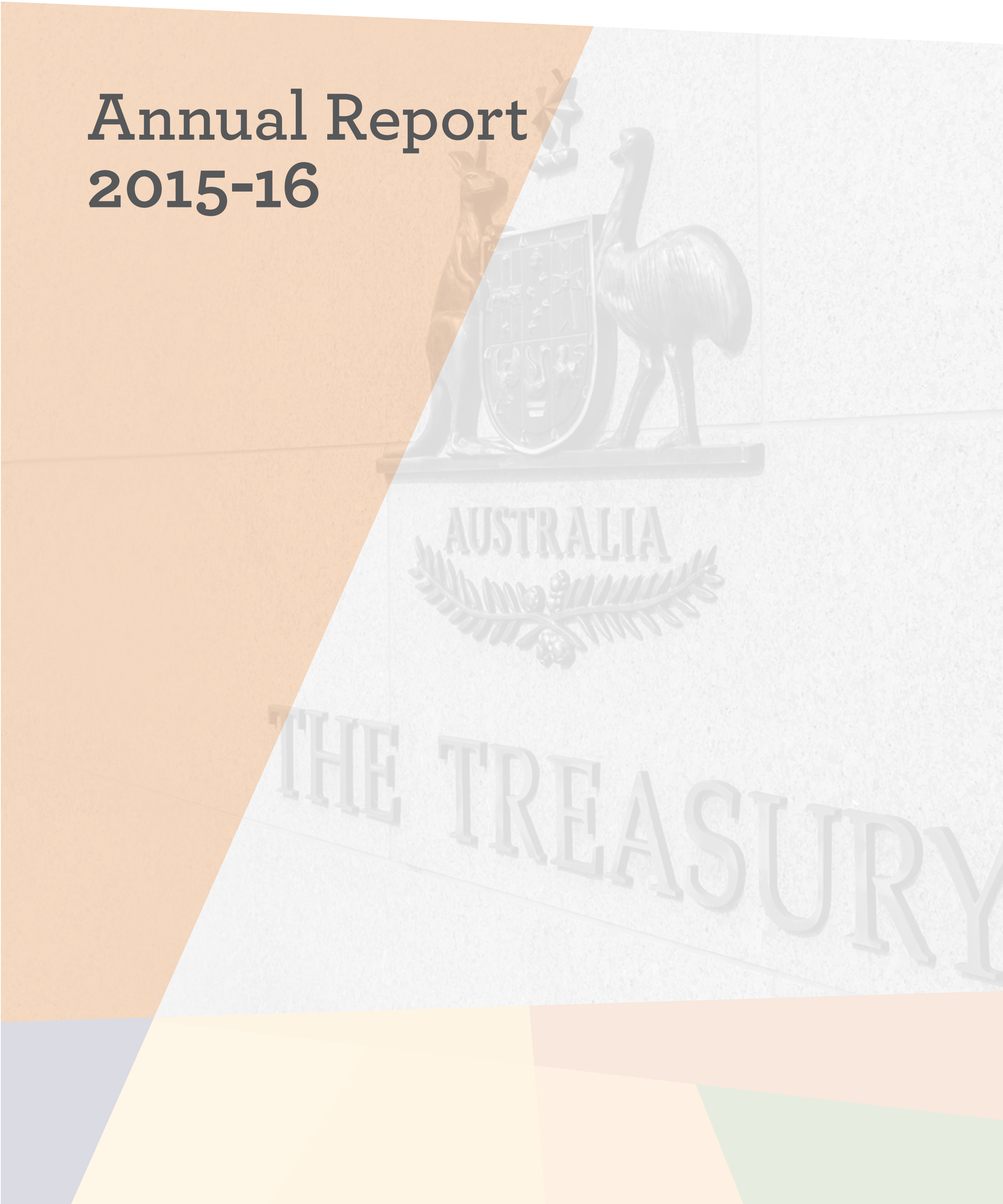
Annual Report 2015-16



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Australian Government
The Treasury

John A. Fraser
Secretary

The Hon Scott Morrison MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

I am pleased to present the annual report of the Treasury for the year ended 30 June 2016.

This report has been prepared in accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 63 of the *Public Service Act 1999* (PS Act). Subsection 46(1) of the PGPA Act and subsection 63(1) of the PS Act require the Secretary to the department to provide a copy of the report to the agency Minister for presentation to the Parliament. The guidelines approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit 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, prepared under section 42 of the PGPA Act.

In addition, and as required by the Commonwealth Fraud Control Framework, 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 guidance applying in 2015-16.

Yours sincerely

John A. Fraser

11 October 2016

Contents

List of tables

List of figures and charts

Introduction and guide to the report

The Treasury Annual Report 2015-16 outlines performance against outcomes, program and performance information contained in the *Portfolio Budget Statements 2015-16* and *Portfolio Additional Estimates Statements 2015-16*.

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

- **Part 1** includes a summary of significant issues and developments during 2015-16, and an overview of the Treasury's performance. The departmental overview in Part 1 details the Treasury's role, functions, senior management structure, organisational structure and portfolio structure.
- **Part 2** provides an analysis of performance against the Treasury's policy outcome and program.
- **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.

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

Other sources of information

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

Contact details

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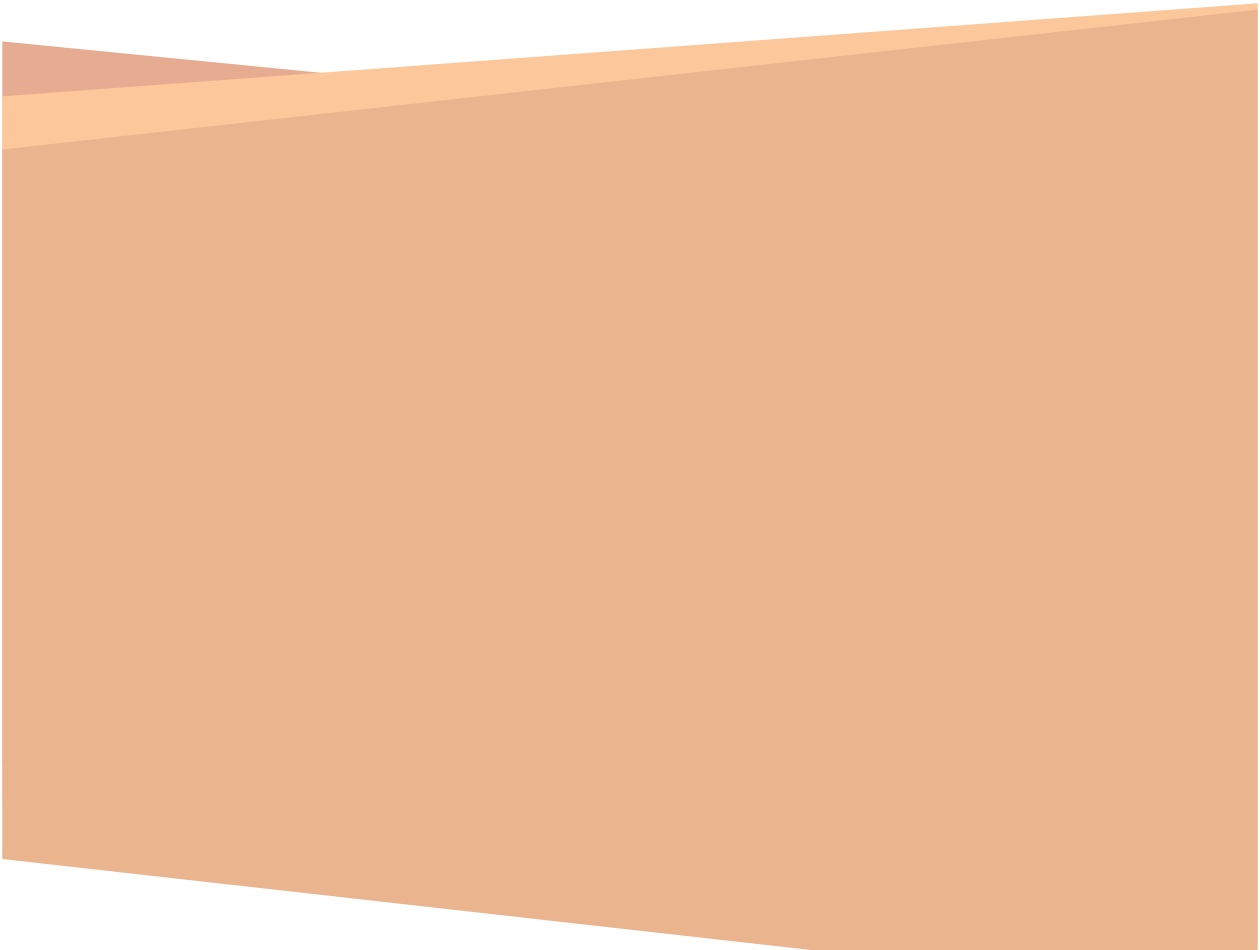
Part 1

Departmental overview



Secretary's review

John A. Fraser
Secretary to the Treasury

In the year and a half since my return, Treasury has continued its evolution as an organisation driven by the need to promote policies that are fiscally responsible, market-oriented and reform-focussed. I note once again the diverse range of issues and responsibilities Treasury covers: everything from the global economy to fiscal policy, Commonwealth-State relations, foreign investment, taxation, superannuation, productivity reform and the financial system. A further 15 agencies constitute our wider portfolio.

Our core business remains supporting the Government with sound economic advice and robust analysis. It's not every year that Treasury, along with our Finance colleagues, must deliver a Budget as well as both a Pre-election and a Mid-year Economic and Fiscal Outlook but this year we did. When the Budget was brought forward by a week, we rose to the occasion. We also released a PEFO that was rigorous and forthright.

Treasury remains focussed on the need to support sustained growth in the Australian economy. We have undertaken significant work on tax reform and are continuing to invest in our capability to ensure that we have a vision for the tax system of the future. We are also working to implement competition and productivity-enhancing reforms in response to the Harper Competition Policy Review.

Treasury's core business has essentially not changed but the way we do business certainly has. Treasury is — and must become even more so — a more outward-looking department than it was when I left the department twenty years ago. The most obvious sign of that outward focus is the new offices we have established in major cities. This year we marked the first anniversary of the Sydney office and opened an office in Melbourne.

Arriving in Melbourne in June 2016, Treasury was in fact returning to the city of its birth. The original Treasury began on Collins Street, Melbourne in 1901 and moved up to the new capital in 1927.

Today, the Sydney and Melbourne offices are in the heart of Australia's busiest financial districts and most dynamic markets. They are there to deepen Treasury's engagement with business and the broader community and to make that engagement a standard part of the way Treasury thinks and operates. In its first year, the Sydney office has grown in reputation and reach, tapping into the broadest range of perspectives. Our presence in Melbourne will do the same. Consultation and engagement with the wider world ensures that our advice is well-grounded, well-informed and authoritative. In addition to these new offices, we are making greater use of our international posts to ensure our policy advice is informed by developments across the world.

As well as reaching out, we are also inviting the private sector in through secondment opportunities and a more inclusive approach to recruitment. The Sydney and Melbourne offices make Treasury a more attractive employer for top people from the private sector. In turn, their expertise makes Treasury a more rounded and diverse institution. Here in Canberra too, new recruits and secondees have helped us develop new capabilities and a richer understanding of the non-government sectors. Recruitment is a continuing focus for the organisation — from graduates through to the most senior levels.

The Executive Committee has changed as we have welcomed two new Deputy Secretaries from outside the organisation. In October 2015, Michael Brennan joined as Deputy Secretary of Fiscal Group. Michael brings broad experience in both public and private sectors, including as a Deputy Secretary in the Victorian Treasury and an Associate Director at PricewaterhouseCoopers. In May 2016, Maryanne Mrakovcic came back to Treasury after three years at the New South Wales Treasury to serve as Deputy Secretary of Revenue Group. Maryanne brings a wealth of experience, including time at the International Monetary Fund in Washington. Long-serving Deputy Rob Heferen moved in March 2016 to join the Department of Industry, Innovation and Science.

In some ways, Treasury in 2015-16 would be unrecognisable to the handful of officers that made up a fledgling Treasury in 1901. While our place as the Government's trusted economic adviser has not changed, the range and pace of our work have changed enormously. To keep up with these changes, we must continue to adapt our work processes, improve our flexibility and better integrate policy development across the organisation — and we are rising to this challenge. The year under review in this report demonstrates what an exciting phase this is in Treasury's evolution as a modern institution that looks both outward and forward.

John A. Fraser

Departmental overview

Purpose

The Treasury is the primary economic adviser to the Australian Government. The Treasury contributes to government policy analysis from a whole-of-economy perspective. The Treasury serves the Australian people by assisting the Government to manage emerging domestic and international opportunities and pressures. The department administers its programs through 15 portfolio agencies and performs critical administrative tasks such as making Commonwealth payments to the states and territories.

The Treasury's portfolio jurisdiction ranges from tax policy and law design to international economic engagement, social policy and to industry and infrastructure policy. This work is guided by the current operating environment but the Treasury seeks to be forward-looking and to anticipate government and stakeholder circumstances. It also strives to respond rapidly to changing events by considering what lies ahead in the medium and long-term.

The Treasury's three priorities are:

- promoting fiscal sustainability
- increasing productivity and workforce participation
- securing the benefits of global economic integration.

Delivering on these priorities requires a high-performing and adaptive organisation.

The Treasury currently comprises of five specific groups, being the:

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

Figure 1: Treasury Group senior management as at 30 June 2016

SECRETARY: JOHN FRASER

Macroeconomic Group

Deputy Secretary: Nigel Ray

Macroeconomic Conditions Division — Division Head: Christine Barron
Macroeconomic Modelling and Policy Division — Division Head: Matt Brine
International Policy and Engagement Division — Division Head: Leesa Croke

Overseas operations

Washington: Hector Thompson
OECD (Paris): Russ Campbell
London: Sam Reinhardt
Tokyo: Brenton Goldsworthy
Beijing: David Woods
Jakarta: Shaun Anthony
New Delhi: Hamish McDonald
Papua New Guinea: Kristy Baker A/g
Indonesia: Jo Evans

Fiscal Group

Deputy Secretary: Michael Brennan

Budget Policy Division — Division Head: Matt Flavel
Commonwealth State Relations — Division Head: Jonathon Rollings
Industries, Infrastructure and Environment Division — Division Head: Paul Tilley
Social Policy Division — Division Head: Vicki Wilkinson
Retirement Income Policy Division — Division Head: Jenny Wilkinson

Revenue Group

Deputy Secretary: Maryanne Mrakovcic

Corporate and International Tax Division — Division Head: Rob Raether A/g
Individuals and Indirect Tax Division — Division Head: Marisa Purvis-Smith
Law Design Practice — Division Head: Tom Reid
Tax Analysis Division — Division Head: Steve French
Tax Framework Division — Division Head: Roger Brake
Board of Taxation Secretariat — Chief Executive Officer: Karen Payne

Markets Group

Deputy Secretary: John Lonsdale

Australian Government Actuary — Manager: Peter Martin
Foreign Investment and Trade Policy Division — Division Head: Rob Donnelly
Market and Competition Policy Division — Division Head: Paul McCullough
Financial System Division — Division Head: Meghan Quinn
Small Business Policy Division — Division Head: Patrick Boneham
Australian Small Business and Family Enterprise Ombudsman — Ombudsman: Kate Carnell
Takeover's Panel — Director: Allan Bulman

Corporate Group

Chief Operating Officer: Peter Robinson

Chief Operating Officer: Peter Robinson
Business Services Division — Chief Information Officer: Peter Alexander
Financial and Parliamentary Division — Chief Finance Officer: Matt King
Organisation Strategy — People and Communications Division
People Division Head: Emma Greenwood
Communications Division Head: Jennifer Clark

Figure 2: Treasury outcome and program structure as at 30 June 2016

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.

Program 1.1: Department of the Treasury

Macroeconomic Group	Macroeconomic Conditions Division Macroeconomic Modelling and Policy Division International Policy and Engagement Division
Fiscal Group	Budget Policy Division Commonwealth-State Relations Division Industries, Infrastructure and Environment 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 and Trade Policy Division Market and Competition Policy Division Financial System Division Small Business Policy Division Australian Small Business and Family Enterprise Ombudsman Takeover's Panel
Corporate Group	Business Services Division Financial and Parliamentary Division Organisation Strategy — People and Communications Division

Program 1.2: Payments to international financial institutions

Macroeconomic Group: International Policy and Engagement Division

Program 1.3: Support for markets and business

Markets Group: Financial System Division

Program 1.4: General revenue assistance

Fiscal Group: Commonwealth-State Relations Division

Program 1.5: Assistance to the states for healthcare services

Fiscal Group: Commonwealth-State Relations Division

Program 1.6: Assistance to the states for skills and workforce development

Fiscal Group: Commonwealth-State Relations Division

Program 1.7: Assistance to the states for disability services

Fiscal Group: Commonwealth-State Relations Division

Program 1.8: Assistant to states for affordable housing

Fiscal Group: Commonwealth-State Relations Division

Program 1.9: National partnership payments to the states

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 changes to asset revaluation reserves, the Treasury reported an operating deficit of $2.9 million in 2015-16, which was driven by the revaluation of employee entitlements resulting from the decline in the government bond rate. This compares with a surplus of $4.6 million in 2014-15 after adjusting for depreciation and changes to asset revaluation reserves. The Treasury's administered expenses over 2015-16 were $88.0 billion, compared with $83.8 billion in 2014-15.

The Treasury received an unqualified audit report on the 2015-16 financial statements from the Australian National Audit Office. These statements are in Part 4 on pages 64-142.

Figure 3: Treasury portfolio outcome and program structure

Portfolio Minister — Treasurer
The Hon Scott Morrison MP
Minister for Small Business and Assistant Treasurer
The Hon Kelly O'Dwyer MP
Assistant Minister to the Treasurer
The Hon Alex Hawke MP

Department of the Treasury
Secretary: John Fraser

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

Program 1.1: Department of the Treasury
Program 1.2: Payments to International Financial Institutions
Program 1.3: Support for markets and business
Program 1.4: General revenue assistance
Program 1.5: Assistance to the states for healthcare services
Program 1.6: Assistance to the states for skills and workforce development
Program 1.7: Assistance to the states for disability services
Program 1.8: Assistant to states for affordable housing
Program 1.9: National partnership payments to the states

Australian Bureau of Statistics
Statistician: David W Kalisch

Outcome 1: Informed decisions, research and discussion within governments and the community by leading the collection, analysis and provision of high-quality, objective and relevant statistical information.

Program 1.1: Australian Bureau of Statistics

Australian Competition and Consumer Commission
Chairman: Rod Sims

Outcome 1: Lawful competition, consumer protection, and regulated national infrastructure markets and services through regulation, including enforcement, education, price monitoring and determining the terms of access to infrastructure services.

Program 1.1: Australian Competition and Consumer Commission
Program 1.2: Australian Energy Regulator

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

Australian Office of Financial Management

Chief Executive Officer: Robert Nicholl

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

Program 1.1: Australian Office of Financial Management

Australian Prudential Regulation Authority

Chairman: Wayne Byres

Outcome 1: Enhanced public confidence in Australia's financial institutions through a framework of prudential regulation that balances financial safety and efficiency, competition, contestability and competitive neutrality.

Program 1.1: Australian Prudential Regulation Authority

Australian Securities and Investments Commission

Chairman: Greg Medcraft

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.

Program 1.1: Australian Securities and Investments Commission
Program 1.2: *Banking Act 1959*, *Life Insurance Act 1995*, unclaimed monies and special accounts

Australian Taxation Office

Commissioner: Chris Jordan 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 non-compliance with the law.

Program 1.1: Australian Taxation Office
Program 1.2: Tax Practitioners Board
Program 1.3: Australian Business Register
Program 1.4: Australian Valuation Office
Program 1.5: 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

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

Clean Energy Finance Corporation*

CEO: Oliver Yates

Outcome 1: Facilitate increased flows of finance into Australia's clean energy sector, applying commercial rigour to investing in renewable energy, low emissions and energy efficiency technologies, building industry capacity, and disseminating information to industry stakeholders.

Program 1.1: Commonwealth Grants Commission

* Responsibility for the Clean Energy Finance Corporation transferred to the Environment portfolio at the end of the 2014-15 financial year, under revised Administrative Orders of 21 September 2015.

Commonwealth Grants Commission

Secretary: Michael Willcock

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

Inspector-General of Taxation

Inspector-General: Ali Noroozi

Outcome 1: Improved tax administration through community consultation, review and independent advice to Government.

Program 1.1: Inspector-General of Taxation

National Competition Council

President: Julie-Anne Schafer

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

Program 1.1: National Competition Council

Office of the Auditing and Assurance Standards Board

Chairman: Merran Kelsall

Outcome 1: The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements.

Program 1.1: Auditing and Assurance Standards Board

Office of the Australian Accounting Standards Board

Chairman: Kris Peach

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.

Program 1.1: Australian Accounting Standards Board

Productivity Commission

Chairman: Peter Harris

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

Program 1.1: Productivity Commission

Royal Australian Mint

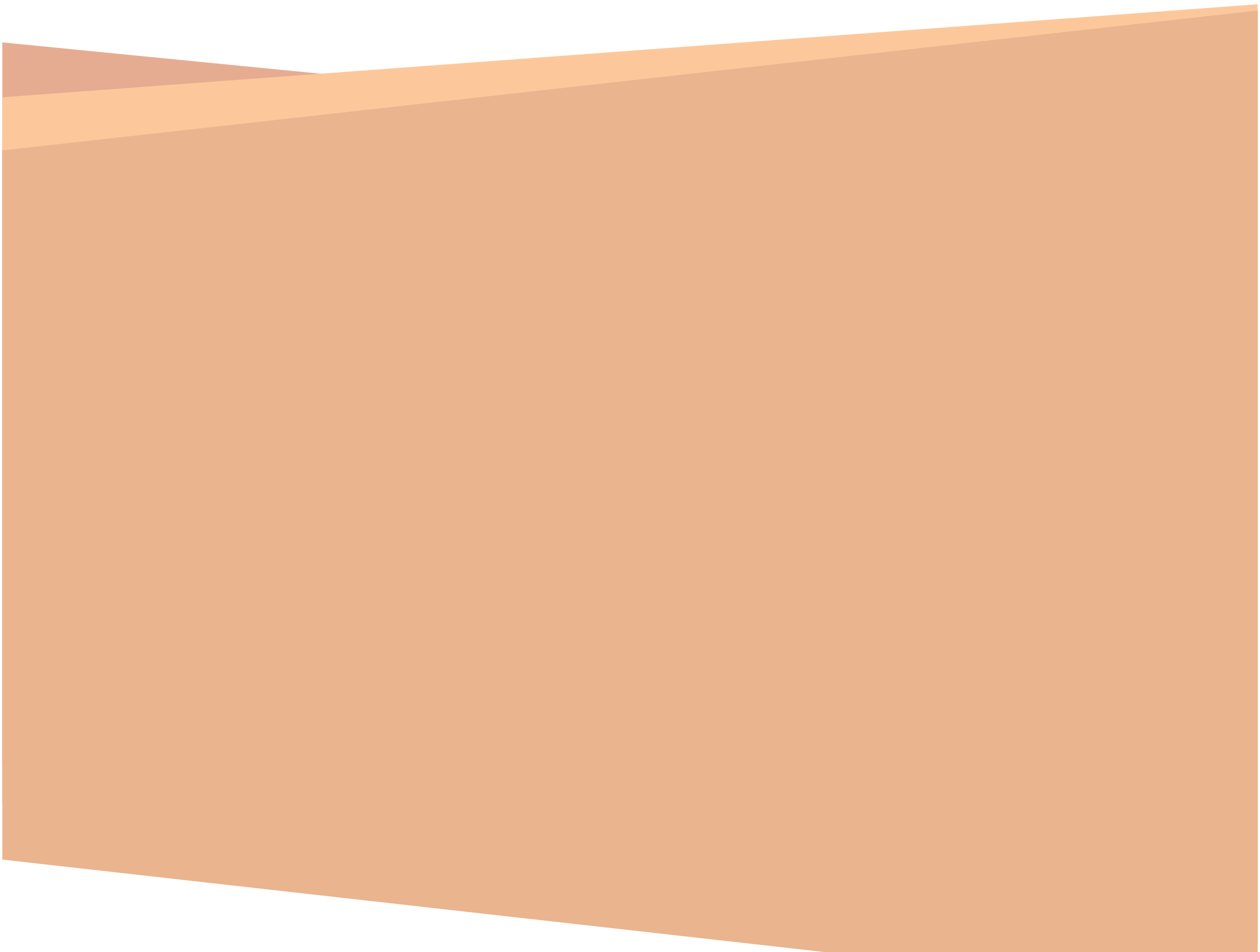
Chief Executive Officer: Ross MacDiarmid

Outcome 1: The coinage needs of the Australian economy, collectors and foreign countries are met through the manufacture and sale of circulating coins, collector coins and other minted like products.

Program 1.1: Royal Australian Mint

Part 2

Report on performance



Statement of preparation

I, as the accountable authority of the Department of the Treasury, present the 2015-16 annual performance statement of the Department of the Treasury, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, the annual performance statement is based on properly maintained records, accurately reflects the performance of the entity and complies with subsection 39(2) of the PGPA Act.

John A. Fraser
Secretary to the Treasury

Introduction

Australia is in the midst of a critical economic period. Our country faces fiscal challenges at home and ongoing uncertainty abroad — and this underscores the importance of the Treasury continuing to provide well-rounded advice to the Australian Government.

In a difficult environment, the Treasury is focused on delivering what we see as our three key priorities: promoting fiscal sustainability, increasing productivity and participation, and securing the benefits of global economic integration.

In the last year the Treasury coordinated the preparation of the Federal Budget and other fiscal documents. We also released the Pre-election Economic and Fiscal Outlook — in consultation with the Secretary of the Department of Finance — and made it available within ten days of the general election writs being issued.

The Treasury continued to support the Government's financial relations with the States and Territories. This included providing general revenue assistance of $58 billion in accordance with the Intergovernmental Agreement on Federal Financial Relations.

Finally, at the global level, the Treasury continued to promote Australia's economic and strategic interests through engagement with the G20 and a range of international financial and economic organisations. We participated in the establishment of the Asian Infrastructure Investment Bank and continued to engage closely with international financial institutions on policy reform — as well as supporting the Treasurer in his role as governor of these institutions.

This is only a brief overview of what the Treasury achieved in 2015-16. The performance statements that detail the work the Treasury delivered for the Australian Government — and the Australian people — over the past year.

Treasury's purpose

The Treasury serves the Australian people by assisting Treasury Ministers to discharge their responsibilities (Outcome 1). The Treasury does this by playing an important role as the pre-eminent economic adviser.

The Treasury provides advice across a range of issues: from tax, the Budget and the economy; to financial, foreign investment, competition and broader structural policy; and from small business to international economic policy. The Treasury also manages, on behalf of Treasury Ministers, payments to the States and Territories, international financial institutions and payments to support markets and business.

The specific matters on which Treasury advises are fluid. They are derived from our current operating environment and by having an eye to the future. At a high-level, the Treasury priorities are:

1. Promoting fiscal sustainability
2. Increasing productivity and workforce participation
3. Securing the benefits of global economic integration.

Performance results

This section reports on the Treasury's actual performance results achieved in 2015-16 against the Treasury's purpose and the performance criteria published at the beginning of the reporting period in the Corporate Plan and Portfolio Budget Statements.

The following section provides an analysis of the Treasury's performance that cuts across the department's three priorities.

Advice to government

What did we want to achieve?(a)	Advice that meets the Government's needs in administering its responsibilities and making and implementing decisions. That advice should be timely, of high quality and based on an objective and thorough understanding of issues and a whole-of-government perspective. The degree of client satisfaction with the quality and timeliness of the advice provided is assessed through formal and informal feedback mechanisms.
What did we achieve?	The Treasury provided ongoing advice that sought to meet the Government's needs in administering its responsibilities and making and implementing decisions.
How did we achieve it?	The Treasury provided a range of ministerial correspondence such as ministerial briefs, ministerial submissions, Question Time briefs, Parliamentary Questions on Notice, Senate Estimate briefs and Senate Estimate Questions on Notice to Treasury Ministers.

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Program 1.1.

Treasury publications

What did we want to achieve?(a)	Published reports and other information that seeks to stimulate and inform government and public debate through robust analysis, modelling and research.
What did we achieve?	The Treasury produced a range of publications including budget documents (Budget, Mid-Year Economic and Fiscal Outlook, Final Budget Outcome and Pre-election Economic and Fiscal Outlook), Government Responses (Financial System Inquiry, Competition Policy Review) and other working papers (Foreign Investment into Australia).
How did we achieve it?	The Treasury consulted with a diverse range of stakeholders to obtain broad input and alternative perspectives when developing policy.

(a) Source: 2015-16 Treasury Portfolio Budget Statements Program 1.1.

Legislation

What did we want to achieve?[(a)]	Legislation progressed by Treasury is in accordance with principles of good law design and is delivered according to government priorities.
What did we achieve?	The Treasury delivered a wide range of Bills and subordinate legislation of highest priority to the Government, including Budget measures, measures to implement the National Innovation and Science Agenda and measures in the Government's response to the Financial System Inquiry.
How did we achieve it?	The Treasury instructed the Office of Parliamentary Counsel, prepared explanatory and related material in consultation with relevant stakeholders.

(a) Source: 2015-16 Treasury Portfolio Budget Statements Program 1.1.

Workforce capability

What did we want to achieve?[(a)]	Workforce capability is retained in a competitive labour market.
What did we achieve?	The Treasury's attrition rate in 2015-16 continues to be low at 9.8 per cent.
How did we achieve it?	The Treasury prides itself on its ongoing support and training for staff to develop the skills and knowledge that helps career advancement. The Treasury offers in-house courses related to a range of different capabilities such as management, leadership, writing, presentation, communication skills, policy skills and culture. The Treasury also provides opportunities for further study.

(a) Source: 2015-16 Treasury Corporate Plan.

Establishment of the Treasury offices in Sydney and Melbourne

What did we want to achieve?[a]	Capability is built through the effective operation of the Treasury's Sydney office and progress towards establishing a Treasury office in Melbourne in 2015.
What did we achieve?	The Sydney office was established in August 2015 and the Melbourne office was opened in June 2016. There are 51 staff located in the Sydney and Melbourne offices, including people on secondment from the private sector and government agencies. In 2015-16, a number of new staff joined the Treasury in the Sydney and Melbourne offices.
How did we achieve it?	Establishment of Treasury offices in Sydney and Melbourne sought to attract talented private-sector specialists in particular areas such as tax, the financial system and foreign investment.

(a) Source: 2015-16 Treasury Corporate Plan.

Working with the private sector

What did we want to achieve?[a]	Strengthen links with the private sector, non-government organisations, academia and other policy-focused institutions.
What did we achieve?	The Treasury strengthened its links with other organisations through the structured exchange of staff in its Secondment Program and through the payment of grants to support the work of these organisations.
How did we achieve it?	The establishment of state offices facilitates strong private-sector relationships including providing a base for private-sector secondees. The Treasury made grant payments of $2.9 million to a range of private sector, non-government organisations, academia and other policy-focused institutions in 2015-16 to support government priorities.

(a) Source: 2015-16 Treasury Corporate Plan.

Promoting fiscal sustainability

Providing rigorous and informed advice on the Government's fiscal strategy, tax and expenditure policies

What did we want to achieve?[(a)]	Advice that meets the Government's needs in administering its responsibilities and making and implementing decisions. Advice is timely, of high quality and based on objective and thorough understanding of issues and a whole-of-government perspective. Performance is measured through formal and informal feedback mechanisms.
What did we achieve?	The Treasury assisted the Government in implementing its medium-term fiscal and budget repair strategies by managing budget processes and advising on the overall budget strategy and priorities. The Treasury provided advice to the Government on the package of superannuation measures in the 2016-17 Budget. The Treasury advised on social and economic policies in education, employment, immigration, families, health, ageing, disability, Indigenous and justice issues, transport infrastructure, industry policy, environment, energy and resources, agriculture, communications and regional policy.
How did we achieve it?	The Treasury advised the Government on its fiscal strategy to return the budget to surplus over the medium term, while managing the effects of weaker nominal GDP growth and weaker-than-expected wages and inflation. The Treasury consulted with a diverse range of stakeholders to obtain broad input and alternative perspectives when developing policy. The Treasury consulted extensively on tax and superannuation policy which informed the Government's tax reform program announced in the 2016-17 Budget. The Treasury consulted with stakeholders when drafting legislation.

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Program 1.1.

Coordinating the preparation of the Commonwealth Government Budget and other documents

What did we want to achieve?[(a)]	A timely, high-quality, accurate and transparent Budget, Mid-Year Economic and Fiscal Outlook and Final Budget Outcome documents that meet the expectations of the Government, the Parliament and the public. Annual evaluation of the Budget preparation and coordination process.
What did we achieve?	The Treasury coordinated the preparation of the Commonwealth Government Budget and other fiscal documents. The budget was produced on an accelerated timetable following the decision to bring forward the budget date by one week. All fiscal reports were published, tabled and made publically available within the required statutory timeframes. The results reported are consistent with those of 2014-15. In May 2016, the Secretary of the Treasury, jointly with the Secretary of the Department of Finance, released the Pre-election Economic and Fiscal Outlook report. This was released within 10 days of the issue of the writs for a general election on 16 May 2016.
How did we achieve it?	The Treasury provided advice to the Treasurer and other portfolio ministers on the Australian Government budget position over the forward estimates and the medium term. This informed overall policy settings and provided context for decision-making. The fiscal outlook was updated at the 2015-16 Mid-Year Economic and Fiscal Outlook and the 2016-17 Budget. The department provided advice to the Secretary in the context of the 2016 Pre-election Economic and Fiscal Outlook and released the report in accordance with requirements under the Charter. The Treasury worked with the Department of Finance and other government departments and agencies to ensure the fiscal and economic updates were based on reliable and up-to-date information at the time of publication.

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Program 1.1.

Supporting the Commonwealth Government's financial relations with State and Territory governments

General revenue assistance

Under the *Intergovernmental Agreement on Federal Financial Relations* (Intergovernmental Agreement), the States and Territories are entitled to receive payments from the Commonwealth equivalent to the revenue received from the GST. This funding is provided to the States and Territories without conditions, to spend according to their budget priorities.

What did we want to achieve?(a)	Support the Commonwealth's financial relations with the States and Territories. Performance is assessed on: ▪ general revenue assistance payments to the States and Territories reflecting the requirements, amounts and timeframes specified in the Intergovernmental Agreement ▪ the States and Territories receive GST revenue data on a monthly, quarterly and annual basis ▪ an estimate of annual net GST receipts is maintained.
What did we achieve?	In accordance with the Intergovernmental Agreement, total general revenue assistance of $58.0 billion was provided to the States and Territories. Payments included: ▪ GST entitlements totalling $57.4 billion ▪ payments to Western Australia of a share of royalties collected by the Commonwealth under the *Offshore Petroleum (Royalty) Act 2006* totalling $567.7 million ▪ other general revenue assistance payments totalling $96.5 million ▪ The Treasury recouped $679.6 million in GST administration costs in 2015-16.
How did we achieve it?	The Treasury achieved this by ensuring that: ▪ all general revenue assistance payments to the States and Territories reflected the requirements, amounts and timeframes specified in the Intergovernmental Agreement ▪ monthly, quarterly and annual GST revenue data were provided to the States and Territories in accordance with the requirements of the Intergovernmental Agreement.

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Program 1.4.

Payments for specific purposes

The Commonwealth provides financial support to the States and Territories to deliver services in the health, skills and workforce development, disability and affordable housing sectors under the National Health Reform Agreement and through National Specific Purpose Payments (National SPPs).[1]

The Commonwealth also provides the States and Territories with funding for specific purposes in these and other sectors under a range of National Partnership agreements .

What did we want to achieve?[(a)]

Support the Commonwealth's financial relations by:

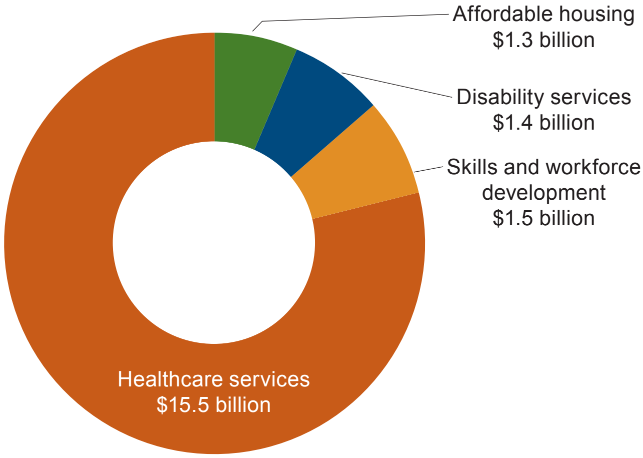
- providing funding for service delivery in specific sectors under the National Health Reform Agreement and through National SPPs on the dates specified in the Intergovernmental Agreement
- making payments for specific purposes under National Partnership agreements that reflect the amounts and timeframes set out in each of the National Partnership agreements and any related agreements
- providing advice to the States and Territories prior to each payment being made.

1 The Commonwealth also provides financial support to the States and Territories to deliver services in the education sector, which is administered under the Education portfolio. Refer to the Department of Education and Training for details of this funding.

What did we achieve?

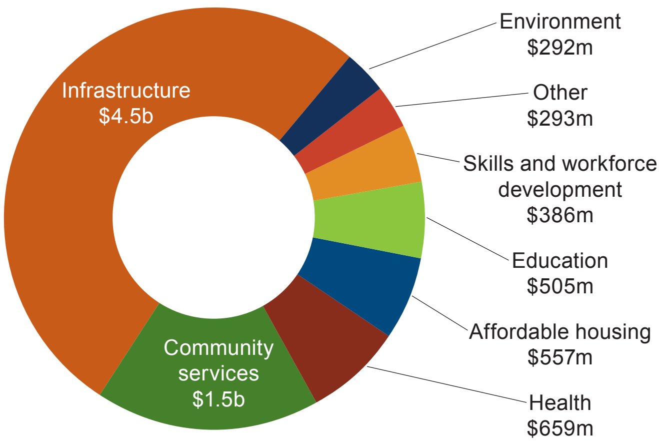
National Health Reform and National SPPs: In 2015-16, the Treasury made payments of $21.4 billion to the States and Territories to deliver services in the health, skills and workforce, disability and affordable housing sectors (see Figure 4).

Figure 4: Payments made under the National Health Reform and National SPPs in 2015-16



National Partnership payments: In 2015-16, the Treasury made National Partnership payments of $8.6 billion for specific purposes across a range of sectors (see Figure 5)[2].

Figure 5: National Partnership payments in 2015-16



2 These figures exclude payments not administered by the Treasury, such as Local Government Assistance and Financial Assistance Grants.

How did we achieve it?	The Treasury achieved this by: ▪ transferring to each State and Territory its monthly and annual entitlements under the National Health Reform Agreement and National SPPs ▪ making monthly payments to the States and Territories that reflect the requirements, amounts and timeframes set out in each National Partnership agreement and any related agreements ▪ making the payments on the dates specified in the Intergovernmental Agreement ▪ providing advice to the States and Territories on the components of each monthly payment before it was made.

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Programs 1.5-1.9.

Supporting Commonwealth-State relations

What did we want to achieve?[a]	Support the Commonwealth relationship with the States and Territories by: ▪ advising on joint policy and reform agendas ▪ advising on the operation of the federal financial relations framework including the development of National Partnerships and other agreements ▪ facilitating meetings between Commonwealth and State and Territory treasurers and treasuries to consider and develop reforms that impact on the federal financial relations framework and other key policies.
What did we achieve?	Treasury provided advice on key cross-jurisdictional issues such as tax reform, competition reform, horizontal fiscal equalisation and vertical fiscal imbalance. Treasury contributed analysis and advice to the review of the Federation, led by the Department of Prime Minister and Cabinet. Treasury advised on the operation of the federal financial relations framework, including the development of new National Partnerships and other agreements to implement the Government's policy and reform agenda. Treasury helped develop the policy agenda, and performed secretariat functions, for meetings of the Council on Federal Financial Relations (CFFR) and Heads of Treasuries (HoTs).
How did we achieve it?	Treasury liaised with the States and Territories on tax and competition reform as part of a joint policy agenda, including through CFFR and HoTs meetings. Treasury liaised with the States and Territories and other agencies to develop and finalise National Partnerships and other agreements to facilitate payments to the States and Territories for the delivery of projects, services and reforms. Treasury facilitated three CFFR meetings and six HoTs meetings in 2015-16.

(a) Source: 2015-16 Treasury Portfolio Budget Statements Program 1.1.

Increasing productivity and workforce participation

Implementation of the Growing Jobs and Small Business Package

What did we want to achieve?[a]

Create better conditions for Australian small businesses to start, thrive, invest and grow; and help employers create new jobs and assist Australia's unemployed to access these jobs.

Performance is measured through increased activity and profitability of small businesses to support economic growth.

What did we achieve?

The measures announced in the 2015-16 Budget that have been implemented to assist small businesses include:

- A 1.5 percentage point tax cut (from 30 per cent to 28.5 per cent) for small companies with annual turnover less than $2 million from 1 July 2015.
- A 5 per cent tax discount for small unincorporated businesses with annual turnover less than $2 million from 1 July 2015, capped at $1,000.
- An immediate deduction for each and every business asset costing less than $20,000 that is purchased between 7:30 PM 12 May 2015 and 30 June 2017 for businesses with annual turnover less than $2 million. Previously the threshold was $1,000.
- Greater flexibility for small businesses to adapt if they realise a chosen legal structure no longer suits their business needs by allowing small businesses with an aggregated turnover less than $2 million to change legal structure without attracting a capital gains tax liability at that time.

The $5.5 billion Growing Jobs and Small Business package is complemented by small business policies announced in the 2016-17 Budget but which are yet to progress through the Parliament.

How did we achieve it?

The Treasury consulted with stakeholders and provided advice and input to the Government's small business agenda with a focus on small business policy, deregulation, productivity and innovation.

(a) Source: 2015-16 Treasury Corporate Plan.

Delivering the Government's response to the Financial System Inquiry

What did we want to achieve?[a]

Increases in productivity through developing and implementing reforms that result in a resilient, efficient and innovative financial system that meets the needs of consumers.

Performance is assessed on the delivery of timely advice based on objective and thorough understanding of the issues and from a whole-of-government perspective, as well as on the development of stakeholder support for timely implementation of the Government's policy priorities.

What did we achieve?

The Government's response to the Financial System Inquiry was released on 20 October 2015. The response outlined a comprehensive reform program of 48 measures to deliver a financial system that is resilient, efficient and fair.

As of 30 June 2016, measures on unfair contract term protections for small businesses, unclaimed monies and maintaining the ex-post Financial Claims Scheme structure were fully implemented. Legislation was enacted for resilience and collateral protection and the banning of excessive credit card surcharging.

In addition, multiple pieces of legislation for superannuation, crowd-sourced equity funding and life insurance remuneration measures were introduced to Parliament. A number of other pieces of legislation have been progressed to an advanced stage of development. Terms of reference were prepared for government-commissioned reviews into the efficiency of the superannuation system and on the availability and use of data. The Government has announced that it will legislate an objective for superannuation following consultation on a public discussion paper.

How did we achieve it?

The Treasury coordinated the Government's consultation on the recommendations of the Financial System Inquiry (the Inquiry) following the release of the final report in December 2014. The consultation included wide-ranging bilateral meetings and industry roundtables, and consideration of more than 180 submissions received in response to the release of the Inquiry's recommendations. The Treasury provided ongoing advice to the Government as it considered its response to the Inquiry's recommendations.

The Treasury worked in close consultation with other agencies and stakeholders in developing and progressing the implementation of the Government's priority policy measures.

(a) Source: 2015-16 Treasury Corporate Plan.

Delivering the Government's response to the Competition Policy Review

What did we want to achieve?[a]	Increases in productivity through strengthening competition policy, law and institutions to ensure that markets function efficiently in the long-term interests of consumers. Performance is assessed and measured based on the development and delivery of timely, well-considered advice regarding the implementation of the Competition Policy Review and the level of consultation undertaken to inform the Government's response to the Review.
What did we achieve?	The Treasury assisted the Government in announcing its response to the Competition Policy Review in November 2015. Further assistance was provided for the Government's response to the Review's recommendation on the misuse of market power provisions of the *Competition and Consumer Act 2010*.
How did we achieve it?	The Treasury conducted extensive consultation on the March 2015 final report of the Harper Review in the lead-up to the release of the Government's response. This included bilateral meetings and consideration of over 220 submissions on the Review's final recommendations and subsequent consultation on misuse of market power. The Treasury continues to provide advice to the Government on the implementation of the Government's response to the review, including in relation to legislative amendments and intergovernmental negotiations with the States and Territories.

(a) Source: 2015-16 Treasury Corporate Plan.

Supporting the Government's reforms of the tax system

What did we want to achieve?[a]	To assist the Government during its tax reform process and to develop its tax reform package. Performance is assessed on the Treasury's ability to support public engagement and to provide timely advice, costings, modelling and documentation of the Government's tax package that meets the needs of the Government in making decisions and engaging with the public on tax issues. Performance is measured by the breadth of consultations and level of public engagement in the tax reform process and timely production of high-quality publications.
What did we achieve?	The Government adopted a suite of tax and superannuation reforms. The major components of this reform program were a Ten-Year Enterprise Tax Plan, a Superannuation Reform Package, a Tax Integrity Package and other tax measures, including applying GST to low-value imported goods.
How did we achieve it?	The Treasury assisted the Government throughout its tax reform process, including through the release of a website and Tax Discussion Paper in March 2015. This was followed by extensive consultations, including more than 110 stakeholder meetings on tax reform throughout Australia with a wide range of stakeholders. In addition, more than 870 submissions were received and analysed following the release of the Tax Discussion Paper. Treasury prepared advice, costings, modelling and budget documentation of the Government's Tax and Superannuation Package released as part of the 2016-17 Budget. The Tax Reform Task Force, set up within Revenue Group, coordinated the preparation of much of the material.

(a) Source: 2015-16 Treasury Corporate Plan.

Implementing the Government's regulatory reform agenda and supporting the reduction of red tape

What did we want to achieve?[(a)]

Net reductions in the regulatory burden on business, individuals and community organisations and contributions to productivity-enhancing regulatory reform, while administering regulation in a proportionate, risk-based manner and minimising the regulatory burden imposed by new regulations.

Performance is assessed on net reductions achieved in regulatory burden, compliance with regulation impact analysis requirements and implementation of the framework for minimising the burden created in administering regulation.

Performance is measured by net reductions in regulatory burden, as measured under the Regulatory Burden Measurement framework, implementation of a Regulator Performance Framework by nine portfolio regulators and compliance with the Regulation Impact Statement requirements of the Office of Best Practice Regulation (OBPR).

What did we achieve?

The Treasury portfolio made progress in reducing red tape imposed on businesses, community organisations and individuals and reforming regulation. Since the 2013 election, the Treasury has contributed to more than an estimated $1.32 billion in compliance cost savings (as at 30 June 2016).

Savings in this area have contributed significantly to the Government's commitment to reduce red tape by $1 billion each year.

The Regulator Performance Framework was implemented by the nine portfolio regulators to which it applies. The Framework covers regulators across the Commonwealth and aims to minimise the burden created in administering regulation.

The OBPR reported that the Treasury portfolio was fully compliant with Regulation Impact Statement requirements for 2015-16.

How did we achieve it?	In late 2014, the Treasury completed a stocktake of existing red tape as at September 2013, which revealed a total annual compliance burden in the Treasury portfolio of $47 billion. This represents the majority of the $65 billion in compliance costs identified across the Commonwealth. The stocktake has assisted in prioritising areas of reform. The Treasury guided the implementation of the Regulator Performance Framework by nine portfolio regulators. Regulators developed performance metrics in consultation with key stakeholders ahead of the commencement of the Framework on 1 July 2015. Regulators will self-assess their performance against the metrics in each year from 2015-16 onwards and the Treasury will continue to engage with regulators and stakeholders throughout this process. The Treasury has completed compliant Regulation Impact Statements where required.

(a) Source: 2015-16 Treasury Corporate Plan.

Implementing improvements to the foreign investment framework

What did we want to achieve?[a]

The facilitation of foreign direct investment to support economic growth while ensuring national interest concerns are appropriately addressed.

Performance is measured by a set of outcomes-based indicators and metrics outlined in the Regulator Performance Framework. Proposed and actual foreign investment will become clear as data-capture methods and externally-validated self-assessment and stakeholder feedback models develop.

What did we achieve?

The Foreign Investment and Trade Policy Division provided advice on the Government's regulatory framework for inbound foreign investment and developed a reform package to strengthen the foreign investment framework. The Foreign Investment Review Board advised the Treasurer on an increased number of sensitive, significant investment proposals with recommendations supported by deep engagement and consultation with industry and all levels of Government.

The reforms represent the most significant changes to the foreign investment framework in about 40 years and include the introduction of application fees, stronger penalties for non-compliance, increased scrutiny and transparency around foreign investment in agriculture and a comprehensive modernisation of the foreign investment legislation to reduce system complexity and compliance costs for investors.

How did we achieve it?

Enhancing consultation frameworks with a range of State, industry and peak body representatives, the Foreign Investment and Trade Policy Division provided advice and recommendations on an increased number of significant and complex foreign investment cases to the Foreign Investment Review Board and Treasury Ministers, underpinned by industry engagement.

Seeking a deeper understanding of foreign investment, the Division conducted over 50 stakeholder engagements in the year, from banking to retail, peak bodies and commercial industry groups. The establishment of the Melbourne office continues this trend.

(a) Source: 2015-16 Treasury Corporate Plan.

Implementing the Asset Recycling Initiative and the Northern Australia Infrastructure Facility to support increased investment in infrastructure across the economy

What did we want to achieve?[a]

Increases in productivity by enabling investment in economic infrastructure.

Performance is based on:

- providing advice to the Treasurer on Asset Recycling Initiative (ARI) proposals put forward by States and Territories
- undertaking due diligence and providing advice to the Treasurer on the achievement of performance milestones by States and Territories
- administering payments to the States and Territories in accordance with the National Partnership Agreement on Asset Recycling.

Advising the Treasurer on implementation of the Northern Australia Infrastructure Facility (NAIF).

What did we achieve?

Asset Recycling Initiative agreements have been finalised with New South Wales, the Australian Capital Territory and the Northern Territory. The Treasury advised on and implemented the ARI that contributes to increased investment in productivity-enhancing infrastructure by encouraging States and Territories to divest state-owned assets and recycle the proceeds into additional productive infrastructure.

The Treasury has advised on establishing the NAIF. Portfolio responsibility for the NAIF moved to the Department of Industry, Innovation and Science in September 2015. Treasury seconded officers to that department to assist with implementation between September 2015 and February 2016.

How did we achieve it?

The Treasury worked with States and Territories through the development of their Asset Recycling Initiative proposals in accordance with the eligibility criteria outlined in the National Partnership Agreement on Asset Recycling. The Treasury provided advice on agreements with jurisdictions.

The department advised the Treasurer on the design and implementation of the NAIF and consulted with stakeholder governments in Western Australia, Northern Territory and Queensland and a wide range of businesses.

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Program 1.9.

Housing Loans Insurance Company Limited

What did we want to achieve?[(a)]	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.
What did we achieve?	The Housing Loans Insurance Company Limited pre-transfer contract portfolio was managed to ensure all liabilities arising from claims under this portfolio were met and any related debts were recovered. There were no payments made in 2015-16.
How did we achieve it?	By providing continued administration of debt recovery activities.

(a) Source: 2015-16 Treasury Portfolio Budget Statements Program 1.3.

Australian Small Business Advisory Services and Small Business Support Line

What did we want to achieve?[a]	Improve the capacity of not-for-profit small business service providers to deliver low-cost advisory services to small businesses and provide a first point of contact to access helpful information, practical tools and referral services to improve small business performance and sustainability. Performance is measured by the number of additional services provided to enterprising people through the Australian Small Business Advisory Services (ASBAS) (target of 25,000) and the Small Business Support Line (SBSL) (target of 26,700).
What did we achieve?	Currently available data indicate that Treasury is tracking to exceed its targets to deliver 25,000 additional ASBAS services and 26,700 SBSL services in 2015-16: ▪ 25,990 ASBAS services were provided to small businesses in the 12 months to March 2016 ▪ 38,075 small business and new starter contacts (phone, email and webchat) were received by the Single Business Service in 2015-16. The Single Business Service (one contact centre, website and national network) has included specialist agents for SBSL since 1 July 2014.
How did we achieve it?	ASBAS services were provided to small businesses through the program's 34 notforprofit service providers. A national conference was held for ASBAS providers to improve knowledge, coordination and access to information relevant to small businesses. The ASBAS program was delivered through the Department of Industry, Innovation and Science on behalf of the Treasury. The SBSL (a terminating program that ceased on 30 June 2016) was delivered through the suite of business services offered via the business.gov.au support line. The service was delivered by the Department of Industry, Innovation and Science on behalf of the Treasury.

(a) Source: 2015-16 Treasury Portfolio Budget Statements Program 1.3.

Securing the benefits of global economic integration

Continued involvement with the G20 Finance Ministers' and Central Bank Governors' meetings

What did we want to achieve?[(a)]	Promotion of Australia's economic and strategic interests through engagement with the G20, particularly through the Finance Ministers' and Central Bank Governors' meetings. The Treasury will be assessed by the level of involvement with, and influence in, the Finance Ministers' and Central Bank Governors' meetings.
What did we achieve?	The Treasury supported four G20 Finance Ministers' and Central Bank Governors' meetings in 2015-16, as well as provided support for four finance and Central Bank deputies' meetings. The Treasury was active in the G20 Framework Working Group, which focused on members' efforts to lift growth and make progress on the G20 ambition to lift collective GDP by an additional 2 per cent by end-2018. This was one of the goals set for the G20 in Australia's host year in 2014. The Treasury participated in the G20 Green and Climate Finance study groups and the International Financial Architecture Working Group. In 2015-16, the Treasury championed G20 action to enhance tax transparency and improve international tax rules. Through interactions with other countries and in G20 meetings, the Treasury encouraged progress on the exchange of tax information, beneficial ownership transparency and implementing actions to address base erosion and profit shifting. These actions help restore public trust in governments and distribute the benefits of economic growth more equitably.
How did we achieve it?	The Treasury promoted Australia's domestic interests within the G20 and progressed domestic reforms. Reporting from overseas posts, knowledge of macroeconomic developments and bilateral relationships were used to provide advice to the Government. The department produced briefings for the Treasurer and other ministers involved in G20 meetings and provided on-the-ground support and attended senior officials meetings and working groups. The Treasury worked with other Australian agencies such as Department of Foreign and Trade and Prime Minister and Cabinet and counterparts in G20 countries to progress particular issues.

(a) Source: 2015-16 Treasury Corporate Plan.

Liaising closely in supporting the Global Infrastructure Hub

What did we want to achieve?[(a)]	Provision of advice to the Australian Board member of the Global Infrastructure Hub (GIH) to assist it to implement the G20 infrastructure agenda with the aim of increasing high-quality infrastructure investment. Provision of funding to the Hub and assurance that the funds are spent according to the memorandum of understanding (MOU) between the Treasury and the GIH.
What did we achieve?	This year the GIH delivered: ▪ a Knowledge Sharing Report (outlining deliverables of the GIH's Knowledge Sharing Platform) that was requested by G20 leaders at the November 2015 Antalya Summit ▪ a Field Guide to Infrastructure Resources, designed to increase industry awareness of available information and best practice ▪ interactive Public-Private Partnerships Risk Allocation Matrices.
How did we achieve it?	The Treasury supported the GIH in connections with other countries and providing direction on the GIH work plan. In addition, Treasury officials met regularly with GIH staff throughout the year. The Secretary of the Treasury is the Chairman of the GIH. In 2015-16, the Treasury promoted the GIH work to increase the availability of quality, bankable infrastructure projects through its membership of the G20 and APEC. The Treasury provided funding to the GIH in accordance with the MOU.

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Program 1.3.

Supporting continuing reform of international financial institutions and close management with regional financial forums

What did we want to achieve?[(a)]

Provision of support to, and continuing reform of, the international financial institutions.

Performance is assessed by the timeliness and accuracy of transactions with international financial institutions, including the International Monetary Fund. A target of 100 per cent of transactions being timely and accurate is set.

What did we achieve?

Treasury provided advice and support to Australia's constituency offices at the IMF, World Bank and Asian Development Bank (ADB) and to the Treasurer in his role as Australia's IMF, World Bank and ADB Governor. This included policy advice relating to the subject of Board of Governor votes. Treasury supported the ministers' participation in annual meetings and delegation visits.

In 2015-16, the Treasury managed financial transactions in accordance with its obligations to international financial institutions, including to support the IMF's lending programs, the World Bank's International Bank for Reconstruction and Development and the ADB. These payments were timely and accurate.

Previously-agreed reforms to IMF quota and governance arrangements came into force on 26 January 2016 after reaching the necessary level of acceptance from the IMF's members. Treasury completed payment of Australia's resulting IMF quota increase (SDR 3,336 million, approximately A$6.5 billion) on 8 February 2016.

Treasury worked collaboratively with the World Bank to finalise the 2015 shareholding review to ensure member shareholdings reflect the size of their economies. Treasury worked with the ADB and supported the merger of its two major lending arms, the Asian Development Fund and the Ordinary Capital Resources. This reform increases the ADB's lending capacity.

How did we achieve it?

The Treasury worked with international financial institutions and contributed to policy reform, particularly through support to the IMF and World Bank Executive Directors representing Australia on the relevant boards. The department supported the Treasurer in his role as Governor of the various international financial institutions to ensure Australia is best placed to help shape important reforms.

(a) Source: 2015-16 Treasury Corporate Plan and the 2015-16 Treasury Portfolio Budget Statements Program 1.2.

Board membership of the newly-created Asian Infrastructure Investment Bank

What did we want to achieve?[a]	Through membership of the Asian Infrastructure Investment Bank (AIIB) Board, the Treasury strengthens China's commitment to effective multilateralism to increase infrastructure investment in the region. The Treasury ensures that Australia's $1 billion contribution to the AIIB is well invested.
What did we achieve?	Treasury was active in the negotiations to form the AIIB, of which China is the largest shareholder, to ensure it would be established as an effective, accountable and transparent organisation, with standards comparable to those of other Multilateral Development Banks (MDBs). The AIIB's Articles of Agreement provide a framework for the Bank to address the significant infrastructure gap in the region, complementing the work of the existing MDBs. Since the AIIB formally commenced in December 2015, the Treasury has been active on its Board in supporting the development of appropriate foundation governance, risk management and operational policies.
How did we achieve it?	The Treasury has provided leadership of a constituency on the Board of Directors (comprising New Zealand, Singapore and Vietnam). The Board of Directors met three times during 2015-16. The Australian Director was prominent in discussions on key issues, including consideration of the Bank's first tranche of project lending proposals. Through a contribution of about $1 billion in paid-in capital (to be paid over its first five years), Australia has a leading role in the AIIB. This contribution is the sixth largest country shareholding (3.76 per cent of the total capital allocation).

(a) Source: 2015-16 Treasury Corporate Plan.

Analysis of performance against the Treasury's purpose

This section provides an analysis of the factors that have contributed to the Treasury's performance in achieving its purpose in 2015-16.

Against a backdrop of an ever changing operating environment, the Treasury assisted Treasury Ministers to discharge their responsibilities by providing advice across a range of issues: from tax, the Budget and the economy; to financial, foreign investment, competition and broader structural policy; and from small business to international economic policy. The Treasury's advice was informed and supported by the following environmental factors:

- Fiscal challenges such as an ageing population and the risks associated with an economy transitioning from a mining investment boom to broader-based drivers of growth.
- The global economy which has continued to provide downside risks for domestic growth.
- Australia's average labour productivity growth over recent years has continued broadly in line with its long run average, but, notwithstanding this, since the peak in the terms of trade in 2011 living standards in Australia have been falling as the rest of the world is paying us less for what we produce.
- Risks to the global outlook have broadened, with concerns about slowing activity in emerging market economies as well as lower potential growth in advanced economies.
- Retaining capable staff in a competitive labour market.

Promoting fiscal sustainability

The Treasury provided advice on initiatives designed to reduce pressure on the Government's revenue base by improving the structure and integrity of the tax system.

In 2015-16, the Treasury:

- provided advice to the Government on fiscal strategy, tax and expenditure policies
- coordinated the preparation of the Commonwealth Government Budget and other documents required under the *Charter of Budget Honesty Act 1998*
- supported the Commonwealth Government's financial relations with the State and Territory governments.

Increasing productivity and workforce participation

The Treasury worked to increase productivity and workforce participation by:

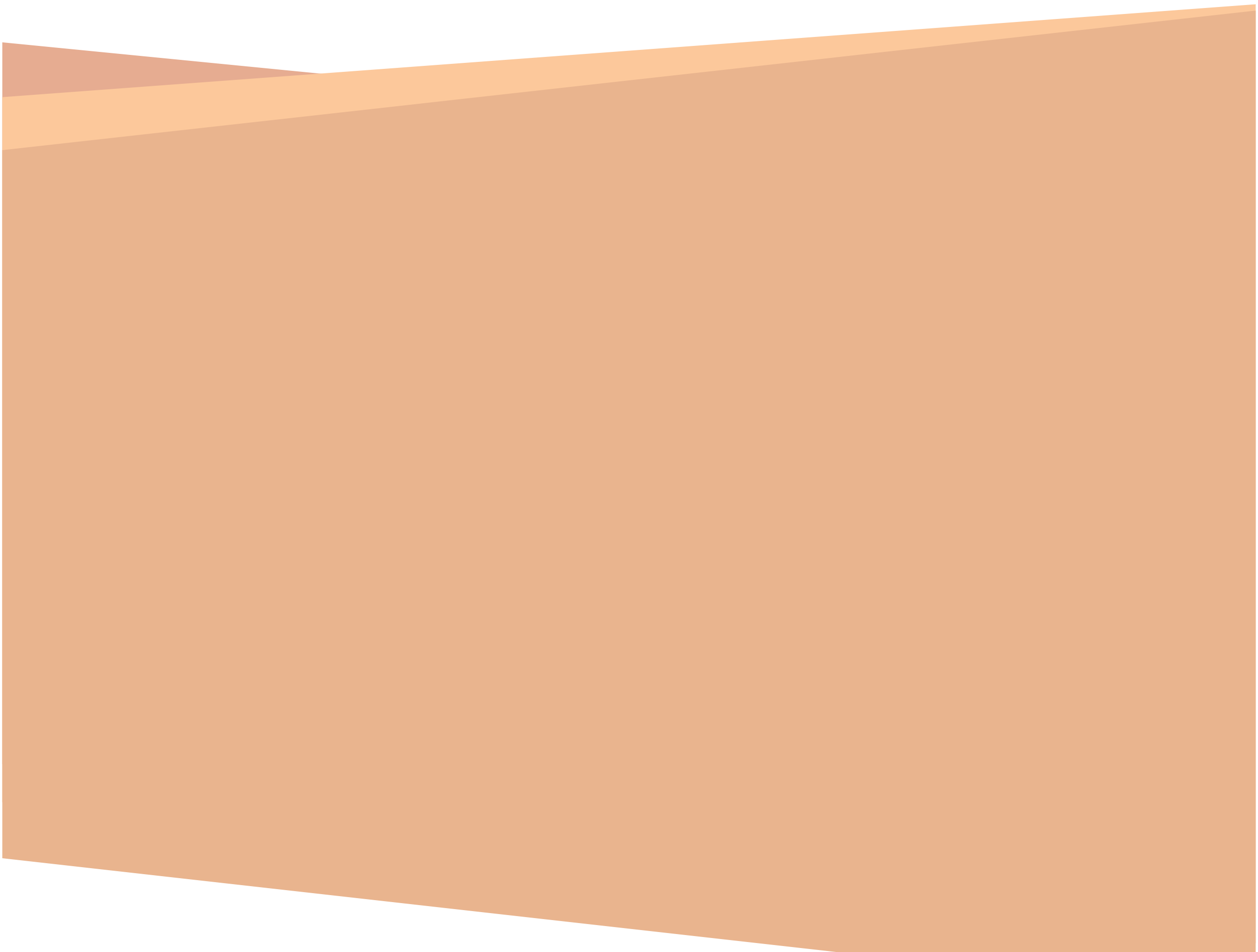
- identifying trends in the economy and policies to raise Australia's growth potential
- advising on reforms to the tax system to make it internationally competitive and boost productivity and workforce participation
- driving productivity through microeconomic reforms to encourage well-functioning, efficient, competitive, and technology-neutral market systems.

Securing the benefits of global economic integration

The Treasury continued to secure the benefits of the global economic integration by:

- contributing advice on rebuilding fiscal buffers to reduce Australia's vulnerability to global shocks
- balancing opportunities and risks in relation to trade and investment flows through an understanding of Australia's place in a complex global economic context
- supporting G20 initiatives to drive global growth and enhance regional engagement with key trading partners
- contributing to reforming markets so they are more open, innovative and competitive.

Part 3
Management and performance



Corporate governance

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

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

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

Strategic and organisational reviews

Corporate Group Change Program

The Treasury continually improves the way it delivers services and manages its costs. In 2015-16, the Treasury initiated reviews to examine the structure of its Corporate Group, the nature of service delivery and the quality of strategic corporate advice.

In July 2015, an independent consultant was engaged to gather quantitative and qualitative information from senior Treasury staff and to recommend changes to the Corporate Group structure, functions and capability.

The review identified strengths, including a history of review and continuous improvement, and noted the commitment of the Corporate Group workforce. The consultant identified structural changes to increase flexibility and recommended investment in the professional and strategic capability of staff. These changes should add to the quality of corporate services and strategic advice.

The next phase of work, the Corporate Group Change Program, began in August 2015. Consultants specialising in organisational design advised the Corporate Group executive about structural changes for the group.

The Corporate Group Change Program will be implemented during 2016–17 to:

- deliver strong client service
- strengthen governance arrangements and management structures
- improve a range of business systems and processes.

Senior management committees

Executive Committee

The Executive Committee is the Treasury's primary decision-making body and comprises the Secretary and the deputy secretaries. The Executive Committee provides support to the Secretary, sets strategic direction for the Treasury and ensures robust and effective governance.

The Executive Committee, as at 30 June 2016, comprised:

- John Fraser, Secretary
- Michael Brennan, Deputy Secretary, Fiscal Group
- John Lonsdale, Deputy Secretary, Markets Group
- Maryanne Mrakovcic, Deputy Secretary, Revenue Group
- Nigel Ray, Deputy Secretary, Macroeconomic Group
- Peter Robinson, Chief Operating Officer.

Audit Committee

The Audit Committee assists the Secretary by independently reviewing and considering the Treasury's operations, its risk management framework and the integrity of its financial accounts. The Audit Committee:

- reviews and provides advice on the risk, control, compliance and performance framework
- provides assurance on published financial information
- monitors, reviews and reports on compliance
- assists the Secretary to comply with all legislative and other obligations.

The Treasury's Audit Committee follows recommended best-practice guidelines issued by the Australian National Audit Office (ANAO) and reviews all internal and external audits relating to the Treasury.

The Audit Committee met five times during 2015-16. At 30 June 2016, the Audit Committee comprised an independent external chair, two external members and one internal member. External observers at Audit Committee meetings included representatives from the ANAO and the Treasury's internal auditor, KPMG.

Other committees

The Treasury's 2015-16 governance framework included the following committees:

- Health and Safety Committee
- Inclusive Workplace Committee
- People Committee
- Resource Committee

- Executive Remuneration Committee
- Risk and Performance Committee
- Workplace Relations Committee.

Fraud prevention and control

The Treasury Fraud Control Plan accords with the Commonwealth Fraud Control Framework and the ANAO *Better Practice Guide on Fraud Control in Australian Government Entities.* During the year, the Plan was also informed by a Fraud Risk Assessment, conducted by independent internal auditors. The resulting Fraud Control Plan was approved during the year. The Fraud Risk Assessment was used to develop an enhanced Risk Register.

During the year, a number of measures were introduced to increase knowledge of and imbed processes for fraud control.

The Treasury reports fraud information data annually to its Minister and to the Australian Institute of Criminology.

External scrutiny

Audit

The Audit Committee met five times during 2015-16. Its work included reviews of the Treasury's financial statements and a range of internal and external audit reports.

The Audit Committee's Financial Statements Sub-Committee (FSSC) met four times in relation to the 2015-16 financial statements. The FSSC is chaired by the Chair of the Audit Committee and comprises members of the Treasury and an external representative from the Audit Committee. Representatives of the ANAO attend as observers and representatives of the Treasury's internal auditor, KPMG, attend as advisers. The FSSC monitored production of the financial statements and helped resolve issues.

KPMG's internal audit services included developing internal audit programs, conducting various internal audit reviews and working with the Audit Committee to ensure internal audit recommendations were implemented effectively.

Internal audits

The Treasury completed 11 internal audits and reviews during 2015-16.

In-flight review of the Asset Recycling Initiative

This review looked at administrative processes to determine the eligibility of proposals under the Asset Recycling Initiative. The review included advice to the Treasurer on the extent to which the proposals met the funding selection criteria. The review used a case study to test Treasury processes and identified areas where processes could be strengthened.

In-flight review of the implementation of the National Partnership Agreement Risk Framework

This review checked if recommendations raised in a 2014 internal audit of the NPA Payments Risk and Controls Framework had been implemented and if the design of the existing framework was appropriate. The review found that Treasury had implemented a risk assessment framework to identify high-risk NPAs to which additional quality controls had been applied. The review made two recommendations to improve the administration framework for payments.

Review of the protection and management of market-sensitive information

This review included a stocktake of the types of market-sensitive information handled by in-scope divisions, assessed the processes and practices in managing the information, and tested the adequacy of controls. The review noted the existing strong information management culture and well-documented policies and procedures. The review suggested improvements to the application and implementation of policies and controls.

In-flight review of the Risk Management Framework

This review looked at the updated Treasury Risk Management Framework to ensure it aligned with the whole-of-government policy. The review provided advice on the implementation of the risk management framework across the department. The review identified areas to improve the framework by defining the executive level bodies involved in risk management and how to strengthen the systematic management of risk in all business processes.

Review of Freedom of Information (FOI) processing

The review considered the department's alignment with the obligations established under the *Freedom of Information Act 1982* and the end-to-end workflows for processing FOI requests. The review included a stakeholder needs analysis and a data analysis of FOI requests. The review provided a number of proposals for short-term implementation to improve the current process model, improve FOI reporting and build knowledge management capability.

In-flight review of the Shared Services Program

An internal audit reviewed the risk assessment for the Shared Services Program. The audit selected a sample of risks to determine whether the documented controls were operating as intended. The review noted that the Treasury had developed a comprehensive Risk Management Plan that sets out the risks relevant to the Shared Services Program and associated mitigation treatments. The report identified additional risks, some modifications to the Risk Register to improve useability and areas to strengthen controls.

Review of communication capability

This review assessed the current state of the department's communication capability and identified enhancements to better align communication functions with the Treasury's strategic direction and objectives. Recommendations related to the communication team structure, strategic capability, department-wide communication strategy, and governance arrangements and processes. A roadmap was developed with suggested timeframes for implementation of the recommendations.

Review of IT general controls

This review assessed whether key IT general controls for access to programs and data and computer operations had been designed appropriately and were operating as intended. The review did not identify any instances of significant control breakdowns. The report included four improvements to strengthen access controls, increase monitoring and maintenance processes, formalise backup testing and update security documentation.

Review of risk management and culture — Phase 1 (Risk Workshop and Reporting)

Following the review of the Risk Management Framework, a review of the department's risk management and culture considered risk-reporting processes to meet its requirements under the *Public Governance and Performance Accountability Act 2013*. Phase 1 considered the existing Risk Register and reporting templates. A workshop was conducted to understand risk reporting objectives and articulate the department's key risks. An information pack was developed for risk reporting that outlined 12 strategically-significant risks. The review recommended that risk reporting be tailored to those who can influence the management of risk. An opportunity exists for risks to be restated with the emphasis on positive actions rather than controls. Phase 2 of the review focuses on the department's risk culture.

Review of foreign investment and trade policy payment controls

This review assessed the payment control framework used by the Foreign Investment and Trade Policy Division to determine if appropriate controls were in place. The Treasury is responsible for the overall management of the payments of foreign investment application fees for non-residential purposes and the Australian Taxation Office (ATO) is responsible for the collection of payments. The review included sample testing of non-residential foreign investment proposals to assess the effectiveness of the payment controls. The review found that the payment control framework was designed to mitigate payment-related risks and that payment controls were operating effectively.

Review of performance management and preparedness reporting

This review considered the Treasury's capacity to meet its performance management and reporting requirements under the *Public Governance and Performance Accountability Act 2013*. Internal audit reviewed the performance information to be included in Treasury's 2015-16 Annual Performance Statement. The report noted that performance information was not complete and that performance measures had not been identified. In the context of this being the first year for the collection of performance information, the report provided an approach to strengthen the department's preparation for reporting against performance.

Australian National Audit Office reports

Audit Report No. 14 — Approval and Administration of Commonwealth Funding for the East West Link Project (published 14 December 2015).

The objective of the audit was to assess whether appropriate steps were taken to protect the Commonwealth interest and achieve value for money in respect to the:

- approval of $1.5 billion in Commonwealth funding for Stage 1 of the East West Link project, and the June 2014 payment of $500 million of this funding.
- approval of $1.5 billion in Commonwealth funding for Stage 2 of the East West Link project, and the June 2014 payment of $1 billion of this funding.

Other audit reports

Other ANAO reports relevant to the Treasury in 2015-16 were:

Audit Report No. 1 — Procurement Initiatives to Support Outcomes for Indigenous Australians (published 8 July 2015).

Audit Report No. 23 —Managing Compliance with Fair Trading Obligations (published 25 February 2016).

Audit Report No. 27 —Strategies and Activities to Address the Cash and Hidden Economy (published 26 April 2016).

Management of Human Resources

Overview

The People and Organisational Strategy Division, part of Corporate Group, has primary responsibility for the Treasury's people management and organisational capabilities. The division helps the Treasury set and deliver its strategic direction and provides a work environment that enables staff to be more productive. It provides advice and delivers organisational strategies, workforce planning, employee relations, performance management, recruitment, governance and audit, and learning and development.

Outcomes

- Improved marketing and simpler application processes to attract skilled recruits to build the Treasury's workforce.
- Staff processes were delivered within the operating budget allocated.
- Implemented the new Enterprise Agreement and associated policies and guidelines.
- Graduate Program reviewed to improve program outcomes and increase workforce capability.
- White Ribbon Workplace accreditation achieved in recognition of Treasury's commitment to addressing family and domestic violence, particularly violence against women.
- Business Services Division created to provide efficient corporate services.
- Melbourne office established to attract specialist skills and experience to complement the Treasury's current capabilities and to increase contact with key stakeholders.

Workforce strategies

The *Treasury Strategic Workforce Plan 2012-16* sets out the department's people strategy over a four-year period. The workforce plan expires this year and a new workforce plan is being finalised and reflects the Treasury's current workforce priorities.

In 2016 a skills audit was initiated to identify the critical workforce skills the Treasury needs to deliver its activities in the coming years. This will build the right capabilities within declining average staff levels. The aim is to achieve greater staffing flexibility, increased diversity, and broaden staff experience in a context of reducing resources and increasing complexity.

Performance management systems

The Treasury commits to the ongoing development of staff performance and achievement. The performance of staff is assessed within the Treasury's internal performance management framework which includes a behavioural matrix drawn from the Integrated Leadership System. Staff and managers have access to specific training before formal appraisal assessments which helps them provide feedback and benefit from meaningful appraisal conversations.

APS staff levels 2-6 are formally assessed biannually, and Executive Level (EL) staff have one formal appraisal each year. Senior Executive Service officers (SES) are assessed against the Senior Executive Leadership Capability Framework. SES performance discussions occur once each year and include career potential assessment based on three criteria of ability, aspiration and engagement.

Workplace relations

The Treasury staff voted in a new enterprise agreement following the expiry of the *Treasury Workplace Agreement 2011-2014.* Of the 823 staff eligible to vote, 557 staff participated in the ballot. Of staff who voted, fifty-eight per cent voted in support of the *Treasury Enterprise Agreement 2015-2018*.

The enterprise agreement operates in conjunction with Commonwealth legislation and the Treasury's policies and guidelines to define the terms and conditions of employment for staff. The agreement's nominal expiry date is 31 July 2018.

On 20 October 2015, the Government announced amendments to the Australian Government Public Sector Workplace Bargaining Policy allowing agencies to offer salary increases of up to six per cent over three years. On 4 November 2015, the Treasury approved the first of three pay increases of 0.5 per cent each year; the next two occurring in July 2016 and 2017.

Strategic talent sourcing

The Treasury's strategic recruitment campaigns and extensive secondment program offers staff rewarding and challenging opportunities. In particular, a talent sourcing strategy positions the Treasury as an 'ideas organisation', seeking to attract people from outside the Australian Public Service with drive, ambition and a passion for the development and delivery of sound economic policy.

In 2015-16, talent sourcing activities included policy-specific and specialist recruitment as well as other bulk recruitment rounds. Specialist recruitment included SES appointments at the Deputy Secretary level and a graduate program campaign. For the first time, the Treasury actively encouraged applicants at any level looking to expand their career to register their interest in a role within the Treasury.

Staff mobility was also enabled through a formal inter-departmental transfer round, with 46 internal expressions of interest received. The expressions of interest programs allowed staff to move into critical roles or high-profile taskforces.

The Treasury graduate program remains a key recruitment initiative with 41 graduates commencing in February 2016. The program employed graduates across a range of disciplines including economics, law, mathematics, commerce and arts. Graduates participate in an 18-month program, which consists of three six-month placements covering at least two policy groups. A key component of the recruitment campaign is a series of 'meet and greet' events that were hosted by the Executive Committee and the Secretary. These events showcased the responsibilities and the work of the Treasury to prospective graduates.

The Treasury is using a number of strategies to source leading expertise. In May a mature age graduate strategy commenced to enable the Department to quickly employ individuals with specific skills set. The strategy attracted 54 expressions of interest in a very short timeframe. The establishment of the Sydney and Melbourne offices has enabled us to recruit those who would not have been able to relocate to Canberra. The Treasury has been able to attract leading expertise from the private sector, while also developing strong relationships with a range of businesses and other groups.

The Treasury secondment program enables the exchange of staff between the Treasury and other Australian and international organisations. The program builds organisational leadership and positive cultural change by connecting staff and exposing them to new ideas, alternative leadership styles, diverse approaches to policy-making and the challenges and practicalities of implementing policy decisions.

As at June 2016, there were 36 secondments into the Treasury: 27 government, seven non-government and two from international organisations. Twenty-six Treasury employees were seconded out to 18 government, four non-government and four international organisations.

The Treasury participated in the APS Indigenous Pathways Program, the Indigenous Australian Government Development Program and the APS RecruitAbility scheme.

Learning and development

The Treasury supports ongoing professional development that builds the required skills, knowledge and capabilities of staff to support the delivery of business priorities.

A collaborative approach is taken to the delivery of learning and development opportunities. The People and Organisational Strategy Division focuses on leadership and management capability development and Groups focus on the development of technical skills. This collaboration is supported by an internal learning and development network.

EL 2 staff can develop skills in adaptive leadership by participating in the Executive Leadership Program. EL 1 staff are encouraged to complete the Management Development Program.

SES officers have access to a variety of high-end development opportunities offered by universities, the Australian Public Service Commission and the Australian and New Zealand School of Government. These courses are a formal pathway to expand executive level capability and build strong leadership.

During 2015-16 the Treasury supported 116 staff with studies assistance to undertake university qualifications. Two staff members received post-graduate awards for study at overseas universities. There are currently four staff members undertaking PhD research at the Australian National University through the Sir Roland Wilson Foundation Scholarship program.

Technical training such as the Specialist Certificate in Economic Design and Introduction to the Theory of Economic Measurement was incorporated into the learning and development calendar.

Staffing information

At 30 June 2016 there were 844 staff (805.6 FTE) employed at the Treasury (excluding unpaid, inoperative staff). This is an increase of 1 per cent from 835 (800.3 FTE) staff at 30 June 2015. This reflects an increase of 95.9 per cent in non-ongoing staff and a decrease of 1.5 per cent in ongoing staff over the last 12 months.

The majority of operative staff (95 per cent) were employed on an ongoing basis and 16.3 per cent worked part-time (at 30 June 2016). This part-time rate increased from 14.8 per cent in 30 June 2015.

Women made up 52.8 per cent of the Treasury's workforce at 30 June 2016, an increase from 51.5 per cent a year ago. Women also made up 37.2 per cent of Treasury's SES, an increase from 28.6 per cent at 30 June 2015.

Table 1: Operative and paid inoperative staff by classification and gender as at 30 June 2016 based on actual headcount.

	Men	Women	Total
APS3	25	24	49
APS4	19	40	59
APS5	23	46	69
APS6	88	114	202
EL1	105	106	211
EL2	88	87	175
SES Band 1	31	23	54
SES Band 2	15	5	20
SES Band 3	3	1	4
Secretary	1	0	1
Total	398	446	844

Note: excludes unpaid inoperative staff.

The majority of staff are based in Canberra. Some staff are located interstate and overseas.

Figure 6: Treasury staff at interstate and overseas locations

The Treasury office in Sydney was established during 2014-15. As at 30 June 2016, there were 25 staff in the Sydney office. The Treasury office in Melbourne opened on 16 June 2016. The office has 16 staff.

Remuneration — SES

SES remuneration and employment conditions are determined under section 24(1) of the *Public Service Act 1999* (some residual Australian Workplace Agreements remain). These are supported by a remuneration model that determines pay levels within each SES level, based on performance. The Treasury does not offer performance pay. SES officers received a 2.5 per cent salary increase in September 2015 and a 0.5 per cent increase in November 2015.

Table 2: Remuneration — SES employees

	September 2014		November 2015	
Classification	Minimum and Maximum		Minimum and Maximum	
SESB1	$189,757	$220,540	$195,474	$227,184
SESB2	$232,573	$272,215	$239,579	$280,415
SESB3	$301,399	$352,984	$310,479	$363,618

Remuneration — non-SES

APS and EL officers received a 2.5 per cent salary increase in July 2015 and 0.5 per cent increase in November 2015. There had been no change in APS-EL remuneration since July 2013.

Table 3: Remuneration — non-SES employees

Classification	July 2013		November 2015	
	Minimum and Maximum		Minimum and Maximum	
APS1	$43,147	$46,855	$44,447	$48,266
APS2	$49,734	$53,026	$51,232	$54,624
APS3	$56,318	$59,608	$58,015	$61,403
APS4	$62,902	$66,193	$64,797	$68,187
APS5	$70,722	$75,250	$72,852	$77,517
APS6	$79,777	$96,651	$82,180	$99,562
EL1	$104,060	$119,369	$107,195	$122,965
EL2	$127,106	$145,874	$130,935	$150,269

Workplace diversity

The Treasury is committed to a workplace that supports and promotes diversity. The Treasury Inclusivity and Diversity Strategy consists of four key streams of work: the Progressing Women Initiative, Agency Multicultural Plan, Reconciliation Action Plan and Disability Action Plan.

The Inclusive Workplace Committee (IWC) oversees the implementation of the Progressing Women Initiative, including its policies, programs, actions and procedures. In May 2016 the IWC endorsed the Progressing Women Initiative 2016–2020 Strategic Direction. This document guides whole-of-Treasury initiatives to address gender inequality. In addition to this approach, each Group reports annually to the IWC on its Progressing Women achievements.

Success in addressing gender inequality has included monitoring relevant workforce data. The Performance Management System incorporates a gender-based analysis of ratings that is monitored by the IWC.

In March 2016, the Treasury was one of the first Australian Government agencies to receive accreditation as a White Ribbon Workplace. This accreditation recognises the commitment to addressing family and domestic violence, particularly violence against women.

The Treasury was active in the development of the APS Gender Equality Strategy. The Treasury also supports other APS agencies in their work towards achieving inclusive workplaces. The Treasury will implement the recommendations of the APS Gender Equality Strategy and will report on progress to the IWC.

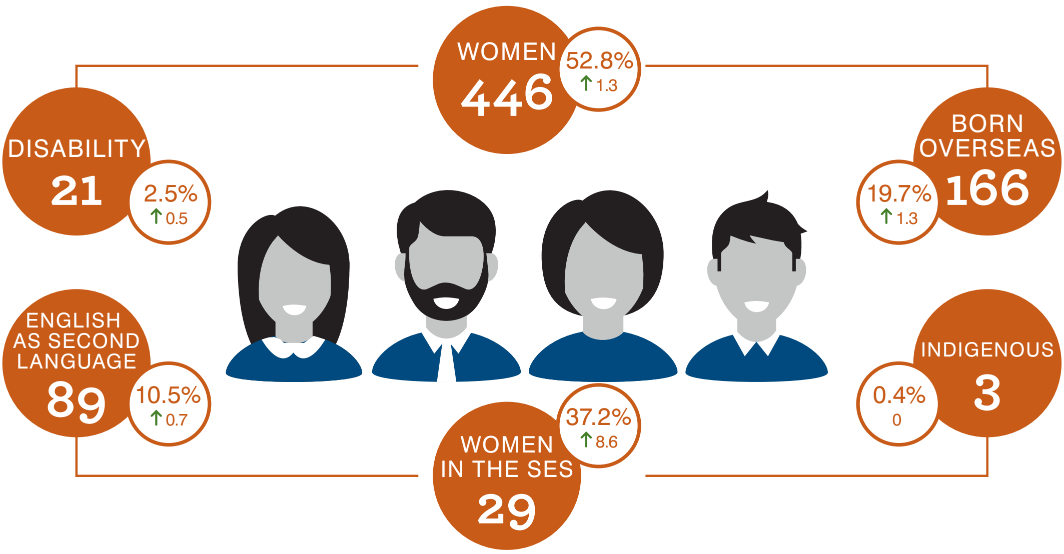
The Treasury continues work on attracting, supporting and retaining Aboriginal and Torres Strait Islander staff. The development of mutually-beneficial relationships with Indigenous communities, organisations and tertiary institutions is a key component of Treasury's Reconciliation Action Plan.

The Treasury supports multicultural access and equity and provides advice that is culturally-sensitive. The department also ensures that staff with a disability are supported and provides tailored reasonable adjustments such as adaptive technologies.

Treasury participates in the RecruitAbility scheme for graduate recruitment. This is designed to attract and encourage applicants with a disability. This scheme also imbeds changes in selection panels and recruitment practices to include consideration of aspects of culture.

At 30 June 2016, 15.4 per cent of Treasury staff worked part-time, with 23.5 per cent of female and 6.3 per cent of male staff working part-time.

Figure 7: Workforce diversity



Assets management

The Treasury's asset management framework includes an asset register, an asset management plan and a capital management plan.

- The asset register records details of all assets held by the Treasury. An annual stocktake of assets keeps the register accurate and up-to-date.
- The asset management guide sets out the Treasury's policies for the day-to-day care and custody of assets. The guide is part of the Accountable Authority Instructions. Further details on the Treasury's asset policies are in note 2.2A of the Financial Statements.
- The capital management plan sets out the longer-term asset requirements and funding for asset replacement and investment. The Treasury's strategic planning encompasses the capital budget process that occurs before the beginning of each financial year as part of the annual operating budget process.

Purchasing

The Treasury's purchasing activities were undertaken in accordance with the *Public Governance, Performance and Accountability Act 2013*, Commonwealth Procurement Rules, and the Commonwealth Government's Indigenous Procurement Policy. The Treasury applies these policies to all procurement activities through Accountable Authority Instructions and Procurement Operational Guidelines.

All Treasury contracts awarded with a value of $10,000 (including GST) or more are published on the AusTender website at www.tenders.gov.au. Information on planned procurements for 2016-17 are included in the Annual Procurement Plan on AusTender.

Consultants

The Treasury engages consultants where specialist skills are required but are not available in-house. Consultancies normally relate to individuals, partnerships or corporations that provide professional, independent and expert advice or services.

The decision to engage a consultant is made in accordance with the *Public Governance, Performance and Accountability Act 2013*, Commonwealth Procurement Rules and relevant Treasury procurement policies.

In 2015-16, the Treasury entered into 27 new consultancy contracts involving a total actual expenditure of $3,399,539 (including GST). In addition, four consultancy contracts were ongoing, involving a total actual expenditure of $699,941 (including GST).

This annual report contains information about actual expenditure on contracts for consultancies. Information on the value of individual contracts and consultancies is available on the AusTender website at www.tenders.gov.au.

Australian National Audit Office access clauses

The Treasury is required to provide details of contracts let during 2015-16 of $100,000 (including GST) or more that requires the Auditor-General to access the contractor's premises. The Treasury must provide the name, purpose and value of the contract, and the reason for not including standard clauses in the contract. The Treasury did not have any contracts over $100,000 (including GST) that required the Auditor-General to have access to the contractor's premises.

Exempt contracts

The Treasury is required to advise if any contract in excess of $10,000 (including GST), or a standing offer, was exempted by the Chief Executive from being published on the AusTender website. Exemption is on the basis that publication would disclose exempt matters under the *Freedom of Information Act 1982*. Any such contract and its value or standing offer must be reported in a way that does not disclose the exempt matters.

The Treasury had no contracts exempt from publication on the AusTender website in 2015-16.

Procurement initiatives to support small business

Consistent with paragraph 5.4 of the Commonwealth Procurement Rules, the Treasury's procurement practices provide the ability for small and medium enterprises to participate in procurement opportunities. To help these enterprises participate, the department uses the Commonwealth Contracting Suite for low-risk procurements valued under $200,000. Many small businesses may not have the sufficient scale, skills or resources to prepare complex tender documents. The Commonwealth Contracting Suite uses simple and consistent contract terms and insurance requirements. These simplify the process and make it easier for small and medium enterprises to bid for work with the Treasury.

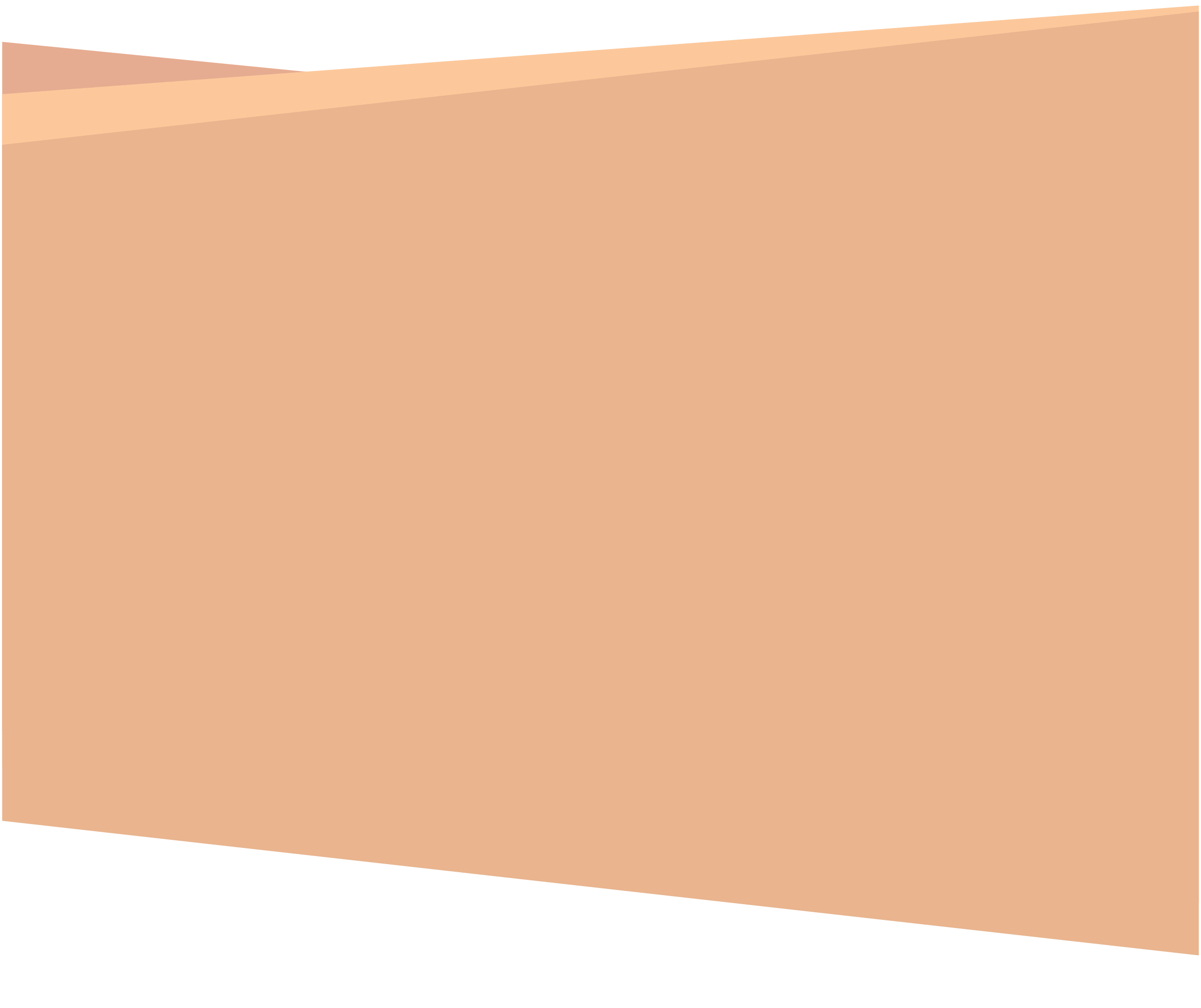
To support businesses, the Treasury applies the Government's Supplier Pay On-Time or Pay Interest Policy to ensure that businesses are paid on time. This means the Commonwealth pays all business invoices under $1 million within 30 days or it pays interest.

Small and medium enterprise procurement statistics and information are available on the Treasury and the Department of Finance websites at:

www.treasury.gov.au/PublicationsAndMedia/Publications/2014/sml-bus-performance-report

www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/.

Part 4
Financial statements



Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

I have audited the accompanying annual financial statements of the Department of the Treasury for the year ended 30 June 2016, which comprise:

- Statement by the Departmental Secretary and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and forming part of the financial statements comprising significant accounting policies and other explanatory information.

Opinion

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

(a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Department of the Treasury as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Secretary's Responsibility for the Financial Statements

The Secretary of the Department of the Treasury is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Australian National Audit Office

Grant Hehir
Auditor-General

Canberra
27 September 2016

The Treasury

Statement by the Departmental Secretary and Chief Finance Officer

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Treasury will be able to pay its debts as and when they fall due.

John A. Fraser
Secretary to the Treasury
27 September 2016

George-Philip de Wet
Acting Chief Finance Officer
27 September 2016

Statement of Comprehensive Income

for the period ended 30 June 2016

	Notes	2016 $'000	2015 $'000
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	**122,744**	122,940
Suppliers	1.1B	**51,877**	58,570
Grants	1.1C	**2,925**	2,571
Depreciation and amortisation	2.2A	**8,803**	9,667
Write-down and impairment of assets	2.2A	**100**	277
Losses from asset sales	1.1D	**35**	-
Finance costs	2.4	**86**	25
Total expenses		**186,570**	194,050
Own-Source Income			
Own-source revenue			
Rendering of services	1.2A	**9,447**	10,308
Other revenue	1.2B	**1,347**	1,287
Total own-source revenue		**10,794**	11,595
Gains			
Gains from sale of assets	1.2C	**-**	9
Other gains	1.2D	**4,006**	4,642
Total gains		**4,006**	4,651
Total own-source income		**14,800**	16,246
Net (cost of)/contribution by services		**(171,770)**	(177,804)
Revenue from Government		**160,109**	172,767
Surplus/(Deficit)		**(11,661)**	(5,037)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves		**6,024**	976
Total other comprehensive income		**6,024**	976
Total comprehensive income/(loss) attributable to the Australian Government		**(5,637)**	(4,061)

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

Statement of Financial Position

as at 30 June 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	2.1A	**2,776**	5,152
Trade and other receivables	2.1B	**50,445**	60,141
Total financial assets		**53,221**	65,293
Non-financial assets			
Land and buildings	2.2A	**14,280**	2,500
Plant and equipment	2.2A	**9,627**	8,660
Intangibles	2.2A	**9,730**	12,221
Prepayments	2.2B	**4,888**	3,366
Total non-financial assets		**38,525**	26,747
Total assets		**91,746**	92,040
LIABILITIES			
Payables			
Suppliers	2.3A	**335**	1,289
Other payables	2.3B	**5,911**	11,484
Total payables		**6,246**	12,773
Provisions			
Employee provisions	3.1	**46,567**	43,566
Provision for restoration	2.4	**3,279**	964
Total provisions		**49,846**	44,530
Total liabilities		**56,092**	57,303
Net assets		**35,654**	34,737
EQUITY			
Asset revaluation reserve		**12,186**	6,162
Contributed equity		**58,538**	51,526
Retained surplus/(deficit)		**(35,070)**	(22,951)
Total equity		**35,654**	34,737

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

Statement of Changes in Equity

for the period ended 30 June 2016

	2016 $'000	2015 $'000
CONTRIBUTED EQUITY		
Opening balance	**51,526**	46,153
Transactions with owners		
Contributions by owners		
Equity injection appropriation	**1,700**	-
Departmental capital budget appropriation	**5,312**	5,373
Total transactions with owners	**7,012**	5,373
Closing balance as at 30 June	**58,538**	51,526
RETAINED EARNINGS		
Opening balance	**(22,951)**	(17,914)
Adjustment to opening balance[1]	**(458)**	-
Comprehensive income		
Surplus/(Deficit) for the period	**(11,661)**	(5,037)
Total comprehensive income	**(11,661)**	(5,037)
Closing balance as at 30 June	**(35,070)**	(22,951)
ASSET REVALUATION RESERVE		
Opening balance	**6,162**	5,186
Comprehensive income		
Other comprehensive income	**6,024**	976
Total comprehensive income	**6,024**	976
Closing balance as at 30 June	**12,186**	6,162
TOTAL EQUITY		
Opening balance	**34,737**	33,425
Adjustment to opening balance[1]	**(458)**	-
Comprehensive income		
Other comprehensive income	**6,024**	976
Surplus/(Deficit) for the period	**(11,661)**	(5,037)
Total comprehensive income	**(5,637)**	(4,061)
Transactions with owners		
Contributions by owners		
Equity injection appropriation	**1,700**	-
Departmental capital budget appropriation	**5,312**	5,373
Total transactions with owners	**7,012**	5,373
Closing balance as at 30 June	**35,654**	34,737

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

1. Repeal of quarantined funds relating to the transfer of the Standard Business Reporting function to the Australian Taxation Office.

Accounting Policy

Equity injections

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

Restructuring of administrative arrangements

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

Other distributions to owners

The Financial Reporting Rule (FRR) requires that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

Cash Flow Statement

for the period ended 30 June 2016

	Notes	2016 $'000	2015 $'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		**170,172**	174,115
Rendering of services		**7,109**	11,348
GST received from ATO		**5,399**	3,317
Other		**1,461**	3,018
Total cash received		**184,141**	191,798
Cash used			
Employees		**122,797**	126,741
Suppliers		**51,481**	52,280
Grants		**2,925**	2,571
Section 74 receipts transferred to OPA[1]		**211**	267
GST paid to ATO		**5,562**	5,170
Other		**2**	15
Total cash used		**182,978**	187,044
Net cash from/(used by) operating activities	6.4A	**1,163**	4,754
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of plant and equipment		**18**	21
Total cash received		**18**	21
Cash used			
Purchase of land and buildings		**4,189**	456
Purchase of plant and equipment		**752**	893
Purchase of intangibles		**5,628**	5,897
Total cash used		**10,569**	7,246
Net cash from/(used by) investing activities		**(10,551)**	(7,225)
FINANCING ACTIVITIES			
Cash received			
Contributed equity - departmental capital budget		**5,312**	5,373
Contributed equity - equity injections		**1,700**	1,595
Total cash received		**7,012**	6,968
Net cash from/(used by) financing activities		**7,012**	6,968
Net increase/(decrease) in cash held		**(2,376)**	4,497
Cash at the beginning of the reporting period		**5,152**	655
Cash at the end of the reporting period		**2,776**	5,152

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

1. The comparative figure has been amended by $0.267 million to reflect the transfer of Section 74 receipts transferred to the Official Public Account (OPA).

Administered Schedule of Comprehensive Income

for the period ended 30 June 2016

	Notes	2016 $'000	2015 $'000
NET COST OF SERVICES			
Expenses			
Grants	4.1	**88,032,393**	83,746,819
Interest		**3,276**	3,427
Suppliers		**2,048**	27,666
Total expenses		**88,037,717**	83,777,912
Income			
Revenue			
Non-taxation revenue			
Rendering of services	4.2A	**690,441**	726,299
Interest	4.2B	**2,680**	3,166
Dividends	4.2C	**3,279,246**	1,941,500
COAG revenue from government agencies	4.2D	**268,887**	993,379
Other	4.2E	**76,604**	154,189
Total non-taxation revenue		**4,317,858**	3,818,533
Total revenue		**4,317,858**	3,818,533
Gains			
Foreign exchange	4.2F	**16,736**	36,629
Total gains		**16,736**	36,629
Total income		**4,334,594**	3,855,162
Net (cost of)/contribution by services		**(83,703,123)**	(79,922,750)
Surplus/(Deficit)		**(83,703,123)**	(79,922,750)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		**(305,232)**	5,574,357
Total comprehensive income/(loss)		**(84,008,355)**	(74,348,393)

The above schedule should be read in conjunction with the accompanying notes.

Administered Schedule of Assets and Liabilities

as at 30 June 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Financial assets			
Trade and other receivables	5.1A	**4,168,375**	3,406,908
Investments	5.1B	**37,705,781**	32,565,700
Total financial assets		**41,874,156**	35,972,608
Non-financial assets			
Other		**401**	411
Total non-financial assets		**401**	411
Total assets administered on behalf of Government		**41,874,557**	35,973,019
LIABILITIES			
Payables			
Grants	5.2A	**187,053**	599,925
Other payables	5.2B	**5,796,098**	5,642,592
Unearned income	5.2C	**47,872**	77,019
Total payables		**6,031,023**	6,319,536
Interest bearing liabilities			
Loans	5.3A	**9,651,149**	4,824,704
Total interest bearing liabilities		**9,651,149**	4,824,704
Provisions			
Other provisions	5.4A	**1,725,063**	1,816,251
Total provisions		**1,725,063**	1,816,251
Total liabilities administered on behalf of government		**17,407,235**	12,960,491
Net assets/(liabilities)		**24,467,322**	23,012,528

The above schedule should be read in conjunction with the accompanying notes.

Administered Reconciliation Schedule

for the period ended 30 June 2016

	2016 $'000	2015 $'000
Opening assets less liabilities as at 1 July	**23,012,528**	15,389,085
Net (cost of)/contribution by services		
Income	**4,334,594**	3,855,162
Expenses		
Payments to entities other than corporate Commonwealth entities[1]	**(88,037,717)**	(83,777,912)
Other comprehensive income		
Revaluations transferred to reserves	**(305,232)**	5,574,357
Transfers (to)/from Australian Government		
Appropriation transfers from OPA		
Administered assets and liabilities appropriations	**-**	20
Annual appropriation for administered expenses		
Payments to entities other than corporate Commonwealth entities	**43,913**	72,233
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	**80,462,041**	73,367,785
Special accounts - COAG Reform Fund	**9,403,901**	11,521,643
Refunds of receipts (s77 PGPA)	**307**	2,871
Appropriation transfers to OPA		
Transfers to OPA - Appropriations	**(2,940,226)**	(2,942,116)
Transfers to OPA - Special Accounts	**(268,887)**	(50,600)
Restructuring	**(1,237,900)**	-
Closing assets less liabilities as at 30 June	**24,467,322**	23,012,528

The above schedule should be read in conjunction with the accompanying notes.

1. Includes payments that are facilitated by the Treasury to the States and Territories for education services and the Water for the Environment Special Account. Refer to Note 6.1D for more information.

Accounting Policy

Administered cash transfers to and from the Official Public Account

Revenue collected by the Treasury for use by the Government rather than the Treasury is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriations on behalf of the Government. These transfers to and from the OPA are adjustments to administered cash held by the Treasury on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

Administered Cash Flow Statement

for the period ended 30 June 2016

	Notes	2016 $'000	2015 $'000
OPERATING ACTIVITIES			
Cash received			
Rendering of services		**18,729**	55,179
Interest		**699**	1,735
Dividends		**2,558,672**	675,255
HIH Group liquidation proceeds		**16,362**	92,273
COAG receipts from government agencies		**268,887**	993,121
Other receipts from government agencies[1]		**16,701,161**	15,635,076
Other		**60,359**	61,574
Total cash received		**19,624,869**	17,514,213
Cash used			
Grant payments		**87,962,312**	84,866,204
Other grants to the States and Territories[1]		**16,701,161**	15,635,076
Interest		**3,253**	3,787
Other		**9,957**	23,386
Total cash used		**104,676,683**	100,528,453
Net cash from/(used by) operating activities	6.4B	**(85,051,814)**	(83,014,240)
INVESTING ACTIVITIES			
Cash received			
Repayment of IMF loans		**116,532**	360,317
IMF Maintenance of Value		**167,569**	698,194
Repayment of CEFC Capital		**-**	50,600
Total cash received		**284,101**	1,109,111
Cash used			
Settlement of IMF loans		**64,263**	40,786
Settlement of IMF Maintenance of Value		**36**	38
Settlement of obligations to international financial institutions		**1,869,037**	27,295
Total cash used		**1,933,336**	68,119
Net cash from/(used by) investing activities		**(1,649,235)**	1,040,992
Cash from Official Public Account			
Appropriations		**80,506,261**	73,442,909
Special Accounts		**9,403,901**	11,521,643
Total cash from Official Public Account		**89,910,162**	84,964,552
Cash to Official Public Account			
Appropriations		**2,940,226**	2,942,116
Special Accounts		**268,887**	50,600
Total cash to Official Public Account		**3,209,113**	2,992,716
Net cash from/(to) Official Public Account		**86,701,049**	81,971,836
Cash and cash equivalents at the end of the reporting period		**-**	-

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

1. These balances reflect the payments that are facilitated by the Treasury to the States and Territories for education services and the Water for the Environment Special Account. Refer to Note 6.1D for more information.

Notes to and forming part of the financial statements

for the period ended 30 June 2016

Overview

Objectives of the Treasury

The Department of the Treasury (the Treasury) is an Australian Government controlled, not-for-profit entity.

The Treasury provides policy advice and assists Treasury Ministers in the administration of their responsibilities and the administration of government decisions across a range of policy and program areas.

The Treasury is structured to meet one outcome:

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

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

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

Departmental activities are identified under Program 1.1. Administered activities are identified under Programs 1.1 to 1.9 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 Skills and Workforce Development
- Program 1.7 — Assistance to the States for Disability Services
- Program 1.8 — Assistance to the States for Affordable Housing
- Program 1.9 — National Partnership Payments to the States

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

The Basis of Preparation

The financial statements are general purpose financial statements and are required by Section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The Financial Statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

Reporting of Administered Activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, 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.

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

New 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. There have been no new standards, amended standards or interpretations that were issued prior to the signing of the statement and were applicable to the current reporting period and had a material effect on the Treasury's financial statements.

Future Australian Accounting Standard requirements

The following revised standards were issued by the Australian Accounting Standards Board prior to the signing of the statement by the accountable authority and chief finance officer, which are expected to have a material impact on the entity's financial statements for the future reporting period(s):

Standard	Application date for the entity	Nature of impending changes in accounting policy and likely impact on initial application
AASB 124 — Related Party Disclosures & AASB 1049 — Whole of Government and General Government Sector Financial Reporting	1 July 2016	Extending related party disclosures to not-for-profit public sector entities. The amendments are applied prospectively as of the beginning of the annual reporting period in which the standard is initially applied.

AASB 9 — Financial Instruments	1 January 2018	Key changes are: ▪ requirements for impairment of financial assets based on a three-stage 'expected loss' approach; ▪ addition of a third measurement category for debt instruments 'fair value through other comprehensive income'; ▪ expansion of disclosures required in relation to credit risk.
AASB 16 — Leases	1 January 2019	Requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. Leases will be initially measured on a present value basis and includes non-cancellable lease payments.

Taxation

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

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

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

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.

Breach of Section 83 of the Constitution

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

The Treasury has continued to review its exposure to risks of not complying with statutory conditions on payments from appropriations and testings have identified no payments were made in contravention of Section 83 of the Constitution.

Events After the Reporting Period

Departmental

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

Administered

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

1. Departmental Financial Performance

This section analyses the financial performance of the Treasury for the year ended 2016.

1.1. Expenses

	2016 $'000	2015 $'000
Note 1.1A: Employee benefits		
Wages and salaries	**89,409**	89,253
Superannuation		
Defined contribution plans	**6,441**	6,053
Defined benefit plans	**9,648**	9,511
Redundancies	**690**	1,945
Leave and other entitlements	**13,675**	12,757
Other	**2,881**	3,421
Total employee benefits	**122,744**	122,940

Accounting Policy

Accounting policies for employee related expenses are contained in Note 3: People and relationships.

	2016 $'000	2015 $'000
Note 1.1B: Suppliers		
Information communication technology	**7,296**	7,325
Conferences and training[1]	**2,412**	10,272
Consultants, secondees and contractors	**16,872**	14,104
Fees - Audit, Accounting, Bank and Other	**1,786**	2,062
Insurance	**657**	951
Legal	**2,103**	1,605
Printing	**370**	513
Property operating expenses	**11,553**	12,073
Publications and subscriptions	**1,693**	1,442
Travel	**4,947**	6,046
Other	**2,188**	2,177
Total suppliers	**51,877**	58,570
Goods and services supplied or rendered		
Goods supplied	**2,749**	3,232
Services rendered	**40,759**	46,363
Total goods and services supplied or rendered	**43,508**	49,595
Other suppliers		
Operating lease rentals in connection with		
Minimum lease payments	**8,019**	8,354
Workers compensation expense	**350**	621
Total other suppliers	**8,369**	8,975
Total suppliers	**51,877**	58,570
Leasing commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:[2]		
Within 1 year	**7,686**	3,475
Between 1 to 5 years	**30,298**	4,659
More than 5 years	**34,466**	-
Total operating lease commitments	**72,450**	8,134

1. In 2014-15 conferences and training expenses included expenditure relating to the 2014 G20 Finance Ministers' and Central Bank Governors' meetings organised by the Treasury.
2. The increase in leasing commitments in 2015-16 reflects the signing of the new Treasury building head agreement for a ten year term. Commitments are GST inclusive where relevant.

Operating leases included are effectively non cancellable and comprise of:

Nature of lease	General description of leasing arrangement
Leases for accommodation	Commercial — leases comprise of various periods, including both initial and options periods. Located in Canberra, Sydney and Melbourne. Overseas estate — some commercial lease payments are adjusted annually and residential lease payments are escalated annually and similarly reviewed every three years to reflect market movements. The initial periods of office accommodation leases are still current and each may be renewed with options for a further six years.

Accounting Policy

Leases

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

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

	2016 $'000	2015 $'000
Note 1.1C: Grants		
Public sector		
Australian Government entities - other	**198**	231
Private sector		
Non-profit organisations	**2,727**	2,340
Total grants	**2,925**	2,571
Note 1.1D: Losses from asset sales		
Property, plant and equipment		
Proceeds from sale	**(18)**	-
Carrying value of asset sold	**42**	-
Selling expense	**11**	-
Total losses from asset sales	**35**	-

1.2. Own-Source Revenue and Gains

Own-Source Revenue	2016 $'000	2015 $'000
Note 1.2A: Rendering of services		
Rendering of services	**9,447**	10,308
Total rendering of services	**9,447**	10,308

Accounting Policy

Revenue from rendering of services

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.

	2016 $'000	2015 $'000
Note 1.2B: Other revenue		
Legislative and Governance Forum on Consumer Affairs contributions received	**629**	334
ANAO audit services received free of charge	**575**	605
Other	**143**	348
Total other revenue	**1,347**	1,287
Note 1.2C: Gains from sale of assets		
Plant and equipment		
Proceeds from sale	**-**	21
Net book value of assets disposed	**-**	(12)
Total gains from sale of assets	**-**	9
Note 1.2D: Other gains		
Resources received free of charge	**3,558**	4,628
Other	**448**	14
Total other gains	**4,006**	4,642

Accounting Policy

Resources received free of charge

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

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 8.1).

Sale of assets

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

	2016	2015
	$'000	$'000
Note 1.2E: Revenue from Government		
Appropriations		
Departmental appropriations	**160,109**	172,767
Total revenue from Government	**160,109**	172,767

Accounting Policy

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as 'Revenue from Government' when Treasury 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.

2. Departmental Financial Position

This section analyses the Treasury assets used to generate financial performance and the operating liabilities incurred as a result.

Employee related information is disclosed in the People and Relationships section.

2.1. Financial Assets

	2016 $'000	2015 $'000
Note 2.1A: Cash and cash equivalents		
Special Accounts	**90**	104
Cash on hand or on deposit	**2,686**	5,048
Total cash and cash equivalents	**2,776**	5,152

Accounting Policy

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.

	2016 $'000	2015 $'000
Note 2.1B: Trade and other receivables		
Appropriations receivable	**47,254**	57,564
Goods and services receivables - related parties	**2,064**	953
Goods and services receivables - external parties	**436**	792
Net GST receivable from the ATO	**691**	832
Total trade and other receivables (net)	**50,445**	60,141
All receivables are current assets		
Receivables (net) are aged as follows:		
Not overdue	**48,344**	59,071
Overdue by		
0 to 30 days	**1,833**	890
31 to 60 days	**90**	111
61 to 90 days	**56**	11
More than 90 days	**122**	58
Total trade and other receivables (net)	**50,445**	60,141

Credit terms for goods and services were within 30 days (2015: 30 days).

Accounting Policy

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’. Loans and receivables are measured at amortised cost using the effective interest methods less impairment. Interest is recognised by applying the effective interest rate. Collectability of debts is reviewed regularly throughout the year and at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely. Credit terms are net 30 days (2015: 30 days).

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period. No indicators of impairment were identified for assets as at 30 June 2016.

2.2. Non-Financial Assets

Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and computer software (2015-16)

	Buildings – leasehold improvements $'000	Plant and equipment $'000	Computer software internally developed $'000	Computer software purchased $'000	Total $'000
As at 1 July 2015					
Gross book value	7,110	11,221	11,076	11,631	41,038
Accumulated depreciation / amortisation and impairment	(4,610)	(2,561)	(6,339)	(4,147)	(17,657)
Total value as at 1 July 2015	2,500	8,660	4,737	7,484	23,381
Additions					
By purchase[1]	6,797	752	-	3,207	10,755
Internally developed	-	-	2,421	-	2,421
Total additions	6,797	752	2,421	3,207	13,177
Revaluations recognised in other comprehensive income	5,980	44	-	-	6,024
Depreciation and amortisation	(987)	(3,170)	(2,347)	(2,299)	(8,803)
Impairments recognised in net cost of services	-	(83)	-	(17)	(100)
Disposals					
From asset sales	-	(42)	-	-	(42)
Other movements					
Other movements - Gross Value	(393)	-	-	-	(393)
Other movements - Accumulated Depreciation	393	-	-	-	393
Transfers	(9)	3,466	-	(3,457)	-
Total as at 30 June 2016	14,280	9,627	4,811	4,919	33,637
Total as at 30 June 2016 represented by:					
Under construction	183	285	-	-	468
Fair value	14,097	14,715	-	-	28,812
Internally developed - in use	-	-	13,497	-	13,497
Purchased	-	-	-	10,756	10,756
Accumulated depreciation / amortisation and impairment	-	(5,373)	(8,686)	(5,837)	(19,896)
Total as at 30 June 2016	14,280	9,627	4,811	4,919	33,637

1. The purchase figure for Buildings — leaseholds improvements includes an amount ($2.07 million) for first time recognition of make-good (restoration).

No indicators of impairment were found for land and buildings, plant and equipment or intangibles (comprising both internally developed and purchased computer software).

No significant non-financial assets are expected to be sold or disposed within the next 12 months.

All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 7.5.

The fair value of land and buildings, and property, plant and equipment has been taken to be the market value of similar properties or depreciated replacement value as determined by an independent valuer.

Contractual commitments[1] for the acquisition of property, plant and equipment and intangible assets	2016 $'000	2015 $'000
Within 1 year	**3,060**	2,716
Between 1 to 5 years	**314**	-
Total commitments	**3,374**	2,716

1. Commitments are GST inclusive where relevant.

Accounting Policy

Acquisition of assets

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

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

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than $5,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to make good (restoration) provisions in property leases taken up by the Treasury where there exists an obligation to restore the property to its original condition. These costs are included in the value of the Treasury's leasehold improvements with a corresponding provision for the make-good (restoration) recognised.

Revaluations

Following initial recognition at cost, buildings — leasehold improvements and plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. The most recent full revaluation was conducted by Preston Rowe Patterson NSW Pty Limited (PRP) as at 1 July 2014. A subsequent valuation of leasehold was conducted as at 30 June 2016 by the Australian Valuation Services (AVS) as a result of a new lease agreement for the Treasury building. Motor vehicles were also tested for materiality and revalued accordingly.

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

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

In addition to revaluations the Treasury received a fair value confirmation of leasehold improvements and plant and equipment assets as at 30 June 2016. The fair value confirmation was performed by AVS in accordance with AASB 13. AVS confirmed that net asset values materially reflected fair value at 30 June 2016.

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 depreciable asset are based on the following useful lives:

	2016	2015
Buildings - leasehold improvements	1.75-25 years	5-10 years
Plant and equipment:		
Computers, plant and equipment	3-10 years	3-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years

Impairment

All assets were assessed for impairment at 30 June 2016. 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 non-financial assets as at 30 June 2016 (2015: nil).

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

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

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

Software is amortised on a straight line basis over its anticipated useful life. The useful lives of the Treasury's software are three to five years (2015: three to five years).

All software assets were assessed for indications of impairment as at 30 June 2016. No indicators of impairment were identified as at 30 June 2016 (2015: nil).

Accounting Judgement and Estimates

The fair value of buildings — leasehold improvements and plant and equipment has taken to be the market value of similar properties or depreciated replacement value as determined by an independent valuer.

Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and computer software (2014-15)

	Buildings – leasehold improvements $'000	Plant and equipment $'000	Computer software internally developed $'000	Computer software purchased $'000	Total $'000
As at 1 July 2014					
Gross book value	15,042	17,431	11,153	6,666	50,292
Accumulated depreciation and impairment	(9,321)	(6,710)	(4,885)	(3,620)	(24,536)
Total as at 1 July 2014	5,721	10,721	6,268	3,046	25,756
Additions					
By purchase	451	1,135	-	4,738	6,324
Internally developed	-	-	281	-	281
Total additions	451	1,135	281	4,738	6,605
Revaluations recognised in other comprehensive income	521	455	-	-	976
Depreciation and amortisation	(4,273)	(2,626)	(1,765)	(1,003)	(9,667)
Impairments recognised in net cost of services	(6)	(112)	(47)	(112)	(277)
Disposals					
From asset sales	-	(12)	-	-	(12)
Transfers	86	(901)	-	815	-
Total as at 30 June 2015	2,500	8,660	4,737	7,484	23,381
Total as at 30 June 2015 represented by:					
Under construction	208	602	197	4,394	5,401
Fair value	6,902	10,619	-	-	17,521
Internally developed - in use	-	-	10,879	-	10,879
Purchased	-	-	-	7,237	7,237
Accumulated depreciation / amortisation and impairment	(4,610)	(2,561)	(6,339)	(4,147)	(17,657)
Total as at 30 June 2015	2,500	8,660	4,737	7,484	23,381

	2016 $'000	2015 $'000
Note 2.2B: Prepayments		
Prepayments	**4,888**	3,366
Total prepayments	**4,888**	3,366
Prepayments		
No more than 12 months	**3,171**	2,642
More than 12 months	**1,717**	724
Total prepayments	**4,888**	3,366

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

2.3. Payables

	2016 $'000	2015 $'000
Note 2.3A: Suppliers		
Trade creditors and accruals	**335**	1,289
Total suppliers	**335**	1,289
Suppliers expected to be settled		
No more than 12 months	**335**	1,289
Total suppliers	**335**	1,289

Note: Settlement was usually made within 30 days.

	2016 $'000	2015 $'000
Note 2.3B: Other payables		
Salaries and wages	**322**	3,014
Superannuation	**62**	539
Separations and redundancies	**212**	-
Other creditors	**2,883**	3,890
Unearned income	**2,432**	4,041
Total other payables	**5,911**	11,484

Other payables are expected to be settled in no more than 12 months.

Accounting Policy

Financial liabilities

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

2.4. Other Provisions

	Provision for restoration $'000	Total $'000
Carrying amount 1 July 2015	**964**	**964**
Additional provisions made	**2,782**	**2,782**
Amounts reversed	**(448)**	**(448)**
Amounts used	**(105)**	**(105)**
Unwinding of discount or change in discount rate	**86**	**86**
Closing balance 30 June 2016	**3,279**	**3,279**

	2016 $'000	2015 $'000
Provision for restoration expected to be settled		
No more than 12 months	**139**	859
More than 12 months	**3,140**	105
Total provisions for restoration	**3,279**	964

The department has 5 (2015: 3) lease agreements containing provisions to restore the premises to their original condition at the conclusion of the lease. The department has made a provision to reflect the present value of this obligation. The value of the provision has been estimated by an independent valuer based on occupied floor space as per the leasing agreements. Additional provision has been recognised in 2015-16 on the Treasury building as a result of a new lease agreement ($2.6 million).

3. People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

3.1. Employee Provisions

	2016 $'000	2015 $'000
Note 3.1: Employee provisions		
Leave	**46,358**	43,345
Other employee entitlements	**209**	221
Total employee provisions	**46,567**	43,566
Employee provisions expected to be settled		
No more than 12 months	**13,308**	13,050
More than 12 months	**33,259**	30,516
Total employee provisions	**46,567**	43,566

Accounting Policy

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled. Liabilities for termination benefits due within twelve months of balance date are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

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

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

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

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

Separation and redundancy

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

Superannuation

Staff of the Treasury are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme.

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

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

The liability for superannuation recognised as at 30 June 2016 represents outstanding contributions.

Accounting Judgement and Estimates

The employee provision has been determined by reference to standard parameters provided by the Department of Finance.

3.2. Senior Management Personnel Remuneration

	2016 $'000	2015 $'000
Short-term employee benefits		
Salary	**16,803**	17,868
Allowances	**1,910**	1,647
Total short-term employee benefits	**18,713**	19,515
Post-employment benefits		
Superannuation	**2,954**	3,133
Total post-employment benefits	**2,954**	3,133
Other long-term employee benefits		
Annual leave accrued	**1,830**	1,663
Long-service leave	**1,343**	1,310
Total other long-term employee benefits	**3,173**	2,973
Termination benefits		
Termination benefits	**-**	665
Total termination benefits	**-**	665
Total senior executive remuneration expenses	**24,840**	26,286

This note is prepared on an accruals basis. No performance bonuses were paid in 2016 (2015: Nil).

The total number of senior management personnel that are included in the above table are 88 (2015: 99).

Includes secondees received free of charge of $341,453 (2015: $515,807). Revenue is reflected in Note 1.2D.

Long-service leave benefits have increased due to the leave revaluation as at 30 June 2016. The long-term government bond rate as at the reporting date was used to value the leave provision.

Allowances include payments made to employees on overseas posts.

4. Income and Expenses Administered on Behalf of Government

This section analyses the activities that the Treasury does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

4.1. Administered — Expenses

	2016 $'000	2015 $'000
Note 4.1: Grants		
Public sector		
State and Territory Governments	**87,730,649**	82,704,840
Payment of COAG receipts from Government agencies	**268,887**	993,379
Grants to international financial institutions	**17,500**	37,972
Private sector		
Grants to private sector	**15,357**	10,628
Total grants	**88,032,393**	83,746,819

Accounting Policy

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

Grants to States and Territories

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

There are three main types of payments under the framework:

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

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

NP and other general revenue assistance payments are paid under the *Federal Financial Relations Act 2009* which allows the Treasurer to determine an amount to be paid to a State or Territory for the purpose of making a grant of financial assistance. Once determined, this amount must be credited to the COAG Reform Fund and the Treasurer must ensure that, as soon as practicable after the amount is credited, the COAG Reform Fund is debited for the purposes of making the grant. In addition, the Treasurer must have regard to the Intergovernmental Agreement on Federal Financial Relations.

The Treasury is primarily reliant on certified payment advice from the Chief Finance Officers of Commonwealth agencies, who have policy and program responsibility to assure that the terms and conditions of the NP have been met prior to making a payment. The Treasury then advises the Treasurer on amounts to be determined.

Natural Disaster Relief and Recovery Arrangements

The Treasury accounts for payments made to States and Territories under NDRRA by recognising a liability equal to the discounted value of estimated future payments to States and Territories regardless of whether or not a State or Territory has completed eligible disaster reconstruction work or submitted an eligible claim to the Commonwealth. States and Territories were requested to provide to the Attorney-General's Department (AGD) an estimate of costs expected to be incurred for disasters affecting States and Territories that occurred prior to 1 July 2016 which would be eligible for assistance. The signed representations from the States and Territories are quality assured by AGD, which in turn provides a certification of the expenditure estimates to the Treasury.

Payments to the States and Territories through the COAG special account

COAG receipts are received from other government agencies for the following payments:

- Department of Social Services — Commonwealth's share of the wage increases arising from Fair Work Australia's decision on 1 February 2012 to grant an Equal Remuneration Order in the Social and Community Services sector.
- Department of Infrastructure and Regional Development — distribution of interstate road transport fees to the States and Territories for the maintenance and upkeep of roads.
- Department of Infrastructure and Regional Development — Building Australia Fund infrastructure projects.
- Department of Health — Health and Hospitals Fund infrastructure projects.

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

Mirror taxes collected by State Governments

On behalf of the States, the Government imposes mirror taxes which replace State taxes that may be constitutionally invalid in relation to Government places. 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.

4.2. Administered — Income

Revenue	2016 $'000	2015 $'000
Non-taxation Revenue		
Note 4.2A: Rendering of services		
GST administration fees - external entities	**672,192**	680,318
Guarantee Scheme for Large Deposits and Wholesale Funding fee	**50**	22,218
Guarantee of State and Territory Borrowing fee	**18,199**	23,763
Total rendering of services	**690,441**	726,299
Note 4.2B: Interest		
Gross IMF remuneration	**253**	689
Less: Burden sharing	**(27)**	(41)
Net IMF remuneration	**226**	648
Interest on loan to IMF under New Arrangements to Borrow	**418**	575
Interest on loans to States and Territories	**2,036**	1,943
Total interest	**2,680**	3,166
Note 4.2C: Dividends		
Reserve Bank of Australia	**3,221,746**	1,884,000
Australian Reinsurance Pool Corporation	**57,500**	57,500
Total dividends	**3,279,246**	1,941,500
Note 4.2D: COAG revenue from government agencies		
Building Australia Fund revenue	**6,920**	184,680
Health and Hospital Fund revenue	**46,891**	659,480
Interstate road transport revenue	**70,357**	73,615
Social and Community Services Sector Special Account	**144,719**	75,604
Total COAG receipts from government agencies	**268,887**	993,379
Note 4.2E: Other revenue		
HIH Group liquidation proceeds	**16,362**	92,273
Australian Reinsurance Pool Corporation Fee	**55,000**	55,000
Other revenue	**5,242**	6,916
Total other revenue	**76,604**	154,189
Gains		
Note 4.2F: Net Foreign exchange gains		
IMF SDR allocation	**(162,014)**	(579,042)
IMF Maintenance of Value	**167,533**	(212,328)
IMF quota revaluation	**(29,252)**	607,819
IFIs revaluation	**18,960**	129,423
IMF New Arrangements to Borrow loans revaluation	**23,487**	101,437
Other	**(1,978)**	(10,680)
Total foreign exchange gains	**16,736**	36,629

Accounting Policy

Administered revenue

All administered revenue relate to ordinary activities performed by the Treasury on behalf of the Australian Government. As such, administered appropriations are not revenue of the individual entity that oversees distribution or expenditure of the funds as directed.

Reserve Bank of Australia dividend

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

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

Australian Reinsurance Pool Corporation dividend and fee

The dividend and fee from the Australian Reinsurance Pool Corporation (ARPC) are recognised when the relevant Minister signs the legislative instrument, and thus control of the income stream is established. These are measured at nominal amounts.

International Monetary Fund remuneration

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

Where the IMF's holdings of Australian dollars fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is equal to the SDR interest rate. The SDR interest rate is the market interest rate computed by the IMF for the purposes of paying interest on holdings of SDRs, which is based on the weighted 3 month bond rates of the four entities whose currencies make up the SDR basket: the United States, United Kingdom, European Union and Japan. This rate is then adjusted to account for the financial consequences of overdue obligations to the IMF which are shared between members and reflected at Note 4.2B as 'burden sharing'.

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

International Monetary Fund New Arrangement to Borrow (NAB)

Australia also receives interest on amounts lent to the IMF under the New Arrangements to Borrow (NAB). Amounts lent to the IMF under the NAB accrue interest daily at the IMF's SDR interest rate (or such other rate as agreed by 85 per cent of NAB participants). The IMF pays interest on NAB amounts quarterly.

The IMF must repay amounts lent through the NAB five years after each call is made. Amounts can be repaid earlier at the IMF's discretion.

The Guarantee of State and Territory Borrowing

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

Financial Guarantee Contracts

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

5. Assets and Liabilities Administered on Behalf of Government

This section analyses assets used to generate financial performance and the operating liabilities incurred as a result the Treasury does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

5.1. Administered — Financial Assets

	2016 $'000	2015 $'000
Note 5.1A: Receivables & loans		
Advances and loans		
Loans to States and Territories	**46,269**	44,233
IMF New Arrangements to Borrow loan	**737,805**	766,588
Total advances and loans	**784,074**	810,821
Other receivables		
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	**-**	13
Guarantee of State and Territory Borrowing contractual fee receivable[1]	**47,872**	77,019
Guarantee of State and Territory Borrowing fee receivable	**1,374**	1,765
Net GST receivable from the ATO	**172**	761
IMF related monies owing	**-**	55
Dividends receivable	**3,221,819**	2,501,245
Other receivables	**113,064**	15,229
Total other receivables	**3,384,301**	2,596,087
Total trade and other receivables (gross)	**4,168,375**	3,406,908
Receivables are expected to be recovered in		
No more than 12 months	**3,380,651**	1,597,006
More than 12 months	**787,724**	1,809,902
Total receivables (gross)	**4,168,375**	3,406,908
Receivables (gross) are aged as follows		
Not overdue	**4,168,375**	3,406,908
Total receivables (gross)	**4,168,375**	3,406,908

1. Refer to Note 5.2C for corresponding liability.

Accounting Policy

Refer to Note 7.4 (Administered Financial Instruments) for details on accounting treatment.

	2016 $'000	2015 $'000
Note 5.1B: Investments		
International financial institutions		
Asian Development Bank	**577,387**	561,246
Asian Infrastructure Investment Bank	**198,815**	-
European Bank for Reconstruction and Development	**93,447**	91,174
International Bank for Reconstruction and Development	**314,236**	291,378
International Finance Corporation	**63,734**	61,626
Multilateral Investment Guarantee Agency	**8,350**	8,074
Total international financial institutions	**1,255,969**	1,013,498
Australian Government entities		
Reserve Bank of Australia	**23,592,000**	23,869,000
Australian Reinsurance Pool Corporation	**503,677**	537,700
Clean Energy Finance Corporation[1]	**-**	1,232,109
Total Australian Government entities	**24,095,677**	25,638,809
Other Investments		
IMF quota	**12,354,135**	5,913,393
Total other investments	**12,354,135**	5,913,393
Total Investments	**37,705,781**	32,565,700

Investments are expected to be recovered in more than 12 months.

1. Refer to Note 8.2 for restructuring details.

Administered investments

Development banks

Investments in development banks are classified as 'monetary — available for sale financial assets' refer Note 7.4. As such, the foreign currency value of investments is translated into Australian dollars (AUD) using relevant foreign currency exchange rates at balance date.

Principal activities:

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to assist former communist eastern European countries committed to the principles of multi-party democracy, pluralism and market economies, to develop their private sector and capital markets. The EBRD currently operates in more than 30 countries from Central and Eastern Europe to Central Asia and the Southern and Eastern Mediterranean region. 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 Asian Development Bank (ADB) was established in 1966 and has a mandate to reduce poverty and promote economic development in its developing member countries in Asia and the Pacific. 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, transportation and energy sectors.

The World Bank was established in 1944 and comprises the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The World Bank, alongside the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID), form the World Bank Group.

The IBRD provides financing and technical assistance to middle income countries and creditworthy poor countries. The IDA provides grants, 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. ICSID provides international facilities for conciliation and arbitration of investment disputes.

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The AIIB focuses on the development of infrastructure and other productive sectors in Asia, including energy and power, transportation and telecommunications, and water supply and sanitation. The AIIB also aims to promote interconnectivity and economic integration in the region by working in close collaboration with other multilateral and bilateral development institutions.

International Monetary Fund

The IMF is an organisation with 189 member countries, working to ensure the stability of the international monetary system — the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other. The IMF does this through: surveillance, including annual economic assessments of member countries; technical assistance to member countries; and by making resources available (with adequate safeguards) to members experiencing balance of payments difficulties.

Quota subscriptions which are denominated in SDR's represent a member's shareholding in the IMF and generate most of the IMF's financial resources.

Australian Government entities

Administered investments in controlled corporate entities are not consolidated because their consolidation is relevant only at the whole of government level.

The Australian Government's investment in controlled corporate entities and companies in the Treasury portfolio are measured at their fair value as at 30 June 2016. Fair value has been taken to be the net assets of the entities, adjusted for the discount of employee benefit obligations with reference to the yield on Australian Government bonds for the Reserve Bank of Australia, as at balance date. These entities are listed below:

Reserve Bank of Australia

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

Australian Reinsurance Pool Corporation

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

Impairment of administered investments

Administered investments were assessed for impairment at 30 June 2016. No indicators of impairment were identified (2015: nil).

5.2. Administered — Payables

	2016 $'000	2015 $'000
Note 5.2A: Grants		
Public sector		
COAG grants payable	**186,830**	599,530
Other grants payable	**223**	395
Total grants	**187,053**	599,925
Grants are expected to be settled in no more than 12 months.		
Note 5.2B: Other payables		
GST appropriation payable	**172**	761
IMF SDR allocation	**5,795,434**	5,633,420
IMF related monies owing	**492**	469
Suppliers	**-**	7,942
Total other payables	**5,796,098**	5,642,592
Other payables expected to be settled		
No more than 12 months	**664**	9,172
More than 12 months	**5,795,434**	5,633,420
Total other payables	**5,796,098**	5,642,592
Note 5.2C: Unearned income		
Guarantee of State and Territory Borrowing contractual guarantee service obligation[1]	**47,872**	77,019
Total unearned income	**47,872**	77,019
Total unearned income expected to be settled		
No more than 12 months	**14,823**	19,938
More than 12 months	**33,049**	57,081
Total unearned income	**47,872**	77,019

1. Refer Note 5.1A for corresponding receivable.

IMF Special Drawing Right Allocation

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

5.3. Administered — Interest Bearing Liabilities

	2016 $'000	2015 $'000
Note 5.3A: Loans		
IMF promissory notes[1]	**9,494,540**	4,642,044
Other promissory notes[1]	**156,609**	182,660
Total loans	**9,651,149**	4,824,704
Loans expected to be settled		
Within 1 year	**22,218**	-
Between 1 to 5 years	**74,591**	124,839
More than 5 years	**9,554,340**	4,699,865
Total loans	**9,651,149**	4,824,704

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

Promissory notes

Promissory notes have been issued to the IMF, 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.

5.4. Administered — Other Provisions

	2016 $'000	2015 $'000
Note 5.4A: Other Provisions		
NDRRA provision	**1,725,063**	1,816,251
Queensland	*1,337,645*	*1,523,777*
Victoria	*117,992*	*77,246*
New South Wales	*112,625*	*110,473*
Northern Territory	*68,716*	*92,458*
Tasmania	*64,834*	*107*
Western Australia	*16,587*	*8,566*
South Australia	*6,664*	*3,624*
Total other provisions	**1,725,063**	1,816,251

	2016 $'000	2015 $'000
Other provisions expected to be settled		
No more than 12 months	**1,617,519**	1,406,684
More than 12 months	**107,544**	409,567
Total other provisions	**1,725,063**	1,816,251

	NDRRA provision $'000	Total $'000
As at 1 July 2015	**1,816,251**	**1,816,251**
Additional provisions made	**182,316**	**182,316**
Amounts used	**-**	**-**
Amounts reversed	**(315,239)**	**(315,239)**
Unwinding of discount or change in discount rate	**41,735**	**41,735**
Total as at 30 June 2016	**1,725,063**	**1,725,063**

Accounting Judgements and Estimates

The Natural Disaster Relief and Recovery Arrangements (NDRRA) liability represents the Treasury's best estimate of payments expected to be made to States and Territories as at balance date.

The estimate is based on information provided by States and Territories to the Attorney General's Department (AGD), the Commonwealth agency responsible for the administration of disaster relief. The estimates provided by States and Territories are based on their assessment of the costs expected to be incurred that would be eligible for assistance under NDRRA. AGD performs a review of estimates provided by the States and Territories in order to assess the reasonableness of estimated expenditure with regard to eligibility under the NDRRA. The Treasury reviews the estimates to ensure they are consistent with government decisions and then calculates the provision by discounting the future cashflows. Given the nature of disasters, there is a level of uncertainty in the estimated reconstruction costs at the time of a disaster. This uncertainty decreases as reconstruction efforts progress to completion. Consistent with accounting principles, the Treasury adopts a prudent position at this time to ensure that liabilities are not understated.

The liability at 30 June 2016 includes estimated payments for disaster events that occurred prior to 1 July 2016, with the exception of new events for which reliable expenditure data is unavailable at the time States and Territories submitted their cost estimates to AGD in late June. Not included in the liability balance at 30 June 2016 are the estimated costs of the following events:

- New South Wales thunderstorms in January 2016;
- South West Queensland floods in May 2016;
- South Australia Charles Sturt storms in May 2016; and
- New South Wales East Coast storms and floods in June 2016.

6. Funding

This section identifies the Treasury funding structure.

6.1. Appropriations

Note 6.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations 2016

	Appropriation Act		*PGPA Act*				
	Annual Appropriation $'000	AFM $'000	Section 74 Receipts $'000	Section 75 Transfers[2] $'000	Total appropriation $'000	Appropriation applied in 2016 (current and prior years) $'000	Variance[3] $'000
DEPARTMENTAL							
Ordinary annual services	161,109	-	15,534	(1,000)	175,643	(188,016)	(12,373)
Capital Budget[1]	5,312	-	-	-	5,312	(5,312)	-
Other services							
Equity	1,700	-	-	-	1,700	(1,700)	-
Total departmental	168,121	-	15,534	(1,000)	182,655	(195,028)	(12,373)
ADMINISTERED							
Ordinary annual services							
Administered items	38,124	-	-	-	38,124	(43,833)	(5,709)
Payments to Corporate Commonwealth Entities	-	-	-	-	-	-	-
Other services							
Administered assets and liabilities	-	-	-	-	-	-	-
Total administered	38,124	-	-	-	38,124	(43,833)	(5,709)

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1 and 3). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.
2. Transfer of departmental appropriation to the Department of Industry, Innovation and Science for the Northern Australia Infrastructure Facility.
3. Variances largely driven by the timing of cash payments.

Annual Appropriations 2015[1]

	Appropriation Act		PGPA Act				
	Annual Appropriation $'000	AFM $'000	Section 74 Receipts $'000	Section 75 Transfers $'000	Total appropriation $'000	Appropriation applied in 2015 (current and prior years) $'000	Variance $'000
DEPARTMENTAL							
Ordinary annual services	173,027	-	15,425	(260)	188,192	(185,020)	3,172
Capital Budget	5,373	-	-	-	5,373	(5,373)	-
Other services							
Equity	2,613	-	-	(2,613)	-	(1,595)	(1,595)
Total departmental	181,013	-	15,425	(2,873)	193,565	(191,988)	1,577
ADMINISTERED							
Ordinary annual services							
Administered items[2]	79,712	-	-	6,856	86,568	(72,859)	13,709
Payments to Corporate Commonwealth Entities	-	-	-	-	-	-	-
Other services							
Administered assets and liabilities	-	-	-	-	-	(20)	(20)
Total administered	79,712	-	-	6,856	86,568	(72,879)	13,689

1. Variation to presentation as published in the 2014-15 financial statements to align with the 2015-16 presentation.

2. Variance relates to undrawn appropriation for the community engagement campaign on Australia's economic challenges.

Note 6.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

Authority	2016 $'000	2015 $'000
Departmental		
Appropriation Act (No. 1) 2012-13[1]	**865**	865
Appropriation Act (No. 2) 2012-13[1]	**208**	208
Appropriation Act (No. 3) 2013-14	**-**	7,473
Appropriation Act (No. 1) 2014-15	**-**	50,770
Appropriation Act (No. 3) 2014-15	**-**	620
Appropriation Act (No. 1) 2015-16[2]	**44,264**	-
Appropriation Act (No. 3) 2015-16	**1,768**	-
Total departmental	**47,105**	59,936

Authority	2016 $'000	2015 $'000
Administered		
Appropriation Act (No. 1) 2012-13[3]	**2**	2
Appropriation Act (No. 2) 2012-13[3]	**42,705**	42,705
Appropriation Act (No. 2) 2013-14	**47,101**	47,101
Appropriation Act (No. 4) 2013-14	**18**	18
Appropriation Act (No. 1) 2014-15	**-**	2,304
Appropriation Act (No. 3) 2014-15	**308**	308
Appropriation Act (No. 5) 2014-15	**4,510**	13,798
Appropriation Act (No. 1) 2015-16	**5,280**	-
Appropriation Act (No. 3) 2015-16	**1,400**	-
Total administered	**101,324**	106,236

1. Balances include quarantined funds of $1.073 million relating to the transfer of the Standard Business Reporting function to the Australian Taxation Office.
2. Cash held amounts (2016:$2.686 million, 2015: $5.047 million) are included in Appropriation Act (No.1) for the relevant year.
3. Balances include quarantined funds totalling $42.707 million pending the repeal of 2012-13 Appropriations.

Note 6.1C: Special Appropriations ('Recoverable GST exclusive')

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

	Appropriation applied	
Authority	**2016 $'000**	2015 $'000
Asian Development Bank Act 1966	**-**	-
Asian Development Bank (Additional Subscription) Act 2009	**(28,030)**	(16,979)
Asian Infrastructure Investment Bank Act 2015	**(210,884)**	-
Clean Energy Act 2011	**-**	-
Clean Energy Finance Corporation Act 2012 *(Limited amount; $2.0 billion in 2015-16)*	**(2,000,000)**	(2,000,000)
Commonwealth Places (Mirror Taxes) Act 1998	**(513,235)**	(502,976)
European Bank for Reconstruction and Development Act 1990	**-**	-
Federal Financial Relations Act 2009	**(78,525,449)**	(73,296,353)
Financial Agreements (Commonwealth Liability) Act 1932	**-**	-
Financial Services Reform Act 2001	**-**	-
Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008	**-**	-
International Bank for Reconstruction and Development (General Capital Increase) Act 1989	**-**	-
International Bank for Reconstruction and Development (Share Increase) Act 1988	**-**	-
International Finance Corporation Act 1955	**-**	-
International Finance Institutions (Share Increase) Act 1982	**-**	-
International Finance Institutions (Share Increase) Act 1986	**-**	-
International Monetary Agreements Act 1947	**(1,697,678)**	(54,453)
Multilateral Investment Guarantee Agency Act 1997	**-**	-
Papua New Guinea Loan (International Bank) Act 1970	**-**	-

Note 6.1C: Special Appropriations ('Recoverable GST exclusive')

	Appropriation applied	
Authority	**2016 $'000**	2015 $'000
Papua New Guinea Loans Guarantee Act 1975	**-**	-
Payment of Tax Receipts (Victoria) Act 1996	**-**	-
Public Governance, Performance and Accountability Act 2013	**(307)**	(2,871)
State Grants Act 1927	**-**	-
States (Works and Housing) Assistance Act 1984	**-**	-
States (Works and Housing) Assistance Act 1988	**-**	-
Superannuation Industry (Supervision) Act 1993	**-**	-
Terrorism Insurance Act 2003	**-**	-
Total	**(82,975,583)**	**(75,873,632)**

Note 6.1D: Disclosure by agent in relation to Annual and Special Appropriations ('Recoverable GST exclusive')

2016	**Department of Education and Training** Payments to the States and Territories: education services **$'000**	**Department of Agriculture and Water Resources** Payments to the States and Territories: Water for the Environment Special Account **$'000**	**Inspector-General of Taxation** Transaction service provider **$'000**
Total receipts	**16,698,587**	**2,574**	**6,344**
Total payments	**16,698,587**	**2,574**	**6,351**

2015	**Department of Education and Training** Payments to the States and Territories: education services **$'000**	**Department of Agriculture and Water Resources** Payments to the States and Territories: Water for the Environment Special Account **$'000**	**Inspector-General of Taxation** Transaction service provider **$'000**
Total receipts	15,635,076	-	2,786
Total payments	15,635,076	-	2,714

6.2. Special Accounts

	Actuarial Services Special Account[1]		Clean Energy Finance Corporation Special Account[2]		Fuel Indexation Special Account[3]		COAG Reform Fund Special Account[4]		Services for Other Entities and Trust Money Special Account[5]	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Balance brought forward from previous period	**2,632**	2,446	**2,919,000**	868,400	**-**	-	**-**	-	**-**	-
Increases										
Appropriation for reporting period	**-**	-	**2,000,000**	2,000,000	**98,000**	-	**9,037,014**	10,528,522	**-**	-
Other receipts	**2,100**	2,026	**-**	50,600	**-**	-	**366,887**	993,121	**2,037**	1,996
Total increases	**2,100**	2,026	**2,000,000**	2,050,600	**98,000**	-	**9,403,901**	11,521,643	**2,037**	1,996
Available for payments	**4,732**	4,472	**4,919,000**	2,919,000	**98,000**	-	**9,403,901**	11,521,643	**2,037**	1,996
Decreases										
Departmental										
Payments made to employees	**(1,537)**	(1,487)	**-**	-	**-**	-	**-**	-	**-**	-
Payments made to suppliers	**(360)**	(353)	**-**	-	**-**	-	**-**	-	**-**	-
Total departmental	**(1,897)**	(1,840)	**-**	-	**-**	-	**-**	-	**-**	-
Administered										
Payments made to States and Territories	**-**	-	**-**	-	**-**	-	**(9,403,901)**	(11,521,643)	**-**	-
Payments made to other entities	**-**	-	**-**	-	**-**	-	**-**	-	**(2,037)**	(1,996)
Transfers made to other entities	**-**	-	**(4,919,000)**	-	**-**	-	**-**	-	**-**	-
Transfers made to COAG Reform Fund Special Account	**-**	-	**-**	-	**(98,000)**	-	**-**	-	**-**	-
Total administered	**-**	-	**(4,919,000)**	-	**(98,000)**	-	**(9,403,901)**	(11,521,643)	**(2,037)**	(1,996)
Total decreases	**(1,897)**	(1,840)	**(4,919,000)**	-	**(98,000)**	-	**(9,403,901)**	(11,521,643)	**(2,037)**	(1,996)
Total balance carried to the next period	**2,835**	2,632	**-**	2,919,000	**-**	-		-	**-**	-

1. Legal authority: Initially Financial Management and Accountability Determination 2006/34 — Actuarial Services Special Account Establishment 2006, taken to have been made under subsection 78(1) of the Public Governance, Performance and Accountability Act 2013.
Purpose: Providing actuarial services and advice.
Note: Actuarial Services Special Account was established on 1 October 2006. This special account determination is to sunset on 1 October 2016.

2. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
   Establishing instrument: *Clean Energy Finance Corporation Act 2012*, section 5.
   Purpose: To facilitate increased flows of finance into the clean energy sector. The return of capital to the Clean Energy Finance Corporation (CEFC) special account represents the return of surplus money from the CEFC to the Commonwealth.
   Note: The CEFC special account of $4.919 billion was transferred to Department of the Environment and Energy as a result of the restructuring of administrative arrangements on 21 September 2015.
3. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
   Establishing instrument: Fuel Indexation (Road Funding) Special Account Act 2015, subsection 8(1).
   Purpose: To ensure that amounts equal to the net revenue from indexation on customs and excise duties on fuel are transferred to the COAG Reform Fund in order to provide funding to the States and Territories for expenditure in relation to Australian road infrastructure investment.
4. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
   Establishing instrument: COAG Reform Fund Act 2008, section 5.
   Purpose: For the making of grants of financial assistance to the States and Territories.
   Note: The Treasury makes payments to the States and Territories from the COAG Reform Fund special account based on information provided by other Government departments that have policy and program implementation responsibility.
5. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
   Establishing instrument: Establishment of SOTEM Special Account — Treasury Determination 2012/09.
   Purpose: To disburse amounts held on trust for the benefit of a person other than the Commonwealth or in connection with services performed on or behalf of other governments and bodies.
   Note: Receipt relates to funding received and held on trust for the Global Infrastructure Hub.

6.2 Special Accounts — continued

Financial System Stability Special Account (Administered)

The Treasury's 'Financial System Stability' special account established under section 70E of *the Banking Act 1959 for* the making of payments authorised under specified sections of the *Banking Act 1959*, the *Insurance Act 1973* and the *Life Insurance Act 1995* and to meet expenses of administering the special account. For the years ended 30 June 2015 and 30 June 2016 this special account had nil balances and no transactions were credited or debited to the account.

6.3. Net Cash Appropriation Arrangements

	2016 $'000	2015 $'000
Total comprehensive income/(loss) less depreciation/amortisation expenses previously funded through revenue appropriations	**3,166**	5,606
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	**(8,803)**	(9,667)
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	**(5,637)**	(4,061)

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

6.4. Cash Flow Reconciliation

	2016 $'000	2015 $'000
Note 6.4A: Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per Statement of Financial Position and Cash Flow Statement		
Cash and cash equivalents as per		
Cash flow statement	**2,776**	5,152
Statement of financial position	**2,776**	5,152
Discrepancy	**-**	-
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net (cost of)/contribution by services	**(171,770)**	(177,804)
Revenue from Government	**160,109**	172,767
Adjustments for non-cash items		
Depreciation/amortisation	**8,803**	9,667
Other non-cash items	**93**	-
Finance costs	**86**	25
Net write down of non-financial assets	**100**	277
Gain on disposal of assets	**-**	(9)
Other gains	**(448)**	(14)
Movements in assets and liabilities		
Assets		
(Increase)/decrease in net receivables[1]	**9,238**	1,312
(Increase)/decrease in other non-financial assets	**(1,522)**	(752)
Liabilities		
Increase/(decrease) in provisions[2]	**3,001**	923
Increase/(decrease) in other payables	**(5,573)**	(531)
Increase/(decrease) in supplier payables	**(954)**	(1,107)
Net cash from/(used by) operating activities	**1,163**	4,754

1. Excludes repeal of quarantined funds ($0.5 million) relating to the transfer of the Standard Business Reporting function to the Australian Taxation Office.
2. Excludes the change in provision ($2.3 million) for recognition of make-good (restoration).

	2016 $'000	2015 $'000
Note 6.4B: Administered Cash Flow Reconciliation		
Reconciliation of net cost of services to net cash from operating activities		
Net cost of services	**(83,703,123)**	(79,922,750)
Adjustments for non-cash items		
Foreign exchange loss/(gain)	**(16,736)**	(36,629)
Movements in assets and liabilities		
Assets		
(Increase)/decrease in net receivables	**(790,250)**	(1,200,511)
(Increase)/decrease in other non-financial assets	**10**	51
Liabilities		
Increase/(decrease) in grants payable	**(412,872)**	(36,474)
Increase/(decrease) in unearned income	**(29,147)**	(59,216)
Increase/(decrease) in other payables	**(8,508)**	8,334
Increase/(decrease) in other provisions	**(91,188)**	(1,767,045)
Net cash from/(used by) operating activities	**(85,051,814)**	(83,014,240)

7. Managing Uncertainties

This section analyses how the Treasury manages financial risks within its operating environment.

7.1. Departmental Contingent Assets and Liabilities

Quantifiable Contingencies

There were no quantifiable contingent assets or liabilities in 2016 (2015: Nil).

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the 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 disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when the probability of settlement is greater than remote.

7.2. Administered Contingent Assets and Liabilities

Quantifiable administered contingencies

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

Commitments under expanded IMF New Arrangements to Borrow (NAB)

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow (NAB) since 1998. This is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The IMF's 14th General Review of Quotas, which became effective on 26 January 2016, resulted in a doubling of the IMF's quota resources and a corresponding rollback in the size of the NAB facility. The value of Australia's NAB credit arrangement now stands at Special Drawing Right (SDR, the IMF's unit of account) 2.22 billion (estimated value A$4.17 billion at 30 June 2016).

The Fund does not publish annual estimates of the amount it expects to call under the NAB facility. However, the last NAB activation period was terminated in February 2016 and the IMF is currently relying predominantly on its quota resources to fund new lending. As at the completion of these statements, the IMF had not called on Australia's NAB facility in the current financial year and does not expect to under its most recent 'Resource Mobilisation Plan', which covers the period to October 2016.

IMF Bilateral Loan

In addition to the NAB credit line, as part of a broad international effort to increase the resources available to the IMF, Australia has made available a SDR4.61 billion (approximately A$8.67 billion at 30 June 2016) contingent bilateral loan to the IMF. The contingent loan is on terms consistent with separate bilateral loan and note purchase agreements between the IMF and all contributing countries. It will be drawn upon by the IMF only if needed to supplement the IMF's quota and NAB resources and any loans would be repaid in full with interest. The increase in the IMF's resources will help ensure that it has the capability to address any potential vulnerability facing the global economy.

International financial institutions — uncalled capital subscriptions

The Australian Government has held an uncalled capital subscription in the International Bank for Reconstruction and Development (IBRD) since 1947. Australia's uncalled capital subscription to the IBRD totals US$3.6 billion (estimated value A$4.8 billion as at 30 June 2016).

The Australian Government has also held an uncalled capital subscription in the European Bank for Reconstruction and Development (EBRD) since 1991. Australia's uncalled capital subscription to the EBRD totals €237.5 million (estimated value A$354.6 million as at 30 June 2016).

The Australian Government has further held an uncalled capital subscription in the Asian Development Bank (ADB) since 1966. Australia's uncalled capital subscription to the ADB totals US$7.0 billion (estimated value A$9.5 billion as at 30 June 2016).

The Australian Government has further held an uncalled capital subscription in the Multilateral Investment Guarantee Agency of US$26.5 million (estimated value A$35.6 million as at 30 June 2016).

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The Australian Government has subscribed to shares in the AIIB, which includes an uncalled capital subscription. Australia's uncalled capital subscription to the AIIB totals US$3.0 billion (estimated value A$4.0 billion as at 30 June 2016).

None of these international financial institutions have ever drawn on Australia's uncalled capital subscriptions.

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

The Australian Government has agreed to lend up to $160 million to the State Government of New South Wales (NSW) to support the loan facility to top up the James Hardie Asbestos Injuries Compensation Fund. Draw down on the loan is subject to the James Hardie Asbestos Injuries Compensation Fund requiring funds to meet its liabilities and is contingent on NSW meeting a number of conditions under the loan agreement with the Australian Government. The timing and amounts that may be drawn down by NSW cannot be determined accurately. No new loans were provided to the State Government of NSW in respect of the loan facility in 2015-16. (2014-15: nil).

Unquantifiable administered contingencies

Contingent Liabilities

Housing Loans Insurance Corporation (HLIC) — 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 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, to maintain a pool of funds and to purchase reinsurance to help meet future claims. The Australian Government guarantees to pay any liabilities of the ARPC, but the Treasurer must declare a reduced payout rate to insured entities if the Government's liability would otherwise exceed $10 billion.

Contingent Assets

HIH Claims Support Scheme (HCSS)

As an insured creditor in the liquidation of the HIH Group, the Australian Government is entitled to payments arising from the HCSS's position in the Proof of Debt of respective HIH companies. The Treasury has received payments from the HIH Estate during 2015-16; however the timing and amount of future payments are unknown and will depend on the outcome of the estimation process and the completion of the liquidation of the HIH Group.

Burden sharing in the International Monetary Fund remuneration

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

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

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

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

7.3. Financial Instruments

Note 7.3A: Fair value of financial instruments

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

Note 7.3B: Credit risk

The Treasury is exposed to minimal credit risk as financial assets only include cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2016: $2.5 million and 2015: $1.7 million). The Treasury has assessed the risk of default on payment as being minimal.

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

The Treasury holds no collateral to mitigate against credit risk.

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

	Not past due nor impaired 2016 $'000	Not past due nor impaired 2015 $'000	**Past due or impaired 2016 $'000**	Past due or impaired 2015 $'000
Loans and receivables				
Cash and cash equivalents	**2,776**	5,152	**-**	-
Trade receivables	**399**	675	**2,101**	1,070
Total	**3,175**	5,827	**2,101**	1,070

Ageing of financial assets that were past due but not impaired for 2016

	0 to 30 days $'000	**31 to 60 days $'000**	**61 to 90 days $'000**	**90+ days $'000**	**Total $'000**
Loans and receivables					
Trade receivables	**1,833**	**90**	**56**	**122**	**2,101**
Total	**1,833**	**90**	**56**	**122**	**2,101**

Ageing of financial assets that were past due but not impaired for 2015

	0 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	90+ days $'000	Total $'000
Loans and receivables					
Trade receivables	890	111	11	58	1,070
Total	890	111	11	58	1,070

Note 7.3C: Liquidity risk

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

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

All non-derivative financial liabilities are expected to mature within 1 year (2015: 1 year).

Note 7.3D: Market risk

The Treasury holds only basic financial instruments that do not expose the Treasury to certain market risks, such as 'Currency risk' and 'Other price risk'.

Interest rate risk

The Treasury does not hold financial instruments that expose the Treasury to interest rate risk.

Accounting Policy

Financial risk management

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

7.4. Administered — Financial Instruments

	2016 $'000	2015 $'000
Note 7.4A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
IMF related monies owing	-	55
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	-	13
Guarantee of State and Territory Borrowing contractual fee receivable	**47,872**	77,019
Guarantee of State and Territory Borrowing fee receivable	**1,374**	1,765
IMF new arrangements to borrow loan	**737,805**	766,588
Loans to States and Territories	**46,269**	44,233
Dividends receivable	**3,221,819**	2,501,245
Other receivables	**113,064**	15,229
Total loans and receivables	**4,168,203**	3,406,147
Available-for-sale financial assets		
International financial institutions	**1,255,969**	1,013,498
Australian Government entities	**24,095,677**	25,638,809
IMF Quota	**12,354,135**	5,913,393
Total available-for-sale financial assets	**37,705,781**	32,565,700
Total financial assets	**41,873,984**	35,971,847
Financial Liabilities		
Financial liabilities measured at amortised cost:		
Promissory notes	**9,651,149**	4,824,704
Grant liabilities	**187,053**	599,925
IMF SDR allocation liability	**5,795,434**	5,633,420
Other payables	**492**	8,411
Guarantee of State and Territory Borrowing contractual guarantee service obligation	**47,872**	77,019
Total financial liabilities measured at amortised cost	**15,682,000**	11,143,479
Total financial liabilities	**15,682,000**	11,143,479

Accounting Policy

Financial Assets

The Treasury classifies its financial instruments as loans and receivables.

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

	2016 $'000	2015 $'000
Note 7.4B: Net Gains and Losses on Financial Assets		
Loans and receivables		
Guarantee Scheme for Large Deposits and Wholesale Funding fee	**50**	22,218
Guarantee of State and Territory Borrowing	**18,199**	23,763
Interest revenue	**2,454**	2,518
Net gains/(losses) on loans and receivables	**20,703**	48,499
Available for sale		
Interest revenue	**226**	648
Exchange gains/(loss)	**180,728**	626,351
Net gains/(losses) on available for sale assets	**180,954**	626,999
Net gains/(losses) on financial assets	**201,657**	675,498
Note 7.4C: Net Gains and Losses on Financial Liabilities		
Financial liabilities measured at amortised cost		
IMF Charges	**3,276**	3,427
Exchange gains/(loss)	**(163,992)**	(589,722)
Net gains/(losses) on financial liabilities measured at amortised cost	**(160,716)**	(586,295)
Net gains/(losses) on financial liabilities	**(160,716)**	(586,295)

Note 7.4D: Credit risk

The maximum exposure to credit risk of the Treasury's administered financial assets is the carrying amount of 'loans and receivables' (2016: $4.2 billion and 2015: $3.4 billion) and the carrying amount of 'available for sale financial assets' (2016: $37.7 billion and 2015: $32.6 billion).

With the exception of the newly established Asian Infrastructure Investment Bank which has been funded by member capital, the other international financial institutions that the Treasury holds its financial assets with have a minimum of AAA credit ratings. The contractual fee receivable arising from the Guarantee of State and Territory Borrowing relates to 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 7.4E: Liquidity risk

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

The following tables illustrate the maturities for non-derivative financial liabilities:

Maturities for financial liabilities in 2016

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Promissory notes	-	22,218	24,359	50,232	9,554,340	9,651,149
Grant liabilities	-	187,053	-	-	-	187,053
IMF SDR allocation liabilities	-	-	-	-	5,795,434	5,795,434
Other payables	492	-	-	-	-	492
Total	**492**	**209,271**	**24,359**	**50,232**	**15,349,774**	**15,634,128**

Maturities for financial liabilities in 2015

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Promissory notes	-	-	-	124,839	4,699,865	4,824,704
Grant liabilities	-	599,925	-	-	-	599,925
IMF SDR allocation liabilities	-	-	-	-	5,633,420	5,633,420
Other payables	8,411	-	-	-	-	8,411
Total	8,411	599,925	-	124,839	10,333,285	11,066,460

Note 7.4F: Market risk

Foreign exchange 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 risk primarily through undertaking certain transactions denominated in foreign currency (USD and EUR) and SDR.

The following table details the effect on profit and equity as at 30 June 2016 from a 10.5 per cent (30 June 2015 from a 10.9 per cent) favourable/unfavourable change in AUD against the Treasury with all other variables held constant. The change in the risk variable has been determined by reference to standard parameters provided by the Department of Finance.

Sensitivity analysis of the risk that the entity is exposed to for 2016

			Effect on	
	Risk variable	**Change in risk variable %**	**Net cost of services 2016 $'000**	**Equity 2016 $'000**
IFI Investments	Exchange rate	10.5	**(119,346)**	**(119,346)**
IFI Investments	Exchange rate	(10.5)	**147,348**	**147,348**
IMF Remuneration Receivable	Exchange rate	10.5	**-**	**-**
IMF Remuneration Receivable	Exchange rate	(10.5)	**-**	**-**
IMF new arrangements to borrow loan	Exchange rate	10.5	**(70,108)**	**(70,108)**
IMF new arrangements to borrow loan	Exchange rate	(10.5)	**86,558**	**86,558**
IMF Quota	Exchange rate	10.5	**(1,173,923)**	**(1,173,923)**
IMF Quota	Exchange rate	(10.5)	**1,449,368**	**1,449,368**
Promissory notes	Exchange rate	10.5	**(5,682)**	**(5,682)**
Promissory notes	Exchange rate	(10.5)	**7,016**	**7,016**
IMF SDR allocation liability	Exchange rate	10.5	**(550,697)**	**(550,697)**
IMF SDR allocation liability	Exchange rate	(10.5)	**679,911**	**679,911**
IMF Charges Payable	Exchange rate	10.5	**(47)**	**(47)**
IMF Charges Payable	Exchange rate	(10.5)	**58**	**58**

Sensitivity analysis of the risk that the entity is exposed to for 2015

			Effect on	
	Risk variable	Change in Risk variable %	Net cost of services 2015 $'000	Equity 2015 $'000
IFI Investments	Exchange rate	10.9	(99,613)	(99,613)
IFI Investments	Exchange rate	(10.9)	123,986	123,986
IMF Remuneration Receivable	Exchange rate	10.9	(5)	(5)
IMF Remuneration Receivable	Exchange rate	(10.9)	7	7
IMF new arrangements to borrow loan	Exchange rate	10.9	(75,345)	(75,345)
IMF new arrangements to borrow loan	Exchange rate	(10.9)	93,780	93,780
IMF Quota	Exchange rate	10.9	(581,208)	(581,208)
IMF Quota	Exchange rate	(10.9)	723,412	723,412
Promissory notes	Exchange rate	10.9	(5,683)	(5,683)
Promissory notes	Exchange rate	(10.9)	7,074	7,074
IMF SDR allocation liability	Exchange rate	10.9	(553,691)	(553,691)
IMF SDR allocation liability	Exchange rate	(10.9)	689,161	689,161
IMF Charges Payable	Exchange rate	10.9	(46)	(46)
IMF Charges Payable	Exchange rate	(10.9)	57	57

Administered financial instruments

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

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

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

Available for sale financial assets:

- investments in development banks (measured initially at cost or notional cost and then measured at fair value);
- the IMF quota (measured initially at cost or notional cost and then measured at fair value); and
- Investments in Government Entities (measured at fair value based on net asset position of the entity at 30 June 2016).

Financial liabilities:

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

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

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

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

The Guarantee 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 7.2.

7.5. Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value.
The different levels of the fair value hierarchy are defined below.
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Note 7.5A: Fair value measurements, valuation techniques and inputs used

	Fair value measurements at the end of the reporting period			For Levels 2 and 3 fair value measurements	
	2016 $'000	2015 $'000	Category (Level 1, 2 or 3)[3]	Valuation technique(s)	Inputs used
Non-financial assets[1,2]					
Property, plant and equipment - AUC	**285**	-	2	**Current Cost**	Current acquisition prices.
Property, plant and equipment	**3,811**	222	2	**Market Approach:** This approach seeks to estimate the current value of an asset with reference to recent market transactions involving identical or comparable assets.	Prices and other relevant information generated by market transactions involving plant and equipment assets were considered.
Property, plant and equipment	**3,612**	5,933	3	**Depreciated Replacement Cost:** The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence.	Current prices for substitute assets. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the assets under consideration.
Library	**1,919**	1,919	3	**Depreciated Replacement Cost**	Current prices for substitute assets. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the assets under consideration.
Land and buildings - AUC	**183**	-	2	**Current Cost**	Current acquisition prices.
Land and buildings	**14,097**	2,292	3	**Depreciated Replacement Cost**	Current costs per square metre of floor area relevant to the location of the asset. Physical depreciation and obsolescence has been determined based on the term of the associated lease.
Total non-financial assets	**23,907**	10,366			

1. No non-financial assets were measured at fair value on a non-recurring basis as at 30 June 2016 (2015: nil).
2. The Treasury's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all non-financial assets is considered their highest and best use.
3. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Accounting Policy

Fair value measurements — highest and best use differs from current use for non-financial assets (NFAs)

The Treasury's assets are held for operational purposes and are not held for the purposes of deriving a profit. The current use of all NFAs is considered their highest and best use.

Recurring and non-recurring Level 3 fair value measurements — valuation processes

The Treasury procures the valuation services from an independent valuer of the tangible non-financial asset classes once every three years. Asset carrying amounts are tested for materiality at least once every 12 months. If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation. There have been no transfers between level 1 and level 2 of the hierarchy during the year.

The Treasury engaged the service of the Australian Valuation Solutions (AVS) to conduct a detailed external valuation of the Land and Buildings and Motor Vehicles non-financial asset classes at 30 June 2016 and has relied upon those outcomes to establish carrying amounts. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations are carried out at least once every three years. During 2014-15, the Treasury appointed Preston Rowe Paterson to undertake a full revaluation of all tangible property, plant and equipment assets as at 1 July 2014. AVS has provided written assurance to the Treasury that the models developed are in compliance with AASB 13.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

All Asset Classes — Physical Depreciation and Obsolescence.

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the Depreciated Replacement Cost approach. Under the Depreciated Replacement Cost approach the estimated cost to replace the asset is calculated and then adjusted to take into physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all Leasehold Improvement assets, the consumed economic benefit / asset obsolescence deduction is determined based on the term of the associated lease.

Library — Replacement cost

The value of the library was determined on the basis of the average cost for items within each collection. The replacement cost has considered purchases over recent years and these have been evaluated for reasonableness against current market prices.

The Treasury's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There have been no transfers between level 1 and level 2 of the hierarchy during the year.

Note 7.5B: Level 1 and Level 2 transfers for recurring fair value measurements

No assets were transferred between Level 1 and Level 2.

Note 7.5C: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements — reconciliation for assets

	Non-financial assets							
	Property, plant and equipment		Library		Land and Buildings		Total	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
As at 1 July	**5,933**	8,713	**1,919**	1,871	**2,292**	5,721	**10,144**	16,305
Total gains/(losses) recognised in net cost of services[1]	**(2,238)**	(2,698)	**-**	-	**(987)**	(4,279)	**(3,225)**	(6,977)
Total gains/(losses) recognised in other comprehensive income[2]	**-**	401	**-**	48	**5,980**	521	**5,980**	970
Impairment	**(83)**	-	**-**	-	**-**	-	**(83)**	-
Purchases	**-**	418	**-**	-	**6,797**	243	**6,797**	661
Settlements	**-**	(901)	**-**	-	**15**	86	**15**	(815)
Total as at 30 June	**3,612**	5,933	**1,919**	1,919	**14,097**	2,292	**19,628**	10,144

1. These gains/(losses) are presented in the Statement of Comprehensive Income under depreciation and amortisation.
2. These gains/(losses) are presented in the Statement of Comprehensive Income under changes in asset revaluation reserves.

The entity's policy for determining when transfers between levels are deemed to have occurred can be found at Note 7.5A.

7.6. Administered — Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value.
The different levels of the fair value hierarchy are defined below.
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Note 7.6A: Fair Value Measurements, Valuation Techniques and Inputs Used

Recurring fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2016

	Fair value measurements at the end of the reporting period using			For Levels 2 and 3 fair value
	2016 $'000	2015 $'000	**Category (Level 1, 2 or 3)**	**Valuation technique(s) and inputs used[1,2]**
Financial assets:				
Investment in Australian Government Entities:	**24,095,677**	25,638,809	**3**	**Net assets**
Australian Reinsurance Pool Corporation	***503,677***	*537,700*		
Clean Energy Finance Corporation	**-**	*1,232,109*		
Reserve Bank of Australia	***23,592,000***	*23,869,000*		
Investment in International Financial Institutions:	**13,610,104**	6,926,891	**3**	**Value of shares held**
IMF quota	***12,354,135***	*5,913,393*		
Asian Development Bank	***577,387***	*561,246*		
Asian Infrastructure and Investment Bank	***198,815***	-		
European Bank for Reconstruction and Development	***93,447***	*91,174*		
International Bank for Reconstruction and Development	***314,236***	*291,378*		
International Finance Corporation	***63,734***	*61,626*		
Multilateral Investment Guarantee Agency	***8,350***	*8,074*		
Total financial assets	**37,705,781**	32,565,700		
Total fair value measurements	**37,705,781**	32,565,700		

1. No change in valuation techniques occurred during the period.
2. Significant observable inputs only.

Fair value measurements

The highest and best use of Treasury's investments in Australian Government entities does not differ because the fair value is based on the net asset position of the entity.

The highest and best use of Treasury's Investments in International Financial Institutions does not differ because the fair value is based on the value of shares held in the relevant institution.

Note 7.6B: Level 1 and Level 2 transfers for recurring fair value measurements

No assets were transferred between Level 1 and Level 2.

Note 7.6C: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements — reconciliation for assets

	Financial assets			
	Investments		Total	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
As at 1 July	**32,565,700**	26,277,406	**32,565,700**	26,277,406
Total gains/(losses) recognised in other comprehensive income	**(305,232)**	5,574,357	**(305,232)**	5,574,357
Total gains/(losses) recognised in net cost of services				
IMF Quota foreign exchange gain	**(29,252)**	607,819	**(29,252)**	607,819
International Financial Institutions foreign exchange gain	**18,960**	129,423	**18,960**	129,423
Repayment of CEFC capital	**-**	(50,600)	**-**	(50,600)
Restructuring	**(1,237,900)**	-	**(1,237,900)**	-
Share Purchases				
Increase in investments in the International Financial Institutions	**6,693,505**	27,295	**6,693,505**	27,295
Total as at 30 June	**37,705,781**	32,565,700	**37,705,781**	32,565,700
Changes in unrealised gains/(losses) recognised in net cost of services for the year ended 30 June	**5,140,081**	6,288,294	**5,140,081**	6,288,294

8. Other Information

8.1. Departmental Restructuring

	2015 Small Business Programs Industry[1] $'000
Note 8.1: Departmental restructuring	
FUNCTIONS ASSUMED	
Expenses assumed	
Recognised by the receiving entity	347
Recognised by the losing entity	547
Total Expenses assumed	894

1. The Treasury assumed responsibility for the small business programs from the Department of Industry during 2015 as a result of the restructuring of administrative arrangements on 23 December 2014. No functions were relinquished as part of this arrangement.
2. There was no departmental restructuring activity in 2016.

8.2. Administered Restructuring

	2015
	Small Business Programs Industry[2] $'000
Note 8.2A: Administered restructuring	
FUNCTIONS ASSUMED	
Assets recognised	
Trade debtors and accruals	1
Total assets recognised	1
Net assets/(liabilities) assumed	1
Expenses assumed	
Recognised by the receiving entity	6,869
Recognised by the losing entity	564
Total expenses assumed	7,433

	2016
	Clean Energy Finance Corporation Environment[1] $'000
Note 8.2B: Administered restructuring	
FUNCTIONS RELINQUISHED	
Assets relinquished	
Investments	**1,237,900**
Total assets relinquished	**1,237,900**
Net assets/(liabilities) relinquished	**1,237,900**

1. The administration of the Clean Energy Finance Corporation's enabling legislation was relinquished to the Department of the Environment during 2016 as a result of the restructuring of administrative arrangements on 21 September 2015.
2. The Treasury assumed responsibility for the small business programs from the Department of Industry during 2015 as a result of the restructuring of administrative arrangements on 23 December 2014. No functions were relinquished as part of this arrangement.

8.3. Reporting of Outcomes

Note 8.3A: Net Cost of Outcome Delivery

	Outcome 1	
	2016	2015
	$'000	$'000
Departmental		
Expenses	**186,570**	194,050
Own-source income	**14,800**	16,246
Administered		
Expenses	**88,037,717**	83,777,912
Income	**4,334,594**	3,855,162
Net cost/(contribution) of outcome delivery	**83,874,893**	80,100,554
Departmental		
Assets	**91,746**	92,040
Liabilities	**56,092**	57,303
Administered		
Assets	**41,874,557**	35,973,019
Liabilities	**17,407,235**	12,960,491

9. Budgetary Reports and Explanation of Major Variances

9.1. Departmental Budgetary Reports

Statement of Comprehensive Income

for the period ended 30 June 2016

	Actual	Budget estimate	
		Original[1]	Variance[3]
	2016	2016	2016
	$'000	$'000	$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	122,744	125,129	(2,385)
Suppliers	51,877	45,933	5,944
Grants	2,925	2,247	678
Depreciation and amortisation	8,803	7,667	1,136
Other	221	-	221
Total expenses	186,570	180,976	5,594
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	9,447	9,268	179
Other revenues[2]	1,347	1,200	147
Total own-source revenue	10,794	10,468	326
Gains			
Other gains[2]	4,006	3,500	506
Total gains	4,006	3,500	506
Total own-source income	14,800	13,968	832
Net cost of services	(171,770)	(167,008)	(4,762)
Revenue from Government	160,109	159,341	768
Surplus / (Deficit)	(11,661)	(7,667)	(3,994)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves	6,024	-	6,024
Total other comprehensive income	6,024	-	6,024
Total comprehensive income/(loss) attributable to the Australian Government	(5,637)	(7,667)	2,030

1. The Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2015-16 Portfolio Budget Statements (PBS)).
2. The original budget for these line items has been adjusted to align with the presentation and classification adopted in the final outcome.
3. Between the actual and original budgeted amounts for 2016. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
Supplier expenses for 2015-16 were $51.9 million, an increase of $5.9 million compared to the original budget. This change reflects the greater use of paid secondments and contractors to supplement Treasury's lower than anticipated staffing levels.	Suppliers

Statement of Financial Position
as at 30 June 2016

	Actual	Budget estimate	
		Original[1]	Variance[3]
	2016	2016	2016
	$'000	$'000	$'000
ASSETS			
Financial assets			
Cash and cash equivalents	**2,776**	**655**	2,121
Trade and other receivables	**50,445**	**67,048**	(16,603)
Total financial assets	**53,221**	**67,703**	(14,482)
Non-financial assets			
Land and buildings	**14,280**	**3,937**	10,343
Plant and equipment	**9,627**	**6,452**	3,175
Intangibles	**9,730**	**10,838**	(1,108)
Other non-financial assets	**4,888**	**2,614**	2,274
Total non-financial assets	**38,525**	**23,841**	14,684
Total assets	**91,746**	**91,544**	202
LIABILITIES			
Payables			
Suppliers	**335**	**2,396**	(2,061)
Other payables[2]	**5,911**	**12,645**	(6,734)
Total payables	**6,246**	**15,041**	(8,795)
Provisions			
Employee provisions[2]	**46,567**	**46,654**	(87)
Other provisions	**3,279**	**953**	2,326
Total provisions	**49,846**	**47,607**	2,239
Total liabilities	**56,092**	**62,648**	(6,556)
Net assets	**35,654**	**28,896**	6,758
EQUITY			
Asset revaluation reserve	**12,186**	**5,186**	7,000
Contributed equity	**58,538**	**58,538**	-
Retained surplus/(deficit)	**(35,070)**	**(34,828)**	(242)
Total equity	**35,654**	**28,896**	6,758

1. The Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2015-16 Portfolio Budget Statements (PBS).
2. The original budget for these line items has been adjusted to align with the presentation and classification adopted in the final outcome.
3. Between the actual and original budgeted amounts for 2016. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
Cash as at 30 June 2016 was $2.8 million, an increase of $2.1 million compared to the original budget. The increase reflects the timing of receipts.	Cash and cash equivalents
Trade and other receivables as at 30 June 2016 was $50.5 million, a decrease of $16.6 million compared to the original budget. This change relates to changes in appropriation receivable which was driven by: ▪ the incorporation of balance sheet movements from the 2014-15 financial statements into the original budget ($7.4 million); ▪ timing of employee payments ($4.9 million); and ▪ a $3.3 million increase in non-financial assets (before revaluations and recognition of make-good (restoration) for the Treasury building) reflecting an increase in land and buildings and plant and equipment of $5.3 million and decrease in intangibles of $2.0 million. The increase in capital expenditure largely reflects the establishment of the Sydney and Melbourne offices and Treasury building fit out.	Trade and other receivables
Total payables as at 30 June 2016 amounted to $6.3 million, a decrease of $8.8 million to the original budget due to the timing of employee and supplier payments.	Total payables
Other provisions as at 30 June 2016 amounted to $3.3 million, an increase of $2.3 million to the original budget driven by the recognition of make-good (restoration) provision for the Treasury building.	Other provisions
Total equity as at 30 June 2016 was $35.7 million, an increase of $6.8 million compared to the original budget as a result of the revaluation of non-financial assets (which was not budgeted for).	Equity

Cash Flow Statement

for the period ended 30 June 2016

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2016	2016	2016
	$'000	$'000	$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	170,172	157,341	12,831
Sale of goods and rendering of services	7,109	9,268	(2,159)
GST received from ATO	5,399	-	5,399
Other	1,461	650	811
Total cash received	184,141	167,259	16,882
Cash used			
Employees	122,797	123,129	(332)
Suppliers	51,481	41,883	9,598
Grants	2,925	2,247	678
Section 74 receipts transferred to OPA	211	-	211
GST paid to ATO	5,562	-	5,562
Other	2	-	2
Total cash used	182,978	167,259	15,719
Net cash from/(used by) operating activities	1,163	-	1,163
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of plant and equipment	18	-	18
Total cash received	18	-	18
Cash used			
Purchase of land and buildings	4,189	1,365	2,824
Purchase of plant and equipment	752	1,514	(762)
Purchase of intangibles	5,628	4,133	1,495
Total cash used	10,569	7,012	3,557
Net cash from/(used by) investing activities	(10,551)	(7,012)	(3,539)
FINANCING ACTIVITIES			
Cash received			
Contributed equity - departmental capital budget	5,312	5,312	-
Contributed equity - equity injections	1,700	1,700	-
Total cash received	7,012	7,012	-
Net cash from/(used by) financing activities	7,012	7,012	-
Net increase/(decrease) in cash held	(2,376)	-	(2,376)
Cash at the beginning of the reporting period	5,152	655	4,497
Cash at the end of the reporting period	2,776	655	2,121

1. Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2015-16 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2016. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
The net change in cash held during 2015-16 was $2.4 million, lower than the balanced position in the original budget. The change was predominantly driven by the drawdown of funds during 2015-16 to meet capital expenditure requirements.	Net increase / (decrease) in cash held

9.2. Administered Budgetary Reports

Statement of Comprehensive Income

for the period ended 30 June 2016

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2016	2016	2016
	$'000	$'000	$'000
NET COST OF SERVICES			
Expenses			
Grants	**88,032,393**	**88,989,955**	(957,562)
Interest	**3,276**	**2,783**	493
Other	**2,048**	**6,434**	(4,386)
Total expenses	**88,037,717**	**88,999,172**	(961,455)
Income			
Revenue			
Taxation revenue			
Other	**-**	**400,000**	(400,000)
Total taxation revenue	**-**	**400,000**	(400,000)
Non-taxation revenue			
Interest	**2,680**	**11,165**	(8,485)
Dividends	**3,279,246**	**467,500**	2,811,746
Sale of goods and rendering of services	**690,441**	**756,507**	(66,066)
COAG revenue from government agencies	**268,887**	**595,498**	(326,611)
Other	**76,604**	**4,400**	72,204
Total non-taxation revenue	**4,317,858**	**1,835,070**	2,482,788
Total revenue	**4,317,858**	**2,235,070**	2,082,788
Gains			
Foreign exchange	**16,736**	**46,095**	(29,359)
Total gains	**16,736**	**46,095**	(29,359)
Total income	**4,334,594**	**2,281,165**	2,053,429
Net cost of (contribution by) services	**(83,703,123)**	**(86,718,007)**	3,014,884
Surplus/(Deficit)	**(83,703,123)**	**(86,718,007)**	3,014,884
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus	**(305,232)**	**-**	(305,232)
Total comprehensive income	**(305,232)**	**-**	(305,232)
Total comprehensive income/(loss)	**(84,008,355)**	**(86,718,007)**	2,709,652

1. Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2015-16 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2016. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- $1 billion) are provided below.

Explanations of major variances	Affected line items
Dividend revenue for 2015-16 was $3.3 billion, an increase of $2.8 billion compared to the original budget. The increase relates to dividend revenue from the Reserve Bank of Australia (RBA), resulting from higher RBA earnings from realised foreign exchange gains in 2015-16.	Dividends

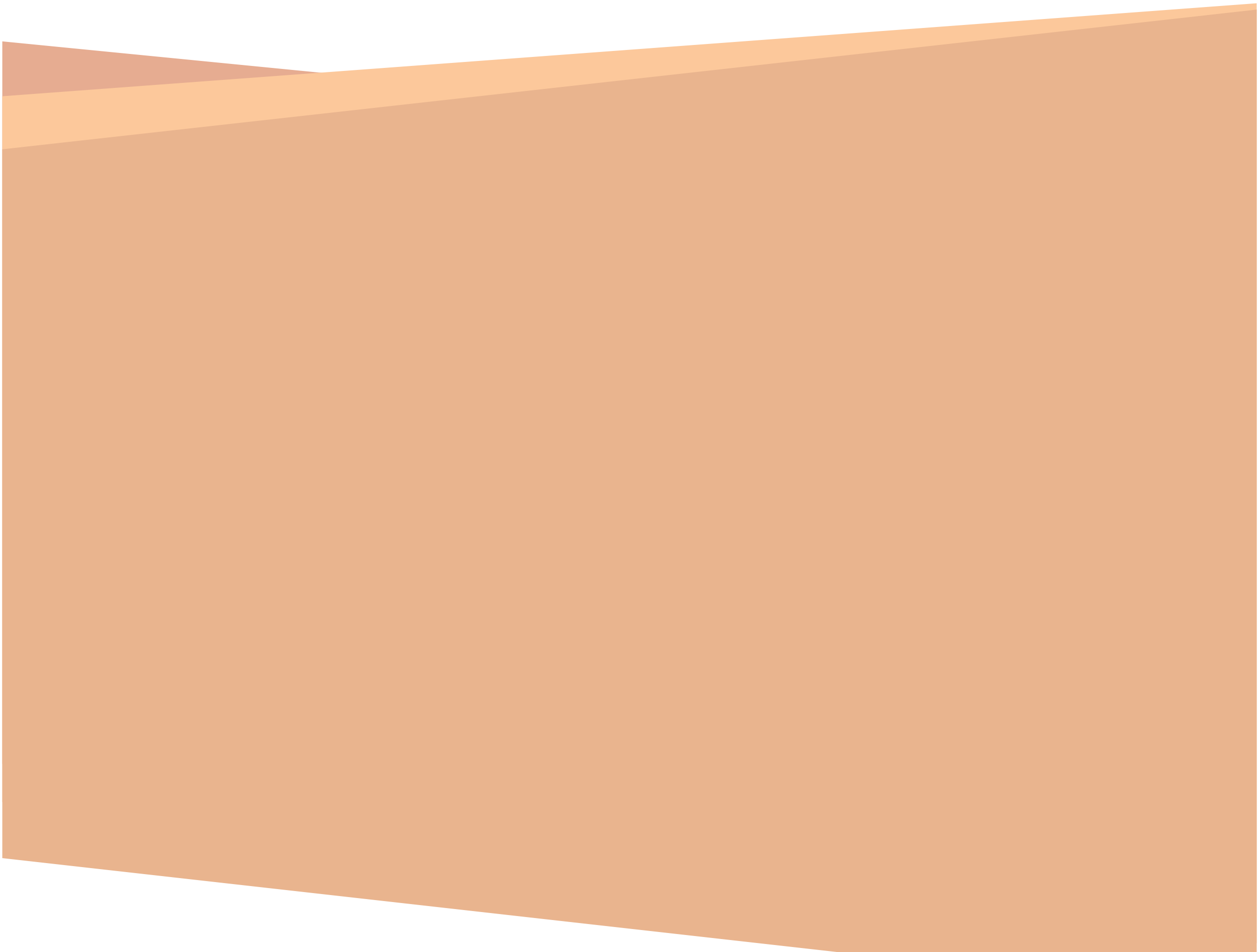
Administered Schedule of Assets and Liabilities
as at 30 June 2016

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2016	2016	2016
	$'000	$'000	$'000
ASSETS			
Financial assets			
Cash and cash equivalents	-	1,412	(1,412)
Trade and other receivables	4,168,375	1,240,439	2,927,936
Investments	37,705,781	38,082,239	(376,458)
Total financial assets	41,874,156	39,324,090	2,550,066
Non-financial assets			
Other	401	-	401
Total non-financial assets	401	-	401
Total assets administered on behalf of Government	41,874,557	39,324,090	2,550,467
LIABILITIES			
Payables			
Grants	187,053	56,232	130,821
Other payables	5,796,098	5,260,268	535,830
Unearned income	47,872	59,693	(11,821)
Total payables	6,031,023	5,376,193	654,830
Interest bearing liabilities			
Loans	9,651,149	8,265,782	1,385,367
Total interest bearing liabilities	9,651,149	8,265,782	1,385,367
Provisions			
Other provisions	1,725,063	280,462	1,444,601
Total provisions	1,725,063	280,462	1,444,601
Total liabilities administered on behalf of government	17,407,235	13,922,437	3,484,798
Net assets	24,467,322	25,401,653	(934,331)

1. Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2015-16 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2016. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- $1 billion) are provided below.

Explanations of major variances	Affected line items
Trade and other receivables at 30 June 2016 was $4.2 billion, an increase of $2.9 billion compared to the original budget. The increase predominantly relates to dividend revenue from the RBA, resulting from higher RBA earnings from realised foreign exchange gains in 2015-16.	Trade and other receivables
Total loans at 30 June 2016 were $9.7 billion, an increase of $1.4 billion compared to the original budget. The increase relates to movements in the balance of IMF promissory notes, primarily attributed to changes in the exchange rate.	Loans
Total provisions at 30 June 2016 were $1.7 billion, an increase of $1.4 billion compared to the original budget. This largely reflects the deferral of NDRRA payments previously expected to be made in 2015-16.	Other provisions

Part 5
Appendices



Work health and safety

The Treasury promotes a workplace that values and supports the health and wellbeing of staff. It does this through a respectful, supportive and inclusive culture.

The People and Organisational Strategy Division works with staff and the Executive Committee on wellbeing arrangements and benchmarks the Treasury's performance against the APS requirements. The success of the Treasury's work health and safety activities is evidenced through the department's workers' compensation premium rate performance. The rate is 26 per cent of the APS average.

During 2015-16 some significant achievements resulted in the areas of work health and safety:

- The Treasury was one of the first Australian Government agencies to be accredited as a White Ribbon Workplace. The Treasury was recognised as a leader in contributing to national cultural change to prevent and respond to violence against women. Activities included a training program for managers and staff and a Domestic Violence Policy outlining the range of support mechanisms.
- The Treasury established an early intervention program for staff to gain appropriate support to minimise longer-term illness or injury (whether work-related or not) and unscheduled absences. The program provided reimbursement of reasonable out-of-pocket expenses. Twenty-seven staff accessed the program.
- The Treasury's streamlined incident reporting framework through the online HR Assist system was completed.
- This year's Mental Health Week promotions included a range of health and wellbeing initiatives and staff also had access to influenza vaccinations.
- The Treasury's Employee Assistance Program was accessed by 48 staff members reporting new issues (68 per cent for personal issues; 32 per cent for work-related issues). The program offers staff and their immediate family members (and other people they share a close relationship with) free access to confidential advice and support on work and personal issues.

Advertising and market research

The Treasury is required to report on all payments over $12,700 (including GST) to advertising agencies, market research organisations, polling organisations, media advertising organisations and direct mail organisations.

During 2015-16, the Treasury did not deliver any advertising campaigns. The campaign advertising payment to Dentsu Mitchell Media Australia was to finalise the media costs for the 2014-15 Intergenerational Report campaign from the previous financial year. Payments to 303 MullenLowe were for creative services.

The Treasury did not make any payments to polling or direct mail organisations in 2015-16.

Other market research and creative services were undertaken as part of the Treasury's commitment to work effectively with stakeholders and inform policy responses.

Table 4: Advertising agencies

Provider	Service provided	Cost
303 MullenLowe Pty Ltd	Creative services	$79,200.00
303 MullenLowe Pty Ltd	Creative services	$1,954,492.00

Note: this figure includes head hours and production costs

Table 5: Market research organisations

Provider	Service provided	Cost
Orima Research Pty Ltd	Market research	$114,400.00
WhereTo Research Based Consulting Pty Ltd	Market research	$187,242.00
Orima Research Pty Ltd	Market research	$199,375.00

Table 6: Media agencies

Provider	Service provided	Cost
Dentsu Mitchell Media Australia	Campaign advertising	$5,637.03
Dentsu Mitchell Media Australia	Recruitment advertising	$50,375.30
Dentsu Mitchell Media Australia	Public forum advertising	$19,432.13
Dentsu Mitchell Media Australia	Event advertising	$16,246.82
Dentsu Mitchell Media Australia	Translation Services	$42,020.00

Note: All figures include GST.

Ecologically sustainable development and environmental performance

The corporate business operations of the Treasury are supported by day-to-day environmental activities that minimise impacts on the environment. Work practices are encouraged that reduce consumption of resources and the purchase of goods are from sustainable sources.

Environmental policies and performance action plans, developed as part of the Treasury Environmental Management Plan (EMP), are reviewed annually. These plans help track environmental commitments to accord with the principles of ecologically sustainable development and the *Environment Protection and Biodiversity Conservation Act 1999*. The EMP provides the planning, implementation and review of strategies that reduce environmental impacts.

Energy management

The Treasury has implemented various energy savings initiatives in the Treasury building over the period, including:

- a review of the lighting control system, installation of LED lighting and the upgrade of the building management system by the building owner
- introduction of low power Virtual Desktop Infrastructure
- a review and balancing of the air-conditioning system by the building owner (which is ongoing)
- procurement of five-star energy rated electrical appliances
- maintaining staff awareness through comprehensive communication activities to encourage staff to minimise energy use.

The Treasury used 6,715.17 mega joules of electricity per person for office light and power. This is below the target set in the Energy Efficiency in Government Operations Policy of 7,500 mega joules per person per annum.

Total light and power consumption was 1,289,072.34 kilowatt hours.

Office electricity use in 2015-16 decreased by 9.69 per cent due to the rationalisation of office space in the Treasury building. This will continue through 2016-17.

The Treasury uses 10 per cent Greenpower in the Treasury building, included under an existing whole-of-government procurement arrangement for electricity. Greenpower is the sourcing of power from sustainable production methods including wind and solar through its electricity provider.

Recycling

Commingled and organic recycling

The Treasury has established waste recycling stations in each of the kitchens in the Treasury building. These stations allow staff to separate waste into approved recycling streams (including rubbish, commingled waste and compost). Staff are encouraged to dispose of waste appropriately to maximise our recycling efforts.

The Treasury recycles printer toner cartridges, fluorescent tubes and batteries and assists staff to recycle mobile telephones by collecting them and donating them to charity.

During 2015-16, the Treasury recycled 7.45 tons of commingled waste, 4.48 tons of used paper towel and 8.60 tons of organic waste.

Paper recycling

The Treasury recycles paper and cardboard products. Paper recycling containers are situated at workstations, adjacent to printers and in utility rooms. Classified waste paper is shredded, pulped and reused in the production of paper and cardboard products.

During 2015-16, the Treasury recycled 30.53 tons of used paper and 2.65 tons of shredded paper.

Vehicles

In 2015-16, fleet vehicles comprised five cars that used approximately 3,660.62 litres of fuel, travelling approximately 34,356 kilometres.

The Treasury's fleet vehicles averaged a rating of 14 on the Green Vehicle Guide, which combines air pollution and greenhouse ratings.

The Treasury offsets greenhouse gas emissions for fleet fuel usage through GreenFleet, the planting of native plants and land management projects.

Air Travel

Treasury staff are encouraged to minimise air travel. Staff only undertake travel where there is a demonstrated business need. They are encouraged to use teleconferencing and videoconferencing facilities, which are available in the Treasury building, and the Sydney and Melbourne offices.

Resource efficiencies

In compliance with the *Australian Government ICT Sustainability Plan 2010–2015*, the Treasury's general use office copy paper had a postconsumer recycled content of 50 per cent.

Water

Tenancies in the Treasury building are not metered separately for water consumption. The Treasury uses water flow controls and water efficient appliances in kitchens.

The Treasury used 7,040 kilolitres of potable water in 2015-16.

Carer support

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

The Treasury's carer support framework includes:

- a non-discriminatory definition of family in the *Treasury Enterprise Agreement 2015-18* that recognises relatives by blood, marriage, strong traditional or ceremonial affinity and genuine domestic or household relationships
- family-friendly work arrangements such as access to flexible working arrangements, carer's rooms, carer's leave and being a breastfeeding-friendly workplace
- access to accumulated personal leave to care for sick family and household members, or people they have caring responsibilities for, and unpaid carer's leave to care for or support family or household members, or if an unexpected family or household emergency arises
- access to the Employee Assistance Program for free, professional and confidential counselling for staff, their immediate family members and people they have a close relationship with
- access to onsite childcare facilities (at 30 June 2016 there were 86 children of Treasury employees enrolled at the Treasury childcare centre).

Grants

In 2015-16, information on grants awarded by the Treasury is available on Treasury's website at www.treasury.gov.au. This is consistent with requirements in the Commonwealth Grants Rules and Guidelines.

Information publication scheme

Agencies subject to the *Freedom of Information Act 1982* are required to publish information as part of the Information Publication Scheme. This requirement is in Part II of the Act. Each agency must display a plan on its website showing what information it publishes in accordance with the Information Publication Scheme requirements.

The Information Publication Scheme plan is on the Treasury website at www.treasury.gov.au.

Australia and the International Financial Institutions

Australia and the International Monetary Fund

Program 1.2 outlined various payments made by the Treasury to the Asian Development Bank, the Asian Infrastructure Investment Bank, the European Bank for Reconstruction and Development, the International Monetary Fund (IMF) and the World Bank Group (WBG). This appendix addresses the legislation that requires further reporting on the IMF and the WBG for the 2015-16 financial year. In particular:

- Section 10 of the *International Monetary Agreements Act 1947*, which requires reporting on the operations of the Act and of the operations, insofar as they relate to Australia, of the Articles of Agreement of the IMF and the International Bank for Reconstruction and Development (IBRD) during each financial year; and
- Section 7 of the *International Bank for Reconstruction and Development (General Capital Increase) Act 1989*, which requires reporting on the operations of the Act during each financial year.

The Treasury is responsible for managing Australian Government shareholdings with the International Financial Institutions. The Department of Foreign Affairs and Trade (DFAT) has further interactions relating to the Government's aid program (see DFAT annual report for information).

The IMF and the WBG publish annual reports on their operations and provide information at www.imf.org and www.worldbank.org.

Mandate

The IMF's purpose (set out in Article I of its Articles of Agreement) is to:

- promote international monetary cooperation
- facilitate the expansion of trade contributing to employment growth
- promote exchange rate stability to avoid competitive devaluation
- assist in the establishment of a multilateral system of payments
- make resources available to members to reduce the costs of balance of payments adjustments.

Australia's representation at the International Monetary Fund

Australia interacts with the IMF through:

- the Board of Governors
- the International Monetary and Financial Committee (IMFC)
- the IMF Executive Board
- the IMF's Article IV consultation on Australia's economic developments and policy.

Board of Governors

The Board of Governors is the highest authority within the IMF. It consists of one governor and one alternate governor for each of the 189 member countries. Australia is represented at the Board of Governors by the Treasurer of the Commonwealth of Australia. During 2015-16, Australia was represented by the Hon. J.B. Hockey MP and, later, the Hon S. Morrison MP. Mr John Fraser, Secretary to the Treasury, was Australia's Alternate Governor of the IMF during the period. The Governor's votes on IMF resolutions during 2015-16 are noted in Table 7.

Table 7: Australian Governor's votes on IMF 2015-16 resolutions

Resolution title	Date	Australian Governor's vote
Remuneration of Executive Directors and Alternative Executive Directors	14 August 2015	Supported
2018 Annual Meetings of the Board of Governors of the International Monetary Fund and World Bank Group	26 August 2015	Supported
IMF Membership for Nauru	6 November 2015	Supported
IMF 15th Review of Quotas	18 February 2016	Supported

International Monetary and Financial Committee

The IMFC advises the Board of Governors on the functioning and performance of the international monetary and financial system. Australia represented our constituency at the IMFC meetings on 10 October 2015 and 16 April 2016.

IMF Executive Board, Executive Director and constituency office

The IMF Executive Board conducts the day-to-day business of the IMF and determines matters of policy under the overall authority of the Board of Governors.

Australia belongs to a constituency which in 2015-16 also included Kiribati, the Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, Uzbekistan and Vanuatu. During this period, the constituency also informally represented the Republic of Nauru at the IMF Executive Board.

As at 30 June 2016, Australia held around 1.34 per cent of the total voting power at the IMF. The constituency, as a whole, held around 3.88 per cent.

By agreement between constituency members, the staffing of Australia's constituency office rotates among members. Mr Barry Sterland from Australia currently holds the constituency's Executive Director position, which will rotate to a Korean national from 1 November 2016. Australia will then assume an Alternate Executive Director position. Korea and New Zealand currently hold Alternate Executive Director positions in the constituency.

Australia's Article IV consultation

In accordance with Article IV of its Articles of Agreement, the IMF conducts regular consultations with the authorities of member countries on economic policies and conditions. No Article IV consultation was held with Australia in 2015-16. Australia's previous Article IV consultation was held in June 2015. The next Article IV consultation will be held in the second half of 2016.

Australia's quota in the International Monetary Fund and financial transactions

Australia's quota in the International Monetary Fund

A member's shareholding in the IMF is determined by its allocated quota which broadly reflects its weight in the global economy. Australia's quota at 30 June 2016 was 6,572.4 million Special Drawing Rights (SDR) (equivalent to A$12,354 million at 30 June 2016). Part of Australia's quota is held in reserve by the IMF in SDRs and gold. Part is held in Australia by the RBA in a combination of non-interest bearing promissory notes and cash amounts in Australian dollars.

Australia and the 14th General Review of Quotas

During 2015-16, Australia's quota increased from SDR 3,236.4 million to SDR 6,572.4 million following implementation of the IMF's 14th General Review of Quotas.[1] Australia's quota increase of around SDR 3.34 billion (the equivalent of A$6.47 billion) was paid on 8 February 2016. In accordance with IMF rules, three-quarters of this was met through the issuance of a non-interest bearing promissory note. The remainder was in US dollars (around US$1.2 billion).

Australia's financial transactions with the International Monetary Fund

Australia conducts financial transactions with the IMF to manage existing obligations. Transactions in 2015-16 were timely and efficient. They are described in the following sections.

Special Drawing Right charges, interest and assessment fee

The SDR is an international reserve asset created by the IMF to supplement the official reserves of member countries. Its value is based on a basket of four international currencies (the US dollar, euro, Japanese yen and pound sterling). From October 2016, the Chinese renminbi will be included in the SDR basket.

Australia's cumulative allocation of SDRs at 30 June 2016 was around SDR 3.1 million while our actual SDR holdings were around SDR 2.6 million. Australia's SDR allocation is held by the RBA, having been sold to the RBA by the Commonwealth in exchange for Australian dollars. The IMF levies charges on the SDRs that have been allocated to each member and pays interest on the SDRs that are held by each member.[2] In 2015-16, the Australian Government paid charges of SDR 1.6 million (A$3.0 million) on net cumulative allocations. During this period the RBA received SDR 1.6 million (A$3.0 million) in interest from the IMF on Australia's SDR holdings.

1 While a country's voting share is largely determined by its quota share, the two are not identical. As some members have not yet paid in their quota subscription, Australia share is slightly larger at present than it will be once all quota payments are made.

2 Charges and interest payments are accrued daily and paid quarterly. The SDR interest rate is the primary rate from which other rates are derived and is based on a weighted average of representative interest rates on short term debt in the money markets of the SDR basket of currencies. The basic rate of charge is equal to the SDR interest rate, plus a margin. Additional burden sharing adjustments, for the financial consequences of protracted arrears, is also applied (when applicable) to the basic rate of charge.

In addition, the IMF levies an annual assessment fee to cover the cost of operating the SDR department. This is determined according to participants' net cumulative SDR allocations. Australia's annual assessment fee for the IMF financial year ending 30 April 2016 was SDR 107,961 (A$208,017).

Remuneration

Remuneration is interest earned on funds held by the IMF. Australia received remuneration receipts in 2015-16 totalling SDR 144,457 (A$0.28 million).

Maintenance of value

The SDR value of the part of Australia's IMF quota held in Australian dollars is subject to change as the exchange rate between the Australian dollar and the SDR fluctuates throughout the year.

Under the IMF Articles of Agreement, members are required to maintain the value of their quota through a Maintenance of Value adjustment following the close of the IMF financial year on 30 April. During the IMF's 2015-16 financial year, Australia received A$167.5 million as part of the Annual Maintenance of Value transaction. This was settled in June 2016.

Table 8: **Australia's transactions with the IMF in 2015-16 (cash basis)**

	Amount in SDRs	Amount in A$
Total interest received on RBA SDR holdings[(a)]	1,570,009	3,045,634
Total remuneration received for Australian holdings at the IMF	144,457	280,690
Total charges paid on SDR allocation	1,569,783	3,045,190
Annual Assessment Fee paid to SDR department	107,961	208,017
Maintenance of Value transaction for 2015-16		167,532,904

(a) Interest paid to the RBA.

Lending-related transactions and Australia's reserve position in the IMF

The IMF manages its lending of quota resources through the FTP. This is the mechanism through which the IMF selects the currencies to be used in IMF lending transactions. It also allocates the financing of lending transactions among members. Only currencies of IMF members with sufficiently strong balance of payments and reserve positions — such as Australia — are selected for use in the FTP.

In 2015-16, Australia was involved in both the transfer (loans) and receipt (repayments) side of the FTP. Table 7 provides details of individual FTP transactions and resulting reserve position at the IMF.

The value of the remunerated reserve position was affected by the quota increase under the 14th General Review of Quotas. Australia's quota purchase included a payment of SDR 834 billion to the IMF, which increased Australia's reserve position. Australia then received SDR 1.34 billion (A$2.7 billion) from the IMF under the FTP as part of a secondary flow of funds to facilitate payments during this period, thereby reducing the reserve position. The surplus returned to Australia is held in Australian dollars at the RBA.

Table 9: Australia's reserve position in the IMF, 2015-16[a]

Date	Description	Debit (SDRs)	Debit (A$)	Credit (SDRs)	Credit (A$)
Reserve position as at 30 June 2015				568,126,187	1,038,052,598
FTP payments					
25 Sept 2015	FTP Loan to Jamaica			7,000,000	13,967,484
8 Feb 2016	Payments from the 14th General Review of Quotas			834,000,000	1,617,498,463
FTP receipts					
Total Repayments		156,777	306,344		
10 Feb 2016	Receipts from the 14th General Review of Quotas	1,340,000,000	2,667,850,608		
Reserve position as at 30 June 2016				68,969,410	129,641,748

(a) Because Australia's reserve position is denominated in SDRs and AUD/SDR exchange rates vary during the year, when expressed in Australian dollars, the 30 June 2016 reserve position does not exactly reflect summation of the opening position and transactions during the year.

FTP transactions (and any transfers for administrative purposes) directly impact on Australia's reserve position at the IMF. With the value of receipts from the RTP outweighing the value of transfers during 2015-16, the amount of Australia's reserves held by the IMF fell during the year, from SDR 568.1 million to SDR 69 million.

The IMF also maintains borrowing arrangements with a number of its member countries that can be drawn upon to supplement the IMF's quota resources, if needed. In 2015-16, Australia contributed resources under one of these arrangements, the New Arrangements to Borrow (NAB). The NAB was deactivated following implementation of the 14th General Review of Quotas.

In 2015-16, Australia was involved in both the transfer (loan) and receipt (repayment) sides of the NAB. Table 8 provides details of individual NAB transactions.

Table 10: Australia's NAB Transactions for 2015-16

Date	Description	Debit (SDRs)	Debit (A$)	Credit (SDRs)	Credit (A$)
4 Aug 2015	NAB with Ukraine (loan)			22,000,000	42,066,618
25 Sep 2015	NAB with Jamaica (loan)			4,320,000	8,619,933
22 Dec 2015	NAB with Pakistan (loan)			7,000,000	13,576,126
Total NAB repayments		60,361,250	116,838,842		
Net NAB payments for 2015-16[1]				(27,041,250)	(52,576,165)

1 For 2014-15, the net NAB repayments are expressed as a negative number as NAB repayments outweighed NAB transfers.

The Australian Government earns interest on any money lent under the NAB.[3] For 2015-16, the Australian Government received interest payments on its NAB loans of SDR 215,671 (A$418,397).

Australia and the World Bank Group

Australia's shareholding and relations with the World Bank Group

Mandate

The WBG provides financial and technical assistance to developing countries in line with its twin goals of ending extreme poverty and building shared prosperity.

Institutions of the World Bank Group and Australia's shareholding

Australia is a member of all five arms of the World Bank Group being:

- the International Bank for Reconstruction and Development (IBRD)
- the International Development Association (IDA)
- the International Finance Corporation (IFC)
- the Multilateral Investment Guarantee Agency (MIGA)
- the International Centre for Settlement of Investment Disputes (ICSID).

The IBRD and IDA make up the core World Bank. The IBRD lends to governments of middle-income and credit-worthy low-income countries, while IDA provides grants and interest-free or concessional loans to governments of poorer countries.

The IFC is the largest global development institution focused exclusively on the private sector. It helps developing countries achieve sustainable growth by financing investment, mobilising capital in international financial markets, and providing advisory services to businesses and

3 Interest is calculated using the SDR interest rate, accrued daily and paid quarterly.

governments. The MIGA promotes foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people's lives. MIGA fulfils this mandate by offering political risk insurance (guarantees) to investors and lenders. The ICSID provides international facilities for conciliation and arbitration of investment disputes.

Australia's membership of the IBRD, IFC and MIGA requires the Australian Government to hold shares in these institutions. Australia's shareholdings as at 30 June 2016 are set out in Table 11.

Table 11: **Australian shareholdings at the World Bank Group as at 30 June 2016**

	IBRD	IFC	MIGA
Shares	31,592	47,329	3,019
Price per share (US$)	120,635	1,000	10,820
Value of total capital (US$ millions)	3,811.1	47.33	32.67
Value of paid-in capital (US$ millions)	*233.35*	*47.33*	*6.20*
Value of callable capital (US$ millions)	*3,577.75*	*0.00*	*26.46*
Value of total capital (A$ millions)	5,132.10	63.73	43.99

In 2015-16, Australia purchased an additional 1332 shares in the IBRD at the face value of US$160.7 million (estimated A$216.4 million as at 30 June 2016). The paid-in component of this share purchase was approximately US$9.6 million (A$13.0 million).

Table 12: **Australia's shareholding and voting power in the World Bank Group**

	IBRD	IDA	IFC	MIGA
Shareholding (per cent of total)	1.45		1.84	1.70
Voting power (per cent of total)	1.40	1.25	1.77	1.49

Note: Shareholdings and voting power as at 30 June 2016. Shareholding and voting power differ in IBRD, IFC and MIGA differ due to the allocation of basic votes across countries. At ICSID, the Administrative Council comprises a representative from each contracting state with equal voting power.

Each arm of the World Bank has its own arrangement for allocating votes and shares among its members. In the IBRD, each country's shareholding and voting power is largely based on its weight in the global economy. The Board of Governors has agreed that a Shareholding Review will occur every five years to ensure that the WBG has adequate resources to complete its mission and to reflect changes in the world economy.

Australia's cooperation with the World Bank group

Australia's representation at the World Bank Group

Board of Governors

The highest decision-making body of the WBG is the Board of Governors, comprising one governor from each of the 189 member countries. During 2015-16, Australia was represented by the Hon. J.B. Hockey MP, Treasurer of the Commonwealth of Australia, from 1 July 2015 until 19 October 2015. From 20 October 2015, Australia was represented by the Hon Scott Morrison MP, Treasurer of the Commonwealth of Australia. Australia's Alternate Governor was the Hon. Kelly O'Dwyer MP, Minister for Small Business and Assistant Treasurer.

Table 13 outlines the Australian Governor's votes for the 2015-16 financial year.

Table 13: **Australian Governor's votes on World Bank Group resolutions in 2015-16**

Institution	Resolution title	Date	Australian Governor's vote
IBRD	Direct Remuneration of Executive Directors and their Alternates	13 August 2015	Supported
IBRD	2018 Annual Meetings of the Boards of Governors of the International Monetary Fund and the World Bank Group	20 August 2015	Supported
IBRD	Membership of the Republic of Nauru	4 November 2015	Supported
IBRD, MIGA	Nomination/Election of Executive Director — Successor to Mr Sung-Soo Eun	2 February 2016	Supported Mr Heenam Choi
IBRD	Transfer from Surplus to Replenish the Trust Fund for Gaza and the West Bank	6 June 2016	Supported

Executive Director and Constituency Office

The WBG's Executive Boards (IBRD, IDA, IFC and MIGA) conduct the daytoday business of the WBG and determine matters of policy under the overall authority of the Board of Governors.

Australia belongs to a constituency of countries from the Asia-Pacific region that share one of 25 executive director positions on the WBG Board of Executive Directors. In 2015-16, the constituency included Cambodia, Kiribati, the Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Tuvalu and Vanuatu. The Republic of Nauru also joined the constituency when it became a member of the WBG on 12 April 2016, bringing the total number of countries in the constituency to 15.

By agreement among constituency members, the senior staffing of the constituency office rotates between Australia and the Republic of Korea. Mr Sung-Soo Eun from Korea was the Executive Director of the constituency from 1 November 2014 until 3 February 2016, when Mr Heenam Choi from Korea assumed the Executive Director position. From 1 November 2014, Mr Jason Allford from Australia has held the Alternate Director position. Australia also held a senior adviser position. Australia will assume the Executive Director Position on 1 November 2016, while Korea rotates into the Alternate Executive Director position.

Australia's contributions to the World Bank Group

In addition to the shareholdings managed by the Treasury, in 2015-16 the DFAT provided an estimated A$407.8 million to the WBG, including A$185.8 million in non-core funding for joint activities through Australia's country, regional and global program. The DFAT annual report provides information on Australia's aid program.

Australia's contributions add to the WBG's capital to support conditions for economic growth in the Indo-Pacific region. Working with the WBG on joint activities extends the reach, quality and effect of Australia's aid program.

Operational evaluation

In recent years, the WBG has set itself an ambitious agenda of increasing lending, engaging actively in new emerging priorities such as climate change, pandemics, disaster response and displaced people, and at the same time has undertaken internal reforms to improve its efficiency and capability. As is shown by the WBG Corporate Scorecard for October 2015, which assesses the WBG's overall performance and results for fiscal year 2015 (FY15) against WBG internal targets, the WBG has made some significant achievements, but also has some areas where continued focus is required.

The Scorecard reports that in FY15 total WBG financial commitments were US$57.9 billion, down from US$63.3 billion in FY14, but up from US$52.9 billion in FY13. In addition, the WBG enabled US$87.9 billion in private sector investments in low and middle income countries in FY15, through its IFC investments and MIGA risk insurance products.

Financial sustainability indicators were on track to meet the WBG's targets, with expenditure down by US$115 million in FY15, and accumulative expenditure reductions set to meet the WBG's reduction target of US$400 million by 2018. Total business revenue increased slightly, and is expected to meet the WBG's goal of greater than 5 per cent growth from FY15 to FY24.

Measures of operational effectiveness showed mixed results. The proportion of WBG country strategies with satisfactory performance increased from 72 per cent in FY13 to 75 per cent in FY15, meeting the WBG's target of 75 per cent by 2017. Time taken from project conception to first disbursement of funds fell from 28 months in FY13 to 25.2 months for FY15, although this remains higher than the WB's FY17 objective of 18.6 months. In contrast, the proportion of World Bank advisory and analytics services delivered in a timely manner fell from 68 per cent in FY13 to 58 per cent in FY15, and was significantly below the target of 80 per cent by 2017.

WBG employee engagement, collaboration and managerial effectiveness indicators point to the biggest challenges for WBG management. Staff perception of WBG collaboration across the five institutions registered 27 per cent in FY15, which is up from 23 per cent in FY13, but remains low. Surveys of employee engagement fell from 71 per cent in FY13 to 69 per cent in FY15, while perceptions of managerial effectiveness fell from 67 per cent in 2013 to 65 per cent in FY15.

Resource tables

Table 14: Summary resource statement

		Actual available appropriation 2015-16 $'000 (a)	Payments made 2015-16 $'000 (b)	Balance remaining 2015-16 $'000 (a - b)
Ordinary annual services[1]				
Departmental				
Departmental appropriation[2]		240,433	193,328	47,105
Total		240,433	193,328	47,105
Administered expenses				
Outcome[1]		38,124	43,833	(5,709)
Payment to Corporate entities		-	-	
Total		38,124	43,833	
Total ordinary annual services	A	278,557	237,161	
Other services[3]				
Departmental non-operating				
Equity injections		1,700	1,700	-
Total		1,700	1,700	-
Administered non-operating				
Administered assets and liabilities				
Outcome[1]		-	-	
Total		-	-	
Total other services	B	1,700	1,700	
Total available annual appropriations and payments (A+B)		280,257	238,861	
Special appropriations				
Asian Development Bank (Additional Subscription) Act 2009			28,030	
Asian Infrastructure Investment Bank Act 2015			210,884	
Clean Energy Finance Corporation Act 2012			2,000,000	
Federal Financial Relations Act 2009			78,525,449	
International Monetary Agreements Act 1947			1,697,678	
Public Governance, Performance and Accountability Act 2013			307	
Total special appropriations	C	-	82,462,348	

Table 14: Summary resource statement (continued)

Special accounts[4]			
Opening balance		2,921,632	-
Appropriation receipts		11,135,014	-
Non-appropriation receipts to Special Accounts		270,987	-
Payments made			14,324,798
Transfers made to other entities			98,000
Total special account	D	14,327,633	14,422,798
Total resourcing and payments (A+B+C+D)[5]		14,607,890	97,124,007
Less appropriation drawn from annual or special appropriations credited to special accounts		2,000,000	2,000,000
Total net resourcing for the Treasury		12,607,890	95,124,007

1. Appropriation Act (No. 1) 2015-16 and Appropriation Act (No. 3) 2015-16. This may also include Prior Year departmental appropriation and section 74 relevant agency receipts.
2. Includes an amount of $5.312 million for the Departmental Capital Budget. For accounting purposes this amount has been designated as ‘contributions by owners’.
3. Appropriation Act (No. 1) 2015-16 and Appropriation Act (No. 3) 2015-16.
4. Does not include ‘Special Public Money’ held in accounts like Other Trust Monies account (OTM), Services for other Government and Non-agency Bodies accounts (SOG), or Services for Other Entities and Trust Moneys Special accounts (SOETM).
5. Total resourcing excludes the actual available appropriation for all Special Appropriations.

Note: Details of appropriations are disclosed in Note 6 of the Financial Statements.

Table 15: Resourcing for Outcome 1

Outcome 1: Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations	Budget 2015-16 $'000	Actual expenses 2015-16 $'000	Variation 2015-16 $'000
	(a)	(b)	(a - b)
Program 1.1: Department of the Treasury			
Departmental expenses			
Departmental appropriations[1]	168,827	175,649	(6,822)
Special accounts	1,750	1,897	(147)
Expenses not requiring appropriation	11,717	9,024	2,693
Administered expenses			
Ordinary annual services (Appropriation Bill No. 1 and No. 3)	3,230	693	2,537
Special appropriations	1,000	307	693
Expenses not requiring appropriation	-	-	-
Total for Program 1.1	**186,524**	**187,570**	**(1,046)**
Program 1.2: Payments to International Financial Institutions			
Administered expenses			
Ordinary annual services (Appropriation Bill No. 1 and No. 3)	17,500	17,500	-
Special appropriations	4,462	3,276	1,186
Expenses not requiring appropriation	1,763	-	1,763
Total for Program 1.2	**23,725**	**20,776**	**2,949**
Program 1.3: Support for Markets and Business			
Administered expenses			
Ordinary annual services (Appropriation Bill No. 1 and No. 3)	17,394	16,405	989
Total for Program 1.3	**17,394**	**16,405**	**989**
Program 1.4: General Revenue Assistance			
Administered expenses			
Special appropriations	57,450,000	57,351,559	98,441
Special accounts	786,127	664,202	121,925
Total for Program 1.4	**58,236,127**	**58,015,761**	**220,366**
Program 1.5: Assistance to the States for Healthcare Services			
Administered expenses			
Special appropriations	17,195,914	17,185,436	10,478
Total for Program 1.5	**17,195,914**	**17,185,436**	**10,478**
Program 1.6: Assistance to the States for Skills and Workforce Development			
Administered expenses			
Special appropriations	1,455,484	1,455,483	1
Total for Program 1.6	**1,455,484**	**1,455,483**	**1**

Table 15: Resourcing for Outcome 1 (continued)

Program 1.7: Assistance to the States for Disability Services			
Administered expenses			
Special appropriations	1,439,973	1,438,827	1,146
Total for Program 1.7	**1,439,973**	**1,438,827**	**1,146**
Program 1.8: Assistance to the States for Affordable Housing			
Administered expenses			
Special appropriations	1,324,052	1,324,052	-
Total for Program 1.8	**1,324,052**	**1,324,052**	**-**
Program 1.9: National Partnership Payments to the States			
Administered expenses			
Special accounts	10,715,715	8,579,977	2,135,738
Total for Program 1.9	**10,715,715**	**8,579,977**	**2,135,738**
Outcome 1 Totals by appropriation type			
Administered expenses			
Ordinary annual services (Appropriation Bill No. 1 and No. 3)	38,124	34,598	3,526
Special appropriations	78,870,885	78,758,940	111,945
Special accounts	11,501,842	9,244,179	2,257,663
Expenses not requiring appropriation	1,763	-	1,763
Departmental expenses			
Departmental appropriations[1]	168,827	175,649	(6,822)
Special accounts	1,750	1,897	(147)
Expenses not requiring appropriation	11,717	9,024	2,693
Total expenses for Outcome 1	**90,594,908**	**88,224,287**	**2,370,621**

	2015-16	2014-15
Average staffing level (number)	810	820

1. Departmental Appropriation combines Ordinary annual services (Appropriation Bill No. 1 and No. 3) and Revenue from independent sources (s74).

List of requirements

Description	Requirement	Page/s
Letter of transmittal		
A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory	iii
Aids to access		
Table of contents.	Mandatory	v
Alphabetical index.	Mandatory	177
Glossary of abbreviations and acronyms.	Mandatory	173
List of requirements.	Mandatory	166
Details of contact officer.	Mandatory	viii
Entity's website address.	Mandatory	viii
Electronic address of report.	Mandatory	ii
Review by accountable authority		
A review by the accountable authority of the entity.	Mandatory	3
Overview of the entity		
A description of the role and functions of the entity.	Mandatory	5
A description of the organisational structure of the entity.	Mandatory	6
A description of the outcomes and programmes administered by the entity.	Mandatory	7
A description of the purposes of the entity as included in corporate plan.	Mandatory	5
An outline of the structure of the portfolio of the entity.	Portfolio departments — mandatory	8
Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory	N/A
Report on the Performance of the entity		
Annual performance Statements		
Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	13
Report on Financial Performance		
A discussion and analysis of the entity's financial performance.	Mandatory	69
A table summarising the total resources and total payments of the entity.	Mandatory	162-165

Description	Requirement	Page/s
If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.	N/A
Management and Accountability		
Corporate Governance		
Information on compliance with section 10 (fraud systems).	Mandatory	46-47
A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	46-47
A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory	46-47
A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	46-47
An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	46-47
A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory	N/A
External Scrutiny		
Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	48-50
Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory	48-50
Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory	48-50
Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory	48-50
Management of Human Resources		
An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	51-57
Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: ▪ Statistics on staffing classification level; ▪ Statistics on full-time employees; ▪ Statistics on part-time employees; ▪ Statistics on gender; ▪ Statistics on staff location; ▪ Statistics on employees who identify as Indigenous.	Mandatory	51-57

Description	Requirement	Page/s
Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the *Public Service Act 1999*.	Mandatory	51-57
Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AD(4)(c).	Mandatory	51-57
The salary ranges available for APS employees by classification level.	Mandatory	51-57
A description of non-salary benefits provided to employees.	Mandatory	51-57
Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory	51-57
Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory	51-57
Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory	51-57
Information on aggregate amount of performance payments.	If applicable, Mandatory	51-57
Assets Management		
An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory	58
Purchasing		
An assessment of entity performance against the *Commonwealth Procurement Rules.*	Mandatory	59
Consultants		
A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory	60
A statement that "*During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of $[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of $[specified million]*".	Mandatory	60
A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory	60
A statement that "*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.*"	Mandatory	60

Description	Requirement	Page/s
Australian National Audit Office Access Clauses		
If an entity entered into a contract with a value of more than $100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory	61
Exempt contracts		
If an entity entered into a contract or there is a standing offer with a value greater than $10,000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory	62
Small business		
A statement that *"[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website."*	Mandatory	63
An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	63
If the entity is considered by the Department administered by the Finance Minister as material in nature — a statement that "*[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website.*"	If applicable, Mandatory	63
Financial Statements		
Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	67-142
Other Mandatory Information		
If the entity conducted advertising campaigns, a statement that *"During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website."*	If applicable, Mandatory	146
If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory	146
A statement that *"Information on grants awarded to [name of entity] during [reporting period] is available at [address of entity's website]."*	If applicable, Mandatory	151
Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	145 150

Description	Requirement	Page/s
Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	152
Correction of material errors in previous annual report	If applicable, mandatory	N/A
Information required by other legislation	Mandatory	147-149 153-161

Abbreviations and acronyms

AASB	Office of the Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ADB	Asian Development Bank
ADI	Authorised Deposit — taking Institutions
AIIB	Asian Infrastructure Investment Bank
ANAO	Australian National Audit Office
AOFM	Australian Office of Financial Management
APRA	Australian Prudential Regulation Authority
APS	Australian Public Service
APSC	Australian Public Service Commission
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
AUASB	Office of the Auditing and Assurance Standards Board
CAF	Legislative and Governance Forum on Consumer Affairs
CCA	*Competition and Consumer Act 2010*
CGC	Commonwealth Grants Commission
COAG	Council of Australian Governments
CPRs	Commonwealth Procurement Rules
CSEF	Crowd-sourced equity funding
EL	Executive level
FOI Act	*Freedom of Information Act 1982*
FTE	Full time equivalent
FTP	Financial Transaction Plan
GDP	Gross domestic product
GIH	Global Infrastructure Hub
GST	Goods and services tax
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IFC	International Finance Corporation
IFIs	International Financial Institutions
IGT	Inspector-General Taxation
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IPS	Information Publication Scheme

IWC	Inclusive Workplace Committee
MIGA	Multilateral Investment Guarantee Agency
MYEFO	MidYear Economic and Fiscal Outlook
NCC	National Competition Council
NAB	New Arrangements to Borrow
OECD	Organisation for Economic Cooperation and Development
PBS	Portfolio Budget Statements
PBO	Parliamentary Budget Office
PC	Productivity Commission
PGPA Act	*Public Governance, Performance and Accountability Act 2013*
RBA	Reserve Bank of Australia
RIS	Regulation Impact Statement
RAM	Royal Australian Mint
SDR	Special Drawing Rights
SES	Senior Executive Service
SMEs	Small and Medium Enterprises
SPP	Specific Purpose Payment

Glossary

Activities	The actions/functions performed by agencies to deliver government policies.
Administered item	Items that are usually managed by an entity on behalf of the government. Entities do not have control over these items, which are normally related to activities governed by eligibility rules and conditions established by legislation (for example, grants, subsidies and benefit payments).
Appropriation	Public monies the parliament authorises the Australian Government to withdraw from the Consolidated Revenue Fund for a specified purpose.
APS employee	A person engaged under section 22, or a person who is engaged as an APS employee under section 72, of the *Public Service Act 1999.*
Clear read principle	Under the Outcomes arrangements, there is an essential clear link between the Appropriation Bills, the Portfolio Budget Statements (PBS), the Portfolio Additional Estimates Statements, and annual reports of agencies. Information should be consistent across these and other budget documents, and, where possible, duplication of reporting within the PBS should be avoided. This is called the clear read between the different documents. Under this principle, the planned performance in PBS is to be provided on the same basis as actual performance in the annual reports covering the same period, to permit a clear read across planning and actual performance reporting documents. Agencies should take this into account in designing their performance reporting arrangements.
Consolidated Revenue Fund (CRF)	Consists of all revenues and moneys raised or received by the executive government of the Commonwealth. The fund is self-executing in nature, which means that all money received by the Commonwealth automatically forms part of the fund.
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	Departmental items are usually appropriations managed by an entity, and over which the entity has control. That is, the entity's accountable authority has discretion in delivering the activities and/or allocating resources. Typically, these items include the day-to-day operations and program support activities of an entity.

Financial results	The results shown in the financial statements of an agency.
Grant	An arrangement for the provision of financial assistance by the Commonwealth or on behalf of the Commonwealth: under which relevant money or other CRF money is to be paid to a recipient other than the Commonwealth which is intended to assist the recipient achieve its goals which is intended to help to address one or more of the government's policy objectives and under which the recipient may be required to act in accordance with specified terms or conditions.
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.
Nonongoing APS employee	A person engaged as an APS employee under subsection 22(2)(a) of the *Public Service Act 1999*.
Official Public Account (OPA)	The Commonwealth's central bank account. The OPA is one of a group of linked bank accounts, referred to as the Official Public Account Group of Accounts. OPAs are maintained with the Reserve Bank of Australia.
Ongoing APS employee	A person engaged as an ongoing APS employee under section 22(2)(a) of the *Public Service Act 1999.*
Operations	Functions, services and processes performed in pursuing the objectives or discharging the functions of an agency.
Outcomes	The results, impacts or consequences of a purpose or activity, as defined in the annual Appropriation Acts and the portfolio budget statements, by a Commonwealth entity and company.
Performance information	Evidence about performance that is collected and used systematically, which may relate to appropriateness, effectiveness and efficiency and the extent to which an outcome can be attributed to an intervention. While performance information may be quantitative (numerical) or qualitative (descriptive), it should be verifiable.
Portfolio Budget Statements (PBS)	The PBS inform parliamentarians and the public of the proposed allocation of resources to government outcomes. They also assist the Senate standing committees with their examination of the government's Budget. PBS are tabled in Parliament on Budget night and published as budget-related papers.

Programs	Commonwealth programs deliver benefits, services or transfer payments to individuals, organisations or the community as a whole, and/or policy advice to inform government decisions. A program is comprised of activities or groups of activities, as defined in the annual Appropriation Acts and portfolio budget statements, by Commonwealth entity and company.
Public Governance, Performance and Accountability Act 2013 (PGPA Act)	The *Public Governance, Performance and Accountability Act 2013* replaced the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997* on 1 July 2014. As the primary piece of Commonwealth resource management legislation, the PGPA Act establishes a coherent system of governance and accountability for public resources, with an emphasis on planning, performance and reporting. The PGPA Act applies to all Commonwealth entities and Commonwealth companies. A list of Commonwealth entities and companies can be found at: http://www.finance.gov.au/sites/default/files/pgpa_flipchart.pdf?v=2.
Public service care agency	A public service care agency is defined in section 4 of the *Carer Recognition Act 2010* to mean an agency as defined in the *Public Service Act 1999* that is responsible for the development, implementation, provision or evaluation of policies, programs or services directed to carers or the persons for whom they care.
Senate Estimates Hearings	Senate Standing Committees hold hearings to scrutinise the appropriation bills and any explanatory documentation tabled to accompany them. Public servants are called as witnesses to hearings.
Specific Purpose Payments (SPP)	Commonwealth payments to the States for specific purposes in order to pursue important national policy objectives in areas that may be administered by the States.

Index

M

N

P

R

S

T

U

W