneration in the Financial Statements on pages 212 to 213.

## EXTERNAL SCRUTINY

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### AUDIT

The Audit Committee met six times in 2009-10. Its work included reviewing the Treasury's financial statements and a range of internal and external audit reports.

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

The Treasury engaged KPMG to develop the 2010-11 internal audit program. KPMG helps the Audit Committee to continuously improve audit services by regularly reviewing the audit program and scrutinising internal audit recommendations, as well as relevant ANAO reviews.

### INTERNAL AUDITS

The Treasury completed eight internal audits/reviews during 2009-10.

#### Financial delegations framework

This review assessed the Treasury's current financial delegations framework, incorporating amendments made to the *Financial Management and Accountability Act 1997* (FMA Act). The Treasury has agreed to implement two business improvement recommendations to ensure the effective management and application of the financial delegations framework.

#### IT change, problem and incident management

This review examined the control framework in place at the Treasury for the management of IT changes, problems and incidents, and compliance with the Treasury's procedures. The Treasury has agreed to implement three recommendations to improve compliance.

#### New federal payment arrangements

This review conducted a risk assessment of the new arrangements for Commonwealth payments to the States and Territories. The review identified relevant key risks and controls and made four recommendations for improvement, which the Treasury has agreed to implement.

#### End user computing — development of criticality criteria

This review built on a 2008-09 review that assessed the Treasury's approach in controlling the development, maintenance and use of end user computing solutions. The review helped

to determine criteria for Treasury Quantitative Modeling and Analysis Applications and made a number of recommendations, which the Treasury has agreed to implement.

## Guarantee Scheme for Large Deposits and Wholesale Funding

This review assessed the Treasury's compliance with the requirements of the FMA Act and the department's risk management policy with respect to the scheme. The Treasury agreed to implement four recommendations to improve the management of risks associated with the scheme.

## Payroll function

This review examined the controls and business processes in place to manage the payroll function. The Treasury has agreed to implement three recommendations to enhance system controls and improve staff compliance with departmental policies.

## Payroll payments

This review assessed the effectiveness and accuracy of the Treasury's new payroll payment system and provided assurance that controls and processes implemented by the Treasury were operating as intended. The Treasury has agreed to implement four business improvement recommendations to improve the administration of payroll payments.

## Internal budgeting processes

This review assessed the Treasury's internal budgeting processes against better practice principles for developing and updating internal budgets issued by the ANAO. The Treasury has agreed to implement three recommendations to further improve budgeting practices in the department.

## AUSTRALIAN NATIONAL AUDIT OFFICE REPORTS

In 2009-10, the ANAO conducted one performance audit that related to the Treasury's operations.

## Audit Report No. 1: *Representations to the Department of the Treasury in Relation to Motor Dealer Financing Arrangements*

The ANAO conducted an audit of representations to the Treasury regarding automotive finance arrangements for car dealers. The audit examined and reported on:

- representations to the Treasury since October 2008 from all sources regarding automotive finance arrangements for car dealers, including any made in relation to John Grant Motors;
- the nature of these representations;
- the manner in which officials responded to the representations, applying relevant standards and procedures; and
- any related administrative matters that came to attention.

The audit identified a number of policy implementation shortcomings, but did not make any recommendations to the Treasury, as the ANAO did not examine whether these shortcomings were isolated or more widespread. However, the Treasury has reviewed its practices more broadly in light of the matters raised in the report.

## Other audit reports

Other ANAO reports relevant to the Treasury in 2009-10 were:

- Report No. 6: *Senate Order for Departmental and Agency Contracts (Calendar Year 2008 Compliance)*
- Report No. 8: *The Australian Taxation Office's Implementation of the Change Program: a strategic overview*
- Report No. 17: *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2009*
- Report No. 20: *The National Broadband Network Request for Proposal Process*
- Report No. 26: *Administration of Climate Change Programs*
- Report No. 27: *Coordination and Reporting of Australia's Climate Change Measures*
- Report No. 33: *Building the Education Revolution — Primary Schools for the 21st Century*
- Report No. 34: *The Management and use of Double Taxation Agreement Information Collected through Automatic Exchange*
- Report No. 35: *Administration of the Superannuation Co-contribution Scheme*
- Report No. 41: *Effective Crossagency Agreements*
- Report No. 44: *Administration of the Tax Obligations of Non-residents*
- Report No. 50: *Interim Phase of the Audit of Financial Statements of Major General Government Sector Agencies for the year ending 30 June 2010*



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

## PARLIAMENTARY COMMITTEES

In 2009-10 officials from the Treasury appeared before the following Parliamentary Committees:

14 July 2009 — Senate Standing Committee on Community Affairs, Inquiry into the Fairer Private Health Insurance Incentive Bills and the Health Insurance Amendment (Extended Medicare Safety Net) Bill 2009

15 July 2009 — Joint Committee on Corporations and Financial Services, Agribusiness managed investment schemes

27 July 2009 — Senate Economics References Committee, Employee share schemes

5 August 2009 — Senate Economics Legislation Committee, Renewable Energy (Electricity) Amendment Bill 2009

18 August 2009 — Senate Economics References Committee, Bank funding guarantees

21 August 2009 — Senate Economics Legislation Committee, National Consumer Credit Protection Bill 2009

21 August — Senate Economics Legislation Committee, Trade Practices Amendment (Australian Consumer Law) Bill 2009

25 August 2009 — Senate Economics Legislation Committee, Corporations Amendment (Improving Accountability on Termination Payments) Bill 2009

28 August 2009 — Joint Committee on Corporations and Financial Services, Financial products and services in Australia

7 September 2009 — Joint Standing Committee on Treaties, Treaties tabled on 20 August 2009

10 September 2009 — House of Representatives Standing Committee on Employment and Workplace Relations, Pay equity and increasing female participation in the workforce

14 September 2009 — Joint Standing Committee on Treaties, Treaties tabled on 20 August 2009

18 September 2009 — Senate Economics References Committee, GROCERYchoice website

25 September 2009 — Senate Economics Legislation Committee, Trade Practices Amendment (Guaranteed Lowest Prices — Blacktown Amendment) Bill 2009

1 October 2009 — Senate Select Committee on the National Broadband Network, Implications of the proposed National Broadband Network

9 October 2009 — Senate Economics References Committee, Government economic stimulus initiatives

22 October 2009 — Senate Economics Legislation Committee, Estimates (Supplementary Budget Estimates)

27 October 2009 — Senate Legal and Constitutional References Committee, Access to justice

9 November 2009 — Senate Economics Legislation Committee, Tax Laws Amendment (2009 Budget Measures No. 2) Bill 2009

14 December 2009 — Senate Select Committee on Fuel and Energy, Issues relating to the fuel and energy industry

1 February 2010 — Joint Standing Committee on Treaties, Treaties tabled on 25 November 2009

5 February 2010 — Senate Economics Legislation Committee, Trade Practices Amendment (Infrastructure Access) Bill 2009

10 February 2010 — Senate Economics Legislation Committee, Estimates (Additional Estimates)

25 February 2010 — Senate Economics Legislation Committee, Tax Laws Amendment (Confidentiality of Taxpayer Information) Bill 2009

3 March 2010 — Senate Economics Legislation Committee, Tax Laws Amendment (2010 Measures No. 1) Bill 2010

12 March 2010 — Senate Economics References Committee, Role of liquidators and administrators

7 April 2010 — Senate Select Committee on Fuel and Energy, Issues relating to the fuel and energy industry

9 April 2010 — Senate Economics Legislation Committee, Trade Practices Amendment (Material Lessening of Competition — Richmond Amendment) Bill 2009

27 and 30 April 2010 — Senate Economics Legislation Committee, Trade Practices Amendment (Australian Consumer Law) Bill (No. 2) 2010

30 April 2010 — Senate Economics Legislation Committee, Tax Laws Amendment (2010 Measures No. 2) Bill 2010

10 May 2010 — Senate Economics References Committee, Access of small business to finance

10 May 2010 — Joint Standing Committee on Treaties, Treaties tabled on 9, 10, 16 and 29 March 2010

20 May 2010 — Senate Economics Legislation Committee, Tax Laws Amendment (Research and Development) Bill 2010

27 May and 1, 2, and 3 June 2010 — Senate Economics Legislation Committee, Estimates (Budget Estimates)

7 June 2010 — Senate Select Committee on Agricultural and Related Industries, Food production in Australia

9 June 2010 — Senate Economics Legislation Committee, Competition and Consumer Legislation Amendment Bill 2010

17 June 2010 — Senate Rural and Regional Affairs and Transport Legislation Committee, Customs Tariff Amendment (Aviation Fuel) Bill 2010; Excise Tariff Amendment (Aviation Fuel) Bill 2010

21 June 2010 — Joint Standing Committee on Treaties, Treaties tabled on 12 May 2010

29 June 2010 — Senate Economics Legislation Committee, Tax Laws Amendment (Public Benefit Test) Bill 2010

29 June 2010 — Joint Standing Committee on Treaties, Treaties tabled on 15 and 16 June 2010

29 June 2010 — Joint Standing Committee on Treaties, Treaties tabled on 21, 22 and 24 June 2010

## FRAUD PREVENTION AND CONTROL

In 2009-10, one case of fraud was referred to the Australian Federal Police for investigation. This investigation is continuing. The investigation into the fraud that was reported in 2008-09 has not yet been completed.

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

The Treasury has appropriate fraud control, prevention, detection, investigation and reporting standards in place; and collects and reports annual fraud control data.

## OMBUDSMAN COMMENTS, COURT DECISIONS AND ADMINISTRATIVE TRIBUNAL DECISIONS

### Ombudsman comments

During 2009-10 the Ombudsman received seven approaches about the Treasury. Of these: three were not investigated by the Ombudsman; one was ongoing at 30 June 2010; one case was closed on the basis that the Treasury had not acted inappropriately; and two were closed with a comment that, while the Treasury referred the matter to another agency, it would have been good administration for the Treasury to have replied to the correspondence received.

In addition, the Ombudsman closed two approaches made in 2008-09. In these cases, the Ombudsman recorded an administrative deficiency against the Treasury on the basis of procedural deficiency for one case and, in the other case, on the basis of inadequate advice, explanation or reasons.

### Courts and proceedings

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

On 13 June 2006, Fortescue Metals Group applied to the Australian Competition Tribunal for a review of the former Treasurer's deemed decision under Part IIIA of the *Trade Practices Act 1974* not to declare BHP Billiton as the operator of the Mt Newman rail line.

On 18 December 2006, in proceedings initially instigated separately by BHP Billiton and Fortescue Metals Group, the Federal Court ruled that BHP Billiton's Mt Newman and Goldsworthy rail lines may be subject to declaration applications under Part IIIA, as they do not represent 'use of a production process'. On 12 January 2007, BHP Billiton lodged an appeal against the Federal Court decision to the full court of the Federal Court. The appeal was heard in late April 2007 and the full Federal Court dismissed the appeal on 5 October 2007. On 7 March 2008, the High Court heard and allowed an

application by BHP Billiton for special leave to appeal the full Federal Court's decision. On 24 September 2008, the High Court upheld the full Federal Court decision that the Mt Newman and Goldsworthy railway lines were not the 'use of a production process' and therefore not exempt from declaration under Part IIIA.

In November 2007 and January 2008, a subsidiary of Fortescue Metals Group, the Pilbara Infrastructure Pty Ltd, lodged three further applications for railway services in the Pilbara region of Western Australia. These railway services included the Hamersley and Robe River lines operated by Rio Tinto, and the Goldsworthy line operated by BHP Billiton. In October 2008, the Treasurer declared each of the Hamersley, Goldsworthy and Robe River railway services for 20 years. BHP Billiton and Rio Tinto subsequently applied to the Australian Competition Tribunal for a review of those declaration decisions. A review of the Hamersley, Goldsworthy and Robe River railway services declaration decisions was conducted in conjunction with the review of the Mt Newman decision. The Australian Competition Tribunal handed down its decision on these matters on 30 June 2010. The Tribunal decided to:

- affirm the former Treasurer's deemed decision not to declare the Mt Newman railway;
- vary the Treasurer's decision to declare the Robe railway, reducing the period of declaration from 20 to 10 years;
- set aside the Treasurer's decision to declare the Hamersley railway; and
- affirm (unvaried) the Treasurer's decision to declare the Goldsworthy railway.

### **Trade Practices Act — Ministerial Consent under section 5 of the Trade Practices Act — Cathay Pacific Airways Limited (Cathay) and the Minister for Competition Policy and Consumer Affairs**

On 2 December 2008, the Minister for Competition Policy and Consumer Affairs provided consent under section 5 of the Trade Practices Act to Auskay International Manufacturing and Trade Pty Ltd (Auskay). This enabled Auskay to bring a civil action under the anti-competitive conduct provisions of the Trade Practices Act against a number of airlines (including Cathay), in respect of conduct that occurred overseas.

On 24 December 2008, Cathay applied to the Federal Court for a judicial review of the decision pursuant to section 5 of the *Administrative Decisions (Judicial Review) Act 1977*.

On 28 May 2010, the proceedings against the Minister were dismissed by the Federal Court, with costs.

### ***Income Tax Assessment Act 1997 — Deductions Against Income From Youth Allowance — Commissioner of Taxation v Anstis***

Symone Anstis claimed a deduction for \$920 of work-related self-education expenses which she incurred while receiving Youth Allowance as a university student. The ATO denied the deduction in keeping with the view expressed in its Income Tax Ruling TR 98/9, that education expenses are not deductible against various Commonwealth educational assistance schemes.

Ms Anstis appealed against the decision in the Administrative Appeals Tribunal, which upheld the decision of the ATO. Ms Anstis appealed again to the Federal Court. On 1 April 2009, Ryan J held in *Symone Anstis v Federal Commissioner of Taxation* that Ms Anstis was entitled to a tax deduction for her education expenses.

The Commissioner appealed, and on 4 November 2009, the full Federal Court upheld the decision of Ryan J.

On 23 April 2010, the High Court granted the Commissioner special leave to appeal against the decision of the Full Federal Court. A hearing took place on 29 July 2010.

The High Court is expected to decide the appeal later in 2010. Until this matter is resolved, the ATO will continue to apply the view set out in TR 98/9.

## Administrative appeals tribunal

### ***Freedom of information — Michael Evans on behalf of the Sydney Morning Herald and the Department of the Treasury***

An application was made to the Administrative Appeals Tribunal for a review of a decision by the Treasury not to release information in response to a request under the Freedom of Information Act for documents relating to correspondence between Macquarie Group and the Treasury concerning the state of global financial markets. The main issues in the case are whether the documents to which access has been refused are exempt under a number of exemptions of the *Freedom of Information Act 1982*. The case has not yet been heard.

## MANAGEMENT OF HUMAN RESOURCES

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The Human Resources Division delivers strategic human resource management advice and services to enable the Treasury to recruit, develop and manage its staff to deliver high performance and provide a supportive work environment.

Key 2009-10 workforce initiatives were to:

- negotiate and implement a competitive and flexible workplace agreement;
- review and implement new time-off-in lieu arrangements;
- progress initiatives flowing out of the Staff Survey and the Organisational Review;
- implement the Managers' Portal;
- ensure workforce planning and professional development strategies meet organisational needs;
- ensure workforce and wellbeing strategies facilitate working arrangements to address work/life balance issues;
- streamline the Performance Management System;
- maintain a low workers compensation premium average relative to the APS;
- transition payroll services from an external service provider to the Treasury; and
- progress the childcare centre proposal.

## PEOPLE MANAGEMENT SYSTEMS

The Treasury Management Model incorporates the Treasury's people management systems, principles and values, and seeks to ensure that the right people are in the right jobs, doing the right work and getting the right pay. All recruitment, promotion, mobility, and resource planning and development processes within the Treasury are aligned with the Treasury Management Model, including the Performance Management and Career Development Systems.

## 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 behaviors with shared corporate values and behaviors.

Performance is measured through a defined capability framework called the Work Value Matrix, which outlines the general 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.

Ratings against each capability contribute to an overall performance appraisal rating, which determines the base rate of pay for staff employed under the Treasury Workplace Agreement. These ratings also inform the remuneration committees, which advise the Secretary on access to additional salary points which are available to APS6, EL1 and EL2 staff.

A number of processes support the underlying principles of fairness, transparency and consistency in the Performance Management System.

- In setting the context for appraisals, initially SES staff meet before each appraisal round to discuss issues relevant to the upcoming round, then group and divisional context setting meetings follow.
- Workshops and information sessions for staff and managers are delivered before each appraisal round to provide information on the appraisal process and criteria, and assist staff to develop skills in giving and receiving feedback. Case study sessions are also offered to assist in ensuring ratings consistency across the department.
- Review panels held at the divisional level examine the outcomes of appraisals to ensure consistency across the division. Cross-group representatives on review panels provide an additional layer of consistency.
- Upward feedback is an integral part of the appraisal process and provides input to the appraisals of managers.
- Aggregated data on remuneration committee outcomes is provided on the Treasury intranet.

In 2009-10, streamlined reporting requirements were implemented to reduce the administration associated with recording and signing off on performance appraisal outcomes.

## CAREER DEVELOPMENT SYSTEM

The Career Development System is a key element of the Treasury's people management system and seeks to foster a shared individual and organisational role in career development. It applies to all staff, including temporary employees and secondees with at least six months continuous service, and provides staff with the opportunity to receive career development guidance from their manager-one-removed.

Information is provided on the Career Development System to both staff and managers-one-removed. In 2009-10, 30 staff attended workshops on 'Preparing for your next position' and 37 staff attended career planning workshops targeted at graduates and APS6 to EL1 staff.



## TREASURY WORKPLACE AGREEMENT

The Treasury Workplace Agreement 2009-11 came into operation on 11 November 2009 and nominally expires on 30 June 2011.

It provides for increased pay rates, inclusion of additional pay points previously provided through individual arrangements, variations to conditions of service, including increased paid leave to assist employees during maternity, 16 weeks adoption leave, five days foster care leave and increased provision to cash out annual leave.

## WORKPLACE RELATIONS

The format and content of the Treasury's workplace and individual arrangements reflect government policy at the time of implementation.

The Treasury consults extensively with staff on workplace matters, and the current Workplace Agreement reinforces staff involvement in decision making. Consultation primarily occurs through the Workplace Relations Committee, elected by Treasury staff and comprising eight members. The committee meets regularly with Human Resources Division staff to discuss employment terms and conditions, and regular meetings with the Secretary encourage dialogue on issues of importance to staff. Terms of Reference for the Workplace Relations Committee reflect a principles based approach to workplace relations.

The Treasury Workplace Agreement 2009-11 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 2009-10 included two major bulk recruitment campaigns; one specialist campaign seeking modelling expertise; a graduate campaign; an internship program; an indigenous cadetship program; and 53 individual recruitment processes. A total of 243 employment opportunities were filled from advertised vacancies. The graduate intake was 73 in 2009-10.

Graduate recruitment forms a major part of the Treasury's recruitment and succession planning strategy. In 2009-10, Treasury staff attended university career fairs and presented workshops on public policy to commerce and economic students. Brochures entitled '*Do you want to make a difference?*' were distributed to university careers centres and faculties. In addition, advertisements were placed in university career guides, in on-line graduate publications and on university career web pages.

In 2009, the Treasury hosted 18 interns under the recently introduced internship program. This scheme targets economics, commerce, law, finance, accounting and political science students and involves a 4 to 12 week paid work placement which exposes students to public policy.

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

The Treasury developed an intranet solution for advertising and managing internal vacancies. This new jobs portal was deployed in June 2010.

A panel for recruitment service providers was finalised in June 2010.

In 2009-10, the Treasury worked with the APS Career Transition Support Centre by providing details of employment opportunities to help redeploy potentially surplus APS employees. The program ceased operating on 30 June 2010. The APSC is working towards offering a career advisory service and looking at new ways to foster cooperation and collaboration between agencies in recruiting and redeploying change-affected APS employees.

Administrative arrangements and employment conditions applying to secondees in the Treasury/ATO secondment program were reviewed due to workplace agreement changes. Secondments included staff for policy initiatives, such as the AFTS Review and the Resource Super Profits Tax.

## LEARNING AND DEVELOPMENT

The Treasury's Professional Development Framework provides the basis for establishing learning and development strategies to develop staff in their current and future roles, and incorporates a broad range of factors including the APS values, whole-of-government initiatives, the labour market and skill shortages, departmental functions and priorities, and the Treasury Management Model.

The Treasury's total investment in off-the-job professional development totalled over \$4.4 million in 2009-10, representing an average of five days of development per staff member. This figure represents 3 per cent of departmental operating costs and includes participant salary and ongoing costs, registration fees for internal and external training courses and external providers' development and delivery costs.

### Learning and development strategies

The Treasury provided an extensive array of learning and development opportunities. These ranged from in-house one or two day workshops, development programs, postgraduate qualifications, and mentoring and coaching programs to external opportunities such as postgraduate study awards, short-term research projects and participation in broader public sector development initiatives.

A range of professional development workshops were offered through the Treasury's learning and development program, including APS and Treasury accountabilities, writing skills, managing workloads, presentation skills, negotiation skills and policy advising skills.

In 2009-10 several new workshops were introduced, including problem solving skills, representational skills and a cultural awareness workshop. All workshops were tailored to the Treasury's environment with evaluations conducted to ensure the programs were effective in delivering anticipated objectives.

The Treasury also offered several in-house postgraduate courses. In February 2009, 23 participants, including six participants from other departments, commenced a two year Graduate Diploma in Economic Studies. The course, delivered by Monash University in the Treasury building, is tailored to public sector agencies, with a focus on public policy. The course is targeted at staff qualified in disciplines other than economics and facilitates an understanding of economic frameworks and public policy issues. A Postgraduate Diploma in Economics and Commerce is also being developed and is scheduled to commence in 2011.

Semester-long Introduction to Law and Introduction to Economics courses continued to be delivered in-house by the Australian National University, to provide staff without existing tertiary qualifications in these fields with an understanding of the fundamental principles of law and economics. Evaluations for both courses reflected high levels of satisfaction with the quality of teaching and impact of the courses on staff knowledge and understanding.

A key element of the professional development framework is leadership and management development. The Executive Leadership Program, targeted at experienced EL2 staff, aims to enhance the leadership and strategic thinking skills of executive level staff to equip them to fulfil their leadership roles under the Treasury Management Model. In 2009, 19 staff participated in the program, and 93 per cent of evaluations indicated participants found the program highly useful and worthwhile.

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A Management Development Program was introduced in 2009 to enhance the capability of new and emerging managers at the executive level and equip them to effectively transition from analyst to manager. Twenty-two staff participated in the seven day program. All respondents felt that the course had a positive impact on their skills development, and 80 per cent of evaluations indicated that the program was above or exceeded their expectations.

A tender process was conducted in 2009-10 to establish an SES Executive Coaching Panel to provide SES staff with the opportunity to access confidential, targeted and expert guidance on specific issues or assist in longer-term skills development.

The 12-month Graduate Development Program continued to combine on-the-job training with formal in-house courses, such as advanced writing, APS and Treasury Accountabilities, presentation and negotiation skills, and economics for graduates without economics qualifications. The program also included external courses, such as Introduction to the Senate and participation in key events, such as the budget lockup where budget material

is provided under embargo to registered media officers. The program is refined through feedback from graduates and graduate managers.

Two induction seminars were offered in October 2009 and March 2010, with 123 new staff attending. The seminars incorporated a welcome from the Secretary, an overview of each of the departmental groups, and sessions on Occupational Health and Safety, the Social Committee, the Workplace Relations Committee and the Employee Assistance Program. Additional support for new staff was also provided through the new starters Mentoring Program and the Human Resources Division briefing sessions, which provided information on services offered by the division.

The Treasury Seminar Series continued with 16 prominent guest speakers presenting perspectives on current economic issues and research. The Treasury's four policy groups also continued to offer seminars on specific policy issues.

In addition to these seminars, several groups offered technical training, with Revenue Group continuing to deliver a Tax Policy Framework course to new starters and Macroeconomic Group coordinating the delivery of two intensive courses in economy-wide modelling.

## IT initiatives and training

In 2009-10, internal IT training attracted 1,741 participants. It covered the Microsoft Office suite of programs, as well as in-house systems, recordkeeping, security, electronic filing using TRIM, publication projects, the financial management information system SAP, and the budgeting and reporting tool TM1. Training was also provided in the use of Blackberry and remote access tokens.

Customised training in Excel, VBA and Project catered to special needs and projects.

## External learning and development opportunities

In addition to providing internal learning and development opportunities, the Treasury encourages staff to participate in a range of external learning and development activities. These include postgraduate qualifications and research projects, as well as attendance at Career Development Assessment Centres, Australian and New Zealand School of Government programs, and various conferences, seminars and workshops of relevance to the Treasury.

Studies Assistance provided financial assistance and study leave for staff undertaking approved study relevant to the Treasury. An average of 102 staff accessed Studies Assistance each semester in 2009-10, with the most study undertaken in postgraduate economics, law and public policy. Two staff were awarded Postgraduate Study Awards in 2009-10 to support full-time study in economics. These awards provide a financial award paid as an allowance, as well as tuition fees.

Two staff completed Short-Term Economic Research Projects at the Australian National University as part of an ongoing Memorandum of Understanding between the Treasury and the University.

During 2009-10, Treasury staff attended 395 external training courses, conferences or seminars of relevance to the department. Participants attending external training programs, conferences and seminars were asked to complete online evaluation forms which then informed attendance at future courses.

## WELLBEING

The Treasury continues to measure and monitor staff wellbeing indicators through staff opinion surveys, exit survey reports and human resource data. Performance is assessed against the Staff Wellbeing Framework to monitor agency health and identify potential risks to organisational capability, and benchmarked against the broader APS. The Human Resources Division provides regular reports to the Executive Board, the Workplace Relations Committee, Health and Safety Committee and staff on the results and strategies developed to improve performance.

### State of the Service results

This year, for the first time, the APSC developed an agency-specific report that examined key drivers of employee engagement and benchmarked these results against the wider APS. The agency-specific employee survey results for the Treasury were strong, with satisfaction levels more favourable than the APS average in a number of key areas, including employee job satisfaction, immediate manager effectiveness, quality of senior leadership, effective communication with senior leaders, culture of working environment, respect within work groups and low levels of harassment and bullying.

The Treasury's overall score for employee engagement was 97 per cent. This is higher than the APS average of 87 per cent and higher than the engagement level recorded by the Treasury in the previous year (88 per cent). Treasury staff enjoy their work, are motivated to do the best possible work and are more likely to receive a sense of personal accomplishment through their job.

### Work-life balance

An area for improvement is satisfaction with work-life balance. While the Treasury results (74 per cent) are similar to those recorded for the APS as a whole (72 per cent), this issue continues to be of ongoing concern and remains an important focus for the Executive Board. Key strategies to address this issue include providing additional resources to priority work areas, and increasing mobility and flexibility to meet peak demands through departmental transfer rounds. These measures are complemented by human resources support, such as the resilience program, for areas experiencing peak work pressures.

## Resilience program

To respond to work-life balance concerns, the Human Resources Division seeks to identify anticipated peak work periods and offers divisions the opportunity to take part in a resilience program.

The Treasury piloted this program for six months and had positive outcomes. A post-program survey found that resilience, perceptions of management support and general engagement at work had improved.

The program aims to increase resilience by enhancing people's ability to cope with changing and complex work situations. The program also provides useful strategies for managing sustained pressure and deadlines, communication, resilience and team building.

## Employee assistance program

The Treasury's employee assistance program also collects generic data that provides guidance for departmental wellbeing strategies. The external provider assists employees who may be experiencing personal or work-related problems by providing a free, confidential counselling service to Treasury employees and their families. To complement this service, the eapdirect™ website offers easy access to information on stress, depression, anxiety, work-life balance, career development and management techniques. The employee assistance provider also offers managerAssist®, an advisory service that helps managers deal with work issues and personal difficulties.

## Health and wellbeing program

In previous years, the Treasury has provided access to wellbeing information and strategies through Health Month. In 2009-10, the program was enhanced to run throughout the year in recognition of the need to address wellbeing on an ongoing basis and provide greater scope to include a broader range of activities and seminars.

A total of 23 activities were facilitated with approximately 1,000 staff attending these sessions overall. Participation rates for activities were high, with 355 staff participating in individual health assessments, 120 staff participating in hearing checks, 82 staff participating in the financial planning seminar and 80 staff participating in the Treasury's fun run.

## Lifestyle payment and corporate gym memberships

To assist employees in undertaking initiatives towards maintaining a healthy lifestyle, an annual lifestyle payment of \$450 was available for activities such as gym memberships, sporting apparel and relaxation programs. The Treasury has corporate gym memberships with eight participating gyms, whereby Treasury employees receive a reduced membership fee. In 2009-10, 843 lifestyle payments were made.

## STAFFING INFORMATION

Ongoing and non-ongoing employee numbers in the Treasury increased from 1,026 in 2008-09 to 1,063 in 2009-10 (refer to Table 2 below). Of this increase, 27 were men and 10 were women. The number of EL1 and EL2 employees increased by 16 and 8 respectively during the year, while APS5 numbers increased by 11. Between 2008-09 and 2009-10 the number of APS6 employees decreased by 10 and the number of part-time female staff increased from 88 to 94.

**Table 2: Operative and paid inoperative staff by classification and gender (as at 30 June 2010)**

| Classification | Ongoing    |            |           |           | Non-ongoing |          |           |          | Total        |
|----------------|------------|------------|-----------|-----------|-------------|----------|-----------|----------|--------------|
|                | Full-time  |            | Part-time |           | Full-time   |          | Part-time |          |              |
|                | Male       | Female     | Male      | Female    | Male        | Female   | Male      | Female   |              |
| Cadet          | –          | 1          | –         | –         | 2           | –        | –         | –        | 3            |
| APS1           | –          | 2          | –         | –         | 1           | –        | –         | –        | 3            |
| APS2           | 2          | –          | –         | 2         | 1           | –        | –         | –        | 5            |
| APS3           | 54         | 44         | 1         | 3         | 4           | 2        | –         | –        | 108          |
| APS4           | 17         | 37         | 1         | 15        | –           | –        | –         | –        | 70           |
| APS5           | 81         | 61         | 1         | 11        | 1           | –        | –         | –        | 155          |
| APS6           | 88         | 86         | 3         | 13        | 3           | 7        | –         | –        | 200          |
| EL1            | 114        | 79         | 7         | 18        | 3           | –        | –         | 3        | 224          |
| EL2            | 118        | 48         | 8         | 25        | 7           | –        | 1         | 1        | 208          |
| SES Band 1     | 44         | 14         | 1         | 2         | 2           | –        | 2         | –        | 65           |
| SES Band 2     | 9          | 3          | 1         | 1         | –           | –        | –         | –        | 14           |
| SES Band 3     | 7          | –          | –         | –         | –           | –        | –         | –        | 7            |
| Secretary      | 1          | –          | –         | –         | –           | –        | –         | –        | 1            |
| <b>Total</b>   | <b>535</b> | <b>375</b> | <b>23</b> | <b>90</b> | <b>24</b>   | <b>9</b> | <b>3</b>  | <b>4</b> | <b>1,063</b> |

Note: Staff paid by other agencies are not included.

**Table 3: Staff located at overseas posts**

| Overseas post | SES Band 2 | SES Band 1 | EL2 | Total |
|---------------|------------|------------|-----|-------|
| Beijing       | –          | 1          | –   | 1     |
| Jakarta       | –          | 1          | –   | 1     |
| London        | –          | 1          | –   | 1     |
| Paris         | –          | 1          | –   | 1     |
| Tokyo         | –          | 2          | –   | 2     |
| Washington    | –          | 1          | –   | 1     |
| <b>Total</b>  | –          | 7          | –   | 7     |

Note: Locally engaged staff are not included.

## Senior executive service — remuneration and performance appraisal

Remuneration and conditions for the Treasury’s senior executives are determined under AWAs and section 24(1) determinations, supported by a remuneration model that determines pay levels within each SES level, based on performance (refer to Table 4 below). The Treasury does not offer performance bonuses.

**Table 4: Salary scales — SES**

| Classification | September 2008 |         | September 2009 |         |
|----------------|----------------|---------|----------------|---------|
|                | Minimum        | Maximum | Minimum        | Maximum |
|                | \$             | \$      | \$             | \$      |
| SES Band 1     | 163,698        | 190,252 | 168,609        | 195,960 |
| SES Band 2     | 200,633        | 234,833 | 206,652        | 241,878 |
| SES Band 3     | 260,008        | 304,510 | 267,808        | 313,645 |

Senior executives are appraised using the APS SES Capability Framework to assess performance and rank each employee relative to their peers. An increase in relative ranking can lead to an increase in base salary. Senior executives may also have access to airline lounge membership.



## Remuneration — non-SES employees

The Treasury Workplace Agreement 2009-11 determines salary rates for all non-SES staff (refer to Table 5 below). The Treasury does not offer performance bonuses.

**Table 5: Workplace Agreement salary scales — non-SES**

| Classification | September 2008 |               | November 2009 |               |
|----------------|----------------|---------------|---------------|---------------|
|                | Minimum<br>\$  | Maximum<br>\$ | Minimum<br>\$ | Maximum<br>\$ |
| APS1           | 37,660         | 40,897        | 38,790        | 42,124        |
| APS2           | 43,410         | 46,283        | 44,712        | 47,671        |
| APS3           | 49,157         | 52,029        | 50,632        | 53,590        |
| APS4           | 54,903         | 57,776        | 56,550        | 59,509        |
| APS5           | 61,729         | 65,681        | 63,581        | 67,651        |
| APS6           | 69,632         | 73,583        | 71,721        | 86,892        |
| EL1            | 81,954         | 90,827        | 93,552        | 107,316       |
| EL2            | 100,883        | 110,943       | 114,271       | 131,145       |

Under the Treasury's Workplace Agreement 2009-11, access to some pay points for APS6, EL1 and EL2 staff can only be determined by the Remuneration Committee and are based on performance under the Treasury's Performance Management System (refer to Table 6 below).

**Table 6: APS6, EL1 and EL2 pay points determined by Remuneration Committee**

| Classification | Staff receiving<br>pay point<br>2009-10 | Minimum<br>pay point<br>2009-10<br>\$ | Maximum<br>pay point<br>2009-10<br>\$ |
|----------------|---|---------------------------------------|---------------------------------------|
| APS6           | 106                                     | 81,712                                | 86,892                                |
| EL1            | 150                                     | 100,893                               | 107,316                               |
| EL2            | 156                                     | 119,896                               | 131,145                               |
| Total          | 412                                     |                                       |                                       |

Salary levels for these pay points are determined by the Executive Board Remuneration Committee, based on group remuneration committee recommendations aligned with performance appraisal assessments and assessment of long term sustainable performance, as well as relevant skills and responsibilities.

## Senior management changes

Several senior management movements occurred in 2009-10 (refer to Table 7 below).

**Table 7: SES commencements and cessations**

| Reason                         | SES Band 3 | SES Band 2 | SES Band 1 | Total |
|--------------------------------|------------|------------|------------|-------|
| Engagement                     | –          | –          | 3          | 3     |
| External promotion             | –          | –          | –          | –     |
| Internal promotion             | –          | –          | –          | –     |
| Resignation                    | –          | –          | 2          | 2     |
| Retirement                     | –          | –          | –          | –     |
| Transfer to another department | –          | 1          | 1          | 2     |
| Promoted to another department | –          | 2          | –          | 2     |
| <b>Total</b>                   | –          | 3          | 6          | 9     |

## ASSETS MANAGEMENT

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The Treasury has developed an asset management framework to manage the Treasury's assets. The framework includes:

- an asset register that records details of all assets held by the Treasury. Assets on the Treasury's asset 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 asset policies and asset management guidelines for the day-to-day care and custody of assets. The asset management 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 on pages 187-190; 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

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The Treasury's procurement framework reflects the core principle governing Australian Government procurement — value for money. Procurement of all goods and services, including consultancies, is consistent with the requirements of the Commonwealth Procurement Guidelines. The Treasury applies the guidelines to all its activities through the Chief Executive Instructions and supporting operational guidelines.

The Treasury's procurement policies and processes help ensure the Treasury undertakes competitive, non-discriminatory procurement processes; uses resources efficiently, effectively and ethically; and makes decisions in an accountable and transparent manner. Individual areas are responsible for procurement with support from a central team of procurement specialists. The central team provides information and training about procurement policies and procedures to all staff, and maintains a single point of contact for staff to seek advice on the guidelines, Chief Executive Instructions and tendering processes.

The Treasury also developed standard tendering and contracting documentation to ensure procurement practices are consistent across the department.

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 and Contracts Team to ensure due process is followed.

The Treasury publishes information about significant procurements the department expects to undertake during the following year in an annual procurement plan, available on the AusTender website at [www.tenders.gov.au](http://www.tenders.gov.au).

## CONSULTANTS

Consultants are engaged to investigate or diagnose a defined issue or problem; carry out defined research, reviews or evaluations; provide independent advice; and provide information or creative solutions to assist the Treasury in its decision-making. The most common reasons to engage consultants are:

- unavailability of specialist in-house resources in the timeframe allowed;
- the need for an independent study or review; and
- specialist skills and knowledge not available in-house.

Providers of consultancy services are selected through open tender, select tender, direct sourcing or panels. These processes are detailed in the note to Table 8 on page 150.

During 2009-10, 103 new consultancy contracts were entered into involving total actual expenditure of \$5,168,788. In addition, 38 ongoing consultancy contracts were active during the 2009-10 year, involving total actual expenditure of \$2,332,114. 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](http://www.tenders.gov.au).

Several consultancy contracts let in 2009-10 were valued at \$10,000 or more (refer to Table 8 below).

**Table 8: List of new consultancies over \$10,000 in 2009-10**

| Consultant name                            | Description   | Contract price \$ | Selection process <sup>(1)</sup> | Justification <sup>(2)</sup> |
|--|---|-------------------|----------------------------------|------------------------------|
| ACTSAFE Australia Pty Ltd                  | Provide ergonomic assessments/evaluations, rehabilitation and occupational health and safety training | \$36,000          | Open tender                      | A                            |
| Acumen Contracting and Recruitment Pty Ltd | Work with Macroeconomic Group on its database project   | \$440,000         | Panel                            | A                            |
| AON Consulting Pty Limited                 | Help with superannuation and managed investment product disclosure statement design project           | \$212,000         | Direct sourcing                  | A                            |
| Australian Government Solicitor            | Provide constitutional advice about implementing soft compulsion                                      | \$10,000          | Direct sourcing                  | A                            |

**Table 8: List of new consultancies over \$10,000 in 2009-10 (continued)**

| Consultant name                 | Description   | Contract price \$ | Selection process <sup>(1)</sup> | Justification <sup>(2)</sup> |
|---------------------------------|---|-------------------|----------------------------------|------------------------------|
| Australian Government Solicitor | Provide legal advice on employee share schemes  | \$10,000          | Panel                            | A                            |
| Australian Government Solicitor | Provide legal advice on private health insurance  | \$10,000          | Panel                            | A                            |
| Australian Government Solicitor | Provide legal advice to the financial advisory services panel   | \$10,000          | Panel                            | A                            |
| Australian Government Solicitor | Provide legal advice on recommendations from the Australia's Future Tax System Review                               | \$10,067          | Panel                            | A                            |
| Australian Government Solicitor | Provide tied legal services on managed investment trusts  | \$10,332          | Direct sourcing                  | A                            |
| Australian Government Solicitor | Provide legal advice on the financial advisory services request for tender  | \$11,000          | Panel                            | A                            |
| Australian Government Solicitor | Provide legal advice in adoption/referral provisions included in the draft National Consumer Credit Protection Bill | \$11,153          | Panel                            | A                            |
| Australian Government Solicitor | Provide tied legal advice on the National Broadband Network   | \$11,825          | Direct sourcing                  | A                            |
| Australian Government Solicitor | Provide legal advice on interactions between taxing non renewable resources and international free trade agreements | \$12,820          | Direct sourcing                  | A                            |
| Australian Government Solicitor | Provide legal advice on external dispute resolution   | \$14,170          | Panel                            | A                            |
| Australian Government Solicitor | Provide constitutional advice on Division 50  | \$15,000          | Direct sourcing                  | A                            |
| Australian Government Solicitor | Provide constitutional legal advice on the National Health and Hospitals Network                                    | \$16,365          | Direct sourcing                  | A                            |
| Australian Government Solicitor | Provide advice on the Research and Development Tax Incentive  | \$21,929          | Panel                            | A                            |
| Australian Government Solicitor | Provide legal advice on taxing issues on international trade agreements and constitutional issues                   | \$23,000          | Direct sourcing                  | A                            |

Table 8: List of new consultancies over \$10,000 in 2009-10 (continued)

| Consultant name                      | Description   | Contract price \$ | Selection process <sup>(1)</sup> | Justification <sup>(2)</sup> |
|--------------------------------------|---|-------------------|----------------------------------|------------------------------|
| Australian Government Solicitor      | Provide constitutional legal advice on stamp duty carve out in amendment power                    | \$24,000          | Direct sourcing                  | A                            |
| Australian Government Solicitor      | Provide legal advice on Credit Reform Package   | \$29,536          | Panel                            | A                            |
| Australian Government Solicitor      | Provide legal advice on dealing with facilitating practices                                       | \$33,900          | Panel                            | A                            |
| Australian Government Solicitor      | Provide legal representation at the Administrative Appeals Tribunal                               | \$50,000          | Panel                            | A                            |
| Australian Government Solicitor      | Advise on Standard Business Reporting trademark Issues  | \$105,000         | Panel                            | A                            |
| Australian Government Solicitor      | Provide general FOI legal advice  | \$150,000         | Panel                            | A                            |
| Australian Government Solicitor      | Provide tied legal services on challenge to section 50 of the ASIC Act                            | \$150,000         | Direct sourcing                  | A                            |
| Australian Government Solicitor      | Advise on international disclosure documents for Guarantee of State and Territory Borrowing       | \$630,008         | Panel                            | A                            |
| Barmco Mana Partnership              | Review Treasury building emergency power system   | \$15,628          | Direct sourcing                  | A                            |
| Blake Dawson                         | Provide legal advice on the Tax Issue Entry System  | \$10,000          | Direct sourcing                  | A                            |
| Blake Dawson                         | Provide updated advice on legal compliance issues for Standard Business Reporting core services   | \$17,410          | Panel                            | A                            |
| Centre for Public Management         | Investigate and report on potential breach of code of conduct                                     | \$40,250          | Select tender                    | A                            |
| Clayton Utz Solicitors and Attorneys | Advise on improvements to running Balance Account System  | \$20,000          | Panel                            | A                            |
| Colmar Brunton                       | Provide market research for the Superannuation System Review                                      | \$39,815          | Panel                            | A                            |
| Colmar Brunton                       | Conduct developmental research for Standard Business Reporting information and education campaign | \$106,140         | Panel                            | A                            |

**Table 8: List of new consultancies over \$10,000 in 2009-10 (continued)**

| <b>Consultant name</b>           | <b>Description</b>  | <b>Contract price \$</b> | <b>Selection process<sup>(1)</sup></b> | <b>Justification<sup>(2)</sup></b> |
|----------------------------------|---|--------------------------|--|------------------------------------|
| CRS Australia                    | Provide ergonomic assessments/evaluations, rehabilitation and occupational health and safety training | \$31,500                 | Open tender                            | A                                  |
| Deloitte Touche Tohmatsu         | Analyse superannuation funds, fees and costs  | \$121,000                | Panel                                  | A                                  |
| Deloitte Touche Tohmatsu         | Develop an SBR implementation methodology for large business  | \$488,000                | Panel                                  | A                                  |
| Dupont and Associates Pty Ltd    | Provide ergonomic assessments/evaluations, rehabilitation and occupational health and safety training | \$40,500                 | Open tender                            | A                                  |
| Ecoperspectives Pty Ltd          | Examine implications of economic policies in APEC economies   | \$43,560                 | Direct sourcing                        | A                                  |
| Ernst and Young                  | Advise on implementing the Resource Super Profits Tax   | \$12,500                 | Panel                                  | C                                  |
| Ernst and Young                  | Provide APEC capacity building workshops of Best Practice in PPP infrastructure markets               | \$80,000                 | Open tender                            | C                                  |
| Evans Smith and Dando Pty Ltd    | Advise on the Australia's Future Tax System final report  | \$86,548                 | Select tender                          | A                                  |
| Famous 5 Pty Ltd                 | Design and consumer test Short Margin Lending Product Disclosure Statements                           | \$50,000                 | Direct sourcing                        | A                                  |
| Geoffrey Lehmann                 | Assist Board of Taxation post implementation review into consolidation regime                         | \$40,000                 | Direct sourcing                        | A                                  |
| Greenwoods and Freehills Pty Ltd | Advise on the Tax Issue Entry System  | \$10,000                 | Direct sourcing                        | A                                  |
| Greenwoods and Freehills Pty Ltd | Advise on the redesign of the Foreign Source Income attribution rules                                 | \$22,087                 | Panel                                  | A                                  |
| Greenwoods and Freehills Pty Ltd | Advise on the redesign of the Controlled Foreign Company attribution rules                            | \$23,000                 | Panel                                  | A                                  |
| Greenwoods and Freehills Pty Ltd | Comment on the Australia's Future Tax System final report   | \$25,000                 | Panel                                  | C                                  |



Table 8: List of new consultancies over \$10,000 in 2009-10 (continued)

| Consultant name                      | Description   | Contract price \$ | Selection process <sup>(1)</sup> | Justification <sup>(2)</sup> |
|--------------------------------------|---|-------------------|----------------------------------|------------------------------|
| Gutteridge Haskins and Davey Pty Ltd | Undertake childcare feasibility study   | \$15,360          | Select tender                    | C                            |
| Healthe Work Pty Ltd                 | Provide ergonomic assessments/evaluations, rehabilitation and occupational health and safety training | \$40,000          | Open tender                      | A                            |
| Konekt                               | Provide ergonomic assessments/evaluations, rehabilitation and occupational health and safety training | \$30,000          | Open tender                      | A                            |
| KPMG                                 | Undertake modeling of Resource Rent Tax options   | \$65,777          | Panel                            | A                            |
| KPMG — Canberra                      | Advise on implementing the Resource Super Profits Tax   | \$12,500          | Panel                            | C                            |
| Lixstar Pty Ltd                      | Advise on the Tax Issue Entry System  | \$10,000          | Direct sourcing                  | A                            |
| Michael B Evans                      | Assist the Board of Taxation with the promotion and review of the Tax Issue Entry System              | \$25,000          | Direct sourcing                  | A                            |
| Michael Scott Donald                 | Act as consultant to the Superannuation Review Panel  | \$95,000          | Direct sourcing                  | A                            |
| Open Mind Research Group             | Market research for the tax reform information campaign   | \$972,763         | Select tender                    | A                            |
| Open Mind Research Group             | Market research for the tax reform information campaign   | \$796,111         | Select tender                    | A                            |
| Paul Binsted                         | Provide corporate finance and financial markets advice  | \$15,000          | Direct sourcing                  | A                            |
| Pitcher Partners                     | Assist the Board of Taxation on the Tax Issue Entry System  | \$10,000          | Direct sourcing                  | A                            |
| Point Project Management Pty Ltd     | Provide engineering consultancy services to the Treasury  | \$260,767         | Open tender                      | A                            |
| PricewaterhouseCoopers               | Provide advice on improvements to running the Balance Account System                                  | \$10,000          | Panel                            | A                            |
| PricewaterhouseCoopers               | Research compliance costs for business when interacting with the tax and transfer system              | \$88,000          | Direct sourcing                  | A                            |

**Table 8: List of new consultancies over \$10,000 in 2009-10 (continued)**

| Consultant name                                       | Description   | Contract price \$ | Selection process <sup>(1)</sup> | Justification <sup>(2)</sup> |
|---|---|-------------------|----------------------------------|------------------------------|
| PricewaterhouseCoopers                                | Provide APEC framework of guiding principles for enhancing private sector infrastructure                    | \$177,000         | Select tender                    | A                            |
| PricewaterhouseCoopers                                | Advise on research and development tax incentive  | \$15,000          | Panel                            | A                            |
| PricewaterhouseCoopers                                | Review consumer protection in the travel services market  | \$294,600         | Open tender                      | C                            |
| Professional Financial Solutions Pty Ltd              | Provide consultancy services to help develop stochastic asset model   | \$10,000          | Direct sourcing                  | A                            |
| Richard St John                                       | Provide consultancy services for an inquiry into the need for a statutory compensation scheme for investors | \$85,000          | Direct sourcing                  | A                            |
| Salinger Privacy                                      | Conduct a privacy impact assessment for Standard Business Reporting core services                           | \$15,100          | Panel                            | A                            |
| Salinger Privacy                                      | Provide privacy services for Standard Business Reporting core services                                      | \$25,000          | Panel                            | A                            |
| Serendipity (WA) Pty Ltd Advance Personnel Management | Provide ergonomic assessments/evaluations, rehabilitation and occupational health and safety training       | \$29,000          | Open sender                      | A                            |
| SGS Economics and Planning Pty Ltd                    | Provide advice on State, Territory and local government plan for grocery retailing                          | \$65,120          | Select tender                    | A                            |
| The Shannon Company                                   | Provide creative agency services for tax reform   | \$2,400,000       | Select tender                    | A                            |
| Tyers Economics                                       | Provide a course in economy wide modeling   | \$20,000          | Select tender                    | A                            |
| University of Melbourne                               | Compare competition across international banking markets  | \$18,000          | Direct sourcing                  | A                            |
| University of Melbourne                               | Review and advise on draft report by the Australian Financial Centre Forum                                  | \$18,000          | Direct sourcing                  | A                            |
| University of Melbourne                               | Review and advise on draft report by the Australian Financial Centre Forum                                  | \$19,500          | Direct sourcing                  | A                            |

|  |  |                    |                 |   |
|--|--|--------------------|-----------------|---|
| University of Melbourne                  | Provide specialist financial sector policy advice and training | \$75,325           | Direct sourcing | A |
| UNSW Global Pty Ltd                      | Provide an overlapping generations model                       | \$40,000           | Direct sourcing | A |
| <b>Total consultancies over \$10,000</b> |  | <b>\$9,149,090</b> |                 |   |

Note: All amounts include GST.

(1) Explanation of selection process terms:

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.

Select tender — a procurement procedure which allows the procuring agency to select potential suppliers and invite them to submit tenders (including through multi use lists). This process may only be used in certain defined circumstances.

Direct sourcing — 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 prequalified 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.

(2) Justification for decision to use consultancy:

A — skills currently unavailable within agency;

B — need for specialised or professional skills; and

C — need for independent research or assessment.

## AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES

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The Treasury is required to provide details of any contract let during 2009-10 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, purpose and value of the contract, and 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

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The Treasury is required to advise that 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 exempted from being published on AusTender.

## WORKPLACE DIVERSITY

The Treasury is committed to providing an organisational culture that embraces and actively promotes diversity. The Workplace Diversity Program demonstrates the Treasury's commitment to providing a work environment that recognises the value of staff with different backgrounds, perspectives and experiences to contribute to a vibrant organisation equipped to achieve the Treasury's objectives.

The Treasury's diversity profile is moderately stable (refer to Table 9 below). At 30 June 2010, it included:

- 45 per cent women;
- 24 per cent born overseas;
- 11 per cent with English as a second language; and
- 2 per cent who identify as having a disability.

**Table 9: Operative and paid inoperative staff by EEO target group (as at 30 June 2010)**

| Classification | Female | Born overseas | English as a second language | Aboriginal and Torres Strait Islander | Disability |
|----------------|--------|---------------|------------------------------|---------------------------------------|------------|
| Cadet          | 1      | –             | –                            | 3                                     | –          |
| APS1           | 2      | 1             | –                            | –                                     | –          |
| APS2           | 2      | –             | –                            | –                                     | 1          |
| APS3           | 49     | 27            | 13                           | –                                     | 1          |
| APS4           | 52     | 18            | 14                           | –                                     | 2          |
| APS5           | 72     | 27            | 16                           | –                                     | 3          |
| APS6           | 106    | 49            | 28                           | 1                                     | 4          |
| EL1            | 100    | 70            | 29                           | –                                     | 3          |
| EL2            | 74     | 42            | 17                           | –                                     | 4          |
| SES Band 1     | 16     | 16            | 2                            | –                                     | 4          |
| SES Band 2     | 4      | 3             | –                            | –                                     | –          |
| SES Band 3     | –      | 2             | –                            | –                                     | –          |
| <b>Total</b>   | 478    | 255           | 119                          | 4                                     | 22         |

In 2009-10 the Treasury developed and implemented an Indigenous Employment Strategy. Four staff identify as being Indigenous (0.04 per cent of the workforce). This compares with one staff member identifying in 2008-09. The Treasury's Reconciliation Action Plan Report is being finalised, with an updated version due to be released in late 2010. The department

continues to participate in Indigenous graduate and cadet selection processes, coordinated by the APSC and has three Indigenous cadets.

During the year, the Treasury held celebratory events to recognise and support diversity in the workplace. Reconciliation Week and the National Aborigines and Islanders Day Observance Committee (NAIDOC) Week were observed. A revised Disability Action Plan was launched on the International Day of People with Disability and paralympian, Michael Milton spoke. Staff were also invited to participate in celebratory events in recognition of International Women's Day and National Families Week.

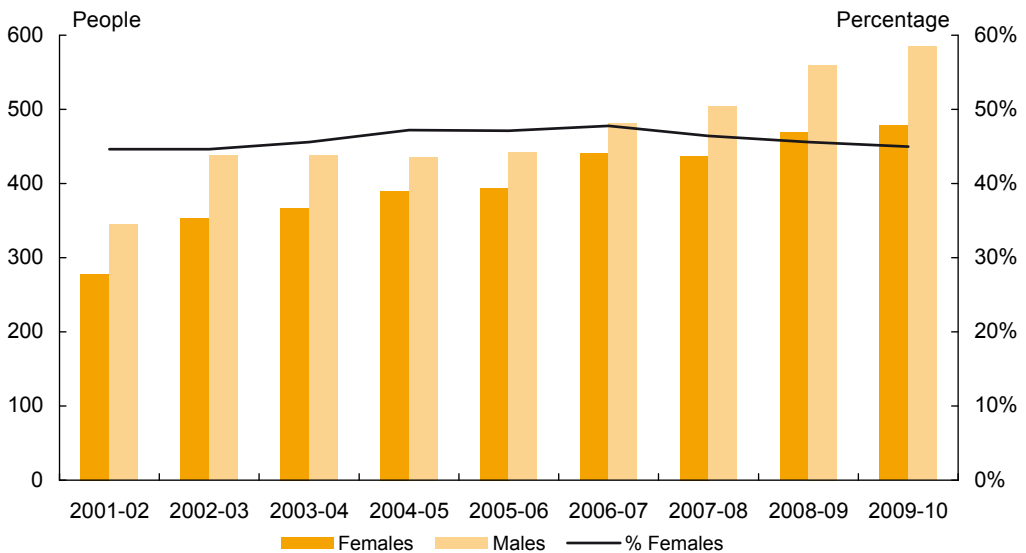
To support workforce diversity, the Treasury offers flexible working arrangements and a family-friendly work environment. The Treasury is accredited as a breastfeeding friendly workplace and a carer's room is provided to assist staff with parental or other caring responsibilities. The Treasury continues to offer two 30-minute daily breaks for nursing mothers working full-time, as well as one 30-minute break to nursing mothers working less than 20 hours per week. A range of current information is available on the intranet to staff including child care, school holiday care and resources for carers. The department continues to provide staff with access to an external service provider to assist with information on care requirements, including childcare.

At 30 June 2010, 11 per cent of Treasury staff worked part-time. More than half of these are executive level or higher. In addition to part-time work, Treasury staff can access jobshare arrangements and, in particular circumstances, may apply for home-based work.

The Treasury's Mature Age Employment Strategy is under review to ensure it meets the needs of a diverse workforce. The strategy is designed to support mature age workers to continue in the workforce and make the transition to retirement.

The Treasury has eight Workplace Harassment Contact Officers to assist employees who may require support. State of the Service Employee Survey results continued to confirm that the Treasury records low levels of bullying and harassment compared with the APS average.

Chart 1: Treasury staff levels



## COMMONWEALTH DISABILITY STRATEGY

The Treasury's revised Disability Action Plan was launched on the International Day of People with Disability in 2009. The plan provides a mechanism for coordinating the department's efforts to meet its responsibilities under the Commonwealth Disability Strategy regarding equity, inclusion, participation, access and, in particular, accountability. Progress will be reviewed in late 2010.

A range of assistance is provided to staff with a disability in the Treasury, including work station set-up and purchase of special equipment, such as voice recognition software. The department endeavours to identify, wherever possible, the needs of staff with a disability before they commence work in the department. During 2010, particular support was provided, through the JobAccess Employment Assistance Fund, for staff with hearing impairment.



**Table 10: Appointments of women to boards or equivalent of statutory and non-statutory bodies (as at 30 June 2010)**

|   | Total positions filled as at 30 June | Number of women | Number of appointments made during the year | Number of appointments of women |
|---|--------------------------------------|-----------------|---|---------------------------------|
| Auditing and Assurance Standards Board                            | 1                                    | 1               | –   | –                               |
| Australian Accounting Standards Board                             | 1                                    | –               | 1   | –                               |
| Australian Competition and Consumer Commission                    | 7                                    | 2               | 1   | 1                               |
| Australian Competition Tribunal                                   | 11                                   | 1               | 1   | –                               |
| Australian Energy Regulator                                       | 2                                    | –               | 1   | –                               |
| Australian Prudential Regulation Authority                        | 3                                    | –               | –   | –                               |
| Australian Reinsurance Pool Corporation                           | 7                                    | 3               | –   | –                               |
| Australian Securities and Investments Commission                  | 6                                    | 1               | 2   | 1                               |
| Companies Auditors and Liquidators Disciplinary Board             | 13                                   | –               | 3   | –                               |
| Corporations and Market Advisory Committee                        | 10                                   | 5               | 4   | 3                               |
| Financial Reporting Council                                       | 19                                   | 3               | 4   | –                               |
| Financial Reporting Panel   | 9                                    | 1               | 9   | 1                               |
| National Competition Council                                      | 4                                    | 1               | 4   | 1                               |
| Payments System Board   | 6                                    | 1               | –   | –                               |
| Productivity Commission   | 16                                   | 6               | 7   | 2                               |
| Superannuation Complaints Tribunal                                | 21                                   | 10              | 1   | –                               |
| Takeovers Panel   | 54                                   | 15              | 21  | 5                               |
| Australian Statistics Advisory Council                            | 19                                   | 7               | 6   | 2                               |
| Reserve Bank of Australia   | 9                                    | 1               | –   | –                               |
| Inspector-General of Taxation                                     | 1                                    | –               | –   | –                               |
| Tax Practitioners Board   | 11                                   | 2               | 11  | 2                               |
| Commonwealth Grants Commission                                    | 5                                    | 1               | 1   | –                               |
| Commonwealth Consumer Affairs Advisory Council                    | 8                                    | 2               | –   | –                               |
| Australian Government Financial Literacy Board                    | 12                                   | 3               | 4   | 1                               |
| Financial Sector Advisory Council                                 | 13                                   | 2               | 9   | –                               |
| Foreign Investment Review Board                                   | 3                                    | –               | 2   | –                               |
| HIH Claims Support Limited  | 4                                    | –               | –   | –                               |
| Legal Sub-committee of Corporations and Market Advisory Committee | 10                                   | 5               | 7   | 4                               |
| Board of Taxation   | 10                                   | 2               | 4   | 1                               |
| Superannuation Advisory Committee                                 | 9                                    | 5               | 9   | 5                               |
| <b>Total</b>  | <b>304</b>                           | <b>80</b>       | <b>112</b>                                  | <b>29</b>                       |

# PART FOUR

## FINANCIAL STATEMENTS

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Auditor-General for Australia



## INDEPENDENT AUDITOR'S REPORT

To the Treasurer

### Scope

I have audited the accompanying financial statements of the Department of the Treasury for the year ended 30 June 2010, which comprise: the Statement by the Departmental Secretary and Chief Financial Officer; Statement of comprehensive income; Balance sheet; Statement of changes in equity; Cash flow statement; Schedule of commitments; Schedule of contingencies; Schedule of asset additions; Schedule of administered items and Notes to and forming part of the financial statements, including a Summary of significant accounting policies.

### *The Responsibility of the Secretary for the Financial Statements*

The Secretary is responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department of the Treasury's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department of the Treasury's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Department of the Treasury's Secretary, 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 the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

**Auditor's Opinion**

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Department of the Treasury's financial position as at 30 June 2010 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Ian McPhee  
Auditor-General

Canberra

17 September 2010

## THE TREASURY

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### Statement by the Departmental Secretary and Chief Financial Officer

#### Certification of financial statements

In our opinion, the attached financial statements for the year ended 30 June 2010 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Ken Henry  
Secretary to the Treasury



Rob Donnelly  
Chief Financial Officer

Statement of comprehensive income  
for the period ended 30 June 2010

|  | Notes | 2010<br>\$'000 | 2009<br>\$'000 |
|--|-------|----------------|----------------|
| <b>EXPENSES</b>  |       |                |                |
| Employee benefits  | 3A    | 118,613        | 107,575        |
| Supplier expenses  | 3B    | 48,315         | 47,046         |
| Grants   | 3C    | 2,986          | 3,248          |
| Depreciation and amortisation  | 3D    | 4,368          | 4,191          |
| Finance costs  | 3E    | 35             | 94             |
| Write-down and impairment of assets  | 3F    | 28             | 33             |
| Net losses from sale of assets   | 3G    | 37             | 9              |
| <b>TOTAL EXPENSES</b>  |       | <b>174,382</b> | <b>162,196</b> |
| <b>LESS:</b>   |       |                |                |
| <b>OWN-SOURCE INCOME</b>   |       |                |                |
| <b>Own-source revenue</b>  |       |                |                |
| Sale of goods and rendering of services  | 4A    | 12,607         | 8,823          |
| Other revenues   | 4B    | 742            | 290            |
| <b>Total own-source-revenue</b>  |       | <b>13,349</b>  | <b>9,113</b>   |
| <b>Gains</b>   |       |                |                |
| Other gains  | 4C    | 546            | 534            |
| <b>Total gains</b>   |       | <b>546</b>     | <b>534</b>     |
| <b>TOTAL OWN-SOURCE INCOME</b>   |       | <b>13,895</b>  | <b>9,647</b>   |
| <b>Net cost of services</b>  |       | <b>160,487</b> | <b>152,549</b> |
| Revenue from Government  | 4D    | 165,939        | 148,680        |
| <b>Surplus/(Deficit) attributable to the Australian Government</b>                 |       | <b>5,452</b>   | <b>(3,869)</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>  |       |                |                |
| Changes in asset revaluation reserves  | 5     | -              | (30)           |
| <b>Total other comprehensive income</b>  |       | <b>-</b>       | <b>(30)</b>    |
| <b>TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT</b> |       | <b>5,452</b>   | <b>(3,899)</b> |

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

Balance sheet  
as at 30 June 2010

|   | Notes | 2010<br>\$'000 | 2009<br>\$'000 |
|---|-------|----------------|----------------|
| <b>ASSETS</b>                             |       |                |                |
| <b>Financial assets</b>                   |       |                |                |
| Cash and cash equivalents                 | 6A    | 1,196          | 1,367          |
| Trade and other receivables               | 6B    | 77,254         | 76,793         |
| <b>Total financial assets</b>             |       | <b>78,450</b>  | <b>78,160</b>  |
| <b>Non-financial assets</b>               |       |                |                |
| Land and buildings                        | 7A    | 8,714          | 10,314         |
| Plant and equipment                       | 7B    | 7,620          | 7,985          |
| Intangibles                               | 7C    | 36,711         | 19,650         |
| Assets held for sale                      | 7D    | -              | 24             |
| Other non-financial assets                | 7E    | 1,799          | 1,042          |
| <b>Total non-financial assets</b>         |       | <b>54,844</b>  | <b>39,015</b>  |
| <b>TOTAL ASSETS</b>                       |       | <b>133,294</b> | <b>117,175</b> |
| <b>LIABILITIES</b>                        |       |                |                |
| <b>Payables</b>                           |       |                |                |
| Suppliers                                 | 8A    | 1,662          | 3,853          |
| Other payables                            | 8B    | 12,098         | 6,621          |
| <b>Total payables</b>                     |       | <b>13,760</b>  | <b>10,474</b>  |
| <b>Interest bearing liabilities</b>       |       |                |                |
| Leases                                    | 9     | 40             | 233            |
| <b>Total interest bearing liabilities</b> |       | <b>40</b>      | <b>233</b>     |
| <b>Provisions</b>                         |       |                |                |
| Employee provisions                       | 10    | 39,110         | 36,057         |
| <b>Total provisions</b>                   |       | <b>39,110</b>  | <b>36,057</b>  |
| <b>TOTAL LIABILITIES</b>                  |       | <b>52,910</b>  | <b>46,764</b>  |
| <b>NET ASSETS</b>                         |       | <b>80,384</b>  | <b>70,411</b>  |
| <b>EQUITY</b>                             |       |                |                |
| Asset revaluation reserve                 |       | 5,246          | 5,246          |
| Contributed equity                        |       | 38,764         | 34,243         |
| Retained surplus                          |       | 36,374         | 30,922         |
| <b>TOTAL EQUITY</b>                       |       | <b>80,384</b>  | <b>70,411</b>  |

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



## Statement of changes in equity as at 30 June 2010

|  | Retained earnings |                | Asset revaluation reserve |                | Contributed equity |                | Total equity   |                |
|--|-------------------|----------------|---------------------------|----------------|--------------------|----------------|----------------|----------------|
|  | 2010<br>\$'000    | 2009<br>\$'000 | 2010<br>\$'000            | 2009<br>\$'000 | 2010<br>\$'000     | 2009<br>\$'000 | 2010<br>\$'000 | 2009<br>\$'000 |
| <b>Opening balance as at 1 July</b>                              | 30,922            | 34,791         | 5,246                     | 5,276          | 34,243             | 12,939         | 70,411         | 53,006         |
| <b>Comprehensive income</b>                                      | 5,452             | (3,869)        | -                         | -              | -                  | -              | 5,452          | (3,869)        |
| Surplus/(Deficit) for the period                                 | -                 | -              | -                         | (30)           | -                  | -              | -              | (30)           |
| Other comprehensive income                                       | -                 | -              | -                         | (30)           | -                  | -              | -              | (30)           |
| <b>Total comprehensive income</b>                                | 5,452             | (3,869)        | -                         | (30)           | -                  | -              | 5,452          | (3,899)        |
| of which:  |                   |                |                           |                |                    |                |                |                |
| Attributable to the Australian Government                        | 5,452             | (3,869)        | -                         | (30)           | -                  | -              | 5,452          | (3,899)        |
| <b>Transactions with owners:</b>                                 |                   |                |                           |                |                    |                |                |                |
| <b>Contributions by owners:</b>                                  |                   |                |                           |                |                    |                |                |                |
| Appropriations (equity injections)                               | -                 | -              | -                         | -              | 4,521              | 21,304         | 4,521          | 21,304         |
| <b>Sub-total transactions with owners</b>                        | -                 | -              | -                         | -              | 4,521              | 21,304         | 4,521          | 21,304         |
| <b>Closing balance as at 30 June</b>                             | 36,374            | 30,922         | 5,246                     | 5,246          | 38,764             | 34,243         | 80,384         | 70,411         |
| <b>Closing balance attributable to the Australian Government</b> | 36,374            | 30,922         | 5,246                     | 5,246          | 38,764             | 34,243         | 80,384         | 70,411         |

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

**Cash flow statement**  
for the period ended 30 June 2010

|  | Notes | 2010<br>\$'000  | 2009<br>\$'000 |
|--|-------|-----------------|----------------|
| <b>OPERATING ACTIVITIES</b>                                |       |                 |                |
| <b>Cash received</b>                                       |       |                 |                |
| Goods and services   |       | 14,034          | 11,046         |
| Appropriations   |       | 183,103         | 145,800        |
| Net GST received from ATO                                  |       | 5,028           | 5,228          |
| Other cash received  |       | 2,103           | 924            |
| <b>Total cash received</b>                                 |       | <b>204,268</b>  | 162,998        |
| <b>Cash used</b>   |       |                 |                |
| Employees  |       | 115,487         | 105,216        |
| Suppliers  |       | 52,399          | 52,049         |
| Grants   |       | 2,986           | 3,248          |
| Financing costs  |       | 35              | 94             |
| Cash to the OPA  |       | 18,354          | -              |
| Other cash used  |       | 1               | -              |
| <b>Total cash used</b>                                     |       | <b>189,262</b>  | 160,607        |
| <b>Net cash from/(used by) operating activities</b>        | 11    | <b>15,006</b>   | 2,391          |
| <b>INVESTING ACTIVITIES</b>                                |       |                 |                |
| <b>Cash received</b>                                       |       |                 |                |
| Proceeds from sale of property, plant and equipment        |       | 9               | 12             |
| <b>Total cash received</b>                                 |       | <b>9</b>        | 12             |
| <b>Cash used</b>   |       |                 |                |
| Purchase of property, plant and equipment                  |       | 3,995           | 4,770          |
| Purchase of intangibles                                    |       | 15,519          | 19,059         |
| <b>Total cash used</b>                                     |       | <b>19,514</b>   | 23,829         |
| <b>Net cash from/(used by) investing activities</b>        |       | <b>(19,505)</b> | (23,817)       |
| <b>FINANCING ACTIVITIES</b>                                |       |                 |                |
| <b>Cash received</b>                                       |       |                 |                |
| Capital injections   |       | 4,521           | 21,304         |
| <b>Total cash received</b>                                 |       | <b>4,521</b>    | 21,304         |
| <b>Cash used</b>   |       |                 |                |
| Repayment of borrowings (includes finance lease principal) |       | 193             | 781            |
| <b>Total cash used</b>                                     |       | <b>193</b>      | 781            |
| <b>Net cash from/(used by) financing activities</b>        |       | <b>4,328</b>    | 20,523         |
| <b>Net increase/(decrease) in cash held</b>                |       | <b>(171)</b>    | (903)          |
| Cash at the beginning of the reporting period              |       | 1,367           | 2,270          |
| <b>Cash at the end of the reporting period</b>             | 6A    | <b>1,196</b>    | 1,367          |

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

## Schedule of commitments

as at 30 June 2010

|  | 2010<br>\$'000 | 2009<br>\$'000 |
|--|----------------|----------------|
| <b>BY TYPE</b>                           |                |                |
| <b>Commitments receivable</b>            |                |                |
| GST receivable                           | (4,724)        | (7,170)        |
| <b>Total commitments receivable</b>      | (4,724)        | (7,170)        |
| <b>Capital commitments</b>               |                |                |
| Infrastructure, plant and equipment      | 1,064          | -              |
| Intangibles                              | 1,515          | 15,859         |
| <b>Total capital commitments</b>         | 2,579          | 15,859         |
| <b>Other commitments</b>                 |                |                |
| Operating leases                         | 46,976         | 57,146         |
| Other                                    | 4,071          | 10,377         |
| <b>Total other commitments</b>           | 51,047         | 67,523         |
| <b>NET COMMITMENTS</b>                   | <b>48,902</b>  | <b>76,212</b>  |
| <b>BY MATURITY</b>                       |                |                |
| <b>Commitments receivable</b>            |                |                |
| <b>GST receivable</b>                    |                |                |
| One year or less                         | (1,165)        | (2,565)        |
| From one to five years                   | (3,163)        | (3,384)        |
| Over five years                          | (396)          | (1,221)        |
| <b>Total GST receivable</b>              | (4,724)        | (7,170)        |
| <b>Capital commitments</b>               |                |                |
| One year or less                         | 2,579          | 14,795         |
| From one to five years                   | -              | 1,064          |
| <b>Total capital commitments</b>         | 2,579          | 15,859         |
| <b>Operating lease commitments</b>       |                |                |
| One year or less                         | 8,480          | 9,367          |
| From one to five years                   | 34,135         | 34,344         |
| Over five years                          | 4,361          | 13,435         |
| <b>Total operating lease commitments</b> | 46,976         | 57,146         |
| <b>Other commitments</b>                 |                |                |
| One year or less                         | 2,643          | 6,863          |
| From one to five years                   | 1,428          | 3,514          |
| <b>Total other commitments</b>           | 4,071          | 10,377         |
| <b>NET COMMITMENTS BY MATURITY</b>       | <b>48,902</b>  | <b>76,212</b>  |

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

Note: Commitments are GST inclusive where relevant.

## Schedule of commitments (continued)

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

| Nature of lease   | General description of leasing arrangement  |
|---|---|
| Leases for accommodation  | <ul style="list-style-type: none"> <li>▪ Commercial — leases comprise of various periods, including both initial and options periods.</li> <li>▪ Overseas estate — some commercial lease payments are adjusted annually by two per cent and residential lease payments are reviewed bi-annually to reflect market movements.</li> <li>▪ The initial periods of office accommodation leases are still current and each may be renewed with options for a further three or five years.</li> <li>▪ Australian estate — residential lease payments are reviewed bi-annually to reflect market movements.</li> </ul> |
| Agreements for the provision of motor vehicles to Senior Executive Officers | <ul style="list-style-type: none"> <li>▪ No contingent rentals exist.</li> <li>▪ No renewal or purchase options are available to the Treasury.</li> </ul>   |
| Leases for computer equipment and office equipment                          | <ul style="list-style-type: none"> <li>▪ The lessor provides all computer equipment designated as necessary in the supply contract for three years with an option to extend the term for a fixed period as agreed by both parties.</li> <li>▪ The lessor provides all photocopier equipment designated as necessary in the supply contract for four years with an option to extend the term for a fixed period as agreed by both parties.</li> </ul>  |

Other commitments include commitments for consultants, building services and other commitments.

## Schedule of contingencies

as at 30 June 2010

|                                     | 2010         | 2009         |
|-------------------------------------|--------------|--------------|
|                                     | \$'000       | \$'000       |
| <b>Contingent liabilities</b>       |              |              |
| Other - studies assistance          | 272          | 248          |
| <b>Total contingent liabilities</b> | <b>272</b>   | <b>248</b>   |
| <b>NET CONTINGENT LIABILITIES</b>   | <b>(272)</b> | <b>(248)</b> |

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

Note: Departmental quantifiable and unquantifiable contingencies are disclosed in Note 12: Contingent liabilities and assets.

Schedule of asset additions  
as at 30 June 2010

The following non-financial non-current assets were added in 2009-10:

|  | Buildings -<br>leasehold<br>improvements<br>\$'000 | Other plant<br>and equipment<br>\$'000 | Computer<br>software<br>\$'000 | Total<br>\$'000 |
|--|--|--|--------------------------------|-----------------|
| By purchase - appropriation equity                   | -  | -                                      | 12,858                         | 12,858          |
| By purchase - appropriation ordinary annual services | 2,937  | 226                                    | 3,847                          | 7,010           |
| <b>Total additions</b>                               | <b>2,937</b>                                       | <b>226</b>                             | <b>16,705</b>                  | <b>19,868</b>   |

The following non-financial non-current assets were added in 2008-09:

|  | Buildings -<br>leasehold<br>improvements<br>\$'000 | Other plant<br>and equipment<br>\$'000 | Computer<br>software<br>\$'000 | Total<br>\$'000 |
|--|--|--|--------------------------------|-----------------|
| By purchase - appropriation equity                   | -  | -                                      | 17,132                         | 17,132          |
| By purchase - appropriation ordinary annual services | 2,910  | 1,941                                  | 1,928                          | 6,779           |
| By finance lease                                     | -  | 53                                     | -                              | 53              |
| <b>Total additions</b>                               | <b>2,910</b>                                       | <b>1,994</b>                           | <b>19,060</b>                  | <b>23,964</b>   |

## Schedule of administered items

for the period ended 30 June 2010

|   | Notes | 2010<br>\$'000    | 2009<br>\$'000    |
|---|-------|-------------------|-------------------|
| <b>Income administered</b>              |       |                   |                   |
| <b>on behalf of Government</b>          |       |                   |                   |
| for the period ended 30 June 2010       |       |                   |                   |
| <b>Revenue</b>                          |       |                   |                   |
| <b>Non-taxation revenue</b>             |       |                   |                   |
| Interest                                | 17A   | 2,236             | 3,817             |
| Dividends                               | 17B   | 5,976,709         | 1,402,968         |
| Sale of goods and rendering of services | 17C   | 1,930,987         | 1,106,895         |
| COAG receipts from government agencies  | 17D   | 3,639,933         | 2,060,272         |
| Other revenue                           | 17E   | 177,084           | 137,216           |
| <b>Total non-taxation revenue</b>       |       | <b>11,726,949</b> | <b>4,711,168</b>  |
| <b>Total revenues administered</b>      |       |                   |                   |
| <b>on behalf of Government</b>          |       |                   |                   |
|   |       | <b>11,726,949</b> | <b>4,711,168</b>  |
| <b>Gains</b>                            |       |                   |                   |
| Net foreign exchange gains              | 17F   | 790,861           | -                 |
| Other gains                             | 17G   | 14,148            | -                 |
| <b>Total gains administered</b>         |       |                   |                   |
| <b>on behalf of Government</b>          |       |                   |                   |
|   |       | <b>805,009</b>    | <b>-</b>          |
| <b>Total income administered</b>        |       |                   |                   |
| <b>on behalf of Government</b>          |       |                   |                   |
|   |       | <b>12,531,958</b> | <b>4,711,168</b>  |
| <b>Expenses administered</b>            |       |                   |                   |
| <b>on behalf of Government</b>          |       |                   |                   |
| for the period ended 30 June 2010       |       |                   |                   |
| Grants                                  | 18A   | 87,974,215        | 53,643,549        |
| Interest                                | 18B   | 11,413            | 14,265            |
| Other expenses                          | 18D   | 14,818            | (232)             |
| <b>Losses</b>                           |       |                   |                   |
| Net foreign exchange losses             | 18C   | -                 | 403,553           |
| <b>Total expenses administered</b>      |       |                   |                   |
| <b>on behalf of Government</b>          |       |                   |                   |
|   |       | <b>88,000,446</b> | <b>54,061,135</b> |

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

## Schedule of administered items (continued)

as at 30 June 2010

|                                       | Notes     | 2010<br>\$'000    | 2009<br>\$'000 |
|---------------------------------------|-----------|-------------------|----------------|
| <b>Assets administered</b>            |           |                   |                |
| <b>on behalf of Government</b>        |           |                   |                |
| as at 30 June 2010                    |           |                   |                |
| <b>Financial assets</b>               |           |                   |                |
| Cash and cash equivalents             | 19A       | 4,063             | 8,230          |
| Receivables                           | 19B       | 5,326,422         | 2,744,885      |
| Investments                           | 19C and D | 17,963,607        | 25,891,790     |
| <b>Total financial assets</b>         |           | <b>23,294,092</b> | 28,644,905     |
| <b>Non-financial assets</b>           |           |                   |                |
| Other                                 | 19E       | 545,346           | -              |
| <b>Total non- financial assets</b>    |           | <b>545,346</b>    | -              |
| <b>Total assets administered</b>      |           |                   |                |
| <b>on behalf of Government</b>        |           | <b>23,839,438</b> | 28,644,905     |
| <b>Liabilities administered</b>       |           |                   |                |
| <b>on behalf of Government</b>        |           |                   |                |
| as at 30 June 2010                    |           |                   |                |
| <b>Payables</b>                       |           |                   |                |
| Loans                                 | 20A       | 4,882,893         | 3,889,425      |
| Grants                                | 20B       | 395,306           | 558,917        |
| Other payables                        | 20C       | 5,470,847         | 1,895,869      |
| Unearned income                       | 20D       | 3,322,908         | 2,660,585      |
| <b>Total payables</b>                 |           | <b>14,071,954</b> | 9,004,796      |
| <b>Provisions</b>                     |           |                   |                |
| Other provisions                      | 20E       | 30,540            | 38,306         |
| <b>Total other provisions</b>         |           | <b>30,540</b>     | 38,306         |
| <b>Total liabilities administered</b> |           |                   |                |
| <b>on behalf of Government</b>        |           | <b>14,102,494</b> | 9,043,102      |
| <b>Net assets administered</b>        |           |                   |                |
| <b>on behalf of Government</b>        | 21        | <b>9,736,944</b>  | 19,601,803     |

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



## Schedule of administered items (continued)

for the period ended 30 June 2010

| Administered cash flows   | Notes | 2010<br>\$'000      | 2009<br>\$'000      |
|---|-------|---------------------|---------------------|
| <b>OPERATING ACTIVITIES</b>                                     |       |                     |                     |
| <b>Cash received</b>  |       |                     |                     |
| Sale of goods and rendering services                            |       | 1,333,504           | 1,023,165           |
| Interest  |       | 2,388               | 3,893               |
| Dividends   |       | 5,226,709           | 1,402,968           |
| Net GST received  |       | 175                 | 465                 |
| HIH Group liquidation proceeds                                  |       | 53,776              | 22,860              |
| COAG receipts from government agencies                          |       | 11,068,030          | 2,060,272           |
| Other   |       | 120,164             | 72,502              |
| <b>Total cash received</b>                                      |       | <b>17,804,746</b>   | <b>4,586,125</b>    |
| <b>Cash used</b>  |       |                     |                     |
| Grant payments  |       | 95,293,444          | 53,084,810          |
| Interest  |       | 9,949               | 17,543              |
| Other   |       | 5,520               | 63,314              |
| <b>Total cash used</b>  |       | <b>95,308,913</b>   | <b>53,165,667</b>   |
| <b>Net cash flows from (used by) operating activities</b>       |       | <b>(77,504,167)</b> | <b>(48,579,542)</b> |
| <b>INVESTING ACTIVITIES</b>                                     |       |                     |                     |
| <b>Cash received</b>  |       |                     |                     |
| IMF SDR allocation <sup>1</sup>                                 |       | 4,845,258           | -                   |
| <b>Total cash received</b>                                      |       | <b>4,845,258</b>    | <b>-</b>            |
| <b>Cash used</b>  |       |                     |                     |
| Settlement of international financial institution's obligations |       | -                   | 592                 |
| <b>Total cash used</b>  |       | <b>-</b>            | <b>592</b>          |
| <b>Net cash flows from (used by) investing activities</b>       |       | <b>4,845,258</b>    | <b>(592)</b>        |
| <b>Net increase/(decrease) in cash held</b>                     |       | <b>(72,658,909)</b> | <b>(48,580,134)</b> |
| Cash and cash equivalents at the beginning of reporting period  |       | 8,230               | 10,213              |
| Cash from Official Public Account for:                          |       |                     |                     |
| - appropriations  |       | 61,744,128          | 44,858,979          |
| - special accounts  |       | 26,324,452          | 5,928,084           |
|   |       | <b>88,068,580</b>   | <b>50,787,063</b>   |
| Cash to Official Public Account for:                            |       |                     |                     |
| - appropriations  |       | 15,413,838          | 2,208,912           |
| - special accounts  |       | -                   | -                   |
|   |       | <b>15,413,838</b>   | <b>2,208,912</b>    |
| <b>Cash and cash equivalents at end of reporting period</b>     | 19A   | <b>4,063</b>        | <b>8,230</b>        |

1 The IMF allocated additional SDRs during the global financial crisis to increase the liquidity of member countries.

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

## Schedule of administered items (continued)

as at 30 June 2010

|  | 2010               | 2009               |
|--|--------------------|--------------------|
|  | \$'000             | \$'000             |
| <b>Administered commitments</b>          |                    |                    |
| <b>BY TYPE</b>                           |                    |                    |
| <b>Commitments payable</b>               |                    |                    |
| <b>Other commitments</b>                 |                    |                    |
| Other <sup>1</sup> - HCS Scheme          | -                  | 477                |
| Other <sup>1</sup> - Commonwealth grants | 349,085,071        | 310,887,246        |
| Other expenses                           | 1,500              | -                  |
| <b>Total other commitments</b>           | <b>349,086,571</b> | <b>310,887,723</b> |
| <b>Total commitments payable</b>         | <b>349,086,571</b> | <b>310,887,723</b> |
| <b>Commitments receivable</b>            |                    |                    |
| GST receivable                           | (136)              | (43)               |
| <b>Total commitments receivable</b>      | <b>(136)</b>       | <b>(43)</b>        |
| <b>NET COMMITMENTS BY TYPE</b>           | <b>349,086,435</b> | <b>310,887,680</b> |
| <b>BY MATURITY</b>                       |                    |                    |
| <b>Commitments payable</b>               |                    |                    |
| <b>Other commitments</b>                 |                    |                    |
| One year or less                         | 84,861,330         | 78,207,761         |
| From one to five years                   | 264,225,241        | 232,679,962        |
| <b>Total other commitments</b>           | <b>349,086,571</b> | <b>310,887,723</b> |
| <b>Commitments receivable</b>            |                    |                    |
| One year or less                         | (136)              | (43)               |
| <b>Total commitments receivable</b>      | <b>(136)</b>       | <b>(43)</b>        |
| <b>NET COMMITMENTS BY MATURITY</b>       | <b>349,086,435</b> | <b>310,887,680</b> |

1 Other commitments relates to services provided with respect to the HIH Claims Support (HCS) Scheme and grants to the States and Territories.

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

Note: All commitments are GST inclusive where relevant.

## Schedule of administered items (continued) as at 30 June 2010

|  | Guarantees |        | Indemnities |        | Uncalled shares or capital subscriptions <sup>1</sup> |                  | Claims for damages or costs |        | Warranties |        | Letters of comfort |        | Total             |                  |
|--|------------|--------|-------------|--------|---|------------------|-----------------------------|--------|------------|--------|--------------------|--------|-------------------|------------------|
|  | 2010       | 2009   | 2010        | 2009   | 2010  | 2009             | 2010                        | 2009   | 2010       | 2009   | 2010               | 2009   | 2010              | 2009             |
| Administered contingencies                       | \$'000     | \$'000 | \$'000      | \$'000 | \$'000  | \$'000           | \$'000                      | \$'000 | \$'000     | \$'000 | \$'000             | \$'000 | \$'000            | \$'000           |
| <b>Administered contingent liabilities</b>       |            |        |             |        |   |                  |                             |        |            |        |                    |        |                   |                  |
| Balance from previous period                     | -          | -      | -           | -      | 6,697,681   | 5,659,186        | -                           | -      | -          | -      | -                  | -      | 6,697,681         | 5,659,186        |
| New  | -          | -      | -           | -      | 5,692,988   | -                | -                           | -      | -          | -      | -                  | -      | 5,692,988         | -                |
| Re-measurement                                   | -          | -      | -           | -      | (338,652)   | 1,038,495        | -                           | -      | -          | -      | -                  | -      | (338,652)         | 1,038,495        |
| Liabilities recognised                           | -          | -      | -           | -      | -   | -                | -                           | -      | -          | -      | -                  | -      | -                 | -                |
| <b>Total administered contingent liabilities</b> | -          | -      | -           | -      | <b>12,052,017</b>                                     | <b>6,697,681</b> | -                           | -      | -          | -      | -                  | -      | <b>12,052,017</b> | <b>6,697,681</b> |
| <b>Total administered contingent assets</b>      | -          | -      | -           | -      | -   | -                | -                           | -      | -          | -      | -                  | -      | -                 | -                |
| <b>NET ADMINISTERED CONTINGENT LIABILITIES</b>   | -          | -      | -           | -      | <b>12,052,017</b>                                     | <b>6,697,681</b> | -                           | -      | -          | -      | -                  | -      | <b>12,052,017</b> | <b>6,697,681</b> |

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).

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

Note: Administered unquantifiable contingencies are disclosed in Note 22: Administered contingent liabilities and assets. The Treasury has given financial guarantees for which the details are disclosed at Note 1.31 and Note 24: Administered financial instruments.

## **Statement of activities administered on behalf of Government**

The major administered activities of the Treasury are directed towards achieving the outcome described in Note 1.1 (Program 1.2 to Program 1.10) of the Financial Statements. Details of planned activities of Program 1.2 to Program 1.10 for the year can be found in the Treasury Portfolio Budget Statements and Portfolio Additional Estimates Statements.



**Notes to and forming part of the financial statements**  
for the period ended 30 June 2010

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## Note 1: Summary of significant accounting policies

### 1.1 Objectives of the Treasury

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

The Treasury is structured to meet one 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 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 and administered activities are identified under Program 1.1. Administered activities are identified under Programs 1.2 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 (HCS) Scheme;
- 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
- support for car dealership financing through the OzCar Special Purpose Vehicle (SPV).

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

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

Program 1.10 provides for administered payments to the States and Territories in accordance with National Partnership agreements that provide 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 report

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 2009; and

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report has been prepared on an accrual basis and is in accordance with 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 report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

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

Unless alternative treatment is specifically required by an accounting standard or the FMOs, income and expenses are recognised in the 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 1.22 on page 190.

### 1.3 Significant accounting judgments and estimates

Apart from the Australian Government Actuary's reconsideration of their 2008-09 review of employee benefits, which resulted in changes to on-cost calculations and discount factors, no accounting assumptions or estimates have been identified for departmental items that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

In the process of applying the accounting policies for administered items listed in Notes 1.29 and 1.30 on pages 196 and 197, the Treasury has obtained independent actuarial assessments of the HLIC premiums, recoveries, claims and acquisition costs, and the HCS Scheme liability.

In relation to uncalled shares disclosed in the administered contingencies table, the Treasury has judged the risk of these shares being called as low for the foreseeable future. This judgment is based on 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.

## 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 3 — *Business combinations*
- AASB 4 — *Insurance contracts*
- AASB 107 — *Statement of cash flows*
- AASB 116 — *Property, Plant and Equipment*
- AASB 117 — *Leases*
- AASB 118 — *Revenue*
- AASB 121 — *The effects of changes in foreign exchange rates*
- AASB 127 — *Consolidated and separate financial statements*
- AASB 128 — *Investments in associates*
- AASB 131 — *Interests in joint ventures*
- AASB 132 — *Financial Instruments: Presentation*
- AASB 134 — *Interim Financial Reporting*
- AASB 136 — *Impairment of assets*
- AASB 138 — *Intangible assets*
- AASB 1048 — *Interpretation of standards*
- *2010-3 Amendments to Australian accounting standards arising from the Annual Improvements Project*

### Future Australian Accounting Standard requirements

Of the new standards, amendments to standards and interpretations issued by the AASB that are applicable to future periods, it is estimated that the impact of adopting the pronouncements when effective will have no material financial impact on future reporting periods, but may affect disclosures in future financial reports.

## 1.5 Revenue

### Revenue from government

Amounts appropriated for departmental 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.

## 1.6 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.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 1.7 below).

Resources received free of charge are recorded as either revenue or gains depending on their nature.

#### Sale of assets

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

### 1.7 Transactions with the Government as owner

#### Equity injections

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

#### Restructuring of administrative arrangements

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

#### Other distributions to owners

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

### 1.8 Employee benefits

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

Liabilities for 'short-term employee benefits' (as defined by AASB 119 — *Employee Benefits*) and termination benefits due within 12 months of balance date are measured at their nominal amounts.

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

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's 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 the work of the Australian Government Actuary as at 30 June 2009. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and general pay increases.

## Separation and redundancy

No provision has been made for separation and redundancy benefit payments during the year (2009: Nil).

## Superannuation

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

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme which opened for new employees on 1 July 2005. The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

The Treasury makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the cost to the government of the superannuation entitlements of the Treasury's employees. The Treasury accounts for the contribution as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June 2010 represents outstanding contributions for the final fortnight of the year.

## 1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets. In operating leases, the lessor effectively retains substantially all such risks and benefits.

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

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense. At reporting date, the Treasury had finance leases with terms averaging 2.75 years and a maximum term of 3.25 years. The interest rate implicit in the leases averaged 5.92 per cent (2009: 6.24 per cent). The lease assets secure the lease liabilities.

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

### 1.10 Borrowing costs

All borrowing costs are expensed as incurred.

### 1.11 Cash

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

### 1.12 Financial risk management

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

### 1.13 Other financial instruments

#### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance date. These are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest methods less impairment. Interest is usually recognised by applying the effective interest rate. Collectability of debts is reviewed regularly throughout the year and at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely. Credit terms are net 30 days (2009: 30 days).

### Trade creditors

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

### 1.14 Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period.

#### Financial assets held at amortised cost

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

### 1.15 Contingent liabilities and contingent assets

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

### 1.16 Acquisition of assets

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



## 1.17 Property, plant and equipment

### Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$2,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant and total \$20,000 or more).

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

### Revaluations

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

| Asset class                         | Fair value measured at       |
|-------------------------------------|------------------------------|
| Leasehold improvements              | Depreciated replacement cost |
| Infrastructure, plant and equipment | Market selling price         |

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

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

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

The Treasury performed a valuation of leasehold improvements, infrastructure, plant and equipment assets on 30 November 2007. The valuation was performed by independent valuers Preston Rowe Paterson NSW Pty Limited and was based on valuing the assets at fair value. Preston Rowe Paterson NSW Pty Limited confirmed that net asset values materially reflected fair value at 30 June 2010.

## Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Treasury using, in all cases, the straight-line method of depreciation.

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

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

|                                | 2009-10    | 2008-09    |
|--------------------------------|------------|------------|
| Computers, plant and equipment | 3-10 years | 3-10 years |
| Leasehold improvements         | 5-10 years | 5-10 years |
| Motor vehicles                 | 4 years    | 4 years    |
| Office equipment               | 5 years    | 5 years    |

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 3D on page 201.

## Impairment

All assets were assessed for impairment at 30 June 2010. 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 at fair value during the year.

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

### 1.18 Intangibles

The Treasury's intangible assets comprise internally developed and purchased software for internal use. These assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Treasury's software are three to five years (2008-09: 3 to 5 years).

The Treasury's largest intangible asset under construction is for Standard Business Reporting (SBR). SBR is a multi-agency initiative that will simplify business-to-government

reporting by introducing a single secure way to interact on-line with participating agencies. For further information visit [www.sbr.gov.au](http://www.sbr.gov.au).

All software assets were assessed for indications of impairment as at 30 June 2010.

### 1.19 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 recovered from the Australian Taxation Office; and
- except for receivables and payables.

### 1.20 Foreign currency

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

### 1.21 Insurance

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

### 1.22 Reporting of administered activities

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

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

### 1.23 Administered cash transfers to and from the Official Public Account

Revenue collected by the Treasury for use by the Australian Government rather than the Treasury is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Deregulation. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of the Australian Government. These transfers to and from the OPA are adjustments to administered cash held by the Treasury on behalf of the Australian Government and reported as such in the statement of cash flows in the schedule of administered items and in the administered reconciliation table in Note 21 on page 223. The schedule of administered

items largely reflects the Australian Government's transactions, through the Treasury, with parties outside the Australian Government.

#### 1.24 Administered revenue

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

##### Reserve Bank of Australia dividend

Dividends from the Reserve Bank of Australia (RBA) are recognised when a determination is made by the Treasurer and thus control of the income stream has been established. On this basis, the RBA's dividend for 2008-09 is recognised in the Treasury's financial statements in 2009-10. Dividends are measured at nominal amounts.

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

##### International Monetary Fund remuneration

Remuneration is interest paid by the International Monetary Fund (IMF) to Australia for the use of its funds. It includes the proportion of the member currencies (quota) that was paid in Special Drawing Rights (SDR) and held by the IMF and money lent out under the financial transaction plan.

Where the IMF's holdings of Australian dollars fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is equal to the SDR interest rate. This rate is then adjusted to account for the financial consequences of overdue obligations to the IMF which are shared between members and reflected in Note 17 on page 218 as burden sharing.

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

##### Guarantee Scheme for Large Deposits and Wholesale Funding

Under the Guarantee Scheme for Large Deposits and Wholesale Funding, a fee is paid to guarantee the portion of eligible deposits over \$1 million and for wholesale funding issuances. The fees are reported as a fee for service in accordance with AASB 118 — *Revenue*. On 7 February 2010, the Government announced the closure of the Guarantee Scheme from 31 March 2010.

## 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 will close 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.

### 1.25 Administered capital

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

### 1.26 Grants

The Treasury administers a number of grant schemes on behalf of the Australian Government.

Grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made. A commitment is recorded when the Australian Government enters into an agreement to make grants but services have not been performed or criteria satisfied.

#### Grants to the IMF

This represents Australia's contribution to the IMF's Poverty Reduction and Growth Trust (interest subsidy account) to support increased IMF concessional lending to low-income countries in the context of the global financial crisis. This contribution is part of the Government's commitment to increase Australia's overseas development assistance over the long term. Australia's contribution involved \$30 million during 2009-10.

#### Grants to States and Territories

The current framework for federal financial relations, introduced on 1 January 2009, provides a strong foundation for the Council of Australian Governments (COAG) to pursue economic and social reform to underpin growth, prosperity and wellbeing into the future. Under the framework, the Treasurer is accountable for the efficient payment of National Partnership payments and general revenue assistance to the States and Territories. Portfolio Ministers

are accountable for relevant government policies associated with those payments. In addition, the Treasurer is accountable for payments and policies associated with GST payments and National Specific Purpose Payments (National SPPs). An overview of the Government's policy in respect of accountabilities under the new financial framework is presented in the 2010-11 Budget Papers, Part 6 of Budget Paper No. 3, *Australia's Federal Relations 2010-11*.

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

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

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

The NP and GRA payments are paid under the *Federal Financial Relations Act 2009* through a determination process wherein the Treasurer may determine an amount to be paid to a State 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. The Treasury advises on the amount to be determined, based on certified payment advices received from the Chief Financial Officers of Commonwealth agencies.

In 2008-09, the Treasury recorded revenues and expenses in relation to payments to States and Territories for assistance to non-government schools under the *Schools Assistance Act 2008*. During 2009-10 it was agreed that the Department of Education, Employment and Workplace Relations (DEEWR) would recognise expenses and revenues for these payments and that the Treasury would act as paying agent for these amounts to the States and

Territories. The Treasury has therefore not recognised any expenses or revenues for these amounts in 2009-10. Cash receipts from DEEWR and cash payments made to States and Territories in relation to these amounts paid in 2009-10 have been recorded in the schedule of administered cash flows.

### Payments to the States and Territories through the Nation Building Funds

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

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

The three Funds are the:

- Building Australia Fund — 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 is recognised 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 26F on page 258.

## 1.27 Administered investments

### Development banks

In 2009-10, the Treasury changed its accounting policy in relation to investments in development banks. These investments are now classified as 'monetary — available for sale financial assets' rather than 'non-monetary — available for sale financial assets' as in

previous years. The impact of this change is that the foreign currency value of investments is translated into Australian dollars (AUD) using relevant foreign currency exchange rates at balance date. Previously, these investments were recorded at historical cost using foreign currency exchange rates at the date of transaction. This change was adopted as it provides a more reliable measure of the AUD amount the Government would receive if it decided to divest itself of these assets at balance date.

Consistent with the disclosure requirements of the FMO's and relevant accounting standards, the comparative year figures for investments in development banks have been adjusted as if the new accounting policy had always applied. An adjustment of \$55.6 million has also been included against 'changes in accounting policies' in Note 21: Administered reconciliation table, to reflect the change in AUD value of the investments in 2008-09 under the new accounting policy.

#### International Monetary Fund

The quota is the current value in Australian dollars of Australia's subscription to the IMF.

The SDR allocation liability reflects the current value in Australian dollars of the Treasury's liability to repay to the IMF Australia's cumulative allocations of SDR. This is classified as 'other payables'.

#### Australian Government entities

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

The Australian Government's investment in controlled entities and companies in the Treasury portfolio are measured at their fair value as at 30 June 2010. Fair value has been taken to be the net assets of the entities as at balance date. These entities are listed below:

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

#### OzCar Special Purpose Vehicle

The Australian Government has guaranteed all non AAA-rated securities issued by the OzCar SPV to facilitate the purchase of those securities by Australia's four major domestic banks. The *Car Dealership Financing Guarantee Appropriation Act 2009* provides an appropriation to support the Australian Government guarantee of those securities.

Based on the Treasury's assessment of the arrangements underpinning the OzCar SPV, an administered investment with a nil balance has been recorded to reflect the Australian Government's control of the OzCar SPV. As at 30 June 2010, the OzCar SPV Trust owed \$4.9 million in guaranteed liabilities over and above available cash assets. The Treasury



has recorded an impairment expense of \$4.9 million and equivalent liability to recognise this impairment.

#### Impairment of administered investments

Administered investments were assessed for impairment at 30 June 2010. No indicators of impairment were identified with the exception of the Australian Government's investment in the OzCar SPV mentioned above.

#### 1.28 Promissory notes

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

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

Foreign currency gains and losses are recognised where applicable.

#### 1.29 Mortgage insurance policies written by the Housing Loans Insurance Corporation up to 12 December 1997

The Australian Government sold HLIC on 12 December 1997. Under the terms and conditions of the sale the Australian Government retained ownership of all mortgage insurance policies written up to the time of the sale.

Accounting policies adopted are:

##### Premiums

Premiums comprise amounts charged to the policy holder or other insurer, excluding amounts collected on behalf of third parties, principally stamp duties. The earned portion of premiums received and receivable is recognised as revenue. Premiums are treated as earned from the date of attachment of risk.

Premiums received in respect of insured loans are apportioned over a number of years in accordance with an actuarial determination of the pattern of risk in relation to the loans. Premium amounts carried forward in this way are credited to 'provision for unearned premiums'.

Given the maturity of the portfolio, the provision for unearned premiums is now zero.

### Recoveries

Claims incurred recoveries and a receivable for outstanding recoveries are recognised in respect of insurance policies. The asset (HLIC premiums receivable) has been recognised in Note 19, based on the estimated discounted future cash flows.

### Claims

Claims incurred expenses and a liability for outstanding claims are recognised in respect of insurance policies. The liability covers claims incurred but not yet paid, incurred but not yet reported and the anticipated direct and indirect costs of settling those claims. The liability has been recognised based on the estimated discounted future cash flows. Given the maturity of the portfolio, the liability is now estimated to be negligible.

### Acquisition costs

A portion of acquisition costs relating to unearned premium revenue is deferred in recognition that it represents future benefits. Deferred acquisition costs are amortised on an actuarial basis over the reporting periods expected to benefit from the expenditure. Since the provision for unearned premium is now zero, the deferred acquisition cost asset is also now zero.

## 1.30 Provisions and contingent liabilities

### HIH Claims Support Scheme liability

The HCS 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 policy-holders affected by the collapse of the group. Initial funding of \$640 million was provided by special appropriation through the *Appropriation (HIH Assistance) Act 2001*.

HIH Claims Support Limited was established by the Insurance Council of Australia as a not-for-profit company in May 2001 to manage claims made under the Scheme and to operate the HIH Claims Support Trust on behalf of the Australian Government. As the sole beneficiary of the trust the Australian Government is entitled to any residual balance of the trust.

Since 2001, a total of 10,900 claims have been granted eligibility for assistance. Each year an actuarial review of the claims portfolio has been conducted to assess the development of claims reserves and to estimate the overall liability associated with the Scheme portfolio. In 2006, approval was sought and obtained to increase the Scheme appropriation to a total of \$861 million to meet the estimated cost of the Scheme portfolio. This additional funding 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 \$735.9 million in discounted terms. This amount incorporates an allowance for future inflation and covers the expected cost of past and future claim payments and associated expenses of managing the Scheme.

### 1.31 Administered financial instruments

AASB 139 — *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);
  - 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); and
  - 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).
- 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 2010).
- 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. Such assets that can be reliably measured at reporting date are valued at fair value, otherwise, at cost.

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

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

Recognition of these amounts only relates to fee revenue aspects of the financial guarantee contracts. These amounts do not reflect any expected liability under the Guarantee Scheme itself as these are considered remote and unquantifiable. Administered contingent liabilities and assets are disclosed at Note 22 on pages 224 to 230.

Administered financial instruments are accounted for in accordance with the accounting policies detailed above and are disclosed at Note 24 on page 232.

## Note 2: Events occurring after reporting date

The RBA has not declared a dividend to Government for 2009-10 (2008-09 \$5.977 billion).

On 1 July 2010 SBR became available for use and will commence depreciating from this date.

On 20 July 2010 the Treasury paid \$4,921,557 under the special appropriation provided for in the *Car Dealership Financing Guarantee Appropriation Act 2009*. The payment was made to extinguish the remaining liabilities of the OzCar SPV Trust over and above the available assets of the Trust. No further calls on the guarantee are expected and the Trust will be wound up during September 2010.

### Note 3: Expenses

|   | 2010<br>\$'000 | 2009<br>\$'000 |
|---|----------------|----------------|
| <b>Note 3A: Employee benefits</b>         |                |                |
| Wages and salaries                        | 87,672         | 79,743         |
| Superannuation                            |                |                |
| Defined benefit plan                      | 12,065         | 12,905         |
| Defined contribution plan                 | 3,604          | 2,643          |
| Leave and other entitlements              | 12,381         | 9,540          |
| Other                                     | 2,891          | 2,744          |
| <b>Total employee benefits</b>            | <b>118,613</b> | <b>107,575</b> |
| <b>Note 3B: Suppliers</b>                 |                |                |
| <b>Goods and services</b>                 |                |                |
| Communications                            | 1,536          | 1,453          |
| Computers                                 | 3,055          | 2,443          |
| Conferences and training                  | 2,675          | 3,378          |
| Consultants and contractors               | 11,779         | 10,987         |
| Fees - audit, accounting, bank and other  | 987            | 1,193          |
| Insurance                                 | 1,086          | 698            |
| Legal                                     | 4,310          | 3,694          |
| Property operating expenses               | 11,316         | 11,162         |
| Publications and subscriptions            | 1,325          | 1,193          |
| Travel                                    | 5,776          | 6,083          |
| Other                                     | 4,470          | 4,762          |
| <b>Total goods and services</b>           | <b>48,315</b>  | <b>47,046</b>  |
| <b>Goods and services are made up of:</b> |                |                |
| Provision of goods from:                  |                |                |
| related entities                          | 103            | 83             |
| external entities                         | 3,199          | 1,798          |
| Rendering of services from:               |                |                |
| related entities                          | 11,091         | 7,013          |
| external entities                         | 24,883         | 29,285         |
| Operating lease rentals <sup>1</sup>      | 8,145          | 8,403          |
| Workers compensation premiums             | 894            | 464            |
| <b>Total supplier expenses</b>            | <b>48,315</b>  | <b>47,046</b>  |
| <b>Note 3C: Grants</b>                    |                |                |
| Grants paid                               |                |                |
| Public sector:                            |                |                |
| Australian Government entities            | 475            | 18             |
| Private sector:                           |                |                |
| Non-profit organisations                  | 2,509          | 3,230          |
| For-profit organisations                  | 2              | -              |
| <b>Total grants</b>                       | <b>2,986</b>   | <b>3,248</b>   |

<sup>1</sup> Operating lease rentals comprise minimum lease payments only.

Note 3: Expenses (continued)

|   | 2010         | 2009   |
|---|--------------|--------|
|   | \$'000       | \$'000 |
| <b>Note 3D: Depreciation and amortisation</b>       |              |        |
| <b>Depreciation</b>                                 |              |        |
| Other plant and equipment                           | 1,656        | 1,472  |
| Buildings - leasehold improvements                  | 1,751        | 1,460  |
| <b>Total depreciation</b>                           | <b>3,407</b> | 2,932  |
| <b>Amortisation</b>                                 |              |        |
| Intangibles - computer software                     | 840          | 551    |
| Assets held under finance lease                     | 121          | 708    |
| <b>Total amortisation</b>                           | <b>961</b>   | 1,259  |
| <b>Total depreciation and amortisation</b>          | <b>4,368</b> | 4,191  |
| <b>Note 3E: Finance costs</b>                       |              |        |
| Leases  | 35           | 94     |
| <b>Total finance costs</b>                          | <b>35</b>    | 94     |
| <b>Note 3F: Write-down and impairment of assets</b> |              |        |
| Non-financial assets                                |              |        |
| Plant and equipment                                 | 28           | 7      |
| Intangibles   | -            | 26     |
| <b>Total write-down and impairment of assets</b>    | <b>28</b>    | 33     |
| <b>Note 3G: Net losses from sale of assets</b>      |              |        |
| Other plant and equipment                           |              |        |
| Proceeds from disposal                              | (9)          | (12)   |
| Net book value of assets disposed                   | 46           | 21     |
| <b>Net losses from sale of assets</b>               | <b>37</b>    | 9      |

## Note 4: Income

|   | 2010           | 2009           |
|---|----------------|----------------|
|   | \$'000         | \$'000         |
| <b>Note 4A: Sale of goods and rendering of services</b> |                |                |
| Provision of goods to:                                  |                |                |
| external entities                                       | 1              | -              |
| Rendering of services to:                               |                |                |
| related entities  | 11,611         | 7,853          |
| external entities                                       | 907            | 878            |
| Operating lease rental                                  | 88             | 92             |
| <b>Total sale of goods and rendering of services</b>    | <b>12,607</b>  | <b>8,823</b>   |
| <b>Note 4B: Other revenues</b>                          |                |                |
| Other   | 742            | 290            |
| <b>Total other revenues</b>                             | <b>742</b>     | <b>290</b>     |
| <b>Note 4C: Other gains</b>                             |                |                |
| Resources received free of charge                       | 546            | 534            |
| <b>Total other gains</b>                                | <b>546</b>     | <b>534</b>     |
| <b>Note 4D: Revenue from Government Appropriations</b>  |                |                |
| Departmental outputs                                    | 162,941        | 145,931        |
| Other   | 2,998          | 2,749          |
| <b>Total revenue from Government</b>                    | <b>165,939</b> | <b>148,680</b> |

## Note 5: Other comprehensive income

|                                       | 2010     | 2009        |
|---------------------------------------|----------|-------------|
|                                       | \$'000   | \$'000      |
| Changes in asset revaluation reserves | -        | (30)        |
| <b>Total</b>                          | <b>-</b> | <b>(30)</b> |

Note 6: Financial assets

|   | 2010          | 2009          |
|---|---------------|---------------|
|   | \$'000        | \$'000        |
| <b>Note 6A: Cash and cash equivalents</b>       |               |               |
| <b>Cash</b>                                     |               |               |
| Special Accounts                                | 264           | 586           |
| Departmental (other than special accounts)      | 932           | 781           |
| <b>Total cash</b>                               | <b>1,196</b>  | <b>1,367</b>  |
| <b>Note 6B: Trade and other receivables</b>     |               |               |
| Goods and services                              |               |               |
| - related entities                              | 1,467         | 2,475         |
| - external entities                             | 1,134         | 539           |
| Total goods and services                        | 2,601         | 3,014         |
| Net GST receivable from the ATO                 | 416           | 732           |
| Appropriations receivable                       |               |               |
| - for existing outputs                          | 74,237        | 73,047        |
| <b>Total trade and other receivables (net)</b>  | <b>77,254</b> | <b>76,793</b> |
| All receivables are current assets              |               |               |
| <b>Receivables (gross) are aged as follows:</b> |               |               |
| Not overdue                                     | 76,470        | 76,275        |
| Overdue by:                                     |               |               |
| 0 to 30 days                                    | 688           | 398           |
| 31 to 60 days                                   | 87            | 69            |
| 61 to 90 days                                   | -             | 34            |
| More than 90 days                               | 9             | 17            |
| <b>Total receivables (gross)</b>                | <b>77,254</b> | <b>76,793</b> |



## Note 7: Non-financial assets

|  | 2010<br>\$'000 | 2009<br>\$'000 |
|--|----------------|----------------|
| <b>Note 7A: Land and buildings</b>               |                |                |
| <b>Leasehold improvements - fair value</b>       |                |                |
| Under construction                               | 206            | 137            |
| At fair value                                    | 18,394         | 18,312         |
| Accumulated depreciation                         | (9,886)        | (8,135)        |
| <b>Total leasehold improvements - fair value</b> | <b>8,714</b>   | <b>10,314</b>  |
| <b>Total land and buildings</b>                  | <b>8,714</b>   | <b>10,314</b>  |

No indicators of impairment were found for land and buildings. No land and buildings are expected to be sold or disposed of within the next 12 months. All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.17 on page 188.

|  |              |              |
|--|--------------|--------------|
| <b>Note 7B: Plant and equipment</b>                  |              |              |
| <b>Plant and equipment - fair value</b>              |              |              |
| Under construction                                   | -            | 169          |
| At fair value  | 11,212       | 9,791        |
| Accumulated depreciation                             | (3,626)      | (2,131)      |
| <b>Total plant and equipment - fair value</b>        | <b>7,586</b> | <b>7,829</b> |
| <b>Plant and equipment under finance lease</b>       |              |              |
| Under finance lease                                  | 260          | 2,347        |
| Accumulated amortisation                             | (226)        | (2,191)      |
| <b>Total plant and equipment under finance lease</b> | <b>34</b>    | <b>156</b>   |
| <b>Total plant and equipment</b>                     | <b>7,620</b> | <b>7,985</b> |

No indicators of impairment were found for plant and equipment. Other than those items in held for sale for 2009, no other plant and equipment is expected to be sold or disposed of within the next 12 months. There are a number of finance leases due to expire within the next 12 months. The assets associated with these leases will be returned. All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.17 on page 188.

|  |               |               |
|--|---------------|---------------|
| <b>Note 7C: Intangibles</b>              |               |               |
| <b>Computer software - at cost</b>       |               |               |
| Under construction                       | 32,716        | 17,970        |
| At cost                                  | 7,197         | 4,429         |
| Accumulated amortisation                 | (3,202)       | (2,749)       |
| <b>Total computer software - at cost</b> | <b>36,711</b> | <b>19,650</b> |
| <b>Total intangibles</b>                 | <b>36,711</b> | <b>19,650</b> |

No indicators of impairment were found for Intangibles. The development of software for the SBR project is the majority of asset under construction. The SBR software is expected to be finalised and available for use on 1 July 2010.

|  |          |           |
|--|----------|-----------|
| <b>Note 7D: Assets held for sale</b>           |          |           |
| <b>Assets held for sale - fair value</b>       |          |           |
| At fair value                                  | -        | 39        |
| Accumulated amortisation                       | -        | (15)      |
| <b>Total assets held for sale - fair value</b> | <b>-</b> | <b>24</b> |
| <b>Total assets held for sale</b>              | <b>-</b> | <b>24</b> |

**Note 7: Non-financial assets (continued)**

**Table A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles (2009-10)**

|  | Buildings -<br>leasehold<br>improvements<br>\$'000 | Other<br>plant and<br>equipment<br>\$'000 | Computer<br>software<br>\$'000 | Assets held<br>for sale<br>\$'000 | Total<br>\$'000 |
|--|--|---|--------------------------------|-----------------------------------|-----------------|
| <b>As at 1 July 2009:</b>                    |  |   |                                |                                   |                 |
| Gross book value                             | 18,449   | 12,292                                    | 22,399                         | 39                                | 53,179          |
| Accumulated depreciation amortisation        | (8,135)  | (4,307)                                   | (2,749)                        | (15)                              | (15,206)        |
| <b>Net book value 1 July 2009</b>            | <b>10,314</b>                                      | <b>7,985</b>                              | <b>19,650</b>                  | <b>24</b>                         | <b>37,973</b>   |
| <b>Additions</b>                             |  |   |                                |                                   |                 |
| By purchase                                  | 2,306  | 226                                       | 17,336                         | -                                 | 19,868          |
| By finance lease                             | -  | -   | -                              | -                                 | -               |
| <b>Net revaluation increment/(decrement)</b> |  |   |                                |                                   |                 |
| Depreciation/amortisation expense            | (1,751)  | (1,777)                                   | (840)                          | -                                 | (4,368)         |
| Recoverable amount write-downs               | -  | -   | -                              | -                                 | -               |
| <b>Disposals</b>                             |  |   |                                |                                   |                 |
| Other disposals                              | -  | (28)                                      | -                              | (16)                              | (44)            |
| <b>Transfers</b>                             | <b>(2,155)</b>                                     | <b>1,214</b>                              | <b>565</b>                     | <b>(8)</b>                        | <b>(384)</b>    |
| <b>As at 30 June 2010:</b>                   |  |   |                                |                                   |                 |
| Gross book value                             | 18,600   | 11,473                                    | 39,913                         | -                                 | 69,986          |
| Accumulated depreciation/amortisation        | (9,886)  | (3,853)                                   | (3,202)                        | -                                 | (16,941)        |
| <b>Net book value 30 June 2010</b>           | <b>8,714</b>                                       | <b>7,620</b>                              | <b>36,711</b>                  | <b>-</b>                          | <b>53,045</b>   |

**Note 7: Non-financial assets (continued)****Table A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles (2008-09)**

|  | Buildings -<br>leasehold<br>improvements<br>\$'000 | Other<br>plant and<br>equipment<br>\$'000 | Computer<br>software<br>\$'000 | Assets held<br>for sale<br>\$'000 | Total<br>\$'000 |
|--|--|---|--------------------------------|-----------------------------------|-----------------|
| <b>As at 1 July 2008:</b>                    |  |   |                                |                                   |                 |
| Gross book value                             | 17,117   | 9,274                                     | 2,997                          | 12                                | 29,400          |
| Accumulated depreciation/amortisation        | (6,675)  | (2,210)                                   | (2,209)                        | (9)                               | (11,103)        |
| <b>Opening net book value</b>                | <b>10,442</b>                                      | <b>7,064</b>                              | <b>788</b>                     | <b>3</b>                          | <b>18,297</b>   |
| <b>Additions</b>                             |  |   |                                |                                   |                 |
| By purchase                                  | 2,910  | 1,941                                     | 19,060                         | -                                 | 23,911          |
| By finance lease                             | -  | 53  | -                              | -                                 | 53              |
| <b>Net revaluation increment/(decrement)</b> |  |   |                                |                                   |                 |
| Depreciation/amortisation expense            | (1,460)  | (30)                                      | -                              | -                                 | (30)            |
| Recoverable amount write-downs               | -  | (2,180)                                   | (551)                          | -                                 | (4,191)         |
| Disposals                                    | -  | (7)                                       | (26)                           | -                                 | (33)            |
| Other disposals                              | -  | (6)                                       | -                              | (2)                               | (8)             |
| <b>Transfers</b>                             |  |   |                                |                                   |                 |
| Other disposals                              | (1,578)  | 1,150                                     | 379                            | 23                                | (26)            |
| <b>As at 30 June 2009:</b>                   |  |   |                                |                                   |                 |
| Gross book value                             | 18,449   | 12,292                                    | 22,399                         | 39                                | 53,179          |
| Accumulated depreciation/amortisation        | (8,135)  | (4,307)                                   | (2,749)                        | (15)                              | (15,206)        |
| <b>Closing net book value</b>                | <b>10,314</b>                                      | <b>7,985</b>                              | <b>19,650</b>                  | <b>24</b>                         | <b>37,973</b>   |

**Note 7: Non-financial assets (continued)**

**Table B: Property, plant and equipment and intangibles held under finance lease (2009-10)**

|                                       | Buildings -<br>leasehold<br>improvements<br>\$'000 | Other<br>plant and<br>equipment<br>\$'000 | Computer<br>software<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|--|---|--------------------------------|-----------------|
| <b>As at 30 June 2010:</b>            |  |   |                                |                 |
| Gross book value                      | -  | 260                                       | -                              | 260             |
| Accumulated depreciation/amortisation | -  | (226)                                     | -                              | (226)           |
| <b>Closing net book value</b>         | <b>-</b>   | <b>34</b>                                 | <b>-</b>                       | <b>34</b>       |
| <b>As at 30 June 2009:</b>            |  |   |                                |                 |
| Gross book value                      | -  | 2,347                                     | -                              | 2,347           |
| Accumulated depreciation/amortisation | -  | (2,191)                                   | -                              | (2,191)         |
| <b>Closing net book value</b>         | <b>-</b>   | <b>156</b>                                | <b>-</b>                       | <b>156</b>      |

**Table C: Property, plant and equipment and intangibles under construction (2009-10)**

|                            | Buildings -<br>leasehold<br>improvements<br>\$'000 | Other<br>plant and<br>equipment<br>\$'000 | Computer<br>software<br>\$'000 | Total<br>\$'000 |
|----------------------------|--|---|--------------------------------|-----------------|
| <b>As at 30 June 2010:</b> |  |   |                                |                 |
| Gross book value           | 206  | -   | 32,716                         | 32,922          |
| <b>As at 30 June 2009:</b> |  |   |                                |                 |
| Gross book value           | 137  | 169                                       | 17,970                         | 18,276          |

|   | 2010<br>\$'000 | 2009<br>\$'000 |
|---|----------------|----------------|
| <b>Note 7E: Other non-financial assets</b>            |                |                |
| Prepayments   | 1,799          | 1,042          |
| <b>Other non-financial assets are represented by:</b> |                |                |
| No more than 12 months                                | 1,670          | 955            |
| More than 12 months                                   | 129            | 87             |
| <b>Total other non-financial assets</b>               | <b>1,799</b>   | <b>1,042</b>   |

## Note 8: Payables

|   | 2010          | 2009         |
|---|---------------|--------------|
|   | \$'000        | \$'000       |
| <b>Note 8A: Suppliers</b>   |               |              |
| Trade creditors   |               |              |
| - related entities  | 408           | 1,316        |
| - external entities   | 1,254         | 2,537        |
| Total trade creditors   | 1,662         | 3,853        |
| <b>Total supplier payables</b>                                    | <b>1,662</b>  | <b>3,853</b> |
| All supplier payables are expected to be settled within 12 months |               |              |
| <b>Note 8B: Other payables</b>                                    |               |              |
| Salaries and wages  | 1,773         | 1,374        |
| Superannuation  | 311           | 256          |
| Other creditors   | 7,602         | 3,753        |
| Prepayments received/unearned revenue                             | 2,412         | 1,238        |
| <b>Total other payables</b>                                       | <b>12,098</b> | <b>6,621</b> |
| <b>Other payables are represented by:</b>                         |               |              |
| No more than 12 months  | 12,091        | 6,609        |
| More than 12 months   | 7             | 12           |
| <b>Total other payables</b>                                       | <b>12,098</b> | <b>6,621</b> |

Note: Settlement is usually made net 30 days.

## Note 9: Interest bearing liabilities

|   | 2010      | 2009       |
|---|-----------|------------|
|   | \$'000    | \$'000     |
| <b>Note 9: Leases</b>                                     |           |            |
| Finance leases:   | 40        | 233        |
| Payable:  |           |            |
| Within one year   |           |            |
| Minimum lease payments                                    | 41        | 201        |
| Deduct: future finance charges                            | (1)       | (8)        |
| <b>Total leases payable within one year</b>               | <b>40</b> | <b>193</b> |
| In one to five years                                      |           |            |
| Minimum lease payments                                    | -         | 41         |
| Deduct: future finance charges                            | -         | (1)        |
| <b>Total leases payable within one year to five years</b> | <b>-</b>  | <b>40</b>  |
| <b>Finance leases recognised on the balance sheet</b>     | <b>40</b> | <b>233</b> |

Note: Finance leases exist in relation to certain major office equipment assets. The leases are non-cancellable and for fixed terms averaging 2.75 years, with a maximum of 3.25 years. The interest rate implicit in the leases averaged 5.92 per cent (2009: 6.24 per cent). The lease assets secure the lease liabilities. The Treasury guarantees the residual values of all assets leased. There are no contingent rentals.

## Note 10: Provisions

|  | 2010          | 2009          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| <b>Note 10: Employee provisions</b>                      |               |               |
| Leave  | 38,920        | 35,976        |
| <b>Aggregate employee benefit liability</b>              | <b>38,920</b> | <b>35,976</b> |
| Other employee entitlements                              | 190           | 81            |
| <b>Total employee provisions</b>                         | <b>39,110</b> | <b>36,057</b> |
| <b>Employee provisions are expected to be settled in</b> |               |               |
| No more than 12 months                                   | 10,937        | 9,955         |
| More than 12 months                                      | 28,173        | 26,102        |
| <b>Total employee provisions</b>                         | <b>39,110</b> | <b>36,057</b> |

## Note 11: Cash flow reconciliation

|  | 2010          | 2009         |
|--|---------------|--------------|
|  | \$'000        | \$'000       |
| <b>Reconciliation of cash and cash equivalents as per balance sheet to cash flow statement</b> |               |              |
| <b>Cash and cash equivalents as per</b>  |               |              |
| Cash flow statement  | 1,196         | 1,367        |
| Balance sheet  | 1,196         | 1,367        |
| <b>Reconciliation of net cost of services to net cash from operating activities</b>            |               |              |
| Net cost of services   | 5,452         | (3,869)      |
| <b>Adjustments for non-cash items</b>  |               |              |
| Depreciation/amortisation  | 4,368         | 4,191        |
| Loss on disposal of non-current assets   | 37            | 9            |
| Net write down of non-financial assets   | 28            | 33           |
| <b>Changes in assets/liabilities</b>   |               |              |
| (Increase)/decrease in net receivables   | (461)         | (3,323)      |
| (Increase)/decrease in other non financial assets  | (757)         | 401          |
| Increase/(decrease) in provisions  | 3,053         | 2,424        |
| Increase/(decrease) in other payables  | 5,477         | 1,461        |
| Increase/(decrease) in supplier payables   | (2,191)       | 1,064        |
| <b>Net cash from/(used by) operating activities</b>  | <b>15,006</b> | <b>2,391</b> |

Note: Figures for the comparative year differ from what was published in the 2008-09 annual report due to reclassification of certain employee entitlements from provisions to payables.

## Note 12: Contingent liabilities and assets

|                                     | Other      |            | Total      |            |
|-------------------------------------|------------|------------|------------|------------|
|                                     | 2010       | 2009       | 2010       | 2009       |
|                                     | \$'000     | \$'000     | \$'000     | \$'000     |
| <b>Contingent liabilities</b>       |            |            |            |            |
| Balance from previous period        | 248        | 255        | 248        | 255        |
| New                                 | 255        | 224        | 255        | 224        |
| Obligations expired/crystallised    | (231)      | (231)      | (231)      | (231)      |
| <b>Total contingent liabilities</b> | <b>272</b> | <b>248</b> | <b>272</b> | <b>248</b> |
| <b>NET CONTINGENT LIABILITIES</b>   | <b>272</b> | <b>248</b> | <b>272</b> | <b>248</b> |

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### Quantifiable contingencies

The schedule of contingencies reports 'other' liabilities of \$271,856 (2009: \$248,224). This amount represents an estimate of the Treasury's liability in respect of studies assistance.

### Unquantifiable contingencies

As at 30 June 2010, the Treasury had a number of legal claims against it. The Treasury has denied liability and is defending the claims. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these claims.

The courts may award legal costs against the Treasury in the event it is unsuccessful in an action before the courts. As there is uncertainty over the outcome of outstanding and pending court cases, duration of court cases and the legal costs of the opposing party, these costs cannot be reliably measured.

#### Remote contingencies

The Treasury's lease on its current premises contains a make good clause which has been estimated by an independent valuer at \$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 2010, 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 13: Executive remuneration

### Note 13A: Actual remuneration paid to senior executives

Total remuneration includes actual salary, all allowances, an employer superannuation component, leave accrued during the period, vehicle costs and fringe benefits tax.

|  | 2010      | 2009      |
|--|-----------|-----------|
| The number of executives who received or were due: |           |           |
| less than \$145,000*                               | 2         | 3         |
| \$145,000 to \$159,999                             | 4         | 2         |
| \$160,000 to \$174,999                             | 1         | 2         |
| \$175,000 to \$189,999                             | 2         | 2         |
| \$190,000 to \$204,999                             | 5         | 11        |
| \$205,000 to \$219,999                             | 20        | 13        |
| \$220,000 to \$234,999                             | 16        | 18        |
| \$235,000 to \$249,999                             | 12        | 6         |
| \$250,000 to \$264,999                             | 5         | 8         |
| \$265,000 to \$279,999                             | 4         | 3         |
| \$295,000 to \$309,999                             | 1         | 1         |
| \$310,000 to \$324,999                             | 1         | 3         |
| \$325,000 to \$339,999                             | 1         | 1         |
| \$340,000 to \$354,999                             | 2         | -         |
| \$355,000 to \$369,999                             | 1         | -         |
| \$370,000 to \$384,999                             | 1         | 2         |
| \$385,000 to \$399,999                             | 1         | -         |
| \$430,000 to \$444,999                             | 1         | 1         |
| \$535,000 to \$549,999                             | 1         | -         |
| \$625,000 to \$639,999                             | -         | 1         |
| <b>Total</b>                                       | <b>81</b> | <b>77</b> |

\* Excluding acting arrangements and part-year service.

### Total expense recognised in relation to Senior Executive employment

Short-term employee benefits:

|   |                     |                     |
|---|---------------------|---------------------|
| Salary (including annual leave taken)     | \$15,851,649        | \$14,215,420        |
| Changes in annual leave provisions        | \$158,435           | \$194,648           |
| Performance bonus                         | \$0                 | \$57,525            |
| Other <sup>1</sup>                        | \$248,640           | \$261,749           |
| <b>Total Short-term employee benefits</b> | <b>\$16,258,724</b> | <b>\$14,729,342</b> |
| Superannuation (post-employment benefits) | \$2,482,755         | \$2,745,183         |
| Other long-term benefits                  | \$478,804           | \$669,255           |
| <b>Total</b>                              | <b>\$19,220,283</b> | <b>\$18,143,780</b> |

The comparative aggregate total amount has been revised and does not match what was published in the 2008-09 annual report due to new disclosure requirements.

1 'Other' includes motor vehicle allowances and other allowances.

Note 13B: Salary packages for senior executives as at 30 June

|                        | As at 30 June 2010 |                                      |                            | As at 30 June 2009 |                                      |                            |
|------------------------|--------------------|--------------------------------------|----------------------------|--------------------|--------------------------------------|----------------------------|
|                        | No. SES            | Base salary (including annual leave) | Total remuneration package | No. SES            | Base salary (including annual leave) | Total remuneration package |
| Total remuneration*:   |                    |                                      |                            |                    |                                      |                            |
| \$160,000 to \$174,999 | -                  | -                                    | -                          | 2                  | 163,698                              | 171,374                    |
| \$175,000 to \$189,999 | 3                  | 173,064                              | 185,563                    | 5                  | 166,293                              | 181,564                    |
| \$190,000 to \$204,999 | 8                  | 169,758                              | 196,704                    | 19                 | 174,451                              | 200,217                    |
| \$205,000 to \$219,999 | 30                 | 181,170                              | 209,929                    | 22                 | 178,775                              | 215,944                    |
| \$220,000 to \$234,999 | 16                 | 194,877                              | 225,967                    | 8                  | 189,811                              | 227,632                    |
| \$235,000 to \$249,999 | 4                  | 206,652                              | 226,076                    | 7                  | 205,408                              | 246,155                    |
| \$250,000 to \$264,999 | 6                  | 218,147                              | 242,382                    | 2                  | 220,672                              | 255,338                    |
| \$265,000 to \$279,999 | 2                  | 225,990                              | 275,665                    | 4                  | 214,407                              | 271,327                    |
| \$280,000 to \$294,999 | 2                  | 241,878                              | 284,014                    | 3                  | 251,616                              | 287,683                    |
| \$310,000 to \$324,999 | 2                  | 273,160                              | 319,164                    | 4                  | 268,043                              | 317,567                    |
| \$325,000 to \$339,999 | 3                  | 290,208                              | 336,666                    | 1                  | 281,755                              | 325,149                    |
| \$340,000 to \$354,999 | -                  | -                                    | -                          | 2                  | 281,755                              | 346,064                    |
| \$355,000 to \$369,999 | 1                  | 313,645                              | 368,253                    | -                  | -                                    | -                          |
| \$370,000 to \$384,999 | 1                  | 327,184                              | 383,371                    | 1                  | 304,510                              | 375,589                    |
| \$385,000 to \$399,999 | -                  | -                                    | -                          | 1                  | 317,654                              | 393,021                    |
| \$445,000 to \$459,999 | 1                  | 402,670                              | 452,407                    | -                  | -                                    | -                          |
| \$505,000 to \$519,999 | -                  | -                                    | -                          | 1                  | 390,940                              | 505,175                    |
| \$520,000 to \$534,999 | 1                  | 402,670                              | 521,148                    | -                  | -                                    | -                          |
| <b>Total</b>           | <b>80</b>          |                                      |                            | <b>82</b>          |                                      |                            |

\*Excludes executive level staff acting in senior executive positions.

Note: Non-salary elements available to Senior Executives include:

- a) Agreed base salary (including annual leave).
- b) Motor vehicle allowance.
- c) Superannuation.

Total number of SES shown in the above table is as at 30 June of the respective year and does not match the total represented in Table 13A which reflects SES numbers over the year as opposed to as at 30 June. Long service leave values have been excluded in the table above. No performance bonuses were paid by the Treasury in 2009-10. Performance bonuses paid in 2008-09 have been excluded.

## Note 14: Remuneration of auditors

|  | 2010       | 2009       |
|--|------------|------------|
|  | \$'000     | \$'000     |
| Financial statement audit services are provided free of charge to the Treasury |            |            |
| The fair value of the services provided was:                                   |            |            |
| The Treasury   | 436        | 395        |
| <b>Total</b>   | <b>436</b> | <b>395</b> |

Note: The above amounts are exclusive of GST. No other services were provided by the Auditor-General.

## Note 15: Average staffing levels

|              | 2010         | 2009       |
|--------------|--------------|------------|
| The Treasury | 1,007        | 936        |
| <b>Total</b> | <b>1,007</b> | <b>936</b> |

## Note 16: Financial instruments

### Note 16A: Categories of financial instruments

|   | 2010         | 2009         |
|---|--------------|--------------|
|   | \$'000       | \$'000       |
| <b>Financial assets</b>                         |              |              |
| Loans and receivables                           |              |              |
| Cash and cash equivalents                       | 1,196        | 1,367        |
| Trade receivables                               | 2,601        | 3,014        |
| <b>Carrying amount of financial assets</b>      | <b>3,797</b> | <b>4,381</b> |
| <b>Financial liabilities</b>                    |              |              |
| Liabilities at amortised cost                   |              |              |
| Finance leases                                  | 40           | 233          |
| Payables - suppliers                            | 1,662        | 3,853        |
| Other payables                                  | 7,602        | 3,753        |
| <b>Carrying amount of financial liabilities</b> | <b>9,304</b> | <b>7,839</b> |

Note: Implicit interest rate on finance leases for 2010 is 5.92 per cent (2009: 6.24 per cent).

### Note 16B: Net income and expense from financial liabilities

|  | 2010        | 2009        |
|--|-------------|-------------|
|  | \$'000      | \$'000      |
| <b>Liabilities at amortised cost</b>                             |             |             |
| Interest expense   | (35)        | (94)        |
| <b>Net gain/(loss) financial liabilities - at amortised cost</b> | <b>(35)</b> | <b>(94)</b> |
| <b>Net gain/(loss) from financial liabilities</b>                | <b>(35)</b> | <b>(94)</b> |

**Note 16C: Net fair values of financial assets and liabilities**

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

The net fair values of the finance leases are based on discounted cash flows using current interest rates for liabilities with similar risk profiles. The Treasury enters into finance lease arrangements in relation to certain major office equipment assets. The leases are non-cancellable and for fixed terms averaging 2.75 years, with a maximum of 3.25 years. The Treasury guarantees the residual values of all assets leased and there are no contingent rentals.

The net fair values for trade creditors and other liabilities are approximated by their carrying amounts.

**Note 16D: Credit risk exposures**

The Treasury is exposed to minimal credit risk as loans and receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2010: \$2,601,481 and 2009: \$3,014,090). 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**

|                              | <b>Not past<br/>due nor<br/>impaired<br/>2010<br/>\$'000</b> | Not past<br>due nor<br>impaired<br>2009<br>\$'000 | <b>Past due<br/>or<br/>impaired<br/>2010<br/>\$'000</b> | Past due<br>or<br>impaired<br>2009<br>\$'000 |
|------------------------------|--|---|---|--|
| <b>Loans and receivables</b> |  |   |   |  |
| Cash and cash equivalents    | 1,196  | 1,367   | -   | -  |
| Trade receivables            | 1,817  | 2,496   | 784   | 518  |
| <b>Total</b>                 | <b>3,013</b>   | 3,863   | <b>784</b>  | 518  |

Ageing of financial assets that are past due but not impaired for 2010

|                              | 0 to 30<br>days<br>\$'000 | 31 to 60<br>days<br>\$'000 | 61 to 90<br>days<br>\$'000 | 90+<br>days<br>\$'000 | Total<br>\$'000 |
|------------------------------|---------------------------|----------------------------|----------------------------|-----------------------|-----------------|
| <b>Loans and receivables</b> |                           |                            |                            |                       |                 |
| Trade receivables            | 688                       | 87                         | -                          | 9                     | 784             |
| <b>Total</b>                 | <b>688</b>                | <b>87</b>                  | <b>-</b>                   | <b>9</b>              | <b>784</b>      |

Ageing of financial assets that are past due but not impaired for 2009

|                              | 0 to 30<br>days<br>\$'000 | 31 to 60<br>days<br>\$'000 | 61 to 90<br>days<br>\$'000 | 90+<br>days<br>\$'000 | Total<br>\$'000 |
|------------------------------|---------------------------|----------------------------|----------------------------|-----------------------|-----------------|
| <b>Loans and receivables</b> |                           |                            |                            |                       |                 |
| Trade receivables            | 398                       | 69                         | 34                         | 17                    | 518             |
| <b>Total</b>                 | <b>398</b>                | <b>69</b>                  | <b>34</b>                  | <b>17</b>             | <b>518</b>      |

**Note 16E: Liquidity risk**

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

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

Maturity of financial liabilities

|                                      | On<br>demand<br>2010<br>\$'000 | within<br>1 year<br>2010<br>\$'000 | 1 to 2<br>years<br>2010<br>\$'000 | 2 to 5<br>years<br>2010<br>\$'000 | Total<br>2010<br>\$'000 |
|--------------------------------------|--------------------------------|------------------------------------|-----------------------------------|-----------------------------------|-------------------------|
| <b>Liabilities at amortised cost</b> |                                |                                    |                                   |                                   |                         |
| Finance leases                       | -                              | 40                                 | -                                 | -                                 | 40                      |
| Payables - suppliers                 | -                              | 1,662                              | -                                 | -                                 | 1,662                   |
| Other payables                       | -                              | 7,595                              | 5                                 | 2                                 | 7,602                   |
| <b>Total</b>                         | -                              | 9,297                              | 5                                 | 2                                 | 9,304                   |

|                                      | On<br>demand<br>2009<br>\$'000 | within<br>1 year<br>2009<br>\$'000 | 1 to 2<br>years<br>2009<br>\$'000 | 2 to 5<br>years<br>2009<br>\$'000 | Total<br>2009<br>\$'000 |
|--------------------------------------|--------------------------------|------------------------------------|-----------------------------------|-----------------------------------|-------------------------|
| <b>Liabilities at amortised cost</b> |                                |                                    |                                   |                                   |                         |
| Finance leases                       | -                              | 193                                | 40                                | -                                 | 233                     |
| Payables - suppliers                 | -                              | 3,853                              | -                                 | -                                 | 3,853                   |
| Other payables                       | -                              | 3,741                              | 5                                 | 7                                 | 3,753                   |
| <b>Total</b>                         | -                              | 7,787                              | 45                                | 7                                 | 7,839                   |

Note 16F: Market risk

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

The only interest-bearing items on the balance sheet are finance leases. All finance leases entered into bear interest at a fixed interest rate and will not fluctuate due to changes in the market interest rate. Current implicit interest rate is 5.92 per cent (2009: 6.24 per cent).

Note 17: Income administered on behalf of Government

|   | 2010<br>\$'000 | 2009<br>\$'000 |
|---|----------------|----------------|
| <b>Non-taxation revenue</b>                                   |                |                |
| <b>Note 17A: Interest</b>                                     |                |                |
| Gross IMF remuneration  | 2,314          | 3,833          |
| Less: Burden sharing  | (78)           | (86)           |
| Add: Burden sharing refunds                                   | -              | -              |
| Net IMF remuneration  | 2,236          | 3,747          |
| Other interest  | -              | 70             |
| <b>Total interest</b>   | 2,236          | 3,817          |
| <b>Note 17B: Dividends</b>                                    |                |                |
| Reserve Bank of Australia                                     | 5,976,709      | 1,402,968      |
| <b>Total dividends</b>  | 5,976,709      | 1,402,968      |
| <b>Note 17C: Sale of goods and rendering of services</b>      |                |                |
| GST administration fees - external entities                   | 564,222        | 630,480        |
| Guarantee Scheme for Large Deposits and Wholesale Funding Fee | 1,265,118      | 476,415        |
| Guarantee of State and Territory Borrowing                    | 101,647        | -              |
| <b>Total sale of goods and rendering of services</b>          | 1,930,987      | 1,106,895      |
| <b>Note 17D: COAG receipts from government agencies</b>       |                |                |
| Building Australia Fund receipts                              | 411,000        | 1,005,000      |
| Health and Hospital Fund receipts                             | 117,925        | 109,200        |
| Education and Innovation Fund receipts                        | 28,724         | -              |
| Interstate road transport receipts                            | 60,823         | 8,790          |
| Non-government schools receipts                               | 3,021,461      | 937,282        |
| <b>Total COAG receipts from government agencies</b>           | 3,639,933      | 2,060,272      |
| <b>Note 17E: Other revenue</b>                                |                |                |
| Write back of HCS Scheme                                      | 3,119          | 42,634         |
| HIH Group liquidation proceeds                                | 53,776         | 22,860         |
| State cellar door subsidy savings                             | 115,926        | 68,723         |
| Other revenue   | 4,263          | 2,999          |
| <b>Total other revenue</b>                                    | 177,084        | 137,216        |
| <b>Gains</b>  |                |                |
| <b>Note 17F: Foreign exchange</b>                             |                |                |
| IMF SDR allocation  | 289,805        | -              |
| IMF maintenance of value                                      | 1,136,045      | -              |
| IMF quota revaluation   | (582,170)      | -              |
| IFIs revaluation  | (55,445)       | -              |
| Other   | 2,626          | -              |
| <b>Total net foreign exchange gains/(losses)</b>              | 790,861        | -              |
| <b>Note 17G: Other gains</b>                                  |                |                |
| Resources received free of charge                             | 14,148         | -              |
| <b>Total other gains</b>                                      | 14,148         | -              |
| <b>Total gains administered on behalf of Government</b>       | 805,009        | -              |
| <b>Total income administered on behalf of Government</b>      | 12,531,958     | 4,711,168      |

**Note 18: Expenses administered on behalf of Government**

|  | 2010              | 2009              |
|--|-------------------|-------------------|
|  | \$'000            | \$'000            |
| <b>Note 18A: Grants</b>                                    |                   |                   |
| Public sector:   |                   |                   |
| State and Territory Governments                            | 84,285,577        | 51,583,434        |
| Payment of COAG receipts from government agencies          | 3,658,638         | 2,060,272         |
| Other grants   | 30,000            | (157)             |
| <b>Total grants</b>  | <b>87,974,215</b> | <b>53,643,549</b> |
| <b>Note 18B: Interest</b>                                  |                   |                   |
| IMF charges  | 11,413            | 14,265            |
| <b>Total Interest</b>                                      | <b>11,413</b>     | <b>14,265</b>     |
| <b>Note 18C: Foreign exchange</b>                          |                   |                   |
| IMF SDR allocation   | -                 | 102,292           |
| IMF maintenance of value                                   | -                 | 996,192           |
| IMF quota  | -                 | (703,565)         |
| Other  | -                 | 8,634             |
| <b>Total net foreign exchange losses/(gains)</b>           | <b>-</b>          | <b>403,553</b>    |
| <b>Note 18D: Other expenses</b>                            |                   |                   |
| HLIC claims <sup>1</sup>                                   | (79)              | (298)             |
| OzCar Special Purpose Vehicle - impairment                 | 4,922             | -                 |
| Other expenses   | 9,975             | 66                |
| <b>Total other expenses</b>                                | <b>14,818</b>     | <b>(232)</b>      |
| <b>Total expenses administered on behalf of Government</b> | <b>88,000,446</b> | <b>54,061,135</b> |

<sup>1</sup> HLIC claims expenses include an actuarial adjustment decreasing provision for insurance claims resulting in an offsetting negative expense.



Note 19: Assets administered on behalf of Government

|  | 2010<br>\$'000   | 2009<br>\$'000   |
|--|------------------|------------------|
| <b>Financial assets</b>  |                  |                  |
| <b>Note 19A: Cash and cash equivalents</b>   |                  |                  |
| Cash on hand or on deposits  | 4,063            | 8,230            |
| <b>Total cash and cash equivalents</b>   | <b>4,063</b>     | <b>8,230</b>     |
| <b>Note 19B: Receivables</b>   |                  |                  |
| Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable | 2,840,078        | 2,660,585        |
| Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable             | 106,442          | 83,730           |
| Guarantee of State and Territory Borrowing contractual fee receivable                | 482,830          | -                |
| Guarantee of State and Territory Borrowing fee receivable                            | 10,571           | -                |
| Net GST receivable from the ATO  | 33               | 9                |
| HLIC premiums receivable   | 43               | 29               |
| IMF related moneys owing   | 380              | 532              |
| IMF maintenance of value   | 1,136,045        | -                |
| RBA dividend receivable  | 750,000          | -                |
| <b>Total receivables (gross)</b>   | <b>5,326,422</b> | <b>2,744,885</b> |
| <b>Receivables were aged as follows:</b>   |                  |                  |
| Not overdue  | 5,326,422        | 2,744,885        |
| <b>Total receivables (gross)</b>   | <b>5,326,422</b> | <b>2,744,885</b> |

Note 19: Assets administered on behalf of Government (continued)

|  | 2010<br>\$'000    | 2009<br>\$'000    |
|--|-------------------|-------------------|
| <b>Note 19C: Investments</b>                             |                   |                   |
| <b>International financial institutions</b>              |                   |                   |
| Asian Development Bank                                   | 248,148           | 273,940           |
| European Bank for Reconstruction and Development         | 89,698            | 91,288            |
| International Bank for Reconstruction and Development    | 213,248           | 223,997           |
| International Finance Corporation                        | 55,531            | 58,330            |
| Multilateral Investment Guarantee Agency                 | 7,276             | 7,642             |
| <b>Total international financial institutions</b>        | <b>613,901</b>    | <b>655,197</b>    |
| <b>Australian Government entities</b>                    |                   |                   |
| Reserve Bank of Australia                                | 11,144,000        | 18,502,000        |
| Australian Reinsurance Pool Corporation                  | 604,460           | 551,177           |
| <b>Total Australian Government entities</b>              | <b>11,748,460</b> | <b>19,053,177</b> |
| <b>Total investments</b>                                 | <b>12,362,361</b> | <b>19,708,374</b> |
| <b>Note 19D: Other investments</b>                       |                   |                   |
| IMF quota  | 5,601,246         | 6,183,416         |
| OzCar Special Purpose Vehicle <sup>1</sup>               | -                 | -                 |
| <b>Total Other Investments</b>                           | <b>5,601,246</b>  | <b>6,183,416</b>  |
| <b>Total investments and other investments</b>           | <b>17,963,607</b> | <b>25,891,790</b> |
| <b>Total financial assets</b>                            | <b>23,294,092</b> | <b>28,644,905</b> |
| <b>Non-financial assets</b>                              |                   |                   |
| <b>Note 19E: Other</b>                                   |                   |                   |
| Prepayments - Infrastructure                             | 57,346            | -                 |
| Prepayments - GST payments to States and Territories     | 488,000           | -                 |
| <b>Total other</b>                                       | <b>545,346</b>    | <b>-</b>          |
| <b>Total non-financial assets</b>                        | <b>545,346</b>    | <b>-</b>          |
| <b>Total assets administered on behalf of Government</b> | <b>23,839,438</b> | <b>28,644,905</b> |

<sup>1</sup> An administered investment with a nil balance has been recorded to reflect the Australian Government's control of the OzCar SPV.

## Note 20: Liabilities administered on behalf of Government

|  | 2010<br>\$'000   | 2009<br>\$'000   |
|--|------------------|------------------|
| <b>Note 20A: Loans</b>   |                  |                  |
| IMF promissory notes   | 4,830,790        | 3,834,696        |
| Other promissory notes   | 52,103           | 54,729           |
| <b>Total loans</b>   | <b>4,882,893</b> | <b>3,889,425</b> |
| Payable:   |                  |                  |
| Within one year  | -                | -                |
| In one to five years   |                  |                  |
| In more than five years  | 4,882,893        | 3,889,425        |
| <b>Total loans</b>   | <b>4,882,893</b> | <b>3,889,425</b> |
| <b>Note 20B: Grants</b>  |                  |                  |
| COAG grants payable  | 395,306          | 558,917          |
| <b>Total grants</b>  | <b>395,306</b>   | <b>558,917</b>   |
| Total grants - are expected to be settled in:  |                  |                  |
| No more than 12 months   | 395,306          | 558,917          |
| More than 12 months  | -                | -                |
| <b>Total grants</b>  | <b>395,306</b>   | <b>558,917</b>   |
| <b>Note 20C: Other payables</b>  |                  |                  |
| GST appropriation payable  | 33               | 9                |
| IMF SDR allocation <sup>1</sup>  | 5,454,469        | 899,016          |
| IMF maintenance of value   | -                | 996,192          |
| IMF related monies owing   | 2,213            | 651              |
| OzCar Special Purpose Vehicle - Guaranteed liabilities   | 4,922            | -                |
| Other  | 9,210            | 1                |
| <b>Total other payables</b>  | <b>5,470,847</b> | <b>1,895,869</b> |
| Total other payables are expected to be settled in:  |                  |                  |
| No more than 12 months   | 14,165           | 10               |
| More than 12 months  | 5,456,682        | 1,895,859        |
| <b>Total other payables</b>  | <b>5,470,847</b> | <b>1,895,869</b> |
| <b>Note 20D: Unearned income</b>   |                  |                  |
| Guarantee Scheme for Large Deposits and<br>Wholesale Funding contractual guarantee<br>service obligation | 2,840,078        | 2,660,585        |
| Guarantee of State and Territory borrowing<br>contractual guarantee service obligation                   | 482,830          | -                |
| <b>Total unearned income</b>   | <b>3,322,908</b> | <b>2,660,585</b> |

1 The IMF allocated additional SDRs during the global financial crisis to increase the liquidity of member countries. This resulted in an increase in Australia's SDR allocation of A\$4.8 billion.

Note 20: Liabilities administered on behalf of Government (continued)

|   | 2010<br>\$'000    | 2009<br>\$'000   |
|---|-------------------|------------------|
| <b>Note 20E: Other provisions</b>                             |                   |                  |
| Provision for insurance claims                                | -                 | 79               |
| Provision for HCS Scheme                                      | 30,540            | 38,227           |
| <b>Total other provisions</b>                                 | <b>30,540</b>     | <b>38,306</b>    |
| Other provisions are expected to be settled in:               |                   |                  |
| No more than 12 months  | -                 | -                |
| More than 12 months   | 30,540            | 38,306           |
| <b>Total other provisions</b>                                 | <b>30,540</b>     | <b>38,306</b>    |
| <b>Total liabilities administered on behalf of Government</b> | <b>14,102,494</b> | <b>9,043,102</b> |

Note 21: Administered reconciliation table

|  | Notes | 2010<br>\$'000    | 2009<br>\$'000 |
|--|-------|-------------------|----------------|
| <b>Opening administered assets less administered liabilities as at 1 July</b>  |       | <b>19,601,802</b> | 12,457,772     |
| Adjustment for change in accounting policies                                   |       |                   |                |
| - International Financial Institutions   |       | -                 | (55,584)       |
| Adjustment for change in accounting policies                                   |       |                   |                |
| - HIH Claims Support Limited   |       | -                 | 1,499          |
| <b>Adjusted opening administered assets less administered liabilities</b>      |       | <b>19,601,802</b> | 12,403,687     |
| Plus administered income   | 17    | 12,531,958        | 4,711,168      |
| Less administered expenses   | 18    | (88,000,446)      | (54,061,135)   |
| Administered transfers to/from Australian Government:                          |       |                   |                |
| Appropriation transfers from OPA:  |       |                   |                |
| Annual appropriations for administered expenses                                |       | 30,742            | 615,825        |
| Administered assets and liabilities appropriations                             |       | 601               | 65,749         |
| Special appropriations (limited)   |       | -                 | -              |
| Special appropriations (unlimited)   |       | 61,712,765        | 44,177,404     |
| Special Account - COAG Reform Fund   |       | 26,324,449        | 5,928,084      |
| Refunds of receipts (s28 FMA)  |       | 20                | 1              |
| Transfers to OPA   |       | (15,413,838)      | (2,208,912)    |
| Restructuring  |       | 253,604           | -              |
| Administered investments - gains/(losses)                                      |       | (7,304,717)       | 7,969,931      |
| <b>Closing administered assets less administered liabilities as at 30 June</b> |       | <b>9,736,944</b>  | 19,601,802     |

## Note 22: Administered contingent liabilities and assets

### Quantifiable administered contingencies

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

### Unquantifiable administered contingencies

#### Contingent 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 Australian Government guarantees to pay any liabilities of the ARPC above the reserve for claims and retrocession placed by the ARPC, but the Treasurer must declare a reduced payout rate to insured parties if the Australian Government's liability would otherwise exceed \$10 billion.

##### *Commitment to the 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 G-20 Leaders' commitments, Australia has agreed to join with other countries to increase its credit line under an expanded NAB. Australia's contribution to the expanded NAB will be by way of an SDR 4,370 million contingent loan (estimated value AUD\$7.6 billion as at 30 June 2010), replacing Australia's existing SDR 801 million commitment. This will help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The funds would be drawn upon by the IMF only if needed and would be repaid in full with interest. The principal amount that may be called by the IMF cannot be determined accurately.

##### *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 by the Treasury under the Federal Financial Relations Framework.

#### *Standby loan facility for the Government of Indonesia*

Australia has made up to US\$1 billion (estimated value AUD\$1.17 billion, as at 30 June 2010) available to the Government of Indonesia in the form of a standby loan facility, to be drawn down should Indonesia be unable to raise sufficient funds on global capital markets due to the impact of the global financial crisis. The facility was announced in December 2008 and will continue to be available until the end of 2010. A drawdown from the facility will be dependent on a request from the Indonesian Government and subject to certain criteria being met. Any funds provided would be repaid in full. Contributions to the standby loan facility will also be provided by the World Bank, the Asian Development Bank and the Government of Japan. As at 30 June 2010 Indonesia has not requested any drawdown on the facility. Indonesia is being offered the loan at Australia's cost of borrowing which is lower than their own. As such the loan will be considered concessional if it is drawn down by Indonesia. The concessional component of the loan cannot be determined accurately and as such is classified as an unquantifiable contingent liability.

#### *Contingent assets*

##### *HIH Claims Support Scheme*

As the beneficiary of the HIH Claims Support Trust, the Australian Government is entitled to the residual balance of the Trust, after the collection of recoveries. Due to the inherent uncertainty of future recoveries, it is not possible to quantify these amounts accurately. During 2009-10 the Treasury received distributions from the Trust, however the amount and timing of future recoveries and subsequent distributions are unknown.

##### *International Monetary Fund*

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.

## Significant remote administered contingencies

### Guarantees

The following borrowings have been guaranteed by the Australian Government within the Treasury portfolio:

| Borrower  | Legislation authorising guarantee  | Principal covered by guarantee<br>2010<br>\$'000 | Balance outstanding<br>2010<br>\$'000 | Balance outstanding<br>2009<br>\$'000 |
|---|--|--|---------------------------------------|---------------------------------------|
| Papua New Guinea  | <i>Papua New Guinea 1949<br/>Papua New Guinea 1975<br/>Papua New Guinea Loans<br/>Guarantee Act 1975</i> | 3,880  | 3,880                                 | 4,480                                 |
| Commonwealth Bank of Australia <sup>1</sup>                                       | <i>Commonwealth Bank of Australia Act 1959 s117</i>  | 900,000  | 900,000                               | 1,800,000                             |
| Commonwealth Bank of Australia - Officers Superannuation Corporation <sup>1</sup> | <i>Commonwealth Bank of Australia Act 1959 s117</i>  | 3,602,000  | 3,602,000                             | 3,600,000                             |
| Financial Claims Scheme   | <i>Banking Act 1959 s70C</i>   | 690,000,000                                      | 690,000,000                           | 660,000,000                           |
| Guarantee Scheme for Large Deposits and Wholesale Funding                         | <i>Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008</i>                  | 162,953,390                                      | 162,953,390                           | 139,885,000                           |
| Guarantee of State and Territory Borrowing  | <i>Guarantee of State and Territory Borrowing Appropriation Act 2009</i>                                 | 69,751,850                                       | 69,751,850                            | -                                     |
| OzCar Special Purpose Vehicle <sup>2</sup>  | <i>Car Dealership Financing Guarantee Appropriation Act 2009</i>   | 139,985  | 139,985                               | -                                     |
| Reserve Bank of Australia <sup>3</sup>  | <i>Reserve Bank of Australia Act 1959 s77</i>  | 57,845,000                                       | 57,845,000                            | 76,965,000                            |
| <b>Total</b>  |  | <b>985,196,105</b>                               | <b>985,196,105</b>                    | <b>882,254,480</b>                    |

- Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various liabilities of the Commonwealth Bank of Australia (CBA), and the Commonwealth Bank Officers' Superannuation Corporation (CBOSC). The guarantee for the CBA relates to both on and off balance sheet liabilities. The guarantee of the CBOSC covers the due payments of any amount that is payable to or from Officers' of the Superannuation Fund (the Fund), by CBOSC or by CBA, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996. The guarantee of the CBA and CBOSC reflected in the above table is the value at 31 December 2009.
- The OzCar SPV had guaranteed liabilities of \$140 million as at 30 June 2010. However, the SPV also held \$136 million is available in cash assets — refer to Note 1.27 for more information.
- The contingent liability for the RBA, relates to the Australian Government's guarantee of the liabilities of the RBA. It is measured as the Bank's total liabilities excluding capital, reserves, 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. As at 30 June 2010, notes on issue totaled \$48.8 billion.



### Financial Claims Scheme

The Australian Government has established a Financial Claims Scheme to provide depositors of authorised deposit-taking institutions and general insurance policyholders with timely access to their funds in the event of a financial institution failure.

The Australian Prudential Regulation Authority (APRA) is responsible for the administration of the Financial Claims Scheme. Under the Financial Claims Scheme any payments to eligible depositors or general insurance policyholders will be made out of APRA's Financial Claims Scheme Special Account.

The Early Access Facility for Depositors established under the *Banking Act 1959* provides a mechanism for making payments to depositors under the Government's guarantee of deposits in authorised deposit-taking institutions. The Government announced that, from 12 October 2008, deposits up to \$1 million at eligible authorised deposit-taking institutions would be eligible for coverage under the Financial Claims Scheme. This \$1 million cap will continue until October 2011.

As at 30 June 2010, deposits eligible for coverage under the Financial Claims Scheme were estimated to be approximately \$690 billion.

The Policyholder Compensation Facility established under the *Insurance Act 1973* provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed general insurer. Amounts available to meet payments and administer this facility, in the event of activation, are capped at \$20 billion per failure for payments to insurance claimants and \$100 million for Financial Claims Scheme administration expenses under the legislation.

Any payments made under the Financial Claims Scheme would be recovered through the liquidation of the failed institution. If there were a shortfall, a levy would be applied to industry to recover the difference between the amount expended and the amount recovered in the liquidation.

### 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.

On 7 February 2010, the Government announced the closure of the Guarantee Scheme 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 deposits under the Guarantee Scheme is remote and unquantifiable. Australia's financial system is considered among the strongest and best regulated in the world. Authorised deposit-taking institutions are subject to prudential regulation by APRA in accordance with international standards, which are designed to ensure that financial institutions have the capacity to meet their financial obligations. This framework requires institutions to be adequately capitalised and have appropriate risk management systems in place.

Government expenditure would arise under the large deposit guarantee only in the unlikely event that an institution failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant institution. The impact on the Government's budget would depend on the extent of the institution's default and its ability to meet the Government's claim.

As at 30 June 2010, total liabilities covered by the Guarantee Scheme were estimated at \$163 billion, including \$6.6 billion of large deposits and \$156.4 billion of wholesale funding.

#### Guarantee of State and Territory Borrowing

The Australian Government announced on 25 March 2009 that a voluntary and temporary guarantee would be put in place over state and territory borrowing. The Guarantee of State and Territory Borrowing commenced on 24 July 2009.

The guarantee will close 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 2010, the face value of state and territory borrowings covered by the guarantee was \$69.8 billion.

#### OzCar Special Purpose Vehicle

The OzCar SPV was established as a trust on 2 January 2009 to provide liquidity to eligible car dealers who may have been left without wholesale floor plan financing as a result of the proposed departure of GE Money Motor Solutions and GMAC from the Australian market following the onset of the global financial crisis. As at 30 June 2010, the face value

of borrowings covered by the OzCar SPV guarantee was \$140 million. However, as referred to in Note 1, the Treasury has assessed the financial position of the Trust and recorded a liability of \$4.9 million representing the expected call on the Government's guarantee.

### Note 23: Administered investments

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

#### Development Banks

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to assist post-communist, democratic, eastern European countries develop their private sector and capital markets. The EBRD now has operations in 29 countries in Europe and 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 general development in its developing member countries. The ADB does this by financing (through a mix of loans, grants, guarantees and co-financing activities with both other donors and the private sector) public sector and private sector activities. It also provides technical assistance to developing member countries so they can improve their policy and business investment environments. A significant portion of the ADB's activities are focused in the infrastructure and energy sectors.

The World Bank was established in 1944 and comprises the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). The IBRD provides financing and technical assistance to middle income countries and lends on harder terms than the IDA. 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 187 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 developing countries.

### Australian Government entities

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

### OzCar Special Purpose Vehicle

The OzCar SPV was established as a trust on 2 January 2009 to provide liquidity to eligible car dealers who may have been left without wholesale floor plan financing as a result of the proposed departure of GE Money Motor Solutions and GMAC from the Australian market following the onset of the global financial crisis. The Commonwealth has guaranteed the borrowings of the OzCar SPV. As at 30 June 2010, the OzCar SPV has total assets of \$136.3 million and total liabilities of \$140.8 million.

## Note 24: Administered financial instruments

### Note 24A: Categories of financial instruments

|  | 2010<br>\$'000    | 2009<br>\$'000    |
|--|-------------------|-------------------|
| <b>Loans and receivables</b>   |                   |                   |
| Cash and cash equivalents  | 4,063             | 8,230             |
| IMF related moneys owing   | 380               | 532               |
| Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable               | 2,840,078         | 2,660,585         |
| Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable                           | 106,442           | 83,730            |
| Guarantee of State and Territory Borrowing contractual fee receivable                              | 482,830           | -                 |
| Guarantee of State and Territory Borrowing fee receivable  | 10,571            | -                 |
| Net GST receivable from the ATO  | 33                | 9                 |
| IMF maintenance of value   | 1,136,045         | -                 |
| RBA dividend receivable  | 750,000           | -                 |
| Other receivable   | 43                | 29                |
|  | <b>5,330,485</b>  | <b>2,753,115</b>  |
| <b>Available for sale financial assets</b>   |                   |                   |
| International financial institutions   | 613,901           | 655,197           |
| Australian Government entities   | 11,748,460        | 19,053,177        |
| IMF Quota  | 5,601,246         | 6,183,416         |
|  | <b>17,963,607</b> | <b>25,891,790</b> |
| <b>Carrying amount of financial assets</b>   | <b>23,294,092</b> | <b>28,644,905</b> |
| <b>Financial liabilities</b>   |                   |                   |
| <b>At amortised cost</b>   |                   |                   |
| Promissory notes   | 4,882,893         | 3,889,425         |
| Grant liabilities  | 395,306           | 558,917           |
| IMF SDR allocation liability   | 5,454,469         | 899,016           |
| Other payables   | 16,345            | 652               |
| IMF maintenance of value   | -                 | 996,192           |
| Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation | 2,840,078         | 2,660,585         |
| Guarantee of State and Territory Borrowing contractual guarantee service obligation                | 482,830           | -                 |
| GST appropriation payable  | 33                | 9                 |
| Other liabilities  | 30,540            | 38,306            |
|  | <b>14,102,494</b> | <b>9,043,102</b>  |
| <b>Carrying amount of financial liabilities</b>  | <b>14,102,494</b> | <b>9,043,102</b>  |

**Note 24B: Net income and expenses from financial assets**

|   | 2010<br>\$'000   | 2009<br>\$'000   |
|---|------------------|------------------|
| <b>Loans and receivables</b>                                  |                  |                  |
| Guarantee Scheme for Large Deposits and Wholesale Funding fee | 1,265,118        | 476,415          |
| Guarantee of State and Territory Borrowing                    | 101,647          | -                |
| Interest revenue  | -                | 70               |
| <b>Net gain/(loss) loans and receivables</b>                  | <b>1,366,765</b> | <b>476,485</b>   |
| <b>Available for sale financial assets</b>                    |                  |                  |
| Interest revenue  | 2,236            | 3,747            |
| Exchange gain/(loss)  | 498,430          | (292,627)        |
| <b>Net gain/(loss) available for sale financial assets</b>    | <b>500,666</b>   | <b>(288,880)</b> |
| <b>Net gain/(loss) from financial assets</b>                  | <b>1,867,431</b> | <b>187,605</b>   |

**Note 24C: Net income and expenses from financial liabilities**

|  | 2010<br>\$'000 | 2009<br>\$'000   |
|--|----------------|------------------|
| <b>Financial liabilities - at amortised cost</b>                 |                |                  |
| IMF charges  | (11,413)       | (14,265)         |
| Exchange gain/(loss)   | 292,431        | (110,926)        |
| <b>Net gain/(loss) financial liabilities - at amortised cost</b> | <b>281,018</b> | <b>(125,191)</b> |
| <b>Net gain/(loss) from financial liabilities</b>                | <b>281,018</b> | <b>(125,191)</b> |

**Note 24D: Net fair value of financial assets and liabilities**

The net fair values of the Treasury's administered financial instruments are equal to the carrying amount. The net fair value of financial assets and liabilities are classified into three levels as follows:

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).

The Treasury has no Level 1 administered financial assets or liabilities in 2009-10 and 2008-09.

The net fair value of cash and cash equivalents, Net GST receivable from the ATO and GST appropriation payable are not included in the following tables.

Note 24D: Net fair value of financial assets and liabilities (continued)

|   | Level 2 in the fair value hierarchy |                  |
|---|-------------------------------------|------------------|
|   | 2010<br>\$'000                      | 2009<br>\$'000   |
| <b>Financial assets at fair value - Level 2</b>                             |                                     |                  |
| Loans and receivables   |                                     |                  |
| Guarantee Scheme for Large Deposits and<br>Wholesale Funding fee receivable | 106,442                             | 83,730           |
| Guarantee of State and Territory Borrowing<br>fee receivable                | 10,571                              | -                |
| IMF related moneys owing  | 380                                 | 532              |
| IMF maintenance of value  | 1,136,045                           | -                |
| RBA dividend receivable   | 750,000                             | -                |
| HLIC premiums receivable  | 43                                  | 29               |
|   | <b>2,003,481</b>                    | <b>84,291</b>    |
| <b>Carrying amount of financial assets - Level 2</b>                        | <b>2,003,481</b>                    | <b>84,291</b>    |
| <b>Financial liabilities at fair value - Level 2</b>                        |                                     |                  |
| At amortised cost   |                                     |                  |
| Promissory notes  | 4,882,893                           | 3,889,425        |
| Grant liabilities   | 395,306                             | 558,917          |
| IMF SDR allocation  | 5,454,469                           | 899,016          |
| IMF maintenance of value  | -                                   | 996,192          |
| IMF related monies owing  | 2,213                               | 651              |
| OzCar Special Purpose Vehicle - Guaranteed liabilities                      | 4,922                               | -                |
| Other payables  | 9,210                               | 1                |
|   | <b>10,744,091</b>                   | <b>6,344,202</b> |
| <b>Carrying amount of financial liabilities - Level 2</b>                   | <b>10,744,091</b>                   | <b>6,344,202</b> |

Note 24D: Net fair value of financial assets and liabilities (continued)

|  | Level 3 in the fair value hierarchy |                   |
|--|-------------------------------------|-------------------|
|  | 2010<br>\$'000                      | 2009<br>\$'000    |
| <b>Financial assets at fair value - Level 3</b>  |                                     |                   |
| Loans and receivables  |                                     |                   |
| Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable               | 2,840,078                           | 2,660,585         |
| Guarantee of State and Territory Borrowing contractual fee receivable                              | 482,830                             | -                 |
|  | 3,322,908                           | 2,660,585         |
| Available for sale financial assets  |                                     |                   |
| International financial institutions   | 613,901                             | 655,197           |
| Australian Government entities   | 11,748,460                          | 19,053,177        |
| IMF quota  | 5,601,246                           | 6,183,416         |
|  | 17,963,607                          | 25,891,790        |
| <b>Carrying amount of financial assets - Level 3</b>   | <b>21,286,515</b>                   | <b>28,552,375</b> |
| <b>Financial liabilities at fair value - Level 3</b>   |                                     |                   |
| At amortised cost  |                                     |                   |
| OzCar Special Purpose Vehicle - Guaranteed liabilities   | 4,922                               | -                 |
| Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation | 2,840,078                           | 2,660,585         |
| Guarantee of State and Territory Borrowing contractual guarantee service obligation                | 482,830                             | -                 |
| Other provisions   | 30,540                              | 38,306            |
|  | 3,358,370                           | 2,698,891         |
| <b>Carrying amount of financial liabilities - Level 3</b>  | <b>3,358,370</b>                    | <b>2,698,891</b>  |

There was no transfer of financial assets or liabilities between Level 1 and Level 2 in 2009-10 or 2008-09.

|   | Loans and receivables |                |
|---|-----------------------|----------------|
|   | 2010<br>\$'000        | 2009<br>\$'000 |
| <b>Financial assets at fair value - Level 3</b> |                       |                |
| Opening balance                                 | 2,660,585             | -              |
| Issues  | 662,323               | 2,660,585      |
| Closing balance                                 | 3,322,908             | 2,660,585      |



Note 24D: Net fair value of financial assets and liabilities (continued)

|   | Available for sale financial assets |                |
|---|-------------------------------------|----------------|
|   | 2010<br>\$'000                      | 2009<br>\$'000 |
| <b>Financial assets at fair value - Level 3</b>                                   |                                     |                |
| Opening balance   | 25,891,790                          | 17,273,878     |
| Adjustment for change in accounting policy  | -                                   | (55,584)       |
| Total gains or losses for the period recognised<br>in profit or loss <sup>1</sup> | (623,466)                           | 703,565        |
| Total gains or losses recognised in other<br>comprehensive income <sup>2</sup>    | (7,304,717)                         | 7,969,931      |
| Closing balance   | 17,963,607                          | 25,891,790     |

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

2 These gains and losses are presented in Note 21: Administered reconciliation table.

|   | At amortised cost |                |
|---|-------------------|----------------|
|   | 2010<br>\$'000    | 2009<br>\$'000 |
| <b>Financial liabilities at fair value - Level 3</b>                              |                   |                |
| Opening balance   | 2,698,891         | 144,793        |
| Total gains or losses for the period recognised<br>in profit or loss <sup>3</sup> | 1,803             | (42,664)       |
| Issues  | 662,323           | 2,660,585      |
| Settlements   | (4,647)           | (63,823)       |
| Closing balance   | 3,358,370         | 2,698,891      |

3 These gains and losses are presented in the schedule of administered items under other expenses.

Note 24E: Credit risk exposure

The maximum exposure to credit risk of the Treasury's administered financial assets is the carrying amount of 'loans and receivables' (2010: \$5,330,485,000 and 2009: \$2,753,115,000) and the carrying amount of 'available for sale financial assets' (2010: \$17,963,607,000 and 2009: \$25,891,790,000).

However, the international financial institutions that the Treasury holds its financial assets with, hold a minimum of AA credit ratings. The contractual fee receivable arising from the Guarantee Scheme for Large Deposits and Wholesale Funding and Guarantee of State and Territory Borrowing that the Treasury holds relates only to prudentially regulated authorised deposit-taking institutions 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 24F: Liquidity risk**

The Treasury's administered financial liabilities are promissory notes, grant liabilities, the IMF SDR allocation and HIH and HLIC provisions. The contractual guarantee service obligation arising from the Guarantee Scheme for Large Deposits and Wholesale Funding 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 non-lapsing capital appropriations as well as internal policies and procedures put in place to ensure there are appropriate resources for the Treasury to meet its financial obligations. The following tables illustrate the maturities for financial liabilities:

|                              | On demand<br>2010<br>\$'000 | Within 1 year<br>2010<br>\$'000 | 1 to 2 years<br>2010<br>\$'000 | 2 to 5 years<br>2010<br>\$'000 | > 5 years<br>2010<br>\$'000 | Total<br>2010<br>\$'000 |
|------------------------------|-----------------------------|---------------------------------|--------------------------------|--------------------------------|-----------------------------|-------------------------|
| Promissory notes             | -                           | -                               | -                              | -                              | 4,882,893                   | 4,882,893               |
| Grant liabilities            | -                           | 395,306                         | -                              | -                              | -                           | 395,306                 |
| IMF SDR allocation liability | -                           | -                               | -                              | -                              | 5,454,469                   | 5,454,469               |
| Other payables               | 16,345                      | -                               | -                              | -                              | -                           | 16,345                  |
| Other liabilities            | 30,540                      | -                               | -                              | -                              | -                           | 30,540                  |
| <b>Total</b>                 | <b>46,885</b>               | <b>395,306</b>                  | <b>-</b>                       | <b>-</b>                       | <b>10,337,362</b>           | <b>10,779,553</b>       |

|                              | On demand<br>2009<br>\$'000 | Within 1 year<br>2009<br>\$'000 | 1 to 2 years<br>2009<br>\$'000 | 2 to 5 years<br>2009<br>\$'000 | > 5 years<br>2009<br>\$'000 | Total<br>2009<br>\$'000 |
|------------------------------|-----------------------------|---------------------------------|--------------------------------|--------------------------------|-----------------------------|-------------------------|
| Promissory notes             | -                           | -                               | -                              | -                              | 3,889,425                   | 3,889,425               |
| Grant liabilities            | -                           | 558,917                         | -                              | -                              | -                           | 558,917                 |
| IMF SDR allocation liability | -                           | -                               | -                              | -                              | 899,016                     | 899,016                 |
| Other payables               | 652                         | -                               | -                              | -                              | -                           | 652                     |
| Other liabilities            | 38,306                      | -                               | -                              | -                              | -                           | 38,306                  |
| <b>Total</b>                 | <b>38,958</b>               | <b>558,917</b>                  | <b>-</b>                       | <b>-</b>                       | <b>4,788,441</b>            | <b>5,386,316</b>        |

**Note 24G: Market risk**

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

The Treasury is exposed to foreign currency denominated in USD, EUR and SDR.

The following table details the effect on the profit and equity as at 30 June 2010 from a 14 per cent (30 June 2009 from a 10 per cent) favourable/unfavourable change in AUD against the Treasury with all other variables held constant.

| Risk variable            | Change in<br>risk variable<br>per cent | Effect on       |                |
|--------------------------|--|-----------------|----------------|
|                          |  | Profit and loss | Equity         |
|                          |  | 2010<br>\$'000  | 2010<br>\$'000 |
| IFI Investments          | 14.00%                                 | 75,391          | 75,391         |
| IFI Investments          | -14.00%                                | (99,937)        | (99,937)       |
| IMF related moneys owing | 14.00%                                 | (47)            | (47)           |
| IMF related moneys owing | -14.00%                                | 62              | 62             |
| Quota                    | 14.00%                                 | (687,872)       | (687,872)      |
| Quota                    | -14.00%                                | 911,831         | 911,831        |
| Promissory notes         | 14.00%                                 | 6,399           | 6,399          |
| Promissory notes         | -14.00%                                | (8,482)         | (8,482)        |
| IMF allocation liability | 14.00%                                 | 669,847         | 669,847        |
| IMF allocation liability | -14.00%                                | (887,937)       | (887,937)      |
| Other liabilities        | 14.00%                                 | 272             | 272            |
| Other liabilities        | -14.00%                                | (360)           | (360)          |

| Risk variable            | Change in<br>risk variable<br>per cent | Effect on       |                |
|--------------------------|--|-----------------|----------------|
|                          |  | Profit and loss | Equity         |
|                          |  | 2009<br>\$'000  | 2009<br>\$'000 |
| IFI Investments          | 10.00%                                 | 59,563          | 59,563         |
| IFI Investments          | -10.00%                                | (72,800)        | (72,800)       |
| IMF related moneys owing | 10.00%                                 | (48)            | (48)           |
| IMF related moneys owing | -10.00%                                | 59              | 59             |
| Quota                    | 10.00%                                 | (562,129)       | (562,129)      |
| Quota                    | -10.00%                                | 687,046         | 687,046        |
| Promissory notes         | 10.00%                                 | 4,975           | 4,975          |
| Promissory notes         | -10.00%                                | (6,081)         | (6,081)        |
| IMF allocation liability | 10.00%                                 | 81,729          | 81,729         |
| IMF allocation liability | -10.00%                                | (99,891)        | (99,891)       |
| Other liabilities        | 10.00%                                 | 59              | 59             |
| Other liabilities        | -10.00%                                | (72)            | (72)           |

The sensitivity analysis of the Treasury's exposure to foreign currency risk at the reporting date has been determined by the Department of Finance and Deregulation based on the five main currencies (USD, EUR, GBP, JPY and NZD) the Commonwealth is exposed to.

The Guarantee Scheme for Large Deposits and Wholesale Funding and State and Territory Borrowing contractual obligation liabilities represents Treasury's obligation to provide a guarantee service to authorised deposit-taking institutions and State and Territory governments. These obligations will always be mirrored by the Guarantee Scheme for Large Deposits and Wholesale Funding and State and Territory Borrowing contractual fee receivables.

Note 25: Administered consolidation

|   | Treasury         |                  | HCS Scheme     |                | Total            |                  |
|---|------------------|------------------|----------------|----------------|------------------|------------------|
|   | 2010<br>\$'000   | 2009<br>\$'000   | 2010<br>\$'000 | 2009<br>\$'000 | 2010<br>\$'000   | 2009<br>\$'000   |
| <b>REVENUE:</b>   |                  |                  |                |                |                  |                  |
| <b>Non-taxation revenue</b>                                   |                  |                  |                |                |                  |                  |
| <b>Interest</b>   |                  |                  |                |                |                  |                  |
| Gross IMF remuneration  | 2,314            | 3,833            | -              | -              | 2,314            | 3,833            |
| Less: Burden sharing  | (78)             | (86)             | -              | -              | (78)             | (86)             |
| Net IMF remuneration  | 2,236            | 3,747            | -              | -              | 2,236            | 3,747            |
| Other interest  | -                | -                | -              | 70             | -                | 70               |
| <b>Total interest</b>   | <b>2,236</b>     | <b>3,747</b>     | <b>-</b>       | <b>70</b>      | <b>2,236</b>     | <b>3,817</b>     |
| <b>Dividends</b>  |                  |                  |                |                |                  |                  |
| Reserve Bank of Australia                                     | 5,976,709        | 1,402,968        | -              | -              | 5,976,709        | 1,402,968        |
| <b>Total dividends</b>  | <b>5,976,709</b> | <b>1,402,968</b> | <b>-</b>       | <b>-</b>       | <b>5,976,709</b> | <b>1,402,968</b> |
| <b>Sale of goods and rendering of services</b>                |                  |                  |                |                |                  |                  |
| GST administration fees - external entities                   | 564,222          | 630,480          | -              | -              | 564,222          | 630,480          |
| Guarantee Scheme for Large Deposits and Wholesale Funding fee | 1,265,118        | 476,415          | -              | -              | 1,265,118        | 476,415          |
| Guarantee Scheme for State and Territory Borrowing            | 101,647          | -                | -              | -              | 101,647          | -                |
| <b>Total sale of goods and rendering of services</b>          | <b>1,930,987</b> | <b>1,106,895</b> | <b>-</b>       | <b>-</b>       | <b>1,930,987</b> | <b>1,106,895</b> |
| <b>COAG receipts from government agencies</b>                 |                  |                  |                |                |                  |                  |
| Building Australia Fund receipts                              | 411,000          | 1,005,000        | -              | -              | 411,000          | 1,005,000        |
| Health and Hospital Fund receipts                             | 117,925          | 109,200          | -              | -              | 117,925          | 109,200          |
| Education and Innovation Fund receipts                        | 28,724           | -                | -              | -              | 28,724           | -                |
| Interstate road transport receipts                            | 60,823           | 8,790            | -              | -              | 60,823           | 8,790            |
| Non-government schools receipts                               | 3,021,461        | 937,282          | -              | -              | 3,021,461        | 937,282          |
| <b>Total COAG receipts from government agencies</b>           | <b>3,639,933</b> | <b>2,060,272</b> | <b>-</b>       | <b>-</b>       | <b>3,639,933</b> | <b>2,060,272</b> |

Note 25: Administered consolidation (continued)

|  | Treasury          |                  | HCS Scheme     |                | Total             |                  |
|--|-------------------|------------------|----------------|----------------|-------------------|------------------|
|  | 2010<br>\$'000    | 2009<br>\$'000   | 2010<br>\$'000 | 2009<br>\$'000 | 2010<br>\$'000    | 2009<br>\$'000   |
| <b>Other revenue</b>                                       |                   |                  |                |                |                   |                  |
| Write back of HCS scheme                                   | 3,119             | 42,634           | -              | -              | 3,119             | 42,634           |
| HIH Group liquidation proceeds                             | 53,776            | 22,860           | -              | -              | 53,776            | 22,860           |
| State cellar door subsidy savings                          | 115,926           | 68,723           | -              | -              | 115,926           | 68,723           |
| Other revenue  | 4,272             | 3,058            | (9)            | (59)           | 4,263             | 2,999            |
| <b>Total other revenue</b>                                 | <b>177,093</b>    | <b>137,275</b>   | <b>(9)</b>     | <b>(59)</b>    | <b>177,084</b>    | <b>137,216</b>   |
| <b>Total revenues administered on behalf of Government</b> | <b>11,726,958</b> | <b>4,711,157</b> | <b>(9)</b>     | <b>11</b>      | <b>11,726,949</b> | <b>4,711,168</b> |
| <b>Gains</b>   |                   |                  |                |                |                   |                  |
| <b>Net foreign exchange gains/(losses)</b>                 |                   |                  |                |                |                   |                  |
| IMF SDR allocation   | 289,805           | -                | -              | -              | 289,805           | -                |
| IMF maintenance of value                                   | 1,136,045         | -                | -              | -              | 1,136,045         | -                |
| IMF quota revaluation                                      | (582,170)         | -                | -              | -              | (582,170)         | -                |
| IFIs revaluation   | (55,445)          | -                | -              | -              | (55,445)          | -                |
| Other foreign exchange                                     | 2,626             | -                | -              | -              | 2,626             | -                |
| <b>Total net foreign exchange gains/(losses)</b>           | <b>790,861</b>    | <b>-</b>         | <b>-</b>       | <b>-</b>       | <b>790,861</b>    | <b>-</b>         |
| <b>Other gains</b>   |                   |                  |                |                |                   |                  |
| Resources received free of charge                          | 14,148            | -                | -              | -              | 14,148            | -                |
| <b>Total other gains</b>                                   | <b>14,148</b>     | <b>-</b>         | <b>-</b>       | <b>-</b>       | <b>14,148</b>     | <b>-</b>         |
| <b>Total gains administered on behalf of Government</b>    | <b>805,009</b>    | <b>-</b>         | <b>-</b>       | <b>-</b>       | <b>805,009</b>    | <b>-</b>         |
| <b>Total income administered on behalf of Government</b>   | <b>12,531,967</b> | <b>4,711,157</b> | <b>(9)</b>     | <b>11</b>      | <b>12,531,958</b> | <b>4,711,168</b> |

Note 25: Administered consolidation (continued)

|  | Treasury          |                   | HCS Scheme     |                | Total             |                   |
|--|-------------------|-------------------|----------------|----------------|-------------------|-------------------|
|  | 2010<br>\$'000    | 2009<br>\$'000    | 2010<br>\$'000 | 2009<br>\$'000 | 2010<br>\$'000    | 2009<br>\$'000    |
| <b>EXPENSES:</b>   |                   |                   |                |                |                   |                   |
| <b>Grants</b>  |                   |                   |                |                |                   |                   |
| Grants to State and Territory Governments                  | 84,285,577        | 51,583,434        | -              | -              | 84,285,577        | 51,583,434        |
| Payment of COAG receipts from government agencies          | 3,658,638         | 2,060,272         | -              | -              | 3,658,638         | 2,060,272         |
| Other grants   | 30,000            | (157)             | -              | -              | 30,000            | (157)             |
| <b>Total grants</b>  | <b>87,974,215</b> | <b>53,643,549</b> | <b>-</b>       | <b>-</b>       | <b>87,974,215</b> | <b>53,643,549</b> |
| <b>Interest</b>  |                   |                   |                |                |                   |                   |
| IMF charges  | 11,413            | 14,265            | -              | -              | 11,413            | 14,265            |
| <b>Total interest</b>                                      | <b>11,413</b>     | <b>14,265</b>     | <b>-</b>       | <b>-</b>       | <b>11,413</b>     | <b>14,265</b>     |
| <b>Other expenses</b>                                      |                   |                   |                |                |                   |                   |
| H LIC claims   | (79)              | (298)             | -              | -              | (79)              | (298)             |
| OzCar Special Purpose Vehicle                              | 4,922             | -                 | -              | -              | 4,922             | -                 |
| Other expenses   | 9,873             | 55                | 102            | 11             | 9,975             | 66                |
| <b>Total other expenses</b>                                | <b>14,716</b>     | <b>(243)</b>      | <b>102</b>     | <b>11</b>      | <b>14,818</b>     | <b>(232)</b>      |
| <b>Losses</b>  |                   |                   |                |                |                   |                   |
| <b>Net foreign exchange losses/(gains)</b>                 |                   |                   |                |                |                   |                   |
| IMF SDR allocation   | -                 | 102,292           | -              | -              | -                 | 102,292           |
| IMF maintenance of value                                   | -                 | 996,192           | -              | -              | -                 | 996,192           |
| IMF quota revaluation                                      | -                 | (703,565)         | -              | -              | -                 | (703,565)         |
| Other  | -                 | 8,634             | -              | -              | -                 | 8,634             |
| <b>Total net foreign exchange losses/(gains)</b>           | <b>-</b>          | <b>403,553</b>    | <b>-</b>       | <b>-</b>       | <b>-</b>          | <b>403,553</b>    |
| <b>Total losses administered on behalf of Government</b>   | <b>-</b>          | <b>403,553</b>    | <b>-</b>       | <b>-</b>       | <b>-</b>          | <b>403,553</b>    |
| <b>Total expenses administered on behalf of Government</b> | <b>88,000,344</b> | <b>54,061,124</b> | <b>102</b>     | <b>11</b>      | <b>88,000,446</b> | <b>54,061,135</b> |

Note 25: Administered consolidation (continued)

|  | Treasury         |                  | HCS Scheme     |                | Total            |                  |
|--|------------------|------------------|----------------|----------------|------------------|------------------|
|  | 2010<br>\$'000   | 2009<br>\$'000   | 2010<br>\$'000 | 2009<br>\$'000 | 2010<br>\$'000   | 2009<br>\$'000   |
| <b>ASSETS:</b>   |                  |                  |                |                |                  |                  |
| <b>Financial assets</b>  |                  |                  |                |                |                  |                  |
| <b>Cash and cash equivalents</b>   |                  |                  |                |                |                  |                  |
| Cash on hand or on deposits  | 4,054            | 8,229            | 9              | 1              | 4,063            | 8,230            |
| <b>Receivables</b>   |                  |                  |                |                |                  |                  |
| Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable | 2,840,078        | 2,660,585        | -              | -              | 2,840,078        | 2,660,585        |
| Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable             | 106,442          | 83,730           | -              | -              | 106,442          | 83,730           |
| Guarantee of State and Territory Borrowing contractual fee receivable                | 482,830          | -                | -              | -              | 482,830          | -                |
| Guarantee of State and Territory Borrowing fee receivable                            | 10,571           | -                | -              | -              | 10,571           | -                |
| Net GST receivable from the ATO  | 33               | 9                | -              | -              | 33               | 9                |
| HLIC premiums receivable   | 43               | 29               | -              | -              | 43               | 29               |
| IMF related monies owing   | 380              | 532              | -              | -              | 380              | 532              |
| IMF maintenance of value   | 1,136,045        | -                | -              | -              | 1,136,045        | -                |
| RBA dividend receivable  | 750,000          | -                | -              | -              | 750,000          | -                |
| <b>Total receivables (net)</b>   | <b>5,326,422</b> | <b>2,744,885</b> | <b>-</b>       | <b>-</b>       | <b>5,326,422</b> | <b>2,744,885</b> |



Note 25: Administered consolidation (continued)

|   | Treasury          |                   | HCS Scheme     |                | Total             |                   |
|---|-------------------|-------------------|----------------|----------------|-------------------|-------------------|
|   | 2010<br>\$'000    | 2009<br>\$'000    | 2010<br>\$'000 | 2009<br>\$'000 | 2010<br>\$'000    | 2009<br>\$'000    |
| <b>Investments</b>  |                   |                   |                |                |                   |                   |
| <b>International financial institutions</b>   |                   |                   |                |                |                   |                   |
| Asian Development Bank  | 248,148           | 273,940           | -              | -              | 248,148           | 273,940           |
| European Bank for<br>Reconstruction and Development<br>International Bank for<br>Reconstruction and Development | 89,698            | 91,288            | -              | -              | 89,698            | 91,288            |
| International Finance Corporation   | 213,248           | 223,997           | -              | -              | 213,248           | 223,997           |
| Multilateral Investment<br>Guarantee Agency   | 55,531            | 58,330            | -              | -              | 55,531            | 58,330            |
|   | 7,276             | 7,642             | -              | -              | 7,276             | 7,642             |
| <b>Total international financial<br/>institutions</b>   | <b>613,901</b>    | <b>655,197</b>    | <b>-</b>       | <b>-</b>       | <b>613,901</b>    | <b>655,197</b>    |
| <b>Quota</b>  |                   |                   |                |                |                   |                   |
| International Monetary Fund   | 5,601,246         | 6,183,416         | -              | -              | 5,601,246         | 6,183,416         |
| <b>Australian Government entities</b>   |                   |                   |                |                |                   |                   |
| Reserve Bank of Australia   | 11,144,000        | 18,502,000        | -              | -              | 11,144,000        | 18,502,000        |
| Australian Reinsurance<br>Pool Corporation  | 604,460           | 551,177           | -              | -              | 604,460           | 551,177           |
| <b>Total Australian<br/>Government entities</b>   | <b>11,748,460</b> | <b>19,053,177</b> | <b>-</b>       | <b>-</b>       | <b>11,748,460</b> | <b>19,053,177</b> |
| <b>Total investments</b>  | <b>17,963,607</b> | <b>25,891,790</b> | <b>-</b>       | <b>-</b>       | <b>17,963,607</b> | <b>25,891,790</b> |
| <b>Non-financial assets</b>   |                   |                   |                |                |                   |                   |
| Other prepayments   | 545,346           | -                 | -              | -              | 545,346           | -                 |
| OzCar Special Purpose Vehicle   | -                 | -                 | -              | -              | -                 | -                 |
| <b>Total non-financial assets</b>   | <b>545,346</b>    | <b>-</b>          | <b>-</b>       | <b>-</b>       | <b>545,346</b>    | <b>-</b>          |
| <b>Total assets administered on<br/>behalf of Government</b>  | <b>23,839,429</b> | <b>28,644,904</b> | <b>9</b>       | <b>1</b>       | <b>23,839,438</b> | <b>28,644,905</b> |

Note 25: Administered consolidation (continued)

|                               | Treasury         |                  | HCS Scheme     |                | Total            |                  |
|-------------------------------|------------------|------------------|----------------|----------------|------------------|------------------|
|                               | 2010<br>\$'000   | 2009<br>\$'000   | 2010<br>\$'000 | 2009<br>\$'000 | 2010<br>\$'000   | 2009<br>\$'000   |
| <b>LIABILITIES:</b>           |                  |                  |                |                |                  |                  |
| <b>Loans</b>                  |                  |                  |                |                |                  |                  |
| IMF promissory notes          | 4,830,790        | 3,834,696        | -              | -              | 4,830,790        | 3,834,696        |
| Other promissory notes        | 52,103           | 54,729           | -              | -              | 52,103           | 54,729           |
| <b>Total loans</b>            | <b>4,882,893</b> | <b>3,889,425</b> | <b>-</b>       | <b>-</b>       | <b>4,882,893</b> | <b>3,889,425</b> |
| <b>Grants</b>                 |                  |                  |                |                |                  |                  |
| COAG grants payable           | 395,306          | 558,917          | -              | -              | 395,306          | 558,917          |
| <b>Total grants</b>           | <b>395,306</b>   | <b>558,917</b>   | <b>-</b>       | <b>-</b>       | <b>395,306</b>   | <b>558,917</b>   |
| <b>Other payables</b>         |                  |                  |                |                |                  |                  |
| GST appropriation payable     | 33               | 9                | -              | -              | 33               | 9                |
| IMF SDR allocation            | 5,454,469        | 899,016          | -              | -              | 5,454,469        | 899,016          |
| IMF maintenance of value      | -                | 996,192          | -              | -              | -                | 996,192          |
| IMF related monies owing      | 2,213            | 651              | -              | -              | 2,213            | 651              |
| OzCar Special Purpose Vehicle | 4,922            | -                | -              | -              | 4,922            | -                |
| Other                         | 9,201            | -                | 9              | 1              | 9,210            | 1                |
| <b>Total other payables</b>   | <b>5,470,838</b> | <b>1,895,868</b> | <b>9</b>       | <b>1</b>       | <b>5,470,847</b> | <b>1,895,869</b> |

Note 25: Administered consolidation (continued)

|  | Treasury          |                   | HCS Scheme     |                | Total             |                   |
|--|-------------------|-------------------|----------------|----------------|-------------------|-------------------|
|  | 2010<br>\$'000    | 2009<br>\$'000    | 2010<br>\$'000 | 2009<br>\$'000 | 2010<br>\$'000    | 2009<br>\$'000    |
| <b>Unearned income</b>   |                   |                   |                |                |                   |                   |
| Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation | 2,840,078         | 2,660,585         | -              | -              | 2,840,078         | 2,660,585         |
| Guarantee of State and Territory Borrowing contractual guarantee service obligation                | 482,830           | -                 | -              | -              | 482,830           | -                 |
| <b>Total unearned income</b>   | <b>3,322,908</b>  | <b>2,660,585</b>  | <b>-</b>       | <b>-</b>       | <b>3,322,908</b>  | <b>2,660,585</b>  |
| <b>Other provisions</b>  |                   |                   |                |                |                   |                   |
| Provision for insurance claims   | -                 | 79                | -              | -              | -                 | 79                |
| Provision for HCS scheme   | 30,540            | 38,227            | -              | -              | 30,540            | 38,227            |
| <b>Total other provisions</b>  | <b>30,540</b>     | <b>38,306</b>     | <b>-</b>       | <b>-</b>       | <b>30,540</b>     | <b>38,306</b>     |
| <b>Total other provisions and payables</b>   | <b>8,824,286</b>  | <b>4,594,759</b>  | <b>9</b>       | <b>1</b>       | <b>8,824,295</b>  | <b>4,594,760</b>  |
| <b>Total liabilities administered on behalf of Government</b>                                      | <b>14,102,485</b> | <b>9,043,101</b>  | <b>9</b>       | <b>1</b>       | <b>14,102,494</b> | <b>9,043,102</b>  |
| <b>Net assets administered on behalf of Government</b>   | <b>9,736,944</b>  | <b>19,601,803</b> | <b>-</b>       | <b>-</b>       | <b>9,736,944</b>  | <b>19,601,803</b> |

**Note 26: Appropriations**

**Note 26A1: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations**

|  | Administered expenses |              | Departmental outputs |                | Total          |                |
|--|-----------------------|--------------|----------------------|----------------|----------------|----------------|
|  | Outcome 1             |              | 2009                 |                | 2010           |                |
|  | 2010                  | 2009         | 2010                 | 2009           | 2010           | 2009           |
|  | \$'000                | \$'000       | \$'000               | \$'000         | \$'000         | \$'000         |
| Balance brought forward from previous period ( <i>Appropriation Acts</i> ) | -                     | -            | 73,063               | 70,978         | 73,063         | 70,978         |
| <i>Appropriation Act:</i>  |                       |              |                      |                |                |                |
| Appropriation Act (No. 1, 3)   |                       |              |                      |                |                |                |
| 2009-2010 as passed  | 1,000                 | 5,000        | 167,320              | 147,174        | 168,320        | 152,174        |
| Appropriation reduced  |                       |              | (4,379)              | -              | (4,379)        | -              |
| (Appropriation Act s10, 11 and 12)   |                       |              |                      |                |                |                |
| Advance to the Finance Minister  |                       |              |                      |                |                |                |
| (Appropriation Act s13)  | 29,675                | -            | -                    | -              | 29,675         | -              |
| <i>FMA Act:</i>  |                       |              |                      |                |                |                |
| Repayments to the Commonwealth   |                       |              |                      |                |                |                |
| (FMA s30)  | -                     | -            | -                    | -              | -              | -              |
| Appropriations to take   |                       |              |                      |                |                |                |
| account of recoverable GST   |                       |              |                      |                |                |                |
| (FMA s30A)   | 67                    | 5            | 4,892                | 4,566          | 4,959          | 4,571          |
| Relevant agency receipts   |                       |              |                      |                |                |                |
| (FMA s31)  | -                     | -            | 13,864               | 10,389         | 13,864         | 10,389         |
| Transfer of agency function  |                       |              |                      |                |                |                |
| (FMA s32)  | -                     | -            | -                    | (1,243)        | -              | (1,243)        |
| <b>Total appropriations available for payments</b>                         | <b>30,742</b>         | <b>5,005</b> | <b>254,760</b>       | <b>231,864</b> | <b>285,502</b> | <b>236,869</b> |

Note 26A1: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations  
(continued)

|   | Administered expenses |              | Departmental outputs |               | Total         |               |
|---|-----------------------|--------------|----------------------|---------------|---------------|---------------|
|   | Outcome 1             |              | 2010                 | 2009          | 2010          | 2009          |
|   | \$'000                | \$'000       | \$'000               | \$'000        | \$'000        | \$'000        |
| Cash payments made during the year (GST inclusive)  |                       |              |                      |               |               |               |
| Appropriations credited to special accounts (GST exclusive)   | (30,741)              | (62)         | (181,177)            | (158,801)     | (211,918)     | (158,863)     |
| Balance of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations and as represented by: | 1                     | 4,943        | 73,583               | 73,063        | 73,584        | 78,006        |
| Cash at bank and on hand  | -                     | -            | 933                  | 781           | 933           | 781           |
| Departmental appropriations receivable  | -                     | -            | 72,278               | 71,777        | 72,278        | 71,777        |
| Undrawn, unexpired administered appropriations  | 1                     | 4,943        | -                    | -             | 1             | 4,943         |
| Net GST payable (to)/from the ATO   | -                     | -            | 372                  | 505           | 372           | 505           |
| Adjustments under s101.13 of the Finance Minister's Orders not reflected above  | -                     | -            | -                    | -             | -             | -             |
| <b>Total as at 30 June</b>  | <b>1</b>              | <b>4,943</b> | <b>73,583</b>        | <b>73,063</b> | <b>73,584</b> | <b>78,006</b> |

Note 26A2: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations  
(reduction in administered items)

| Particulars   | Administered expenses |                     |                     |
|---|-----------------------|---------------------|---------------------|
|   | Outcome 1             |                     | Total               |
|   | 2010                  | 2009                | 2010                |
|   | \$                    | \$                  | \$                  |
| <b>Reduction in administered items</b>  |                       |                     |                     |
| Total administered items appropriated 2009-2010   | 30,675,000.00         | 5,000,000.00        | 30,675,000.00       |
| Less administered items required by the agency per Appropriation Act s11 <sup>1</sup> : |                       |                     |                     |
| Appropriation Act (No. 1) 2009-2010   | 30,674,470.49         | 56,679.10           | 30,674,470.49       |
| Appropriation Act (No. 3) 2009-2010   | 0.00                  | 0.00                | 0.00                |
| Appropriation Act (No. 5) 2009-2010   | 0.00                  | 0.00                | 0.00                |
| Other annual appropriation acts as passed:  | 0.00                  | 0.00                | 0.00                |
| Total administered items required by the agency as represented by:                      |                       |                     |                     |
| Spent   | 30,674,470.49         | 56,679.10           | 30,674,470.49       |
| Retention   | 0.00                  | 0.00                | 0.00                |
| <b>Total reduction in administered items - effective 2010-2011</b>                      | <b>529.51</b>         | <b>4,943,320.90</b> | <b>529.51</b>       |
|   |                       |                     | <b>4,943,320.90</b> |

1 Administered items for 2009-10 were reduced to these amounts when these financial statements were tabled in the Parliament as part of the Department of the Treasury's 2009-10 annual report. This reduction is effective in 2010-11 and the amounts in the total reduction row will be reflected in Table A1 in the 2010-11 financial statements in the row 'Appropriations reduced (Appropriation Act s10, 11 and 12)':

Note 26B1: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations

|  | Operating Outcome 1 |                | Non-operating  |                |                         |                | Total                        |                |
|--|---------------------|----------------|----------------|----------------|-------------------------|----------------|------------------------------|----------------|
|  | SPPs                |                | Equity         |                | Previous years' outputs |                | Admin assets and liabilities |                |
|  | 2009<br>\$'000      | 2010<br>\$'000 | 2009<br>\$'000 | 2010<br>\$'000 | 2009<br>\$'000          | 2010<br>\$'000 | 2009<br>\$'000               | 2010<br>\$'000 |
| Balance brought forward from previous period<br>(Appropriation Acts) | -                   | -              | -              | -              | -                       | -              | 48,508                       | 48,508         |
| Appropriation Act (No. 2, 4) 2009-2010 as passed                     | -                   | 84,983         | 11,959         | 21,304         | 2,998                   | 1,800          | 83,840                       | 191,927        |
| Other annual appropriation acts as passed:                           |                     |                |                |                |                         |                |                              |                |
| Appropriation (Economic Security Strategy Act)                       | -                   | 1,184,883      | -              | -              | -                       | -              | -                            | 1,184,883      |
| Transfer of agency function (FMA s32)                                | -                   | -              | -              | -              | -                       | 949            | -                            | 949            |
| Appropriation reduced (Appropriation Act s12, 13 and 14)             | -                   | -              | (7,438)        | -              | -                       | -              | -                            | (7,438)        |
| Advance to the Finance Minister (Appropriation Act s15)              | -                   | -              | -              | -              | -                       | -              | -                            | -              |
| FMA Act:   |                     |                |                |                |                         |                |                              |                |
| Repayments to the Commonwealth (FMA s30)                             | -                   | -              | -              | -              | -                       | -              | -                            | -              |
| Appropriations to take account of recoverable GST (FMA s30A)         | -                   | -              | 452            | 2,130          | 300                     | 275            | 107                          | 859            |
| Adjustment of appropriations on change of entity function            | -                   | -              | -              | -              | -                       | -              | 407                          | 2,812          |
| <b>Total appropriations available for payments</b>                   | -                   | 1,269,866      | 4,973          | 23,434         | 3,298                   | 3,024          | 87,911                       | 1,429,079      |

Note 26B1: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations (continued)

|  | Operating |           | Non-operating |          |                         |         | Total                        |          |
|--|-----------|-----------|---------------|----------|-------------------------|---------|------------------------------|----------|
|  | Outcome 1 |           | Equity        |          | Previous years' outputs |         | Admin assets and liabilities |          |
|  | SPPs      | SPPs      | 2010          | 2009     | 2010                    | 2009    | 2010                         | 2009     |
|  | \$'000    | \$'000    | \$'000        | \$'000   | \$'000                  | \$'000  | \$'000                       | \$'000   |
| Cash payments made during the year (GST inclusive)   | -         | (615,768) | (4,973)       | (23,434) | (3,298)                 | (3,024) | (4,776)                      | (63,961) |
| Appropriations credited to special accounts (GST exclusive)  | -         | -         | -             | -        | -                       | -       | -                            | -        |
| Balance of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations and as represented by: | -         | 654,098   | -             | -        | -                       | -       | 83,134                       | 68,794   |
| Cash at bank and on hand   | -         | -         | -             | -        | -                       | -       | 4,054                        | 8,229    |
| Departmental appropriation receivable  | -         | -         | -             | -        | -                       | -       | -                            | -        |
| Undrawn, unexpired administered appropriations   | -         | 654,098   | -             | -        | -                       | -       | 79,080                       | 60,565   |
| Net GST payable (to)/from ATO  | -         | -         | -             | -        | -                       | -       | -                            | -        |
| Adjustments under s101.13 of the Finance Minister's Orders not reflected above   | -         | -         | -             | -        | -                       | -       | -                            | -        |
| <b>Total</b>   | -         | 654,098   | -             | -        | -                       | -       | 83,134                       | 68,794   |
|  |           |           |               |          |                         |         | 83,134                       | 722,892  |



**Note 26B2: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations (reduction in administered items)**

|   | SPPs     |                       | Operating Outcome 1 |                       |
|---|----------|-----------------------|---------------------|-----------------------|
|   | 2010     | 2009                  | 2010                | 2009                  |
|   | \$       | \$                    | \$                  | \$                    |
| <b>Reduction in administered items</b>  |          | 1,269,866,000         |                     | 1,269,866,000.00      |
| Total administered items appropriated   |          |                       |                     |                       |
| Less administered items required by the agency per Appropriation Act s12 <sup>1</sup> : |          |                       |                     |                       |
| Appropriation Act (No. 2) 2009-2010   | -        | 5,434,610.80          | -                   | 5,434,610.80          |
| Appropriation Act (No. 4) 2009-2010   | -        | -                     | -                   | -                     |
| Appropriation Act (No. 6) 2009-2010   | -        | -                     | -                   | -                     |
| Other annual appropriation acts as passed:  |          | 610,334,000.00        |                     | 610,334,000.00        |
| Total administered items required by the agency as represented by:                      |          |                       |                     |                       |
| Spent   | -        | 615,768,610.80        | -                   | 615,768,610.80        |
| Retention   | -        | -                     | -                   | -                     |
| <b>Total reduction in administered items - effective 2009-2010</b>                      | <b>-</b> | <b>654,097,389.20</b> | <b>-</b>            | <b>654,097,389.20</b> |

<sup>1</sup> Administered items for 2008-09 were reduced to these amounts when these financial statements were tabled in the Parliament as part of the Department of the Treasury's 2008-09 annual report.

Note 26C: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (unlimited amount)

| <b>A New Tax System (Commonwealth - State) Financial Arrangements Act 1999</b>  |              | 2010   | 2009             |
|---|--------------|--------|------------------|
|   |              | \$'000 | \$'000           |
|   |              |        | <b>Outcome 1</b> |
| <i>Purpose:</i> An Act under which the Australian Government guaranteed that in the transitional years following the introduction of tax reform, each State's budgetary position would be no worse off than had the reforms not been implemented. |              |        |                  |
| All transactions under this Act are recognised as administered items.   |              |        |                  |
| Cash payments made during the year  | (88,736)     |        | (40,996,912)     |
| Appropriations credited to special accounts   | -            |        | -                |
| Repayments to the Commonwealth (net) (FMA s30)  | -            |        | -                |
| Total charged to appropriation  | (88,736)     |        | (40,996,912)     |
| <i>Budget estimate</i>  | -            |        | 41,450,756       |
| <b>Federal Financial Relations Act 2009</b>   |              |        |                  |
|   |              | 2010   | 2009             |
|   |              | \$'000 | \$'000           |
|   |              |        | <b>Outcome 1</b> |
| <i>Purpose:</i> An Act to provide financial assistance to the States, the Australian Capital Territory and the Northern Territory, and for related purposes.  |              |        |                  |
| All transactions under this Act are recognised as administered items.   |              |        |                  |
| Cash payments made during the year  | (61,614,079) |        | (3,162,950)      |
| Appropriations credited to special accounts   | -            |        | -                |
| Refunds credited (net) (FMA s30)  | -            |        | -                |
| Total charged to appropriation  | (61,614,079) |        | (3,162,950)      |
| <i>Budget estimate</i>  | 59,264,932   |        | 3,181,600        |

Note 26C: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (unlimited amount) (continued)

|   | 2010<br>\$'000 | 2009<br>\$'000 |
|---|----------------|----------------|
| <b>International Monetary Agreements Act 1947</b>   |                |                |
| <i>Purpose:</i> An Act to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease the balance of payments adjustment. |                |                |
| All transactions under this Act are recognised as administered items.   |                |                |
| Cash payments made during the year  | (9,949)        | (17,543)       |
| Appropriations credited to special accounts   | -              | -              |
| Repayments to the Commonwealth (net) (FMA s30)  | -              | -              |
| Total charged to appropriation  | (9,949)        | (17,543)       |
| <i>Budget estimate</i>  | 4,466          | 433,711        |
| <b>Superannuation Industry (Supervision) Act 1993</b>   |                |                |
| <i>Purpose:</i> An Act to provide the framework for providing financial assistance to superannuation funds that had suffered an eligible loss, that is a loss as a result of fraudulent conduct or theft.   |                |                |
| All transactions under this Act are recognised as administered items.   |                |                |
| Cash payments made during the year  | -              | -              |
| Appropriations credited to special accounts   | -              | -              |
| Repayments to the Commonwealth (net) (FMA s30)  | -              | 157            |
| Total charged to appropriation  | -              | 157            |
| <i>Budget estimate</i>  | -              | -              |

Note 26C: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (unlimited amount)  
(continued)

|  | 2010         | 2009         |
|--|--------------|--------------|
|  | \$'000       | \$'000       |
| <b>Totals for unlimited special appropriations</b> |              |              |
| Cash payments made during the year                 |              |              |
| Appropriations credited to special accounts        | (61,712,764) | (44,177,405) |
| Refunds credited (net) (FMA s30)                   | -            | -            |
| Total charged to appropriation                     | (61,712,764) | (44,177,248) |
| <i>Budget estimate</i>                             | 59,269,398   | 45,066,067   |

Note 26D: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (refund provisions)

| <b>Financial Management and Accountability Act 1997</b>    | <b>2010</b>   | <b>2009</b>      |
|--|---------------|------------------|
| Transactions reported in this table are Administered items | <b>\$'000</b> | <b>\$'000</b>    |
|  |               | <b>Outcome 1</b> |
| Cash payments made during the year                         | 20            | 1                |
| Appropriations credited to special accounts                | -             | -                |
| Repayments to the Commonwealth (net) (FMA s30)             | -             | -                |
| Total charged to appropriation                             | 20            | 1                |
| Budget estimate (FMA s28)                                  | -             | -                |

Note 26E: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (Section 39 of the FMA Act)

For the periods 2009-10 and 2008-09, the Treasury has not drawn cash under section 39 of the FMA Act.

**Note 26F: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (other disclosures)**

The special appropriations listed below are administered in nature and the responsibility of the Treasury and were not used in the current reporting period or the previous reporting period and are therefore not shown in separate tables.

| <b>Limited</b>  |  |
|---|--|
| <b>Act</b>  | <b>Purpose</b>   |
| <i>Asian Development Bank Act 1966</i>                                | Payments and promissory notes to establish the Bank<br>Balance available is USD\$42,500,000 in callable shares   |
| <i>Asian Development Bank (Additional Subscription) Act 1972</i>      | Subscribe to 2,550 (paid-in) and 10,200 (callable) shares<br>Balance available is USD\$102,000,000 in callable shares  |
| <i>Asian Development Bank (Additional Subscription) Act 1977</i>      | Subscribe to 2,869 (paid-in) and 25,818 (callable) shares<br>Balance available is USD\$258,180,000 in callable shares  |
| <i>Asian Development Bank (Additional Subscription) Act 1983</i>      | Subscribe to 2,622 (paid-in) and 49,811 (callable) shares<br>Balance available is USD\$498,110,000 in callable shares  |
| <i>Asian Development Bank (Additional Subscription) Act 1995</i>      | Subscribe to 2,047 (paid-in) and 100,323 (callable) shares<br>Balance available is USD\$1,210,246,511 in callable shares   |
| <i>Asian Development Bank (Additional Subscription) Act 2009</i>      | Subscribe to 16,379 (paid-in) and 393,101 (callable) shares<br>Balance available is USD\$4,742,173,913.5 in callable shares<br>and USD\$197,588,066.5 in paid-in shares  |
| <i>European Bank for Reconstruction and Development Act 1990</i>      | Payments and promissory notes to establish the Bank<br>Balance available is USD\$81,690,700 in callable shares   |
| <i>International Financial Institutions (Share Increase) Act 1982</i> | For payments for additional shares of capital stock in the<br>International Finance Corporation (IFC)<br>and the International Bank for Reconstruction<br>and Development (IBRD)<br>Balance available is USD\$692,927,440 in<br>callable shares (IBRD) |
| <i>International Monetary Agreements Act 1974</i>                     | Making payments, including for promissory notes,<br>to the International Bank for Reconstruction<br>and Development (IBRD)<br>Balance available is USD\$37,638,120 in<br>callable shares (IBRD)  |
| <i>Multilateral Investment Guarantee Agency Act 1997</i>              | Payments of capital and on securities issued to<br>establish the Agency<br>Balance available is USD\$14,827,728 in callable shares   |
| <i>Papua New Guinea Loans Guarantee Act 1975</i>                      | Continuation of guarantees under the <i>Papua New Guinea Act 1949-75</i><br>Balance available is AUD\$4,480,000  |

Note 26F: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (other disclosures) (continued)

| Unlimited   |  |
|---|--|
| Act   | Purpose  |
| <i>Car Dealership Financing Guarantee Appropriation Act 2009</i>                        | Payment of claims under the Deed of Guarantee in respect of the Australian Government Guarantee to Support Interim Funding to Car Dealerships  |
| <i>Financial Agreements (Commonwealth Liability) Act 1932</i>                           | Payment of principal and interest on bonds issued under the <i>Financial Agreement Validation Act 1929</i> , consolidating State debts   |
| <i>Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008</i> | Payment of claims under the Deed of Guarantee in accordance with the Guarantee Scheme for Large Deposits and Wholesale Funding rules; repayment of a borrowing and interest on a borrowing |
| <i>Guarantee of State and Territory Borrowing Appropriation Act 2009</i>                | Payment of claims under the Deed of Guarantee in accordance with the Guarantee of State and Territory Borrowing; Repayment of a borrowing and interest on a borrowing                      |
| <i>Housing Loans Insurance Corporation (Transfer of Assets and Abolition) Act 1996</i>  | Payments for amounts arising from claims made before the transfer period leading to the abolition of the HLIC  |
| <i>Mint Employees Act 1964</i>  | Top up superannuation entitlements   |
| <i>Payment of Tax Receipts (Victoria) Act 1996</i>                                      | Payment to Victoria of certain taxes collected by the Australian Government on Victoria's behalf   |
| <i>States Grants Act 1927</i>   | Distribution of surplus revenue to the States  |

The disclosure below is for note purposes only and is not recognised in the financial statements.

**Commonwealth Places (Mirror Taxes) Act 1998**

The Treasury is responsible for administering the above Act for the purpose of paying compensation to the States in respect of constitutionally invalid States taxes levied on Commonwealth places. Under the Act, the Australian Government is liable to pay to a State amounts equal to amounts received by the Australian Government (including amounts received by a State on behalf of the Australian Government) under an applied law of the State. During the current reporting period and previous reporting period the States collected and provided the following estimates of taxes pursuant to the Act:

|                             | 2010               | 2009        |
|-----------------------------|--------------------|-------------|
|                             | \$                 | \$          |
| Total mirror tax collection | <b>409,098,727</b> | 404,026,217 |

Note 26G: Special accounts

**Actuarial services special account (departmental)**

Legal authority: *Financial Management and Accountability Act 1997* ; s20.

Purpose: providing actuarial services and advice.

Note: Actuarial services special account was established on 1 October 2006.

|   | 2010<br>\$'000 | 2009<br>\$'000 |
|---|----------------|----------------|
| <i>This account is non-interest bearing</i>                           |                |                |
| Balance carried from Australian Government Actuary Account            | 1,857          | 1,858          |
| GST credit (FMA s30A)   | 6              | 29             |
| Other receipts from rendering of services                             | 1,927          | 1,518          |
| Available for payments  | 3,790          | 3,405          |
| Payments made to employees  | (1,195)        | (1,136)        |
| Payments made to suppliers  | (390)          | (412)          |
| <b>Balance carried to next period</b>                                 | <b>2,205</b>   | <b>1,857</b>   |
| <i>Represented by:</i>  |                |                |
| Cash held by the Australian Government Actuary                        | 264            | 586            |
| Add: Receivables - Monies held in the OPA                             | 1,959          | 1,270          |
| Add: Receivables - goods and services - GST receivable from customers | 17             | 45             |
| Less: Other payables - net GST payable to the ATO                     | (35)           | (44)           |
| <b>Total balance carried to the next period</b>                       | <b>2,205</b>   | <b>1,857</b>   |



**Note 26G: Special accounts (continued)****COAG Reform Fund Special Account***Legal authority: COAG Reform Fund Act 2008.**Appropriations: Financial Management and Accountability Act 1997; s21.**Purpose: For the making of grants and financial assistance to the States and Territories.*

|   | 2010<br>\$'000 | 2009<br>\$'000 |
|---|----------------|----------------|
| Balance carried from previous period                                      | -              | -              |
| Adjustment to prior year  | -              | -              |
| Adjusted balance carried forward from previous period                     | -              | -              |
| Appropriation for reporting period  | 22,382,372     | 5,928,084      |
| Receipts from other agencies  | 3,639,927      | 2,060,272      |
| GST credits (FMA s30A)  | 302,150        | -              |
| Payments made to suppliers  | (26,324,449)   | (7,988,356)    |
| Repayments debited from the special account                               | -              | -              |
| Repayments debited from the special account (FMA Act section 39)          | -              | -              |
| <b>Balance carried to next period (excluding investment balances) and</b> | <b>-</b>       | <b>-</b>       |
| <i>Represented by:</i>  |                |                |
| Securities held by Treasury   | -              | -              |
| <b>Total balance carried to the next period</b>                           | <b>-</b>       | <b>-</b>       |

**Note 26G: Special accounts (continued)**

**Services for other Governments and non agency bodies account (Departmental)**

The Treasury has a 'Services for other Governments and non-agency bodies' special account established under section 20 of the *Financial Management and Accountability Act 1997* (FMA Act). The purpose of this special account is for the expenditure in connection with services performed on behalf of other Governments and bodies that are not agencies under the FMA Act. For the years ended 30 June 2009 and 30 June 2010 this special account had nil balances and no transactions were credited or debited to the account.

**Other trust monies 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. For the years ended 30 June 2009 and 30 June 2010 this special account had nil balances and no transactions were credited or debited to the account.

**Other trust monies 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.

For the year ended 30 June 2010 the money in this special account rounded to zero in relation to HIH recoveries received from the HIH Claims Manager, which were recovered from third parties in relation to claims made by persons insured by HIH. These recoveries comprise a portion which is due to third parties and part to the Australian Government. Receipts and subsequent payments relating to third parties are treated as special public monies.

|  | <b>2010</b>   | 2009     |
|--|---------------|----------|
|  | <b>Actual</b> | Actual   |
|  | <b>\$'000</b> | \$'000   |
| Balance carried forward from previous year                     | -             | -        |
| Receipts during the year                                       | -             | 23       |
| Available for payments   | -             | 23       |
| Payments made  | -             | (23)     |
| <b>Balance carried forward to next year held by the entity</b> | <b>-</b>      | <b>-</b> |
| <i>Represented by:</i>   |               |          |
| Cash held by Treasury  | -             | -        |
| <b>Balance carried forward to next year held by the entity</b> | <b>-</b>      | <b>-</b> |

**Note 26H: Special accounts investment of public money**

For the periods 2008-09 and 2009-10, the Treasury has not used section 39 of the FMA Act or section 18 and 19 of the Commonwealth Authorities and Companies Act in respect of all special accounts.

**Note 27: Compensation and debt relief**

For the periods of 2008-09 and 2009-10, the Treasury made no administered or departmental debt waivers, act of grace, ex-gratia or section 73 of the *Public Service Act 1999* payments.

**Note 28: Reporting of outcomes**

In 2009-10 the Treasury moved from four outcomes and 12 outputs to a single outcome and 10 programs under new program reporting arrangements. Shared services are now allocated to one program (Program 1.1). The basis of allocation of shared services is consistent with the basis used for the Budget.

Note 28: Reporting of outcomes (continued)

Note 28A: Net cost of outcome delivery

|  | Outcome 1         |                   |
|--|-------------------|-------------------|
|  | 2010              | 2009              |
|  | \$'000            | \$'000            |
| <b>Expenses</b>  |                   |                   |
| Administered expenses  | 88,000,446        | 54,061,135        |
| Departmental expenses  | 174,382           | 162,196           |
| <b>Total expenses</b>  | <b>88,174,828</b> | <b>54,223,331</b> |
| <b>Costs recovered from provision of goods and services to the non-government sector</b> |                   |                   |
| Administered   | -                 | -                 |
| Departmental   | 996               | 970               |
| <b>Total costs recovered</b>   | <b>996</b>        | <b>970</b>        |
| <b>Other external revenues</b>   |                   |                   |
| <b>Administered</b>  |                   |                   |
| Interest   | 2,236             | 3,817             |
| Dividends  | 5,976,709         | 1,402,968         |
| GST administration fees  | 564,222           | 630,480           |
| Australian Government Guarantee Fee  | 1,366,765         | 476,415           |
| COAG receipts from government agencies   |                   |                   |
| government agencies  | 3,639,933         | 2,060,272         |
| HIH Group liquidation proceeds   | 53,776            | 22,860            |
| Net foreign exchange gains   | 790,861           | -                 |
| Other gains  | 14,148            | -                 |
| Other revenue  | 123,308           | 114,356           |
| <b>Total administered</b>  | <b>12,531,958</b> | <b>4,711,168</b>  |
| <b>Departmental</b>  |                   |                   |
| Net gains  | 546               | 534               |
| Other  | 742               | 290               |
| Related goods and services revenue   | 11,611            | 7,853             |
| <b>Total departmental</b>  | <b>12,899</b>     | <b>8,677</b>      |
| <b>Total other external revenues</b>   | <b>12,544,857</b> | <b>4,719,845</b>  |
| <b>Net cost/(contribution) of outcome</b>  | <b>75,628,975</b> | <b>49,502,516</b> |

The presentation of the 2009 comparative does not match what was published in the Treasury's 2008-09 Annual Report due to Treasury moving from four outcomes to one outcome.

Note 28B: Major classes of Departmental expenses, income, assets and liabilities  
by Outcome

|                                       | Outcome 1      |                |
|---------------------------------------|----------------|----------------|
|                                       | 2010           | 2009           |
|                                       | \$'000         | \$'000         |
| <b>Departmental expenses</b>          |                |                |
| Employee benefits                     | 118,613        | 107,575        |
| Suppliers and grants                  | 51,301         | 50,294         |
| Depreciation and amortisation         | 4,368          | 4,191          |
| Write down of assets                  | 28             | 33             |
| Finance costs                         | 35             | 94             |
| Net losses from sale of assets        | 37             | 9              |
| <b>Total departmental expenses</b>    | <b>174,382</b> | <b>168,196</b> |
| <b>Funded by:</b>                     |                |                |
| Revenues from Government              | 165,939        | 148,680        |
| Sale of goods and services            | 12,607         | 8,823          |
| Other non-taxation revenues           | 742            | 290            |
| Other gains                           | 546            | 534            |
| <b>Total departmental revenues</b>    | <b>179,834</b> | <b>158,327</b> |
| <b>Departmental assets</b>            |                |                |
| Cash and cash equivalents             | 1,196          | 1,367          |
| Trade and other receivables           | 77,254         | 76,793         |
| Land and buildings                    | 8,714          | 10,314         |
| Plant and equipment                   | 7,620          | 7,985          |
| Intangibles                           | 36,711         | 19,650         |
| Assets held for sale                  | -              | 24             |
| Other non-financial assets            | 1,799          | 1,042          |
| <b>Total departmental assets</b>      | <b>133,294</b> | <b>117,175</b> |
| <b>Departmental liabilities</b>       |                |                |
| Suppliers                             | 1,662          | 3,853          |
| Other payables                        | 12,098         | 6,621          |
| Leases                                | 40             | 233            |
| Employees provisions                  | 39,110         | 36,057         |
| <b>Total departmental liabilities</b> | <b>52,910</b>  | <b>46,764</b>  |

**Note 28C: Major classes of Administered revenues, expenses, assets and liabilities  
by outcome**

|  | Outcome 1         |                   |
|--|-------------------|-------------------|
|  | 2010              | 2009              |
|  | \$'000            | \$'000            |
| <b>Administered revenues</b>           |                   |                   |
| Interest                               | 2,236             | 3,817             |
| Dividends                              | 5,976,709         | 1,402,968         |
| Goods and services                     | 564,222           | 630,480           |
| Australian Government Guarantee Fee    | 1,366,765         | 476,415           |
| COAG receipts from government agencies | 3,639,933         | 2,060,272         |
| HHH Group liquidation proceeds         | 53,776            | 22,860            |
| Other                                  | 123,308           | 114,356           |
| Net foreign exchange gains             | 790,861           | -                 |
| Other gains                            | 14,148            | -                 |
| <b>Total administered revenues</b>     | <b>12,531,958</b> | <b>4,711,168</b>  |
| <b>Administered expenses</b>           |                   |                   |
| Grants                                 | 87,974,215        | 53,643,549        |
| Other                                  | 26,231            | 14,033            |
| Net foreign exchange losses            | -                 | 403,553           |
| <b>Total administered expenses</b>     | <b>88,000,446</b> | <b>54,061,135</b> |
| <b>Administered assets</b>             |                   |                   |
| Cash and cash equivalents              | 4,063             | 8,230             |
| Receivables                            | 5,326,422         | 2,744,885         |
| Investments                            | 17,963,607        | 25,891,790        |
| Other non-financial assets             | 545,346           | -                 |
| <b>Total administered assets</b>       | <b>23,839,438</b> | <b>28,644,905</b> |
| <b>Administered liabilities</b>        |                   |                   |
| Loans                                  | 4,882,893         | 3,889,425         |
| Grants                                 | 395,306           | 558,917           |
| Other payables                         | 8,793,755         | 4,556,454         |
| Other provisions                       | 30,540            | 38,306            |
| <b>Total administered liabilities</b>  | <b>14,102,494</b> | <b>9,043,102</b>  |



# PART FIVE

## APPENDICES

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## OCCUPATIONAL HEALTH AND SAFETY

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Under the *Occupational Health and Safety Act 1991*, the Treasury must provide and maintain a safe and healthy work environment for all its employees, contractors and visitors to the workplace. The Treasury takes this commitment seriously, and strongly emphasises prevention, early intervention and education. The Treasury actively encourages staff to contribute to a safer and happier workplace by reporting potential hazards, incidents and accidents as soon as they occur, being sensible about their actions in the workplace and demonstrating Treasury People Values at all times.

Results from the Treasury's 2009 Staff Opinion Survey confirm that 85 per cent of staff are satisfied that Treasury is a safe and healthy workplace.

The Treasury continues to explore and implement strategies to help minimise the human and financial costs of injury and illness. Policies and strategies introduced in 2009-10 include:

- The Treasury's Injury Management and Workers Compensation Policy and Guide: to provide comprehensive and practical guidance to both managers and injured/ill employees on support and available assistance, early intervention, rehabilitation, the compensation process and the rights and responsibilities of all parties involved;
- The Treasury's Early Intervention Policy: to broaden the scope of assistance and support offered to minimise the negative effects of an injury or illness on both the individual and the department by early and appropriate management. The policy offers assistance to staff who sustain an injury or illness that affects their capacity at work, with scope, where appropriate, to reimburse costs of related medical treatment and associated leave;
- Hazard and Risk Assessment Policy: to identify hazards, assess the risks associated with those hazards, determine the appropriate control measures and set priorities for monitoring and evaluating controls; and
- Business Continuity People Plan: to outline the actions required to prevent and/or minimise the impact an emergency situation or event may have on the health, safety and wellbeing of employees.

As a signatory to Comcare's Employer Statement of Commitment, the Treasury continues to observe the Occupational Health and Safety and Rehabilitation Performance Improvement Targets (2002-12) and maintains its low rate of workplace injury by monitoring and evaluating performance. The Treasury's Comcare premium rate for 2009-10 was 0.65 per cent and remained lower than the Commonwealth average of 1.25 per cent for the same period.

Comcare recently conducted an investigation of the Treasury's Health and Safety Management Arrangements 2009-11 and concluded the Treasury has demonstrated a commitment to consultation and adequate processes are in place to review and vary the arrangements and resolve Occupational Health and Safety disputes. Ongoing

risk management arrangements within the Treasury's Health and Safety Management Arrangements include the following.

- Occupational Health and Safety presentations at new staff inductions demonstrate correct ergonomic workstation set-up and provide information relating to first aid, emergency procedures, accident/incident reporting, the Treasury's Health and Wellbeing Program, lunchtime health activities, eyesight testing, the Employee Assistance Program and the role of the Health and Safety Committee and Health and Safety Representatives.
- Quarterly meetings with Health and Safety Committee members and Health and Safety Representatives assist in developing, monitoring and reviewing health and safety measures and facilitating cooperation amongst employees.
- Health and Safety Representatives conduct quarterly workplace inspections which assist in rectifying both workplace and psychosocial hazards inspections, and help ensure no notices are given under sections 29, 46 and 47 of the *Occupational Health and Safety Act 1991*.
- Timely reporting of work-related incidents ensures immediate action is taken to rectify hazards. During 2009-10, the Treasury received 25 work-related incident reports; most related to trips, falls and body stressing. Of the 25 incidents, four compensation claims were submitted, three were accepted and one is yet to be determined. No incidents were reported to Comcare under section 68 of the *Occupational Health and Safety Act 1991*.
- Managers are encouraged to report absence which may be related to physical or psychological injury or illness, so appropriate action can be put in place as soon as possible. Leave data is analysed fortnightly to enable early intervention of potentially non-reported issues.
- First aid officers are conveniently located throughout the department. Employees with underlying health conditions such as epilepsy, asthma and diabetes are encouraged to advise nearby first aid officers to ensure timely assistance is provided.
- The Treasury offers individual workstation assessments and training on ergonomics and workstation adjustment, stretching and taking breaks. A total of 237 individual workstation assessments were conducted in 2009-10. Workstation set-up training is offered as part of the Treasury's Health and Wellbeing Program and manual handling training is also provided to relevant staff.
- Employees requiring glasses for screen-based use can be reimbursed for a portion of the cost; 28 employees sought reimbursement in 2009-10.
- Influenza vaccinations paid by the Treasury are offered annually; 355 employees received these in March 2010.
- In cooperation with the Department of Finance and Deregulation, a 10 metre smoking exclusion zone is in place around the Treasury building.

## FREEDOM OF INFORMATION

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The Treasury handles freedom of information matters for the Treasury, the Foreign Investment Review Board, the Australian Office of Financial Management, the Companies Auditors and Liquidators Disciplinary Board, and the Financial Reporting Council.

The Foreign Investment Review Board, the Takeovers Panel and the Financial Reporting Panel each publish their own annual report. Those reports detail the organisations and their structures.

Under section 8 of the *Freedom of Information Act 1982*, the Treasury must report on its activities. The Australian Competition Tribunal's statement then follows. The tribunal is a separate body within the Treasury portfolio but does not publish an annual report.

### THE TREASURY

Section 8 of the *Freedom of Information Act 1982* requires the Treasury to publish detailed information about:

- how it is organised and what decision-making powers it has;
- what arrangements it makes for public involvement in its work;
- what types of documents it holds; and
- how the public can obtain access to these documents.

The following information addresses these requirements.

### Organisation of the Treasury

Details of the Treasury's organisational and senior management structure are set out in Figure 1 on page 15. The Treasury's functions and the decision-making powers are set out in the Departmental Overview and Corporate Governance sections of this report.

### The Treasury delegations and authorisations

The Treasurer, other ministers and the Secretary to the Treasury delegate certain powers to officials, or authorise officials to act on their behalf, under Acts of Parliament and agreements. These delegations and authorisations stand in force until renewed, and are listed below.

- Under section 21 of the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*, the Treasurer has delegated the power to make payments to the states under sections 18 and 19 of the Act to the Executive Director, Fiscal Group; General Manager, Commonwealth-State Relations Division; and General Manager, Budget Policy Division.

- Under section 23 of the *Federal Financial Relations Act 2009*, the Treasurer has delegated the power to make payments to the states under section 5 and Part 2 of the Act to the Executive Director, Fiscal Group; General Manager, Commonwealth-State Relations Division; and General Manager, Budget Policy Division.
- Under the *Crimes (Currency) Authorisation 2009*, the Treasurer has delegated certain powers to the General Manager, Corporations and Financial Services Division; the Chief Executive Officer, Royal Australian Mint; and the Senior Manager, Communication and Risk, Note Issue Department, Head Office, Reserve Bank of Australia, pursuant to the definition of 'an authorised person' in subsection 3(1) of the *Crimes (Currency) Act 1981*.
- Under the Currency Delegation 2007, the Treasurer has delegated the power to determine the issue price of coins of certain denominations under subsection 14A(2) of the *Currency Act 1965*, to the General Manager, Corporations and Financial Services Division and the Chief Executive Officers of the Royal Australian Mint and the Gold Corporation.
- Under the Gold Corporation Agreement Delegation 1999, the Treasurer has delegated authority to approve a range of essentially administrative matters provided for under the Gold Corporation Agreement between the Commonwealth and Goldcorp Australia relating to gold, platinum and silver coins to the Executive Director, Markets Group and the General Manager, Corporations and Financial Services Division.
- Under subsections 21A, 21A(2), 22, 22(1) and 25, and Regulations 3(e) and 3(h) of the *Foreign Acquisitions and Takeovers Act 1975*, the Treasurer has authorised the General Manager, Managers and Assistant Managers of the Foreign Investment and Trade Policy Division to act on his behalf to approve and conditionally approve various proposals and, in specific circumstances, to make an order.
- Under section 22 of the *Mutual Assistance in Business Regulation Act 1992*, the Treasurer has delegated to the General Manager, Corporations and Financial Services Division the authorisation to exercise the Treasurer's powers to consider requests raised under the Act from foreign regulators for information, documents or evidence, including the ability to impose conditions on an authorisation.
- The Treasurer has delegated to Treasury officials the authority to vote on the Treasurer's behalf on routine matters arising from the Treasurer's Governorship of the IMF, the World Bank Group, the Asian Development Bank and the European Bank for Reconstruction and Development.
- Under subsection 9A(2) of the *Australian Prudential Regulation Authority Act 1988*, the Minister for Financial Services, Superannuation and Corporate Law, on behalf of the Treasurer, has delegated power to the Executive Director, Markets Group and the General Manager, Financial System Division to approve APRA to enter into an agreement to provide prudential regulation of advice services for a fee.
- Under subsection 35(1) of the *Archives Act 1983*, the Minister for Financial Services, Superannuation and Corporate Law, on behalf of the Treasurer, has delegated to the

Secretary to the Treasury and Executive Directors, the authorisation to arrange to exempt records from the open access period.

- Under subsection 56(2) of the *Archives Act 1983*, the Minister for Finance and Deregulation has delegated to the Treasurer, the Secretary to the Treasury and Executive Directors, the authorisation to approve access to records not in the open access period.
- Under subsections 147(2) and 601DC(2) of the *Corporations Act 2001*, the responsible minister has delegated the powers to consent to a name being available to a body corporate, to ASIC's Chief Executive Officer and Director, Public Information Program — Operations.
- Under the *Financial Management and Accountability Act 1997*, and the Financial Management and Accountability Regulations 1997, the Minister for Finance and Deregulation has delegated certain powers to the Secretary to the Treasury who has sub-delegated them to Treasury officials. The Secretary to the Treasury holds powers in his own right under the *Financial Management and Accountability Act 1997*, and he also has delegated these to Treasury officials.
- Under subsection 23(1) of the *Freedom of Information Act 1982*, the Secretary to the Treasury has authorised senior executive service officers within the Treasury to make decisions regarding initial requests for access to documents. Executive directors are authorised under section 23 to consider and make decisions on applications for internal review.
- In accordance with subsections 33(5), 33A(6) and 36(8) of the *Freedom of Information Act 1982*, the Treasurer has delegated his powers to the Secretary to the Treasury, in respect of documents of the Treasury.
- Under section 22(1) of the *Reserve Bank Act 1959*, the Secretary to the Treasury has nominated a senior executive service officer from within the Treasury to attend meetings of the Reserve Bank Board at which the Secretary is not present.
- Under the following legislation, the Secretary to the Treasury has delegated to nominated Treasury officials certain responsibilities and decision-making powers as an employer: *Public Service Act 1999*; *Public Service Regulations 1999*; *Public Service Classification Rules 2000*; *Public Service Commissioner's Directions 1999*; *Long Service Leave (Commonwealth Employees) Act 1976*; *Maternity Leave (Commonwealth Employees) Act 1973*; *Safety, Rehabilitation and Compensation Act 1988*; and *Fair Work Act 2009*.
- Under section 7 of the *COAG Reform Fund Act 2008*, the Treasurer has delegated his powers to vary the Standard Business Reporting — Payroll Tax Arrangements Agreement, to the Program Director, Standard Business Reporting Management Group.

## Arrangements for outside participation

People or organisations outside the Australian Government administration may participate in forming policy or administering enactments and schemes for which the Treasury is responsible. They can do this by writing to Treasury portfolio ministers, the Secretary to the Treasury, or agencies in the Treasury portfolio. In addition, the Treasury website includes details of current public consultations, reviews and inquiries, with details on how to make submissions.

### Consultation arrangements

Community consultation enables the Treasury to be better informed when providing advice to the Government.

As part of the Business Liaison Program, Treasury officers conduct regular discussions with companies and organisations to monitor, analyse and report on economic conditions and prospects. The Treasury also engages in consultation to inform the development and implementation of specific policy proposals, including comprehensive consultation on substantive tax and superannuation policy proposals. By being fully informed of the effects of specific proposals, the Treasury can better advise the government on how to best meet its objectives and minimise unintended consequences.

The Treasury takes a number of different approaches to liaison and consultation, depending on time available or commercial and other sensitivities surrounding an issue.

The Treasury generally conducts public consultation on proposed tax changes at both the policy design and legislative design stages. The default minimum period for consultation is four weeks, although on occasions this may be reduced, for example, where introducing the legislation is the priority. Consultation summaries are posted on the Treasury website when new legislation is introduced into Parliament. These summaries provide feedback to consultation participants on the key issues raised in consultation; changes made as a result of consultation; and where possible, why certain suggestions were not adopted. Consultation summaries also invite feedback on the consultation process to provide information for the Treasury to continuously improve its consultation practices and arrangements.

Where possible, the Treasury seeks to consult on tax changes at the initial policy design stage. To facilitate this consultation, in 2009, the Treasury established by tender a Tax Design Advisory Panel comprising five accounting firms, five law firms, two economic research and modelling houses, and one legal academic and research organisation. Establishing this panel also allows the Government to develop important tax legislation by teams involving the Treasury, the ATO and the private sector, as represented by panel members.

On occasions, conflicts arise between the need to consult and draft measures for introduction, particularly in integrity and budget measures. This is because budget tax measures generally remain confidential until their announcement, and public consultation follows the announcement. However, the Government may consult confidentially with members of the Tax Design Advisory Panel prior to announcing of these measures.

Proposed consultation arrangements are set out in the Government's forward work program for tax measures. The forward work program also indicates which measures are proposed for introduction in the next sittings of Parliament. The Government released an updated forward work program in August 2009 and February 2010.

Additionally, the following allow bodies outside the Australian Government administration to advise on policy and administer enactments or schemes.

### **Australian Office of Financial Management Advisory Board**

The Australian Office of Financial Management (AOFM) Advisory Board, a non-statutory advisory body established in 2000, primarily advises on operational debt. The board comprises seven members: the Secretary to the Treasury, the AOFM Chief Executive Officer, a senior Treasury official, a senior officer of the Department of Finance and Deregulation and three experts drawn from the financial sector. The outside appointments are for three years and members may be reappointed.

The AOFM Advisory Board is accountable to the Secretary to the Treasury who chairs the board. The board has an advisory role and does not possess executive powers or decision-making authority in its own right. It provides general counsel and guidance to the Secretary to the Treasury on all aspects of operational debt policy matters and AOFM performance generally. It reviews the financial statements, legislative and policy compliance, and management recommendations on matters requiring ministerial approval.

### **Board of Taxation**

The Board of Taxation, a non-statutory advisory body established in 2000, advises on the design and operation of Australia's tax laws, ensuring full and effective community consultation in designing and implementing tax legislation.

The Board comprises ten members; seven are drawn from the business and community sectors, including the chair. These members are appointed on a part-time basis and with a view to their ability personally to contribute a broad range of relevant business, practitioner and broader community knowledge and experience to developing the tax system. The appointments are for up to three years and members may be reappointed. The Secretary to the Treasury, the Commissioner of Taxation and the First Parliamentary Counsel serve as ex-officio members.



The Board of Taxation provides advice to the Treasurer on:

- the quality and effectiveness of tax legislation and processes for its development, including community consultation and tax design;
- improvements to the general integrity and functioning of the tax system;
- research and other studies it commissions on topics approved or referred to it by the Treasurer; and
- other tax matters referred to it by the Treasurer.

The Treasury provides secretariat support to the Board.

### Commonwealth Consumer Affairs Advisory Council

The Commonwealth Consumer Affairs Advisory Council is a non-statutory, expert advisory body established in 1999. Its primary role is to provide the relevant minister with independent advice on consumer affairs.

Members of the Commonwealth Consumer Affairs Advisory Council are appointed by the Minister and come from a range of industries and backgrounds. All serve as individuals, rather than as representatives of organisations.

The Commonwealth Consumer Affairs Advisory Council meets regularly to identify and advise on new and emerging consumer issues, and investigate, advise and report on consumer issues referred to the council by the Minister for Competition Policy and Consumer Affairs. The council undertook a review of statutory implied conditions and warranties, and reported to the minister in October 2009.

### Corporations and Markets Advisory Committee

The Corporations and Markets Advisory Committee is a body corporate established under Part 9 of the *Australian Securities and Investments Commission Act 2001* (ASIC Act).

The Corporations and Markets Advisory Committee comprises part-time members appointed by the responsible minister. Members are selected from throughout Australia on the basis of their knowledge of, or experience in business, company administration, financial markets, law, economics or accounting. Under section 147 of the ASIC Act, the chairman of ASIC is an ex-officio member of the Advisory Committee.

The committee, on its own initiative or when requested by the Minister, provides advice and recommendations on such matters connected with:

- a proposal to make or amend corporations legislation (except excluded provisions);
- the operation or administration of the corporations legislation (except excluded provisions);

- law reform on corporations legislation (except excluded provisions);
- companies or a segment of the financial products and financial services industry; and
- a proposal to improve the efficiency of financial markets.

In fulfilling these functions, the committee seeks to stimulate and lead public debate to enhance the standards for corporations and participants in financial markets, and propose suitable regulatory reform when necessary.

The committee is assisted by its legal sub-committee.

### **Financial Sector Advisory Council**

The Financial Sector Advisory Council is a non-statutory body established in April 1998 as part of the Government's response to the Financial System Inquiry. The council provides advice to the Government on policies to facilitate the growth of a strong and competitive financial system. The Treasurer appoints members in their personal capacity for two years, subject to their continued involvement in the relevant area of the financial sector.

Financial Sector Advisory Council submissions and recommendations to Treasury portfolio ministers are confidential.

The Treasury provides secretariat support to the council.

### **Foreign Investment Review Board**

The Foreign Investment Review Board is a non-statutory body that advises the Government on foreign investment policy and its administration. The board comprises four members; three, including the chair, are drawn from the business and community sectors. These members are appointed on a part-time basis. The General Manager of the Foreign Investment and Trade Policy Division also serves on the board as an Executive Member. The Board:

- examines proposals by foreign interests for acquisitions and new investment projects in Australia and, against the background of the Government's foreign investment policy, makes recommendations to the Treasurer on those proposals;
- advises the Government on foreign investment matters generally;
- fosters an awareness and understanding, both in Australia and abroad, of the Government's foreign investment policy;
- provides guidance, where necessary, to foreign investors so their proposals conform with the policy; and
- monitors and ensures compliance with foreign investment policy.

The Board's functions are advisory only. Responsibility for the Government's foreign investment policy and for making decisions on proposals rests with the Treasurer.

## Categories of documents held by the Treasury

The Treasury holds correspondence, analysis and policy advice by Treasury officers, comments on Cabinet submissions and drafts of these and other documents. Every six months, the Treasury posts an indexed list of its policy file titles at [www.treasury.gov.au](http://www.treasury.gov.au).

The Treasury holds representations made to Treasury portfolio ministers on matters falling within their portfolio responsibilities, including:

- economic, fiscal and monetary policy;
- international economic conditions;
- Commonwealth-State financial relations;
- tax and excise;
- superannuation;
- microeconomic reform;
- competition policy;
- consumer affairs;
- corporate regulation;
- financial sector policy and regulation;
- foreign investment in Australia and free trade agreements; and
- activities of portfolio agencies.

The Treasury holds files dealing with policy and administration in areas falling within the responsibilities of the Treasury portfolio detailed in the annual report.

## Documents on internal departmental administration

The Treasury documents relating to staff, the organisation and operations include personal records, organisation and staffing records, financial and expenditure records, and internal operations, such as office procedures and instructions.

The Treasury holds documents relating to grants that the Government provides to other levels of government and to organisations under the programs it administers.

A detailed listing of the Treasury's documents published during the year and available on request (publications, papers and annual reports) is available at [www.treasury.gov.au](http://www.treasury.gov.au).

## Facilities for access to documents

If a member of the public requests a document and the Treasury approves access, the Treasury will provide copies of documents after the applicant pays any charges.

Alternatively, applicants may arrange to inspect documents at the Treasury, Langton Crescent, Parkes, ACT between 9.00 am and 5.00 pm, Monday to Friday (except on public and public service holidays).

## Freedom of information applications and initial contact points

The Policy Coordination and Governance Unit coordinate requests under the *Freedom of Information Act 1982*. Applicants seeking access under the Act to the Treasury's documents should apply in writing to:

Freedom of information  
The Treasury  
Langton Crescent  
PARKES ACT 2600

An application fee of \$30 or a written request, pursuant to subsection 30A(1) of the Act, to waive the fee should accompany requests. Telephone inquiries should be directed to Freedom of Information, telephone 02 6263 2111, between 9.00 am and 5.00 pm Monday to Friday (except on public or public service holidays).

Under section 23 of the *Freedom of Information Act 1982*, Treasury senior executive service officers can grant or refuse requests for access to documents. In accordance with section 54 of the Act, an applicant may, within 30 days of receiving notification of a decision under the Act, apply to the Secretary, seeking an internal review of a decision to refuse a request. The prescribed fee of \$40 should accompany the application. Executive directors can, under section 23, consider and make decisions on applications for internal review.

## Freedom of information activity

In 2009-10, the Treasury and the Treasurer received 63 requests for access to documents under the *Freedom of Information Act 1982*, compared with 66 requests in the previous year. Further details are set out in Table 11 on page 280.

**Table 11: Freedom of information statistics for 2009-10**

| Description   | Number             |
|---|--------------------|
| <b>Requests received</b>  |                    |
| On hand at 1 July 2009  | 13                 |
| Received  | 63                 |
| <b>Breakdown across the Treasury</b>                              |                    |
| Treasurer   | 8                  |
| Assistant Treasurer   | 1                  |
| Minister for Financial Services, Superannuation and Corporate Law | 0                  |
| Minister for Competition Policy and Consumer Affairs              | 1                  |
| Minister for Sustainable Population                               | 0                  |
| Executive   | 0                  |
| Macroeconomic Group   | 5                  |
| Fiscal Group  | 7                  |
| Revenue Group   | 19                 |
| Markets Group   | 17                 |
| Corporate Services Group  | 2                  |
| Executive and Parliamentary Division                              | 1                  |
| Policy Coordination and Governance                                | 2                  |
| <b>Action on requests</b>   |                    |
| Access in full  | 12                 |
| Access in part  | 19                 |
| Access refused or no documents located                            | 9                  |
| Transferred in whole  | 1                  |
| Withdrawn/lapsed  | 20                 |
| Current as at 30 June 2010  | 9                  |
| <b>Internal review</b>  |                    |
| Applications  | 3                  |
| <b>Review by Administrative Appeals Tribunal</b>                  |                    |
| Outstanding at 1 July 2009  | 0                  |
| New applications  | 1                  |
| Withdrawn   | 0                  |
| <b>Fees and charges</b>   |                    |
| Total application fees collected                                  | \$1,740.00         |
| Total charges collected   | \$12,321.00        |
| <b>Total application fees and charges collected</b>               | <b>\$14,061.00</b> |

Note: A new request does not include an internal review or an appeal to the Administrative Appeals Tribunal. Section 16 of the *Freedom of Information Act 1982* provides that, as far as possible, the most appropriate agency will deal with a freedom of information request, regardless of which agency receives it. Details relating to reviews by the Administrative Appeals Tribunal are provided in Part Three, External Scrutiny on page 129.

## AUSTRALIAN COMPETITION TRIBUNAL

The tribunal is an agency within the Treasury portfolio. As it does not publish an annual report; its section 8 statement follows.

### Establishment

The tribunal was established under the *Trade Practices Act 1965* and continues under the *Trade Practices Act 1974*.

### Organisation

The tribunal consists of a president and as many deputy presidents and other members as the Governor-General appoints. All presidential members must be judges of the Federal Court of Australia. Other members must have knowledge of, or experience in, industry, commerce, economics, law or public administration. For the purposes of hearing and determining proceedings, the tribunal is constituted by a presidential member and two non-presidential members.

The Federal Court of Australia manages the tribunal's funds and provides registry services and administrative support. The registry receives documents, arranges tribunal sittings and undertakes general administration.

### Functions and powers

The tribunal is mainly a review body that re-hears or reconsiders matters. It may perform all the functions and exercise all the powers of the original decision-maker to affirm, set aside or vary the original decision.

The tribunal hears applications for review of determinations of the Australian Competition and Consumer Commission (ACCC), granting or revoking authorisations that permit conduct and arrangements that otherwise would be prohibited under the Trade Practices Act because of their anti-competitive effect. The tribunal also hears applications for authorisation of company mergers and acquisitions which would otherwise be prohibited under the Trade Practices Act.

In addition, the tribunal hears applications to review certain decisions on access matters under the Trade Practices Act's regime to facilitate third party access to the services of certain essential facilities of national significance. The tribunal also hears applications for review of the ACCC's exclusive dealing determinations and certain decisions under the Trade Practices Act's regime for non-conference ocean carriers.

## Arrangements for outside participation

Tribunal review proceedings, except under special circumstances, are public.

When a new review application is made to the tribunal, the tribunal ascertains who made submissions to, or registered their interest with the ACCC or the National Competition Council on the decision. The tribunal directs the applicant to serve the application on each interested party. At the same time, these parties are advised when the application will first come before the tribunal, and whether they have leave to intervene in the proceedings.

The tribunal may permit a person to intervene in the proceedings before it. Participants may appear on their own behalf or represent a firm or association, subject to the tribunal's approval, or, be represented by a barrister or solicitor.

## Categories of documents the tribunal holds

The tribunal maintains the following categories of documents:

- documents lodged with the registrar on particular proceedings, including applications, notices of appearance, statements of facts and contentions, and witness statements;
- correspondence concerning particular tribunal proceedings;
- tribunal decisions and reasoning;
- reports on tribunal inquiries into shipping matters;
- register of applications made to the tribunal;
- documents concerning administrative and financial aspects of the tribunal's operations; and
- general correspondence.

The public may inspect the following categories of documents free of charge:

- documents lodged with the registrar on particular proceedings (except where the Act or the tribunal restricts public access due to confidentiality);
- tribunal decisions and reasoning;
- reports on tribunal inquiries into shipping matters; and
- register of applications made to the tribunal.

The public can obtain copies of the above four categories of documents after paying the fees set out in the Trade Practices Regulations.

## Facilities for access to documents

Facilities are provided to access documents from 9.00 am to 4.00 pm, Monday to Friday (except on public and public service holidays).

If an applicant does not live in Sydney, alternative arrangements could reduce the inconvenience to the applicant.

## Freedom of information applications and initial contact points

General inquiries relating to freedom of information should be directed to:

Registrar  
Australian Competition Tribunal  
Level 16  
Law Courts Building  
Queens Square  
SYDNEY NSW 2000  
Telephone: 02 9230 8567  
Facsimile: 02 9230 8535  
DX: 613 — Sydney

The Registrar of the Tribunal, as principal officer, can deny access to a document under the *Freedom of Information Act 1982*.

## Freedom of information activity

The tribunal did not receive any requests for access to documents under the *Freedom of Information Act 1982* in 2009-10.



## ADVERTISING AND MARKET RESEARCH

The Treasury undertook the following advertising and marketing research in 2009-10.

**Table 12: Advertising and marketing research expenditure for 2009-10**

| Purpose                 | Vendor                   | Cost (\$)        |
|-------------------------|--------------------------|------------------|
| Advertising campaign    | Universal McCann         | 7,198,837        |
|                         | The Shannon Company      | 1,388,611        |
|                         | Ethnic Communications    | 208,093          |
|                         | Media Heads              | 186,000          |
| Market research         | Colmar Brunton           | 132,687          |
|                         | Open Mind Research Group | 694,675          |
| Recruitment advertising | HMA Blaze                | 15,223           |
|                         | Adcorp Australia         | 17,799           |
| <b>Total</b>            |                          | <b>9,841,925</b> |

Note: These figures exclude GST. Payments less than \$11,200 are not included in this table.

During 2009-10, the Treasury conducted a tax reform advertising campaign at a cost of \$9.7 million to inform the community of the Australian Government's tax reform agenda. Further information on advertising campaigns are in reports on Australian Government advertising that are prepared by the Department of Finance and Deregulation. Those reports are available at [www.finance.gov.au/advertising](http://www.finance.gov.au/advertising).

## ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE

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The Treasury continues to incorporate strategies to improve its overall environmental performance. It participates in various government environmental forums and reviews information on property, building and environmental management through its membership of property and building industry groups.

The Treasury has in place environmental management Chief Executive Instructions, which detail the Treasury's policies and commitment to improve environmental performance and promote a sustainable workplace.

During 2009-10, the Treasury completed a comprehensive review of its Environmental Management System and associated documentation, focusing on implementing strategies to meet environmental energy targets. This includes strategies to reduce electricity consumption to 7,500 MJ per person by 2011-12.

### ENERGY MANAGEMENT

The Treasury is progressing various energy saving initiatives, including 'tuning' building plant and equipment, to ensure the efficient operation of the Treasury Building's lighting, heating and cooling systems.

To date, energy savings for the Treasury Building base building plant and equipment average 12 per cent, for the financial year.

Other initiatives being implemented include:

- targeted upgrading of lighting systems and lighting controls;
- raising staff awareness through a comprehensive communication strategy; and
- purchasing five star energy rated electrical appliances.

### RECYCLING

The Treasury recycles paper and cardboard products, which a local recycling firm collects. Paper recycling containers are available at staff workstations, adjacent to printers, and in utility rooms. Classified waste paper is pulped and paper hand towels are recycled. Recycling waste bins and compost waste containers are provided in staff kitchens.

The Treasury is currently trialling the replacement of waste rubbish bins in office areas with central waste stations, which includes waste rubbish and recycling.

The Treasury also participates in the recycling of toner cartridges, fluorescent tubes and batteries, and helps staff to recycle old mobile phones, donating them to charity.

## WATER

Tenancies in the Treasury Building are not metered separately for water consumption. The building owner has installed flow restrictors on taps and dual flush toilets throughout the Treasury's tenancy, and the Treasury Building Management Committee is investigating other water savings initiatives.

## GRANTS

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As part of the Government's reforms introduced to improve the transparency and accountability of grants administration, departments are required to publish details of grants on their website, no later than seven working days after the funding agreement for the grant takes effect, and the details must remain on the website for two years.

As this information is now on the website, the annual report no longer contains the list of grant recipients. Instead, information on grants awarded by the Treasury during the period 1 July 2009 to 30 June 2010 is available at [www.treasury.gov.au](http://www.treasury.gov.au).

## RESOURCE TABLES

Table 13: Summary resource statement

|  | Actual<br>available<br>appropriation<br>2009-10<br>\$'000<br>(a) | + | Payments<br>made<br>2009-10<br>\$'000<br>(b) | = | Balance<br>remaining<br>\$'000<br>(a-b) |
|--|--|---|--|---|---|
| <b>Ordinary annual services</b>  |  |   |  |   |   |
| <b>Departmental appropriation</b>  |  |   |  |   |   |
| Departmental appropriation   | 162,512 <sup>1</sup>   |   | 161,493                                      |   | 1,019                                   |
| s31 relevant agency receipts   | 15,797 <sup>3</sup>  |   | 15,797                                       |   | -                                       |
| <b>Total departmental</b>  | <b>178,309</b>   |   | <b>177,290</b>                               |   | <b>1,019</b>                            |
| <b>Administered expenses</b>   |  |   |  |   |   |
| Outcome 1  | 30,675 <sup>1</sup>  |   | 30,675                                       |   | n/a                                     |
| <b>Total administered expenses</b>   | <b>30,675</b>  |   | <b>30,675</b>                                |   | <b>n/a</b>                              |
| <b>Total ordinary annual services</b>  | <b>A 208,984</b>   |   | <b>207,965</b>                               |   | <b>n/a</b>                              |
| <b>Other services</b>  |  |   |  |   |   |
| <b>Departmental non-operating</b>  |  |   |  |   |   |
| Equity injections  | 4,521 <sup>2</sup>   |   | 4,521  |   | -                                       |
| Previous years' outputs  | 1,800 <sup>2</sup>   |   | 1,800  |   | -                                       |
| <b>Total</b>   | <b>6,321</b>   |   | <b>6,321</b>                                 |   | <b>-</b>                                |
| <b>Administered non-operating</b>  |  |   |  |   |   |
| Administered assets and liabilities  |  |   |  |   |   |
| Outcome 1  | 19,010 <sup>2</sup>  |   | 4,669  |   | n/a                                     |
| <b>Total</b>   | <b>19,010</b>  |   | <b>4,669</b>                                 |   | <b>n/a</b>                              |
| <b>Total other services</b>  | <b>B 25,331</b>  |   | <b>10,990</b>                                |   | <b>n/a</b>                              |
| <b>Total available annual appropriations (A+B)</b>                           | <b>234,315</b>   |   | <b>218,955</b>                               |   | <b>n/a</b>                              |
| <b>Special appropriations</b>  |  |   |  |   |   |
| <i>Federal Financial Relations Act 2009</i>                                  | 61,917,722   |   | 61,614,079                                   |   | n/a                                     |
| <i>International Monetary Agreements Act 1947</i>                            | 60,005   |   | 9,949  |   | n/a                                     |
| <i>A New Tax System (Commonwealth-State Financial Arrangements) Act 1999</i> | 88,736   |   | 88,736                                       |   | n/a                                     |
| <b>Total special appropriations</b>  | <b>C 62,066,463</b>  |   | <b>61,712,765</b>                            |   | <b>n/a</b>                              |
| <b>Total appropriations excluding Special accounts (A+B+C)</b>               | <b>62,300,778</b>  |   | <b>61,931,720</b>                            |   | <b>n/a</b>                              |

Table 13: Summary resource statement (continued)

|  | Actual<br>available<br>appropriation +<br>2009-10<br>\$'000<br>(a) | Payments<br>made =<br>2009-10<br>\$'000<br>(b) | Balance<br>remaining<br>\$'000<br>(a-b) |
|--|--|--|---|
| <b>Special accounts</b>  |  |  |   |
| Appropriation receipts   | 22,382,372   | 22,382,372                                     | n/a                                     |
| Non-appropriation receipts to<br>special accounts                | 3,641,860  | 3,641,860                                      | n/a                                     |
| <b>Total special account</b>                                     | <b>D 26,024,232</b>  | <b>26,024,232</b>                              | <b>n/a</b>                              |
| <b>Total resourcing and payments (A+B+C+D)</b>                   | <b>88,325,011</b>  | <b>87,955,952</b>                              | <b>n/a</b>                              |
| Less receipts from other sources<br>credited to special accounts | 1,933  | 1,933  | n/a                                     |
| <b>Total resourcing and payments<br/>for the Treasury</b>        | <b>88,323,078</b>  | <b>87,954,019</b>                              | <b>n/a</b>                              |

1 Appropriation Act (No. 1) 2009-10 and Appropriation Act (No. 3) 2009-10.

2 Appropriation Act (No. 2) 2009-10 and Appropriation Act (No. 4) 2009-10.

3 Receipts received under s31 of the *Financial Management and Accountability Act 1997*.

**Table 14: Resourcing for outcome 1**

| <b>Outcome 1:</b> 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<br>expenses<br>2009-10<br>\$'000<br>(a) | Actual<br>expenses<br>2009-10<br>\$'000<br>(b) | Variation<br>\$'000<br>(a)-(b) |
|---|--|--|--------------------------------|
| <b>Program 1.1: Department of the Treasury</b>  |  |  |                                |
| Departmental expenses   |  |  |                                |
| Ordinary annual services (Appropriation Bill No. 1)   | 165,939  | 160,487  | 5,452                          |
| Revenues from independent sources (s31)   | 12,870   | 11,764   | 1,106                          |
| Special accounts  | 1,660  | 1,585  | 75                             |
| Expenses not requiring appropriation in the budget year   | 1,173  | 546  | 627                            |
| Administered expenses   |  |  |                                |
| Other services (Appropriation Bill No. 1)   | 5,070  | 9,873  | (4,803)                        |
| <b>Total for Program 1.1</b>  | <b>186,712</b>                                 | <b>184,255</b>                                 | <b>2,457</b>                   |
| <b>Program 1.2: Payments to international financial institutions</b>  |  |  |                                |
| Administered expenses   |  |  |                                |
| Other services (Appropriation Bill No. 1)   | 30,000   | 30,000   | -                              |
| Special appropriations  | 9,907  | 11,413   | (1,506)                        |
| <b>Total for Program 1.2</b>  | <b>39,907</b>                                  | <b>41,143</b>                                  | <b>(1,506)</b>                 |
| <b>Program 1.3: Support for markets and business</b>  |  |  |                                |
| Administered expenses   |  |  |                                |
| Other services (Appropriation Bill No. 1)   | 675  | 4,945  | 4,270                          |
| <b>Total for Program 1.3</b>  | <b>675</b>                                     | <b>4,945</b>                                   | <b>4,270</b>                   |
| <b>Program 1.4: General revenue assistance</b>  |  |  |                                |
| Administered expenses   |  |  |                                |
| Special appropriations  | 44,528,506                                     | 44,040,506                                     | (488,000)                      |
| Special accounts  | 717,492  | 768,428  | (50,936)                       |
| <b>Total for Program 1.4</b>  | <b>45,245,998</b>                              | <b>44,808,934</b>                              | <b>(437,064)</b>               |
| <b>Program 1.5: Assistance to the States for healthcare services</b>  |  |  |                                |
| Administered expenses   |  |  |                                |
| Special appropriations  | 11,224,185                                     | 11,224,185                                     | -                              |
| <b>Total for Program 1.5</b>  | <b>11,224,185</b>                              | <b>11,224,185</b>                              | <b>-</b>                       |
| <b>Program 1.6: Assistance to the States for government schools</b>   |  |  |                                |
| Administered expenses   |  |  |                                |
| Special appropriations  | 3,286,594                                      | 3,286,594                                      | -                              |
| <b>Total for Program 1.6</b>  | <b>3,286,594</b>                               | <b>3,286,594</b>                               | <b>-</b>                       |

Table 14: Resourcing for outcome 1 (continued)

|   | Budget<br>expenses<br>2009-10<br>\$'000<br>(a) | Actual<br>expenses<br>2009-10<br>\$'000<br>(b) | Variation<br>\$'000<br>(a)-(b) |
|---|--|--|--------------------------------|
| <b>Program 1.7: Assistance to the States for skills and workforce development</b> |  |  |                                |
| Administered expenses   |  |  |                                |
| Special appropriations  | 1,317,877                                      | 1,317,877                                      | -                              |
| <b>Total for Program 1.7</b>  | 1,317,877                                      | 1,317,877                                      | -                              |
| <b>Program 1.8: Assistance to the States for disabilities services</b>            |  |  |                                |
| Administered expenses   |  |  |                                |
| Special appropriations  | 903,686  | 903,686  | -                              |
| <b>Total for Program 1.8</b>  | 903,686  | 903,686  | -                              |
| <b>Program 1.9: Assistance to the States for affordable housing</b>               |  |  |                                |
| Administered expenses   |  |  |                                |
| Special appropriations  | 1,202,590                                      | 1,202,590                                      | -                              |
| <b>Total for Program 1.9</b>  | 1,202,590                                      | 1,202,590                                      | -                              |
| <b>Program 1.10: National Partnership Payments to the States</b>                  |  |  |                                |
| Administered expenses   |  |  |                                |
| Special accounts  | 25,911,224                                     | 25,200,349                                     | 710,875                        |
| <b>Total for Program 1.10</b>   | 25,911,224                                     | 25,200,349                                     | 710,875                        |
| <b>Outcome 1 Totals by appropriation type</b>                                     |  |  |                                |
| Administered expenses   |  |  |                                |
| Other services (Appropriation Bill No. 1)   | 35,745   | 44,818   | (9,073)                        |
| Special appropriations  | 62,463,438                                     | 61,986,851                                     | 669,846                        |
| Special accounts  | 26,638,623                                     | 25,968,777                                     | 669,846                        |
| Departmental expenses   |  |  |                                |
| Ordinary annual services (Appropriation Bill No. 1)                               | 165,939  | 160,487  | 5,452                          |
| Revenues from independent sources (s31)   | 12,870   | 11,764   | 1,106                          |
| Special accounts  | 1,660  | 1,585  | 75                             |
| Expenses not requiring appropriation in the Budget year                           | 1,173  | 546  | 627                            |
| <b>Total expenses for Outcome 1</b>   | 89,319,448                                     | 88,174,828                                     | 1,144,620                      |
| <b>Average staffing level (number)</b>  | 1,005  | 1,012  | (7)                            |



## LIST OF REQUIREMENTS

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|--|--------------------------|---------|
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| Internet home page address and Internet address for report   | Mandatory                | xii     |
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| Review by Departmental Secretary   | Mandatory                | 3-7     |
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| Outlook for following year   | Suggested                | 6       |
| Significant issues and developments — portfolio  | Suggested                | 3-7     |
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| Organisational structure   | Mandatory                | 15      |
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| Where outcome and program structures differ from the PBS/PAES or other portfolio statements accompanying any other appropriation bills (other portfolio statements), details of variation and reasons for change | Mandatory                | 8       |
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| <b>Report on performance</b>   |                          |         |
| Review of performance during the year in relation to programs and contribution to outcomes   | Mandatory                | 21-111  |
| Actual performance in relation to deliverables and KPIs set out in PBS/PAES or other portfolio statements  | Mandatory                | 21-111  |
| Performance of purchaser/provider arrangements   | If applicable, suggested | n/a     |
| 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                | 21-111  |
| Trend information  | Mandatory                | 21-111  |

| Description  | Requirement              | Page/s  |
|--|--------------------------|---------|
| <b>Report on performance (continued)</b>   |                          |         |
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| Contribution of risk management in achieving objectives  | Suggested                | 21-111  |
| Social justice and equity impacts  | Suggested                | 21-111  |
| Performance against service charter customer service standards, complaints data, and the department's response to complaints                                   | If applicable, mandatory | n/a     |
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| <b>Assets management</b>  |                          |         |
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| <b>Purchasing</b>   |                          |         |
| Assessment of purchasing against core policies and principles   | Mandatory                | 143     |
| <b>Consultants</b>  |                          |         |
| 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                | 144-150 |

| Description  | Requirement              | Page/s  |
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| Correction of material errors in previous annual report  | If applicable, mandatory | n/a     |
| List of requirements   | Mandatory                | 292-295 |

## GLOSSARY

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|  |  |
|--|--|
| 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 (that is, 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 <i>Public Service Act 1999</i> .   |
| Clear read principle   | <p>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 principle between the different documents.</p> <p>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.</p> |
| <i>Commonwealth Authorities and Companies Act 1997 (CAC Act)</i> | 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: <a href="http://finance.gov.au/financial-framework/cac-legislation/docs/CAC-body-list.pdf">finance.gov.au/financial-framework/cac-legislation/docs/CAC-body-list.pdf</a> .   |

|   |  |
|---|--|
| 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.  |
| <i>Financial Management and Accountability Act 1997 (FMA Act)</i> | 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: <a href="http://finance.gov.au/financial-framework/fma-legislation/docs/FMA-Agencies-List.pdf">finance.gov.au/financial-framework/fma-legislation/docs/FMA-Agencies-List.pdf</a> . |
| 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 <i>Public Service Act 1999</i> .   |
| 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 <i>Public Service Act 1999</i> .  |
| 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.   |
| Outcome statement                            | <p>An outcome statement articulates the intended results, activities and target group of an Australian Government agency. An outcome statement serves three main purposes within the financial framework:</p> <ul style="list-style-type: none"><li>▪ to explain and control the purposes for which annual appropriations are approved by the Parliament for use by agencies;</li><li>▪ to provide a basis for annual budgeting, including (financial) reporting against the use of appropriated funds; and</li><li>▪ to measure and assess agency and program (non-financial) performance in contributing to Government policy objectives.</li></ul> |
| 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. Performance information may be quantitative (numerical) or qualitative (descriptive).   |

|                                   |   |
|-----------------------------------|---|
| 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.  |
| Program support                   | The agency running costs allocated to a program. This is funded as part of the agency's departmental appropriations.  |
| Purchaser/provider arrangements   | Arrangements under which the services of one agency are purchased by another agency to contribute to outcomes. Purchaser/provider arrangements can occur between Commonwealth agencies or between Commonwealth agencies and State/Territory government or private sector bodies.  |
| Service charters                  | It is government policy that departments which provide services directly to the public have service charters in place. A service charter is a public statement about the service that a department will provide and what customers can expect from the department. In particular the service charter advises what the department does, how to contact and communicate with the department, the standard of service that customers can expect, and their basic rights and responsibilities, and how to provide feedback or make a complaint. |
| 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 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.  |



## ABBREVIATIONS AND ACRONYMS

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|         |   |
|---------|---|
| AASB    | Australian Accounting Standards Board                       |
| ABS     | Australian Bureau of Statistics                             |
| ACCC    | Australian Competition and Consumer Commission              |
| ADB     | Asian Development Bank                                      |
| AFTS    | Australia's Future Tax System                               |
| ANAO    | Australian National Audit Office                            |
| AOFM    | Australian Office of Financial Management                   |
| APEC    | Asia-Pacific Economic Cooperation                           |
| APRA    | Australian Prudential Regulation Authority                  |
| APS     | Australian Public Service                                   |
| APSC    | Australian Public Service Commission                        |
| ARPC    | Australian Reinsurance Pool Corporation                     |
| ASIC    | Australian Securities and Investments Commission            |
| ATO     | Australian Taxation Office                                  |
| AUD     | Australian dollars  |
| AusAID  | Australian Agency for International Development             |
| CBA     | Commonwealth Bank of Australia                              |
| CBOSC   | Commonwealth Bank Officers' Superannuation Corporation      |
| COAG    | Council of Australian Governments                           |
| CRF     | Consolidated Revenue Fund                                   |
| CSS     | Commonwealth Superannuation Scheme                          |
| DEEWR   | Department of Education, Employment and Workplace Relations |
| EAS     | East Asia Summit  |
| EBRD    | European Bank for Reconstruction and Development            |
| EEO     | Equal Employment Opportunity                                |
| EL      | Executive level   |
| EMVONA  | Excess market value over net assets                         |
| FBT     | Fringe Benefits Tax   |
| FIFA    | Fédération Internationale de Football Association           |
| FMA     | Financial Management and Accountability                     |
| FMA Act | <i>Financial Management and Accountability Act 1997</i>     |
| FMO     | Finance Minister's Orders                                   |
| FOI     | Freedom of Information                                      |
| FSB     | Financial Stability Board                                   |
| G-20    | Group of Twenty   |

|         |  |
|---------|--|
| GDP     | Gross Domestic Product                                     |
| GRA     | General Revenue Assistance                                 |
| GST     | Goods and services tax                                     |
| HCS     | HIH Claims Support   |
| HLIC    | Housing Loans Insurance Corporation                        |
| IBRD    | International Bank for Reconstruction and Development      |
| ICT     | Information and Communication Technology                   |
| IDA     | International Development Association                      |
| IFC     | International Finance Corporation                          |
| IGA     | Intergovernmental Agreement                                |
| IGR2010 | The 2010 Intergenerational Report                          |
| IMF     | International Monetary Fund                                |
| IT      | Information technology                                     |
| KPMG    | Klynveld Peat Marwick Goerdeler                            |
| LNG     | Liquefied Natural Gas                                      |
| MIGA    | Multilateral Investment Guarantee Agency                   |
| MYEFO   | Mid-Year Economic and Fiscal Outlook                       |
| NAIDOC  | National Aborigines and Islanders Day Observance Committee |
| NAB     | New Arrangements to Borrow                                 |
| NP      | National Partnerships                                      |
| OECD    | Organisation for Economic Co-operation and Development     |
| OPA     | Official Public Account                                    |
| PDR     | People's Democratic Republic                               |
| PNG     | Papua New Guinea   |
| PRINCE2 | Projects in Controlled Environments                        |
| 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                                   |
| SPP     | Specific Purpose Payment                                   |
| SPV     | Special Purpose Vehicle                                    |
| US      | United States  |
| USB     | Universal Serial Bus                                       |

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