

# 01 Departmental overview



## Secretary's review

Treasury continues to take strides towards being a more outward-looking organisation. We are well-known for delivering the Budget which shapes all Australian Government services. However, as reflected in this report, our responsibilities cover the waterfront of policy — and the way we operate is evolving.

We operate as one of the smallest central policy agencies. This puts a premium on us having the capability to ensure that we are able to deliver the high quality advice and services the Government expects of us.

In the past year, Treasury supported the Government with economic analysis and authoritative policy advice on issues such as superannuation, banking, housing affordability and business taxation. We also monitor global economic conditions to make sure Australia is well-placed to respond to emerging trends — including by drawing on our international posts in major cities around the world.

Treasury has a focus on supporting sustained growth in the Australian economy. On this front, we are implementing changes flowing from the



**John A. Fraser**  
Secretary

Financial System Inquiry, as well as regulation and tax reforms.

Treasury should be an engine room for policy ideas and advocacy within the Government and drive debate on major reforms. To this end, we have established a new Structural Reform Group headed by a Deputy Secretary, Meghan Quinn, to undertake deeper analysis on the challenges and opportunities facing our industries, cities and regions.

We have continued to develop and expand our presence in our Sydney and Melbourne offices. Not only has this allowed us to increase our direct stakeholder engagement, it also continues to provide a new pathway to recruit skills and experience in the department.

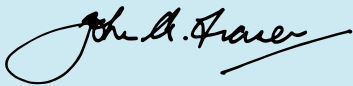
We have also established a small office in Perth. Having a presence in Western Australia means we can foster closer ties with local stakeholders and attract talent from the private sector. This is part of our focus on broadening our horizons. We need to engage widely with different industries and regions to gauge better how the economy is running.

Finally, it was another busy year for the Foreign Investment Review Board (FIRB) in assessing high levels of applications and advising the Treasurer on sensitive proposals. In a new development, the Government established a Critical Infrastructure Centre within the Attorney-General's Department to advise on the national security risks to Australia's critical infrastructure with an initial focus on water, ports, electricity and telecommunications sectors. The Centre's advice will complement existing FIRB processes in scrutinising foreign involvement in these important assets.

I present this report on behalf of Treasury staff — a relatively small but dynamic group. Treasury continues to provide some of the best opportunities in the public service, including through our graduate program, where interest continues to grow, as well as secondments and international postings.

We are committed to making Treasury a more rounded place to work. We are also working to put in place a new, modernised Performance Development System, designed to continue support and drive employee engagement and our high performance culture. The strength of Treasury leadership and our commitment to innovation has shown through in positive results in the 2017 APS Employee Census.

This report provides some outstanding examples of our performance. It also shows that Treasury has an eye to the future in strengthening our capabilities and adapting our processes to ensure we continue to deliver for the Australian public.



John A. Fraser  
Secretary

# Departmental overview

## Purpose

As the pre-eminent economic adviser, Treasury provides the Australian Government with policy advice and sound analysis to support sustained growth in the economy.

Treasury's purpose is to promote fiscal sustainability; increase productivity; and secure the benefits of global economic integration.

## Outcome responsibility

The Treasury *Portfolio Budget Statements 2016-17* outcome is summarised as:

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

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

1. Macroeconomic Group
2. Fiscal Group
3. Revenue Group
4. Markets Group
5. Corporate Group
6. Structural Reform Group.

**Figure 1:** Treasury Group senior management as at 30 June 2017

Secretary: John Fraser											
 MACROECONOMIC GROUP	<p><b>Deputy Secretary: Nigel Ray</b></p> <p>Macroeconomic Conditions Division – Division Head: Warren Tease            Macroeconomic Modelling and Policy Division – Division Head: Michael Kouparitsas            International Policy and Engagement Division – Division Head: Sue Vroombout</p> <p><b>Overseas operations</b></p> <table border="0"> <tr> <td>Washington: Hector Thompson</td> <td>Jakarta: Shaun Anthony</td> </tr> <tr> <td>OECD (Paris): Russ Campbell</td> <td>New Delhi: Ash Bell</td> </tr> <tr> <td>London: Sam Reinhardt</td> <td>Papua New Guinea: Aiden Storer A/g</td> </tr> <tr> <td>Tokyo: Brenton Goldsworthy</td> <td>Indonesia: Bede Moore A/g</td> </tr> <tr> <td>Beijing: David Woods</td> <td></td> </tr> </table>	Washington: Hector Thompson	Jakarta: Shaun Anthony	OECD (Paris): Russ Campbell	New Delhi: Ash Bell	London: Sam Reinhardt	Papua New Guinea: Aiden Storer A/g	Tokyo: Brenton Goldsworthy	Indonesia: Bede Moore A/g	Beijing: David Woods	
Washington: Hector Thompson	Jakarta: Shaun Anthony										
OECD (Paris): Russ Campbell	New Delhi: Ash Bell										
London: Sam Reinhardt	Papua New Guinea: Aiden Storer A/g										
Tokyo: Brenton Goldsworthy	Indonesia: Bede Moore A/g										
Beijing: David Woods											
 FISCAL GROUP	<p><b>Deputy Secretary: Michael Brennan</b></p> <p>Chief Adviser: Jim Hagan            Budget Policy Division – Division Head: Matt Flavel            Commonwealth State Relations – Division Head: Jonathan Rollings            Social Policy Division – Division Head: Vicki Wilkinson            Retirement Income Policy Division – Division Head: Jenny Wilkinson</p>										
 REVENUE GROUP	<p><b>Deputy Secretary: Maryanne Mrakovic</b></p> <p>Chief Adviser: Rob Jeremenko            Corporate and International Tax Division – Division Head: Rob Raether            Individuals and Indirect Tax Division – Division Head: Marisa Purvis-Smith            Law Design Practice – Division Head: Tom Reid            Tax Analysis Division – Division Head: Matt Brine            Tax Framework Division – Division Head: Graeme Davis A/g            Board of Taxation Secretariat – Chief Executive Officer: Karen Payne</p>										
 MARKETS GROUP	<p><b>Deputy Secretary: John Lonsdale</b></p> <p>Australian Government Actuary – Manager: Guy Thorburn            Foreign Investment Division – Division Head: Roger Brake            Financial System Division – Division Head: Diane Brown            Small Business and Consumer Division – Division Head: Patrick Boneham            Australian Small Business and Family Enterprise Ombudsman – Ombudsman: Kate Carnell            Takeovers Panel – Director: Allan Bulman</p>										
 CORPORATE GROUP	<p><b>Chief Operating Officer: Peter Robinson</b></p> <p>Business Services Division – Division Head: Eamonn Rooney            Financial and Procurement Division – Division Head: Robert Twomey            People and Organisation Strategy Division – Division Head: Phoebe Burgess            Parliamentary and Legal Services Division – Division Head: Kathleen O’Kane A/g            Communications Division – Division Head: Shannon Kenna A/g</p>										
 STRUCTURAL REFORM GROUP	<p><b>Deputy Secretary: Meghan Quinn</b></p> <p>Chief Adviser: Paul McCullough            Chief Adviser: Hamish McDonald</p>										

**Figure 2:** Treasury outcome and program structure as at 30 June 2017

**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.

Treasury groups include specialist divisions that are responsible to deliver identified programs to achieve its outcome.

<b>Program 1.1: Department of the Treasury</b>	
Macroeconomic Group	Macroeconomic Conditions Division Macroeconomic Modelling and Policy Division International Policy and Engagement Division
Fiscal Group	Budget Policy Division Commonwealth-State Relations Division Social Policy Division Retirement Income Policy Division
Revenue Group	Corporate and International Tax Division Individuals and Indirect Tax Division Law Design Practice Tax Analysis Division Tax Framework Division Board of Taxation Secretariat
Markets Group	Australian Government Actuary Foreign Investment Division Financial System Division Small Business and consumer Division Australian Small Business and Family Enterprise Ombudsman Takeovers Panel
Corporate Group	Business Services Division Financial and Procurement Division People and Organisation Strategy Division Parliamentary and Legal Services Division Communications Division
Structural Reform Group	
<b>Program 1.2: Payments to international financial institutions</b>	
Macroeconomic Group: International Policy and Engagement 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 skills and workforce development</b>	
Fiscal Group: Commonwealth-State Relations Division	
<b>Program 1.7: Assistance to the states for disability services</b>	
Fiscal Group: Commonwealth-State Relations Division	
<b>Program 1.8: Assistant to states for affordable housing</b>	
Fiscal Group: Commonwealth-State Relations Division	
<b>Program 1.9: National partnership payments to the states</b>	
Fiscal Group: Commonwealth-State Relations Division	

## Financial Performance

The Treasury has a sound financial position, with sufficient cash reserves to fund its debts as and when they fall due. After adjusting for depreciation and amortisation and changes in asset revaluation reserves, the Treasury reported an operating surplus of \$3.3 million in 2016-17, which was driven by underspends by boards/panels and one-off activities. This compares with an operating deficit of \$2.9 million in 2015-16 after adjusting for depreciation and amortisation and changes in asset revaluation reserves. The Treasury’s administered expenses in 2016-17 were \$94.5 billion, compared with \$88.0 billion in 2015-16.

The Treasury received an unqualified audit report on the 2016-17 financial statements from the Australian National Audit Office. These statements are in part 04 on pages 53-120.

**Figure 3:** Treasury portfolio outcome and program structure

<p><b>Portfolio Minister – Treasurer</b> The Hon Scott Morrison MP</p> <p><b>Minister for Revenue and Financial Services</b> The Hon Kelly O’Dwyer MP</p> <p><b>Minister for Small Business</b> The Hon Michael McCormack MP</p> <p><b>Assistant Minister to the Treasurer</b> The Hon Michael Sukkar MP</p>
<p style="text-align: center;"><b>Department of the Treasury</b> Secretary, Mr John Fraser</p> <p>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.</p> <ul style="list-style-type: none"> <li>Program 1.1: Department of the Treasury</li> <li>Program 1.2: Payments to International Financial Institutions</li> <li>Program 1.3: Support for Markets and business</li> <li>Program 1.4 General revenue assistance</li> <li>Program 1.5: Assistance to the states for healthcare services</li> <li>Program 1.6: Assistance to the states for skills and workforce development</li> <li>Program 1.7: Assistance to the states for disability services</li> <li>Program 1.8 Assistant to states for affordable housing</li> <li>Program 1.9 National partnership payments to the states</li> </ul>
<p style="text-align: center;"><b>Australian Bureau of Statistics</b> Statistician, Mr David W Kalisch</p> <p>Outcome 1: Informed decisions, research and discussion within governments and the community by leading the collection, analysis and provision of high-quality, objective and relevant statistical information.</p> <ul style="list-style-type: none"> <li>Program 1.1: Australian Bureau of Statistics</li> </ul>
<p style="text-align: center;"><b>Australian Competition and Consumer Commission</b> Chairman, Mr Rod Sims</p> <p>Outcome 1: Lawful competition, consumer protection, and regulated national infrastructure markets and services through regulation, including enforcement, education, price monitoring and determining the terms of access to infrastructure services.</p> <ul style="list-style-type: none"> <li>Program 1.1: Australian Competition and Consumer Commission</li> <li>Program 1.2: Australian Energy Regulator</li> </ul>



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

<p style="text-align: center;"><b>Australian Office of Financial Management</b> Chief Executive Officer, Mr Robert Nicholl</p> <p>Outcome 1: The advancement of macroeconomic growth and stability, and the effective operation of financial markets, through issuing debt, investing in financial assets and managing debt, investments and cash for the Australian Government.</p> <p>Program 1.1: Australian Office of Financial Management</p>
<p style="text-align: center;"><b>Australian Prudential Regulation Authority</b> Chairman, Mr Wayne Byres</p> <p>Outcome 1: Enhanced public confidence in Australia's financial institutions through a framework of prudential regulation that balances financial safety and efficiency, competition, contestability and competitive neutrality.</p> <p>Program 1.1: Australian Prudential Regulation Authority</p>
<p style="text-align: center;"><b>Australian Securities and Investments Commission</b> Chairman, Mr Greg Medcraft</p> <p>Outcome 1: To allow markets to allocate capital efficiently to fund the real economy by promoting investor and financial consumer trust and confidence, facilitating fair, orderly and transparent markets and delivering efficient and accessible registration.</p> <p>Program 1.1: Australian Securities and Investments Commission Program 1.2: <i>Banking Act 1959, Life Insurance Act 1995</i>, unclaimed monies and special accounts</p>
<p style="text-align: center;"><b>Australian Taxation Office</b> Commissioner, Mr Chris Jordan AO</p> <p>Outcome 1: Confidence in the administration of aspects of Australia's taxation and superannuation systems through helping people understand their rights and obligations, improving ease of compliance and access to benefits, and managing non-compliance with the law.</p> <p>Program 1.1: Australian Taxation Office Program 1.2: Tax Practitioners Board Program 1.3: Australian Business Register Program 1.4: Australian Valuation Office Program 1.5: Australian Charities and Not-for-profit Commission Program 1.6: Australian Screen Production Incentive Program 1.7: Cleaner Fuels Grant Scheme Program 1.8: Conservation Tillage Refundable Tax Offset Program 1.9: Exploration Development Incentive Program 1.10: Fuel Tax Credits Scheme Program 1.11: National Rental Affordability Scheme Program 1.12: Product Stewardship for Oil Program 1.13: Research and Development Tax Incentive Program 1.14: Seafarer Tax Offset Program 1.15: Baby Bonus Tax Offsets Program 1.16: Education Tax Refund Program 1.17: First Home Saver Accounts Program 1.18: Low Income Earner Superannuation Contribution Program 1.19: Private Health Insurance Rebate Program 1.20: Superannuation Co-contribution Scheme Program 1.21: Superannuation Guarantee Scheme Program 1.22: Targeted assistance through the taxation system Program 1.23: Interest on Overpayments and Early Payments of Tax Program 1.24: Bad and Doubtful Debts and Remissions</p>

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

<p style="text-align: center;"><b>Commonwealth Grants Commission</b> Secretary, Mr Michael Willcock</p> <p>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.</p> <p>Program 1.1: Commonwealth Grants Commission</p>
<p style="text-align: center;"><b>Inspector-General of Taxation</b> Inspector-General, Mr Ali Noroozi</p> <p>Outcome 1: Improved tax administration through community consultation, review and independent advice to Government.</p> <p>Program 1.1: Inspector-General of Taxation</p>
<p style="text-align: center;"><b>National Competition Council</b> President, Ms Julie-Anne Schafer</p> <p>Outcome 1: Competition in markets that are dependent on access to nationally significant monopoly infrastructure, through recommendations and decisions promoting the efficient operation of, use of and investment in infrastructure</p> <p>Program 1.1: National Competition Council</p>
<p style="text-align: center;"><b>Office of the Auditing and Assurance Standards Board</b> Chairman, Ms Merran Kelsall</p> <p>Outcome 1: The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements.</p> <p>Program 1.1: Auditing and Assurance Standards Board</p>
<p style="text-align: center;"><b>Office of the Australian Accounting Standards Board</b> Chairman, Ms Kris Peach</p> <p>Outcome 1: The formulation and making of external reporting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions.</p> <p>Program 1.1: Australian Accounting Standards Board</p>
<p style="text-align: center;"><b>Productivity Commission</b> Chairman, Mr Peter Harris</p> <p>Outcome 1: Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective.</p> <p>Program 1.1: Productivity Commission</p>
<p style="text-align: center;"><b>Royal Australian Mint</b> Chief Executive Officer, Mr Ross MacDiarmid</p> <p>Outcome 1: The coinage needs of the Australian economy, collectors and foreign countries are met through the manufacture and sale of circulating coins, collector coins and other minted like products.</p> <p>Program 1.1: Royal Australian Mint</p>