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Part 4 – Financial statements

For the period ended 30 June 2023

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Opinion

In my opinion, the financial statements of the Department of the Treasury (the Entity) for the year ended 30 June 2023:

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

(b) present fairly the financial position of the Entity as at 30 June 2023 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2023 and for the year then ended:

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

Basis for opinion

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

Key audit matters

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

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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 a number of grants including grant payments to State and Territory Governments under the *Federal Financial Relations Act 2009* (the Act). For the year ended 30 June 2023, the value of grants paid by the Entity under the Act was $118.9 billion. Accuracy and occurrence of grants expense is a key audit matter due to: • The significant value of the grants paid and the complex eligibility criteria set out in agreements for a number of the grant programs; and • The Entity's reliance on other Australian Government entities and State and Territory Governments to provide information to support payments and confirm that eligibility criteria have been met.	The audit procedures I applied to address this key audit matter included: • Testing, on a sample basis, the design, implementation and operating effectiveness of controls within other Australian Government entities to support the information provided to the Entity that substantiates the eligibility and grant payment amounts; and • Testing, on a sample basis, the accuracy and occurrence of payments processed by the Entity by testing the design, implementation and operating effectiveness of controls such as delegate sign off for all payments, and agreeing payments to supporting documentation.

Key audit matter	How the audit addressed the matter
Completeness and Valuation of the Disaster Recovery Funding Arrangements (DRFA) Provision *Refer to Note 5.4A Provisions* The Entity manages payments to State and Territory Governments to assist with relief and recovery costs following a natural disaster. This is administered in accordance with the *Disaster Recovery Funding Arrangements 2018.* These payments apply to declared disaster events where a multi-agency response is required, and state expenditure exceeds a specified threshold. The completeness and valuation of the provision is a key audit matter due to the complexities in the judgements involved in estimating the provision. The Entity relies upon estimated eligible reconstruction cost information provided by State and Territory Governments to estimate the future value and timing of payments under disaster arrangements. Also, due to the nature of disasters, there is uncertainty at the time of the disaster of the estimated costs to restore State and Territory infrastructure to its original condition. The Entity applies judgement to determine whether the cost estimates are sufficiently reliable to be included in the provision at the time of the preparation of the financial statements. For the year ended 30 June 2023, the provision for costs associated with natural disaster arrangements	The audit procedures I applied to address this key audit matter included: • Examining the assessment of the eligibility of costs estimated under the arrangements. On a sample basis, I tested whether the estimate of eligibility costs had been calculated in accordance with the relevant disaster arrangements; • Testing, on a sample basis, information provided by State and Territory Governments supporting the movement in quarterly estimates to evaluate the reliability of data to estimate future cash flows; • Assessing the adequacy of the quality assurance processes over project level data from the State and Territory Governments that supports the provision estimate; and • Assessing the completeness of declared disasters included in the provision.

was valued at $6.5 billion.

Accountable Authority's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Australian National Audit Office

Mark Vial
Executive Director

Delegate of the Auditor-General

Canberra

15 September 2023

The Treasury

Statement by the Secretary and Chief Finance Officer

In our opinion, the attached financial statements for the year ended 30 June 2023 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

Dr Steven Kennedy PSM
Secretary to the Treasury
15 September 2023

Tarnya Gersbach
Chief Finance Officer
15 September 2023

Statement of Comprehensive Income
for the period ended 30 June 2023

	Notes	2023 $'000	2022 $'000
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	**240,685**	208,866
Suppliers	1.1B	**109,882**	114,460
Grants	1.1C	**703**	2,295
Finance costs	1.1D	**1,974**	1,869
Depreciation and amortisation	2.2A	**23,350**	23,601
Write-down and impairment of assets		**503**	126
Net foreign exchange losses		**9**	4
Total expenses		**377,106**	351,221
Own-source income			
Own-source revenue			
Revenue from contracts with customers	1.2A	**13,654**	8,373
Other revenue	1.2B	**6,591**	3,590
Total own-source revenue		**20,245**	11,963
Gains			
Other gains	1.2C	**142**	6
Total gains		**142**	6
Total own-source income		**20,387**	11,969
Net cost of services		**(356,719)**	(339,252)
Revenue from Government	1.2D	**343,789**	325,706
Surplus/(Deficit)		**(12,930)**	(13,546)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserve		**(17)**	(250)
Total Comprehensive income / (loss)		**(12,947)**	(13,796)

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

Statement of Financial Position
as at 30 June 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	2.1A	**305**	424
Trade and other receivables	2.1B	**127,198**	115,232
Total financial assets		**127,503**	115,656
Non-financial assets[1]			
Buildings	2.2A	**140,565**	152,341
Plant and equipment	2.2A	**10,671**	11,220
Intangibles	2.2A	**4,328**	8,420
Prepayments		**6,623**	4,655
Total non-financial assets		**162,187**	176,636
Total assets		**289,690**	292,292
LIABILITIES			
Payables			
Suppliers	2.3A	**22,639**	15,095
Other payables	2.3B	**6,949**	5,211
Total payables		**29,588**	20,306
Interest bearing liabilities			
Leases	2.4A	**133,320**	140,241
Total interest bearing liabilities		**133,320**	140,241
Provisions			
Employee provisions	3.1A	**76,123**	72,192
Provision for restoration	2.5A	**5,974**	5,704
Total provisions		**82,097**	77,896
Total liabilities		**245,005**	238,443
Net assets		**44,685**	53,849
EQUITY			
Asset revaluation reserve		**14,076**	14,093
Contributed equity		**124,118**	120,335
Retained earnings		**(93,509)**	(80,579)
Total equity		**44,685**	53,849

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

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

Statement of Changes in Equity
for the period ended 30 June 2023

	2023 $'000	2022 $'000
CONTRIBUTED EQUITY		
Opening balance	**120,335**	109,519
Contributions by owners		
Equity injection appropriation	**303**	301
Restructuring	**-**	253
Departmental capital budget appropriation	**3,480**	10,262
Total transactions with owners	**3,783**	10,816
Closing balance as at 30 June	**124,118**	120,335
RETAINED EARNINGS		
Opening balance	**(80,579)**	(72,560)
Comprehensive income		
Surplus/(Deficit) for the period	**(12,930)**	(13,546)
Total comprehensive income	**(12,930)**	(13,546)
Contributions by owners		
Restructuring	-	5,527
Total transactions with owners	-	5,527
Closing balance as at 30 June	**(93,509)**	(80,579)
ASSET REVALUATION RESERVE		
Opening balance	**14,093**	14,343
Comprehensive income		
Changes in provision for restoration	**(17)**	(250)
Total comprehensive income	**(17)**	(250)
Closing balance as at 30 June	**14,076**	14,093

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

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

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

Cash Flow Statement
for the period ended 30 June 2023

	2023 $'000	2022 $'000
OPERATING ACTIVITIES		
Cash received		
Appropriations	**365,548**	338,613
Sale of goods and rendering of services	**8,027**	5,493
GST received	**9,549**	9,769
Other	**3,442**	3,335
Total cash received	**386,566**	357,210
Cash used		
Employees	**234,927**	204,530
Suppliers	**100,728**	96,839
Interest payments on lease liabilities	**1,769**	1,837
Grants	**703**	2,295
Section 74 receipts transferred to OPA	**31,319**	33,962
GST paid	**9,566**	9,815
Total cash used	**379,012**	349,278
Net cash from/(used by) operating activities	**7,554**	7,932
INVESTING ACTIVITIES		
Cash received		
Proceeds from sales of plant and equipment	**8**	6
Total cash received	**8**	6
Cash used		
Purchase of buildings	**432**	2,547
Purchase of plant and equipment	**2,406**	2,618
Purchase of intangibles	**291**	1,382
Total cash used	**3,129**	6,547
Net cash from/(used by) investing activities	**(3,121)**	(6,541)
FINANCING ACTIVITIES		
Cash received		
Contributed equity - departmental capital budget	**6,449**	5,103
Contributed equity - equity injections	**-**	538
Restructuring - s75 cash transfer in	**-**	5,780
Total cash received	**6,449**	11,421
Cash used		
Principal payments of lease liabilities	**11,001**	13,148
Total cash used	**11,001**	13,148
Net cash from/(used by) financing activities	**(4,552)**	(1,727)
Net increase/(decrease) in cash held	**(119)**	(336)
Cash at the beginning of the reporting period	**424**	760
Cash at the end of the reporting period	**305**	424

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

Administered Schedule of Comprehensive Income
for the period ended 30 June 2023

	Notes	2023 $'000	2022 $'000
NET COST OF SERVICES			
Expenses			
Grants	4.1A	**186,092,979**	179,964,436
Finance costs	4.1B	**568,897**	44,118
Payments to corporate Commonwealth entities	4.1C	**49,090**	39,939
Suppliers and increase in provisions	4.1D	**118,292**	290,918
Concessional loan discount	4.1E	**397,659**	303,892
Foreign exchange losses		**338,100**	-
Total expenses		**187,565,017**	180,643,303
Income			
Revenue			
Non-taxation revenue			
Revenue from contracts with customers	4.2A	**655,013**	593,408
Interest	4.2B	**656,269**	158,199
Dividends		**-**	1,965
COAG revenue from government agencies[1]	4.2C	**1,200,521**	1,432,659
Other revenue	4.2D	**96,688**	113,321
Total non-taxation revenue		**2,608,491**	2,299,552
Total revenue		**2,608,491**	2,299,552
Gains			
Foreign exchange		**-**	147,409
Other gains	4.2E	**13,718**	-
Total gains		**13,718**	147,409
Total income		**2,622,209**	2,446,961
Net (cost of)/contribution by services		**(184,942,808)**	(178,196,342)
Surplus/(Deficit)		**(184,942,808)**	(178,196,342)
OTHER COMPREHENSIVE INCOME			
Items subject to subsequent reclassification to net cost of services			
Gains/(losses) on financial assets at fair value through other comprehensive income		**285,045**	(22,308,742)
Total comprehensive income		**285,045**	(22,308,742)
Total comprehensive income/(loss)		**(184,657,763)**	(200,505,084)

1. COAG is the Council of Australian Governments.

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

Administered Schedule of Assets and Liabilities
as at 30 June 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	5.1A	**947,977**	1,165,521
Loans and other receivables	5.1B	**3,058,809**	2,218,278
Investments	5.1C	**30,675,494**	29,063,993
Total financial assets		**34,682,280**	32,447,792
Total assets administered on behalf of Government		**34,682,280**	32,447,792
LIABILITIES			
Payables			
Grants	5.2A	**380,503**	1,252,274
IMF and other payables	5.2B	**19,730,783**	18,354,128
Unearned income		**-**	553
Financial guarantees	5.2C	**753,813**	655,093
Total payables		**20,865,099**	20,262,048
Financial liabilities			
Promissory notes	5.3A	**8,706,866**	8,657,222
Total financial liabilities		**8,706,866**	8,657,222
Provisions			
Provisions	5.4A	**6,475,728**	5,572,180
Total provisions		**6,475,728**	5,572,180
Total liabilities administered on behalf of Government		**36,047,693**	34,491,450
Net assets/(liabilities)		**(1,365,413)**	(2,043,658)

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

Administered Reconciliation Schedule
for the period ended 30 June 2023

	2023 $'000	2022 $'000
Opening assets less liabilities as at 1 July	**(2,043,658)**	23,239,032
Net (cost of)/contribution by services		
Income	**2,622,209**	2,446,961
Expenses		
Payments to entities other than corporate Commonwealth entities	**(187,515,927)**	(180,603,364)
Payments to corporate Commonwealth entities	**(49,090)**	(39,939)
Other comprehensive income		
Revaluations transferred to reserves	**285,045**	(22,308,742)
Transfers (to)/from Australian Government		
Appropriation transfers from Official Public Account (OPA)		
Administered assets and liabilities appropriations	**171,153**	165,000
Annual appropriation for administered expenses		
Payments to entities other than corporate Commonwealth entities	**41,198**	59,644
Payments to corporate Commonwealth entities	**49,090**	39,939
Special appropriations (limited)		
Payments to entities other than corporate Commonwealth entities	**60,332**	45,868
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	**120,264,421**	110,204,105
Special accounts - COAG Reform Fund	**17,932,060**	24,237,889
Special accounts - Medicare Guarantee Fund	**46,467,038**	44,867,877
Special accounts - National Housing Finance and Investment Corporation	**-**	303,614
Special accounts - Fuel Indexation	**1,072,000**	-
Appropriation transfers to OPA		
Transfers to OPA - appropriations	**(721,284)**	(3,091,672)
Transfers to OPA - special accounts	**-**	(1,609,870)
Closing assets less liabilities as at 30 June	**(1,365,413)**	(2,043,658)

Accounting Policy

Administered cash transfers to and from the Official Public Account

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

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

Administered Cash Flow Statement
for the period ended 30 June 2023

	Notes	2023 $'000	2022 $'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services		**616**	1,064
Interest		**399,869**	45,671
Dividends		**-**	2,670,965
GST received		**1,503**	4,431
HIH Group liquidation proceeds		**-**	18,280
COAG revenue from government agencies		**1,200,521**	1,436,256
Other receipts from government agencies	6.1D	**28,971,974**	26,682,327
Other		**96,688**	95,013
Total cash received		**30,671,171**	30,954,007
Cash used			
Grant payments		**185,818,946**	178,133,174
Other grants to the States and Territories		**28,971,974**	26,682,327
Payments to corporate Commonwealth entities		**49,090**	39,939
IMF charges		**415,145**	17,833
Other		**8,835**	23,800
Total cash used		**215,263,990**	204,897,073
Net cash from/(used by) operating activities		**(184,592,819)**	(173,943,066)
INVESTING ACTIVITIES			
Cash received			
IMF maintenance of value		**-**	5,950
Repayment of IMF loans		**33,780**	64,111
Repayment of NHFIC AHBA Loan		**-**	138,614
Repayment of other loans		**456**	-
Repayment of International Loans		**172,323**	136,162
Repayment of loans to States and Territories		**15,953**	-
Total cash received		**222,512**	344,837
Cash used			
Settlement of IMF Promissory notes		**121,000**	285,852
Settlement of international financial institutions' obligations		**65,000**	57,292
Settlement of other loans		**6,153**	-
Purchase of administered investments		**185,000**	177,407
Settlement of loans to other government agencies		**41,629**	85,362
Settlement of international assistance loans		**750,000**	650,000
Total cash used		**1,168,782**	1,255,913
Net cash from/(used by) investing activities		**(946,270)**	(911,076)
Net increase/(decrease) in cash held		**(185,539,089)**	(174,854,142)
Cash and cash equivalents at the beginning of the reporting period		**1,165,521**	797,269
Cash from Official Public Account			
Appropriations		**120,571,731**	110,514,556
Special accounts		**65,471,098**	69,409,380
Total cash from Official Public Account		**186,042,829**	179,923,936
Cash to Official Public Account			
Appropriations		**721,284**	3,091,672
Special accounts		**-**	1,609,870
Total cash to Official Public Account		**721,284**	4,701,542
Net cash from/(to) Official Public Account		**185,321,545**	175,222,394
Cash and cash equivalents at the end of the reporting period	5.1A	**947,977**	1,165,521

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

Notes to and forming part of the financial statements for the period ended 30 June 2023

Overview

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

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

The Basis of Preparation

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

The financial statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR)*; and
- Australian Accounting Standards and interpretations

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

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

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets at fair value. Unless specifically 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 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.

New Accounting Standards

Adoption of New Australian Accounting Standard Requirements
Two amending standards (AASB 2021-2 and AASB 2021-6) were adopted earlier than the application date as stated in the standard. These amending standards have been adopted for the 2022-23 reporting period.

The following amending standards were issued prior to the signing of the statement by the Department's Secretary and Chief Finance Officer, were applicable to the current reporting period but did not have 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 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (AASB 2021-2)	AASB 2021-2 amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2. The amending standard requires the disclosure of material, rather than significant, accounting policies, and clarifies what is considered a change in accounting policy compared to a change in accounting estimate.
AASB 2021-6 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards (AASB 2021-6)	AASB 2021-6 amends the Tier 2 reporting requirements set out in AASB 1049, AASB 1054 and AASB 1060 to reflect the changes made by AASB 2021-2. The details of the changes in accounting policies and adjustments are disclosed below and in the relevant notes to the financial statements. This amending standard is not expected to have a material impact on the Treasury's financial statements for the current reporting period or future reporting periods.

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 2022-23 Treasury reviewed its exposure to the risk of not complying with statutory conditions on payments from appropriations. Treasury continues to monitor and adapt its verification procedures for payments made under the *Federal Financial Relations Act 2009* and *COAG Reform Fund Act 2008*.

Treasury identified one potential breach resulting in an overpayment to a State of $0.1 million in 2022-23 relating to Public Dental Services for Adults. The potential breach was due to an administrative error in calculating the payment. A review found no evidence of systemic issues and the agency has taken action to prevent reoccurrence of this error. The overpayment will be recovered in 2023-24.

Events After the Reporting Period

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

1. Departmental Financial Performance

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

1.1. Expenses

	2023 $'000	2022 $'000
Note 1.1A: Employee benefits		
Wages and salaries	**179,131**	161,602
Superannuation		
Defined contribution plans	**22,213**	18,731
Defined benefit plans	**8,763**	8,923
Redundancies	**368**	180
Leave and other entitlements	**26,065**	15,364
Other	**4,145**	4,066
Total employee benefits	**240,685**	208,866

Accounting Policy

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

	2023 $'000	2022 $'000
Note 1.1B: Suppliers		
Goods and services supplied or rendered		
Consultants	**10,839**	9,369
Contractors and secondees	**53,547**	52,643
Information communication technology	**15,508**	15,617
Property operating expenses	**6,597**	15,953
Travel	**6,053**	2,234
Legal	**3,888**	4,244
Publications and subscriptions	**2,910**	2,827
Fees - audit, accounting, bank and other	**1,966**	1,617
Conferences and training	**4,949**	4,548
Insurance	**621**	526
Printing	**406**	294
Other	**1,900**	2,396
Total goods and services supplied or rendered	**109,184**	112,268
Goods supplied	**4,495**	5,684
Rendering of services	**104,689**	106,584
Total goods and services supplied or rendered	**109,184**	112,268
Other suppliers		
Workers compensation premiums	**559**	1,263
Short-term leases	**139**	929
Total other suppliers	**698**	2,192
Total suppliers	**109,882**	114,460

The Treasury has short-term lease commitments of $0.07m as at 30 June 2023 (2022: $1.05 million).

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 with 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.

	2023 $'000	2022 $'000
Note 1.1C: Grants		
Australian Government Entities (related entities)	**-**	1,740
Non-profit organisations	**703**	555
Total grants	**703**	2,295

Accounting Policy

The entity administers a number of grant schemes. Grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made. When the Government enters into an agreement to make these grants and services, but services have not been performed or criteria satisfied, this is considered a commitment.

	2023 $'000	2022 $'000
Note 1.1D: Finance costs		
Interest on lease liabilities	**1,769**	1,837
Unwinding of discount	**205**	32
Total finance costs	**1,974**	1,869

1.2. Own-Source Revenue and Gains

Own-Source Revenue	2023 $'000	2022 $'000
Note 1.2A: Revenue from contracts with customers		
Rendering of services	**13,654**	8,373
Total revenue from contracts with customers	**13,654**	8,373
Disaggregation of revenue from contracts with customers		
Major product / service line:		
Actuarial services	**3,732**	3,615
Shared services	**2,035**	1,585
Cost recoveries	**6,840**	2,198
Income from subleasing[1]	**979**	933
Other	**68**	42
	13,654	8,373
Type of customer:		
Australian Government entities (related parties)	**13,586**	8,331
Non-government entities	**68**	42
	13,654	8,373

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

Maturity analysis of sub-lease commitments receivable:

	2023 $'000	2022 $'000
Within 1 year	**1,104**	1,069
1-2 years	**402**	1,104
2-3 years	**237**	402
3-4 years	**83**	237
4-5 years	**86**	83
More than 5 years	**124**	210
Total undiscounted lease payments receivable	**2,036**	3,105

Accounting Policy

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

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

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

<u>Actuarial Services</u>

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

<u>Shared Services</u>

This revenue stream relates to the Treasury providing finance, payroll, security 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.

<u>Cost Recoveries</u>

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.

<u>Income from Subleasing Right-of-use assets</u>

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

	2023 $'000	2022 $'000
Note 1.2B: Other revenue		
Resources received free of charge		
Remuneration of auditors - ANAO	**490**	490
Secondment services	**5,916**	3,000
Other	**185**	100
Total other revenue	**6,591**	3,590
Note 1.2C: Other gains		
Gains from sale of assets	**8**	6
Reversal of restoration provision	**134**	-
Total other gains	**142**	6

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.

Sale of assets

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

	2023 $'000	2022 $'000
Note 1.2D: Revenue from Government		
Appropriations		
Departmental appropriations	**343,789**	325,706
Total revenue from Government	**343,789**	325,706

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 related 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

	2023 $'000	2022 $'000
Note 2.1A: Cash and cash equivalents		
Cash on hand or on deposit	**305**	424
Total cash and cash equivalents	**305**	424
Note 2.1B: Trade and other receivables		
Goods and services receivables		
Contract assets from contracts with customers	**6,928**	2,552
Goods and services	**1,989**	1,924
Total goods and services receivables	**8,917**	4,476
Appropriation receivables		
Appropriations receivable	**114,958**	108,064
Total appropriation receivables	**114,958**	108,064
Other receivables		
Net GST receivable from the ATO	**2,589**	1,659
Other receivables	**734**	1,035
Total other receivables	**3,323**	2,694
Total trade and other receivables (gross)	**127,198**	115,234
Less credit loss allowance	**-**	(2)
Total trade and other receivables (net)	**127,198**	115,232

Credit terms for goods and services were within 30 days (2022: 30 days).

Accounting Policy

Financial assets

Trade receivables, loans and other receivables 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 (2022-23)

	Buildings $'000	Plant and equipment $'000	Computer software internally developed $'000	Computer software purchased $'000	Total $'000
As at 1 July 2022					
Gross book value	**186,266**	**15,028**	**25,099**	**3,023**	**229,416**
Accumulated depreciation / amortisation and impairment	**(33,925)**	**(3,808)**	**(17,234)**	**(2,468)**	**(57,435)**
Total value as at 1 July 2022	**152,341**	**11,220**	**7,865**	**555**	**171,981**
Additions	**5,409**	**2,444**	**-**	**291**	**8,144**
Purchase or internally developed	432	2,406	-	291	**3,129**
Right-of-use assets	4,977	38	-	-	**5,015**
Depreciation and amortisation	**(3,581)**	**(2,800)**	**(3,949)**	**(286)**	**(10,616)**
Depreciation on right-of-use assets	**(12,722)**	**(12)**	**-**	**-**	**(12,734)**
Disposal of right-of-use assets	**(714)**	**-**	**-**	**-**	**(714)**
Disposals	**(168)**	**(181)**	**(147)**	**(1)**	**(497)**
Reclassification	**-**	**-**	**(82)**	**82**	**-**
Total as at 30 June 2023	**140,565**	**10,671**	**3,687**	**641**	**155,564**
Total as at 30 June 2023 represented by:					
Gross book value	**189,293**	**16,905**	**23,339**	**2,838**	**232,375**
Fair value	**25,107**	**16,306**	**-**	**-**	**41,413**
At cost	**163,979**	**78**	**23,339**	**2,838**	**190,234**
Under construction	**207**	**521**	**-**	**-**	**728**
Accumulated depreciation / amortisation and impairment	**(48,728)**	**(6,234)**	**(19,652)**	**(2,197)**	**(76,811)**
Total as at 30 June 2023	**140,565**	**10,671**	**3,687**	**641**	**155,564**
Carrying amount of right-of-use assets	**122,065**	**49**	**-**	**-**	**122,114**

Contractual commitments[1] for the acquisition of property, plant and equipment and intangible assets.		
Commitments are payable as follows:	**2023**	2022
	$'000	$'000
Within 1 year	**30**	296
Between 1 to 5 years	**-**	550
Total commitments	**30**	846

1. Commitments are GST inclusive where relevant.

Accounting Policy

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

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

Asset recognition threshold

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

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

Leased Right-of-Use (ROU) Assets

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

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

Revaluations

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

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

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

Depreciation and Amortisation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Treasury using, in all cases, the straight-line method of depreciation. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Software is amortised on a straight-line basis.

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

	2023	2022
Buildings - leasehold improvements	5-25 years	5-25 years
Plant and equipment:		
Plant and equipment	3-10 years	3-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years
Computer software	3-5 years	3-5 years

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

Impairment

All assets were assessed for impairment at 30 June 2023. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

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

Intangibles

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

All software assets were assessed for indications of impairment as at 30 June 2023, including the impact of factors such as project cessation and platform changes. No indication of impairment for intangible assets were identified as at 30 June 2023, therefore nil impairment losses for intangible assets were recognised (2022: nil).

Accounting judgement and estimates

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

Refer to section 7.5 Fair Value Measurement - Accounting Policy.

2.3. Payables

	2023 $'000	2022 $'000
Note 2.3A: Suppliers		
Trade creditors and accruals	**17,945**	11,717
Contract liabilities from contracts with customers	**4,694**	3,378
Total suppliers	**22,639**	15,095

Settlement was usually made within 20 days (2022: 20 days).

The contract liabilities from contracts with customers are associated with performance obligations not yet met at 30 June.

	2023 $'000	2022 $'000
Note 2.3B: Other payables		
Salaries and wages	**5,087**	4,431
Superannuation	**850**	701
Other creditors	**1,012**	79
Total other payables	**6,949**	5,211

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

Accounting Policy

Financial liabilities

Other financial liabilities include trade creditors and accruals and are recognised at amortised cost. Liabilities are recognised to the extent the goods or services have been received (and irrespective of having been invoiced).

2.4. Interest Bearing Liabilities

	2023 $'000	2022 $'000
Note 2.4A: Leases		
Lease liabilities		
Buildings	**133,272**	140,218
Plant and equipment	**48**	23
Total leases	**133,320**	140,241

Total cash outflow for leases for the year ended 30 June 2023 was $12.77 million ($11.00 million in principal payments and $1.77 million in interest payments) (2022: $14.99 million).

	2023 $'000	2022 $'000
Maturity analysis - contractual undiscounted cash flows		
Within 1 year	**12,762**	12,838
Between 1 to 5 years	**47,109**	48,578
More than 5 years	**83,592**	90,229
Total leases	**143,463**	151,645

Accounting Policy

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

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

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

2.5. Other Provisions

Note 2.5A: Provision for restoration	Total $'000
Carrying amount 1 July 2022	**5,704**
Additional provisions made	**17**
Provisions made against Right-Of-Use assets	**191**
Amounts used	**(144)**
Unwinding of discount or change in discount rate	**206**
Closing balance 30 June 2023	**5,974**

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

	2023 $'000	2022 $'000
Note 3.1A: Employee provisions		
Leave	**76,123**	72,192
Total employee provisions	**76,123**	72,192

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 applied at the time the leave is taken, including the Treasury's employer superannuation contribution rates to the extent the leave is likely to be taken during service rather than paid out on termination.

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

Superannuation

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

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

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

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

The liability for superannuation recognised as at 30 June 2023 represents outstanding contributions.

Accounting judgements and estimates

Leave provisions involve assumptions based on the expected tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discount rates. Treasury accepted the assumptions determined by the Australian Government Actuary in its triennial report and the next report is due on 30 June 2024.

3.2. Key Management Personnel Remuneration

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

	2023	2022
	$'000	$'000
Short-term employee benefits	**3,202**	2,903
Post-employment benefits	**536**	450
Other long-term employee benefits[1]	**195**	(186)
Total key management personnel remuneration expenses[2]	**3,933**	3,167

1. Long service leave has been affected by the movement in the 10-year bond rate from 3.66% in 2021-22 to 4.03% in 2022-23 (prior year moved from 1.49% to 3.66%).
2. The above key management personnel remuneration excludes the remuneration and other benefits of the Treasurer and other Portfolio Ministers. Their remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the Treasury.

The total number of key management personnel included in the above table for Treasury in 2023 is 11 people for 7 roles, including 4 people who have left the Treasury during the year (2022: 6 roles).

3.3. Related Party Disclosures

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

Transactions with related parties:

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by Treasury, it has been determined one related party transaction is to be separately disclosed in 2023 (2022: one).

2022-23
During the reporting period, Treasury purchased shares totalling $20.00 million in the Australian Business Growth Fund (ABGF). One of the key management personnel was a government-appointed director of ABGF during 2022-23.

2021-22
During the reporting period, Treasury purchased shares totalling $12.41 million in the Australian Business Growth Fund (ABGF). One of the key management personnel was a government-appointed director of ABGF during 2021-22.

4. Income and Expenses Administered on Behalf of Government

This section analyses the activities 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

	2023 $'000	2022 $'000
Note 4.1A: Grants		
Public sector		
State and Territory Governments	**138,277,012**	133,749,811
Payment of COAG receipts from Government agencies	**1,323,521**	1,307,659
Department of Health and Aged Care - Medicare Guarantee Fund	**46,467,038**	44,867,877
Overseas entities		
Grants to International Financial Reporting Standards (IFRS)	**1,000**	1,000
Private sector		
Grants to private sector	**24,408**	38,089
Total grants	**186,092,979**	179,964,436

Accounting Policy

The Treasury administers a number of grants on behalf of the Government. With the exception of the accounting treatment of payments to State and Territories under Disaster Recovery Funding Arrangements (DRFA) detailed below, grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied but payments due have not been made. When the Government enters into an agreement to make these grants and services but services have not been performed or criteria satisfied, this is considered a commitment.

Grants to States and Territories

Under the Federal Financial Relations Framework, the Treasurer is responsible for payments to the States and Territories.

There are five main types of payments under the framework:

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

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

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

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

(v) National Partnership (NP) payments – a financial contribution in respect of a funding agreement with a State or Territory to support the delivery of specific projects, to facilitate reforms or to reward jurisdictions that deliver on national reforms or achieve service delivery improvements. Portfolio Ministers are accountable for government policies associated with NP payments.

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

NP and other general revenue assistance payments are paid under *the Federal Financial Relations Act 2009* which allows the Treasurer (or the delegated Minister within the Treasury Portfolio) to determine an amount to be paid to a State or Territory for the purpose of making a grant of financial assistance. Once determined, this amount must be credited to the

Councils of Australian Government (COAG) Reform Fund special account. The Treasurer must ensure that, as soon as practicable after the amount is credited, the COAG Reform Fund is debited for the purposes of making the grant. In addition, the Treasurer must have regard to the Intergovernmental Agreement on Federal Financial Relations.

Disaster Recovery Funding Arrangements (DRFA)

The Treasury accounts for payments made to States and Territories under DRFA by recognising a liability equal to the discounted value of estimated future payments to States and Territories regardless of whether or not a State or Territory has completed eligible disaster reconstruction work or submitted an eligible claim to the Commonwealth. States and Territories were requested to provide to the National Emergency Management Agency (NEMA) an estimate of costs expected to be incurred for disasters affecting States and Territories that occurred prior to 1 July 2023 which would be eligible for assistance. The signed representations from the States and Territories are quality assured by the NEMA, which in turn provides a certification of the expenditure estimates to the Treasury. Refer to note 5.4A Administered provisions for additional information.

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

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

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 and Aged Care.

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 and Aged Care 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.

	2023	2022
	$'000	$'000
Note 4.1B: Finance costs		
Charges on SDR allocations	**515,583**	37,357
Unwinding of discount - DRFA provision	**53,314**	6,761
Total finance costs	**568,897**	44,118

Accounting Policy

Charges on SDR allocations

The special drawing rights (SDR) is an international currency created by the International Monetary Fund (IMF), and allocated to countries participating in its Special Drawing Rights Department. SDR allocations represent the SDRs allocated to Australia by the IMF. These allocations provide each member with on-demand access to freely usable currencies. When the IMF allocates SDRs, participants in the SDR Department receive unconditional liquidity represented by an interest-bearing reserve asset (SDR holding) and a corresponding long-term liability to the SDR Department (SDR allocation).

The IMF pays interest on SDR holdings and levies charges on SDR allocations of each member at the same rate (the SDR interest rate).

Refer to Note 5.4A Accounting Policies for further details on DRFA provision.

	2023 $'000	2022 $'000
Note 4.1C: Payments to corporate Commonwealth entities		
National Housing Finance and Investment Corporation (NHFIC)		
Operating funding	**14,090**	4,939
Grants payment	**35,000**	35,000
Total payments to corporate Commonwealth entities	**49,090**	39,939
Note 4.1D: Suppliers		
Suppliers		
Advertising campaigns	**2**	16,562
General supplier expenses	**16**	1,532
Total suppliers	**18**	18,094
Increase in provisions		
NHFIC Home Guarantee Scheme - increase in provision	**11,648**	18,301
Small & Medium Enterprises Guarantee Scheme – increase in provision	**106,626**	254,523
Total increase in provisions	**118,274**	272,824
Total suppliers and increase in provisions	**118,292**	290,918
Note 4.1E: Concessional loan discount		
Concessional loan discount - PNG loans	**397,451**	321,929
Concessional loan discount - Indonesia loan[1]	**-**	(18,037)
Concessional loan discount - AEMO loan	**208**	-
Total concessional loan discount	**397,659**	303,892

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

Accounting Policy

All borrowing costs are expensed as incurred.

Concessional loan discount expense

A concessional loan discount expense is recorded when Treasury makes a loan at a discount to the prevailing market equivalent rates or terms. The concessional loan discount expense is an upfront non-cash concession charge and will unwind over the term of the underlying loan to become concessional loan interest income. As the concessional loan discount expense is a non-cash adjustment, it does not impact the underlying operational earning of the Treasury. Over the life of the loans, the cumulative impact of the reported profit or loss from the concessional loan discount and income will net to nil.

Foreign exchange losses and gains

The Treasury transacts to the IMF and International Financial Institutions (IFIs) on behalf of the Australian Government. Transactions with the IMF are largely denominated in SDRs where transactions with IFIs are in SDRs and/or US dollars. Since the currency value of the SDR is based upon a basket of key international currencies (the US dollar, Euro, Japanese yen, British pound sterling and Chinese renminbi), a foreign exchange loss or gain can arise from fluctuations in the value of the transaction.

Accounting judgement and estimates

Treasury is required to record a concessional loan discount expense when it makes a loan at a discount to the prevailing market equivalent rate or terms. This requires judgement in determining the 'market equivalent rate' to ascertain the extent of the implicit discount attached to the loan. To estimate the market rate, Treasury considers key terms of the loan such as loan tenor and repayment profile, as well as comparable bond issuance with similar credit rating. Treasury also considers the seniority and potential resource to collateral or assets, in combination with an assessment the return on equity that an arms-length market participant may desire.

Refer to Note 5.4A and Note 5.2D Accounting Policies for further details on the Increase in provisions.

4.2. Administered – Income

Revenue	2023 $'000	2022 $'000
Non-Taxation Revenue		
Note 4.2A: Revenue from contracts with customers		
GST administration fees - external entities	**654,453**	592,400
Guarantee of State and Territory borrowing fee	**560**	1,008
Total revenue from contracts with customers	**655,013**	593,408
Note 4.2B: Interest		
Interest from IMF transactions	**454,119**	32,506
Interest on international assistance loans	**53,982**	36,886
Interest on loans to States and Territories	**1,893**	2,164
Interest on loans to NHFIC	**1,094**	395
Interest on loan to Australian Energy Market Operator (AEMO)	**175**	-
Unwinding of concessional loan discount - AEMO loan	**37**	-
Unwinding of concessional loan discount - PNG loans	**60,087**	35,536
Unwinding of concessional loan discount - Indonesia loan	**42,103**	44,059
Unwinding of concessional loan discount - IMF PRGT loan[1]	**42,779**	6,653
Total interest	**656,269**	158,199
Note 4.2C: COAG revenue from Government		
Confiscated Assets Account revenue	**7,100**	-
DisabilityCare Australia Fund revenue	**973,626**	1,232,659
Disaster Ready Fund revenue	**200,000**	200,000
Future Drought Fund revenue	**19,795**	-
Total COAG revenue from government agencies	**1,200,521**	1,432,659
Note 4.2D: Other revenue		
HIH Group liquidation proceeds	**-**	18,280
Australian Reinsurance Pool Corporation fee[2]	**90,000**	90,000
Other revenue	**6,688**	5,041
Total other revenue	**96,688**	**113,321**
Gains		
Note 4.2E: Other Gains		
Gains from revaluation of NHFIC Home Guarantee Schemes	**13,718**	-
Other Gains	**13,718**	-

1. The IMF PRGT loan was reviewed in 2022-23 and assessed as non-concessional. The concessional loan discount that was recorded in 2020-21 and 2021-22 has been written back to the carrying amount of the loan receivable in the current year.
2. 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 and Cyclone Insurance Act 2003.*

Accounting Policy

Administered revenue

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

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. The guarantee closed to new issuances of guaranteed liabilities on 31 December 2010. Securities covered by the Guarantee matured on 1 May 2023 and the Scheme was finalised on 1 May 2023.

Interest revenue

Interest revenue is recognised using the effective interest method.

Interest from International Monetary Fund (IMF) transactions

Australia receives interests from a number of arrangements transacting with IMF, including interest on IMF remuneration, interest on SDR holdings, interest on NAB, PRGT and RST loans.

IMF remuneration

Remuneration is interest paid by the IMF to Australia for the use of its funds. Remuneration is paid on a portion of Australia's IMF quota commitment. This money is lent by Australia under the IMF's Financial Transaction Plan, under which members in a strong external position provide quota resources to support IMF lending to borrowing member countries.

Where the IMF's holdings of Australian dollars fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is based on the Special Drawing Right (SDR) interest rate. The SDR interest rate is the market interest rate computed by the IMF, which is based on a weighted average of representative interest rates on short-term government debt instruments (generally 3 month bond rates) of the five entities whose currencies make up the SDR basket: the United States, United Kingdom, European Union, Japan and China. This rate is then adjusted to account for the financial consequences of overdue obligations to the IMF which are shared between members and reflected at Note 4.2B as 'burden sharing'. No adjustment for 'burden sharing' has been made in either the current or prior years.

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

SDR Holdings

Australia receives interest on the Special Drawing Rights (SDR) holdings. SDRs are allocated to members in proportion to their IMF quotas. These allocations provide each member with on-demand access to freely usable currencies. The members can exchange SDRs for freely usable currencies from other members. SDR is, therefore, a potential claim on freely usable currencies of IMF members. The Treasury have previously sold SDR holdings to the Reserve Bank of Australia in exchange for AUD, and also holds on to SDR holdings for exchange with the IMF, countries or other prescribed holders. When the IMF allocates SDRs, participants in the SDR Department receive unconditional liquidity represented by an interest-bearing reserve asset (SDR holding) and a corresponding long-term liability to the SDR Department (SDR allocation).

IMF New Arrangements to Borrow (NAB)

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

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

IMF Poverty Reduction and Growth Trust (PRGT)

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

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

IMF Resilience and Sustainability Trust (RST)

During 2022-23, Australia has agreed to provide SDR 927 million (approximately A$1.86 billion as at 30 June 2023) to the IMF under the RST agreement, which includes three separate accounts detailed below. The RST is used to help countries build resilience to external shocks and ensure sustainable growth, contributing to their long-term balance of payments stability. When the IMF makes a loan through the RST, it draws on its credit arrangements.

Australia has agreed to provide SDR 760 million (approximately A$1.53 billion as at 30 June 2023) line of credit available to the RST Loan Account. The IMF must repay amounts provided through the RST Loan Account in line with the pass-through loan arrangement. Amounts can be repaid earlier if the pass-through loan is repaid early. Outstanding drawings by the IMF will earn interest at the SDR interest rate. As at 30 June 2023, the undrawn balance on the line of credit is SDR 745.83 million (approximately A$1.5 billion). Australia receives interest on the amount drawn at the SDR interest rate.

Australia provided SDR 152 million (approximately A$305.77 million as at 30 June 2023) to the RST Deposit Account. Australia receives interest on amounts provided to the IMF under the RST Deposit Account. Amounts provided to the IMF under the RST accrue interest daily at the SDR interest rate. The IMF pays interest on RST Loan and Deposit amounts quarterly.

Australia provided SDR 15.2 million (approximately A$30.58 million as at 30 June 2023) to the RST Reserve Account. Australia will not receive interest on the funds. Australia will receive repayment of its share of the RST Reserve Account (including any potential earnings or losses) at the liquidation of RST in 2050 or earlier if the RST Reserve Account has sufficient funds at the discretion of the Trustee.

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.

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

	2023 $'000	2022 $'000
Note 5.1A: Cash and cash equivalents		
Cash held in the OPA - NHFIC Special Account	**923,892**	965,521
Cash held in the OPA - COAG Special Account	**24,085**	200,000
Total cash and cash equivalents	**947,977**	1,165,521

Accounting Policy

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

	2023 $'000	2022 $'000
Note 5.1B: Loans and other receivables		
Loans		
Loans to State and Territories	**31,905**	47,858
Loans to NHFIC	**76,108**	34,479
IMF NAB loans	**25,658**	57,412
IMF PRGT loan	**423,592**	-
IMF RST loan	**28,515**	-
Concessional loans	**1,944,568**	2,045,972
Total loans	**2,530,346**	2,185,721
Other receivables		
Borrowing contractual fee receivable	**-**	553
Guarantee of State and Territory Borrowing fee receivable	**-**	56
Net GST receivable from the ATO	**103**	123
Accrued interest - IMF related transactions	**106,264**	17,615
Accrued interest - loans to NHFIC	**1,218**	124
Accrued interest - international loans	**35,638**	13,987
GST revenue allocation	**385,240**	-
Other receivables	-	99
Total other receivables	**528,463**	32,557
Total loans and other receivables (gross)	**3,058,809**	2,218,278
Receivables are expected to be recovered in		
No more than 12 months	**642,247**	217,417
More than 12 months	**2,416,562**	2,000,861
Total receivables (gross)	**3,058,809**	2,218,278

Note 5.1B: Concessional loans carrying amounts

	Loans to PNG	Loan to Indonesia	Loan to AEMO	Total
	$'000	$'000	$'000	$'000
As at 1 July 2022	**644,283**	**1,012,343**	**-**	**1,656,626**
Gross funded loans and advances	**750,000**	**-**	**6,153**	**756,153**
Less: concessional loan discount on drawn loans	**(397,451)**	**-**	**(208)**	**(397,659)**
Less: repayment of principal	**(72,323)**	**(100,000)**	**(456)**	**(172,779)**
Add: unwinding of concessional loan discount (income)	**60,087**	**42,103**	**37**	**102,227**
Total as at 30 June 2023	**984,596**	**954,446**	**5,526**	**1,944,568**

	Loan to PNG	Loan to Indonesia	IMF PRGT loans[1]	Total
	$'000	$'000	$'000	$'000
As at 1 July 2021	316,838	1,050,247	378,812	1,745,897
Gross funded loans and advances	650,000	-	-	650,000
Less: concessional loan discount on drawn loans	(321,929)	18,037	-	(303,892)
Less: repayment of principal	(36,162)	(100,000)	-	(136,162)
Add: unwinding of concessional loan discount (income)	35,536	44,059	2,803	82,398
Add: foreign exchange movement	-	-	7,731	7,731
Total as at 30 June 2022	644,283	1,012,343	389,346	2,045,972

1. The IMF PRGT loan was reviewed in 2022-23 and assessed as non-concessional. The concessional loan discount has been written back to the carrying amount of the loan receivable in the current year.

Accounting Policy

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 National Housing Finance and Investment Corporation (NHFIC)

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

International Monetary Fund (IMF) New Arrangements to Borrow

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

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

IMF Poverty Reduction and Growth Trust (PRGT)

Australia entered into an agreement with the IMF in October 2022, to invest SDR 1 billion into the IMF's Pooled Investments strategy. Australia will receive interest on this investment at the SDR interest rate. The profits above this interest rates will be provided to the PRGT Subsidy Account up to SDR 36 million. The IMF will then use these subsidy resources to subsidise loans to low-income countries under the PRGT.

At the end of the period, the IMF will repay the lower of the original investment amount less any early repayments and the notional value of the investment. Australia can seek early repayment of all or part of the investment.

Australia receives interest on amounts invested into the PRGT Investment. Amounts invested to the PRGT Investment accrue interest daily at the SDR interest rate. The IMF pays interest on PRGT Investment amounts quarterly.

IMF Resilience and Sustainability Trust

In October 2022, Australia has agreed to provide SDR 760 million (approximately A$1.53 billion as at 30 June 2023) to the RST Loan Account. The IMF must repay amounts provided through the RST Loan Account in line with the pass-through loan arrangement. Amounts can be repaid earlier if the pass-through loan is repaid early. Outstanding drawings by the IMF will earn interest at the SDR interest rate. As at 30 June 2023, IMF has drawn SDR 14.18 million (approximately A$28.52 million) against the total line of credit.

Concessional Loans

International Assistance Loans to Papua New Guinea

Between November 2020 to December 2022, the Commonwealth of Australia agreed to lend three loans totalling A$1,958 million to the Independent State of Papua New Guinea (PNG). The first loan was to support PNG reform actions under the IMF Staff-Monitored Program (SMP), where the latter two were to support PNG to meet its budget financing shortfalls and to deliver reform actions under multilateral development programs.

All three loans have fixed interest rate to match the yield on 10-year Australian Government Security as at the date before drawdown with an additional 0.5 per cent margin to cover administrative costs associated with the loans. The tenure of the loan is 15 years for one and 20 years for the other two. Instalments and interest are payable every six months in Australian dollars.

International Assistance Loan to Indonesia

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

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

Loan to Australian Energy Market Operator

The Treasury, on behalf of the Commonwealth of Australia, provided a loan of $6.15 million to the Australian Energy Market Operator (AEMO) in 2022, to allow AEMO to upgrade its systems and procedures, so that it can make its relevant data available in a form that can be shared with consumers via the internet, in accordance with the Consumer Data Right (CDR) provisions in the *Competition and Consumer Act 2010* (CCA). The interest rate per annum that is the daily yield on Australian government bonds with a 10-year maturity published on the business day prior to the drawdown date. Instalments on loan principal and interest are payable over seven years every 12 months.

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

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

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

Current year GST revenue allocation is $385,240 million (2022: $nil). Refer to Note 5.2A Grants for further details.

	2023 $'000	2022 $'000
Note 5.1C: Investments		
International financial institutions		
Asian Development Bank	**617,924**	594,254
Asian Infrastructure and Investment Bank	**1,113,423**	1,071,563
European Bank for Reconstruction and Development	**102,640**	95,007
International Bank for Reconstruction and Development	**483,206**	433,442
International Finance Corporation	**667,816**	612,989
Multilateral Investment Guarantee Agency	**9,353**	9,001
Total international financial institutions	**2,994,362**	2,816,256
Australian Government entities		
Reserve Bank of Australia	**-**	-
Australian Reinsurance Pool Corporation	**953,250**	707,473
NHFIC	**834,025**	624,132
Total Australian Government entities	**1,787,275**	1,331,605
Other investments		
Australian Business Growth Fund	**28,689**	14,314
IMF Quota	**13,221,485**	12,715,032
IMF SDR holdings	**10,295,664**	12,186,786
IMF PRGT investment	**2,011,668**	-
IMF RST reserve account	**30,577**	-
IMF RST deposit account	**305,774**	-
Total other investments	**25,893,857**	24,916,132
Total investments	**30,675,494**	29,063,993

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

Accounting Policy

Administered investments

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

International Financial Institutions

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

Principal activities:

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

The IBRD provides financing and technical assistance to middle income countries and creditworthy poor countries. The IDA provides grants, concessional finance and technical assistance to low income countries. The IFC supports the development of the private sector by providing direct finance to private sector operations. MIGA provides guarantee services for projects, which reduce the risks for other co-financing partners including the private sector. ICSID provides international facilities for conciliation and arbitration of investment disputes.

The ADB was established in 1966 and has a mandate to reduce poverty and promote economic development in its developing member countries in Asia and the Pacific. The ADB does this by financing (through a mix of loans, grants, guarantees and co-financing activities with both other donors and the private sector) public sector and private sector activities. It also provides technical assistance to developing member countries so they can improve their policy and business investment environments. A significant portion of the ADB's activities is focused on the infrastructure, transportation and energy sectors.

The EBRD was established in 1991 to assist former communist eastern European countries committed to the principles of multi-party democracy, pluralism and market economies, to develop their private sector and capital markets. The EBRD currently operates in more than 30 countries from Central and Eastern Europe to Central Asia and the Southern and Eastern Mediterranean region. It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatisation, restructuring state owned firms and improvement of municipal services.

The AIIB was established on 25 December 2015. The AIIB focuses on the development of infrastructure and other productive sectors in Asia. The AIIB also aims to promote interconnectivity and economic integration in the region by working in close collaboration with other multilateral and bilateral development institutions.

Australian Government entities

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

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

The Australian Reinsurance Pool Corporation (ARPC) is a Commonwealth public financial corporation established by the *Terrorism and Cyclone Insurance Act 2003* to administer the terrorism and cyclone reinsurance schemes, providing primary insurers with reinsurance for commercial property and associated business interruption losses arising from a declared terrorist incident or cyclone.

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

Australian Business Growth Fund

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

International Monetary Fund (IMF)

The IMF is an organisation with 190 member countries, working to ensure the stability of the international monetary system – the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other. The IMF does this through: surveillance, including annual economic assessments of member countries; technical assistance to member countries; and by making resources available (with adequate safeguards) to members experiencing balance of payments difficulties. Quota subscriptions which are denominated in Special Drawing Rights (SDRs) represent a member's shareholding in the IMF and generate most of the IMF's financial resources.

IMF Quota

Quota subscriptions, which are denominated in SDRs represent a member's shareholding in the IMF and generate most of the IMF's financial resources. All member countries of the IMF pay a capital subscription to the IMF, equivalent to their allocated quota and denominated in SDRs. This represents a member's shareholding in the IMF and is disclosed in the financial statements as an administered investment asset.

IMF SDR Holdings

The IMF Board of Governors approved a new general allocation of SDRs to member countries on 2 August 2021. Australia's share of the new allocation was SDR 6.3 billion (A$12.7 billion) received on 23 August 2021. The additional allocation is reflected as both an asset and a liability (refer to Note 5.2B for the liability IMF SDR Allocation).

IMF PRGT Investment

Australia entered into an agreement with the IMF in October 2022, to invest SDR 1 billion into the IMF's Pooled Investments strategy. Australia will receive interest on this investment at the SDR interest rate. The profits above this interest rate will be provided to the PRGT Subsidy Account up to SDR 36 million. The IMF will then use these subsidy resources to subsidise loans to low-income countries under the PRGT.

At the end of the period, the IMF will repay the lower of the original investment amount less any early repayments and the notional value of the investment. Australia can seek early repayment of all or part of the investment.

Australia receives interest on amounts invested into the PRGT Investment. Amounts invested to the PRGT Investment accrue interest daily at the SDR interest rate. The IMF pays interest on PRGT Investment amounts quarterly.

IMF Resilience and Sustainability Trust (RST)

During 2022-23, Australia has agreed to provide SDR 927 million (approximately A$1.86 billion as at 30 June 2023) to the IMF under the RST agreement, which includes three separate accounts detailed under Note 4. The RST is used to help countries build resilience to external shocks and ensure sustainable growth, contributing to their long-term balance of payments stability. When the IMF makes a loan through the RST, it draws on its credit arrangements.

Australia has agreed to provide SDR 760 million (approximately A$1.53 billion as at 30 June 2023) line of credit available to the RST Loan Account. Please refer to Note 4.2 and 5.1B for more details.

Australia provided SDR 152 million (approximately A$305.77 million as at 30 June 2023) to the RST Deposit Account. Australia receives interest on amounts provided to the IMF under the RST Deposit Account. Amounts provided to the IMF under the RST accrue interest daily at the SDR interest rate. The IMF pays interest on RST Loan and Deposit amounts quarterly.

Australia provided SDR 15.2 million (approximately A$30.58 million as at 30 June 2023) to the RST Reserve Account. Australia will not receive interest on the funds. Australia will receive repayment of its share of the RST Reserve Account (including any potential earnings or losses) at the liquidation of RST in 2050 or earlier if the RST Reserve Account has sufficient funds at the discretion of the Trustee.

5.2. Administered – Payables

	2023	2022
	$'000	$'000
Note 5.2A: Grants		
COAG grants payable	**22,085**	75,000
Other grants payable	**358,418**	1,177,274
Total grants	**380,503**	1,252,274
Grants are expected to be settled in no more than 12 months.		
Note 5.2B: IMF and other payables		
GST appropriation payable	**-**	14,463
IMF SDR allocation	**18,874,514**	18,151,520
IMF related monies owing	**120,458**	20,009
IMF Maintenance of Value	**735,811**	168,136
Total other payables	**19,730,783**	18,354,128
Other payables expected to be settled		
No more than 12 months	**856,269**	202,608
More than 12 months	**18,874,514**	18,151,520
Total IMF and other payables	**19,730,783**	18,354,128

International Monetary Fund (IMF) Special Drawing Right (SDR) Allocation

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

Note 5.2C: Financial guarantees

	SME Loan Guarantee Scheme $'000	Show Starter Loan Scheme $'000	SME Recovery Loan Scheme $'000	Total $'000
As at 1 July 2022	**213,110**	**983**	**441,000**	**655,093**
Less: payment of claims to lenders	**(7,432)**	**-**	**(474)**	**(7,906)**
Add: revaluation	**(18,693)**	**1,407**	**123,912**	**106,626**
Total as at 30 June 2023	**186,985**	**2,390**	**564,438**	**753,813**
Total financial guarantees to be settled				
No more than 12 months	**33,494**	**2,002**	**30,025**	**65,521**
More than 12 months	**153,491**	**388**	**534,413**	**688,292**
Total financial guarantees	**186,985**	**2,390**	**564,438**	**753,813**

Accounting Policy

Financial guarantees are financial liabilities measured initially at fair value, then subsequently disclosed at fair value through profit and loss.

Small and Medium Enterprise (SME) Guarantee Scheme and SME Recovery Loan Scheme

The Australian Government provided support for small and medium enterprises during the COVID 19 pandemic through guaranteeing loans issued by participating lenders. This support was provided under a number of schemes.

The **Coronavirus Small and Medium Enterprises (SME) Guarantee Scheme** provided a guarantee of 50 per cent of the eligible loan amount for eligible SMEs and the **Show Starter Loan Scheme** provided a guarantee of 100 per cent of the eligible loan amount for the arts and entertainment businesses, with both schemes closing for new loans on 30 June 2021.

The **SME Recovery Loan Scheme**, an expansion and extension of the Coronavirus SME Guarantee Scheme, provided a guarantee of up to 80 per cent of the eligible loan amount, and was initially available to applicants from 1 April 2021 until 31 December 2021.

The SME Recovery Loan Scheme was extended from 1 January 2022 to 30 June 2022, and during this period the Government provided a guarantee of 50 per cent of the eligible loan amount.

Under each of the above schemes, the Australian Government guaranteed to pay an approved lender in the event of default by small and medium enterprises. Although all schemes have closed to new loans, the risk to the Australian Government remains until the final claim date for SME Recovery Loan Scheme on 30 September 2033.

Accounting judgements and estimates

The Australian Government Actuary (AGA) has provided a valuation of the SME loan guarantee scheme, Show Starter loan scheme and SME Recovery loan scheme as at 30 June 2023. The key assumptions used by the AGA are:

- an ultimate default rate of 10 per cent for loans under the SME Guarantee Scheme issued before 30 September 2020;
- a default rate of 15 per cent for all other loans;
- a rate of recovery of 20 per cent applies to the proportion of loans where additional security has been provided;
- 10 per cent allowance for fees and interest in addition to the assumed claim amount;
- a pattern of delay between maturity date and claim payment date; and
- claim applications pending decision at 30 June 2023 will result in a payment.

5.3. Administered – Financial Liabilities

	2023 $'000	2022 $'000
Note 5.3A: Promissory notes		
IMF promissory notes	**8,639,888**	8,592,762
Other promissory notes	**66,978**	64,460
Total promissory notes	**8,706,866**	8,657,222
Promissory notes expected to be settled		
More than 5 years	**8,706,866**	8,657,222
Total promissory notes	**8,706,866**	8,657,222

Accounting Policy

Promissory notes

Promissory notes have been issued to the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), and the Multilateral Investment Guarantee Agency (MIGA).

Under the IMF Articles of Agreement, members are required to maintain the SDR value of their quota through a 'maintenance of value' adjustment. The maintenance of value adjustment is adjusted by issuing/cancelling promissory notes and payments/receipts in Australian dollars and is recognised as an exchange rate gain or loss.

Investments into the IBRD and MIGA are generally not funded with cash but with a promissory note, representing a call option by the IBRD and MIGA for the cash owed under the initial investment. These promissory notes relate to undrawn paid-in capital subscriptions and represent a portion of the members' shareholding.

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

5.4. Administered – Provisions

	2023 $'000	2022 $'000
Note 5.4A: Provisions		
Provision for PRGT loan commitment[1]	**-**	24,758
NHFIC Home Guarantee Schemes	**21,238**	23,308
First Home Guarantee	***15,343***	*15,674*
New Home Guarantee	***2,057***	*5,429*
Family Home Guarantee	***2,179***	*2,205*
Regional First Home Buyer Guarantee	***1,659***	-
DRFA provision	**6,454,490**	5,524,114
Australian Capital Territory	**-**	*411*
New South Wales	***2,794,048***	*2,600,426*
Northern Territory	***8,804***	-
Queensland	***2,121,440***	*2,495,427*
South Australia	***78,445***	*53,343*
Tasmania	***15,732***	*1,372*
Victoria	***1,034,202***	*171,923*
Western Australia	***401,819***	*201,212*
Total provisions	**6,475,728**	**5,572,180**
Provisions expected to be settled		
No more than 12 months	**3,656,640**	1,891,306
More than 12 months	**2,819,088**	3,680,874
Total provisions	**6,475,728**	5,572,180

1. Refer to Note 5.1B Concessional loan carrying amounts.

	NHFIC Home Guarantees $'000	DRFA $'000	PRGT loan commitment $'000	Total $'000
As at 1 July 2022	23,308	5,524,114	24,758	5,572,180
Additional provisions made	11,648	1,889,115	-	1,900,763
Amounts used	-	(2,432,713)	-	(2,432,713)
Revaluation of prior year estimates	(13,718)	1,420,660	-	1,406,942
Unwinding of concessional loan discount	-	-	(24,758)	(24,758)
Unwinding of discount	-	53,314	-	53,314
Total as at 30 June 2023	21,238	6,454,490	-	6,475,728

Accounting judgements and estimates

Disaster Recovery Funding Arrangements (DRFA) Provisions

The DRFA liability represents the Treasury's best estimate of payments expected to be made to States and Territories as at balance date. The DRFA 2018 arrangement applies from 1 November 2018 and all eligible events in the provision are governed by the DRFA Determination.

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

The Treasury reviews the quality assured estimates to ensure they are consistent with government decisions and then calculates the provision by discounting the future cash flows. Given the nature of disasters, there is a level of uncertainty in the estimated reconstruction costs at the time of a disaster. This uncertainty decreases as relief and recovery projects progress to completion.

The DRFA provision at 30 June 2023 includes estimated payments for disaster events that occurred prior to 30 June 2023, except for new events that occurred during the 2022-23 financial year for which costs cannot yet be quantified reliably.

Contingent liabilities

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

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

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

First Home Guarantee is designed to support eligible first home buyers, and non first home buyers who have not owned a property in Australia within the past 10 years, to build or purchase a home by providing a guarantee to participating lenders for up to 15 per cent of the property purchase price. The First Home Guarantee began on 1 January 2020.

The New Home Guarantee is designed to support eligible first homes buyers seeking to build a new home or purchase a newly built home by providing a guarantee to participating lenders for up to 15 percent of the property purchase price. A second tranche of 10,000 New Home Guarantees was made available from 1 July 2021. The New Home Guarantee concluded on 30 June 2022, however its guarantees issued in previous financial years remain active.

The Family Home Guarantee is designed to support single parents with dependants seeking to enter, or re enter, the housing market. The Family Home Guarantee commenced on 1 July 2021.

The Regional First Home Buyer Guarantee is designed to support eligible first home buyers and non first home buyers who have not owned a property in Australia within the past 10 years, to build or purchase a home in a regional location by providing a guarantee to participating lenders of up to 15 per cent of the property purchase price (subject to a minimum deposit of 5 per cent). The Regional First Home Buyer Guarantee commenced on 1 October 2022.

The Australian Government Actuary (AGA) has provided a valuation of the NHFIC HGS as at 30 June 2023. The valuation results incorporate AGA's best estimate of future property growth, mortgage rates and default rates.

The assumed capital growth rate is based on the most contemporaneous market data available, including a range of views from market experts. The assumed default rate is based on historic data on delinquencies from lenders mortgage providers. The assumed mortgage rates are based on expected future RBA cash rates plus a lender's margin.

6. Funding

This section identifies the Treasury funding structure.

6.1. Appropriations

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

Annual Appropriations for 2023

		Adjustments to Appropriations				
	Annual Appropriation $'000	Section 74 Receipts $'000	Section 75 Transfers $'000	Total appropriation $'000	Appropriation applied in 2023 (current and prior years) $'000	Variance[1,2] $'000
DEPARTMENTAL						
Ordinary annual services	343,789	31,319	-	375,108	(365,667)	9,441
Capital Budget[3]	8,837	-	-	8,837	(6,449)	2,388
Other services						
Equity	303	-	-	303	-	303
Total departmental	**352,929**	**31,319**	**-**	**384,248**	**(372,116)**	**12,132**
ADMINISTERED						
Ordinary annual services						
Administered items	86,367	-	-	86,367	(74,347)	12,020
Other services						
Administered assets and liabilities	171,153	-	-	171,153	(171,153)	-
Total administered	**257,520**	**-**	**-**	**257,520**	**(245,500)**	**12,020**

1. Unspent funds of $5.357 million in 2022-23 Departmental Capital Budget was re-appropriated as operating and is therefore, subject to a formal reduction. The current year unspent administered appropriation includes $0.068 million section 51 withholding quarantine. These funds are considered legally available appropriations as at 30 June 2023.

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

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

Annual Appropriations for 2022

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

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

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

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

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

Authority	2023 $'000	2022 $'000
Departmental		
Appropriation Act (No. 1) 2020-21[1]	**2,754**	2,754
Appropriation Act (No. 1) 2021-22[2]	**789**	100,018
Appropriation Act (No. 1) 2021-22 - DCB	**-**	5,159
Appropriation Act (No. 3) 2021-22	**-**	3,676
Supply Act (No. 1) 2022-23 - DCB[3]	**3,682**	-
Supply Act (No. 2) 2022-23 - Equity	**126**	-
Supply Act (No. 3) 2022-23	**77,089**	-
Supply Act (No. 3) 2022-23 - DCB[4]	**3,865**	-
Supply Act (No. 4) 2022-23 - Equity	**177**	-
Appropriation Act (No. 1) 2022-23	**34,111**	-
Appropriation Act (No. 3) 2022-23	**1,265**	-
Cash at Bank	**305**	424
Total departmental	**124,163**	112,031

Authority	2023 $'000	2022 $'000
Administered		
Appropriation Act (No. 1) 2019-2020[5]	**-**	959
Appropriation Act (No. 3) 2019-2020[5]	**-**	4,682
Supply Act (No.1) 2020-2021[6]	**523**	524
Appropriation Act (No. 1) 2020-2021[6]	**45,156**	45,156
Appropriation Act (No. 3) 2020-2021[6]	**2,544**	2,544
Appropriation Act (No. 1) 2021-2022	**3,730**	3,730
Appropriation Act (No. 3) 2021-2022	**38,037**	38,037
Appropriation Act (No. 4) 2021-2022[7]	**6,153**	6,153
Supply Act (No. 1) 2022-2023	**646**	-
Appropriation Act (No. 1) 2022-2023[8]	**11,374**	-
Total administered	**108,163**	101,785

1. Appropriation Act (No.1) 2020-2021 includes unspent funds of $2.754 million in relation to two programs that terminated during 2020-2021 that are required to be returned to the Consolidated Revenue Fund in accordance with Government decisions and are therefore, subject to a formal reduction. These funds are considered legally available appropriations as at 30 June 2023.

2. Appropriation Act (No.1) 2021-2022 includes unspent funds of $0.789 million in relation to unspent grant funding that is required to be returned to the Consolidated Revenue Fund in accordance with Government decisions and is therefore, subject to a formal reduction. These funds are considered legally available appropriations as at 30 June 2023.

3. Supply Act (No.1) 2022-2023 - DCB includes reallocated funds of $3.682 million. These funds are considered legally available appropriations as at 30 June 2023.

4. Supply Act (No.3) 2022-2023 - DCB includes reallocated funds of $1.675 million. These funds are considered legally available appropriations as at 30 June 2023.

5. 2019-2020 Appropriation Acts were repealed on 1 July 2022.

6. 2020-2021 Appropriation Acts and Supply Acts will self-repeal on 1 July 2023.

7. Appropriation Act (No.4) 2021-2022 includes unspent funds of $6.153 million. The funds are subject to PGPA Act section 51 withholding quarantine and are considered legally available appropriations as at 30 June 2023.

8. Appropriation Act (No.1) 2022-2023 includes unspent funds of $0.068 million. The funds are subject to PGPA Act section 51 withholding quarantine and are considered legally available appropriations as at 30 June 2023.

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

Authority	Appropriation applied 2023 $'000	2022 $'000
Australian Business Growth Fund (Coronavirus Economic Response Package) Act 2020, s18	**(20,000)**	(12,407)
Commonwealth Places (Mirror Taxes) Act 1998, s23(4)	**(761,736)**	(648,522)
Federal Financial Relations Act 2009, s22	**(118,944,789)**	(109,220,904)
Guarantee of Lending to Small and Medium Enterprises (Coronavirus Economic Response Package) Act 2020, s6	**(8,819)**	(5,685)
International Finance Corporation Act 1955, s5	**(31,513)**	(27,776)
International Monetary Agreements Act 1947, s7(4)	**(121,000)**	(285,852)
International Monetary Agreements Act 1947, s8	**(415,145)**	(17,833)
International Monetary Agreements Act 1947, s8C(3)	**(750,000)**	(650,000)
International Monetary Agreements Act 1947, s9	**(33,487)**	(29,516)
Total	**(121,086,489)**	(110,898,495)

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

Asian Development Bank (Additional Subscription) Act 1972, s7
Asian Development Bank (Additional Subscription) Act 1977, s7
Asian Development Bank (Additional Subscription) Act 1983, s6
Asian Development Bank (Additional Subscription) Act 1995, s6
Asian Development Bank (Additional Subscription) Act 2009, s6
Asian Development Bank Act 1966, s4
Asian Infrastructure Investment Bank Act 2015, s7
Banking Act 1959, s69(8)
European Bank for Reconstruction and Development Act 1990, s4
Financial Agreements (Commonwealth Liability) Act 1932, s4(3)
Guarantee of State and Territory Borrowing Appropriation Act 2009, s5
Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008, s5
International Bank for Reconstruction and Development (General Capital Increase) Act 1989, s6
International Bank for Reconstruction and Development (Share Increase) Act 1988, s5(1)
International Financial Institutions (Share Increase) Act 1982, s7(1)
International Financial Institutions (Share Increase) Act 1986, s7(1)
International Monetary Agreements Act 1947, s5a(6)
International Monetary Agreements Act 1947, s8A
International Monetary Agreements Act 1947, s8B(2)
International Monetary Agreements Act 1947, s8CA(4)
International Monetary Agreements Act 1947, s8CAA(2)
International Monetary Agreements Act 1960, s4
International Monetary Agreements Act 1974, s6
Medicare Guarantee Act 2017, s18
Multilateral Investment Guarantee Agency Act 1997, s4
National Housing Finance and Investment Corporation Act 2018, s48A
Papua New Guinea Loans Guarantee Act 1975, s4
Public Governance, Performance and Accountability Act 2013, s77
State Grants Act 1927, s7
Superannuation Industry (Supervision) Act 1993, s231(4)
Terrorism and Cyclone Insurance Act 2003, s37, s42(3)

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

2023	**Department of Education** Payments to the States and Territories: Education services **$'000**	**Department of Climate Change, Energy, the Environment and Water** Payments to the States and Territories: Water for the Environment Special Account **$'000**
Total receipts	**28,774,464**	**197,510**
Total payments	**28,774,464**	**197,510**

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

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

6.2. Special Accounts

	National Housing Finance and Investment Corporation Special Account[1]		Medicare Guarantee Fund (Treasury) Special Account[2]	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Balance as at 1 July (represented by cash held in the OPA)	**965,521**	747,269	**-**	-
Increases				
Statutory credits	**-**	165,000	**46,467,038**	44,867,877
Other receipts	**-**	138,614	**-**	-
Total increases	**-**	303,614	**46,467,038**	44,867,877
Available for payments	**965,521**	1,050,883	**46,467,038**	44,867,877
Decreases				
Payments made to other entities	**(41,629)**	(85,362)	**-**	-
Transfers made to Medicare Guarantee Fund (Health) Special Account	**-**	-	**(46,467,038)**	(44,867,877)
Total decreases	**(41,629)**	(85,362)	**(46,467,038)**	(44,867,877)
Total balance carried to the next period	**923,892**	965,521	**-**	-
Balance represented by				
Cash held in Official Public Account	**923,892**	965,521	**-**	-
Balance as at 30 June (represented by cash held in the OPA)	**923,892**	965,521	**-**	-

	Fuel Indexation (Road Funding) Special Account[3]		COAG Reform Fund Special Account[4]	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Balance as at 1 July (represented by cash held in the OPA)	**-**	-	**200,000**	50,000
Increases				
Statutory credits	**1,072,000**	1,001,000	**17,932,060**	21,715,633
Other receipts	**-**	-	**2,272,521**	2,472,256
Total increases	**1,072,000**	1,001,000	**20,204,581**	24,187,889
Available for payments	**1,072,000**	1,001,000	**20,404,581**	24,237,889
Decreases				
Payments made to States and Territories	**-**	-	**(20,380,496)**	(24,037,889)
Transfer made to COAG Reform Fund Special Account	**(1,072,000)**	(1,001,000)	**-**	-
Total decreases	**(1,072,000)**	(1,001,000)	**(20,380,496)**	(24,037,889)
Total balance carried to the next period	**-**	-	**24,085**	200,000
Balance represented by				
Cash held in Official Public Account	**-**	-	**24,085**	200,000
Balance as at 30 June (represented by cash held in the OPA)	**-**	-	**24,085**	200,000

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

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

3. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
Establishing instrument: *Fuel Indexation (Road Funding) Special Account Act 2015*, section 7.
Purpose: To ensure that amounts equal to the net revenue from indexation on customs and excise duties on fuel are transferred to the Council of Australian Governments (COAG) Reform Fund in order to provide funding to the States and Territories for expenditure in relation to Australian road infrastructure investment.

4. Appropriation*: Public Governance, Performance and Accountability Act 2013*, section 80.
Establishing instrument: *COAG Reform Fund Act 2008*, section 5.
Purpose: For the making of grants of financial assistance to the States and Territories.
Note: The Treasury makes payments to the States and Territories from the COAG Reform Fund special account based on information provided by other Government departments that have policy and program implementation responsibility.

Financial System Stability Special Account
The Treasury's Financial System Stability special account was established under section 70E of the *Banking Act 1959* for the making of payments authorised under specified sections of the *Banking Act 1959*, the *Insurance Act 1973* and the *Life Insurance Act 1995* and to meet expenses of administering the special account. For the years ended 30 June 2022 and 30 June 2023 this special account had nil balances and no transactions were credited or debited to the account.

Services for Other Entities and Trust Monies Special Account (SOETM)
The Treasury SOETM special account 2022 was established under the *Public Governance, Performance and Accountability Act 2013*, section 78 by the establishing instrument *PGPA Act Determination (Treasury SOETM Special Account 2022)*. This instrument came into effect on 28 September 2022. The SOETM's purpose is to disburse amounts held on trust for the benefit of a person other than the Commonwealth or in connection with services performed on or behalf of other governments and bodies. For the year ended 30 June 2023 this account held a nil balance and no transactions were credited or debited to the account.
The Treasury's SOETM special account established under the *Public Governance, Performance and Accountability Act 2013*, section 78 by the establishing instrument, *Establishment of SOTEM Special Account - Treasury Determination 2012/09* was repealed on 28 September 2022. For the years ended 30 June 2022 and 30 June 2023 the special account had nil balances and no transactions were credited or debited to the account.

6.3 Net Cash Appropriation Arrangements

	2023 $'000	2022 $'000
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	**(12,947)**	(13,796)
Plus: depreciation/amortisation of assets funded through appropriations (departmental capital budget funding and/or equity injections)[1]	**10,616**	11,102
Plus: depreciation of right-of-use assets[2]	**12,734**	12,499
Less: lease principal repayments[2]	**(11,001)**	(13,148)
Total comprehensive income/(loss) less expenses previously funded through revenue appropriations	**(598)**	(3,343)
Changes in asset revaluation reserve	**17**	250
Net cash Operating Surplus/(Deficit)	**(581)**	(3,093)

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

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

7. Managing uncertainties

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

7.1. Departmental Contingent Assets and Liabilities

Quantifiable Contingencies

Contingent liabilities are nil in 2023 (2022: nil). There were nil quantifiable contingent assets in 2023 (2022: 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 listed below.

Contingent Liabilities

International Monetary Fund (IMF) New Arrangements to Borrow (NAB)

Australia has made a line of credit available to the IMF under its NAB since 1998. This is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The value of Australia's NAB credit arrangement stands at approximately SDR 4.44 billion (approximately A$8.93 billion at 30 June 2023) (2022: SDR 4.44 billion, A$8.59 billion). In January 2021, the NAB was renewed for an additional five year period until 31 December 2025.

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

IMF Bilateral Borrowing Arrangement (BBA)

In addition to the NAB credit line as part of a broad international effort to increase the resources available to the IMF, Australia has made available a SDR 1.986 billion (approximately A$4 billion at 30 June 2023) contingent bilateral loan to the IMF (2022: SDR 1.986 billion, A$3.84 billion). The contingent loan is on terms consistent with separate bilateral loan and note purchase agreements between the IMF and all contributing countries. It will be drawn upon by the IMF only if needed to supplement the IMF's quota and NAB resources and any loans would be repaid in full with interest. Australia's most recent three-year bilateral borrowing arrangement with the IMF commenced in January 2021 and will conclude on 31 December 2023, with the option to extend by one year.

Poverty Reduction and Growth Trust (PRGT)

To help the IMF provide concessional finance and support low-income countries to achieve, maintain, or restore a stable and sustainable macroeconomic position, Australia has made available a SDR 1 billion (approximately A$2.01 billion at 30 June 2023) line of credit (2022: SDR 500 million, A$1.01 billion) to the PRGT, which the IMF is the Trustee of. This contingent loan is on terms consistent with other PRGT loan agreements between the IMF and all contributing countries. It will be drawn by the IMF as they provide new loans through the PRGT, and any loans will be repaid in full with interest. Australia's loan agreements with the PRGT were created in 2020 and 2022 and drawings may be made until 31 December 2029. As at 30 June 2023, the undrawn balance on the line of credit is SDR 789.4 million (approximately A$1.59 billion) (2022: SDR 289.4 million, A$560 million).

Resilience and Sustainability Trust

On 11 October 2022, the Australian government entered into an agreement to make a SDR 760 million (approximately A$1.53 billion as at 30 June 2023) line of credit available to the IMF under the Resilience and Sustainability Trust's (RST) Loan Account through to 30 November 2030. The RST Loan Account provides affordable long-term financing to help vulnerable countries build economic resilience and sustainability to address the risks stemming from climate change and pandemics. RST Loan Account funds are drawn upon by the IMF as needed and will be repaid in full with interest. As at 30 June 2023, the undrawn balance on the line of credit is SDR 745.83 million (approximately A$1.5 billion). Please refer to note 5.1C Investments for more details on the RST.

International financial institutions — uncalled capital subscriptions

The Australian Government has held an uncalled capital subscription to the International Bank for Reconstruction and Development (IBRD) since 1947. Australia's uncalled capital subscription to the IBRD totals US$4.2 billion (estimated value A$6.35 billion as at 30 June 2023).

The Australian Government has held an uncalled capital subscription to the European Bank for Reconstruction and Development (EBRD) since 1991. Australia's uncalled capital subscription to the EBRD totals EUR237.5 million (estimated value A$389.47 million as at 30 June 2023).

The Australian Government has held an uncalled capital subscription to the Asian Development Bank (ADB) since 1966. Australia's uncalled capital subscription to the ADB totals US$7.0 billion (estimated value A$10.62 billion as at 30 June 2023).

The Australian Government holds an uncalled capital subscription to the Multilateral Investment Guarantee Agency (MIGA) of US$26.5 million (estimated value A$39.92 million as at 30 June 2023).

The Australian Government holds an uncalled capital subscription to the Asian Infrastructure Investment Bank (AIIB) of US$3.0 billion (estimated value A$4.45 billion as at 30 June 2023).

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

Australian Business Growth Fund

The Australian Government holds an uncalled capital subscription to the Australian Business Growth Fund (ABGF). The uncalled capital subscription to the ABGF totals $62.8 million as at 30 June 2023 (2022: $82.8 million). The Commonwealth committed $100 million in total to the ABGF, but drawdown is capped at 20% per year of its total commitment.

Guarantee by Commonwealth – Reserve Bank of Australia (RBA)

The Australian Government guarantees the liabilities of the Reserve Bank of Australia, measured as the Bank's total liabilities excluding capital, reserves, and Australian Government deposits. As at 30 June 2023, the RBA's liabilities exceeded its assets by $17.7 billion ($12.4 billion at 20 June 2022) in accordance with its audited financial statements. The net liability position reflects:

- unrealised valuation losses recorded on the RBA's holding of Australian dollar government bonds, which resulted from the significant rise in bond yields since 2021-22 (these bonds were purchased as part of the RBA's response to the COVID-19 pandemic, including under the Bond Purchase Program and as part of achieving a target for the yield on the three-year Australian Government bond)

- negative net interest income as increases in the domestic cash rate during 2022-23 resulted in the floating interest rate paid on most of the Bank's liabilities, namely Exchange Settlement balances, becoming higher than the fixed interest rate earned on the Bank's domestic assets (including funds provided under the Term Funding Facility in 2019-20 and 2020-21, through reverse repurchase agreements with a three-year term and at a fixed interest rate of 10 or 25 basis points).

The Treasury's view is informed by the RBA Board advice that the RBA will continue to operate effectively, and in accordance with its functions and objectives set out in the Reserve Bank Act and in the Statement on the Conduct of Monetary Policy.

Unquantifiable Administered Contingencies

Contingent Liabilities

Terrorism insurance — Australian Reinsurance Pool Corporation

The *Terrorism and Cyclone 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.

Cyclone Reinsurance Pool – Australian Reinsurance Pool Corporation

The Government provides an annually reinstated Government guarantee to the ARPC of $10 billion, or a larger amount if required, to support a reinsurance pool for the impact of cyclones and related flooding on eligible insured properties. The guarantee took effect from 1 July 2022 and may be called upon in the event of a large cyclone and related flooding, to ensure the ARPC can pay any and all liabilities.

The reinsurance pool is designed to be cost-neutral to Government over time, based on the predicted cost and frequency of cyclone events. The estimated value and range of calls on the guarantee is unquantifiable due to significant uncertainty in the frequency and severity of cyclones and the resulting losses.

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

The Commonwealth has agreed to make available amounts up to $1 billion to NHFIC's Affordable Housing Bond Aggregator (AHBA) via a loan, as outlined in Note 6.2 Special Account. 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 Australian Government guarantees the due payment of money payable by the National Housing Finance and Investment Corporation (NHFIC) to anybody other than the Government.

The NHFIC Board must not allow NHFIC to enter into a transaction that would result in the total guaranteed liabilities of the NHFIC, and any outstanding amount which NHFIC has borrowed from the Government, to exceed $7.5 billion unless approved by the Government.

Disaster Recovery Funding Arrangements (DRFA)

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

The DRFA provision at 30 June 2023 includes estimated payments for disaster events that occurred prior to 1 July 2023, except for new events that occurred during the 2022-23 financial year for which costs cannot yet be quantified reliably. There were three such events that are included in the DRFA contingent liability. These are:

- North Victorian Storms (commencing 7 June 2023);
- Southwest Queensland Flooding (4 June – 7 July 2023); and
- East Arnhem Region Flooding (NT) (16 April to 18 April 2023).

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

Indemnities for specialised external advisers during the COVID-19 pandemic

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

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

Contingent Assets

Burden sharing in the International Monetary Fund (IMF) remuneration

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

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

7.3. Financial Instruments

	2023 $'000	2022 $'000
Note 7.3A: Categories of Financial Instruments		
Financial assets at amortised cost		
Cash and cash equivalents	**305**	424
Trade and other receivables - Goods and services receivables	**8,917**	4,476
Trade and other receivables - Other receivables	**734**	1,035
Total financial assets at amortised cost	**9,956**	5,935
Financial Liabilities		
Financial liabilities measured at amortised cost		
Suppliers	**22,639**	15,095
Other payables	**6,949**	5,211
Total financial liabilities measured at amortised cost	**29,588**	20,306
Total financial liabilities	**29,588**	20,306

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 don't meet the criteria of financial assets held at amortised cost or at FVOCI (i.e. mandatorily held at FVTPL) or may be designated.

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

Impairment of Financial Assets

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

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

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

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

Financial Liabilities at Fair Value Through Profit or Loss

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

Financial Liabilities at Amortised Cost

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

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent the goods or services have been received (and irrespective of having been invoiced).

7.4. Administered - Financial Instruments

	2023 $'000	2022 $'000
Note 7.4A: Categories of Financial Instruments		
Financial assets at amortised cost		
Cash and cash equivalents	**947,977**	1,165,521
Loans to States and Territories	**31,905**	47,858
Loans to NHFIC	**76,108**	34,479
IMF NAB loans	**25,658**	57,412
IMF PRGT loan	**423,592**	-
IMF RST Loan	**28,515**	-
Concessional Loans	**1,944,568**	2,045,972
Guarantee of State and Territory Borrowing fee receivable	**-**	56
Accrued interest - IMF related transactions	**106,264**	17,615
Accrued interest - loans to NHFIC	**1,218**	124
Accrued interest - international loans	**35,638**	13,987
GST revenue allocation	**385,240**	-
Other receivables	**-**	99
Total assets at amortised cost	**4,006,683**	3,383,123
Financial assets at fair value through other comprehensive income		
International financial institutions	**2,994,362**	2,816,256
Australian Government entities	**1,787,275**	1,331,605
Australian Business Growth Fund	**28,689**	14,314
IMF Quota	**13,221,485**	12,715,032
IMF SDR holdings	**10,295,664**	12,186,786
IMF PRGT investment	**2,011,668**	-
IMF RST reserve account	**30,577**	-
IMF RST deposit account	**305,774**	-
Total assets at fair value through other comprehensive income	**30,675,494**	29,063,993
Financial assets at fair value through profit or loss		
Borrowing contractual fee receivable	**-**	553
Total assets at fair value through profit or loss	**-**	553
Total financial assets	**34,682,177**	32,447,669
Financial Liabilities		
Financial liabilities measured at amortised cost:		
Promissory notes	**8,706,866**	8,657,222
Grants payables	**380,503**	1,252,274
IMF SDR allocation liability	**18,874,514**	18,151,520
IMF related monies owing	**120,458**	20,009
IMF Maintenance of Value	**735,811**	168,136
Total financial liabilities measured at amortised cost	**28,818,152**	28,249,161
Financial liabilities measured at fair value through profit or loss:		
Guarantee of State and Territory Borrowing contractual guarantee service obligation	**-**	553
Financial guarantees	**753,813**	655,093
Total financial liabilities measured at fair value through profit or loss	**753,813**	655,646
Total financial liabilities	**29,571,965**	28,904,807

	2023 $'000	2022 $'000
Note 7.4B: Net Gains and Losses on Financial Assets		
Financial assets at amortised cost		
Interest revenue[1]	**214,723**	122,934
Concessional Loan Discount Expense	**(397,659)**	(303,892)
Exchange gains/(loss)	**18,468**	8,782
Net gains/(losses) on financial assets at amortised cost	**(164,468)**	(172,176)
Financial assets at fair value through other comprehensive income		
Gains / (losses) recognised in equity	**285,045**	(22,308,742)
Interest revenue	**441,546**	31,414
Dividend revenue	**-**	1,965
Exchange gains/(loss)	**1,104,755**	152,989
Net gains/(losses) on financial assets at fair value through other comprehensive income	**1,831,346**	(22,122,374)
Financial assets at fair value through profit and loss		
Guarantee of State and Territory Borrowing fee	**560**	1,008
Net gains/(losses) on financial assets at fair value through profit and loss	**560**	1,008
Net gains/(losses) on financial assets	**1,667,438**	(22,293,542)

1. Includes unwinding of the concessional loan discount.

	2023 $'000	2022 $'000
Note 7.4C: Net Gains and Losses on Financial Liabilities		
Financial liabilities measured at amortised cost		
Charges on SDR allocations	**(515,583)**	(37,357)
Exchange gains/(loss)	**(1,461,323)**	(14,362)
Net gains/(losses) on financial liabilities measured at amortised cost	**(1,976,906)**	(51,719)
Financial liabilities measured at fair value through profit or loss		
Change in fair value	**(106,626)**	182,032
Net gains/(losses) on financial liabilities at fair value through profit or loss	**(106,626)**	182,032
Net gains/(losses) on financial liabilities	**(2,083,532)**	130,313

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' (2023: $3.1 billion and 2022: $2.2 billion) and the carrying amount of equity accounted instruments (2023: $30.7 billion and 2022: $29.1 billion) 'available for sale financial assets'.

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

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

Note 7.4E: Liquidity risk

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

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

Maturities for financial liabilities in 2023

	On demand $'000	**Within 1 year $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**> 5 years $'000**	**Total $'000**
Promissory notes	-	-	-	-	**8,706,866**	**8,706,866**
Grant liabilities	-	**380,503**	-	-	-	**380,503**
IMF SDR allocation liabilities	-	-	-	-	**18,874,514**	**18,874,514**
Financial guarantees	-	**65,521**	**83,023**	**386,165**	**219,104**	**753,813**
Other payables	-	**856,269**	-	-	-	**856,269**
Total	-	**1,302,293**	**83,023**	**386,165**	**27,800,484**	**29,571,965**

Maturities for financial liabilities in 2022

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

Note 7.4F: Market risk

Interest rate risk

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

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

Foreign currency risk

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

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

The following table details the effect on profit and equity as at 30 June 2023 from an 8.5 per cent (30 June 2022 from an 8.3 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 2023

			Effect on	
	Risk variable	Change in risk variable %	Net cost of services 2023 $'000	Net assets 2023 $'000
IFI investments	Exchange rate	8.5	(234,073)	(234,073)
IFI investments	Exchange rate	(8.5)	277,450	277,450
IMF Quota	Exchange rate	8.5	(1,033,538)	(1,033,538)
IMF Quota	Exchange rate	(8.5)	1,225,068	1,225,068
IMF SDR holdings asset	Exchange rate	8.5	(804,823)	(804,823)
IMF SDR holdings asset	Exchange rate	(8.5)	953,969	953,969
IMF PRGT investment	Exchange rate	8.5	(157,254)	(157,254)
IMF PRGT investment	Exchange rate	(8.5)	186,396	186,396
IMF RST reserve account	Exchange rate	8.5	(2,390)	(2,390)
IMF RST reserve account	Exchange rate	(8.5)	2,833	2,833
IMF RST deposit account	Exchange rate	8.5	(23,903)	(23,903)
IMF RST deposit account	Exchange rate	(8.5)	28,332	28,332
Accrued interest - IMF related transactions	Exchange rate	8.5	(8,307)	(8,307)
Accrued interest - IMF related transactions	Exchange rate	(8.5)	9,846	9,846
IMF NAB loans	Exchange rate	8.5	(2,006)	(2,006)
IMF NAB loans	Exchange rate	(8.5)	2,377	2,377
IMF PRGT loan	Exchange rate	8.5	(33,113)	(33,113)
IMF PRGT loan	Exchange rate	(8.5)	39,249	39,249
IMF RST loan	Exchange rate	8.5	(2,229)	(2,229)
IMF RST loan	Exchange rate	(8.5)	2,642	2,642
Promissory notes	Exchange rate	8.5	5,236	5,236
Promissory notes	Exchange rate	(8.5)	(6,206)	(6,206)
IMF SDR allocation liability	Exchange rate	8.5	1,475,441	1,475,441
IMF SDR allocation liability	Exchange rate	(8.5)	(1,748,862)	(1,748,862)
IMF related money owing	Exchange rate	8.5	9,416	9,416
IMF related money owing	Exchange rate	(8.5)	(11,161)	(11,161)

Sensitivity analysis of the risk that the entity is exposed to for 2022

	Risk variable	Change in Risk variable %	Effect on Net cost of services 2022 $'000	Net assets 2022 $'000
IFI investments	Exchange rate	8.3	(216,075)	(216,075)
IFI investments	Exchange rate	(8.3)	255,242	255,242
IMF SDR holdings asset	Exchange rate	8.3	(935,022)	(935,022)
IMF SDR holdings asset	Exchange rate	(8.3)	1,104,506	1,104,506
Accrued interest - IMF related transactions	Exchange rate	8.3	(1,352)	(1,352)
Accrued interest - IMF related transactions	Exchange rate	(8.3)	1,597	1,597
IMF NAB loans	Exchange rate	8.3	(4,405)	(4,405)
IMF NAB loans	Exchange rate	(8.3)	5,203	5,203
IMF PRGT loan	Exchange rate	8.3	(29,872)	(29,872)
IMF PRGT loan	Exchange rate	(8.3)	35,287	35,287
IMF Quota	Exchange rate	8.3	(975,551)	(975,551)
IMF Quota	Exchange rate	(8.3)	1,152,382	1,152,382
Promissory notes	Exchange rate	8.3	4,946	4,946
Promissory notes	Exchange rate	(8.3)	(5,842)	(5,842)
IMF SDR allocation liability	Exchange rate	8.3	1,392,661	1,392,661
IMF SDR allocation liability	Exchange rate	(8.3)	(1,645,099)	(1,645,099)
IMF related money owing	Exchange rate	8.3	1,535	1,535
IMF related money owing	Exchange rate	(8.3)	(1,813)	(1,813)

Accounting Policy

Administered financial instruments

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

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

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

- International Monetary Fund (IMF) related monies receivable;
- Loans to the IMF under the New Arrangements to Borrow;
- Loans to the IMF under the Poverty Reduction and Growth Trust;
- Loans to the IMF under the Resilience and Sustainability Trust;
- Loans to National Housing Finance and Investment Corporation (NHFIC);
- Loans to States and Territories;
- Loans to AEMO;
- International assistance loans;
- GST revenue allocation receivable; and
- Accrued interest.

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:

- The IMF quota and Special Drawing Right (SDR) holdings;

- Investments in the IMF PRGT and RST;
- Investments in development banks;
- Investment in the Australian Business Growth Fund; and
- Investments in Government entities.

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

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

The contractual terms of promissory notes are non-interest bearing making the effective interest rate nil. Therefore, the measurement would be the initial value less any repayments plus or minus movements in exchange rates as a result of translation on the balance date.

The Treasury's administered financial guarantee contracts relate to the Small and Medium Enterprises recovery loan schemes. They are classified as financial liabilities at fair value through profit or loss. They are not treated as contingent liabilities, as they are regarded as financial instruments outside the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

The amounts recognised for the Small and Medium Enterprises recovery loan schemes financial guarantee contracts are the expected losses on the total loan balance discounted to reporting date for these Schemes.

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

7.5. Fair Value Measurement

Note 7.5A: Fair value measurement

	Fair value measurements at the end of the reporting period	
	2023	2022
	$'000	$'000
Non-financial assets[1,2]		
Property, plant and equipment - Assets Under Construction (AUC)	**521**	3,136
Property, plant and equipment	**9,337**	7,297
Library	**764**	764
Buildings - AUC	**207**	-
Buildings	**18,293**	21,817
Total non-financial assets	**29,122**	33,014

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 2023.

Accounting Policy

Comprehensive valuations are carried out once every three years. In the intervening years, an annual materiality review is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. The Treasury appointed Jones Lang LaSalle (JLL) to undertake this review of all tangible property, plant and equipment assets as at 30 June 2023. The last full valuation was completed as at 30 June 2021 the next valuation is scheduled for 30 June 2024.

Accounting judgements and estimates

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

Replacement cost

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

All Asset Classes - Physical Depreciation and Obsolescence

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

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

7.6. Administered - Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value.
The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Note 7.6A: Fair Value Measurements, Valuation Techniques and Inputs Used
Recurring fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2023

	Fair value measurements at the end of the reporting period using			
	2023 $'000	2022 $'000	**Category (Level 1, 2 or 3)**	**Valuation technique(s) and inputs used[1]**
Financial assets:				
International financial institutions:	**2,994,362**	2,816,256	**3**	**Value of shares held**
Asian Development Bank	***617,924***	*594,254*		
Asian Infrastructure and Investment Bank	***1,113,423***	*1,071,563*		
European Bank for Reconstruction and Development	***102,640***	*95,007*		
International Bank for Reconstruction and Development	***483,206***	*433,442*		
International Finance Corporation	***667,816***	*612,989*		
Multilateral Investment Guarantee Agency	***9,353***	*9,001*		
Australian Government entities:	**1,787,275**	1,331,605	**3**	**Net assets**
Reserve Bank of Australia	-	-		
Australian Reinsurance Pool Corporation	***953,250***	*707,473*		
NHFIC	***834,025***	*624,132*		
Other investments:	**28,689**	14,314	**3**	**Net assets**
Australian Business Growth Fund	***28,689***	*14,314*		
Other investments:	**25,865,168**	24,901,818	**3**	**Value of quota held / SDRs lent**
IMF Quota	***13,221,485***	*12,715,032*		
IMF SDR holdings	***10,295,664***	*12,186,786*		
IMF PRGT investment	***2,011,668***	-		
IMF RST reserve account	***30,577***	-		
IMF RST deposit account	***305,774***	-		
Total financial assets	**30,675,494**	29,063,993		
Total fair value measurements	**30,675,494**	29,063,993		

1. 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	
	2023	2022
	$'000	$'000
As at 1 July	**29,063,993**	38,525,891
Total gains/(losses) recognised in other comprehensive income	**285,045**	(22,308,742)
Total gains/(losses) recognised in net cost of services		
IMF Quota foreign exchange gain/(loss)	**506,453**	241,318
IMF SDR holdings foreign exchange gain/(loss)	**508,615**	(272,371)
IMF PRGT investment foreign exchange gain/(loss)	**(26,237)**	
IMF RST reserve account foreign exchange gain/(loss)	**256**	
IMF RST depsoit account foreign exchange gain/(loss)	**2,562**	
International Financial Institutions (IFI) foreign exchange gain/(loss)	**113,106**	184,042
Share Purchases		
Increase in investments in ABGF	**20,000**	12,407
Increase in investments in NHFIC	**165,000**	165,000
Increase in investments in the IFI	**65,000**	57,292
Issues		
IMF SDR holdings allocation	**-**	12,459,156
Transfers out of Level 3		
IMF SDR holdings transferred to IMF RST Loan	**(28,299)**	-
Total as at 30 June	**30,675,494**	29,063,993
Changes in unrealised gains/(losses) recognised in net cost of services for the year ended 30 June	**1,104,755**	152,989

8. Other Information

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

	2023 $'000	2022 $'000
Note 8.1A: Current/non-current distinction for assets and liabilities		
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	**305**	424
Trade and other receivables	**127,198**	115,159
Prepayments	**6,028**	3,799
Total no more than 12 months	**133,531**	119,382
More than 12 months		
Land and buildings	**140,565**	152,341
Plant and equipment	**10,671**	11,220
Intangibles	**4,328**	8,420
Trade and other receivables	**-**	73
Prepayments	**595**	856
Total more than 12 months	**156,159**	172,910
Total assets	**289,690**	292,292
Liabilities expected to be settled in:		
No more than 12 months		
Suppliers		
Suppliers	**22,639**	15,095
Other payables	**6,949**	5,211
Leases	**11,089**	11,097
Employee provisions	**17,676**	17,489
Total no more than 12 months	**58,353**	48,892
More than 12 months		
Loans		
Leases	**122,231**	129,144
Employee provisions	**58,447**	54,703
Provision for restoration	**5,974**	5,704
Total more than 12 months	**186,652**	189,551
Total liabilities	**245,005**	238,443

	2023 $'000	2022 $'000
Note 8.1B: Administered - Current/non-current distinction for assets and liabilities		
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	**947,977**	1,165,521
Trade and other receivables	**518,839**	27,249
Loans	**123,408**	190,168
Total no more than 12 months	**1,590,224**	1,382,938
More than 12 months		
Trade and other receivables	**9,624**	5,308
Loans	**2,406,938**	1,995,553
Investments	**30,675,494**	29,063,993
Total more than 12 months	**33,092,056**	31,064,854
Total assets	**34,682,280**	32,447,792
Liabilities expected to be settled in:		
No more than 12 months		
Grants	**380,503**	1,252,274
IMF and other payables	**856,269**	202,608
Unearned income	**-**	553
Financial guarantees	**65,521**	46,250
Provisions	**3,656,640**	1,891,306
Total no more than 12 months	**4,958,933**	3,392,991
More than 12 months		
IMF and other payables	**18,874,514**	18,151,520
Promissory notes	**8,706,866**	8,657,222
Financial guarantees	**688,292**	608,843
Provisions	**2,819,088**	3,680,874
Total more than 12 months	**31,088,760**	31,098,459
Total liabilities	**36,047,693**	34,491,450

9. Budgetary Reports and Explanation of Major Variances

9.1. Departmental Budgetary Reports

Statement of Comprehensive Income
for the period ended 30 June 2023

	Actual 2023 $'000	Original Budget[1] 2023 $'000	Variance to Original Budget[2] 2023 $'000
NET COST OF SERVICES			
Expenses			
Employee benefits	**240,685**	**223,033**	17,652
Suppliers	**109,882**	**127,440**	(17,558)
Grants	**703**	**555**	148
Depreciation and amortisation	**23,350**	**13,957**	9,393
Write-down and impairment of assets	**503**	**-**	503
Finance costs	**1,974**	**1,733**	241
Foreign exchange losses	**9**	-	9
Total expenses	**377,106**	**366,718**	10,388
Own-source income			
Own-source revenue			
Sale of goods and rendering of services	**13,654**	**10,251**	3,403
Other revenues	**6,591**	**4,954**	1,637
Total own-source revenue	**20,245**	**15,205**	5,040
Gains			
Other gains	**142**	-	142
Total gains	**142**	-	142
Total own-source income	**20,387**	**15,205**	5,182
Net cost of services	**(356,719)**	**(351,513)**	(5,206)
Revenue from Government	**343,789**	**344,199**	(410)
Surplus / (Deficit)	**(12,930)**	**(7,314)**	(5,616)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves	**(17)**	-	(17)
Total other comprehensive income	**(17)**	-	(17)
Total comprehensive income/(loss) attributable to the Australian Government	**(12,947)**	**(7,314)**	(5,633)

1. The Treasury's original budgeted financial statement first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2022-23 October Portfolio Budget Statements (PBS)).

2. Between the actual and total original budgeted amounts for 2023. Explanations of major variances (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
Employee benefits is $17.6 million (8%) over budget, this is driven by the following factors; - An increase in average staffing level from 1,438 in 2021-22 to 1,469 in 2022-23. - In November 2022 the Public Sector Interim Workplace Arrangement 2022 released by APSC provided for a 3% increase in salary and wages for staff within Treasury. - Finally the increase in the 10 year bond rate used for Long Service Leave has resulted in annual and long service leave expenses being $10.5 million higher than budget.	Employee Benefits
Supplier expense is $17.5 million (14%) under budget due to the following factors: - A reduction in consultancy expenditure across various divisions. - An underspend in the following; conference and training expenses, legal expenses and travel expenses. - Property operating expenses were underspent due to a reduction in security costs and the budget overstated the expected rental payments. - These underspends were partially offset by an overspend in contractors.	Suppliers
Depreciation and amortisation is $9.4 million (67%) more than the original budget as a result of the current and prior year additional Right-Of-Use (ROU) assets and leasehold improvements.	Depreciation and amortisation
Sale of goods and rendering of services is $3.403 million (33%) more than the original budget, due to an increase in cost recoveries not budgeted for relating to review work performed on behalf of the Australian Taxation Office (ATO) and an expanded work program with the Department of Foreign Affairs and Trade (DFAT).	Sale of goods and rendering of services
Other revenues is $1.637 million (33%) more than the original budget, due to an increase in secondments received free of charge this year compared to budget.	Other revenues

Statement of Financial Position
as at 30 June 2023

	Actual	Original Budget[1]	Variance to Original Budget[2]
	2023	**2023**	2023
	$'000	**$'000**	$'000
ASSETS			
Financial assets			
Cash and cash equivalents	**305**	**1,557**	(1,252)
Trade and other receivables	**127,198**	**110,822**	16,376
Total financial assets	**127,503**	**112,379**	15,124
Non-financial assets			
Buildings	**140,565**	**143,784**	(3,219)
Plant and equipment	**10,671**	**13,692**	(3,021)
Intangibles	**4,328**	**9,490**	(5,162)
Prepayments	**6,623**	**4,655**	1,968
Total non-financial assets	**162,187**	**171,621**	(9,434)
Total assets	**289,690**	**284,000**	5,690
LIABILITIES			
Payables			
Suppliers	**22,639**	**11,717**	10,922
Other payables	**6,949**	**8,619**	(1,670)
Total payables	**29,588**	**20,336**	9,252
Interest bearing liabilities			
Leases	**133,320**	**134,743**	(1,423)
Total interest bearing liabilities	**133,320**	**134,743**	(1,423)
Provisions			
Employee provisions	**76,123**	**72,899**	3,224
Provision for restoration	**5,974**	**5,704**	270
Total provisions	**82,097**	**78,603**	3,494
Total liabilities	**245,005**	**233,682**	11,323
Net assets	**44,685**	**50,318**	(5,633)
EQUITY			
Asset revaluation reserve	**14,076**	**14,093**	(17)
Contributed equity	**124,118**	**124,118**	-
Retained earnings	**(93,509)**	**(87,893)**	(5,616)
Total equity	**44,685**	**50,318**	(5,633)

1. The Treasury's original budgeted financial statement first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2022-23 October Portfolio Budget Statements (PBS)).

2. Between the actual and total original budgeted amounts for 2023. Explanations of major variances (greater than +/- 10% of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
Trade and other receivables were $16.3 million (15%) over budget due to the following factors; - The increase in accruals compared to budget resulting from the various reviews, assessments and framework development undertaken by Treasury, resulting in less appropriation drawdowns prior to the year end. - The additional other receivables compared to budget as a result of the cost recoveries accrued for the review work completed for the ATO. - The additional funding received at PAES. - The unspent equity injection was over budget as the budget assumed this would have been utilised during the financial year.	Trade and other receivables
Non-financial assets (excluding prepayments) are $11.4 million (7%) less than the original budget due to the following factors: - Additions were underestimated by $0.8 million. This is due to acquisitions expensed assumed to be intangibles in the budget. This was partially offset by the increase in ROU additions. - There was a total of $1.2 million in write-offs this financial year which were not budgeted for. - Finally, for the movement in depreciation please refer to Depreciation Expense variance analysis.	Non-financial assets
Prepayments is $1.9 million (42%) more than the original budget due to an increase in software licenses totalling $1.9m.	Prepayments
Suppliers were $10.9 million (93%) over budget due the increased balance of contract liabilities (unearned income) $4.7 million which relates to the timing of when invoices have been raised and services provided. Accrued expenses are $6.93 million higher than budget due to various IT contractor accruals of $2.7 million and the completion of assessments and frameworks not yet paid totalling $4.9 million.	Suppliers
Other payables are $1.7 million (19%) under budget due to the following factors: - Contract liabilities (unearned income) is reported under supplier payable ($4.7 million) compared to other payables in budget ($3.4 million). - The remaining balance consists of salary, superannuation and other payables. The budgeted figures are based on prior year actuals and differ to balances at 30 June due to the increase in average staffing level from 1,438 to 1,469 which results in a higher level of salary and superannuation payable as at 30 June 2023.	Other payables

Statement of Changes in Equity

for the period ended 30 June 2023

	Retained earnings			Asset revaluation surplus			Contributed equity/capital		
	Actual	Original Budget[1]	Variance[2]	Actual	Original Budget[1]	Variance[2]	Actual	Original Budget[1]	Variance[2]
	2023	2023	2023	2023	2023	2023	2023	2023	2023
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance as at 1 July	**(80,579)**	**(80,579)**	-	**14,093**	**14,093**	-	**120,335**	**120,335**	-
Comprehensive income									
Changes in provision for restoration		-	-	**(17)**	-	(17)		-	-
Surplus (Deficit) for the period	**(12,930)**	**(7,314)**	(5,616)	-	-	-	-	-	-
Total comprehensive income	**(12,930)**	**(7,314)**	(5,616)	**(17)**	-	(17)	-	-	-
Transactions with owners									
Contributions by owners									
Equity injection appropriation	-	-	-	-	-	-	**303**	**303**	-
Departmental capital budget appropriation	-	-	-	-	-	-	**3,480**	**3,480**	-
Total transactions with owners	-	-	-	-	-	-	**3,783**	**3,783**	-
Closing balance as at 30 June	**(93,509)**	**(87,893)**	(5,616)	**14,076**	**14,093**	(17)	**124,118**	**124,118**	-

1. The Treasury's original budgeted financial statement first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2022-23 October Portfolio Budget Statements (PBS)).

2. Between the actual and total original budgeted amounts for 2023. Explanations of major variances (greater than +/- 10% of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
Increase in deficit of $5.6 million (77%) relates directly to the Statement of Comprehensive Income variances	Surplus/(Deficit) for the period

Cash Flow Statement
for the period ended 30 June 2023

	Actual	Original Budget[1]	Variance to Original Budget[2]
	2023	2023	2023
	$'000	$'000	$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	**365,548**	**348,609**	16,939
Sale of goods and rendering of services	**8,027**	**10,251**	(2,224)
GST received	**9,549**	**-**	9,549
Other	**3,442**	**772**	2,670
Total cash received	**386,566**	**359,632**	26,934
Cash used			
Employees	**234,927**	**222,296**	12,631
Suppliers	**100,728**	**123,258**	(22,530)
Grants	**703**	**-**	703
Section 74 receipts transferred to OPA	**31,319**	**-**	31,319
GST paid	**9,566**	**-**	9,566
Interest payments on lease liabilities	**1,769**	**1,732**	37
Other	**-**	**555**	(555)
Total cash used	**379,012**	**347,841**	31,171
Net cash from/(used by) operating activities	**7,554**	**11,791**	(4,237)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of plant and equipment	**8**	**-**	8
Total cash received	**8**	**-**	8
Cash used			
Purchase of Buildings	**432**	**-**	432
Purchase of plant and equipment	**2,406**	**8,943**	(6,537)
Purchase of intangibles	**291**	**-**	291
Total cash used	**3,129**	**8,943**	(5,814)
Net cash from/(used by) investing activities	**(3,121)**	**(8,943)**	5,822
FINANCING ACTIVITIES			
Cash received			
Contributed equity - departmental capital budget	**6,449**	**3,783**	2,666
Total cash received	**6,449**	**3,783**	2,666
Cash used			
Principal payments of lease liabilities	**11,001**	**5,498**	5,503
Total cash used	**11,001**	**5,498**	5,503
Net cash from/(used by) financing activities	**(4,552)**	**(1,715)**	(2,837)
Net increase/(decrease) in cash held	**(119)**	**1,133**	(1,252)
Cash at the beginning of the reporting period	**424**	**424**	-
Cash at the end of the reporting period	**305**	**1,557**	(1,252)

1. The Treasury's original budgeted financial statement first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2022-23 October Portfolio Budget Statements (PBS)).
2. Between the actual and total original budgeted amounts for 2023. Explanations of major variances (greater than +/- 10% of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
Operating activities was $4.237 million under budget which is due to a combination of Section 74 transferred to OPA not budgeted for and the underspend in supplier expenses, partially offset by the over spend in employee expenses.	Net cash from/(used by) operating activities
Investing activities was $5.822 million under budget due to under spends for Plant & Equipment and Intangible additions, partly due to acquisitions which have been expensed due to being cloud based arrangements but were assumed to be capitalised in the budget.	Net Cash from/(used by) investing activities
Financing activities was $2.837 million over budget, as the lease principal payments were understated in budget as the budget didn't factor in additional lease liabilities. This was partially offset by capital expenditure of $6.4 million which was $2.6m over budget.	Net Cash from/(used by) financing activities

9.2. Administered Budgetary Reports

Statement of Comprehensive Income
for the period ended 30 June 2023

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2023	2023	2023
	$'000	$'000	$'000
NET COST OF SERVICES			
Expenses			
Grants	**186,092,979**	**189,217,332**	(3,124,353)
Finance costs	**568,897**	**392,197**	176,700
Payments to corporate Commonwealth entities	**49,090**	**43,899**	5,191
Suppliers and increase in provisions	**118,292**	**85,059**	33,233
Concessional loan discount	**397,659**	**13,073**	384,586
Foreign exchange losses	**338,100**	**888,924**	(550,824)
Total expenses	**187,565,017**	**190,640,484**	(3,075,467)
Income			
Revenue			
Non-taxation revenue			
Revenue from contracts with customers	**655,013**	**655,181**	(168)
Interest	**656,269**	**436,228**	220,041
COAG revenue from government agencies	**1,200,521**	**2,114,196**	(913,675)
Other revenue	**96,688**	**95,128**	1,560
Total non-taxation revenue	**2,608,491**	**3,300,733**	(692,242)
Total revenue	**2,608,491**	**3,300,733**	(692,242)
Gains			
Foreign exchange	**-**	**315,664**	(315,664)
Other gains	**13,718**	**-**	13,718
Total gains	**13,718**	**315,664**	(301,946)
Total income	**2,622,209**	**3,616,397**	(994,188)
Net (cost of)/contribution by services	**(184,942,808)**	**(187,024,087)**	2,081,279
Surplus/(Deficit)	**(184,942,808)**	**(187,024,087)**	2,081,279
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Gains/(losses) on financial assets at fair value through other comprehensive income	**285,045**	**-**	285,045
Total comprehensive income	**285,045**	**-**	285,045
Total comprehensive income/(loss)	**(184,657,763)**	**(187,024,087)**	2,366,324

1. Treasury's original budgeted financial statement first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2022-23 October Portfolio Budget Statements (PBS)).

2. Between the actual and original budgeted amounts for 2023. No explanations of major variances are required as no line item is greater than +/- 10% of the original budget and greater than +/- $1 billion.

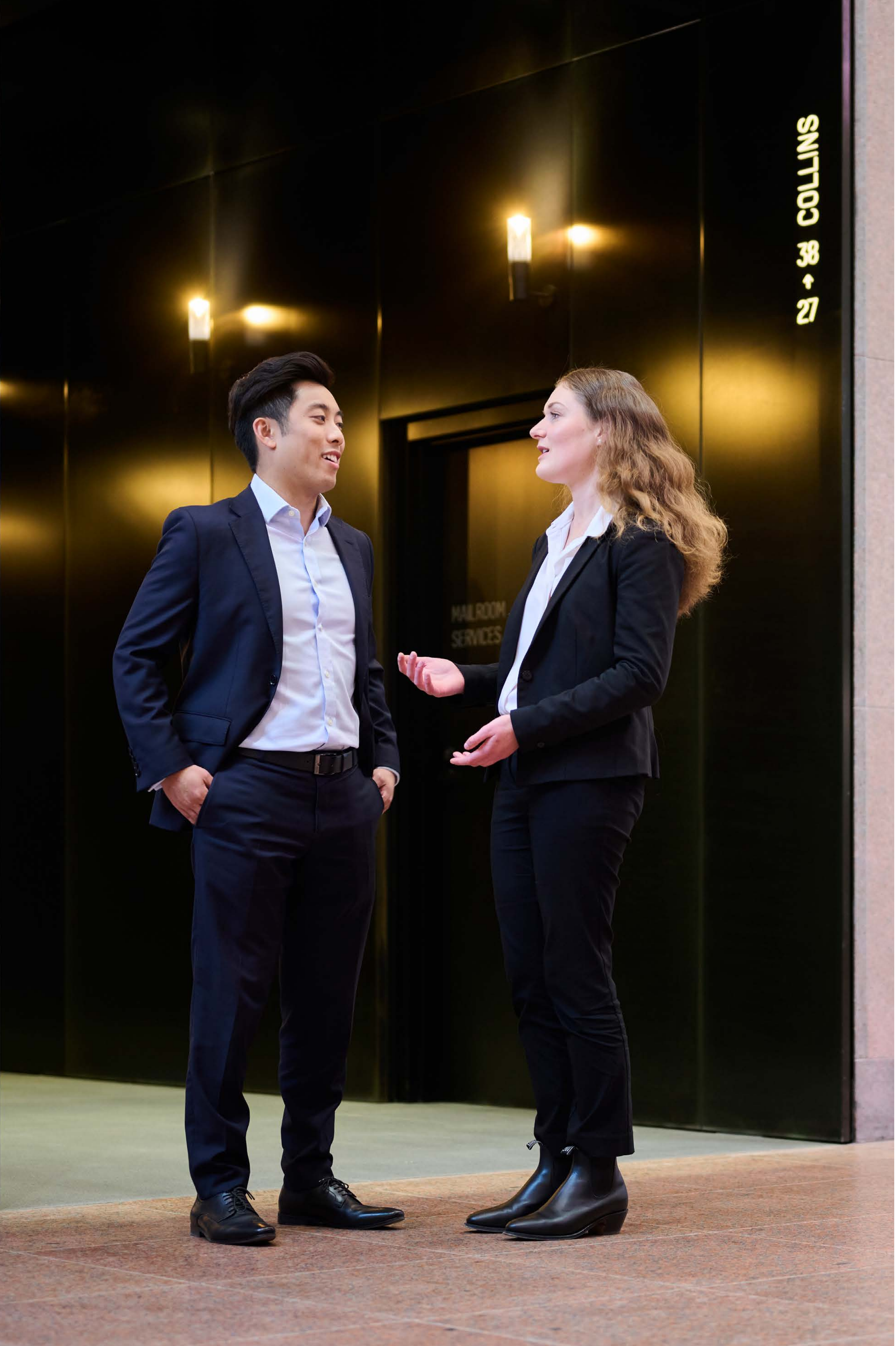
Administered Schedule of Assets and Liabilities
as at 30 June 2023

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2023	**2023**	2023
	$'000	**$'000**	$'000
ASSETS			
Financial assets			
Cash and cash equivalents	**947,977**	**1,061,046**	(113,069)
Loans and other receivables	**3,058,809**	**2,122,895**	935,914
Investments	**30,675,494**	**28,762,104**	1,913,390
Total financial assets	**34,682,280**	**31,946,045**	2,736,235
Total assets administered on behalf of Government	**34,682,280**	**31,946,045**	2,736,235
LIABILITIES			
Payables			
Grants	**380,503**	**88,899**	291,604
IMF and other payables	**19,730,783**	**18,279,208**	1,451,575
Unearned income	**-**	**5**	(5)
Financial Guarantee	**753,813**	**632,723**	121,090
Total payables	**20,865,099**	**19,000,835**	1,864,264
Financial liabilities			
Promissory notes	**8,706,866**	**8,823,713**	(116,847)
Total financial liabilities	**8,706,866**	**8,823,713**	(116,847)
Provisions			
DRFA Provision	**6,454,490**	**4,405,265**	2,049,225
Other provisions	**21,238**	**93,259**	(72,021)
Total provisions	**6,475,728**	**4,498,524**	1,977,204
Total liabilities administered on behalf of Government	**36,047,693**	**32,323,072**	3,724,621
Net assets/(liabilities)	**(1,365,413)**	**(377,027)**	(988,386)

1. Treasury's original budgeted financial statement first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2022-23 October Portfolio Budget Statements (PBS)).

2. Between the actual and original budgeted amounts for 2023. 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
The DRFA Provision is $2.0 billion more than the original budget. The variance is due to new natural disasters from September 2022 to June 2023. The October budget estimates were prepared based on the best available information at 31 August 2022. It is difficult to predict future disasters at the time of budget preparation.	DRFA Provision


27 38 COLLINS
MAILROOM
SERVICES