Part 4 – Financial statements

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Opinion

In my opinion, the financial statements of the Department of the Treasury (Treasury) for the year ended 30 June 2020:

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

(b) present fairly the financial position of Treasury as at 30 June 2020 and its financial performance and cash flows for the year then ended.

The financial statements of Treasury, which I have audited, comprise the following as at 30 June 2020 and for the year then ended:

- Statement by the Secretary and Chief Financial 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 Treasury in accordance with the relevant ethical requirements for financial statement audits conducted by me. 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.

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Key audit matter	How the audit addressed the matter
Accuracy and Occurrence of Grants Expense *Refer to Note 6.1C Special Appropriations* The Entity administers grant payments to State and Territory Governments under the *Federal Financial Relations Act 2009* (the Act). The Treasurer signs a determination approving these grant payments. 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 • Treasury's reliance on other Australian Government entities and State and Territory Governments to provide information to support payments and confirm the eligibility criteria have been met. For the year ended 30 June 2020, the value of grants paid by Treasury under the Act was $93.0 billion.	The audit procedures I applied to address the matter included: • testing, on a sample basis, the design and operating effectiveness of controls within other Australian Government entities to support the information provided to Treasury that substantiates the eligibility and grant payment amount; and • testing, on a sample basis, the accuracy and occurrence of payments processed by Treasury by testing the operating effectiveness of controls supporting the Treasurer's determination and agreeing payments to supporting documentation.

Key audit matter	How the audit addressed the matter
Completeness and Valuation of the Natural Disaster Relief and Recovery Arrangements (NDDRA) and the Disaster Relief Funding Arrangements (DRFA) Provision *Refer to Note 5.4A 'Other Provisions'* Treasury manages payments to State and Territory Governments to assist with relief and recovery costs following a natural disaster. The completeness and valuation of the provision is a key audit matter due to the complexities in the judgements involved in estimating the provision. Treasury 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. Treasury 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 2020, the provision for costs associated with natural disaster arrangements was valued at $1.88 billion.	The audit procedures I applied to address the 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 arrangements; • testing, on a sample basis, information provided by State and Territory Governments supporting the movement in quarterly estimates data to assess whether Treasury's reliance on the data is reasonable 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; • assessing whether the provision calculation was consistent with the estimate of reconstruction costs provided by the State and Territory Governments; • assessing the completeness of declared disasters and their inclusion in the provision; and • assessing the adequacy of the reliability assessments performed by Treasury to support the accuracy of the provision.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of Treasury, 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 – Reduced Disclosure Requirements 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 Treasury to continue as a going concern, taking into account whether Treasury'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 Treasury'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 Treasury'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 Treasury 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

Grant Hehir
Auditor-General

Canberra

10 September 2020

The Treasury

Statement by the Secretary and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2020 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on property 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
10 September 2020

Robert Twomey
Chief Financial Officer
10 September 2020

Statement of Comprehensive Income

for the period ended 30 June 2020

	Notes	2020 $'000	2019 $'000
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	**152,138**	139,268
Suppliers	1.1B	**57,411**	54,766
Grants	1.1C	**609**	9,695
Finance costs	1.1D	**1,664**	86
Depreciation and amortisation	2.2A	**17,188**	7,767
Write-down and impairment of assets	2.2A	**740**	501
Act of grace payments		**220**	-
Net foreign exchange losses		**8**	(4)
Total expenses		**229,978**	212,079
Own-source income			
Own-source revenue			
Revenue from contracts with customers	1.2A	**9,750**	8,174
Other revenue	1.2B	**6,016**	4,631
Total own-source revenue		**15,766**	12,805
Gains			
Gains	1.2C	**96**	30
Total gains		**96**	30
Total own-source income		**15,862**	12,835
Net cost of services		**(214,116)**	(199,244)
Revenue from Government	1.2D	**206,298**	189,355
Surplus/(Deficit)		**(7,818)**	(9,889)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		**-**	-
Total other comprehensive income		**-**	-
Total Comprehensive income / (loss)		**(7,818)**	(9,889)

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

Statement of Financial Position

as at 30 June 2020

	Notes	2020 $'000	2019 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	2.1A	**651**	2,772
Trade and other receivables	2.1B	**80,052**	62,442
Total financial assets		**80,703**	65,214
Non-financial assets[1]			
Buildings	2.2A	**137,650**	16,713
Plant and equipment	2.2A	**11,447**	12,397
Intangibles	2.2A	**13,163**	9,072
Prepayments		**5,264**	5,832
Total non-financial assets		**167,524**	44,014
Total assets		**248,227**	109,228
LIABILITIES			
Payables			
Suppliers	2.3A	**10,775**	8,498
Other payables	2.3B	**2,920**	3,511
Total payables		**13,695**	12,009
Interest bearing liabilities			
Leases	2.4A	**122,800**	-
Total interest bearing liabilities		**122,800**	-
Provisions			
Employee provisions	3.1A	**63,174**	53,475
Provision for restoration	2.5A	**4,229**	3,564
Total provisions		**67,403**	57,039
Total liabilities		**203,898**	69,048
Net assets		**44,329**	40,180
EQUITY			
Asset revaluation reserve		**12,676**	12,676
Contributed equity		**97,890**	86,274
Retained earnings		**(66,237)**	(58,770)
Total equity		**44,329**	40,180

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

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

Statement of Changes in Equity

for the period ended 30 June 2020

	2020 $'000	2019 $'000
CONTRIBUTED EQUITY		
Opening balance	**86,274**	77,142
Transactions with owners		
Contributions by owners		
Equity injection appropriation	**1,456**	728
Departmental capital budget appropriation	**10,160**	8,404
Total transactions with owners	**11,616**	9,132
Closing balance as at 30 June	**97,890**	86,274
RETAINED EARNINGS		
Opening balance	**(58,770)**	(48,879)
Adjustment to opening balance	**2**	(2)
Adjustment on initial application of AASB 15/AASB 1058	**54**	-
Adjustment on initial application of AASB 16	**295**	-
Total opening balance	**(58,419)**	(48,881)
Comprehensive income		
Surplus/(Deficit) for the period	**(7,818)**	(9,889)
Total comprehensive income	**(7,818)**	(9,889)
Closing balance as at 30 June	**(66,237)**	(58,770)
ASSET REVALUATION RESERVE		
Opening balance	**12,676**	12,676
Comprehensive income		
Other comprehensive income	**-**	-
Total comprehensive income	**-**	-
Closing balance as at 30 June	**12,676**	12,676
TOTAL EQUITY		
Opening balance	**40,180**	40,939
Adjustment to opening balance	**2**	(2)
Adjustment on initial application of AASB 15/AASB 1058	**54**	-
Adjustment on initial application of AASB 16	**295**	-
Total opening balance	**40,531**	40,937
Comprehensive income		
Surplus/(Deficit) for the period	**(7,818)**	(9,889)
Total comprehensive income	**(7,818)**	(9,889)
Transactions with owners		
Contributions by owners		
Equity injection appropriation	**1,456**	728
Departmental capital budget appropriation	**10,160**	8,404
Total transactions with owners	**11,616**	9,132
Closing balance as at 30 June	**44,329**	40,180

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

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.

Cash Flow Statement

for the period ended 30 June 2020

	2020 $'000	2019 $'000
OPERATING ACTIVITIES		
Cash received		
Appropriations	**214,885**	215,227
Sale of goods and rendering of services	**6,783**	8,336
GST received	**5,690**	4,426
Other	**2,227**	1,134
Total cash received	**229,585**	229,123
Cash used		
Employees	**141,734**	132,085
Suppliers	**47,988**	54,114
Interest payments on lease liabilities	**1,579**	-
Grants	**609**	9,695
Section 74 receipts transferred to OPA	**23,877**	29,445
GST paid	**5,659**	3,911
Total cash used	**221,446**	229,250
Net cash from/(used by) operating activities	**8,139**	(127)
INVESTING ACTIVITIES		
Cash used		
Purchase of buildings	**5,974**	3,105
Purchase of plant and equipment	**2,321**	3,873
Purchase of intangibles	**6,797**	3,928
Total cash used	**15,092**	10,906
Net cash from/(used by) investing activities	**(15,092)**	(10,906)
FINANCING ACTIVITIES		
Cash received		
Contributed equity - departmental capital budget	**10,160**	8,404
Contributed equity - equity injections	**1,942**	4,761
Total cash received	**12,102**	13,165
Cash used		
Principal payments of lease liabilities	**7,270**	-
Total cash used	**7,270**	-
Net cash from/(used by) financing activities	**4,832**	13,165
Net increase/(decrease) in cash held	**(2,121)**	2,132
Cash at the beginning of the reporting period	**2,772**	640
Cash at the end of the reporting period	**651**	2,772

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

Administered Schedule of Comprehensive Income

for the period ended 30 June 2020

	Notes	2020 $'000	2019 $'000
NET COST OF SERVICES			
Expenses			
Grants	4.1A	**100,458,412**	103,945,261
Interest		**37,577**	64,000
Medicare Guarantee Fund	4.1B	**37,961,055**	36,233,451
Payments to corporate Commonwealth entities	4.1C	**61,762**	48,973
Foreign exchange losses	4.1D	**548,488**	20,752
Suppliers	4.1E	**158,365**	15,763
Total expenses		**139,225,659**	140,328,200
Income			
Revenue			
Non-taxation revenue			
Revenue from contracts with customers	4.2A	**649,062**	605,211
Interest	4.2B	**15,597**	16,972
Dividends	4.2C	**3,071,501**	1,694,632
COAG revenue from government agencies	4.2D	**1,592,278**	2,259,418
Other revenue	4.2E	**112,511**	93,818
Total non-taxation revenue		**5,440,949**	4,670,051
Total revenue		**5,440,949**	4,670,051
Total income		**5,440,949**	4,670,051
Net (cost of)/contribution by services		**(133,784,710)**	(135,658,149)
Surplus/(Deficit)		**(133,784,710)**	(135,658,149)
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		**1,297,692**	3,411,602
Total comprehensive income/(loss)		**(132,487,018)**	(132,246,547)

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

Administered Schedule of Assets and Liabilities

as at 30 June 2020

	Notes	2020 $'000	2019 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	5.1A	**449,817**	239,677
Loans and other receivables	5.1B	**8,119,663**	2,539,131
Investments	5.1C	**46,312,169**	43,954,514
Total assets administered on behalf of Government		**54,881,649**	46,733,322
LIABILITIES			
Payables			
Grants	5.2A	**126,753**	156,043
Other payables	5.2B	**6,862,715**	6,533,145
Unearned income	5.2C	**3,658**	6,169
Total payables		**6,993,126**	6,695,357
Interest bearing liabilities			
Promissory notes	5.3A	**10,051,022**	9,988,269
Total interest bearing liabilities		**10,051,022**	9,988,269
Provisions			
Provisions	5.4A	**1,980,773**	1,392,582
Total provisions		**1,980,773**	1,392,582
Total liabilities administered on behalf of Government		**19,024,921**	18,076,208
Net assets/(liabilities)		**35,856,728**	28,657,114

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

Administered Reconciliation Schedule

for the period ended 30 June 2020

	2020 $'000	2019 $'000
Opening assets less liabilities as at 1 July	**28,657,114**	23,873,967
Adjustment on initial application of AASB 15/AASB 1058	**-**	-
Net (cost of)/contribution by services		
Income	**5,440,949**	4,670,051
Expenses		
Payments to entities other than corporate Commonwealth entities	**(139,163,897)**	(140,279,227)
Payments to corporate Commonwealth entities	**(61,762)**	(48,973)
Other comprehensive income		
Revaluations transferred to reserves	**1,297,692**	3,411,602
Transfers (to)/from Australian Government		
Appropriation transfers from OPA		
Administered assets and liabilities appropriations	**165,000**	165,000
Annual appropriation for administered expenses		
Payments to entities other than corporate Commonwealth entities	**52,144**	25,737
Payments to corporate Commonwealth entities	**61,762**	48,973
Special appropriations (limited)		
Payments to entities other than corporate Commonwealth entities	**-**	-
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	**93,695,081**	90,751,440
Special accounts - COAG Reform Fund	**10,970,048**	12,977,718
Special accounts - Medicare Guarantee Fund	**37,961,055**	36,233,451
Special accounts - NHFIC	**522,000**	255,000
Refunds of receipts (s77 PGPA)	**14**	-
Appropriation transfers to OPA		
Transfers to OPA - appropriations	**(1,936,194)**	(1,166,445)
Transfers to OPA - special accounts	**(1,804,278)**	(2,261,180)
Restructuring	**-**	-
Closing assets less liabilities as at 30 June	**35,856,728**	28,657,114

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

Accounting Policy

Administered cash transfers to and from the Official Public Account

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

Administered Cash Flow Statement

for the period ended 30 June 2020

	Notes	2020 $'000	2019 $'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services		**2,572**	6,266
Interest		**17,709**	14,994
Dividends		**1,694,718**	898,553
Net GST received		**1,556**	640
HIH Group liquidation proceeds		**19,196**	-
COAG receipts from government agencies		**1,592,278**	2,259,418
Other receipts from government agencies[1]		**23,744,980**	20,964,335
Other		**93,313**	93,823
Total cash received		**27,166,322**	24,238,029
Cash used			
Grant payments		**142,080,517**	139,731,749
Other grants to the States and Territories[1]		**23,744,980**	20,964,335
Interest		**48,178**	61,824
Other		**50,201**	16,398
Total cash used		**165,923,876**	160,774,306
Net cash from/(used by) operating activities		**(138,757,554)**	(136,536,277)
INVESTING ACTIVITIES			
Cash received			
Repayment of IMF NAB loans		**106,790**	150,250
Repayment of NHFIC AHBA Loan		**212,000**	-
Total cash received		**318,790**	150,250
Cash used			
Settlement of IMF Promissory notes		**320,025**	-
Settlement of international financial institution's obligations		**240,843**	225,638
Purchase of administered investments		**165,000**	165,000
Settlement of loans to other government agencies		**311,860**	15,323
Total cash used		**1,037,728**	405,961
Net cash from/(used by) investing activities		**(718,938)**	(255,711)
Net increase (decrease) in cash held		**(139,476,492)**	(136,791,988)
Cash and cash equivalents at the beginning of the period		**239,677**	-
Cash from Official Public Account			
Appropriations		**93,974,001**	90,993,121
Special accounts		**49,453,103**	49,466,169
Total cash from Official Public Account		**143,427,104**	140,459,290
Cash to Official Public Account			
Appropriations		**1,936,194**	1,166,445
Special accounts		**1,804,278**	2,261,180
Total cash to Official Public Account		**3,740,472**	3,427,625
Net cash from/(to) Official Public Account		**139,926,309**	137,031,665
Cash and cash equivalents at the end of the reporting period[2]		**449,817**	239,677

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

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

2. The Cash and cash equivalents balance reflects the balance of the NHFIC Special Account held by the Treasury. Refer to Note 6.2 Special Accounts for more information.

Notes to and forming part of the financial statements

for the period ended 30 June 2020

Overview

Objectives of the Department of the Treasury

The Department of the Treasury is an Australian Government controlled entity. It is a not-for-profit entity. The objective of The Department of the Treasury, known as 'the Treasury' is to support and implement informed decisions on policies for the good of the Australian people, including for achieving strong, sustainable economic growth, through the provision of advice to Treasury Ministers and the efficient administration of the Treasury's functions.

The Basis of Preparation

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

The financial statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- Australian Accounting Standards and interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The Treasury has applied the Reduced Disclosure Requirements 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.

New Accounting Standards

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

The following new standards were issued prior to the signing of the statement by the Departmental Secretary and Chief Financial Officer, were applicable to the current reporting period and had a material effect on the Treasury's financial statements:

Standard/Interpretation	Nature of change in accounting policy, transitional provisions, and adjustment to financial statements
AASB 15 *Revenue from Contracts with Customers* / AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* and AASB 1058 *Income of Not-For-Profit Entities*	AASB 15, AASB 2016-8 and AASB 1058 became effective 1 July 2019. AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and Interpretation 13 *Customer Loyalty Programmes*. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. AASB 1058 is relevant in circumstances where AASB 15 does not apply. AASB 1058 replaces most of the not-for-profit (NFP) provisions of AASB 1004 *Contributions* and applies to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives, and where volunteer services are received. The details of the changes in accounting policies, transitional provisions and adjustments are disclosed below and in the relevant notes to the financial statements.
AASB 16 *Leases*	AASB 16 became effective on 1 July 2019. This new standard has replaced AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases—Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. AASB 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. AASB 16 substantially carries forward the lessor accounting in AASB 117, with the distinction between operating leases and finance leases being retained. The details of the changes in accounting policies, transitional provisions and adjustments are disclosed below and in the relevant notes to the financial statements.

Application of AASB 15 Revenue from Contracts with Customers / AASB 1058 Income of Not-For-Profit Entities

The Treasury adopted AASB 15 and AASB 1058 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2020 is not restated, that is, it is presented as previously reported under the various applicable AASBs and related interpretations.

Under the new income recognition model the Treasury shall first determine whether an enforceable agreement exists and whether the promises to transfer goods or services to the customer are 'sufficiently specific'. If an enforceable agreement exists and the promises are 'sufficiently specific' (to a transaction or part of a transaction), the Treasury applies the general AASB 15 principles to determine the appropriate revenue recognition. If these criteria are not met, the Treasury shall consider whether AASB 1058 applies.

In relation to AASB 15, the Treasury elected to apply the new standard to all new and uncompleted contracts from the date of initial application. The Treasury is required to aggregate the effect of all of the contract modifications that occur before the date of initial application.

Impact on Transition of AASB 15/1058	1 July 2019
The impact on transition is summarised below:	$'000
Departmental	
Assets	
Goods and services receivables	558
Total assets	**558**
Liabilities	
Unearned Income	(612)
Total liabilities	**(612)**
Total adjustment recognised in retained earnings	**(54)**

Application of AASB 16 Leases

The Treasury adopted AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2020 is not restated, that is, it is presented as previously reported under AASB 117 and related interpretations.

The Treasury elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under AASB 117 were not reassessed. The definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

AASB 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Treasury applied the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if AASB 16 had been applied since the commencement date;
- reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under AASB 136 Impairment of assets as at the date of initial application; and
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Treasury previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Treasury recognises right-of-use assets and lease liabilities for most leases. However, the Treasury has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of AASB 16, the Treasury recognised right-of-use assets and lease liabilities in relation to leases of office space and motor vehicles, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Treasury's incremental borrowing rate as at 1 July 2019. The Treasury's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 1.35%.

The right-of-use assets were measured as follows:

a) Office space: measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

b) All other leases: the carrying value that would have resulted from AASB 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.

Impact on Transition of AASB 16

On transition to AASB 16, the Treasury recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

	1 July 2019
Departmental	$'000
Right-of-use assets - property, plant and equipment	98,979
Lease liabilities	(98,021)
Prepayments	(958)
Lease liabilities (straight lining)	295
Retained earnings	(295)

The following table reconciles the Departmental minimum lease commitments disclosed in the Treasury's 30 June 2019 annual financial statements to the amount of lease liabilities recognised on 1 July 2019:

	1 July 2019
	$'000
Minimum operating lease commitment at 30 June 2019	44,598
Less: removal of GST component on adoption	(3,806)
Less: short-term leases not recognised under AASB 16	(1,511)
Plus: effect of extension options reasonable certain to be exercised	70,189
Undiscounted lease payments	**109,470**
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(11,449)
Lease liabilities recognised at 1 July 2019	**98,021**

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 2019-20 the Treasury reviewed its exposure to the risk of not complying with statutory conditions on payments from appropriations, namely section 83 of the Constitution. To minimise potential breaches, the Treasury continues its established verification procedures, in consultation with the Portfolio Departments, particularly in relation to payments under the *Federal Financial Relations Act 2009* and *COAG Reform Fund Act 2008*. An assessment framework determines the risk profile of each National Partnership Agreement (NPA) which forms the basis of what additional assurance may be required when making a payment. This review identified that no payments were made in contravention of section 83 of the Constitution (2019: Nil).

The Treasury will continue to monitor its level of compliance with section 83 of the Constitution across all legislation for which it is administratively responsible.

Glossary of abbreviations

The following abbreviations are standardised throughout the financial statements:

- ATO - Australian Taxation Office
- COAG - Council of Australian Governments
- NHFIC - National Housing Finance and Investment Corporation
- DRFA - Disaster Recovery Funding Arrangements (applicable to events after 1 November 2018)
- NDRRA - Natural Disaster Relief and Recovery Arrangements (applicable to events prior to 1 November 2018)
- SDR - Special Drawing Rights

Events After the Reporting Period

Departmental

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

Administered

Impact of Novel Coronavirus (COVID-19) Outbreak

On 10 March 2020, the World Health Organisation declared the COVID-19 outbreak a global pandemic. COVID-19 has severely impacted many economies around the world, including Australia's. The Treasury, having administrative policy control over certain aspects of the Australian Government's economic response to COVID-19, has recorded its COVID-19 measures in accordance with applicable accounting standards and has prepared the financial statements for the reporting period with the most up to date information available at the time of signing the statements.

The impact of COVID-19 has been particularly evident in relation to developing nations. These nations have approached the International Monetary Fund (IMF) and development banks for financial assistance. The Treasury is currently negotiating with the IMF, development banks and other developed nations to determine what assistance can be provided to the developing nations at this time. The outcome of these negotiations is currently uncertain. If the Treasury is called on to make additional investments, these may have a material impact on the administered financial statements of the Treasury in future.

1. Departmental Financial Performance

This section analyses the financial performance of the Treasury for the year ended 2020.

1.1. Expenses

	2020 $'000	2019 $'000
Note 1.1A: Employee benefits		
Wages and salaries	**112,640**	98,450
Superannuation		
Defined contribution plans	**11,448**	9,148
Defined benefit plans	**8,069**	9,217
Redundancies	**533**	497
Leave and other entitlements	**16,469**	18,573
Other	**2,979**	3,383
Total employee benefits	**152,138**	139,268

Accounting Policy

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

	2020 $'000	2019 $'000
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
Consultants, secondees and contractors	**19,064**	14,445
Information communication technology	**14,937**	10,112
Property operating expenses	**6,430**	5,930
Travel	**4,378**	4,878
Legal	**3,642**	2,718
Publications and subscriptions	**2,152**	1,886
Fees - audit, accounting, bank and other	**1,480**	1,490
Conferences and training	**1,413**	1,602
Insurance	**339**	359
Printing	**156**	453
Other	**1,727**	1,423
Total goods and services supplied or rendered	**55,718**	45,296
Goods supplied	**7,557**	4,488
Rendering of services	**48,161**	40,808
Total goods and services supplied or rendered	**55,718**	45,296
Other suppliers		
Workers compensation premiums	**826**	871
Operating lease rentals[1]	**-**	8,599
Short-term leases	**840**	-
Low value leases	**27**	-
Total other suppliers	**1,693**	9,470
Total suppliers	**57,411**	54,766

1. The Treasury has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

The Treasury has no short-term lease commitments as at 30 June 2020.

The above lease disclosures should be read in conjunction with the accompanying notes 1.1D Finance costs, 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.

	2020 $'000	2019 $'000
Note 1.1C: Grants		
Public sector:		
Australian Government Entities (related entities)	**-**	4,741
Private sector:		
Non-profit organisations	**609**	4,954
Total grants	**609**	9,695
Note 1.1D: Finance costs		
Interest on lease liabilities[1]	**1,579**	-
Unwinding of discount	**85**	86
Total finance costs	**1,664**	86

1. The Treasury has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

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

Accounting Policy

All borrowing costs are expensed as incurred.

1.2. Own-Source Revenue and Gains

Own-Source Revenue	2020 $'000	2019 $'000
Note 1.2A: Revenue from contracts with customers		
Rendering of services	**9,750**	8,174
Total revenue from contracts with customers	**9,750**	8,174
Disaggregation of revenue from contracts with customers		
Major product / service line:		
Actuarial services	**3,383**	2,040
Shared services	**3,161**	3,325
Cost recoveries	**1,597**	1,493
Research services	**915**	443
Legislative and Governance Forum on Consumer Affairs contributions	**374**	516
Income from subleasing	**279**	320
Other	**41**	37
	9,750	**8,174**
Type of customer:		
Australian Government entities (related parties)	**9,220**	7,563
State and Territory Governments	**374**	516
Non-government entities	**156**	95
	9,750	8,174

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 to 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.

Research Services

This revenue stream relates to economic modelling and policy 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.

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 (CAF). 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 Departments 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. 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.

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.

	2020 $'000	2019 $'000
Note 1.2B: Other revenue		
ANAO audit services received free of charge	**490**	575
Secondment services received free of charge	**5,349**	3,794
Other	**177**	262
Total other revenue	**6,016**	4,631
Note 1.2C: Other gains		
Reversal of restoration provision	**96**	30
Total other gains	**96**	30

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.

	2020 $'000	2019 $'000
Note 1.2D: Revenue from Government		
Appropriations		
Departmental appropriations	**206,298**	185,518
Supplementation		
Other	**-**	3,837
Total revenue from Government	**206,298**	189,355

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

	2020 $'000	2019 $'000
Note 2.1A: Cash and cash equivalents		
Cash on hand or on deposit	**651**	2,772
Total cash and cash equivalents	**651**	2,772
Note 2.1B: Trade and other receivables		
Goods and services receivables		
Contract assets	**1,195**	-
Total goods and services receivables	**1,195**	-

The contract assets are shared services and cost recoveries provided including TechnologyOne licences and workers compensation premiums not invoiced at 30 June.

Appropriations receivable	**72,956**	54,315
Supplementation receivable	**-**	3,837
Goods and services receivables	**3,785**	2,715
Net GST receivable from the ATO	**1,298**	1,153
Other receivables	**820**	424
Total trade and other receivables (gross)	**78,859**	62,444
Less impairment loss allowance	**(2)**	**(2)**
Total trade and other receivables (net)	**80,052**	62,442

Credit terms for goods and services were within 30 days (2019: 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 (2019-20)

	Buildings $'000	Plant and equipment $'000	Computer software internally developed $'000	Computer software purchased $'000	Total $'000
As at 1 July 2019					
Gross book value	**20,951**	**17,097**	**20,864**	**9,016**	**67,928**
Accumulated depreciation / amortisation and impairment	**(4,238)**	**(4,700)**	**(12,883)**	**(7,925)**	**(29,746)**
Total value as at 1 July 2019	**16,713**	**12,397**	**7,981**	**1,091**	**38,182**
Recognition of right of use asset on initial application of AASB 16	**98,951**	**28**	**-**	**-**	**98,979**
Adjusted total value as at 1 July 2019	**115,664**	**12,425**	**7,981**	**1,091**	**137,161**
Additions	**33,899**	**2,338**	**6,591**	**206**	**43,034**
Purchased	5,974	2,321	-	206	**8,501**
Internally developed	-	-	6,591	-	**6,591**
Right-of-use assets	27,925	17	-	-	**27,942**
Depreciation and amortisation	**(2,965)**	**(3,070)**	**(2,016)**	**(690)**	**(8,741)**
Depreciation on right-of-use assets	**(8,436)**	**(11)**	**-**	**-**	**(8,447)**
Impairments on right-of-use assets recognised in net cost of services	-	**(7)**	-	-	**(7)**
Disposals	**(512)**	**(228)**	**-**	**-**	**(740)**
From write-down and impairment of assets	(512)	(228)	-	-	**(740)**
Total as at 30 June 2020	**137,650**	**11,447**	**12,556**	**607**	**162,260**
Total as at 30 June 2020 represented by:					
Gross book value	**152,021**	**18,977**	**26,268**	**9,222**	**206,488**
Fair value	**24,225**	**16,539**	**-**	**-**	**40,764**
At cost	**126,876**	**34**	**19,625**	**9,222**	**155,757**
Under construction	**920**	**2,404**	**6,643**	**-**	**9,967**
Accumulated depreciation / amortisation and impairment	**(14,371)**	**(7,530)**	**(13,712)**	**(8,615)**	**(44,228)**
Total as at 30 June 2020	**137,650**	**11,447**	**12,556**	**607**	**162,260**
Carrying amount of right-of-use assets	**118,440**	**27**	**-**	**-**	**118,467**

No indicators of impairment were found for property, plant and equipment or computer software as at 30 June 2020.

No significant non-financial assets are expected to be sold or disposed within the next 12 months.
All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 7.5 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:	**2020** **$'000**	2019 $'000
Within 1 year	**889**	2,445
Between 1 to 5 years	**2,891**	-
Total commitments	**3,780**	2,445

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.

Lease 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. Lease 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:

	2020	**2019**
Buildings - leasehold improvements	5-25 years	1.75-25 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 2020. 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 or 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 2020, including the impact of factors such as project cessation and platform changes. No indications of impairment for intangible assets were identified as at 30 June 2020, therefore nil impairment loss for intangible assets was recognised (2019: nil).

Accounting Judgement and Estimates

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

Refer to section 7.5 Fair Value Measurement - Accounting Policy.

2.3. Payables

	2020 $'000	2019 $'000
Note 2.3A: Suppliers		
Trade creditors and accruals	**9,950**	8,203
Operating lease rentals	**-**	295
Contract liabilities	**825**	-
Total suppliers	**10,775**	8,498

Settlement was usually made within 20 days (7 day payment terms were introduced in April 2020 to assist suppliers with their cash flows during the outbreak of COVID-19).

The contract liabilities are associated with the performance obligations not yet met at 30 June for the Australian Government Actuary, the Department of Foreign Affairs and Trade and the Legislative and Governance Forum on Consumer Affairs.

Note 2.3B: Other payables		
Salaries and wages	**2,234**	983
Superannuation	**330**	137
Other creditors	**356**	385
Unearned income	**-**	2,006
Total other payables	**2,920**	3,511

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

1. The Treasury has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117. Prior year operating lease rentals were transferred to equity on transition.

Accounting Policy

Financial liabilities

Other financial liabilities include trade creditors and accruals are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Settlement is usually made net 20 days.

2.4. Interest Bearing Liabilities

	2020 $'000	2019 $'000
Note 2.4A: Leases		
Lease liabilities		
Buildings	**122,773**	-
Plant and equipment	**27**	-
Total leases	**122,800**	-

1. The Treasury has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

Total cash outflow for leases for the year ended 30 June 2020 was $8.8 million ($7.2 million in principal payments and $1.6 million in interest payments).

Accounting Policy

Refer Overview section for accounting policy on leases.

2.5. Other Provisions

Note 2.5A: Provision for restoration	$'000	Total $'000
Carrying amount 1 July 2019	**3,564**	**3,564**
Additional provisions made	**840**	**840**
Amounts used	**(164)**	**(164)**
Amounts reversed	**(96)**	**(96)**
Unwinding of discount or change in discount rate	**85**	**85**
Closing balance 30 June 2020	**4,229**	**4,229**

The Treasury has 3 (2019: 5) lease agreements containing provisions to restore the premises to their original condition at the conclusion of the lease. The Treasury has made a provision to reflect the present value of this obligation. The value of the provision has been estimated by an independent valuer based on occupied floor space as per the leasing agreements.

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

	2020 $'000	2019 $'000
Note 3.1A: Employee provisions		
Leave	**63,174**	53,475
Total employee provisions	**63,174**	53,475

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 2017-18, 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.

Separation and redundancy

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

Superannuation

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

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

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

The Treasury makes employer contributions to the employee'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 2020 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 Secretary and Deputy Secretaries. Key management personnel remuneration is reported in the table below:

	2020	2019
	$'000	$'000
Short-term employee benefits	**2,883**	3,065
Post-employment benefits	**404**	444
Other long-term employee benefits	**73**	130
Termination benefits	**224**	-
Total key management personnel remuneration expenses[1]	**3,584**	3,639

The total number of key management personnel that are included in the above table are 12 (2019:12).

1. 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.

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 the Treasury, it has been determined that one related party transaction is to be separately disclosed (2019: nil).

During the reporting period, Treasury paid $2.0 million (GST inclusive) in administered grant funding to the Australian Housing and Urban Research Institute Limted (AHURI). One of the key management personnel was a government-appointed director of AHURI during 2019-20.

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

	2020 $'000	2019 $'000
Note 4.1A: Grants		
Public sector		
State and Territory Governments	**98,864,309**	101,676,454
Payment of COAG receipts from Government agencies	**1,592,278**	2,259,418
Private sector		
Grants to private sector	**1,825**	9,389
Total grants	**100,458,412**	103,945,261

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 DRFA and NDRRA detailed below, grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied but payments due have not been made.

Grants to States and Territories

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

There are five main types of payments under the framework:

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

· National SPPs – a financial contribution to support a State or Territory to deliver services in a particular sector.

· NHR payments – a financial contribution to State or Territory to improve health outcomes for all Australians and ensure the sustainability of Australia's health system.

· NHHA payments – a financial contribution to State or Territory to improve access to affordable, safe and sustainable housing, including to prevent and address homelessness and support social and economic participation

· NP payments – a financial contribution in respect of an NP agreement with a State or Territory to support the delivery of specific projects, to facilitate reforms or to reward jurisdictions that deliver on national reforms or achieve service delivery improvements.

National SPPs and GST are paid under a special appropriation in the *Federal Financial Relations Act 2009*. After the end of the financial year, the Treasurer determines the amounts that should have been paid and an adjustment is made in respect of advances that were paid during the financial year.

NHR payments are paid monthly in advance under the *Federal Financial Relations Act 2009*. The Treasurer then makes one annual payment determination, with any adjustments made in the following financial year. Payments to the States and Territories are made on the condition that the financial assistance is spent in accordance with the National Health Reform Agreement.

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 COAG Reform Fund and the Treasurer must ensure that, as soon as practicable after the amount is credited, the COAG Reform Fund is debited for the purposes of making the grant. In addition, the Treasurer must have regard to the Intergovernmental Agreement on Federal Financial Relations.

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

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 Department of Home Affairs (Home Affairs) an estimate of costs expected to be incurred for disasters affecting States and Territories that occurred prior to 1 July 2020 which would be eligible for assistance. The signed representations from the States and Territories are quality assured by Home Affairs, which in turn provides a certification of the expenditure estimates to the Treasury.

Payments to the States and Territories through the COAG special account

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

· Department of Social Services (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.

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

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

Mirror taxes collected by State Governments

On behalf of the States, the Government imposes mirror taxes which replace State taxes that may be constitutionally invalid in relation to Government places. Mirror taxes are collected and retained by the States, under the *Commonwealth Places (Mirror Taxes) Act 1998*. State Governments bear the administration costs of collecting mirror taxes.

	2020 $'000	2019 $'000
Note 4.1B: Medicare Guarantee Fund		
Medicare Guarantee Fund	**37,961,055**	36,233,451
Total Medicare Guarantee Fund	**37,961,055**	36,233,451

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.

	2020 $'000	2019 $'000
Note 4.1C: Payments to corporate Commonwealth entities		
NHFIC Operating funding	**26,762**	13,973
NHFIC grants payment	**35,000**	35,000
Total payments to corporate Commonwealth entities	**61,762**	48,973

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).

Note 4.1D: Net foreign exchange losses		
IMF SDR allocation	**87,235**	250,912
IMF Maintenance of Value	**648,787**	406,863
IMF quota revaluation	**(185,958)**	(534,870)
IFIs revaluation	**6,536**	(87,399)
IMF new arrangement to borrow loans revaluation	**(8,112)**	(14,754)
Total net foreign exchange losses	**548,488**	20,752

Note 4.1E: Suppliers		
Small & Medium Enterprises Guarantee Scheme – Claims Provision[1]	**93,385**	-
AFCA disputes payments[2]	**31,447**	-
Advertising campaigns	**26,354**	14,107
NHFIC First Home Loan Deposit Scheme – Claims provision[1]	**6,735**	-
General supplier expenses	**444**	1,656
Total suppliers	**158,365**	15,763

1. Refer to Note 5.4A Accounting Policy for further details on the Small & Medium Enterprises Guarantee Scheme and the NHFIC First Home Loan Deposit Scheme.

2. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry presented its final report to the Governor-General on 1 February 2019. As part of its response, the Government expanded the remit of the Australian Financial Complaints Authority (AFCA) to accept applications for external disputes dating back to 1 January 2008 that relate to misconduct, which AFCA, its predecessor schemes, or the courts have not yet dealt with. AFCA disputes payments are expected to be finalised in 2020-21.

4.2. Administered – Income

Revenue	2020 $'000	2019 $'000
Non-Taxation Revenue		
Note 4.2A: Revenue from contracts with customers		
GST administration fees - external entities	**646,600**	599,200
Guarantee of State and Territory borrowing fee	**2,462**	6,011
Total revenue from contracts with customers	**649,062**	605,211
Note 4.2B: Interest		
Gross IMF remuneration	**9,954**	10,666
Less: burden sharing	**(35)**	(39)
Net IMF remuneration	**9,919**	10,627
Interest on loan to IMF under New arrangements to borrow	**2,259**	4,106
Interest on loans to States and Territories	**2,168**	2,162
Interest on NHFIC AHBA Loans	**1,216**	38
Total interest	**15,597**	16,972
Note 4.2C: Dividends		
Reserve Bank of Australia	**2,562,718**	1,684,632
Australian Reinsurance Pool Corporation[1]	**10,000**	10,000
International Finance Corporation	**498,783**	-
Total dividends	**3,071,501**	1,694,632
Note 4.2D: COAG revenue from Government		
DisabilityCare Australia Fund revenue (DSS)[2]	**1,550,529**	2,087,755
Interstate Road Transport revenue (DoI)[2]	**-**	6,586
Social and Community Services Sector (DSS)[2]	**41,749**	165,077
Total COAG receipts from government agencies	**1,592,278**	2,259,418
Note 4.2E: Other revenue		
HIH Group liquidation proceeds	**19,196**	-
Australian Reinsurance Pool Corporation Fee[1]	**90,000**	90,000
Other revenue	**3,315**	3,818
Total Other revenue	**112,511**	93,818

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.*

2. COAG revenue from Government – refer to Note 4.1A Grants - Accounting Policy for further details.

Accounting Policy

Administered revenue

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

Reserve Bank of Australia dividend

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

The Treasury recognise the dividend revenue and a corresponding receivable in the year the Reserve Bank of Australia 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 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'.

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.

International Monetary Fund 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 five years after each call is made. Amounts can be repaid earlier at the IMF's discretion.

International Finance Corporation

On 16 April 2020, the Board of Governors of the International Finance Corporation passed Resolution 270 - Conversion of Retained Earnings and General Capital Increase. Following the passage of the Resolution, retained earnings converted to 16,999,998 additional shares with a par value of $1,000 USD each. Australia was allocated 313,535 shares valued at $498.783 million. This is treated as a non-cash dividend.

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

	2020	2019
	$'000	$'000
Note 5.1A: Cash and cash equivalents		
Cash held in the OPA - NHFIC Special Account	**449,817**	239,677
Total cash and cash equivalents	**449,817**	239,677

Accounting Policy

The Treasury's administered cash and cash equivalents relate to special account balances held in the OPA. Refer to Note 6.2 Special accounts for more information.

Note 5.1B: Loans and other receivables		
Loans		
Loans to States and Territories	**47,855**	47,855
Loans to NHFIC	**115,183**	15,323
IMF new arrangements to borrow loan	**213,060**	311,738
Total loans	**376,098**	374,916
Other receivables		
Guarantee of State and Territory Borrowing contractual fee receivable[1]	**3,658**	6,169
Guarantee of State and Territory Borrowing fee receivable	**188**	298
Net GST receivable from the ATO	**1,397**	(5)
IMF related moneys owing	**320**	2,447
Dividends receivable	**2,563,000**	1,685,000
Accrued interest - Loans to NHFIC	**53**	38
GST Revenue allocations and COAG refundable	**5,174,947**	470,268
Other receivables	**2**	-
Total other receivables	**7,743,565**	2,164,215
Total loans and other receivables (gross)	**8,119,663**	2,539,131
Receivables are expected to be recovered in		
No more than 12 months	**7,742,101**	2,160,478
More than 12 months	**377,562**	378,653
Total receivables (gross)	**8,119,663**	2,539,131
Receivables (gross) are aged as follows		
Not overdue	**8,119,663**	2,539,131
Total receivables (gross)	**8,119,663**	2,539,131

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

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.

Loans to 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 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.

IMF New Arrangements to Borrow

Through the New Arrangements to Borrow (NAB), Australia and 39 other member countries have committed to lend additional resources to the IMF. The NAB constitutes a second line of funding defence to supplement IMF resources to forestall or cope with an impairment of the international monetary system. 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.

Australia has received NAB repayments following past NAB lending however, the NAB is not currently active or being called upon. The IMF must repay amounts lent through the NAB five years after each call is made. Amounts can be repaid earlier at the IMF's discretion.

GST Revenue allocation and COAG refundable

Under the COAG arrangements, the Treasury records the COAG grants position based on accrual or receivable balance information provided by Commonwealth Agencies for each COAG grant. Historically, the Treasury has reported on a net basis the grants payable under Note 5.2A Grants. From 2018-19, the Treasury reports on a gross basis, separately disclosing grants payable (grants not paid prior to year-end) and receivable (primarily GST revenue allocations and other COAG grants receivable).

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 State and Territory payments is recorded as GST revenue allocation.

Current year GST revenue allocation is $5,174.9 million (2019: $470.3 million).

Refer to Note 5.2A Grants for further details.

	2020 $'000	2019 $'000
Note 5.1C: Investments		
International financial institutions		
Asian Development Bank	**617,551**	608,860
Asian Infrastructure & Investment Bank	**1,075,623**	842,093
European Bank for Reconstruction and Development	**102,438**	101,442
International Bank for Reconstruction and Development	**340,014**	332,742
International Finance Corporation	**525,811**	67,488
Multilateral Investment Guarantee Agency	**9,035**	8,842
Total international financial institutions	**2,670,472**	1,961,467
Australian Government entities		
Reserve Bank of Australia	**29,601,000**	28,338,000
Australian Reinsurance Pool Corporation	**520,526**	461,321
NHFIC	**305,225**	165,000
Total Australian Government entities	**30,426,751**	28,964,321
Commonwealth Companies		
Financial Adviser Standards and Ethics Authority Ltd	**1,436**	1,174
Total Commonwealth Companies	**1,436**	1,174
Other Investments		
IMF quota	**13,213,510**	13,027,552
Total other investments	**13,213,510**	13,027,552
Total Investments	**46,312,169**	43,954,514

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.

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 are 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

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

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

Australian Government entities

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

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

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 cheaper, longer-term financing to community housing providers.

Financial Adviser Standards and Ethics Authority Ltd (FASEA) is a Commonwealth entity that was established in April 2017 to set standards for the ethical conduct, educational qualifications and ongoing training of licensed financial advisers in Australia.

The Commonwealth, as represented by the Assistant Minister for Superannuation, Financial Services and Financial Technology, is the sole shareholder. FASEA is funded by contributions from participating financial institutions under FASEA's Funding agreement. All revenue and any subsequent profits are to be used to fund the operations of FASEA and cannot be distributed to the Commonwealth. Upon winding up, any surplus is returned to the contributing financial institutions and the shareholder is required to contribute $10.00

5.2. Administered – Payables

	2020 $'000	2019 $'000
Note 5.2A: Grants		
Public sector		
COAG grants payable	**126,753**	156,033
Other grants payable	**-**	10
Total grants	**126,753**	156,043
Grants are expected to be settled in no more than 12 months.		
Note 5.2B: Other payables		
GST appropriation payable	**6,668**	3,710
IMF SDR allocation	**6,198,575**	6,111,340
IMF related monies owing	**693**	11,294
IMF Maintenance of Value	**648,787**	406,863
Suppliers	**7,992**	(62)
Total other payables	**6,862,715**	6,533,145
Other payables expected to be settled		
No more than 12 months	**15,353**	14,968
More than 12 months	**6,847,362**	6,518,177
Total other payables	**6,862,715**	6,533,145
Note 5.2C: Unearned income		
Guarantee of State and Territory borrowing contractual guarantee service obligation[1]	**3,658**	6,169
Total unearned income	**3,658**	6,169
Total unearned income expected to be settled		
No more than 12 months	**2,194**	2,432
More than 12 months	**1,464**	3,737
Total unearned income	**3,658**	6,169

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

COAG grants payable

Historically, COAG grants payable was netted-off against GST revenue allocations receivable and other COAG grants receivable. From 2018-19, these have been separately disclosed on a gross basis, with GST revenue allocations receivable and other COAG grants receivable now disclosed in Note 5.1B Loans and other receivables.

IMF Special Drawing Right Allocation

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

5.3. Administered – Interest Bearing Liabilities

	2020	2019
	$'000	$'000
Note 5.3A: Promissory notes		
IMF promissory notes[1]	**9,986,317**	9,899,480
Other promissory notes[1]	**64,705**	88,789
Total Promissory notes	**10,051,022**	9,988,269
Promissory notes expected to be settled		
Within 1 year	**-**	25,468
Between 1 to 5 years	**-**	-
More than 5 years	**10,051,022**	9,962,801
Total Promissory notes	**10,051,022**	9,988,269

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 IMF, the International Bank for Reconstruction and Development, the Asian Development Bank and the Multilateral Investment Guarantee Agency.

Where promissory notes have been issued in foreign currencies, they are recorded at their nominal value by translating them at the spot rate at balance date. The promissory notes 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

	2020 $'000	2019 $'000
Note 5.4A: Provisions		
Small & Medium Enterprises Guarantee Scheme (SMEGS)	**93,385**	-
NHFIC First Home Loan Deposit Scheme (FHLDS)	**6,735**	-
DRFA and NDRRA provision	**1,880,653**	1,392,582
Queensland	**872,428**	1,050,712
New South Wales	**686,071**	16,567
Victoria	**37,066**	52,525
Western Australia	**138,906**	133,508
Northern Territory	**37,582**	65,348
Tasmania	**51,180**	73,721
South Australia	**56,586**	190
Australian Capital Territory	**834**	*11*
Total provisions	**1,980,773**	1,392,582
Provisions expected to be settled		
No more than 12 months	**1,197,630**	532,379
More than 12 months	**783,143**	860,203
Total provisions	**1,980,773**	1,392,582

	SMEGS $'000	FHLDS $'000	DRFA and NDRRA $'000	Total $'000
As at 1 July 2019	**-**	**-**	**1,392,582**	**1,392,582**
Additional provisions made	**93,385**	**6,735**	**746,326**	**846,446**
Amounts used	**-**	**-**	**(499,922)**	**(499,922)**
Amounts reversed	**-**	**-**	**-**	**-**
Unwinding of discount or change in discount rate	**-**	**-**	**241,667**	**241,667**
Total as at 30 June 2020	**93,385**	**6,735**	**1,880,653**	**1,980,773**

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 Determination 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 NDRRA Determination 2017. No change to the method of accounting for the provision arises from this change in the determination.

The estimate is based on information provided by the States and Territories to the Department of Home Affairs (Home Affairs), the Commonwealth agency responsible for the administration of disaster relief. The estimates provided by the States and Territories are based on their assessment of the costs expected to be incurred that would be eligible for assistance under the applicable Determination. Home Affairs performs their quality assurance processes in order to assess reasonableness of estimates provided by the States and Territories with regard to estimates eligibility under DRFA and NDRRA.

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 reconstruction efforts progress to completion.

Contingent liabilities

The DRFA and NDRRA provision at 30 June 2020 includes estimated payments for disaster events that occurred prior to 1 July 2020, except for new events that occurred during the 2019-20 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:

- Tasmanian East Coast Storm in April 2020;
- East Victorian Coast Storms in April 2020;
- Western NSW Floods in February 2020;
- Western NSW Storms and Floods in April 2020;
- Western NSW Storms and Floods in April 2020;
- Cabonne Shire Storms and Floods in March 2020; and
- South Australian Flood Event between January – February 2020.

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

Small & Medium Enterprises (SME) Guarantee Scheme (SMEGS)

Provision

The SMEGS provision represents the Treasury's best estimate of claims expected from eligible lenders as at balance date. Under the *Guarantee of Lending to Small and Medium Enterprises (Coronavirus Economic Response Package) Act 2020* and the *Australian Government SME Guarantee Scheme- Scheme Rules* effective 8 July 2020, the Commonwealth guarantees 50% of reliable new loans issued by eligible lenders to SMEs up to $40 billion. The loans need to meet the eligibility and credit criteria of the eligible lenders (banks, credit unions and ADIs) approved by Treasury.

Eligible lenders are required to upload the approved loans to an Australian Prudential Regulations Authority (APRA) form, complying with the *Financial Sector (Collection of Data) Act 2001 Determination No.4 of 2020*. The data required is governed by the *Reporting Form ARF 920.0 Australian Government SME Guarantee Scheme (Portfolio Information)* (ARF 920.0) and *Reporting Form ARF 920.1 Australian Government SME Guarantee Scheme (Loan Level Details)* (ARF 920.1). These forms are used for the purpose of enabling APRA to assist the Treasury administer SMEGS.

The APRA data provides the basis of the total loans and maturity dates of each loan as at balance date. These data points are multiplied by a determined default rate and discounted using Commonwealth Treasury Bonds rates with a comparable duration. The expected default rate has been determined using a combination of default data from similar international programs and the banking industry.

The impact of the Novel Coronavirus (COVID-19) has resulted in an evolving economic response which impacts upon the SMEGS provision. The Government response to date has been to release an initial phase (Phase 1) and a second phase (Phase 2) on 23 July 2020. As at 30 June 2020, only Phase 1 guarantees have been reflected, as Phase 2 will not be in effect until 1 October 2020

Phase 1 will remain open until 30 September 2020, which guarantees 50% of unsecured loans of up to $250,000 with maximum terms of three years, and a six month repayment holiday.

Contingent liabilities

Refer to Note 7.2 Administered Contingent Assets and Liabilities

NHFIC First Home Loan Deposit Scheme (FHLDS)

Provision

The FHLDS provision represents the Treasury's best estimate of claims expected from NHFIC as at balance date. FHLDS is an Australian Government initiative launched on 1 January 2020, administered by NHFIC. Under the Scheme, NHFIC guarantees up to 15% of new loans to eligible first home buyers that meet the criteria, capped at 10,000 loans annually up until 2024/25. 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 Scheme, into a NHFIC database. This include the purchase price, location/postcode, maturity date and the portion of the 15% being guaranteed. These data points are multiplied by a determined default rate, a determined capital growth (house price) rate and discounted by Commonwealth Treasury Bonds rates with a comparative duration. The determined default rate has been established using a combination of default data from Lenders Mortgage Insurers (LMI) and the banking industry. The determined capital growth rate has been calculated using the market data according to the location and type of property and factoring-in the consumer price index (CPI) over the forward years.

As at 30 June 2020, 9,984 places were used with 6,814 guarantee certificates issued for loans which were settled or pending settlement. 3,169 places were reserved and pending a property purchase or approvals, with 1 place released without guarantee.

6. Funding

This section identifies the Treasury funding structure.

6.1. Appropriations

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

Annual Appropriations for 2020

	Appropriation Act		*PGPA Act*				
	Annual Appropriation $'000	AFM $'000	Section 74 Receipts $'000	Section 75 Transfers $'000	Total appropriation $'000	Appropriation applied in 2020 (current and prior years) $'000	Variance[1] $'000
DEPARTMENTAL							
Ordinary annual services	210,135	-	23,877	-	234,012	(211,316)	22,696
Capital Budget[2]	10,160	-	-	-	10,160	(10,160)	-
Other services							
Equity	1,456	-	-	-	1,456	(1,234)	222
Total departmental	221,751	-	23,877	-	245,628	(222,710)	22,918
ADMINISTERED							
Ordinary annual services							
Administered items	108,399	-	-	14,150	122,549	(113,906)	8,643
Other services							
Administered assets and liabilities	165,000	-	-	-	165,000	(165,000)	-
Total administered	273,399	-	-	14,150	287,549	(278,906)	8,643

1. The variance in Ordinary annual services is largely driven by the timing of cash payments.

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

Annual Appropriations for 2019

	Appropriation Act		*PGPA Act*				
	Annual Appropriation $'000	AFM $'000	Section 74 $'000	Section 75 $'000	Total appropriation $'000	Appropriation applied in 2019 (current and prior years) $'000	Variance $'000
DEPARTMENTAL							
Ordinary annual services	185,518	-	25,019	-	210,537	(208,669)	1,868
Capital Budget	8,404	-	-	-	8,404	(8,404)	-
Other services							
Equity	728	-	-	-	728	(4,761)	(4,033)
Total departmental	194,650	-	25,019	-	219,669	(221,834)	(2,165)
ADMINISTERED							
Ordinary annual services							
Administered items	81,996	-	-	-	81,996	(74,504)	7,492
Other services							
Administered assets and liabilities	359,850	-	-	-	359,850	(315,000)	44,850
Total administered	441,846	-	-	-	441,846	(389,504)	52,342

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

Authority	2020 $'000	2019 $'000
Departmental		
Appropriation Act (No. 1) 2018-19	**-**	56,379
Appropriation Act (No. 4) 2018-19 - Equity	**-**	708
Supply Act (No. 1) 2019-20	**-**	-
Supply Act (No. 1) 2019-20 - DCB	**-**	-
Supply Act (No. 2) 2019-20 - Equity	**-**	-
Appropriation Act (No. 1) 2019-20[1]	**56,923**	-
Appropriation Act (No. 1) 2019-20 - DCB	**-**	-
Appropriation Act (No. 2) 2019-20 - Equity	**222**	-
Appropriation Act (No. 3) 2019-20	**16,462**	-
Total departmental	**73,607**	57,087

Authority	2020 $'000	2019 $'000
Administered		
Appropriation Act (No. 1) 2016-17[2]	**-**	11,581
Appropriation Act (No. 2) 2016-17[2]	**-**	35,000
Supply Act (No.1) 2016-17[2]	**-**	1,258
Supply Act (No.2) 2016-17[2]	**-**	25,000
Appropriation Act (No. 1) 2017-18[2]	**7**	7
Appropriation Act (No. 2) 2017-18[2]	**60,000**	60,000
Appropriation Act (No. 3) 2017-18[2]	**-**	2,852
Appropriation Act (No. 1) 2018-19	**-**	8
Appropriation Act (No. 2) 2018-19	**44,850**	44,850
Appropriation Act (No. 3) 2018-19	**131**	7,484
Supply Act (No.1) 2019-20	**-**	-
Supply Act (No.2) 2019-20	**-**	-
Appropriation Act (No. 1) 2019-20	**7,939**	-
Appropriation Act (No. 2) 2019-20	**-**	-
Appropriation Act (No. 3) 2019-20	**5,682**	-
Appropriation (Coronavirus Economic Response Package) Act (No. 1) 2019-2020 - Operating	**5,030**	-
Total administered	**123,639**	188,040

1. Cash held amounts (2020: $0.651 million, 2019: $2.772 million) are included in Appropriation Act (No.1) for the relevant year.

2. 2017-18 Appropriation Acts have been repealed on 1 July 2020. 2016-17 Appropriations have been repealed on 1 July 2019.

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

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

	Appropriation applied	
	2020	2019
Authority	**$'000**	$'000
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	**(25,467)**	(24,765)
Asian Development Bank Act 1966, s4	**-**	-
Asian Infrastructure Investment Bank Act 2015, s7	**(215,376)**	(200,870)
Australian Business Growth Fund (Coronavirus Economic Response Package) Act 2020, s18	**-**	-
Banking Act 1959, s69(8)	**-**	-
Commonwealth Places (Mirror Taxes) Act 1998, s23(4)	**(593,240)**	(607,237)
European Bank for Reconstruction and Development Act 1990, s4	**-**	-
Federal Financial Relations Act 2009, s22	**(93,086,036)**	(90,462,218)
Financial Agreements (Commonwealth Liability) Act 1932, s4(3)	**-**	-
Guarantee of State and Territory Borrowing Appropriation Act 2009, s5	**-**	-
Guarantee of Lending to Small and Medium Enterprises (Coronavirus Economic Response Package) Act 2020, s6	**-**	-
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 Finance Corporation Act 1955	**-**	-
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, s7(3)	**(320,000)**	-
International Monetary Agreements Act 1947, s7(4)	**-**	-
International Monetary Agreements Act 1947, s8	**(48,204)**	(61,823)
International Monetary Agreements Act 1947, s8A	**-**	-
International Monetary Agreements Act 1947, s8B(2)	**-**	-
International Monetary Agreements Act 1947, s8C(3)	**-**	-
International Monetary Agreements Act 1947, s8CAA(2)	**-**	-
International Monetary Agreements Act 1947, s8CA(4)	**-**	-
International Monetary Agreements Act 1947, s9	**-**	-
International Monetary Agreements Act 1960, s4	**-**	-
International Monetary Agreements Act 1974, s6	**-**	-
Medicare Guarantee Act 2017, s18	**(37,961,055)**	(36,233,451)
Multilateral Investment Guarantee Agency Act 1997, S4	**-**	-
National Housing Finance and Investment Corporation Act 2018, s47A	**(311,860)**	(15,323)
Papua New Guinea Loans Guarantee Act 1975, s4	**-**	-
Public Governance, Performance and Accountability Act 2013, s77	**(14)**	-
State Grants Act 1927, s7	**-**	-
Superannuation Industry (Supervision) Act 1993, s231(4)	**-**	-
Terrorism Insurance Act 2003, s37, s42(3)	**-**	-
Total	**(132,561,252)**	(127,605,687)

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

2020	**Department of Education and Training** Payments to the States and Territories: education services **$'000**	**Department of Agriculture and Water Resources** Payments to the States and Territories: Water for the Environment Special Account **$'000**
Total receipts	**23,739,808**	**5,172**
Total payments	**23,739,808**	**5,172**

2019	**Department of Education and Training** Payments to the States and Territories: education services **$'000**	**Department of Agriculture and Water Resources** Payments to the States and Territories: Water for the Environment Special Account **$'000**
Total receipts	20,963,520	815
Total payments	20,963,520	815

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

6.2. Special Accounts

Note 6.2A: Special Accounts ('Recoverable GST exclusive')

	NHFIC Special Account[1]		Medicare Guarantee Fund (Treasury) Special Account[2]		Fuel Indexation Special Account[3]		COAG Reform Fund Special Account[4]		Services for Other Entities and Trust Money Special Account[5]	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Balance brought forward from previous period	**239,677**	-	**-**	-	**-**	-	**-**	-	**-**	-
Increases										
Appropriation for reporting period	**310,000**	105,000	**37,961,055**	36,233,451	**730,000**	557,000	**8,647,666**	10,161,299	**-**	-
Other receipts	**212,000**	150,000	**-**	-	**-**	-	**2,322,278**	2,816,418	**-**	1,762
Total increases	**522,000**	255,000	**37,961,055**	36,233,451	**730,000**	557,000	**10,969,944**	12,977,717	**-**	1,762
Available for payments	**761,677**	255,000	**37,961,055**	36,233,451	**730,000**	557,000	**10,969,944**	12,977,717	**-**	1,762
Decreases										
Administered										
Payments made to States and Territories	**-**	-	**-**	-	**-**	-	**(10,969,944)**	(12,977,717)	**-**	-
Payments made to other entities	**(311,860)**	(15,323)	**-**	-	**-**	-	**-**	-	**-**	(1,762)
Transfers made to Medicare Guarantee Fund (Health) Special Account	**-**	-	**(37,961,055)**	(36,233,451)	**-**	-	**-**	-	**-**	-
Transfer made to COAG Reform Fund Special Account	**-**	-	**-**	-	**(730,000)**	(557,000)	**-**	-	**-**	-
Total administered	**(311,860)**	(15,323)	**(37,961,055)**	(36,233,451)	**(730,000)**	(557,000)	**(10,969,944)**	(12,977,717)	**-**	(1,762)
Total decreases	**(311,860)**	(15,323)	**(37,961,055)**	(36,233,451)	**(730,000)**	(557,000)	**(10,969,944)**	(12,977,717)	**-**	(1,762)
Total balance carried to the next period	**449,817**	239,677	**-**	-	**-**	-	**-**	-	**-**	-
Balance represented by										
Cash held in Official Public Account	**449,817**	239,677	**-**	-	**-**	-	**-**	-	**-**	-
Total balance carried to the next period	**449,817**	239,677	**-**	-	**-**	-	**-**	-	**-**	-

1. Appropriation: *Public Governance, Performance and Accountability Act 2013,* section 80.

Establishing instrument: *National Housing Finance and Investment Corporation Act 2018*, section 47.A

Purpose: To secure funding for the establishment and operation of NHFIC's 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 an 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. (a) $105 million, to be credited on the day this section commences;

b. (b) $310 million, to be credited on 1 July 2019;

c. (c) $270 million, to be credited on 1 July 2020;

d. (d) $165 million, to be credited on 1 July 2021; and each amount paid to the Commonwealth by the NHFIC (principal), on or after the day this section commences, that:

    i. (i) is a repayment of money debited from the Account, or of other money lent by the Commonwealth to the NHFIC; and

    i. (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*, subsection 8(1).

Purpose: To ensure that amounts equal to the net revenue from indexation on customs and excise duties on fuel are transferred to the COAG Reform Fund in order to provide funding to the States and Territories for expenditure in relation to Australian road infrastructure investment.

4. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing instrument: *COAG Reform Fund Act 2008*, section 5.

Purpose: For the making of grants of financial assistance to the States and Territories.

Note: The Treasury makes payments to the States and Territories from the COAG Reform Fund special account based on information provided by other Government departments that have policy and program implementation responsibility.

5. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing instrument: *Establishment of SOTEM Special Account — Treasury Determination 2012/09*.

Purpose: To disburse amounts held on trust for the benefit of a person other than the Commonwealth or in connection with services performed on or behalf of other governments and bodies.

Note: Receipt relates to funding received and held on trust for the Global Infrastructure Hub.

Financial System Stability Special Account (Administered)

The Treasury's 'Financial System Stability' special account established under section 70E of the *Banking Act 1959* for the making of payments authorised under specified sections of the *Banking Act 1959*, the *Insurance Act 1973* and the *Life Insurance Act 1995* and to meet expenses of administering the special account. For the years ended 30 June 2019 and 30 June 2020 this special account had nil balances and no transactions were credited or debited to the account.

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 2020 (2019: $105,026). There were no quantifiable contingent assets in 2020 (2019: nil).

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when the probability of settlement is greater than remote.

7.2. Administered Contingent Assets and Liabilities

Quantifiable administered contingencies

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

Commitments under expanded IMF New Arrangements to Borrow (NAB)

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow (NAB) since 1998. This is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The value of Australia's NAB credit arrangement stands at approximately 2.22 billion Special Drawing Rights (SDR, the IMF's unit of account) (approximately A$4.46 billion at 30 June 2020). In November 2017, the NAB was renewed for an additional five year period until November 2022.

The Fund 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.The IMF did not call on Australia's NAB facility in 2019-20 and, as at the completion of these statements, has not done so 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 an SDR4.61billion (approximately A$9.27 billion at 30 June 2020) contingent bilateral loan to the IMF. The contingent loan is on terms consistent with separate bilateral loan and note purchase agreements between the IMF and all contributing countries. It will be drawn upon by the IMF only if needed to supplement the IMF's quota and NAB resources and any loans would be repaid in full with interest. Australia's three-year bilateral borrowing arrangement with the IMF was created in 2016 and agreed in 2019 to be extended by a year to conclude on 31 December 2020.

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$3.6 billion (estimated value A$5.2 billion as at 30 June 2020).

The Australian Government has also 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$388.7 million as at 30 June 2020).

The Australian Government has further 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$10.3 billion as at 30 June 2020).

The Australian Government has further held an uncalled capital subscription to the Multilateral Investment Guarantee Agency of US$26.5 million (estimated value A$38.5 million as at 30 June 2020).

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The Australian Government has subscribed to shares in the AIIB, which includes an uncalled capital subscription. Australia's uncalled capital subscription to the AIIB totals US$2.9 billion (estimated value A$4.3 billion as at 30 June 2020).

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

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

The Commonwealth has agreed to lend up to $160 million to the State Government of New South Wales (NSW) to support the loan facility to top up the James Hardie Asbestos Injuries Compensation Fund. Draw down on the loan is subject to the James Hardie Asbestos Injuries Compensation Fund requiring funds to meet its liabilities and is contingent on NSW meeting a number of conditions under the loan agreement with the Australian Government. The timing and amounts that may be drawn down by NSW cannot be determined accurately. No new loans were provided to the State Government of NSW in respect of the loan facility in 2019-20 (2018-19: nil).

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 — 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 4.1.C, 5.1A and 5.1C) and by raising finance through the issuance of bonds into the commercial market. As NHFIC is in the early stages of development, the Commonwealth Government has provided a guarantee capped at $2 billion to further encourage the commercial market to invest in NHFIC-issued bonds. The Treasurer 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 Treasurer and Minister for Finance may also adjust the cap through a legislative act.

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

The Commonwealth has agreed to make available amounts incrementally over the next 5 years of 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 2020 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 (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. For a list of natural disasters that are included in the DRFA and NDRRA contingent liability, refer to Note 5.4 Administered – Provisions.

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.

Contingent Liabilities

Small & Medium Enterprises (SME) Guarantee Scheme (SMEGS)

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:

Phase 1:

Eligible lenders are offering SMEs, including sole traders and not-for-profits, guaranteed loans of up to $250,000 from 23 March 2020 to 30 September 2020 on the following terms:

- SME turnover must be below $50 million.
- Loans will be for up to three years, with an initial six month repayment holiday.
- Unsecured finance.

Phase 2:

From 1 October 2020 until 30 June 2021, eligible lenders will be able to offer 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 in a period of economic recovery.
- The maximum loan size will be increased to $1 million per borrower.
- Loans can be up to 5 years and the option of a six month repayment holiday will be at the discretion of the lender.
- A loan can be either unsecured or secured (excluding commercial or residential property).
- $90 million of the existing guarantee cap has been re-allocated to the Showstarters Loans Scheme - part of the COVID-19 Creative Economy Support package.

Phase 2 impacts have not been implemented or have any impact upon the 2019-20 financial statements. The SMEGS is still capped at $20 billion overall representing 50% of the eligible loans cap of $40 billion, noting the Showstarters Loan may reduce the cap by $90 million, once determined. Refer to Note 5.4 Other provisions.

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 2019-20; however the timing and amount of future payments are unknown and will depend on the outcome of the estimation process and the completion of the liquidation of the HIH Group.

Burden sharing in the International Monetary Fund remuneration

Since 1986, the IMF has used its burden sharing mechanism to make up for the loss of income from unpaid 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

	2020 $'000	2019 $'000
Note 7.3A: Categories of Financial Instruments		
Financial assets at amortised cost		
Cash and cash equivalents	**651**	2,772
Trade and other receivables - Good and services receivables	**4,980**	2,715
Trade and other receivables - Other receivables	**820**	424
Total financial assets at amortised cost	**6,451**	5,911
Financial Liabilities		
Financial liabilities measured at amortised cost		
Suppliers	**10,775**	8,498
Other payables	**2,920**	3,511
Total financial liabilities measured at amortised cost	**13,695**	12,009
Total financial liabilities	**13,695**	12,009

Accounting Policy

Financial assets

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.

Financial Assets at Amortised Cost
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.

Effective Interest Method

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

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

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 doesn'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

	2020 $'000	2019 $'000
Note 7.4A: Categories of Financial Instruments		
Financial assets at amortised cost		
Cash and cash equivalents	**449,817**	239,677
IMF related monies owing	**320**	2,447
IMF new arrangements to borrow loan	**213,060**	311,738
Loans to States and Territories	**47,855**	47,855
Loans to NHFIC	**115,183**	15,323
Dividends receivable	**2,563,000**	1,685,000
Accrued interest - Loans to NHFIC	**53**	38
GST Revenue allocations and COAG refundable	**5,174,947**	470,268
Other receivables	**190**	2
Total assets at amortised cost	**8,564,425**	2,772,348
Financial assets at fair value through other comprehensive income		
International financial institutions	**2,670,472**	1,961,467
Australian Government entities	**30,426,751**	28,964,321
Commonwealth companies	**1,436**	1,174
IMF Quota	**13,213,510**	13,027,552
Total assets at fair value through other comprehensive income	**46,312,169**	43,954,514
Financial assets at fair value through profit or loss		
Guarantee of State and Territory Borrowing contractual fee receivable	**3,658**	6,169
Total assets at fair value through profit or loss	**3,658**	6,169
Total financial assets	**54,880,252**	46,733,031
Financial Liabilities		
Financial liabilities measured at amortised cost:		
Promissory notes	**10,051,022**	9,988,269
Grant liabilities	**126,753**	156,043
IMF SDR allocation liability	**6,198,575**	6,111,340
Other payables	**8,685**	11,232
IMF Maintenance of Value	**648,787**	406,863
Total financial liabilities measured at amortised cost	**17,033,822**	16,673,747
Financial liabilities measured at fair value through profit or loss:		
Guarantee of State and Territory Borrowing contractual guarantee service obligation	**3,658**	6,169
Total financial liabilities measured at fair value through profit or loss	**3,658**	6,169
Total financial liabilities	**17,037,480**	16,679,916

	2020 $'000	2019 $'000
Note 7.4B: Net Gains and Losses on Financial Assets		
Financial assets at amortised cost		
Interest revenue	**5,643**	6,306
Exchange gains/(loss)	**8,112**	14,754
Net gains/(losses) on financial assets at amortised cost	**13,755**	21,060
Financial assets at fair value through other comprehensive income		
Interest revenue	**9,954**	10,666
Exchange gains/(loss)	**179,422**	622,269
Net gains/(losses) on financial assets at fair value through other comprehensive income	**189,376**	632,935
Financial assets at fair value through profit and loss		
Guarantee of State and Territory Borrowing fee	**2,462**	6,011
Net gains/(losses) on financial assets at fair value through other comprehensive income	**2,462**	6,011
Net gains/(losses) on financial assets	**205,593**	660,006

	2020 $'000	2019 $'000
Note 7.4C: Net Gains and Losses on Financial Liabilities		
Financial liabilities measured at amortised cost		
IMF Charges	**37,577**	64,000
Exchange gains/(loss)	**(736,022)**	(657,775)
Net gains/(losses) on financial liabilities measured at amortised cost	**(698,445)**	(593,775)
Net gains/(losses) on financial liabilities	**(698,445)**	(593,775)

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' (2020: $8.1 billion and 2019: $2.5 billion) and the carrying amount of 'equity accounted instruments' (2020: $47.1 billion and 2019: $44.0 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 Territories governments and international financial institutions including the IMF. Based on the assessments, there is no indication that a significant increase in expected credit loss over next 12 months, or the lifetime of these transactions, will occur.

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

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

Maturities for financial liabilities in 2020

	On demand $'000	**Within 1 year $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**> 5 years $'000**	**Total $'000**
Promissory notes	**-**	**-**	**-**	**-**	**10,051,022**	**10,051,022**
Grant liabilities	**-**	**126,753**	**-**	**-**	**-**	**126,753**
IMF SDR allocation liabilities	**-**	**-**	**-**	**-**	**6,198,575**	**6,198,575**
Other payables	**649,480**	**-**	**-**	**-**	**-**	**649,480**
Total	**649,480**	**126,753**	**-**	**-**	**16,249,597**	**17,025,830**

Maturities for financial liabilities in 2019

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Promissory notes	-	25,468	-	-	9,962,801	9,988,269
Grant liabilities	-	156,043	-	-	-	156,043
IMF SDR allocation liabilities	-	-	-	-	6,111,340	6,111,340
Other payables	418,095	-	-	-	-	418,095
Total	418,095	181,511	-	-	16,074,141	16,673,747

Note 7.4F: Market risk

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

The following table details the effect on profit and equity as at 30 June 2020 from a 8.4 per cent (30 June 2019 from a 8.7 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 2020

			Effect on	
	Risk variable	**Change in risk variable**	**Net cost of services 2020**	**Net assets 2020**
Risk Variable		**%**	**$'000**	**$'000**
IFI Investments	Exchange rate	8.4	**(207,164)**	**(207,164)**
IFI investments	Exchange rate	(8.4)	**245,209**	**245,209**
IMF Remuneration Receivable	Exchange rate	8.4	**(25)**	**(25)**
IMF Remuneration Receivable	Exchange rate	(8.4)	**29**	**29**
IMF new arrangements to borrow loan	Exchange rate	8.4	**(16,528)**	**(16,528)**
IMF new arrangements to borrow loan	Exchange rate	(8.4)	**19,564**	**19,564**
IMF Quota	Exchange rate	8.4	**(1,025,050)**	**(1,025,050)**
IMF Quota	Exchange rate	(8.4)	**1,213,294**	**1,213,294**
Promissory notes	Exchange rate	8.4	**(5,020)**	**(5,020)**
Promissory notes	Exchange rate	(8.4)	**5,941**	**5,941**
IMF SDR allocation liability	Exchange rate	8.4	**(480,860)**	**(480,860)**
IMF SDR allocation liability	Exchange rate	(8.4)	**569,167**	**569,167**
IMF Charges Payable	Exchange rate	8.4	**(54)**	**(54)**
IMF Charges Payable	Exchange rate	(8.4)	**64**	**64**

Sensitivity analysis of the risk that the entity is exposed to for 2019

			Effect on	
	Risk variable	Change in Risk variable	Net cost of services 2019	Net assets 2019
Risk Variable		%	$'000	$'000
IFI Investments	Exchange rate	8.7	(156,990)	(156,990)
IFI investments	Exchange rate	(8.7)	186,909	186,909
IMF Remuneration Receivable	Exchange rate	8.7	(196)	(196)
IMF Remuneration Receivable	Exchange rate	(8.7)	233	233
IMF new arrangements to borrow loan	Exchange rate	8.7	(24,951)	(24,951)
IMF new arrangements to borrow loan	Exchange rate	(8.7)	29,706	29,706
IMF Quota	Exchange rate	8.7	(1,042,684)	(1,042,684)
IMF Quota	Exchange rate	(8.7)	1,241,399	1,241,399
Promissory notes	Exchange rate	8.7	(5,068)	(5,068)
Promissory notes	Exchange rate	(8.7)	6,034	6,034
IMF SDR allocation liability	Exchange rate	8.7	(489,132)	(489,132)
IMF SDR allocation liability	Exchange rate	(8.7)	582,351	582,351
IMF Charges Payable	Exchange rate	8.7	(904)	(904)
IMF Charges Payable	Exchange rate	(8.7)	1,076	1,076

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:

- IMF-related monies receivable;
- Loans to the IMF under the new arrangements to borrow;
- Loans to NHFIC;
- Loans to States and Territories; 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
- 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:

- SDR allocation;
- Promissory notes; and
- 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 components of the Guarantee of State and Territory Borrowings and 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*.

Recognition of these amounts only relates to fee revenue aspects of the financial guarantee contracts. These amounts do not reflect any expected liability under the Guarantee Scheme itself as these are considered remote and unquantifiable. Administered contingent liabilities and assets are disclosed at Note 7.2 Administered Contingent Assets and Liabilities.

7.5. Fair Value Measurement

Note 7.5A: Fair value measurement

	Fair value measurements at the end of the reporting period	
	2020	2019
	$'000	$'000
Non-financial assets[1]		
Property, plant and equipment - AUC[2]	**2,404**	3,304
Property, plant and equipment[2]	**8,077**	8,154
Library[2]	**939**	939
Buildings - AUC[2]	**920**	2,511
Buildings[2]	**18,290**	14,202
Total non-financial assets	**30,630**	29,110

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 2020.

Accounting Policy

The Treasury appointed Jones Lang LaSalle (JLL) to conduct a materiality review of the carrying amounts for all tangible property, plant and equipment assets as at 30 June 2020. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from fair value. Comprehensive valuations are generally carried-out on a three year cycle, with the previous valuation conducted as at 30 June 2017. A comprehensive valuation in 2020 was deferred, due to the restrictions associated with the outbreak of the Novel Coronavirus (COVID-19). Based on advice provided by JLL, the Treasury is of the view that all tangible property, plant and equipment assets are materially held at fair value at 30 June 2020 in compliance with AASB 13.

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:

All Asset Classes - Physical Depreciation and Obsolescence

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

Library - Replacement cost

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

The Treasury's policy is to recognise transfers 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 2020

	Fair value measurements at the end of the reporting period using			
	2020 $'000	2019 $'000	**Category (Level 1, 2 or 3)**	**Valuation technique(s) and inputs used[1,2]**
Financial assets:				
International financial institutions:	**2,670,472**	1,961,467	**3**	
Asian Development Bank	***617,551***	*608,860*		**Value of shares held**
Asian Infrastructure and Investment Bank	***1,075,623***	*842,093*		
European Bank for Reconstruction and Development	***102,438***	*101,442*		
International Bank for Reconstruction and Development	***340,014***	*332,742*		
International Finance Corporation	***525,811***	*67,488*		
Multilateral Investment Guarantee Agency	***9,035***	*8,842*		
Australian Government entities:	**30,426,751**	28,964,321	**3**	**Net assets**
Reserve Bank of Australia	***29,601,000***	*28,338,000*		
Australian Reinsurance Pool Corporation	***520,526***	*461,321*		
NHFIC	***305,225***	165,000		
Commonwealth Companies:	**1,436**	1,174	**3**	**Net assets**
Financial Adviser Standards and Ethics Authority Ltd	***1,436***	*1,174*		
Other Investments:	**13,213,510**	*13,027,552*	**3**	**Value of quota held**
IMF quota	***13,213,510***	*13,027,552*		
Total financial assets	**46,312,169**	43,954,514		
Total fair value measurements	**46,312,169**	43,954,514		

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

Fair value measurements

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

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

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

No assets were transferred between Level 1 and Level 2.

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

Recurring Level 3 fair value measurements - reconciliation for assets

	Financial assets			
	Investments		Total	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
As at 1 July	**43,954,514**	39,551,532	**43,954,514**	39,551,532
Opening adjustment for AASB 9	**-**	2,309	**-**	2,309
Total gains/(losses) recognised in other comprehensive income	**1,462,692**	3,574,293	**1,462,692**	3,574,293
Total gains/(losses) recognised in net cost of services				
IMF Quota foreign exchange gain/(loss)	**185,958**	534,870	**185,958**	534,870
International Financial Institutions foreign exchange gain/(loss)	**(5,154)**	90,639	**(5,154)**	90,639
Restructuring[1]	**-**	-	**-**	-
Share Purchases	**-**	-	**-**	-
Increase in investments in the International Financial Institutions	**714,159**	200,871	**714,159**	200,871
Sales	**-**	-	**-**	-
IMF general review Quota Payments	**-**	-	**-**	-
Issues	**-**	-	**-**	-
Settlements		-	**-**	-
Transfers into Level 3	**-**	-	**-**	-
Transfers out of Level 3	**-**	-	**-**	-
Total as at 30 June	**46,312,169**	43,954,514	**46,312,169**	43,954,514
Changes in unrealised gains/(losses) recognised in net cost of services for the year ended 30 June	**2,357,655**	4,402,982	**2,357,655**	4,402,982

8. Other Information

8.1. Aggregate Assets and Liabilities

	2020 $'000	2019 $'000
Note 8.1A: Aggregate Assets and Liabilities		
Assets expected to be recovered in:		
No more than 12 months	**84,043**	69,765
More than 12 months	**164,184**	39,463
Total assets	**248,227**	109,228
Liabilities expected to be settled in:		
No more than 12 months	**34,304**	23,056
More than 12 months	**169,594**	45,992
Total liabilities	**203,898**	69,048
Assets expected to be recovered in:		
No more than 12 months	**8,191,918**	2,400,155
More than 12 months	**46,689,731**	44,333,167
Total assets	**54,881,649**	46,733,322
Liabilities expected to be settled in:		
No more than 12 months	**1,341,930**	731,290
More than 12 months	**17,682,991**	17,344,918
Total liabilities	**19,024,921**	18,076,208

9. Budgetary Reports and Explanation of Major Variances

9.1. Departmental Budgetary Reports

Statement of Comprehensive Income
for the period ended 30 June 2020

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2020	2020	2020
	$'000	$'000	$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	152,138	147,557	4,581
Suppliers	57,411	57,845	(434)
Grants	609	1,958	(1,349)
Depreciation and amortisation	17,188	6,349	10,839
Write-down and impairment of assets	740	-	740
Finance costs	1,664	-	1,664
Act of grace payments	220	-	220
Foreign exchange losses	8	-	8
Total expenses	229,978	213,709	16,269
Own-source income			
Own-source revenue			
Sale of goods and rendering of services	9,750	11,651	(1,901)
Other revenues	6,016	772	5,244
Total own-source revenue	15,766	12,423	3,343
Gains			
Gains	96	4,133	(4,037)
Total gains	96	4,133	(4,037)
Total own-source income	15,862	16,556	(694)
Net cost of services	(214,116)	(197,153)	(16,963)
Revenue from Government	206,298	190,804	15,494
Surplus / (Deficit)	(7,818)	(6,349)	(1,469)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income/(loss) attributable to the Australian Government	(7,818)	(6,349)	(1,469)

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 2019-20 Portfolio Budget Statements (PBS)).

2. Between the actual and original budgeted amounts for 2020. 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
Grants expenditure is $1.3 million (69%) less than the original budget due to the reclassification of the International Financial Reporting Standards Foundation annual contribution of $1 million from departmental to administered at MYEFO 2019-20.	Grants
Depreciation and amortisation is $10.8 million (171%) more than the original budget as a result of the implementation of AASB 16, requiring recognition of depreciation on right of use assets, which was not in the original budget.	Depreciation and amortisation
Finance costs primarily relate to the recognition of interest on lease liabilities in accordance with AASB 16, which was not considered when the original budget was set.	Finance costs
Sale of goods and rendering of services is $1.9 million (16%) less than the original budget, primarily driven by the reduction in shared services provided by the Treasury to other agencies.	Sale of goods and rendering of services
Other revenues is $5.2 million (679%) more than the original budget due to the reclassification of services received free of charge from Other Gains to Other Revenue subsequent to the finalisation of the original budget. Services received free of charge were higher than expected as a result of Treasury's use of additional secondments this year compared to the original budget. The remaining total is materially consistent with the original budget estimate.	Other revenues
Other gains is $4.0 million (98%) less than the original budget as a result of the reclassification of services received free of charge from Other Gains to Other Revenue subsequent to the finalisation of the original budget.	Other gains

Statement of Financial Position

as at 30 June 2020

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2020	**2020**	2020
	$'000	**$'000**	$'000
ASSETS			
Financial assets			
Cash and cash equivalents	**651**	**640**	11
Trade and other receivables	**80,052**	**63,385**	16,667
Total financial assets	**80,703**	**64,025**	16,678
Non-financial assets			
Buildings	**137,650**	**16,526**	121,124
Plant and equipment	**11,447**	**13,700**	(2,253)
Intangibles	**13,163**	**12,575**	588
Prepayments	**5,264**	**4,644**	620
Total non-financial assets	**167,524**	**47,445**	120,079
Total assets	**248,227**	**111,470**	136,757
LIABILITIES			
Payables			
Suppliers	**10,775**	**11,326**	(551)
Other payables	**2,920**	**4,709**	(1,789)
Total payables	**13,695**	**16,035**	(2,340)
Interest bearing liabilities			
Leases	**122,800**	**-**	122,800
Total interest bearing liabilities	**122,800**	**-**	122,800
Provisions			
Employee provisions	**63,174**	**48,474**	14,700
Provision for restoration	**4,229**	**3,508**	721
Total provisions	**67,403**	**51,982**	15,421
Total liabilities	**203,898**	**68,017**	135,881
Net assets	**44,329**	**43,453**	876
EQUITY			
Asset revaluation reserve	**12,676**	**12,676**	-
Contributed equity	**97,890**	**93,200**	4,690
Retained earnings	**(66,237)**	**(62,423)**	(3,814)
Total equity	**44,329**	**43,453**	876

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 2019-20 Portfolio Budget Statements (PBS)).

2. Between the actual and original budgeted amounts for 2020. 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 is $16.7 million (26%) more the original budget, reflecting timing differences in receipts from customers and revenue receivable from Government relating to measures announced in the 2019-20 Budget.	Trade and other receivables
Buildings was $121.1 million (733%) more than the original budget, driven by the recognition of right of use assets from the adoption of AASB 16 that were not in the original budget.	Buildings
Plant and equipment is $2.3 million (16%) less than the original budget, reflecting more depreciation expense recorded in 2019-20 than estimated.	Plant and equipment
Other payables is $1.8 million (38%) less than the orignal budget, due to the timing of payments to suppliers.	Other payables
Leases is $122.8 million more than the original budget, driven by the recognition of lease liabilities from the adoption of AASB 16 that were not in the original budget.	Leases
Employee provisions is $14.7 million (30%) more than the original budget, explained by an increase in the present value of annual and long service leave balances, reflecting a decrease in the underlying discount rates applied to the long service leave provision since 30 June 2019.	Employee provisions

Statement of Changes in Equity
for the period ended
30 June 2020

	Retained earnings			Asset revaluation surplus			Contributed equity/capital			Total equity		
	Actual	Budget estimate		Actual	Budget estimate		Actual	Budget estimate		Actual	Budget estimate	
		Original[1]	Variance[2]		Original[1]	Variance[2]		Original[1]	Variance[2]		Original[1]	Variance[2]
	2020	**2020**	2020	**2020**	**2020**	2020	**2020**	**2020**	2020	**2020**	**2020**	2020
	$'000	**$'000**	$'000	**$'000**	**$'000**	$'000	**$'000**	**$'000**	$'000	**$'000**	**$'000**	$'000
Opening balance as at 1 July	**(58,770)**	**(56,074)**	(2,696)	**12,676**	**12,676**	-	**86,274**	**81,532**	4,742	**40,180**	**38,134**	2,046
Adjustments to opening balance	**351**	-	351		-	-		-	-	**351**	-	351
Comprehensive income										-	-	-
Surplus (Deficit) for the period	**(7,818)**	**(6,349)**	(1,469)	-	-	-	-	-	-	**(7,818)**	**(6,349)**	(1,469)
Total comprehensive income	**(7,818)**	(6,349)	(1,469)	-	-	-	-	-	-	**(7,818)**	**(6,349)**	(1,469)
Transactions with owners												
Contributions by owners												
Equity injection appropriation	-	-	-	-	-	-	**1,456**	**1,456**	-	**1,456**	**1,456**	-
Departmental capital budget appropriation	-	-	-	-	-	-	**10,160**	**10,212**	(52)	**10,160**	**10,212**	(52)
Total transactions with owners	-	-	-	-	-	-	**11,616**	11,668	(52)	**11,616**	**11,668**	(52)
Closing balance as at 30 June	**(66,237)**	(62,423)	(3,814)	**12,676**	12,676	-	**97,890**	93,200	4,690	**44,329**	**43,453**	876

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 2019-20 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2020. 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
Increased deficit of $1.5m (23%) relates directly to the Statement of Comprehensive Income variances	Surplus (Deficit) for the period

Cash Flow Statement
for the period ended 30 June 2020

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2020	2020	2020
	$'000	$'000	$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	**214,885**	**191,483**	23,402
Sale of goods and rendering of services	**6,783**	**11,651**	(4,868)
GST received	**5,690**	**-**	5,690
Other	**2,227**	**772**	1,455
Total cash received	**229,585**	**203,906**	25,679
Cash used			
Employees	**141,734**	**148,236**	(6,502)
Suppliers	**47,988**	**53,712**	(5,724)
Grants	**609**	**1,958**	(1,349)
Section 74 receipts transferred to OPA	**23,877**	**-**	23,877
GST paid	**5,659**	**-**	5,659
Interest payments on lease liabilities	**1,579**	**-**	1,579
Total cash used	**221,446**	**203,906**	17,540
Net cash from/(used by) operating activities	**8,139**	**-**	8,139
INVESTING ACTIVITIES			
Cash used			
Purchase of Buildings	**5,974**	**-**	5,974
Purchase of plant and equipment	**2,321**	**11,668**	(9,347)
Purchase of intangibles	**6,797**	**-**	6,797
Total cash used	**15,092**	**11,668**	3,424
Net cash from/(used by) investing activities	**(15,092)**	**(11,668)**	(3,424)
FINANCING ACTIVITIES			
Cash received			
Contributed equity - departmental capital budget	**10,160**	**10,212**	(52)
Contributed equity - equity injections	**1,942**	**1,456**	486
Total cash received	**12,102**	**11,668**	434
Cash used			
Principal payments of lease liabilities	**7,270**	**-**	7,270
Total cash used	**7,270**	**-**	7,270
Net cash from/(used by) financing activities	**4,832**	**11,668**	(6,836)
Net increase/(decrease) in cash held	**(2,121)**	**-**	(2,121)
Cash at the beginning of the reporting period	**2,772**	**640**	2,132
Cash at the end of the reporting period	**651**	**640**	11

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 2019-20 Portfolio Budget Statements (PBS)).

2. Between the actual and original budgeted amounts for 2020. 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
The primary driver for the variance in operating activities is the inclusion of lease payments in the original budget for supplier payments - these were accounted for in accordance with AASB 16 and classified as cash used by financing activities for actual reporting purposes.	Net Cash from/(used by) operating activities
The original budget cash flow statement did not split the purchases of property, plant and equipment (PP&E) and intangibles between each asset class, but presented the purchases at an aggregate level and has been analysed as such. The net cash used during 2019-20 was $15.1 million, driven by: - $6.0 million invested in fitouts to new office premises in Melbourne and Sydney and the continued Treasury Building Block and Stack project; and - $9.1 million used for upgrades to Treasury's information technology systems and infrastructure and security upgrades.	Net Cash from/(used by) investing activities
The $6.8 million cash inflow variance from the original budget is primarly driven by the reclassification of the $7.2 million in cash used for principal lease payments from supplier expenses as a result of the adoption of AASB 16.	Net Cash from/(used by) financing activities

9.2. Administered Budgetary Reports

Statement of Comprehensive Income
for the period ended 30 June 2020

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2020	2020	2020
	$'000	$'000	$'000
NET COST OF SERVICES			
Expenses			
Grants	**100,458,412**	**104,623,398**	(4,164,986)
Interest	**37,577**	**109,823**	(72,246)
Medicare Guarantee Fund	**37,961,055**	**36,567,354**	1,393,701
NHFIC Operating funding	**61,762**	**61,762**	-
Foreign exchange losses	**548,488**	**40,774**	507,714
Suppliers	**158,365**	**1,069**	157,296
Total expenses	**139,225,659**	**141,404,180**	(2,178,521)
Income			
Revenue			
Non-taxation revenue			
Sale of goods and rendering of services	**649,062**	**649,257**	(195)
Interest	**15,597**	**31,128**	(15,531)
Dividends	**3,071,501**	**1,500,358**	1,571,143
COAG revenue from government agencies	**1,592,278**	**1,752,481**	(160,203)
Other	**112,511**	**93,650**	18,861
Total non-taxation revenue	**5,440,949**	**4,026,874**	1,414,075
Total revenue	**5,440,949**	**4,026,874**	1,414,075
Gains			
Foreign exchange	**-**	**101,465**	(101,465)
Total gains	**-**	**101,465**	(101,465)
Total income	**5,440,949**	**4,128,339**	1,312,610
Net cost of (contribution by) services	**(133,784,710)**	**(137,275,841)**	3,491,131
Surplus/(Deficit)	**(133,784,710)**	**(137,275,841)**	3,491,131
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus	**1,297,692**	**-**	1,297,692
Total comprehensive income	**1,297,692**	**-**	1,297,692
Total comprehensive income/(loss)	**(132,487,018)**	**(137,275,841)**	4,788,823

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 2019-20 Portfolio Budget Statements (PBS)).

2. Between the actual and original budgeted amounts for 2020. 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
Dividend income is $1.6 billion (105%) more than the original budget due to higher than anticipated dividends from the RBA, as a result of additional gains realised from foreign exchange sales and higher interest income.	Dividends
Changes in asset revaluation surplus for 2019-20 totalled $1.3 billion. The changes are driven by the movement in the net assets positions of the Reserve Bank of Australia.	Changes in asset revaluation surplus

Administered Schedule of Assets and Liabilities
as at 30 June 2020

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2020	2020	2020
	$'000	$'000	$'000
ASSETS			
Financial assets			
Cash and cash equivalents	**449,817**	**365,000**	84,817
Loans and other receivables	**8,119,663**	**1,603,140**	6,516,523
Investments	**46,312,169**	**41,179,568**	5,132,601
Total financial assets	**54,881,649**	**43,147,708**	11,733,941
Non-financial assets			
Other	**-**	**336,575**	(336,575)
Total non-financial assets	**-**	**336,575**	(336,575)
Total assets administered on behalf of Government	**54,881,649**	**43,484,283**	11,397,366
LIABILITIES			
Payables			
Grants	**126,753**	**59,065**	67,688
Other payables	**6,862,715**	**11,491**	6,851,224
Unearned income	**3,658**	**10,328**	(6,670)
Total payables	**6,993,126**	**80,884**	6,912,242
Interest bearing liabilities			
Promissory notes	**10,051,022**	**10,340,570**	(289,548)
Other	**-**	**6,013,598**	(6,013,598)
Total interest bearing liabilities	**10,051,022**	**16,354,168**	(6,303,146)
Provisions			
Provisions	**1,980,773**	**110,118**	1,870,655
Total provisions	**1,980,773**	**110,118**	1,870,655
Total liabilities administered on behalf of government	**19,024,921**	**16,545,170**	2,479,751
Net assets	**35,856,728**	**26,939,113**	8,917,615

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2. Between the actual and original budgeted amounts for 2020. 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 $6.5 billion (404%) more than the original budget primarily due to the recognition at 30 June 2020 of GST revenue allocation receivable of $5.2 billion.	Loans and other receivables
Investments increase of $5.1 billion (12%) is mainly driven by the change in the net assets position of the Reserve Bank of Australia, the conversion of retained earnings into shares for the investment in the International Financial Corporation, movements in the value of the IMF quota and other investments in international financial institutions as a result of changes in foreign exchange rates.	Investments
Liabilities of $6.0 billion had a reclassification from 'Other interest bearing liabilities' to 'Other payables' as a reporting change between Budget and the Financial Statements.	Liabilities - Other payables/Other interest bearing liabilities