Part 4
Financial statements

For the period ended 30 June 2022

Independent auditor’s report 104

Statement by the Secretary
and Chief Finance Officer 109

Statement of Comprehensive Income 110

Statement of Financial Position 111

Statement of Changes in Equity 112

Cash Flow Statement 113

Administered Schedule of Comprehensive Income . . 114

Administered Schedule of Assets and Liabilities 115

Administered Reconciliation Schedule 116

Administered Cash Flow Statement 117

Notes to and forming part of
the Financial Statements 118

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Opinion

In my opinion, the financial statements of the Department of the Treasury (the Entity) for the year ended 30 June 2022:

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

(b) present fairly the financial position of the Entity as at 30 June 2022 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2022 and for the year then ended:

- Statement by the 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 the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

GPO Box 707, Canberra ACT 2601
38 Sydney Avenue, Forrest ACT 2603
Phone (02) 6203 7300

Key audit matter

Accuracy and Occurrence of Grants Expense

Refer to Note 6.1C Special Appropriations

The Entity administers a number of grants including grant payments to State and Territory Governments under the *Federal Financial Relations Act 2009* (the Act). For the year ended 30 June 2022, the value of grants paid by the Entity under the Act was $109.2 billion.

Accuracy and occurrence of grants expense is a key audit matter due to:

- The significant value of the grants paid and the complex eligibility criteria set out in agreements for a number of the grant programs; and
- The Entity's reliance on other Australian Government entities and State and Territory Governments to provide information to support payments and confirm that eligibility criteria have been met.

How the audit addressed the matter

The audit procedures I applied to address this key audit matter included:

- Testing, on a sample basis, the design, implementation and operating effectiveness of controls within other Australian Government entities to support the information provided to the Entity that substantiates the eligibility and grant payment amounts; and
- Testing, on a sample basis, the accuracy and occurrence of payments processed by the Entity by testing the design, implementation and operating effectiveness of controls such as delegate sign off for all payments, and agreeing payments to supporting documentation.

Key audit matter

Completeness and Valuation of the Disaster Relief Funding Arrangements (DRFA) and the Natural Disaster Relief and Recovery Arrangements (NDRRA) Provision

Refer to Note 5.4A Provisions

The Entity manages payments to State and Territory Governments to assist with relief and recovery costs following a natural disaster. This is administered in accordance with the Disaster Recovery Funding Arrangements 2018 (for DRFA) and the NDRRA Determination 2017. These payments apply to declared disaster events where a multi-agency response is required, and state expenditure exceeds a specified threshold.

The completeness and valuation of the provision is a key audit matter due to the complexities in the judgements involved in estimating the provision. The Entity relies upon estimated eligible reconstruction cost information provided by State and Territory Governments to estimate the future value and timing of payments under disaster arrangements. Also, due to the nature of disasters, there is uncertainty at the time of the disaster of the estimated costs to restore State and Territory infrastructure to its original condition. The Entity applies judgement to determine whether the cost estimates are sufficiently reliable to be included in the provision at the time of the preparation of the financial statements.

For the year ended 30 June 2022, the provision for costs associated with natural disaster arrangements was valued at $5.5 billion.

How the audit addressed the matter

The audit procedures I applied to address this key audit matter included:

- Examining the assessment of the eligibility of costs estimated under the arrangements. On a sample basis, I tested whether the estimate of eligibility costs had been calculated in accordance with the relevant disaster arrangements;
- Testing, on a sample basis, information provided by State and Territory Governments supporting the movement in quarterly estimates to evaluate the reliability of data to estimate future cash flows;
- Assessing the adequacy of the quality assurance processes over project level data from the State and Territory Governments that supports the provision estimate; and
- Assessing the completeness of declared disasters included in the provision.

Accountable Authority’s responsibility for the financial statements

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

In preparing the financial statements, the Secretary is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity’s operations will cease as a result of an administrative restructure or for any other reason. The Secretary is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

Auditor’s responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Accountable Authority, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office

Mark Vial
Executive Director

Delegate of the Auditor-General

Canberra

14 September 2022

The Treasury

Statement by the Secretary and Chief Finance Officer

In our opinion, the attached financial statements for the year ended 30 June 2022 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.

Dr Steven Kennedy PSM
Secretary to the Treasury
14 September 2022

Tarnya Gersbach
Chief Finance Officer
14 September 2022

Statement of Comprehensive Income

for the period ended 30 June 2022

	Notes	2022 $'000	2021 $'000
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	**208,866**	172,771
Suppliers	1.1B	**114,460**	80,818
Grants	1.1C	**2,295**	554
Finance costs	1.1D	**1,869**	1,830
Depreciation and amortisation	2.2A	**23,601**	20,377
Write-down and impairment of assets	2.2A	**126**	1,141
Other expenses	1.1E	**-**	72
Net foreign exchange losses		**4**	-
Total expenses		**351,221**	277,563
Own-source income			
Own-source revenue			
Revenue from contracts with customers	1.2A	**8,373**	8,158
Other revenue	1.2B	**3,590**	3,898
Total own-source revenue		**11,963**	12,056
Gains			
Other gains	1.2C	**6**	102
Total gains		**6**	102
Total own-source income		**11,969**	12,158
Net cost of services		**(339,252)**	(265,405)
Revenue from Government	1.2D	**325,706**	259,082
Surplus/(Deficit)		**(13,546)**	(6,323)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserve		**(250)**	1,667
Total Comprehensive income/(loss)		**(13,796)**	(4,656)

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

Statement of Financial Position

as at 30 June 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	2.1A	**424**	760
Trade and other receivables	2.1B	**115,232**	87,191
Total financial assets		**115,656**	87,951
Non-financial assets[1]			
Buildings	2.2A	**152,341**	153,352
Plant and equipment	2.2A	**11,220**	11,773
Intangibles	2.2A	**8,420**	16,734
Prepayments		**4,655**	6,446
Total non-financial assets		**176,636**	188,305
Total assets		**292,292**	276,256
LIABILITIES			
Payables			
Suppliers	2.3A	**15,095**	10,602
Other payables	2.3B	**5,211**	3,984
Total payables		**20,306**	14,586
Interest bearing liabilities			
Leases	2.4A	**140,241**	136,513
Total interest bearing liabilities		**140,241**	136,513
Provisions			
Employee provisions	3.1A	**72,192**	68,345
Provision for restoration	2.5A	**5,704**	5,510
Total provisions		**77,896**	73,855
Total liabilities		**238,443**	224,954
Net assets		**53,849**	51,302
EQUITY			
Asset revaluation reserve		**14,093**	14,343
Contributed equity		**120,335**	109,519
Retained earnings		**(80,579)**	(72,560)
Total equity		**53,849**	51,302

1. Right-of-use assets are included in the following line items: Buildings and Plant and equipment.

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

Statement of changes in equity

for the period ended 30 June 2022

	2022 $'000	2021 $'000
CONTRIBUTED EQUITY		
Opening balance	**109,519**	97,890
Contributions by owners		
Equity injection appropriation	**301**	342
Restructuring	**253**	(261)
Departmental capital budget appropriation	**10,262**	11,548
Total transactions with owners	**10,816**	11,629
Closing balance as at 30 June	**120,335**	109,519
RETAINED EARNINGS		
Opening balance	**(72,560)**	(66,237)
Comprehensive income		
Surplus/(Deficit) for the period	**(13,546)**	(6,323)
Total comprehensive income	**(13,546)**	(6,323)
Contributions by owners		
Restructuring	**5,527**	-
Total transactions with owners	**5,527**	-
Closing balance as at 30 June	**(80,579)**	(72,560)
ASSET REVALUATION RESERVE		
Opening balance	**14,343**	12,676
Comprehensive income		
Other comprehensive income	**-**	2,337
Changes in provision for restoration	**(250)**	(670)
Total comprehensive income	**(250)**	1,667
Closing balance as at 30 June	**14,093**	14,343

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.

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.

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

Cash flow statement

for the period ended 30 June 2022

	2022 $'000	2021 $'000
OPERATING ACTIVITIES		
Cash received		
Appropriations	**338,613**	273,761
Sale of goods and rendering of services	**5,493**	9,035
GST received	**9,769**	7,729
Other	**3,335**	1,747
Total cash received	**357,210**	292,272
Cash used		
Employees	**204,530**	169,503
Suppliers	**96,839**	77,840
Interest payments on lease liabilities	**1,837**	1,743
Grants	**2,295**	554
Section 74 receipts transferred to OPA	**33,962**	29,005
GST paid	**9,815**	7,909
Total cash used	**349,278**	286,554
Net cash from/(used by) operating activities	**7,932**	5,718
INVESTING ACTIVITIES		
Cash received		
Proceeds from sales of plant and equipment	**6**	67
Total cash received	**6**	67
Cash used		
Purchase of buildings	**2,547**	4,595
Purchase of plant and equipment	**2,618**	3,582
Purchase of intangibles	**1,382**	5,003
Total cash used	**6,547**	13,180
Net cash from/(used by) investing activities	**(6,541)**	(13,113)
FINANCING ACTIVITIES		
Cash received		
Contributed equity - departmental capital budget	**5,103**	11,832
Contributed equity - equity injections	**538**	327
Restructuring - s75 cash transfer in	**5,780**	5,210
Total cash received	**11,421**	17,369
Cash used		
Principal payments of lease liabilities	**13,148**	9,865
Total cash used	**13,148**	9,865
Net cash from/(used by) financing activities	**(1,727)**	7,504
Net increase/(decrease) in cash held	**(336)**	109
Cash at the beginning of the reporting period	**760**	651
Cash at the end of the reporting period	**424**	760

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

Administered Schedule of Comprehensive Income

for the period ended 30 June 2022

	Notes	2022 $'000	2021 $'000
NET COST OF SERVICES			
Expenses			
Grants	4.1A	**135,103,320**	117,803,920
Interest		**37,357**	4,381
Medicare Guarantee Fund	4.1B	**44,867,877**	41,448,516
Payments to corporate Commonwealth entities	4.1C	**39,939**	59,004
Suppliers and provisions	4.1D	**290,918**	344,497
Concessional loan discount	4.1E	**303,892**	728,434
Total expenses		**180,643,303**	160,388,752
Income			
Revenue			
Non-taxation revenue			
Revenue from contracts with customers	4.2A	**593,408**	623,625
Interest	4.2B	**71,951**	20,262
Dividends	4.2C	**1,965**	2,682,987
COAG[1] revenue from government agencies	4.2D	**1,432,659**	1,810,356
Other revenue	4.2E	**113,321**	94,553
Unwinding of concessional loan discount	4.2F	**86,248**	38,564
Total non-taxation revenue		**2,299,552**	5,270,347
Total revenue		**2,299,552**	5,270,347
Gains			
Foreign exchange	4.2G	**147,409**	570,235
Total gains		**147,409**	570,235
Total income		**2,446,961**	5,840,582
Net (cost of)/contribution by services		**(178,196,342)**	(154,548,170)
Surplus/(Deficit)		**(178,196,342)**	(154,548,170)
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent reclassification to net cost of services			
Restructuring		**-**	(20)
Changes in asset revaluation surplus		**(22,308,742)**	(7,120,710)
Total comprehensive income		**(22,308,742)**	(7,120,730)
Total comprehensive income/(loss)		**(200,505,084)**	(161,668,900)

1. COAG is the Council of Australian Governments.

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

Administered Schedule of Assets and Liabilities

as at 30 June 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	5.1A	**1,165,521**	797,269
Loans and other receivables	5.1B	**2,218,278**	5,860,276
Investments	5.1C	**29,063,993**	38,525,891
Total financial assets		**32,447,792**	45,183,436
Total assets administered on behalf of Government		**32,447,792**	45,183,436
LIABILITIES			
Payables			
Grants	5.2A	**1,252,274**	3,910,671
Other payables	5.2B	**18,354,128**	5,862,196
Unearned income	5.2C	**553**	1,406
Financial guarantees	5.2D	**655,093**	407,167
Total payables		**20,262,048**	10,181,440
Financial liabilities			
Promissory notes	5.3A	**8,657,222**	10,110,131
Total financial liabilities		**8,657,222**	10,110,131
Provisions			
Provisions	5.4A	**5,572,180**	1,652,833
Total provisions		**5,572,180**	1,652,833
Total liabilities administered on behalf of Government		**34,491,450**	21,944,404
Net assets/(liabilities)		**(2,043,658)**	23,239,032

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

Administered Reconciliation Schedule

for the period ended 30 June 2022

	2022 $'000	2021 $'000
Opening assets less liabilities as at 1 July	**23,239,032**	35,856,728
Net (cost of)/contribution by services		
Income	**2,446,961**	5,840,582
Expenses		
Payments to entities other than corporate Commonwealth entities	**(180,603,364)**	(160,329,748)
Payments to corporate Commonwealth entities	**(39,939)**	(59,004)
Other comprehensive income		
Revaluations transferred to reserves	**(22,308,742)**	(7,120,710)
Restructuring	**-**	(20)
Transfers (to)/from Australian Government		
Appropriation transfers from Official Public Account (OPA)		
Administered assets and liabilities appropriations	**165,000**	165,000
Annual appropriation for administered expenses		
Payments to entities other than corporate Commonwealth entities	**59,644**	51,389
Payments to corporate Commonwealth entities	**39,939**	59,004
Special appropriations (limited)		
Payments to entities other than corporate Commonwealth entities	**45,868**	4,778
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	**110,204,105**	95,528,774
Special accounts - COAG Reform Fund	**24,237,889**	16,153,748
Special accounts - Medicare Guarantee Fund	**44,867,877**	41,448,516
Special accounts - National Housing Finance and Investment Corporation	**303,614**	478,213
Refunds of receipts (s77 PGPA)	**-**	2
Appropriation transfers to OPA		
Transfers to OPA - appropriations	**(3,091,672)**	(2,823,248)
Transfers to OPA - special accounts	**(1,609,870)**	(2,014,972)
Closing assets less liabilities as at 30 June	**(2,043,658)**	23,239,032

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.

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

Administered Cash Flow Statement

for the period ended 30 June 2022

	Notes	2022 $'000	2021 $'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services		**1,064**	2,201
Interest		**45,671**	15,186
Dividends		**2,670,965**	2,576,987
Net GST received		**4,431**	4,532
HIH Group liquidation proceeds		**18,280**	-
COAG revenue from government agencies		**1,436,256**	1,806,759
Other receipts from government agencies	6.1D	**26,682,327**	23,505,302
Other		**95,013**	94,555
Total cash received		**30,954,007**	28,005,522
Cash used			
Grant payments		**178,173,113**	149,992,511
Other grants to the States and Territories		**26,682,327**	23,505,302
Interest		**17,833**	4,589
Other		**23,800**	40,435
Total cash used		**204,897,073**	173,542,837
Net cash from/(used by) operating activities		**(173,943,066)**	(145,537,315)
INVESTING ACTIVITIES			
Cash received			
Repayment of IMF NAB loans		**64,111**	79,506
IMF maintenance of value		**5,950**	-
Repayment of NHFIC AHBA Loan		**138,614**	208,213
Repayment of International Loans		**136,162**	50,000
Total cash received		**344,837**	337,719
Cash used			
Settlement of IMF Promissory notes		**285,852**	584,040
Settlement of international financial institutions' obligations		**57,292**	115,942
Purchase of administered investments		**177,407**	169,777
Settlement of loans to other government agencies		**85,362**	180,761
Settlement of IMF loans - PRGT		**-**	396,113
Settlement of international assistance loans		**650,000**	2,057,523
Total cash used		**1,255,913**	3,504,156
Net cash from/(used by) investing activities		**(911,076)**	(3,166,437)
Net increase/(decrease) in cash held		**(174,854,142)**	(148,703,752)
Cash and cash equivalents at the beginning of the reporting period		**797,269**	449,817
Cash from Official Public Account			
Appropriations		**110,514,556**	95,808,947
Special accounts		**69,409,380**	58,080,477
Total cash from Official Public Account		**179,923,936**	153,889,424
Cash to Official Public Account			
Appropriations		**3,091,672**	2,823,248
Special accounts		**1,609,870**	2,014,972
Total cash to Official Public Account		**4,701,542**	4,838,220
Net cash from/(to) Official Public Account		**175,222,394**	149,051,204
Cash and cash equivalents at the end of the reporting period	5.1A	**1,165,521**	797,269

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

Notes to and forming part of the Financial Statements
for the period ended 30 June 2022

Overview **119**

1 Departmental Financial Performance **122**
1.1 Expenses 122
1.2 Own-Source Revenue and Gains 124

2 Departmental Financial Position **127**
2.1 Financial Assets 127
2.2 Non-Financial Assets 128
2.3 Payables 131
2.4 Interest Bearing Liabilities 131
2.5 Other Provisions 132

3 People and relationships **133**
3.1 Employee Provisions 133
3.2 Key Management Personnel Remuneration 134
3.3 Related Party Disclosures 134

4 Income and Expenses Administered on Behalf of Government **135**
4.1 Administered – Expenses 135
4.2 Administered – Income 138

5 Assets and Liabilities Administered on Behalf of Government **141**
5.1 Administered – Financial Assets 141
5.2 Administered – Payables 146
5.3 Administered – Financial Liabilities 149
5.4 Administered – Provisions 149

6 Funding **152**
6.1 Appropriations 152
6.2 Special Accounts 157
6.3 Net Cash Appropriation Arrangements 159

7 Managing uncertainties **160**
7.1 Departmental Contingent Assets and Liabilities 160
7.2 Administered Contingent Assets and Liabilities 160
7.3 Financial Instruments 164
7.4 Administered – Financial Instruments 166
7.5 Fair Value Measurement 172
7.6 Administered – Fair Value Measurement 173

8 Other Information **175**
8.1 Current/Non-current Distinction for Assets and Liabilities 175
8.2 Restructuring 177

9 Budgetary Reports and Explanation of Major Variances **180**
9.1 Departmental Budgetary Reports 180
9.2 Administered Budgetary Reports 187

Overview

The Department of the Treasury (the Treasury) conducts the following principal activities on behalf of the Government: provides policy advice, analysis and the delivery of economic policies and programs, including legislation and administrative payments that support the effective management of the Australian economy.

The Treasury is a not-for-profit, Australian Commonwealth Government entity. The Treasury's primary place of operation is Canberra with offices located in Sydney, Melbourne and Perth. The Treasury also has a number of staff posted to locations overseas.

The Basis of Preparation

The financial statements 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)*; and
- Australian Accounting Standards and interpretations – including simplified disclosures for Tier 2 Entities under AASB 1060 issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The Treasury has applied the simplified disclosure issued by the AASB with the exception of disclosures for administered activities prepared under the following accounting standards, as required under subsection 18(3) of the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015:*

- AASB 7 *Financial Instruments: Disclosure*;
- AASB 12 *Disclosure of Interests in Other Entities*; and
- AASB 13 *Fair Value Measurement*.

The financial statements have been prepared on an accrual basis and 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. The financial statements are rounded to the nearest thousand.

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.

Significant Accounting Judgements and Estimates

During the 2021-22 financial year, the Treasury made a number of judgements and applied estimates that had an impact on the amounts recorded in the financial statements. Judgements and estimates that are material to the financial statements are found in the following notes:

- Fair value measurements (note 7.5A), this should be read in conjunction with note 2.2: Non-Financial Assets
- Financial guarantees (note 5.2D)
- Administered provisions (note 5.4)

New Accounting Standards

Standard/ Interpretation	Nature of change in accounting policy, transitional provisions, and adjustment to financial statements
AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities	AASB 1060 applies to annual reporting periods beginning on or after 1 July 2021 and replaces the reduced disclosure requirements (RDR) framework. The application of AASB 1060 involves some reduction in disclosure compared to the RDR with no impact on the reported financial position, financial performance and cash flows of the entity.

No accounting standard has been adopted earlier than the application date as stated in the standard.

No new standards that were issued prior to the signing of the statements by the Department's Secretary and Chief Finance Officer, and that are applicable to the current reporting period, had a material effect on the Treasury's financial statements.

Taxation

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

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.

Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

During 2021-22 the Treasury reviewed its exposure to the risk of not complying with statutory conditions on payments from appropriations. The Treasury continues to monitor and adapt its verification procedures for payments made under the *Federal Financial Relations Act 2009* and *COAG Reform Fund Act 2008*.

The Treasury identified three potential breaches resulting in a total overpayment to States of $15.3 million in 2021-22. These relate to Public Dental Services for Adults (two payments totalling $14.8 million) and Farm Forestry, Private Native Forestry and Indigenous Forestry (one payment totalling $0.5 million) National Partnership payments. The potential breaches were due to administrative errors by the Commonwealth agencies responsible for administering the funding agreements.

A review found no evidence of systemic issues and the agencies have taken action to prevent reoccurrence of such errors. The overpayments were offset against subsequent National Partnership payments. $15.0 million was recovered in 2021-22 and the remaining $0.3 million recovered in early 2022-23.

Events After the Reporting Period

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

Glossary of abbreviations

The following abbreviations are standardised throughout the financial statements:

- ASBFEO - Australian Small Business and Family Enterprise Ombudsman
- ATO - Australian Taxation Office
- COAG - Council of Australian Governments
- DRFA - Disaster Recovery Funding Arrangements (applicable to events after 1 November 2018)
- ICA - Infrastructure and Commercial Advisory Office (formally Infrastructure and Project Financing Authority (IPFA))
- IFI - International Financial Institutions
- IMF - International Monetary Fund
- NAB - New Arrangements to Borrow
- NDRRA - Natural Disaster Relief and Recovery Arrangements (applicable to events prior to 1 November 2018)
- NHFIC - National Housing Finance and Investment Corporation
- PRGT - Poverty Reduction and Growth Trust
- SDR - Special Drawing Right
- SME - Small and Medium Enterprises

1. Departmental Financial Performance

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

1.1. Expenses

	2022 $'000	2021 $'000
Note 1.1A: Employee benefits		
Wages and salaries	**161,602**	131,799
Superannuation		
Defined contribution plans	**18,731**	14,613
Defined benefit plans	**8,923**	9,342
Redundancies	**180**	973
Leave and other entitlements	**15,364**	12,504
Other	**4,066**	3,540
Total employee benefits	**208,866**	172,771

Accounting Policy

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

	2022 $'000	2021 $'000
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
Consultants	**9,369**	6,408
Contractors and secondees	**52,643**	29,042
Information communication technology	**15,617**	12,530
Property operating expenses	**15,953**	16,774
Travel	**2,234**	1,322
Legal	**4,244**	3,876
Publications and subscriptions	**2,827**	2,998
Fees - audit, accounting, bank and other	**1,617**	1,696
Conferences and training	**4,548**	2,502
Insurance	**526**	354
Printing	**294**	499
Other	**2,396**	1,431
Total goods and services supplied or rendered	**112,268**	79,432
Goods supplied	**5,684**	6,197
Rendering of services	**106,584**	73,235
Total goods and services supplied or rendered	**112,268**	79,432
Other suppliers		
Workers compensation premiums	**1,263**	1,212
Short-term leases	**929**	171
Low value leases	**-**	3
Total other suppliers	**2,192**	1,386
Total suppliers	**114,460**	80,818

The Treasury has short-term lease commitments of $1.05 million as at 30 June 2022.

The above lease disclosure should be read in conjunction with the accompanying notes 1.1D Finance costs, 1.1E Other expenses, 2.2 Non-financial assets and 2.4A Leases.

Accounting Policy
Short-term leases and leases of low-value assets
The Treasury has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than $10,000). The Treasury recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	2022 $'000	2021 $'000
Note 1.1C: Grants		
Australian Government Entities (related entities)	**1,740**	-
Non-profit organisations	**555**	554
Total grants	**2,295**	554

Accounting Policy
The entity administers a number of grant schemes. 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. When the Government enters into an agreement to make these grants and services, but services have not been performed or criteria satisfied, this is considered a commitment.

Note 1.1D: Finance costs		
Interest on lease liabilities[1]	**1,837**	1,743
Unwinding of discount	**32**	87
Total finance costs	**1,869**	1,830

1. The above lease disclosures should be read in conjunction with the accompanying notes 1.1B Suppliers, 1.1E Other expenses, 2.2 Non-financial assets and 2.4A Leases.

Accounting Policy
All borrowing costs are expensed as incurred.

	2022 $'000	2021 $'000
Note 1.1E: Other expenses		
Net losses arising from lease modifications[1]	-	18
Act of Grace payments	-	54
Total other expenses	-	72

1. The above lease disclosures should be read in conjunction with the accompanying notes 1.1B Suppliers, 1.1D Finance costs, 2.2 Non-financial assets and 2.4A Leases.

1.2. Own-Source Revenue and Gains

Own-Source Revenue	2022 $'000	2021 $'000
Note 1.2A: Revenue from contracts with customers		
Rendering of services	**8,373**	8,158
Total revenue from contracts with customers	**8,373**	8,158
Disaggregation of revenue from contracts with customers		
Major product / service line:		
Actuarial services	**3,615**	3,681
Shared services	**1,585**	2,951
Cost recoveries	**2,198**	1,038
Legislative and Governance Forum on Consumer Affairs contributions	**-**	88
Income from subleasing[1]	**933**	360
Other	**42**	40
	8,373	8,158
Type of customer:		
Australian Government entities (related parties)	**8,331**	7,994
State and Territory Governments	**-**	88
Non-government entities	**42**	76
	8,373	8,158

1. The Treasury sub-leases accommodation to the Australian Office of Financial Management and the Australian Taxation Office.

Maturity analysis of operating lease commitments receivable:

	2022 $'000	2021 $'000
Within 1 year	**1,069**	350
1-2 years	**1,104**	361
2-3 years	**402**	373
3-4 years	**237**	383
4-5 years	**83**	217
More than 5 years	**210**	219
Total undiscounted lease payments receivable	**3,105**	1,903

Accounting Policy

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Treasury expects to be entitled in exchange for those goods or services. The Treasury has concluded that it is the principal in all of its revenue arrangements because it controls the goods or services before transferring them to the customer.

Actuarial Services

This revenue stream relates to services performed by the Australian Government Actuary division for other Commonwealth entities. The Treasury recognises revenue upon the completion of the services (that is, at a point in time) as defined by the underlying contract as this is when the customer obtains the ability to direct the use of and obtain substantially all of the benefits from the services (typically a report or other deliverable). Invoicing occurs in line with the underlying agreement and can be in advance or in arrears.

Shared Services

This revenue stream relates to the Treasury providing finance, payroll and IT function services to other Commonwealth entities. The Treasury recognises revenue on the basis of expenses incurred to complete the service (that is, over time) because the customer simultaneously receives and consumes the benefits provided to them. The Treasury uses the input method in measuring progress of the services because there is a direct relationship between the Treasury's effort (that is, expenditure incurred) and the transfer of the service to the customer. Invoicing occurs in line with the underlying agreement and can be in advance or in arrears.

Cost Recoveries

This revenue stream relates to cost recovery contributions received from Commonwealth and State government entities as well as other entities to support the Treasury's facilitation of various grant programs, forums and/or councils. These arrangements are underpinned by enforceable agreements that are sufficiently specific to allow the Treasury to determine when the obligations are satisfied in return for consideration. The Treasury recognises revenue on the basis of expenses incurred to complete the service (that is, over time) because the customer simultaneously receives and consumes the benefits provided to them. The Treasury uses the input method in measuring progress of the services because there is a direct relationship between the Treasury's effort (that is, expenditure incurred) and the transfer of the service to the customer. Invoicing occurs in line with the underlying agreement and can be in advance or in arrears.

Legislative and Governance Forum on Consumer Affairs

This revenue stream relates to contributions from States and Territories to fund the operations and projects of the Legislative and Governance Forum on Consumer Affairs. The operational contributions are based on the Commonwealth committing 30 per cent of funding with the remaining 70 per cent shared between the States and Territories. There are no sufficiently specific obligations related to these contributions, therefore the Department recognises revenue uniformly over time within the financial period in which the funds relate to. The Department recognises project revenue on the basis of expenses incurred to deliver the project (that is, over time) because the customer simultaneously receives and consumes the benefits provided to them. The Department uses the input method in measuring progress of the services delivered because there is a direct relationship between the Department's effort (that is, expenditure incurred) and the transfer of the service to the customer. Invoicing occurs in line with the underlying State and Territories agreements and can be in advance or arrears. Payment is generally due within 30 days upon issue of invoice.

Income from Subleasing Right-of-use assets

The Treasury sublets a portion of office space to the Australian Office of Financial Management and the Australian Taxation Office. The Treasury does not transfer substantially all the risks and rewards incidental to ownership of its lease through this sublease and therefore classifies this sublease as an operating lease. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue from contracts with customers due to its operational nature.

The transaction price is the total amount of consideration to which the Entity expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

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 the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

	2022 $'000	2021 $'000
Note 1.2B: Other revenue		
Resources received free of charge		
Remuneration of auditors - ANAO	**490**	539
Secondment services	**3,000**	3,303
ICA revenue	**-**	56
Other	**100**	-
Total other revenue	**3,590**	3,898
Note 1.2C: Other gains		
Gains from sale of assets	**6**	67
Net foreign exchange gains	**-**	35
Total other gains	**6**	102

Accounting Policy

Resources received free of charge

Resources received free of charge are recognised as revenue 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. Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government entity as a consequence of a restructuring of administrative arrangements.

Sale of assets

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

	2022 $'000	2021 $'000
Note 1.2D: Revenue from Government		
Appropriations		
Departmental appropriations	**325,706**	257,620
Supplementation	**-**	1,462
Total revenue from Government	**325,706**	259,082

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 the 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

	2022 $'000	2021 $'000
Note 2.1A: Cash and cash equivalents		
Cash on hand or on deposit	**424**	760
Total cash and cash equivalents	**424**	760

	2022 $'000	2021 $'000
Note 2.1B: Trade and other receivables		
Goods and services receivables		
Contract assets from contracts with customers	**2,552**	1,805
Goods and services	**1,924**	1,191
Total goods and services receivables	**4,476**	2,996
Appropriation receivables		
Appropriations receivable	**108,064**	80,625
Supplementation receivable	**-**	1,462
Total appropriation receivables	**108,064**	82,087
Other receivables		
Net GST receivable from the ATO	**1,659**	1,462
Other receivables	**1,035**	648
Total other receivables	**2,694**	2,110
Total trade and other receivables (gross)	**115,234**	87,193
Less impairment loss allowance	**(2)**	**(2)**
Total trade and other receivables (net)	**115,232**	87,191

Credit terms for goods and services were within 30 days (2021: 30 days).

Accounting Policy

Financial assets

Trade receivables, loans and other receivables that are held for the purpose of collecting the contractual cash flows, where the cash flows are solely payments for principal and interest that are not provided at below-market interest rates, are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

2.2. Non-Financial Assets

Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and computer software (2021-22)

	Buildings $'000	Plant and equipment $'000	Computer software internally developed $'000	Computer software purchased $'000	Total $'000
As at 1 July 2021					
Gross book value	**172,044**	**12,487**	**31,208**	**7,958**	**223,697**
Accumulated depreciation / amortisation and impairment	**(18,692)**	**(714)**	**(14,851)**	**(7,581)**	**(41,838)**
Total value as at 1 July 2021	**153,352**	**11,773**	**16,357**	**377**	**181,859**
Additions	**15,032**	**2,640**	**893**	**489**	**19,054**
Purchase or internally developed	2,547	2,618	893	489	**6,547**
Right-of-use assets	12,485	22	-	-	**12,507**
Adjustment to the ROU asset recognised in net cost of services	**(38)**	-	-	-	**(38)**
Depreciation and amortisation	**(3,425)**	**(3,151)**	**(4,217)**	**(311)**	**(11,104)**
Depreciation on right-of-use assets	**(12,483)**	**(14)**	-	-	**(12,497)**
Other movements[1]	-	-	**(5,168)**	-	**(5,168)**
Disposal of right-of-use assets	**(28)**	-	-	-	**(28)**
Disposals	**(69)**	**(28)**	-	-	**(97)**
Reclassification	-	-	**315**	**(315)**	-
Total as at 30 June 2022	**152,341**	**11,220**	**7,865**	**555**	**171,981**
Total as at 30 June 2022 represented by:					
Gross book value	**186,266**	**15,028**	**25,099**	**3,023**	**229,416**
Fair value	**171,726**	**10,762**	-	-	**182,488**
At cost	**14,540**	**1,130**	**24,142**	**3,023**	**42,835**
Under construction	-	**3,136**	**957**		**4,093**
Accumulated depreciation / amortisation and impairment	**(33,925)**	**(3,808)**	**(17,234)**	**(2,468)**	**(57,435)**
Total as at 30 June 2022	**152,341**	**11,220**	**7,865**	**555**	**171,981**
Carrying amount of right-of-use assets	**130,524**	**23**	-	-	**130,547**

1. Other movements relates to the reclassification of cloud based projects to operating expenditure, this included prior year work-in-progress (WIP) balances for intangibles.

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

The fair value of 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.		
Commitments are payable as follows:	**2022**	2021
	$'000	$'000
Within 1 year	**296**	947
Between 1 to 5 years	**550**	25
Total commitments	**846**	972

1. Commitments are GST inclusive where relevant.

Accounting Policy

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 plant and equipment and computer software are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than $10,000 (building – leasehold improvements and internally developed software $50,000) which are expensed in the year of acquisition.

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 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 restoration recognised.

Leased Right-of-Use (ROU) Assets

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for as separate asset classes to corresponding assets owned outright but included in the same column as where the corresponding underlying assets would be presented if they were owned.

Following initial application, an impairment review is undertaken for any right-of-use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use lease asset that is impaired. Leased ROU assets continue to be measured at cost after initial recognition.

Revaluations

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

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset 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.

Depreciation and Amortisation

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. Software is amortised on a straight-line basis.

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

	2022	**2021**
Buildings - leasehold improvements	5-25 years	5-25 years
Plant and equipment:		
Plant and equipment	3-10 years	3-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years
Computer software	3-5 years	3-5 years

The depreciation rates for ROU assets are based on the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

Impairment

All assets were assessed for impairment at 30 June 2022. 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.

The recoverable amount of an asset is the higher of its fair value less costs of disposal 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.

All software assets were assessed for indications of impairment as at 30 June 2022, including the impact of factors such as project cessation and platform changes. No indication of impairment for intangible assets were identified as at 30 June 2022, therefore nil impairment losses for intangible assets were recognised (2021: nil).

Accounting Judgement and Estimates

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

Refer to section 7.5 Fair Value Measurement - Accounting Policy.

2.3. Payables

	2022 $'000	2021 $'000
Note 2.3A: Suppliers		
Trade creditors and accruals	**11,717**	9,096
Contract liabilities from contracts with customers	**3,378**	1,506
Total suppliers	**15,095**	10,602

Settlement was usually made within 20 days (2021: 20 days).

The contract liabilities from contracts with customers are associated with performance obligations not yet met at 30 June for the Australian Government Actuary, the Australian Consumer Survey Project and the Department of Foreign Affairs and Trade.

	2022 $'000	2021 $'000
Note 2.3B: Other payables		
Salaries and wages	**4,431**	3,118
Superannuation	**701**	493
Other creditors	**79**	373
Total other payables	**5,211**	3,984

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 and 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).

2.4. Interest Bearing Liabilities

	2022 $'000	2021 $'000
Note 2.4A: Leases		
Lease liabilities		
Buildings	**140,218**	136,497
Plant and equipment	**23**	16
Total leases	**140,241**	136,513

Total cash outflow for leases for the year ended 30 June 2022 was $14.985 million ($13.148 million in principal payments which also includes $0.929m in short term lease payments and $1.837 million in interest payments).

	2022 $'000	2021 $'000
Maturity analysis - contractual undiscounted cash flows		
Within 1 year	**12,838**	10,865
Between 1 to 5 years	**48,578**	41,990
More than 5 years	**90,229**	98,463
Total leases	**151,645**	151,318

The above lease disclosures should be read in conjunction with the accompanying notes 1.1B Suppliers, 1.1D Finance costs, 1.1E Other expenses and 2.2 Non-financial assets.

Accounting Policy

For all new contracts entered into, the Treasury considers whether the contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or the department's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss depending on the nature of the reassessment or modification.

2.5. Other Provisions

Note 2.5A: Provision for restoration		**Total**
	$'000	**$'000**
Carrying amount 1 July 2021	**5,510**	**5,510**
Additional provisions made	**250**	**250**
Provisions made against Right-Of-Use assets	**(88)**	**(88)**
Unwinding of discount or change in discount rate	**32**	**32**
Closing balance 30 June 2022	**5,704**	**5,704**

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

	2022	2021
	$'000	$'000
Note 3.1A: Employee provisions		
Leave	**72,192**	68,345
Total employee provisions	**72,192**	68,345

Accounting Policy

Liabilities for short-term employee benefits and termination benefits expected within 12 months of the end of reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as the net total of the 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 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.

In 2020-21, the Treasury engaged the Australian Government Actuary to undertake a triennial actuarial assessment of its leave provisions, taking into account the likely tenure of existing staff, patterns of leave claims, payouts and future salary movements. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and general pay increases. The next assessment will be completed in the 2023-24 financial year.

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's defined benefit 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 2022 represents outstanding contributions.

3.2. Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities, directly or indirectly, of the Treasury. The Treasury has determined the key management personnel to be the Treasurer and other Portfolio Ministers, the Secretary and Deputy Secretaries. Key management personnel remuneration is reported in the table below:

	2022	2021
	$'000	$'000
Short-term employee benefits	**2,903**	3,154
Post-employment benefits	**450**	459
Other long-term employee benefits[1]	**(186)**	44
Total key management personnel remuneration expenses[2]	**3,167**	3,657

1. Long service leave has been affected by the movement in the 10 year bond rate from 1.49% in 2020-21 to 3.66% in 2021-22. This has reduced the present value of the leave balances, resulting in negative movement this financial year.
2. The above key management personnel remuneration excludes the remuneration and other benefits of the Treasurer and other Portfolio Ministers. Their remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the Treasury.

The total number of key management personnel that are included in the above table for Treasury in 2022 is 6 (2021: 7, including IPFA CEO).

3.3. Related Party Disclosures

Related party relationships:
The Treasury is an Australian Government controlled entity. Related parties to the Treasury are key management personnel including the Portfolio Minister and Executive and other Australian Government entities.

Transactions with related parties:

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by Treasury, it has been determined that one related party transaction is to be separately disclosed in 2022 (2021: one).

2021-22
During the reporting period, Treasury purchased shares totalling $12.407 million in the Australian Business Growth Fund (ABGF). One of the key management personnel was a government-appointed director of ABGF during 2021-22.

2020-21
During the reporting period, Treasury purchased shares totalling $4.778 million in the Australian Business Growth Fund (ABGF). One of the key management personnel was a government-appointed director of ABGF during 2020-21.

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

	2022 $'000	2021 $'000
Note 4.1A: Grants		
Public sector		
State and Territory Governments	**133,756,572**	115,979,788
Payment of COAG receipts from Government agencies	**1,307,659**	1,810,356
Overseas entities		
Grants to International Financial Reporting Standards	**1,000**	2,000
Private sector		
Grants to private sector	**38,089**	11,776
Total grants	**135,103,320**	117,803,920

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 Disaster Recovery Funding Arrangements (DRFA) and 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. When the Government enters into an agreement to make these grants and services but services have not been performed or criteria satisfied, this is considered a commitment.

Grants to States and Territories

Under the Federal Financial Relations Framework, the Treasurer is responsible for payments to the States and Territories. An overview of these arrangements is available on the Council for Federal Financial Relations' website.

There are five main types of payments under the framework:

(i) General revenue assistance, including GST revenue payments – a financial contribution to a State or Territory which is available for use for any purpose.

(ii) National Specific Purpose Payments (National SPPs) – a financial contribution to support a State or Territory to deliver services in a particular sector.

(iii) National Health Reform (NHR) payments – a financial contribution to a State or Territory to improve health outcomes for all Australians and ensure the sustainability of Australia's health system. Payments are made on the condition that the financial assistance is spent in accordance with the NHR Agreement.

(iv) National Housing and Homelessness Agreement (NHHA) payments – a financial contribution to a State or Territory to improve access to affordable, safe and sustainable housing, including to prevent and address homelessness and support social and economic participation.

(v) National Partnership (NP) payments – a financial contribution in respect of a funding 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. Portfolio Ministers are accountable for government policies associated with NP payments.

National SPPs, NHHA, NHR and GST are paid monthly in advance under the *Federal Financial Relations Act 2009*. After the end of the financial year, the Treasurer determines the amounts that should have been paid and any adjustments are made in respect of advances that were paid during the financial year.

NP and other general revenue assistance payments are paid under *the Federal Financial Relations Act 2009* which allows the Treasurer (or the delegated Minister within the Treasury Portfolio) 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 Councils of Australian Government (COAG) Reform Fund special account. 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 has established a risk assessment framework for managing NP payments to the States and Territories. Senior officials of Commonwealth agencies that have policy and program responsibility for NPs are required to provide written representations to Treasury that the terms and conditions of the NP have been met prior to making a payment. This includes certification that appropriate ministerial authorisation is in place if a senior official has approved the achievement of a milestone for payment on behalf of a Minister. The Treasury undertakes its own quality assurance checks, including the review of supporting documents based on a risk profile, before advising the Treasurer on the amounts to be determined for payment to the States and Territories.

Disaster Recovery Funding Arrangements (DRFA) and Natural Disaster Relief and Recovery Arrangements (NDRRA)

The Treasury accounts for payments made to States and Territories under DRFA and 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 National Recovery and Resilience Agency (NRRA) an estimate of costs expected to be incurred for disasters affecting States and Territories that occurred prior to 1 July 2022 which would be eligible for assistance. The signed representations from the States and Territories are quality assured by the NRRA, which in turn provides a certification of the expenditure estimates to the Treasury. Refer to note 5.4A Administered provisions for additional information.

Payments to the States and Territories through the COAG Reform Fund special account

Payments are made by other Commonwealth agencies into the COAG Reform Fund special account as detailed below.

- Department of Social Services (DSS) – payments to States and Territories in relation to the DisabilityCare Australia Fund.

- Department of Finance – payments to States and Territories in relation to the Emergency Response Fund.

- Department of Agriculture, Water and the Environment – payments to States and Territories in relation to the Future Drought Fund.

- DSS – 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.

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

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.

	2022 $'000	2021 $'000
Note 4.1B: Medicare Guarantee Fund		
Medicare Guarantee Fund	**44,867,877**	41,448,516
Total Medicare Guarantee Fund	**44,867,877**	41,448,516

Accounting Policy

Medicare Guarantee Fund

The purpose of the *Medicare Guarantee Act 2017* (the Act) is to secure ongoing funding of the Medical Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS).

The Act establishes the Medicare Guarantee Fund (MGF), which consists of the Medicare Guarantee Fund (Treasury) Special Account (Treasury Special Account) and the Medicare Guarantee Fund (Health) Special Account (Health Special Account). The Treasury Special Account is administered by the Department of the Treasury and the Health Special Account is administered by the Department of Health.

Under the Act, the Treasurer must credit the Treasury Special Account with an amount that is sufficient to cover the estimated costs of the MBS and PBS for the next financial year. The Treasury is reliant on advice from the Department of Health in determining the estimated costs. The sole purpose of the Treasury Special Account is to ensure that amounts are available for transfer to the Health Special Account to fund the MBS and PBS.

The MGF funding payment is recorded in Treasury Administered expenses to reflect the payment into the Health Special Account from the Treasury Special Account. Refer to Note 6.2 Special Accounts.

	2022 $'000	2021 $'000
Note 4.1C: Payments to corporate Commonwealth entities		
National Housing Finance and Investment Corporation (NHFIC)		
Operating funding	**4,939**	24,004
Grants payment	**35,000**	35,000
Total payments to corporate Commonwealth entities	**39,939**	59,004

Accounting Policy

Payments to corporate Commonwealth entities from amounts appropriated for that purpose are classified as administered expenses, equity injections or loans of the relevant portfolio department. The appropriation to the Treasury is disclosed in Note 6 Funding.

Refer to Notes 5.1B Loans and other receivables, 5.1C Investments and 7.2 Administered Contingent Assets and Liabilities for more information on the National Housing Finance and Investment Corporation (NHFIC).

	2022 $'000	2021 $'000
Note 4.1D: Suppliers and provisions		
Suppliers		
Advertising campaigns	**16,562**	29,615
AFCA disputes payments[1]	**-**	504
General supplier expenses	**1,532**	1,742
Total suppliers	**18,094**	31,861
Provisions		
NHFIC First Home Loan Deposit Scheme – claims provision[2]	**11,992**	(3,053)
NHFIC New Home Guarantee – claims provision[2]	**4,104**	1,325
NHFIC Family Home Guarantee – claims provision[2]	**2,205**	-
Small and Medium Enterprises Guarantee Scheme – claims[2]	**254,523**	314,364
Total provisions	**272,824**	312,636
Total suppliers and provisions	**290,918**	344,497

1. The Australian Financial Complaints Authority (AFCA) disputes payments were finalised in 2020-21.
2. Refer to Note 5.4A (NHFIC) and Note 5.2D (Small and Medium Enterprises) Accounting Policies for further details.

	2022 $'000	2021 $'000
Note 4.1E: Concessional loan discount		
Concessional loan discount - PNG loans	**321,929**	253,169
Concessional loan discount - Indonesia loan[1]	**(18,037)**	422,526
Concessional loan discount - IMF PRGT loan	**-**	52,739
Total concessional loan discount	**303,892**	728,434

1. The Indonesia loan was recalculated due to a revision of the interest rate used in 2020-21; resulting in a negative adjustment of $18 million in 2021-22.

Accounting Policy

All borrowing costs are expensed as incurred.

4.2. Administered – Income

Revenue	2022 $'000	2021 $'000
Non-Taxation Revenue		
Note 4.2A: Revenue from contracts with customers		
GST administration fees - external entities	**592,400**	621,500
Guarantee of State and Territory borrowing fee	**1,008**	2,125
Total revenue from contracts with customers	**593,408**	623,625
Note 4.2B: Interest		
Net International Monetary Fund (IMF) remuneration	**6,787**	1,983
Interest on IMF Special Drawing Right (SDR) Holdings	**24,627**	-
Interest on IMF NAB loans	**165**	141
Interest on IMF PRGT loans	**927**	2
Interest on international assistance loans	**36,886**	15,696
Interest on loans to States and Territories	**2,164**	2,162
Interest on loans to NHFIC	**395**	278
Total interest	**71,951**	20,262
Note 4.2C: Dividends		
Reserve Bank of Australia	**1,965**	2,672,987
Australian Reinsurance Pool Corporation	**-**	10,000
Total dividends	**1,965**	2,682,987
Note 4.2D: COAG revenue from government agencies		
DisabilityCare Australia Fund revenue	**1,232,659**	1,688,921
Emergency Response Fund revenue	**200,000**	50,000
Future Drought Fund revenue	**-**	25,818
Social and Community Services Sector	**-**	45,617
Total COAG revenue from government agencies	**1,432,659**	1,810,356

	2022	2021
Note 4.2E: Other revenue	**$'000**	$'000
HIH Group liquidation proceeds	**18,280**	-
Australian Reinsurance Pool Corporation fee[1]	**90,000**	90,000
Other revenue	**5,041**	4,553
Total other revenue	**113,321**	**94,553**

1. Australian Reinsurance Pool Corporation Dividend and Service fee are agreed in advance as part of the Budget process and finalised once the appropriate determination is provided under Section 38(2) of the *Terrorism Insurance Act 2003.*

Note 4.2F: Unwinding concessional loan discount		
Unwinding of concessional loan discount - PNG loans	**35,536**	12,484
Unwinding of concessional loan discount - Indonesia loan	**44,059**	22,773
Unwinding of concessional loan discount - IMF PRGT loan	**6,653**	3,307
Total unwinding of concessional loan discount	**86,248**	38,564

Gains		
Note 4.2G: Net Foreign exchange gains/(losses)		
IMF SDR allocation	**159,167**	347,046
IMF SDR holdings	**(272,371)**	-
IMF Maintenance of Value	**(168,136)**	1,178,400
IMF quota revaluation	**241,318**	(739,797)
International Financial Institutions (IFI) revaluation	**178,649**	(205,853)
IMF NAB loans	**1,051**	(13,083)
IMF PRGT loans	**7,731**	3,522
Total foreign exchange gains/(losses)	**147,409**	570,235

Accounting Policy

Administered revenue

All administered revenue relates 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.

Interest revenue

Interest revenue is recognised using the effective interest method.

Reserve Bank of Australia dividend

The Treasurer is able to determine what portion of the Reserve Bank of Australia's (RBA) 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. Remuneration is paid on a portion of Australia's IMF quota commitment. This money is 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 based on the Special Drawing Right (SDR) interest rate. The SDR interest rate is the market interest rate computed by the IMF, which is based on a weighted average of representative interest rates on short-term government debt instruments (generally 3 month bond rates) of the five entities whose currencies make up the SDR basket: the United States, United Kingdom, European Union, Japan and China. 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'. No adjustment for 'burden sharing' has been made in either the current or prior years.

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 its value in SDR terms.

IMF New Arrangements 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 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 ten years after each call is made. Amounts can be repaid earlier at the IMF's discretion.

IMF Poverty Reduction and Growth Trust (PRGT)

Australia also receives interest on amounts lent to the IMF under the Poverty Reduction and Growth Trust (PRGT). Amounts lent to the IMF under the PRGT accrue interest daily at the SDR interest rate (or such other rate as agreed by 85 per cent of PRGT lenders). The IMF pays interest on PRGT amounts quarterly.

The IMF must repay amounts lent through the PRGT in line with the pass-through loan arrangement, this is usually ten years. Amounts can be repaid earlier if the pass-through loan is repaid early.

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 conduct operations and the operating liabilities incurred as a result, which 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

	2022 $'000	2021 $'000
Note 5.1A: Cash and cash equivalents		
Cash held in the OPA - NHFIC Special Account	**965,521**	747,269
Cash held in the OPA - COAG Special Account	**200,000**	50,000
Total cash and cash equivalents	**1,165,521**	797,269

Accounting Policy

The Treasury's administered cash and cash equivalents relate to special account balances held in the Official Public Account (OPA). Refer to Note 6.2 Special Accounts for more information.

	2022 $'000	2021 $'000
Note 5.1B: Loans and other receivables		
Loans		
Loans to States and Territories	**47,858**	47,855
International assistance loans	**1,656,627**	1,367,085
Loans to NHFIC	**34,479**	87,731
IMF NAB loans	**57,412**	120,471
IMF PRGT loans	**389,345**	378,812
Total loans	**2,185,721**	2,001,954
Other receivables		
IMF Maintenance of Value receivable	**-**	1,178,400
Borrowing contractual fee receivable[1]	**553**	1,406
Guarantee of State and Territory Borrowing fee receivable	**56**	112
Net GST receivable from the ATO	**123**	358
IMF related moneys owing	**17,029**	248
Dividends receivable	**-**	2,669,000
Accrued interest - loans to NHFIC	**124**	50
Accrued interest - international loans	**13,987**	5,150
Accrued interest - IMF PRGT loans	**523**	1
Accrued interest - IMF NAB loans	**63**	-
GST revenue allocation and COAG receivable	**-**	3,597
Other receivables	**99**	-
Total other receivables	**32,557**	3,858,322
Total loans and other receivables (gross)	**2,218,278**	5,860,276
Receivables are expected to be recovered in		
No more than 12 months	**217,417**	3,957,682
More than 12 months	**2,000,861**	1,902,594
Total receivables (gross)	**2,218,278**	5,860,276
Receivables (gross) are aged as follows		
Not overdue	**2,218,278**	5,860,276
Total receivables (gross)	**2,218,278**	5,860,276

1. Refer to Note 5.2C Unearned income for corresponding liability.

Note 5.1B: Concessional loans carrying amounts

	Loans to PNG $'000	Loan to Indonesia $'000	IMF PRGT loan $'000	Total $'000
As at 1 July 2021	**316,838**	**1,050,247**	**378,812**	**1,745,897**
Gross funded loans and advances	**650,000**	**-**	**-**	**650,000**
Less: concessional loan discount on drawn loans	**(321,929)**	**18,037**	**-**	**(303,892)**
Less: repayment of principal	**(36,162)**	**(100,000)**	**-**	**(136,162)**
Add: unwinding of concessional loan discount (income)	**35,536**	**44,059**	**2,802**	**82,397**
Add: foreign exchange movement	**-**	**-**	**7,731**	**7,731**
Total as at 30 June 2022	**644,283**	**1,012,343**	**389,345**	**2,045,971**

	Loan to PNG $'000	Loan to Indonesia $'000	IMF PRGT loan $'000	Total $'000
As at 1 July 2020	-	-	-	-
Gross funded loans and advances	557,523	1,500,000	396,112	2,453,635
Less: concessional loan discount on drawn loans	(253,169)	(422,526)	(20,823)	(696,518)
Less: repayment of principal	-	(50,000)	-	(50,000)
Add: unwinding of concessional loan discount (income)	12,484	22,773	-	35,257
Add: foreign exchange movement	-	-	3,523	3,523
Total as at 30 June 2021	316,838	1,050,247	378,812	1,745,897

Accounting Policy

Except for financial guarantee contracts, all loans and receivables are classified as amortised cost under AASB 9. Refer to Note 7.4 Administered financial instruments for further details on accounting treatment.

GST Revenue allocation and Council of Australian Government (COAG) receivable

Under the COAG arrangements, the Treasury separately discloses grants payable (grants not paid prior to year-end) and receivable (primarily GST revenue allocations and other COAG grants receivable) based on information provided by Commonwealth Agencies for each COAG grant.

GST is paid to the State and Territories based on estimated figures provided in the Budget and revisited in the Mid-Year Economic and Fiscal Outcome (MYEFO) round. The key driver of the calculation of the distribution of GST is population and actual collections. At the end of each financial year, the Australian Bureau of Statistics provides population data and the ATO provides the actual GST collection figures. The difference between the estimated and actual State and Territory payments is recorded as GST revenue allocation.

Current year GST revenue allocation is $nil (2021: $nil). Refer to Note 5.2A Grants for further details.

Loans to National Housing Finance and Investment Corporation (NHFIC)

Loans to NHFIC relate to the Affordable Housing Bond Aggregator (AHBA), which was established by NHFIC to provide loans to registered Community Housing Providers (CHPs). In accordance with the *National Housing Finance and Investment Corporation Investment Mandate Direction 2018*, each loan allocated to the AHBA must relate to a particular loan to a CHP unless approved by the Treasurer and Minister for Finance. Interest is to be charged on each loan at a rate that covers the Commonwealth's cost of borrowing over the life of the loan. The interest has been accrued as earned and disclosed in Notes 4.2B and 5.1B.

International Monetary Fund (IMF) New Arrangements to Borrow

Australia lent to the IMF under the New Arrangements to Borrow (NAB). NAB is a set of credit arrangements between the IMF and 38 member countries and Institutions, including a number of emerging market countries. There are also two member countries that are prospective NAB participants. The NAB is used in circumstances in which the IMF needs to supplement its quota resources for lending purposes. The NAB is covered by general activation periods of up to six months, with each activation period subject to a specified maximum level of commitments.

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

IMF Poverty Reduction and Growth Trust

Australia lent to the IMF under the Poverty Reduction and Growth Trust (PRGT). The IMF is the Trustee of the PRGT, which is used to provide concessional lending to low-income countries. When the IMF makes a loan through the PRGT, it draws on its credit arrangements.

The IMF must repay amounts lent through the PRGT in line with the pass-through loan arrangement, this is usually ten years. Amounts can be repaid earlier if the pass-through loan is repaid early.

International Assistance Loans to Papua New Guinea

On 22 November 2020, the Commonwealth of Australia agreed to lend approximately A$558 million to the Independent State of Papua New Guinea (PNG). This agreement was made to provide budget support to PNG and to support its reform actions under the International Monetary Fund (IMF) Staff-Monitored Program (SMP).

The funds will be used to provide budgetary support to help address the deteriorating fiscal position that PNG has been facing in recent years. The deterioration in fiscal position has been further exacerbated by the COVID-19 pandemic. Additionally, the funds were used to refinance a US$300 million loan that PNG had with Export Finance Australia.

The interest rate on the loan is fixed to match the yield on 10-year Australian Government Securities as at the date before drawdown by PNG, with an additional 0.5 per cent margin to cover administrative costs associated with the loan. Instalments on the loan principal and interest are repayable over fifteen years every six months in Australian dollars.

The Australian Government agreed with PNG to temporarily suspend principal and interest repayments for the loan until 31 December 2021; consistent with the Debt Service Suspension Initiative of G20 nations to support low-income nations during the COVID-19 pandemic.

On 10 December 2021, the Commonwealth of Australia agreed to lend A$650 million to the Independent State of Papua New Guinea (PNG). The loan provides support to PNG to meet its 2021 Budget financing shortfall, help it respond to the ongoing health and economic impact of the COVID-19 pandemic, and for continued progress on economic reforms under the second IMF SMP.

The interest rate on the loan is fixed to match the yield on 10-year Australian Government Securities ten business days prior to the date of drawdown by PNG, with an additional 0.5 per cent margin to cover administrative costs associated with the loan. Instalments on the loan principal and interest are repayable over twenty years every six months in Australian dollars.

International Assistance Loan to Indonesia

On 12 November 2020, the Commonwealth of Australia agreed to lend A$1.5 billion to the Republic of Indonesia. This agreement is part of a multilateral action to support Indonesia led by the Asian Development Bank and including the Asian Infrastructure Investment Bank, the Japan International Cooperation Agency and the German state-owned development bank. The funds were used to support Indonesia's COVID-19 response, including social protection initiatives and health system development.

The interest rate on the loan is fixed to match the yield on 10-year Australian Government Securities as at the date of drawdown by the Indonesian Government, with an additional 0.5 per cent margin to cover administrative costs associated with the loan. Instalments on the loan principal and interest are repayable over fifteen years every six months in Australian dollars.

	2022 **$'000**	2021 $'000
Note 5.1C: Investments		
International financial institutions		
Asian Development Bank	**594,254**	582,976
Asian Infrastructure and Investment Bank	**1,071,563**	981,910
European Bank for Reconstruction and Development	**95,007**	99,051
International Bank for Reconstruction and Development	**433,442**	368,269
International Finance Corporation	**612,989**	534,469
Multilateral Investment Guarantee Agency	**9,001**	8,248
Total international financial institutions	**2,816,256**	2,574,923
Australian Government entities		
Reserve Bank of Australia	**-**	22,466,000
Australian Reinsurance Pool Corporation	**707,473**	595,429
NHFIC	**624,132**	411,047
Total Australian Government entities	**1,331,605**	23,472,476
Other investments		
Australian Business Growth Fund	**14,314**	4,778
IMF Quota	**12,715,032**	12,473,714
IMF SDR holdings	**12,186,786**	-
Total other investments	**24,916,132**	12,478,492
Total investments	**29,063,993**	38,525,891

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

Accounting Policy

Administered investments

Investments are classified as fair value through other comprehensive income. Refer to Note 7.4 Administered Financial Instruments for further details on the Treasury's accounting policy. The note should be read in conjunction with notes 7.2 Administered Contingent Assets and Liabilities and 7.6: Administered - Fair Value Measurement.

Development banks

Australia holds shares in the World Bank Group (WBG), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD) and the Asian Infrastructure Investment Bank (AIIB).

Principal activities:

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 WBG.

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 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 is focused on the infrastructure, transportation and energy sectors.

The 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 AIIB was established on 25 December 2015. The AIIB focuses on the development of infrastructure and other productive sectors in Asia. 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 (IMF)

The IMF is an organisation with 190 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 Special Drawing Rights (SDRs) represent a member's shareholding in the IMF and generate most of the IMF's financial resources.

IMF SDR Holdings

The IMF Board of Governors approved a new general allocation of SDRs to member countries on 2 August 2021. Australia's share of the new allocation was SDR6.3 billion (A$12.5 billion) received on 23 August 2021. The SDR holdings were revalued downwards at 30 June 2022 as the AUD was stronger against the SDR than at the 23 August 2021 allocation date. The additional allocation is reflected as both an asset and a liability (refer to Note 5.2B for the liability IMF SDR Allocation).

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 Reserve Bank of Australia (RBA) 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.

The 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.

The National Housing Finance and Investment Corporation (NHFIC) was established under the *National Housing Finance and Investment Corporation Act 2018* in June 2018. NHFIC's purpose is to improve housing outcomes for Australians by providing funding to eligible housing projects through two key financing mechanisms: the National Housing Infrastructure Facility (NHIF), which provides loans, investments and grants for enabling infrastructure to support new housing; and the Affordable Housing Bond Aggregator (AHBA), which provides low-cost, long-term finance to community housing providers.

Australian Business Growth Fund

The Australian Business Growth Fund (ABGF) provides patient equity funding to eligible small and medium-sized enterprises (SMEs). The Commonwealth, authorised by the *Australian Business Growth Fund (Coronavirus Economic Response Package) Act 2020*, is a shareholder in the ABGF alongside ANZ, the Commonwealth Bank, the National Australia Bank, Westpac, HSBC and Macquarie Bank. The ABGF operates commercially and is independent of both the Government and the participating banks.

5.2. Administered – Payables

	2022	2021
	$'000	$'000
Note 5.2A: Grants		
COAG grants payable	**1,251,361**	3,908,150
Other grants payable	**913**	2,521
Total grants	**1,252,274**	3,910,671
Grants are expected to be settled in no more than 12 months.		
Note 5.2B: Other payables		
GST appropriation payable	**14,463**	10,161
IMF SDR allocation	**18,151,520**	5,851,530
IMF related monies owing	**20,009**	485
IMF Maintenance of Value	**168,136**	-
Suppliers	**-**	20
Total other payables	**18,354,128**	5,862,196
Other payables expected to be settled		
No more than 12 months	**202,608**	10,666
More than 12 months	**18,151,520**	5,851,530
Total other payables	**18,354,128**	5,862,196
Note 5.2C: Unearned income		
Guarantee of State and Territory borrowing contractual guarantee service obligation[1]	**553**	1,406
Total unearned income	**553**	1,406
Total unearned income expected to be settled		
No more than 12 months	**553**	766
More than 12 months	**-**	640
Total unearned income	**553**	1,406

1. Refer Note 5.1B Loans and other receivables for corresponding receivable.

International Monetary Fund (IMF) Special Drawing Right (SDR) 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'.

Note 5.2D: Financial guarantees

	SME Loan Guarantee Scheme $'000	Show Starter Loan Scheme $'000	SME Recovery Loan Scheme $'000	Total $'000
As at 1 July 2021	**393,424**	**872**	**12,871**	**407,167**
Add: new accruals	**-**	**-**	**436,555**	**436,555**
Less: payments of claims to lenders	**(6,597)**	**-**	**-**	**(6,597)**
Add: revaluation	**(173,717)**	**111**	**(8,426)**	**(182,032)**
Total as at 30 June 2022	**213,110**	**983**	**441,000**	**655,093**
Total financial guarantees to be settled				
No more than 12 months	**28,528**	**113**	**17,609**	**46,250**
More than 12 months	**184,582**	**870**	**423,391**	**608,843**
Total financial guarantees	**213,110**	**983**	**441,000**	**655,093**

Accounting Policy

Financial guarantees are financial liabilities measured initially at fair value, then subsequently measured at the higher of the amount of the loss allowance and the initial amount recognised.

The Australian Government Actuary (AGA) has provided a valuation of the Small and Medium Enterprise (SME) loan schemes as at 30 June 2022. The key assumptions used by the AGA are:

- average default rate of 15 per cent applicable to all loans;
- an average rate of recovery of 20 per cent applies to the proportion of loans where a guarantee exists;
- loans will default at their maturity date having paid all interest but unable to refinance; and
- claim applications pending decision at 30 June 2022 will result in a payment.

Small and Medium Enterprises Guarantee Scheme (SMEGS)

The Australian Government is supporting SMEs access to finance by providing a Guarantee to eligible lenders through the Coronavirus SME Loan Guarantee Scheme, Show Starter Loan Scheme, and SME Recovery Loan Scheme.

Coronavirus SME Guarantee Scheme Phase 1

From 23 March 2020 to 30 September 2020, eligible lenders were offering SMEs with up to $50 million annual turnover, including sole traders and not-for-profits, guaranteed loans of up to $250,000 on the following terms:

- Loan terms up to three years, with a mandatory repayment holiday for the first six months.
- Unsecured finance.

The Government will guarantee 50 per cent of eligible loans issued under Phase 1 of the Coronavirus SME Guarantee Scheme.

Coronavirus SME Guarantee Phase 2

From 1 October 2020 until 30 June 2021, eligible lenders were offering loans on the same terms as the Phase 1 Scheme with the following enhancements:

- Loans can be used for a broader range of business purposes, including to support investment. This includes refinancing from loans written under Phase 1 of the Scheme.
- Maximum loan limit of $1 million per borrower.
- Loan term up to 5 years and the option of a six month repayment holiday at the discretion of the lender.
- A loan can be either unsecured or secured (excluding residential property). The Government will guarantee 50 per cent of eligible loans issued under Phase 2 of the Coronavirus SME Guarantee Scheme.

Show Starter Loan Scheme

From 4 December 2020 until 30 June 2021, eligible lenders were able to offer guaranteed loans (up to $90 million of loans) to eligible existing arts and entertainment entities with an annual turnover of up to $120 million on the following terms:

- Loans must be used to deliver a new arts and entertainment activity for a live audience, commencing within 24 months.
- Maximum loan limit of $5 million.
- Loan term up to 5 years, including a mandatory repayment holiday for the first twelve months.
- Unsecured finance.

The Australian Government will guarantee 100 per cent of loans issued under the Show Starter Loan Scheme.

Small and Medium Enterprises Recovery Loan Scheme (SMERLs – Flood, JobKeeper and COVID affected)

Through the SME Recovery Loan Scheme, the Government is supporting the economic recovery of, and providing continued assistance to, firms that received JobKeeper payments during the March 2021 quarter, are an eligible flood-affected business or have been adversely economically affected by COVID-19.

From 1 April 2021 until 31 December 2021, eligible lenders were offering guaranteed loans on the following terms:

- Lenders are allowed to offer borrowers a repayment holiday of up to 24 months.
- Loans can be used for a broad range of business purposes, including to support investment. Loans may be used to refinance any pre-existing debt of an eligible borrower, including those from the SME Guarantee Scheme.
- Borrowers can access up to $5 million in total, in addition to the Phase 1 and Phase 2 loan limits.
- Loans are for terms of up to 10 years, with an optional repayment holiday period.
- Loans can be either unsecured or secured (excluding residential property).
- The interest rate on loans will be determined by lenders, but will be capped at around 7.5 per cent, with some flexibility for interest rates on variable rate loans to increase if market interest rates rise over time.

The Government guarantee will be 80 per cent of the loan amount to eligible SMEs, including self-employed individuals and non-profit organisations, with an annual turnover of up to $250 million and have been either:

- recipients of the JobKeeper payment between 4 January 2021 and 28 March 2021; or
- located or operating in a local government area that has been disaster declared as a result of the March 2021 New South Wales floods and were negatively economically impacted; or
- adversely economically affected by COVID-19.

The SME Recovery Loan Scheme was extended with loans available from 1 January 2022 until 30 June 2022. Loans will have the same terms as the first round; however the Government guarantee will be 50 per cent of the loan amount.

5.3. Administered – Financial Liabilities

	2022 $'000	2021 $'000
Note 5.3A: Promissory notes[1]		
IMF promissory notes	**8,592,762**	10,051,064
Other promissory notes	**64,460**	59,067
Total promissory notes	**8,657,222**	10,110,131
Promissory notes expected to be settled		
Within 1 year	**-**	1,304,449
More than 5 years	**8,657,222**	8,805,682
Total promissory notes	**8,657,222**	10,110,131

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

Accounting Policy

Promissory notes

Promissory notes have been issued to the International Monetary Fund (IMF), the International Bank for Reconstruction and Development, 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 relate to the undrawn paid-in capital subscriptions and Maintenance of Value adjustments under the direction of the Treasurer. Foreign currency gains and losses are recognised where applicable.

5.4. Administered – Provisions

	2022 $'000	2021 $'000
Note 5.4A: Provisions		
Provision for PRGT loan commitment	**24,758**	28,609
NHFIC Home Guarantee Schemes	**23,308**	5,007
First Home Loan Deposit Scheme (FHLDS)	***15,674***	3,682
New Home Guarantee (NHG)	***5,429***	1,325
Family Home Guarantee (FHG)	***2,205***	-
DRFA and NDRRA provision	**5,524,114**	1,619,217
Australian Capital Territory	***411***	*104*
New South Wales	***2,600,426***	*678,724*
Northern Territory	***-***	*7*
Queensland	***2,495,427***	*741,223*
South Australia	***53,343***	*52,637*
Tasmania	***1,372***	*1,788*
Victoria	***171,923***	*86,318*
Western Australia	***201,212***	*58,416*
Total provisions	**5,572,180**	**1,652,833**
Provisions expected to be settled		
No more than 12 months	**1,891,306**	781,301
More than 12 months	**3,680,874**	871,532
Total provisions	**5,572,180**	1,652,833

	PRGT loan commitment $'000	NHFIC Home Guarantee Schemes $'000	DRFA and NDRRA $'000	Total $'000
As at 1 July 2021	**28,609**	**5,007**	**1,619,217**	**1,652,833**
Additional provisions made	**-**	**18,301**	**3,543,976**	**3,562,277**
Amounts used	**-**	**-**	**(652,377)**	**(652,377)**
Revaluation of prior year estimates	**-**	**-**	**1,006,537**	**1,006,537**
Unwinding of concessional loan discount	**(3,851)**	**-**	**-**	**(3,851)**
Unwinding of discount	**-**	**-**	**6,761**	**6,761**
Total as at 30 June 2022	**24,758**	**23,308**	**5,524,114**	**5,572,180**

Accounting Judgements and Estimates

Disaster Recovery Funding Arrangements (DRFA) and the Natural Disaster Relief and Recovery Arrangements (NDRRA)

Provisions

The DRFA and NDRRA liability represents the Treasury's best estimate of payments expected to be made to States and Territories as at balance date. The DRFA 2018 arrangement applies from 1 November 2018 in respect of eligible events that occur on or after that date. All eligible events occurring up to and including 31 October 2018 are governed by the NDRRA Determination. No change to the method of accounting for the provision arises from the change in arrangements.

The estimate is based on information provided by the States and Territories to the National Recovery and Resilience Agency (NRRA). The estimates provided by the States and Territories are based on their assessment of the costs incurred, or expected to be incurred, that would be eligible for assistance under the applicable arrangement. NRRA has implemented a comprehensive assurance framework in order to assess the reasonableness of estimates provided by the States and Territories with regard to estimates eligibility under DRFA and NDRRA. This includes assurance activities undertaken by the Commonwealth for expenditure submitted in claims to the Commonwealth not yet paid, as well as quality assurance procedures over the estimates submitted by States and Territories. This is in addition to assurance activities completed by State-appointed auditors.

The Treasury reviews the quality assured estimates to ensure they are consistent with government decisions and then calculates the provision by discounting the future cash flows. 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 relief and recovery projects progress to completion.

The DRFA and NDRRA provision at 30 June 2022 includes estimated payments for disaster events that occurred prior to 1 July 2022, except for new events that occurred during the 2021-22 financial year for which costs cannot yet be quantified reliably.

Contingent liabilities

For a list of natural disasters that are included in the DRFA and NDRRA contingent liability, refer to Note 7.2 Administered Contingent Assets and Liabilities.

National Housing Finance and Investment Corporation (NHFIC) Home Guarantee Schemes

Provision

The NHFIC Home Guarantee Schemes (HGS) provision represents the Treasury's best estimate of claims expected from NHFIC as at balance date. The NHFIC HGS comprises the First Home Loan Deposit Scheme (FHLDS), New Home Guarantee (NHG) and Family Home Guarantee (FHG) schemes.

FHLDS is an Australian Government initiative launched on 1 January 2020. Under FHLDS, NHFIC guarantees up to 15 per cent of a purchased property's value to eligible first home buyers, capped at 10,000 loans each financial year. The Minister is able to determine that any unissued guarantees may be rolled over to the following financial year.

The NHG is a temporary expansion of the FHLDS, providing 10,000 guarantees in both 2020-21 and 2021-22 to eligible first home buyers seeking to build a new home or purchase a newly built home.

FHG commenced on 1 July 2021. Under the FHG, NHFIC guarantees up to 18 per cent of a purchased property's value to eligible single parents with at least one dependent child. 10,000 loans are available over four years from 2021-22.

The Treasury funds valid claims under the *National Housing Finance and Investment Corporation Act 2019* and the *National Housing Finance and Investment Corporation Investment Mandate Direction 2018*.

Each guarantee is issued and tracked by NHFIC, with the lenders entering the data in line with the requirements under the Schemes, into a NHFIC database. This includes the purchase price, location/postcode, maturity date and the portion of the purchased property's value being guaranteed. Expected claims are estimated using an assumed default and capital growth (house price) rate and are discounted by Commonwealth Treasury Bond rates with a comparative duration. The assumed default rate is informed by a combination of default data from Lenders Mortgage Insurers (LMI) and the banking industry. The assumed capital growth rate has been calculated using market data according to the location and type of property and factoring-in the consumer price index (CPI) over the forward years. The Australian Government Actuary has provided the valuation of the NHFIC HGS as at 30 June 2022.

Contingent liabilities

Refer to Note 7.2 Administered Contingent Assets and Liabilities.

6. Funding

This section identifies the Treasury funding structure.

6.1. Appropriations

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

Annual Appropriations for 2022

		Adjustments to Appropriations				
	Annual Appropriation $'000	Section 74 Receipts $'000	Section 75 Transfers $'000	Total appropriation $'000	Appropriation applied in 2022 (current and prior years) $'000	Variance[1,2] $'000
DEPARTMENTAL						
Ordinary annual services	327,957	33,962	-	361,919	(344,139)	17,780
Capital Budget[3]	10,262	-	-	10,262	(5,103)	5,159
Other services						
Equity	301	-	-	301	(791)	(490)
Total departmental	338,520	33,962	-	372,482	(350,033)	22,449
ADMINISTERED						
Ordinary annual services						
Administered items	138,915	-	-	138,915	(99,583)	39,332
Other services						
Administered assets and liabilities	165,000	-	-	165,000	(165,000)	-
New Administered Outcomes	6,153	-	-	6,153	-	6,153
Total administered	310,068	-	-	310,068	(264,583)	45,485

1. Unspent funds of $0.789 million in 2021-22 relate to the wind up of the Financial Adviser Standards and Ethics Authority Ltd (FASEA) and $2.754 million in 2020-21 relate to two programs that terminated during 2020-21 that are required to be returned to the Consolidated Revenue Fund in accordance with Government decisions and are therefore, subject to a formal reduction. These funds are considered legally available appropriations as at 30 June 2022.

2. The variance in ordinary annual services is largely driven by the timing of cash payments.

3. Departmental Capital Budgets are appropriated through Appropriations Acts (No.1 and No.3). They form part of ordinary annual services and are not separately identified in the Appropriation Acts.

Annual Appropriations for 2021

		Adjustments to Appropriations				
	Annual Appropriation $'000	Section 74 Receipts $'000	Section 75 Transfers $'000	Total appropriation $'000	Appropriation applied in 2021 (current and prior years) $'000	Variance[1,2] $'000
DEPARTMENTAL						
Ordinary annual services	255,164	29,005	5,209	289,378	(273,652)	15,726
Capital Budget[3]	11,548	-	-	11,548	(11,548)	-
Other services						
Equity	-	-	237	237	(222)	15
Total departmental	266,712	29,005	5,446	301,163	(285,422)	15,741
ADMINISTERED						
Ordinary annual services						
Administered items	133,686	-	4,762	138,448	(110,390)	28,058
Other services						
Administered assets and liabilities	165,000	-	-	165,000	(165,000)	-
Total administered	298,686	-	4,762	303,448	(275,390)	28,058

1. Includes ICA appropriations of $5.754 million; and unspent funds of $2.754 million in relation to two programs that terminated during 2020-21 that are required to be returned to the Consolidated Revenue Fund in accordance with Government decisions and are therefore, subject to a formal reduction. These funds are considered legally available appropriations as at 30 June 2021.

2. The variance in ordinary annual services is largely driven by the timing of cash payments.

3. Departmental and Administered Capital Budgets are appropriated through Appropriations Acts (No.1 and No.3). They form part of ordinary annual services and are not separately identified in the Appropriation Acts.

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

Authority	2022 $'000	2021 $'000
Departmental		
Supply Act (No. 1) 2020-2021	**-**	1,771
Supply Act (No. 2) 2020-2021 - Equity	**-**	237
Appropriation Act (No. 1) 2020-2021[1, 2]	**2,754**	75,067
Appropriation Act (No. 3) 2020-2021	**-**	6,303
Appropriation Act (No. 1) 2021-2022[3]	**100,018**	-
Appropriation Act (No. 1) 2021-2022 - DCB	**5,159**	-
Appropriation Act (No. 3) 2021-2022	**3,676**	-
Cash at Bank	**424**	760
Total departmental	**112,031**	84,138

Authority	2022 $'000	2021 $'000
Administered		
Appropriation Act (No. 2) 2018-2019[4]	**-**	44,850
Appropriation Act (No. 3) 2018-2019[4]	**-**	131
Appropriation Act (No. 1) 2019-2020	**959**	959
Appropriation Act (No. 3) 2019-2020	**4,682**	4,682
Supply Act (No.1) 2020-2021	**524**	524
Appropriation Act (No. 1) 2020-2021[5]	**45,156**	38,001
Appropriation Act (No. 3) 2020-2021	**2,544**	2,544
Appropriation Act (No. 1) 2021-2022	**3,730**	-
Appropriation Act (No. 3) 2021-2022	**38,037**	-
Appropriation Act (No. 4) 2021-2022	**6,153**	-
Cash at Bank	**-**	-
Total administered	**101,785**	91,691

1. Appropriation Act (No. 1) 2020-2021 includes unspent funds of $2.754 million in relation to two programs that terminated during 2020-21 that are required to be returned to the Consolidated Revenue Fund in accordance with Government decisions and are therefore, subject to a formal reduction. These funds are considered legally available appropriations as at 30 June 2022.

2. Appropriation Act (No.1) 2020-2021 includes a s75 adjustment of $2.587 million from the 2021 Small Business and ASBFEO restructure.

3. Appropriation Act (No.1) 2021-2022 includes unspent funds of $0.789 million in relation to unspent grant funding that is required to be returned to the Consolidated Revenue Fund in accordance with Government decisions and is therefore, subject to a formal reduction. These funds are considered legally available appropriations as at 30 June 2022.

4. 2018-2019 Appropriation Acts were repealed on 1 July 2021.

5. Appropriation Act (No.1) 2020-2021 includes a s75 adjustment of $9.589 million from the 2021 Small Business and ASBFEO restructure.

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

Authority	Appropriation applied 2022 $'000	Appropriation applied 2021 $'000
Australian Business Growth Fund (Coronavirus Economic Response Package) Act 2020, s18	**(12,407)**	(4,778)
Commonwealth Places (Mirror Taxes) Act 1998, s23(4)	**(648,522)**	(610,340)
Federal Financial Relations Act 2009, s22	**(109,220,904)**	(92,369,988)
Guarantee of Lending to Small and Medium Enterprises (Coronavirus Economic Response Package) Act 2020, s6	**(5,685)**	(582)
International Finance Corporation Act 1955	**(27,776)**	(56,211)
International Monetary Agreements Act 1947, s7(3)	**-**	(584,000)
International Monetary Agreements Act 1947, s7(4)	**(285,852)**	-
International Monetary Agreements Act 1947, s8	**(17,833)**	(4,629)
International Monetary Agreements Act 1947, s8C(3)	**(650,000)**	(2,453,635)
International Monetary Agreements Act 1947, s9	**(29,516)**	(59,729)
Public Governance, Performance and Accountability Act 2013, s77	**-**	(2)
Total	**(110,898,495)**	(96,143,894)

The following special appropriations were not drawn upon in the current or prior year:

Asian Development Bank (Additional Subscription) Act 1972, s7
Asian Development Bank (Additional Subscription) Act 1977, s7
Asian Development Bank (Additional Subscription) Act 1983, s6
Asian Development Bank (Additional Subscription) Act 1995, s6
Asian Development Bank (Additional Subscription) Act 2009, s6
Asian Development Bank Act 1966, s4
Asian Infrastructure Investment Bank Act 2015, s7
Banking Act 1959, s69(8)
European Bank for Reconstruction and Development Act 1990, s4
Financial Agreements (Commonwealth Liability) Act 1932, s4(3)
Guarantee of State and Territory Borrowing Appropriation Act 2009, s5
Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008, s5
International Bank for Reconstruction and Development (General Capital Increase) Act 1989, s6
International Bank for Reconstruction and Development (Share Increase) Act 1988, s5(1)
International Financial Institutions (Share Increase) Act 1982, s7(1)
International Financial Institutions (Share Increase) Act 1986, s7(1)
International Monetary Agreements Act 1947, s5a(6)
International Monetary Agreements Act 1947, s8A
International Monetary Agreements Act 1947, s8B(2)
International Monetary Agreements Act 1947, s8CA(4)
International Monetary Agreements Act 1947, s8CAA(2)
International Monetary Agreements Act 1960, s4
International Monetary Agreements Act 1974, s6
Medicare Guarantee Act 2017, s18
Multilateral Investment Guarantee Agency Act 1997, s4
National Housing Finance and Investment Corporation Act 2018, s48A
Papua New Guinea Loans Guarantee Act 1975, s4
State Grants Act 1927, s7
Superannuation Industry (Supervision) Act 1993, s231(4)
Terrorism Insurance Act 2003, s37, s42(3)

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

2022	**Department of Education, Skills and Employment** Payments to the States and Territories: Education services **$'000**	**Department of Agriculture, Water and the Environment** Payments to the States and Territories: Water for the Environment Special Account **$'000**
Total receipts	**26,563,631**	**118,696**
Total payments	**26,563,631**	**118,696**

2021	**Department of Education, Skills and Employment** Payments to the States and Territories: Education services $'000	**Department of Agriculture, Water and the Environment** Payments to the States and Territories: Water for the Environment Special Account $'000
Total receipts	23,464,612	40,690
Total payments	23,464,612	40,690

Total receipts and Total payments are made through the Treasury on behalf of other Commonwealth entities to State and Territory Treasuries under the Council of Australian Governments (COAG) Arrangements.

6.2. Special Accounts

	NHFIC Special Account[1]		Medicare Guarantee Fund (Treasury) Special Account[2]		Fuel Indexation Special Account[3]		COAG Reform Fund Special Account[4]	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Balance brought forward from previous period	**747,269**	449,817	**-**	-	**-**	-	**50,000**	-
Increases								
Appropriations	**165,000**	270,000	**44,867,877**	41,448,516	**1,001,000**	887,000	**21,715,633**	13,509,990
Other receipts	**138,614**	208,213	**-**	-	**-**	-	**2,472,256**	2,693,758
Total increases	**303,614**	478,213	**44,867,877**	41,448,516	**1,001,000**	887,000	**24,187,889**	16,203,748
Available for payments	**1,050,883**	928,030	**44,867,877**	41,448,516	**1,001,000**	887,000	**24,237,889**	16,203,748
Decreases								
Payments made to States and Territories	**-**	-	**-**	-	**-**	-	**(24,037,889)**	(16,153,748)
Payments made to other entities	**(85,362)**	(180,761)	**-**	-	**-**	-	**-**	-
Transfers made to Medicare Guarantee Fund (Health) Special Account	**-**	-	**(44,867,877)**	(41,448,516)	**-**	-	**-**	-
Transfer made to COAG Reform Fund Special Account	**-**	-	**-**	-	**(1,001,000)**	(887,000)	**-**	-
Total decreases	**(85,362)**	(180,761)	**(44,867,877)**	(41,448,516)	**(1,001,000)**	(887,000)	**(24,037,889)**	(16,153,748)
Balance represented by								
Cash held in Official Public Account	**965,521**	747,269	**-**	-	**-**	-	**200,000**	50,000
Total balance carried to the next period	**965,521**	747,269	**-**	-	**-**	-	**200,000**	50,000

1. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
Establishing instrument: *National Housing Finance and Investment Corporation Act 2018*, section 47A
Purpose: To secure funding for the establishment and operation of National Housing Finance and Investment Corporation's (NHFIC) Affordable Housing Bond Aggregator (AHBA), which is to improve housing outcomes by providing cheaper and longer-term secured loan finance for community housing providers. NHFIC can access this funding through submitting a Utilisation Request to gain access to the funding at the Commonwealth cost of borrowing rate (up to the annual limit as outlined below).
The Commonwealth must credit the Account amounts equal to the following:
(a) $105 million, to be credited on the day this section commences;
(b) $310 million, to be credited on 1 July 2019;
(c) $270 million, to be credited on 1 July 2020;
(d) $165 million, to be credited on 1 July 2021; and
(e) each amount paid to the Commonwealth by the NHFIC, on or after the day this section commences, that:
(i) is a repayment of money debited from the Account, or of other money lent by the Commonwealth to the NHFIC; and
(ii) is paid in accordance with the Investment Mandate.
Any principal repayment to the Commonwealth through this Account, may be "recycled" and the amount re-issued. Interest is used to cover the Commonwealth's cost of borrowing and cannot be "recycled'.

2. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
Establishing instrument: *Medicare Guarantee Act 2017*, section 6.
Purpose: *The Medicare Guarantee Act 2017* (the Act) is to secure ongoing funding of the Medical Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS).
The Act establishes the Medicare Guarantee Fund (MGF), which consists of the Medicare Guarantee Fund (Treasury) Special Account (Treasury Special Account) and the Medicare Guarantee Fund (Health) Special Account (Health Special Account). The Treasury Special Account is administered by the Department of the Treasury and the Health Special Account is administered by the Department of Health.

3. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
Establishing instrument: *Fuel Indexation (Road Funding) Special Account Act 2015*, section 7.
Purpose: To ensure that amounts equal to the net revenue from indexation on customs and excise duties on fuel are transferred to the Council of Australian Governments (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.

Financial System Stability Special Account
The Treasury's Financial System Stability special account was 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 2022 and 30 June 2021 this special account had nil balances and no transactions were credited or debited to the account.

Services for Other Entities and Trust Monies Special Account (SOETM)
The Treasury's SOETM special account was established under the *Public Governance, Performance and Accountability Act 2013*, section 80 by the establishing instrument, *Establishment of SOTEM Special Account — Treasury Determination 2012/09*.
The SOETM's purpose is 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. For the years ended 30 June 2022 and 30 June 2021 this special account had nil balances and no transactions were credited or debited to the account.

6.3. Net Cash Appropriation Arrangements

	2022 $'000	2021 $'000
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	**(13,796)**	(4,656)
Plus: depreciation/amortisation of assets funded through appropriations (departmental capital budget funding and/or equity injections)[1]	**11,102**	10,370
Plus: depreciation of right-of-use (ROU) assets[2]	**12,499**	10,007
Less: lease principal repayments[2]	**(13,148)**	(9,865)
Total comprehensive income/(loss) less expenses previously funded through revenue appropriations	**(3,343)**	5,856
Changes in asset revaluation reserve	**250**	(1,667)
Net cash Operating Surplus/(Deficit)	**(3,093)**	4,189

1. From 2010-11, the Government introduced net cash appropriation arrangements where revenue appropriations for depreciation/amortisation expenses of non-corporate Commonwealth entities and selected corporate Commonwealth entities were replaced with a separate capital budget provided through equity appropriation. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

2. The inclusion of depreciation/amortisation expenses related to ROU leased assets and the lease liability principal repayment amount reflects the impact of AASB 16 Leases, which does not directly reflect a change in appropriation arrangements.

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

Contingent liabilities are nil in 2022 (2021: nil). There were nil quantifiable contingent assets in 2022 (2021: 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.

Contingent Liabilities

Commitments under expanded International Monetary Fund (IMF) New Arrangements to Borrow (NAB)

Australia has made a line of credit available to the IMF under its 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 value of Australia's NAB credit arrangement stands at approximately SDR4.44 billion (Special Drawing Right (SDR) is the IMF's unit of account) (approximately A$8.59 billion at 30 June 2022) (2021: SDR4.44 billion, A$8.43 billion). In January 2021, the NAB was renewed for an additional five year period until 31 December 2025.

The IMF does not publish annual estimates of the amount it expects to call under the NAB facility. However, to be drawn upon, the NAB needs to be activated by the IMF Executive Board. The last NAB activation period was terminated in February 2016 and the IMF is currently relying on its quota resources to fund new lending (although the NAB can be called upon to fund IMF programs that were approved under previous activations). The IMF did not call on Australia's NAB facility in the current year.

IMF Bilateral Borrowing Arrangement (BBA)

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 SDR1.986 billion (approximately A$3.84 billion at 30 June 2022) contingent bilateral loan to the IMF (2021: SDR1.986 billion, A$3.77 billion). 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. Australia's most recent three-year bilateral borrowing arrangement with the IMF commenced in January 2021 and will conclude on 31 December 2023, with the option to extend by one year.

Poverty Reduction and Growth Trust (PRGT)

To help the IMF provide concessional finance and support low-income countries to achieve, maintain, or restore a stable and sustainable macroeconomic position, Australia has made available a SDR500 million line of credit to the PRGT, which the IMF is the Trustee of. This contingent loan is on terms consistent with other PRGT loan agreements between the IMF and all contributing countries. It will be drawn by the IMF as they provide new loans through the PRGT, and any loans will be repaid in full with interest. Australia's 10-year loan agreement with the PRGT was created in 2020 and will conclude on 31 December 2029. As at 30 June 2022, the undrawn balance on the line of credit is SDR289.4 million (approximately A$560 million) (2021: SDR289.4 million, A$549 million).

On 13 October 2021, the Government announced that it intended to provide an additional SDR250 million (A$483.7 million as at 30 June 2022) to the PRGT.

International financial institutions — uncalled capital subscriptions

The Australian Government has held an uncalled capital subscription to the International Bank for Reconstruction and Development (IBRD) since 1947. Australia's uncalled capital subscription to the IBRD totals US$4.0 billion (estimated value A$5.9 billion as at 30 June 2022).

The Australian Government has held an uncalled capital subscription to the European Bank for Reconstruction and Development (EBRD) since 1991. Australia's uncalled capital subscription to the EBRD totals EUR237.5 million (estimated value A$360.5 million as at 30 June 2022).

The Australian Government has held an uncalled capital subscription to the Asian Development Bank (ADB) since 1966. Australia's uncalled capital subscription to the ADB totals US$7.0 billion (estimated value A$10.2 billion as at 30 June 2022).

The Australian Government holds an uncalled capital subscription to the Multilateral Investment Guarantee Agency of US$26.5 million (estimated value A$38.4 million as at 30 June 2022).

The Australian Government holds an uncalled capital subscription to the Asian Infrastructure Investment Bank (AIIB) of US$3.0 billion (estimated value A$4.3 billion as at 30 June 2022).

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

Australian Business Growth Fund

The Australian Government holds an uncalled capital subscription to the Australian Business Growth Fund (ABGF). The uncalled capital subscription to the ABGF totals $82.8 million as at 30 June 2022. The Commonwealth committed $100 million in total to the ABGF, but drawdown is capped at 20% per year of its total commitment.

Guarantee by Commonwealth – Reserve Bank of Australia (RBA)

As at 30 June 2022, the RBA's liabilities exceeded its assets by $12.9 billion. The net liability position reflects unrealised valuation losses recorded on the RBA's holding of bonds issued by the Australian Government and the state and territory borrowing authorities, which resulted from the significant rise in bond yields during 2021-22. These bonds were purchased as part of the RBA's response to the COVID-19 pandemic, including under the Bond Purchase Program and as part of achieving a target for the yield on the 3-year Australian Government bond.

The RBA as a central bank, is unique in its ability to create liquidity to meet its liabilities as and when they fall due. The Commonwealth, under s77 of the *Reserve Bank of Australia Act 1959* (RBA Act) guarantees the RBA's liabilities. The Reserve Bank Board considered the case for a capital injection by the Australian Government in its July 2022 meeting, however it concluded that given the RBA's equity can be restored over time through the retention of future earnings that a capital injection by the Australian Government was not needed. The majority of the RBA's domestic bonds are now carried on the balance sheet at a discount to their par value, so that capital gains are expected to be realised as these assets mature. This will add to the RBA's distributable earnings in future periods. The RBA also has substantial liabilities (in the form of banknotes on issue) which have a zero funding cost.

The Treasury's view is informed by the Reserve Bank Board advice that it is important there is a credible path to restoring the RBA's equity position over time. The expectation is that future distributable earnings will first be applied to offsetting accumulated losses and then to restoring the Reserve Bank Reserve Fund to target, before paying any dividends to the Australian Government. Consistent with the RBA Act, any transfers from the RBA's earnings in the future will be formally determined by the Treasurer after consulting the Reserve Bank Board each year.

Unquantifiable Administered Contingencies

Contingent Liabilities

Housing Loans Insurance Corporation (HLIC)

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 to the time of sale. Any potential economic outflow cannot be determined accurately given the complexity of any estimation calculation of the economic outflow would be reliant upon numerous unquantifiable variables. Only at the time of the event, can the amount of economic outflow 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 Commonwealth 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.

Guarantee by Commonwealth — National Housing Finance and Investment Corporation (NHFIC)

NHFIC was established under the *National Housing Finance and Investment Corporation Act 2018* to perform the functions under section 8 of the Act. NHFIC's operations are funded by the Commonwealth (refer to Notes 4.1C, 5.1A and 5.1C) and by raising finance through the issuance of social housing bonds into the debt capital market. The Commonwealth Government has provided a guarantee of NHFIC's liabilities capped at $3 billion to encourage the development of the market for social housing bonds. The Minister for Housing may, by legislative instrument, set a date that the guarantee is effective to, but not earlier than, 1 July 2023. Under the *National Housing Finance and Investment Corporation Investment Mandate Direction 2018*, the Minister for Housing and Minister for Finance may also make adjustments to the cap.

Loans to NHFIC's Affordable Housing Bond Aggregator (AHBA)

The Commonwealth has agreed to make available amounts up to $1 billion to NHFIC's AHBA via a loan, as outlined in Note 6.2 Special Accounts. Under the AHBA Loan Agreement with the Treasury, NHFIC can access the funds by completing a Utilisation Request and providing this to Treasury. Interest is to be charged on each individual loan at the Commonwealth's cost of borrowing.

The timing and amounts of potential drawdowns by NHFIC cannot be determined accurately. An additional complexity is the 'recycling' of funds repaid or prepaid by NHFIC, which can be re-borrowed by NHFIC.

The closing balance of AHBA loan drawdown is disclosed in Note 5.1B and any unused amount available at 30 June 2022 has been recorded in Note 5.1A Cash and cash equivalents and Note 6.2 Special Accounts.

Disaster Recovery Funding Arrangements (DRFA) and Natural Disaster Relief and Recovery Arrangements (NDRRA)

The Australian Government provides funding to States and Territories through the DRFA and NDRRA to assist with natural disaster relief and recovery costs. A State or Territory may claim NDRRA funding if a natural disaster occurs and State or Territory relief and recovery expenditure for that event meets the requirements set out in the respective DRFA and NDRRA Determinations. This combined liability represents the Treasury's best estimate of payments expected to be made to States and Territories as at balance date. In the event where a natural disaster has occurred, but the associated costs cannot be quantified reliably, the event is disclosed as a contingent liability.

The DRFA and NDRRA provision at 30 June 2022 includes estimated payments for disaster events that occurred prior to 1 July 2022, except for new events that occurred during the 2021-22 financial year for which costs cannot yet be quantified reliably. There were seven such events that are included in the DRFA and NDRRA contingent liability. These are:

- Flooding in the midwest and Gascoyne Regions (WA) (26 March to 3 April 2022);

- South East Victoria Storms (commencing 6 June 2022);

- Storms and flooding in the South Coastal District (WA) (11 to 14 April 2022);

- Tropical Cyclone Anika (WA) (26 February to 4 March 2022);

- NSW Severe weather and flooding (27 June 2022 onwards);

- North-west Tasmania storm (11 to 12 June 2022); and

- Wingecarribee Severe Storm (19 April 2022).

Estimates of all natural disasters are regularly reviewed and revised when new information becomes available.

Indemnities for specialised external advisers during the COVID-19 pandemic

The Government has provided indemnities for certain external specialised advisers engaged to provide advice on emerging markets issues related to COVID-19. Indemnities were provided to mitigate personal risk and provide coverage for costs related to any legal proceedings that may arise in relation to the provision of that advice.

The indemnities apply for the period of engagement as advisers and for claims that are notified within 12 years after cessation of the advisers' engagement. Until the indemnity agreements are varied or expire, they will remain as contingent and unquantifiable liabilities.

Small and Medium Enterprises Guarantee Scheme (SMEGS), Small and Medium Enterprises Recovery Loan Scheme (SMERLS) and Show Starter Loan Scheme

The Australian Government is supporting small and medium enterprises (SMEs) access to finance by providing a Guarantee to eligible lenders through the Coronavirus SME Guarantee Scheme, Show Starter Loan Scheme, and SME Recovery Loan Scheme.

The Australian Government provides a guarantee to eligible lenders to enhance lenders' willingness and ability to provide credit, supporting many otherwise viable SMEs to access additional funding to continue operating through the outbreak of COVID-19. As the impact of COVID-19 evolves, so does the economic response. Refer to Note 5.2D Financial guarantees.

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 2021-22. The HIH companies scheme of arrangement terminated in June 2022 with the completion of the liquation of the HIH group. The deregistration of the remaining companies and the release of the liquidators is expected to be finalised in the third quarter of 2022.

Burden sharing in the International Monetary Fund (IMF) remuneration

Since 1986, the IMF has used its burden sharing mechanism to make up for the loss of income from unpaid charges on the loans of debtor members. Under burden sharing, temporary financing in equal amounts is obtained from debtor and creditor members by increasing the rate of charge and reducing the rate of remuneration, respectively, to (1) cover shortfalls in the IMF's regular income from unpaid charges ("deferred charges") and (2) accumulate precautionary balances against possible credit default in a contingent account, the Special Contingent Account (SCA-1). SCA-1 accumulations were suspended effective November 1, 2006.

Due to the inherent uncertainty around shortfalls in IMF income, burden sharing contributions represent a contingent asset that cannot be reliably measured and as such is recorded as an unquantifiable contingent asset.

7.3. Financial Instruments

	2022 $'000	2021 $'000
Note 7.3A: Categories of Financial Instruments		
Financial assets at amortised cost		
Cash and cash equivalents	**424**	760
Trade and other receivables - Goods and services receivables	**4,476**	2,996
Trade and other receivables - Other receivables	**1,035**	648
Total financial assets at amortised cost	**5,935**	4,404
Financial Liabilities		
Financial liabilities measured at amortised cost		
Suppliers	**15,095**	10,602
Other payables	**5,211**	3,984
Total financial liabilities measured at amortised cost	**20,306**	14,586
Total financial liabilities	**20,306**	14,586

Accounting Policy

<u>Financial assets</u>

The Treasury classifies its financial assets in the following categories:

a) financial assets at fair value through profit or loss;
b) financial assets at fair value through other comprehensive income; and
c) financial assets measured at amortised cost.

The classification depends on both the Treasury's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when the Treasury becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

<u>Financial Assets at Amortised Cost</u>
Financial assets included in this category need to meet two criteria:
1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

<u>Effective Interest Method</u>

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

<u>Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)</u>

Financial assets classified as at fair value through other comprehensive income are held with the objective of both collecting contractual cash flows and selling the financial assets and the cash flows meet the SPPI test.

Any gains or losses as a result of fair value measurement or the recognition of an impairment loss allowance is recognised in other comprehensive income.

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets either don't meet the criteria of financial assets held at amortised cost or at FVOCI (i.e. mandatorily held at FVTPL) or may be designated.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period based on expected credit losses, using the general approach which measures the loss allowance based on an amount equal to *lifetime expected credit losses* where risk has significantly increased, or an amount equal to *12-month expected credit losses* if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Financial Liabilities at Amortised Cost

Financial liabilities at amortised cost, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables 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).

7.4. Administered - Financial Instruments

	2022 $'000	2021 $'000
Note 7.4A: Categories of Financial Instruments		
Financial assets at amortised cost		
Cash and cash equivalents	**1,165,521**	797,269
IMF related monies owing	**17,029**	248
IMF NAB loans	**57,412**	120,471
IMF PRGT loans	**389,345**	378,812
International assistance loans	**1,656,627**	1,367,085
Loans to States and Territories	**47,858**	47,855
Loans to NHFIC	**34,479**	87,731
IMF Maintenance of Value	**-**	1,178,400
Dividends receivable	**-**	2,669,000
Accrued interest - loans to NHFIC	**124**	50
Accrued interest - international loans	**13,987**	5,150
Accrued interest - IMF NAB loans	**63**	-
Accrued interest - IMF PRGT loans	**523**	1
GST revenue allocations and COAG receivable	**-**	3,597
Other receivables	**155**	112
Total assets at amortised cost	**3,383,123**	6,655,781
Financial assets at fair value through other comprehensive income		
International financial institutions	**2,816,256**	2,574,923
Australian Government entities	**1,331,605**	23,472,476
Australian Business Growth Fund	**14,314**	4,778
IMF Quota	**12,715,032**	12,473,714
IMF SDR holdings	**12,186,786**	-
Total assets at fair value through other comprehensive income	**29,063,993**	38,525,891
Financial assets at fair value through profit or loss		
Borrowing contractual fee receivable	**553**	1,406
Total assets at fair value through profit or loss	**553**	1,406
Total financial assets	**32,447,669**	45,183,078
Financial Liabilities		
Financial liabilities measured at amortised cost:		
Promissory notes	**8,657,222**	10,110,131
Grant liabilities	**1,252,274**	3,910,671
IMF SDR allocation liability	**18,151,520**	5,851,530
Other payables	**20,009**	505
IMF Maintenance of Value	**168,136**	-
Total financial liabilities measured at amortised cost	**28,249,161**	19,872,837
Financial liabilities measured at fair value through profit or loss:		
Guarantee of State and Territory Borrowing contractual guarantee service obligation	**553**	1,406
Financial guarantees	**655,093**	407,167
Total financial liabilities measured at fair value through profit or loss	**655,646**	408,573
Total financial liabilities	**28,904,807**	20,281,410

	2022 $'000	2021 $'000
Note 7.4B: Net Gains and Losses on Financial Assets		
Financial assets at amortised cost		
Interest revenue[1,2]	**122,934**	53,536
Concessional Loan Discount Expense[2]	**(303,892)**	(728,434)
Exchange gains/(loss)	**8,782**	(9,561)
Net gains/(losses) on financial assets at amortised cost	**(172,176)**	(684,459)
Financial assets at fair value through other comprehensive income		
Gains / (losses) recognised in Equity[2]	**(22,308,742)**	(7,120,710)
Interest revenue	**31,414**	1,983
Exchange gains/(loss)	**147,596**	(945,650)
Net gains/(losses) on financial assets at fair value through other comprehensive income	**(22,129,732)**	(8,064,377)
Financial assets at fair value through profit and loss		
Guarantee of State and Territory Borrowing fee	**1,008**	2,125
Net gains/(losses) on financial assets at fair value through profit and loss	**1,008**	2,125
Net gains/(losses) on financial assets	**(22,300,900)**	(8,746,711)

1. Includes unwinding of the concessional loan discount. Prior year values have been adjusted to include the unwinding of the concessional loan discount and interest revenue on international loans.
2. Included in the note in 2021-22, prior year values have been included for comparative purposes.

	2022 $'000	2021 $'000
Note 7.4C: Net Gains and Losses on Financial Liabilities		
Financial liabilities measured at amortised cost		
IMF Charges	**37,357**	4,381
Exchange gains/(loss)	**(8,969)**	1,525,446
Net gains/(losses) on financial liabilities measured at amortised cost	**28,388**	1,529,827
Net gains/(losses) on financial liabilities	**28,388**	1,529,827

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' (2022: $2.2 billion and 2021: $5.9 billion) and the carrying amount of equity accounted instruments (2022: $29.1 billion and 2021: $38.5 billion) 'available for sale financial assets'.

The Treasury has performed assessments using historical data, financial statement data (audited and unaudited) and forward-looking data, including credit ratings, for transactions with other entities within the Commonwealth Government, other State and Territory governments, foreign governments and international financial institutions including the International Monetary Fund (IMF). Based on the assessments, there is no indication that a significant increase in expected credit loss over the next 12 months, or the lifetime of these transactions, will occur.

International financial institutions (including the IMF), the Australian Business Growth Fund, National Housing Finance and Investment Corporation (NHFIC) and other Commonwealth entities that the Treasury holds its financial assets with, have a minimum AAA credit rating. The contractual fee receivable from the Guarantee of State and Territory Borrowing relates to State and Territory governments. These entities hold a minimum AA credit rating. Therefore, the Treasury does not consider any of its financial assets to be at risk of default. Further detail is provided in the Accounting Policy for Administered Financial Instruments.

Note 7.4E: Liquidity risk

The Treasury's administered financial liabilities are promissory notes, grant liabilities, the International Monetary Fund (MF) Special Drawing Right (SDR) allocation and liabilities associated with the Small and Medium Enterprise (SME) Guarantee Scheme and Loan Recovery Scheme. 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 2022

	On demand $'000	**Within 1 year $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**> 5 years $'000**	**Total $'000**
Promissory notes	-	-	-	-	**8,657,222**	**8,657,222**
Grant liabilities	-	**1,252,274**	-	-	-	**1,252,274**
IMF SDR allocation liabilities	-	-	-	-	**18,151,520**	**18,151,520**
Financial guarantees	-	**46,250**	**33,650**	**243,910**	**331,283**	**655,093**
Other payables	-	**188,145**	-	-	-	**188,145**
Total	-	**1,486,669**	**33,650**	**243,910**	**27,140,025**	**28,904,254**

Maturities for financial liabilities in 2021

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Promissory notes	-	1,304,449	-	-	8,805,682	10,110,131
Grant liabilities	-	3,910,671	-	-	-	3,910,671
IMF SDR allocation liabilities	-	-	-	-	5,851,530	5,851,530
Financial guarantees	-	17,323	99,339	87,122	203,383	407,167
Other payables	-	485	-	-	-	485
Total	-	5,232,928	99,339	87,122	14,860,595	20,279,984

Note 7.4F: Market risk

Interest rate risk
Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Treasury is exposed to interest rate risk from loans and other receivables.

The Treasury considers it's interest rate risk to be not significant. Interest rate risk is primarily attributable to the international assistance loans and loans to state and territory governments, which have fixed interest rates applied.

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

The Treasury is exposed to foreign currency denominated in USD, EUR and SDR.

The following table details the effect on profit and equity as at 30 June 2022 from an 8.3 per cent (30 June 2021 from a 7.9 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 2022

			Effect on	
	Risk variable	Change in risk variable %	Net cost of services 2022 $'000	Net assets 2022 $'000
IFI Investments	Exchange rate	8.3	(216,075)	(216,075)
IFI investments	Exchange rate	(8.3)	255,242	255,242
IMF SDR Holdings Asset	Exchange rate	8.3	(935,022)	(935,022)
IMF SDR Holdings Asset	Exchange rate	(8.3)	1,104,506	1,104,506
IMF Remuneration and Interest Receivable	Exchange rate	8.3	(1,352)	(1,352)
IMF Remuneration and Interest Receivable	Exchange rate	(8.3)	1,597	1,597
IMF NAB loans	Exchange rate	8.3	(4,405)	(4,405)
IMF NAB loans	Exchange rate	(8.3)	5,203	5,203
IMF PRGT loans	Exchange rate	8.3	(29,872)	(29,872)
IMF PRGT loans	Exchange rate	(8.3)	35,287	35,287
IMF Quota	Exchange rate	8.3	(975,551)	(975,551)
IMF Quota	Exchange rate	(8.3)	1,152,382	1,152,382
Promissory notes	Exchange rate	8.3	(4,946)	(4,946)
Promissory notes	Exchange rate	(8.3)	5,842	5,842
IMF SDR allocation liability	Exchange rate	8.3	(1,392,661)	(1,392,661)
IMF SDR allocation liability	Exchange rate	(8.3)	1,645,099	1,645,099
IMF Charges Payable	Exchange rate	8.3	(1,535)	(1,535)
IMF Charges Payable	Exchange rate	(8.3)	1,813	1,813

Sensitivity analysis of the risk that the entity is exposed to for 2021

	Risk variable	Change in Risk variable %	Effect on Net cost of services 2021 $'000	Effect on Net assets 2021 $'000
IFI Investments	Exchange rate	7.9	(188,304)	(188,304)
IFI investments	Exchange rate	(7.9)	220,564	220,564
IMF Remuneration and Interest Receivable	Exchange rate	7.9	(18)	(18)
IMF Remuneration and Interest Receivable	Exchange rate	(7.9)	21	21
IMF NAB loans	Exchange rate	7.9	(8,810)	(8,810)
IMF NAB loans	Exchange rate	(7.9)	10,319	10,319
IMF PRGT loans	Exchange rate	7.9	(29,225)	(29,225)
IMF PRGT loans	Exchange rate	(7.9)	34,232	34,232
IMF Quota	Exchange rate	7.9	(912,203)	(912,203)
IMF Quota	Exchange rate	(7.9)	1,068,479	1,068,479
Promissory notes	Exchange rate	7.9	(4,320)	(4,320)
Promissory notes	Exchange rate	(7.9)	5,060	5,060
IMF SDR allocation liability	Exchange rate	7.9	(427,923)	(427,923)
IMF SDR allocation liability	Exchange rate	(7.9)	501,233	501,233
IMF Charges Payable	Exchange rate	7.9	(35)	(35)
IMF Charges Payable	Exchange rate	(7.9)	42	42

Accounting Policy

Administered financial instruments

AASB 9 identifies three classifications for financial instruments - those measured at (a) amortised cost; (b) fair value through other comprehensive income (FVOCI); and (c) fair value through profit or loss (FVPL).

A financial asset shall be classified as at amortised cost if the financial asset is held within a business model to collect contractual cash flows and that the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

With the exception of dividends receivable, which is measured at fair value, financial assets at amortised cost are initially recognised at fair value and subsequently measured using the effective interest method. Financial assets at amortised cost include:

- International Monetary Fund (IMF)-related monies receivable;
- Loans to the IMF under the New Arrangements to Borrow;
- Loans to the IMF under the Poverty Reduction and Growth Trust;
- Loans to National Housing Finance and Investment Corporation (NHFIC);
- Loans to States and Territories
- International assistance loans; and
- Dividends receivable.

A financial asset shall be classified as at FVOCI when the financial asset is held within a business model to collect contractual cash flows and to sell the financial asset. In addition, the Department of Finance has mandated that all equity instruments must be recorded as FVOCI.

Financial assets recorded at FVOCI are initially measured at cost and subsequently measured at fair value and include:

- Investments in development banks;
- The IMF quota and Special Drawing Right (SDR) holdings;
- Investment in the Australian Business Growth Fund; and
- Investments in Government entities.

Financial liabilities shall be classified as at amortised cost except for financial guarantee contracts.

Financial liabilities at amortised cost are initially measured at fair value and subsequently measured using the effective interest rate method. Financial liabilities at amortised cost include:
- Special Drawing Right (SDR) allocation;
- Promissory notes; and
- International Monetary Fund (IMF) related monies payable.

The contractual terms of promissory notes are non-interest bearing making the effective interest rate nil. 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 Treasury's administered financial guarantee contracts relate to the Small and Medium Enterprises Guarantee Scheme (SMEGS), Show Starter Loan Scheme (SSLS), the Small and Medium Enterprises Loan Recovery Scheme (SMERLS) and components of the Guarantee of State and Territory Borrowings. They are classified as financial liabilities at fair value through profit or loss. 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 amounts recognised for the SMEGS, SSLS and SMERLS financial guarantee contracts are the expected losses on the total loan balance discounted to reporting date for these Schemes.

Recognition of the amounts for the Guarantee of State and Territory Borrowings only relate 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 Administered Contingent Assets and Liabilities.

The carrying amount of financial instruments is a reasonable approximation of fair value.

7.5. Fair Value Measurement

Note 7.5A: Fair value measurement

	Fair value measurements at the end of the reporting period	
	2022	2021
	$'000	$'000
Non-financial assets[1]		
Property, plant and equipment - Assets Under Construction (AUC)[2]	**3,136**	1,108
Property, plant and equipment[2]	**7,297**	9,884
Library[2]	**764**	764
Buildings - AUC[2]	**-**	2,776
Buildings[2]	**21,817**	19,988
Total non-financial assets	**33,014**	34,520

1. 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.

2. No non-financial assets were measured at fair value on a non-recurring basis as at 30 June 2022.

Accounting Policy

Comprehensive valuations are carried out once every three years. In the intervening years, an annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. The Treasury appointed Jones Lang LaSalle (JLL) to undertake a materiality review of all tangible property, plant and equipment assets as at 30 June 2022.

Where possible, asset valuations are based upon observable inputs to the extent they are available. Where this information is not available, valuation techniques rely upon unobservable inputs. The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

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.

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 account 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.

The Treasury's policy is to recognise transfers in and out of the 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.

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 2022

	Fair value measurements at the end of the reporting period using			
	2022	2021	**Category (Level 1, 2 or 3)**	**Valuation technique(s) and inputs used[1,2]**
	$'000	$'000		
Financial assets:				
International financial institutions:	**2,816,256**	2,574,923	**3**	**Value of shares held**
Asian Development Bank	***594,254***	*582,976*		
Asian Infrastructure and Investment Bank	***1,071,563***	*981,910*		
European Bank for Reconstruction and Development	***95,007***	*99,051*		
International Bank for Reconstruction and Development	***433,442***	*368,269*		
International Finance Corporation	***612,989***	*534,469*		
Multilateral Investment Guarantee Agency	***9,001***	*8,248*		
Australian Government entities:	**1,331,605**	23,472,476	**3**	**Net assets**
Reserve Bank of Australia	-	*22,466,000*		
Australian Reinsurance Pool Corporation	***707,473***	*595,429*		
NHFIC	***624,132***	*411,047*		
Other investments:	**14,314**	4,778	**3**	**Net assets**
Australian Business Growth Fund (ABGF)	***14,314***	*4,778*		
Other investments:	**24,901,818**	12,473,714	**3**	**Value of quota held**
IMF Quota	***12,715,032***	*12,473,714*		
IMF SDR holdings	***12,186,786***	-		
Total financial assets	**29,063,993**	38,525,891		
Total fair value measurements	**29,063,993**	38,525,891		

1. The valuation technique used for ABGF was changed to Net Assets in 2021-22 from value of quota (shares) held.
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	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
As at 1 July	**38,525,891**	46,312,169	**38,525,891**	46,312,169
Total gains/(losses) recognised in other comprehensive income	**(22,308,742)**	(7,120,710)	**(22,308,742)**	(7,120,710)
Total gains/(losses) recognised in net cost of services				
IMF Quota foreign exchange gain/(loss)	**241,318**	(739,797)	**241,318**	(739,797)
IMF SDR holdings foreign exchange gain/(loss)	**(272,371)**	-	**(272,371)**	-
International Financial Institutions (IFI) foreign exchange gain/(loss)	**184,042**	(211,490)	**184,042**	(211,490)
Share Purchases				
Increase in investments in ABGF	**12,407**	4,778	**12,407**	4,778
Increase in investments in NHFIC	**165,000**	165,000	**165,000**	165,000
Increase in investments in the IFI	**57,292**	115,941	**57,292**	115,941
Sales	**-**	-	**-**	-
Issues				
IMF SDR holdings allocation	**12,459,156**	-	**12,459,156**	-
Settlements	**-**	-	**-**	-
Transfers into Level 3	**-**	-	**-**	-
Transfers out of Level 3	**-**	-	**-**	-
Total as at 30 June	**29,063,993**	38,525,891	**29,063,993**	38,525,891
Changes in unrealised gains/(losses) recognised in net cost of services for the year ended 30 June	**(9,461,898)**	(7,786,278)	**(9,461,898)**	(7,786,278)

8. Other Information

8.1. Current/Non-current Distinction for Assets and Liabilities

	2022 $'000	2021 $'000
Note 8.1A: Current/non-current distinction for assets and liabilities		
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	**424**	760
Trade and other receivables	**115,159**	87,112
Prepayments	**3,799**	4,593
Total no more than 12 months	**119,382**	92,465
More than 12 months		
Land and buildings	**152,341**	153,352
Plant and equipment	**11,220**	11,773
Intangibles	**8,420**	16,734
Trade and other receivables	**73**	79
Prepayments	**856**	1,853
Total more than 12 months	**172,910**	183,791
Total assets	**292,292**	276,256
Liabilities expected to be settled in:		
No more than 12 months		
Suppliers		
Suppliers	**15,095**	10,602
Other payables	**5,211**	3,984
Leases	**11,097**	9,966
Employee provisions	**17,489**	16,259
Provision for restoration	**-**	162
Total no more than 12 months	**48,892**	40,973
More than 12 months		
Loans		
Leases	**129,144**	126,547
Employee provisions	**54,703**	52,086
Provision for restoration	**5,704**	5,348
Total more than 12 months	**189,551**	183,981
Total liabilities	**238,443**	224,954

Note 8.1B: Administered - Current/non-current distinction for assets and liabilities

	2022 $'000	2021 $'000
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	**1,165,521**	797,269
Trade and other receivables	**27,249**	3,857,682
Loans	**190,168**	100,000
Total no more than 12 months	**1,382,938**	4,754,951
More than 12 months		
Trade and other receivables	**5,308**	640
Loans	**1,995,553**	1,901,954
Investments	**29,063,993**	38,525,891
Total more than 12 months	**31,064,854**	40,428,485
Total assets	**32,447,792**	45,183,436
Liabilities expected to be settled in:		
No more than 12 months		
Suppliers	**-**	20
Grants	**1,252,274**	3,910,671
Other payables	**202,608**	10,646
Unearned income	**553**	766
Promissory notes	**-**	1,304,449
Financial guarantees	**46,250**	17,323
Provisions	**1,891,306**	781,301
Total no more than 12 months	**3,392,991**	6,025,176
More than 12 months		
Other payables	**18,151,520**	5,851,530
Unearned income	**-**	640
Promissory notes	**8,657,222**	8,805,682
Financial guarantees	**608,843**	389,844
Provisions	**3,680,874**	871,532
Total more than 12 months	**31,098,459**	15,919,228
Total liabilities	**34,491,450**	21,944,404

8.2. Restructuring

Note 8.2A: Departmental restructuring – 2022

There were no departmental restructures in 2021-22. However due to the delays in the processing of section 75 transfers a total of $5.527 million in operating appropriations and $0.253 million in equity injections were transferred from the Department of Industry, Science, Energy and Resources to the Treasury in the 2021-22 financial year.

Note 8.2B: Departmental restructuring - 2021

On 28 February 2021, following the announcement of the *Treasury Laws Amendment (2020 Measures No.6) Act 2020*, Schedule 6, Part 6, the Consumer Data Right rules and sectors assessment function transferred from the Australian Competition and Consumer Commission to the Treasury.

On 28 February 2021, the Data Standards Body function transferred from the Commonwealth Scientific and Industrial Research Organisation to the Treasury as agreed at the 2020-21 Budget.

On 15 April 2021, the Governor-General made amendments to the Administrative Arrangements Order made on 18 March 2021 including the transfer of the responsibility for the small business functions from the Department of Industry, Science, Energy and Resources to the Treasury.

On 15 April 2021, the Governor-General made an Executive Order to abolish the Infrastructure and Project Financing Agency (IPFA) as an Executive Agency commencing from the end of 30 April 2021. IPFA will continue as a separately branded activity within the Treasury. In June 2022 IPFA changed its name to the Infrastructure and Commercial Advisory Office (ICA)

Note 8.2B: Departmental restructuring - 2021 (continued)

	2021	2021	2021	2021
	CDR[1]	DSB[2]	ICA[3]	Small business and ASBFEO[4]
	$'000	$'000	$'000	$'000
Note 8.2A: Departmental restructuring				
FUNCTIONS ASSUMED				
Assets recognised				
Trade and other receivables	46	-	1,580	-
Property, plant and equipment	-	-	1,802	714
Intangibles	-	-	-	2,325
Prepayments	-	-	93	-
Total assets recognised	46	-	3,475	3,039
Liabilities recognised				
Payables	-	-	1,070	131
Leases	-	-	1,578	312
Employee provisions	46	55	778	2,939
Other provisions	-	-	148	147
Total liabilities recognised	46	55	3,574	3,529
Net assets/(liabilities) assumed	-	(55)	(99)	(490)
Income assumed				
Recognised by the losing entity	-	-	-	14,744
Total Income	-	-	-	14,744
Expenses assumed				
Recognised by the losing entity	2,451	2,165	-	12,215
Total Expenses assumed	2,451	2,165	-	12,215

1. Consumer Data Rights (CDR) rules and sectors assessment function transfer from the Australian Competition and Consumer Commission.
2. Data Standards Body (DSB) function transfer from the Commonwealth Scientific and Industrial Research Organisation.
3. The Treasury assumed all of the functions of the ICA from 1 May 2021.
4. Small Business and Australian Small Business and Family Enterprise Ombudsman (ASBFEO) function transfer from the Department of Industry, Science, Energy and Resources.

Note 8.2C: Administered Restructuring - 2022

There were no administered restructures in 2021-22.

Note 8.2C: Administered Restructuring - 2021

	2021
	Small business and ASBFEO
	the Department of Industry, Science, Energy and Resources
	$'000
FUNCTIONS ASSUMED	
Liabilities Recognised	
Payable	20
Total Liabilities Recognised	20
Net assets/(liabilities) Recognised	(20)

9. Budgetary Reports and Explanation of Major Variances

9.1. Departmental Budgetary Reports

Statement of Comprehensive Income
for the period ended 30 June 2022

	Actual	Original Budget[1]	Variance to Original Budget[2]
	2022	2022	2022
	$'000	$'000	$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	**208,866**	**208,050**	816
Suppliers	**114,460**	**132,682**	(18,222)
Grants	**2,295**	**958**	1,337
Depreciation and amortisation	**23,601**	**14,551**	9,050
Write-down and impairment of assets	**126**	**-**	126
Finance costs	**1,869**	**1,852**	17
Foreign exchange losses	**4**	**-**	4
Total expenses	**351,221**	**358,093**	(6,872)
Own-source income			
Own-source revenue			
Sale of goods and rendering of services	**8,373**	**21,251**	(12,878)
Other revenues	**3,590**	**4,905**	(1,315)
Total own-source revenue	**11,963**	**26,156**	(14,193)
Gains			
Other gains	**6**	**49**	(43)
Total gains	**6**	**49**	(43)
Total own-source income	**11,969**	**26,205**	(14,236)
Net cost of services	**(339,252)**	**(331,888)**	(7,364)
Revenue from Government	**325,706**	**322,819**	2,887
Surplus / (Deficit)	**(13,546)**	**(9,069)**	(4,477)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves	**(250)**	**-**	(250)
Total other comprehensive income	**(250)**	**-**	(250)
Total comprehensive income/(loss) attributable to the Australian Government	**(13,796)**	**(9,069)**	(4,727)

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 2021-22 Portfolio Budget Statements (PBS)).

2. Between the actual and total original budgeted amounts for 2022. Explanations of major variances (that are greater than +/- 10% 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 were $18.222 million under budget, which consisted of the following; $5m underspend due to delays in the delivery of the capability and other training courses, lower than budgeted legal fees and an underspend in the budget publications and promotions budget. The scheduling of work for various programs changed during 2021-22 which also resulted in underspends for contractors and consultants resulting in a $19.1m reduction in funding for 2021-22 at the Additional Estimates budget round. There was a $1.6m underspend due to reduced overseas travel compared to what was budgeted for. These underspends were partially offset by the $10.5m additional operating expenses for cloud based projects as a result of a change in accounting treatment during 2021-22.	Suppliers
A one off grant was paid to the Financial Adviser Standards and Ethics Authority Ltd (FASEA) for $1.74m in this financial year.	Grants
Depreciation and amortisation is $9.1 million (62%) more than the original budget as a result of the recognition of additional right-of-use (ROU) assets and leasehold improvements that had not been budgeted for.	Depreciation and amortisation
Sale of goods and services were $12.878 million under budget, this was mainly a result of $11 million in protective services funding which was allocated incorrectly to this line at Budget. There was also a contribution from the ATO of $0.6 million for the fit-out of office space in the Sydney office which was not budgeted for.	Sale of goods and rendering of services
Other revenues are $1.315 million (27%) less than the original budget, due to a reduction in secondments received free of charge this year compared to budget.	Other revenues

Statement of Financial Position
as at 30 June 2022

	Actual 2022 $'000	Original Budget[1] 2022 $'000	Variance to Original Budget[2] 2022 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	**424**	**1,181**	(757)
Trade and other receivables	**115,232**	**77,270**	37,962
Total financial assets	**115,656**	**78,451**	37,205
Non-financial assets			
Buildings	**152,341**	**125,024**	27,317
Plant and equipment	**11,220**	**14,985**	(3,765)
Intangibles	**8,420**	**20,800**	(12,380)
Prepayments	**4,655**	**5,327**	(672)
Total non-financial assets	**176,636**	**166,136**	10,500
Total assets	**292,292**	**244,587**	47,705
LIABILITIES			
Payables			
Suppliers	**15,095**	**12,166**	2,929
Other payables	**5,211**	**2,816**	2,395
Total payables	**20,306**	**14,982**	5,324
Interest bearing liabilities			
Leases	**140,241**	**113,714**	26,527
Total interest bearing liabilities	**140,241**	**113,714**	26,527
Provisions			
Employee provisions	**72,192**	**60,844**	11,348
Provision for restoration	**5,704**	**4,377**	1,327
Total provisions	**77,896**	**65,221**	12,675
Total liabilities	**238,443**	**193,917**	44,526
Net assets	**53,849**	**50,670**	3,179
EQUITY			
Asset revaluation reserve	**14,093**	**12,676**	1,417
Contributed equity	**120,335**	**122,813**	(2,478)
Retained earnings	**(80,579)**	**(84,819)**	4,240
Total equity	**53,849**	**50,670**	3,179

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 2021-22 Portfolio Budget Statements (PBS)).

2. Between the actual and total original budgeted amounts for 2022. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
Trade and other receivables were $37.962 million over budget due to the following factors; an increase in appropriations after budget of $38.1 million which includes Machinery of Government (MoG) appropriations received of $5.5m, additional funding from PAES of $3.6m, an underspend of Departmental Capital Budget funding worth $5.2m, the difference in Section 74 receipts to budget of $7 million and finally due to an underspend in suppliers expenses for the Department of $18.2m. This was partially offset by the trade debtors being under budget by $0.6 million.	Trade and other receivables
Buildings were $27.317 million (22%) over budget due to the completion of fit-out works within the Canberra, Sydney and Melbourne offices. There was also 9 new right of use (ROU) assets created and 3 further ROU assets were remeasured during the financial year.	Buildings
Intangibles were $12.130 million (60%) less than budget due to a change in accounting treatment for IT projects which were utilising cloud based arrangements. This has resulted in a movement of $10.524 million to expense this financial year.	Intangibles
Suppliers were $2.929 million (24%) over budget due the balance of unearned income $3.378 million which relates to the timing of when invoices have been raised and services provided by the Australian Government Actuary (AGA) and the on-going work between The Treasury and the Department of Foreign Affair and Trade (DFAT) for various overseas programs.	Suppliers
Leases were $26.527 (23%) million over budget due to the addition of 9 new leases and the remeasurement of 3 leases during the 2021-22 financial year was not included in the original budget.	Leases
Employee provisions were $11.348 million (19%) over budget due to a number of factors including the increase in Average Staffing Level (ASL) from 1108 in 2020-21 to 1372 in 2021-22 and the 1.9% increase in salaries. This was partially offset by the increase in the 10 year Australian Government bond rate between 2020-21 to 2021-22.	Employee Provisions
Restoration provision was $1.327 million (30%) over budget due to a makegood revaluation as at 30 June 2022 and the addition of four makegood balances taken up since budget.	Provision for restoration
Asset Revaluation Reserves were $1.417 million (11%) over budget, as a result of the increase in the fair value of Treasury's property, plant and equipment following a formal revaluation at 30 June 2021, partially offset by the revaluation of the makegood provision, which also increased in value.	Asset revaluation reserve

Statement of Changes in Equity

for the period ended 30 June 2022

	Retained earnings			Asset revaluation surplus			Contributed equity/capital		
	Actual	Original Budget[1]	Variance[2]	Actual	Original Budget[1]	Variance[2]	Actual	Original Budget[1]	Variance[2]
	2022	**2022**	2022	**2022**	**2022**	2022	**2022**	**2022**	2022
	$'000	**$'000**	$'000	**$'000**	**$'000**	$'000	**$'000**	**$'000**	$'000
Opening balance as at 1 July	**(72,560)**	**(75,750)**	3,190	**14,343**	**12,676**	1,667	**109,519**	**112,250**	(2,731)
Comprehensive income									
Changes in provision for restoration		-	-	**(250)**	-	(250)		-	-
Surplus (Deficit) for the period	**(13,546)**	**(9,069)**	(4,477)	-	-	-	-	-	-
Total comprehensive income	**(13,546)**	**(9,069)**	(4,477)	**(250)**	-	(250)	-	-	-
Transactions with owners									
Contributions by owners									
Equity injection appropriation	-	-	-	-	-	-	**301**	**301**	-
Departmental capital budget appropriation	-	-	-	-	-	-	**10,262**	**10,262**	-
Restructuring	**5,527**	-	5,527	-	-	-	**253**	-	253
Total transactions with owners	**5,527**	-	5,527	-	-	-	**10,816**	**10,563**	253
Closing balance as at 30 June	**(80,579)**	**(84,819)**	4,240	**14,093**	**12,676**	1,417	**120,335**	**122,813**	(2,478)

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 2021-22 Portfolio Budget Statements (PBS)).

2. Between the actual and total original budgeted amounts for 2022. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
Increase in deficit of $4.477 million (49%) relates directly to the Statement of Comprehensive Income variances	Surplus/(Deficit) for the period

Cash Flow Statement
for the period ended 30 June 2022

	Actual	Original Budget[1]	Variance to Original Budget[2]
	2022	**2022**	2022
	$'000	**$'000**	$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	**338,613**	**327,364**	11,249
Sale of goods and rendering of services	**5,493**	**21,251**	(15,758)
GST received	**9,769**	**-**	9,769
Other	**3,335**	**772**	2,563
Total cash received	**357,210**	**349,387**	7,823
Cash used			
Employees	**204,530**	**212,588**	(8,058)
Suppliers	**96,839**	**128,508**	(31,669)
Grants	**2,295**	**958**	1,337
Section 74 receipts transferred to OPA	**33,962**	**-**	33,962
GST paid	**9,815**	**-**	9,815
Interest payments on lease liabilities	**1,837**	**1,851**	(14)
Total cash used	**349,278**	**343,905**	5,373
Net cash from/(used by) operating activities	**7,932**	**5,482**	2,450
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of plant and equipment	**6**	**-**	6
Total cash received	**6**	**-**	6
Cash used			
Purchase of Buildings	**2,547**	**-**	2,547
Purchase of plant and equipment	**2,618**	**10,563**	(7,945)
Purchase of intangibles	**1,382**	**-**	1,382
Total cash used	**6,547**	**10,563**	(4,016)
Net cash from/(used by) investing activities	**(6,541)**	**(10,563)**	4,022
FINANCING ACTIVITIES			
Cash received			
Contributed equity - departmental capital budget	**5,103**	**10,262**	(5,159)
Contributed equity - equity injections	**538**	**301**	237
Restructuring - s75 cash transfer in	**5,780**	**-**	5,780
Total cash received	**11,421**	**10,563**	858
Cash used			
Principal payments of lease liabilities	**13,148**	**5,482**	7,666
Total cash used	**13,148**	**5,482**	7,666
Net cash from/(used by) financing activities	**(1,727)**	**5,081**	(6,808)
Net increase/(decrease) in cash held	**(336)**	**-**	(336)
Cash at the beginning of the reporting period	**760**	**1,181**	(421)
Cash at the end of the reporting period	**424**	**1,181**	(757)

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 2021-22 Portfolio Budget Statements (PBS)).
2. Between the actual and total original budgeted amounts for 2022. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
Operating activities were $2.450 million over budget which is due to a combination of GST and Section 74 not being budgeted for in the cashflow which is partially offset by the underspend in supplier expenses due to delays in the delivery of programs.	Net cash from/(used by) operating activities
Investing activities were $4.022 million under budget, this is largely due to the change in accounting treatment for intangible asset projects which had a cloud component. Under the new accounting standards these should be treated as operating expenditure when control of the asset cannot be demonstrated. This was not factored into the budget at the time. A total of $10.524 million was moved to supplier expenses during 2021-22.	Net Cash from/(used by) investing activities
Financing activities were $6.808 million over budget, as there was 9 new leases entered into and 3 further leases were remeasured during the financial year.	Net Cash from/(used by) financing activities

9.2. Administered Budgetary Reports

Statement of Comprehensive Income
for the period ended 30 June 2022

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2022	2022	2022
	$'000	$'000	$'000
NET COST OF SERVICES			
Expenses			
Grants	135,103,320	107,678,477	27,424,843
Interest	37,357	6,758	30,599
Medicare Guarantee Fund	44,867,877	55,957,914	(11,090,037)
Payments to corporate Commonwealth entities	39,939	39,939	-
Foreign exchange losses	-	582,336	(582,336)
Suppliers and Provisions	290,918	490,197	(199,279)
Concessional loan discount	303,892	-	303,892
Total expenses	180,643,303	164,755,621	15,887,682
Income			
Revenue			
Non-taxation revenue			
Sale of goods and rendering of services	593,408	683,748	(90,340)
Interest	71,951	33,769	38,182
Dividends	1,965	3,521,000	(3,519,035)
COAG revenue from government agencies	1,432,659	1,380,952	51,707
Other revenue	113,321	95,849	17,472
Unwinding of concessional loan discount	86,248	69,052	17,196
Total non-taxation revenue	2,299,552	5,784,370	(3,484,818)
Total revenue	2,299,552	5,784,370	(3,484,818)
Gains			
Foreign exchange	147,409	230,215	(82,806)
Total gains	147,409	230,215	(82,806)
Total income	2,446,961	6,014,585	(3,567,624)
Net (cost of)/contribution by services	(178,196,342)	(158,741,036)	(19,455,306)
Surplus/(Deficit)	(178,196,342)	(158,741,036)	(19,455,306)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus	(22,308,742)	-	(22,308,742)
Total comprehensive income	(22,308,742)	-	(22,308,742)
Total comprehensive income/(loss)	(200,505,084)	(158,741,036)	(41,764,048)

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 2021-22 Portfolio Budget Statements (PBS)).

2. Between the actual and original budgeted amounts for 2022. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 billion) are provided below.

Explanations of major variances	Affected line items
Grant expenses are $27.4 billion (25%) higher than the original budget estimate. Payments to the States and Territories for GST ($5 billion) and demand driven COVID-19 measures ($12.1 billion) were more than anticipated at budget. The revaluation of the Natural Disaster Relief and Recovery Arrangements provision to include current year disasters was $3.2 billion more than in 2020-21 due to the severity and number of disasters in 2021-22, which was not anticipated at budget. Grant expenses were revised upwards to $132.2 billion at the 2021-22 Additional Estimates update which is more reflective of the 2021-22 position.	Grants Expenses
The Medicare Guarantee expense is $11.1 billion (20%) less than the original budget. The expense is based on advice from the Department of Health and the decrease reflects the lower costs of both the Medical Benefits Schedule and the Pharmaceutical Benefits Scheme this year. At the 2021-22 Additional Estimates update, the Medicare Guarantee expense was revised downwards to $44.8 billion.	Medicare Guarantee Fund Expense
Dividend revenue is $3.5 billion less than the original budget estimate. There was no dividend payable to the Commonwealth for 2021-22 from the RBA.	Dividend Revenue
The decrease in the asset revaluation surplus of $22.3 billion is the result of revaluing the net assets of the Reserve Bank of Australia to $0 which was not anticipated in the budget.	Changes in asset revaluation surplus

Administered Schedule of Assets and Liabilities
as at 30 June 2022

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2022	2022	2022
	$'000	$'000	$'000
ASSETS			
Financial assets			
Cash and cash equivalents	**1,165,521**	**905,639**	259,882
Loans and other receivables	**2,218,278**	**5,029,220**	(2,810,942)
Investments	**29,063,993**	**45,517,815**	(16,453,822)
Total financial assets	**32,447,792**	**51,452,674**	(19,004,882)
Total assets administered on behalf of Government	**32,447,792**	**51,452,674**	(19,004,882)
LIABILITIES			
Payables			
Grants	**1,252,274**	**30,212**	1,222,062
Other payables	**18,354,128**	**5,740,726**	12,613,402
Unearned income	**553**	**708**	(155)
Financial Guarantee	**655,093**	**946,623**	(291,530)
Total payables	**20,262,048**	**6,718,269**	13,543,779
Financial liabilities			
Promissory notes	**8,657,222**	**9,932,502**	(1,275,280)
Total financial liabilities	**8,657,222**	**9,932,502**	(1,275,280)
Provisions			
NDRRA Provision	**5,524,114**	**422,601**	5,101,513
Other provisions	**48,066**	**44,884**	3,182
Total provisions	**5,572,180**	**467,485**	5,104,695
Total liabilities administered on behalf of Government	**34,491,450**	**17,118,256**	17,373,194
Net assets/(liabilities)	**(2,043,658)**	**34,334,418**	(36,378.076)

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 2021-22 Portfolio Budget Statements (PBS)).

2. Between the actual and original budgeted amounts for 2022. Explanations of major variances (that are greater than +/- 10% of the original budget for a line item and greater than +/- $1 billion) are provided below.

Explanations of major variances	Affected line items
Loans and other receivables is $2.8 billion (56%) less than the original budget. This is primarily due to the decrease in dividends receivable of $2.7 billion as there is no dividend receivable from the Reserve Bank of Australia (RBA) for 2021-22 compared to the budget.	Loans and other receivables
Investments are $16.5 billion (36%) less than the original budget primarily due to the revaluation of the RBA to $0, a decrease of $22.4 billion. This is offset by an increase in investment in International Financial Institutions ($241 million) due to the weaker Australian dollar against the US dollar and the Special Drawing Right (SDR) and additional share purchases during the year.	Investments
Grants payable are $1.2 billion more than the original budget estimate primarily due to the recognition of $983 million in GST payable to the States and Territories as at 30 June 2022.	Grants Payable
Other payables are $12.6 billion more than the original budget estimate. The increase relates to the additional SDR 6.3 billion (A$12.5 billion) allocation received from the International Monetary Fund (IMG) in August 2021.	Other Payables
Promissory notes are $1.3 billion (13%) less than the original budget estimate. The movement primarily relates to the cancellation of an IMF promissory note of $1.2 billion as partial settlement of the 2020-21 maintenance of value receivable which was not anticipated in the budget.	Promissory Notes
The Natural Disaster Relief and Recovery Arrangements (NDRRA) Provision is $5.1 billion more than the original budget. The variance is due to the number and severity of natural disasters during 2021-22, in particular the flooding in NSW and Queensland which could not be estimated in the budget.	NDRRA Provision