



# Consolidated Financial Statements for the year ended 30 June 2021

December 2021

Circulated by  
Senator the Honourable Simon Birmingham  
Minister for Finance of the Commonwealth of Australia

Commonwealth of Australia

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2021

CIRCULATED BY

SENATOR THE HONOURABLE SIMON BIRMINGHAM  
MINISTER FOR FINANCE  
OF THE COMMONWEALTH OF AUSTRALIA  
DECEMBER 2021

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### **Internet**

A copy of this document is available on the Department of Finance website at: [www.finance.gov.au](http://www.finance.gov.au).

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# CONTENTS

<b>PREFACE.....</b>	<b>1</b>
<b>COMMENTARY ON THE CONSOLIDATED FINANCIAL STATEMENTS .....</b>	<b>3</b>
Introduction .....	5
Discussion and Analysis.....	8
<b>CONSOLIDATED FINANCIAL STATEMENTS, INCLUDING THE AUSTRALIAN GOVERNMENT AND GENERAL GOVERNMENT SECTOR FINANCIAL REPORTS</b>	<b>23</b>
Independent Audit Report.....	25
Statement of Compliance .....	35
Australian Government operating statement.....	37
Australian Government balance sheet .....	38
Australian Government cash flow statement.....	39
Australian Government statement of changes in equity (net worth) .....	40
<b>SECTOR STATEMENTS .....</b>	<b>41</b>
Australian Government operating statement by sector — including General Government Sector Financial Report.....	43
Australian Government balance sheet by sector — including General Government Sector Financial Report.....	45
Australian Government cash flow statement by sector — including General Government Sector Financial Report.....	48
Australian Government statement of changes in equity (net worth) by sector.....	50
<b>NOTES TO THE FINANCIAL STATEMENTS .....</b>	<b>53</b>



# PREFACE

I am pleased to present the Australian Government's Consolidated Financial Statements (CFS) for the financial year ended 30 June 2021. The CFS presents the whole of government and general government sector (GGS) financial reports, including the audited accounts of 190 entities across the public sector.

The CFS has been prepared in accordance with the regulations of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and applicable Australian Accounting Standards (AAS), including the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049). The CFS shows the results of the Australian Government's financial performance and cash flows for the year ended 30 June 2021 and the Australian Government's financial position as at 30 June 2021.

The COVID-19 pandemic has continued to have a profound impact on Australia's economy across the financial year to 30 June 2021. In response, the Australian Government has provided critical support to affected Australian households, businesses and industries. The financial impact of the Australian Government's necessary response is reflected in the CFS.

The Preface and the Commentary should be read in light of the information and explanations provided in the CFS.

## Operating statement

The Australian Government's net operating balance for the year ended 30 June 2021 was a deficit of \$130.5 billion. For the year ended 30 June 2020, the Australian Government reported a net operating balance deficit of \$98.8 billion.

While the Australian Government's revenue increased by \$40.7 billion (8.1 per cent), there was an increase in expenditure of \$72.3 billion (12.1 per cent) in 2020-21, primarily as a result of the Government's economic response to the COVID-19 pandemic.

Information on the operating results, including the financial impacts of the COVID-19 pandemic, are included in the Commentary on the CFS.

## Balance sheet

The Australian Government's net worth was negative \$743.2 billion as at 30 June 2021. As at 30 June 2020, the Australian Government's net worth was negative \$679.9 billion.

The Australian Government's financial assets increased by \$155.0 billion (26.0 per cent) for the year ended 30 June 2021. Total non-financial assets increased by \$6.2 billion (2.6 per cent).

The Australian Government's liabilities increased by \$224.5 billion, primarily driven by an increase in deposit liabilities of \$277.0 billion, reflecting the increase in exchange settlement funds from the Government's economic response to the COVID-19 pandemic.

## **Cash flows**

The Australian Government recorded a cash deficit of \$135.7 billion for the year ended 30 June 2021 from operating activities and investing activities in non-financial assets. The cash position at the end of the year was \$7.7 billion.

## **Contingent liabilities, contingent assets and risks**

Contingent liabilities and contingent assets for the Australian Government are not disclosed in the balance sheet but are set out in detail in Note 9A of the CFS. Analysis of financial risks that could potentially impact on the Australian Government's financial position is included in Note 9B and Note 9C.

## **Final Budget Outcome**

Under the *Charter of Budget Honesty Act 1998* (the Charter), the Australian Government is required to publicly release and table a Final Budget Outcome (FBO) report no later than three months after the end of the financial year. The FBO for the 2020-21 financial year was released on 30 September 2021, presenting the fiscal outcomes for the Australian Government general government sector.

Consistent with the requirements of the Charter, the FBO is prepared on an accrual basis that complies with both the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication and the Australian Accounting Standards, except for the departures disclosed in the FBO. An explanation of the differences between the key fiscal aggregates reported in the CFS under AASB 1049 and the corresponding fiscal aggregates reported under the ABS GFS publication is included in Note 12A.

I would like to thank the many Australian Government employees whose efforts have contributed to the completion of the 2020-21 CFS.



Senator the Hon Simon Birmingham  
Minister for Finance

**COMMENTARY ON THE  
CONSOLIDATED FINANCIAL STATEMENTS**





## INTRODUCTION

The 2020-21 Consolidated Financial Statements (CFS) for the Australian Government present the whole of government and general government sector (GGS) financial reports and are prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049). They are required by section 48 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The CFS includes the consolidated results for all Australian Government controlled entities as well as disaggregated information on the sectors of government (GGS, public non-financial corporations (PNFC) and public financial corporations (PFC))<sup>1</sup>. Unless explicitly stated, the financial results reported in this commentary comprise consolidated amounts for the Australian Government as a whole, inclusive of the GGS and PNFC and PFC sectors<sup>2</sup>. The GGS results in the 2020-21 CFS materially align with the 2020-21 Final Budget Outcome.

## AT A GLANCE

**Table 1: Financial results for the year ended 30 June 2021**

	2020-21	2019-20 <sup>3</sup>	Change
	\$b	\$b	\$b
Revenue	541.2	500.5	40.7
Expenses	671.6	599.3	72.3
<b>Net operating balance (a)</b>	<b>(130.5)</b>	<b>(98.8)</b>	<b>(31.6)</b>
Per cent of GDP	6.3	5.0	
Net capital investment	8.5	8.1	0.4
<b>Fiscal balance (b)</b>	<b>(139.0)</b>	<b>(106.9)</b>	<b>(32.0)</b>
Per cent of GDP	6.7	5.4	
Total assets	1,000.1	838.9	161.2
Total liabilities	1,743.4	1,518.8	224.5
<b>Net worth (c)</b>	<b>(743.2)</b>	<b>(679.9)</b>	<b>(63.3)</b>
Per cent of GDP	35.9	34.3	
Net cash flows from operating activities	(115.5)	(68.5)	(47.0)
Net cash flows from investments in non-financial assets	(20.2)	(18.9)	(1.2)
<b>Cash surplus/(deficit)</b>	<b>(135.7)</b>	<b>(87.5)</b>	<b>(48.2)</b>

(a) Net operating balance equals total revenue minus total expenses.

(b) Fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment.

(c) Net worth is calculated as total assets minus total liabilities.

1 The institutional structure of the public sector is explained in Note 1 of the 2020-21 CFS. Note 14 of the 2020-21 CFS provides the list of Australian Government controlled reporting entities, including their sectoral classification.

2 The balances and movements detailed in the commentary have been rounded to the nearest tenth of a billion. Discrepancies between totals and sums of components are due to rounding.

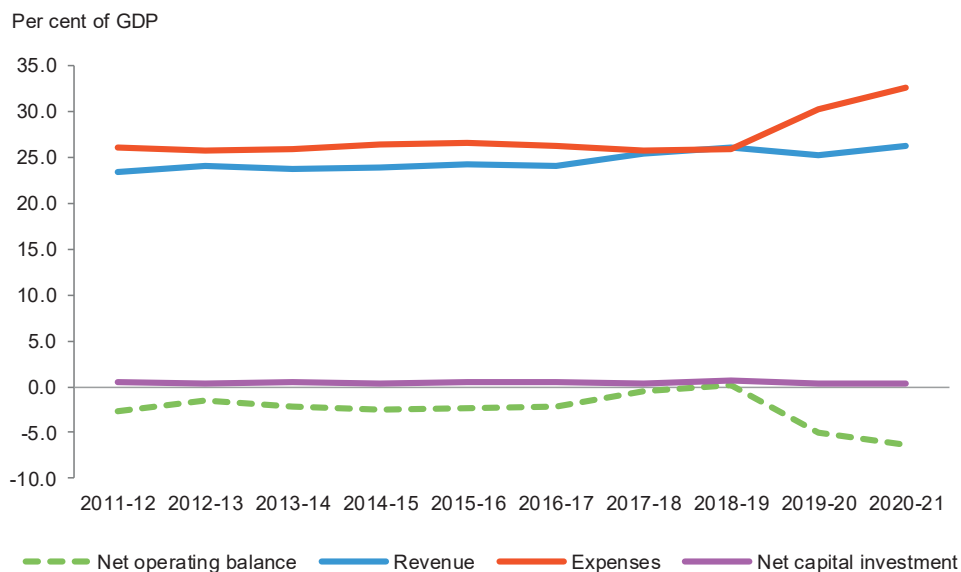
3 The 2019-20 comparatives include restatements. Refer to Note 1.5 of the 2020-21 CFS for further information.

## Operating statement (net operating balance)

**Table 2: Operating statement**

	2020-21	2019-20	Change	Change
	\$b	\$b	\$b	%
Revenue	541.2	500.5	40.7	8.1
Per cent of GDP	26.2	25.3		0.9
Expenses	671.6	599.3	72.3	12.1
Per cent of GDP	32.5	30.2		2.3
<b>Net operating balance</b>	<b>(130.5)</b>	<b>(98.8)</b>	<b>(31.6)</b>	<b>32.0</b>
Per cent of GDP	6.3	5.0		1.3
Net capital investment	8.5	8.1	0.4	5.4
Per cent of GDP	0.4	0.4		0.0
<b>Fiscal balance</b>	<b>(139.0)</b>	<b>(106.9)</b>	<b>(32.0)</b>	<b>30.0</b>
Per cent of GDP	6.7	5.4		1.3

**Chart 1: Operating statement (per cent of GDP) since 2011-12**



## Balance sheet (net worth)

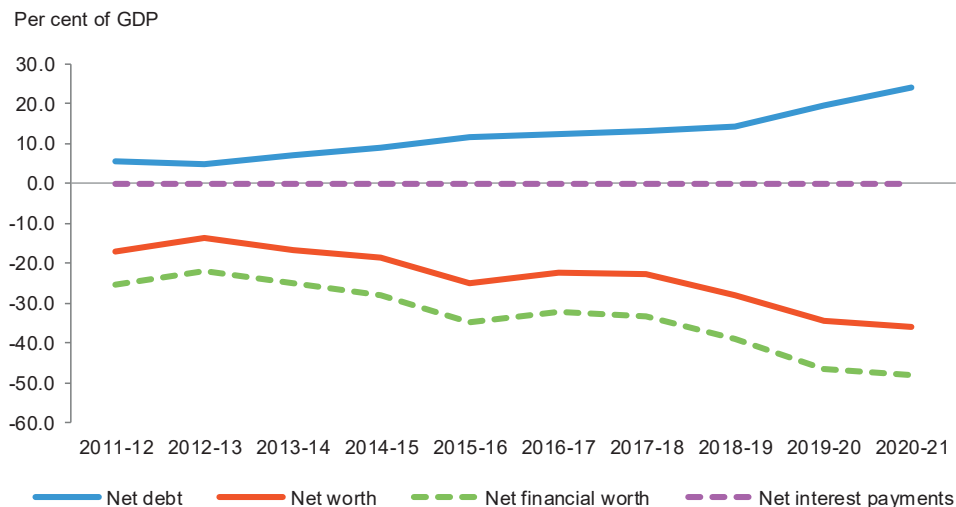
**Table 3: Balance sheet**

	2020-21	2019-20	Change	Change
	\$b	\$b	\$b	%
Financial assets	752.1	597.1	155.0	26.0
Non-financial assets	248.1	241.8	6.2	2.6
<b>Total assets</b>	<b>1,000.1</b>	<b>838.9</b>	<b>161.2</b>	<b>19.2</b>
<b>Total liabilities</b>	<b>1,743.4</b>	<b>1,518.8</b>	<b>224.5</b>	<b>14.8</b>
<b>Net worth</b>	<b>(743.2)</b>	<b>(679.9)</b>	<b>(63.3)</b>	<b>9.3</b>
Per cent of GDP	35.9	34.3		1.6
<b>Net financial worth(a)</b>	<b>(991.3)</b>	<b>(921.7)</b>	<b>(69.5)</b>	<b>7.5</b>
Per cent of GDP	47.9	46.5		1.4
<b>Net debt(b)</b>	<b>495.0</b>	<b>388.9</b>	<b>106.1</b>	<b>27.3</b>
Per cent of GDP	23.9	19.6		4.3
<b>Net interest payments</b>	<b>(12.9)</b>	<b>(13.5)</b>	<b>0.6</b>	<b>4.7</b>
Per cent of GDP	0.6	0.7		0.1

(a) Net financial worth equals total financial assets minus total liabilities.

(b) Net debt is the sum of deposits held, government securities, loans and lease liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

**Chart 2: Balance sheet (per cent of GDP) since 2011-12**



## DISCUSSION AND ANALYSIS

### Net operating balance

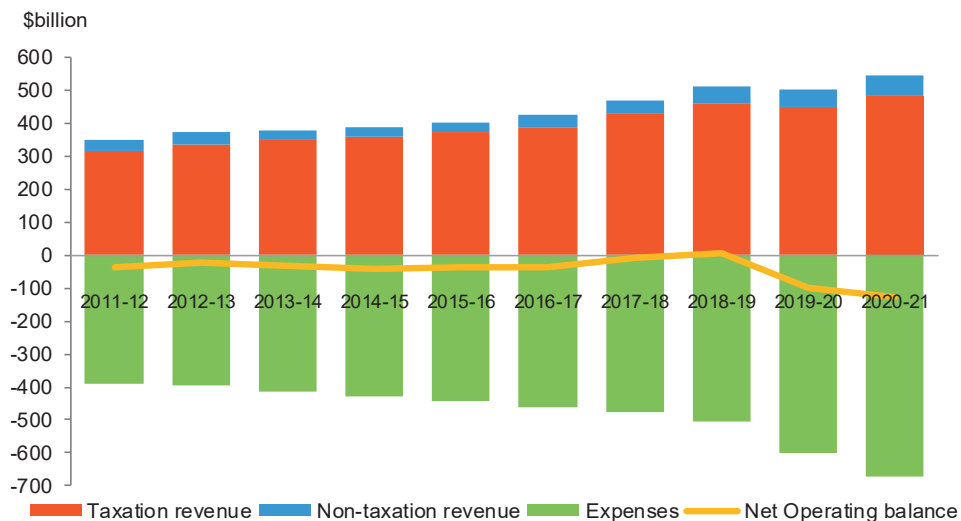
The Australian Government's net operating balance was a \$130.5 billion deficit for the year ended 30 June 2021, a deterioration of \$31.6 billion against the 30 June 2020 result. The change in the net operating balance reflects the significant impact of the global COVID-19 pandemic and the Government's economic response to support the Australian economy.

**Table 4: Operating statement**

	2020-21	2019-20	Change	Change
	\$b	\$b	\$b	%
Revenue	541.2	500.5	40.7	8.1
Expenses	671.6	599.3	72.3	12.1
<b>Net operating balance</b>	<b>(130.5)</b>	<b>(98.8)</b>	<b>(31.6)</b>	<b>32.0</b>
Less Net acquisitions of non-financial assets	8.5	8.1	0.4	5.4
<b>Fiscal balance</b>	<b>(139.0)</b>	<b>(106.9)</b>	<b>(32.0)</b>	<b>30.0</b>

Chart 3 below shows the composition of the Australian Government's net operating balance since 2011-12.

**Chart 3: Operating statement since 2011-12**



## Revenue

The Australian Government's revenue increased by \$40.7 billion (8.1 per cent) in 2020-21 to \$541.2 billion.

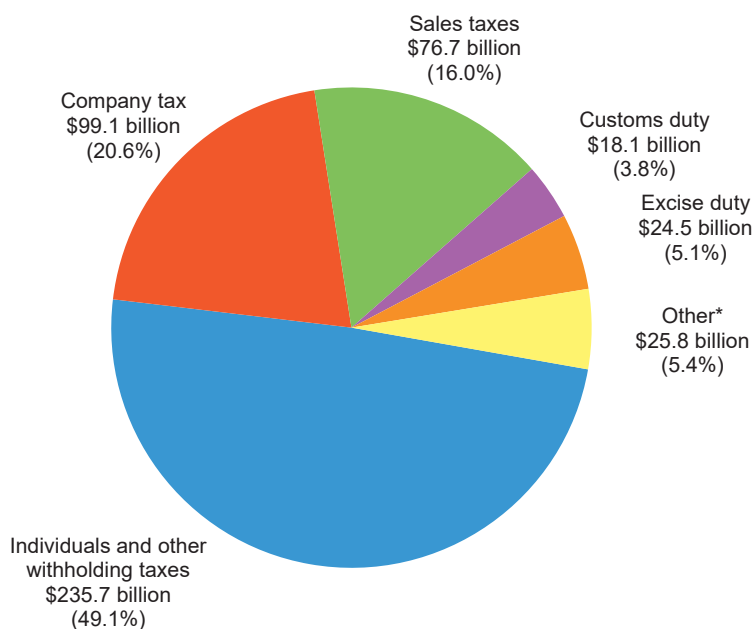
**Table 5: Revenue**

	2020-21	2019-20	Change	Change
	\$b	\$b	\$b	%
Taxation revenue	479.9	447.1	32.8	7.3
Non-taxation revenue	61.3	53.4	7.9	14.7
<b>Total revenue</b>	<b>541.2</b>	<b>500.5</b>	<b>40.7</b>	<b>8.1</b>

## Taxation revenue

The Australian Government's total taxation revenue for the year ended 30 June 2021 was \$479.9 billion. The composition of taxation revenue is shown in Chart 4 below.

**Chart 4: Composition of taxation revenue**



\* Other includes: Superannuation funds taxes (\$13.0 billion); Other indirect taxation (\$8.3 billion); Fringe benefits tax (\$3.5 billion); and Resource rent taxes (\$0.9 billion).

Taxation revenue increased by \$32.8 billion (7.3 per cent) in comparison to 2019-20. This increase is primarily driven by:

- an increase of \$11.5 billion in **company tax** as a result of stronger profitability, including in the resources sector;
- an increase of \$9.9 billion in **sales taxes** driven by stronger household consumption;
- an increase of \$6.4 billion in **superannuation fund taxes** largely due to significant foreign exchange gains; and
- an increase of \$5.9 billion in **individuals and other withholding taxes** reflecting stronger labour market conditions.

Refer to Note 2A of the 2020-21 CFS for further information.

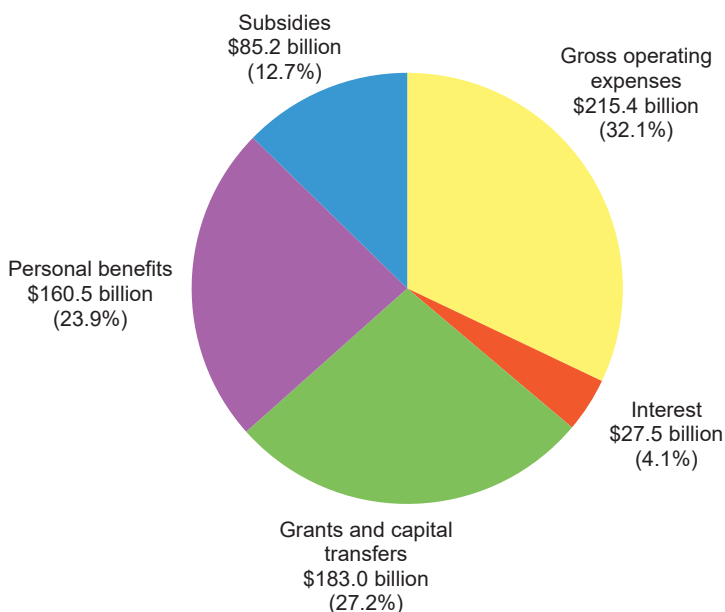
### **Non-taxation revenue**

The Australian Government's total non-taxation revenue for the year ended 30 June 2021 was \$61.3 billion. For more information, refer to Notes 2B to 2D of the 2020-21 CFS.

## Expenses

The Australian Government's total expenses for the year ended 30 June 2021 were \$671.6 billion. The composition of expenses is shown in Chart 5 below.

**Chart 5: Composition of expenses**



The Australian Government's total expenses increased by \$72.3 billion (12.1 per cent) in comparison to 2019-20. The key changes were:

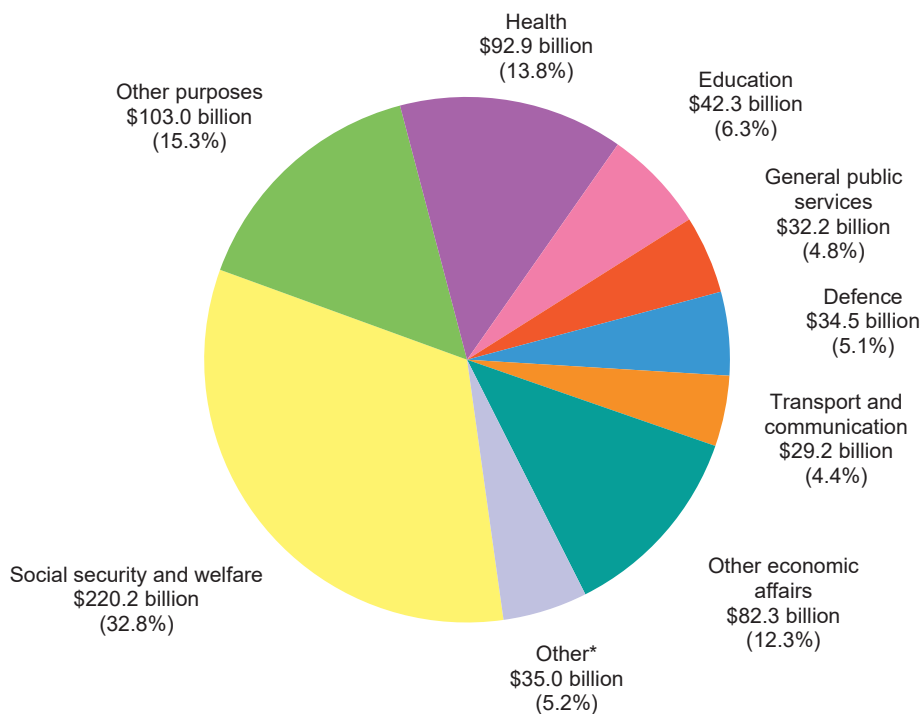
- an increase of \$22.3 billion in **capital and current grants**, primarily as a result of increased grants to state and territory governments;
- an increase in **subsidy expenses** of \$18.0 billion, primarily reflecting an increase in JobKeeper payments (\$25.5 billion) which have been partially offset by a reduction in the temporary tax-free cash flow boosts to support businesses (\$11.3 billion);
- an increase in **gross operating expenses** of \$16.2 billion driven by:
  - an increase in benefits to households in goods and services of \$12.5 billion, primarily relating to an increase in participants under the National Disability Insurance Scheme (\$5.8 billion) and increased spending in medical and pharmaceutical benefits (\$4.2 billion); and
  - an increase in the general supply of goods and services across government entities (\$3.1 billion); and



- an increase in **personal benefits** of \$15.8 billion, driven by increased payments associated with the Government’s economic response to the COVID-19 pandemic, including JobSeeker and support for seniors and students (\$14.5 billion).

Chart 6 below provides a presentation of total expenses based on how the Australian Government allocated resources across the range of policy areas. The chart highlights the relative cost of each function for 2020-21.

**Chart 6: Total expenses by function**



\* Other includes: Fuel and energy (\$10.7 billion); Public order and safety (\$6.5 billion); Housing and community amenities (\$6.5 billion); Recreation and culture (\$4.1 billion); Mining, manufacturing and construction (\$4.1 billion); and Agriculture, forestry and fishing (\$3.2 billion).

Refer to Note 3 of the 2020-21 CFS for further information on expenses.

## Net worth

The Australian Government's net worth declined by \$63.3 billion in 2020-21 to a negative net worth of \$743.2 billion as at 30 June 2021.

**Table 6: Balance sheet**

	2020-21	2019-20	Change	Change
	\$b	\$b	\$b	%
Financial assets	752.1	597.1	155.0	26.0
Non-financial assets	248.1	241.8	6.2	2.6
<b>Total assets</b>	<b>1,000.1</b>	<b>838.9</b>	<b>161.2</b>	<b>19.2</b>
Interest bearing liabilities	1,111.9	866.6	245.2	28.3
Provisions and payables	631.5	652.2	(20.7)	3.2
<b>Total liabilities</b>	<b>1,743.4</b>	<b>1,518.8</b>	<b>224.5</b>	<b>14.8</b>
<b>Net worth</b>	<b>(743.2)</b>	<b>(679.9)</b>	<b>(63.3)</b>	<b>9.3</b>

Chart 7 below shows the composition of the Australian Government's financial position since 2011-12.

**Chart 7: Balance sheet since 2011-12**



## Assets

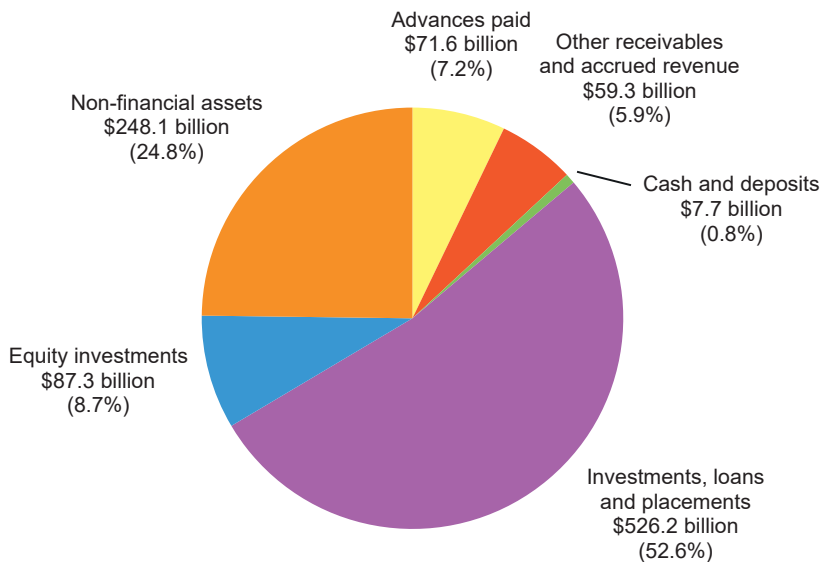
The Australian Government's total assets as at 30 June 2021 were \$1,000.1 billion.

**Table 7: Assets**

	2020-21 \$b	2019-20 \$b	Change \$b	Change %
Financial assets				
Cash and deposits	7.7	8.0	(0.2)	2.5
Advances paid	71.6	64.8	6.8	10.4
Other receivables and accrued revenue	59.3	66.7	(7.4)	11.1
Investments, loans and placements	526.2	394.6	131.6	33.3
Equity investments	87.3	63.0	24.3	38.6
Total financial assets	752.1	597.1	155.0	26.0
Non-financial assets	248.1	241.8	6.2	2.6
<b>Total assets</b>	<b>1,000.1</b>	<b>838.9</b>	<b>161.2</b>	<b>19.2</b>

The Australian Government's total assets increased by \$161.2 billion (19.2 per cent) since 30 June 2020. The composition of assets is shown in Chart 8 below.

**Chart 8: Composition of assets**



The key changes in **assets** were:

- an increase of \$131.6 billion in **investments, loans and placements**, primarily driven by the purchase of government securities held by the Reserve Bank of Australia as part of the Government's economic response to the COVID-19 pandemic (\$117.2 billion);
- an increase of \$24.3 billion in **equity investments**, mainly due to an increase in investments held by the Future Fund; and
- an increase of \$6.2 billion in **non-financial assets** primarily due to a \$2.2 billion increase in specialist military equipment as a result of additions and revaluation adjustments.

Note 5 of the 2020-21 CFS provides further information on assets.

## Liabilities

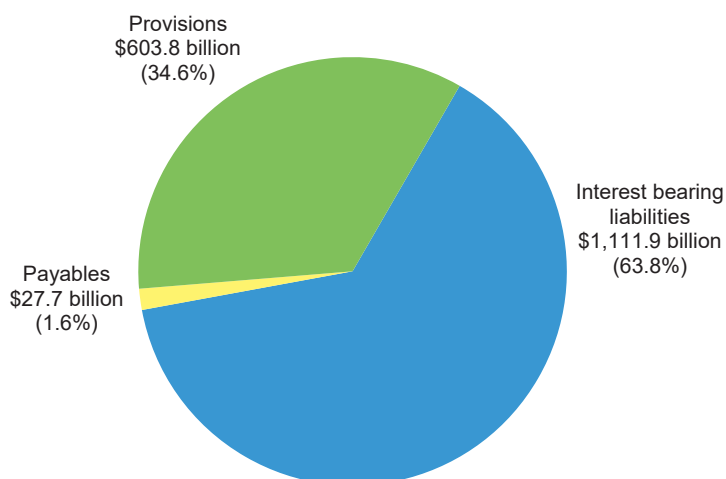
The Australian Government's total liabilities were \$1,743.4 billion as at 30 June 2021.

**Table 8: Liabilities**

	2020-21	2019-20	Change	Change
	\$b	\$b	\$b	%
Interest bearing liabilities	1,111.9	866.6	245.2	28.3
Provisions and payables	631.5	652.2	(20.7)	3.2
<b>Total liabilities</b>	<b>1,743.4</b>	<b>1,518.8</b>	<b>224.5</b>	<b>14.8</b>

The Australian Government's liabilities increased by \$224.5 billion (14.8 per cent) since 30 June 2020. The composition of liabilities is shown in Chart 9 below.

**Chart 9: Composition of liabilities**



The increase of \$245.2 billion in **interest bearing liabilities** is primarily due to:

- an increase in the deposit liabilities of \$277.0 billion primarily driven by an increase in exchange settlement funds (\$268.3 billion); partially offset by
- a decrease in the government securities of \$42.0 billion driven by a reduction in the issuance volume and market value of Australian Government Securities held by the Australian Office of Financial Management.

The decrease in **provisions and payables** of \$20.7 billion primarily resulted from:

- a decrease in unfunded superannuation provisions (\$23.6 billion) as a result of an actuarial revaluation (refer Note 9C for further information); and
- a decrease in provisions for Jobkeeper and cash flow boost payments to business as the Government's economic response to the COVID-19 pandemic moves forward (\$18.8 billion); partially offset by
- an increase to the actuarial revaluation of other employee liabilities and other provisions relating to military compensation of \$11.9 billion;
- an increase in Australian currency on issue of \$5.4 billion; and
- an increase in grants payable to State and Territory governments (\$3.8 billion) resulting from GST collections.

Note 6 of the 2020-21 CFS provides further information on liabilities.

## Cash flows

The Australian Government's cash balance was \$7.7 billion at 30 June 2021. For the year ended 30 June 2021, the Australian Government recorded a cash deficit of \$135.7 billion compared to a cash deficit of \$87.5 billion for 2019-20.

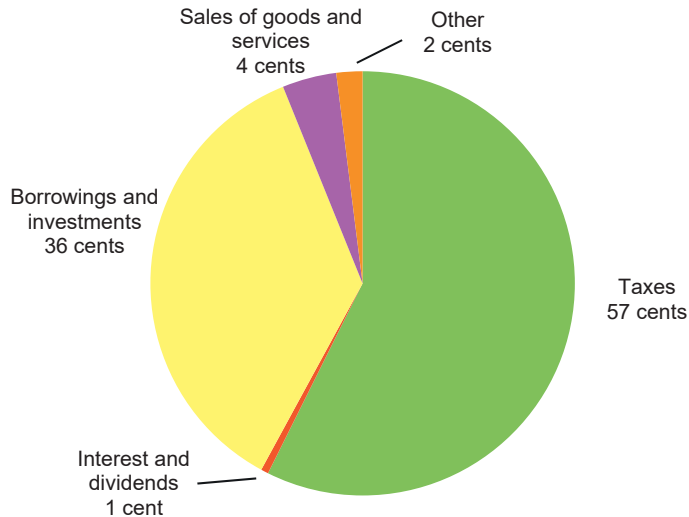
**Table 9: Cash flows**

	2020-21 \$b	2019-20 \$b	Change \$b	Change %
<b>Cash receipts</b>				
Operating activities	537.4	484.6	52.8	10.9
Investing activities in non-financial assets	0.4	1.8	(1.5)	83.3
Investing activities in financial assets for policy purposes	7.6	6.6	1.0	15.2
Financing activities (net)	289.0	163.2	125.8	77.1
<b>Total cash receipts</b>	<b>834.4</b>	<b>656.2</b>	<b>178.1</b>	<b>27.1</b>
<b>Cash payments</b>				
Operating activities	652.9	553.1	99.8	18.0
Investing activities in non-financial assets	20.5	20.8	(0.2)	1.0
Investing activities in financial assets for policy purposes	16.1	13.4	2.7	20.1
Investing activities in financial assets for liquidity purposes (net)	133.3	58.5	74.9	>100.0
Financing activities (net)	11.7	11.0	0.7	6.4
<b>Total cash payments</b>	<b>834.6</b>	<b>656.7</b>	<b>(177.9)</b>	<b>27.1</b>
<b>Net movement in cash</b>	<b>(0.2)</b>	<b>(0.5)</b>	<b>0.2</b>	<b>49.7</b>
Cash at beginning of the year	8.0	8.5	(0.5)	5.9
<b>Cash at end of year</b>	<b>7.7</b>	<b>8.0</b>	<b>(0.2)</b>	<b>2.5</b>
<b>Key fiscal aggregate</b>				
Net cash flows from operating activities	(115.5)	(68.5)	(47.0)	68.6
Net cash flows from investments in non-financial assets	(20.2)	(18.9)	(1.2)	6.3
<b>Cash surplus/(deficit)</b>	<b>(135.7)</b>	<b>(87.5)</b>	<b>(48.2)</b>	<b>55.1</b>

## Receipts and payments

The following charts provide a detailed breakdown of Australian Government receipts and payments for 2020-21, showing the relative composition of each dollar received and paid.

**Chart 10: Composition of each dollar of cash received in 2020-21**



**Chart 11: Composition of each dollar of cash paid in 2020-21**

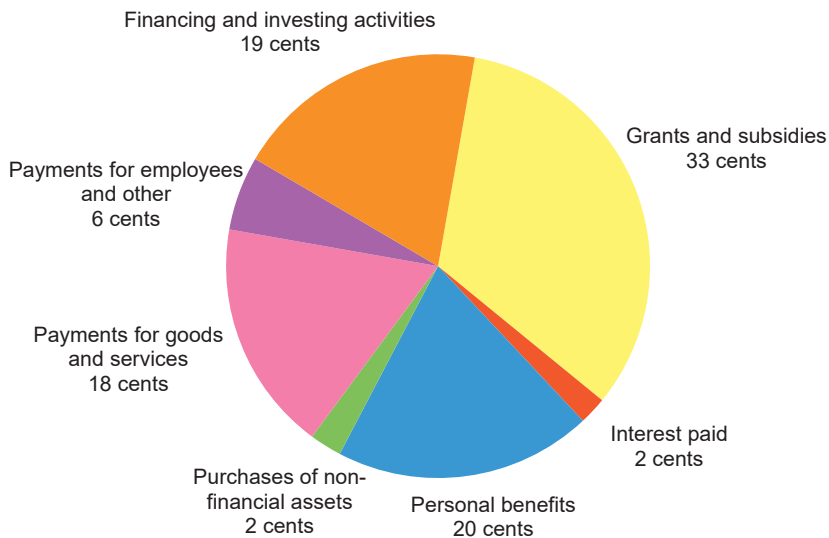
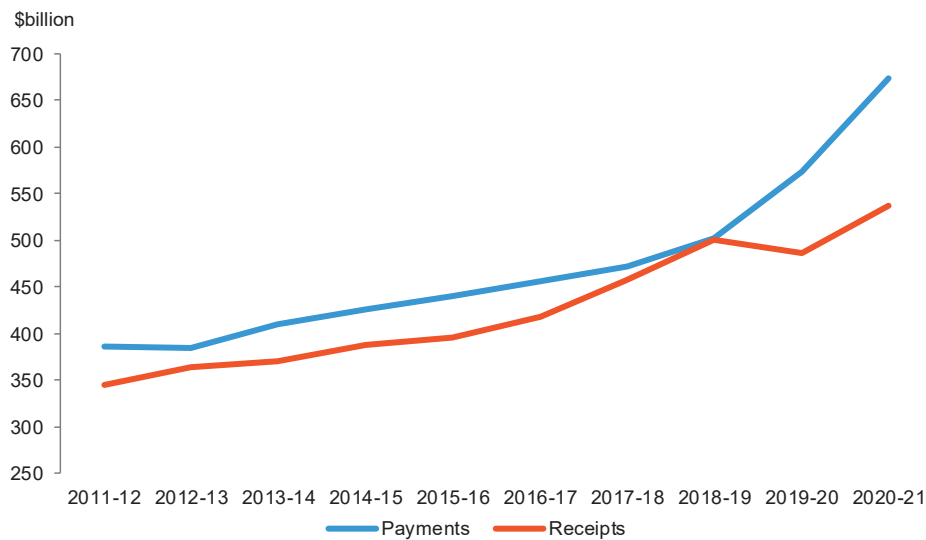




Chart 12 provides the trend of the Australian Government’s receipts and payments for operating activities and the sales and purchases of non-financial assets since 2011-12.

**Chart 12: Receipts and payments – operating and non-financial assets**



## APPENDIX A

### PREVIOUS YEARS

The CFS since 1995-96 are available on the Department of Finance website at: <http://www.finance.gov.au/publications/commonwealth-consolidated-financial-statements>.

The historical series datasets are available in electronic format at: <http://data.gov.au/dataset/australian-government-consolidated-financial-statements-tables-and-data>.

### LINKS TO OTHER PUBLICATIONS

The Australian Government publishes a range of information about its projected and actual financial position. Links to some of these documents are set out below. The information in the following documents has been prepared for different purposes and therefore does not form part of the CFS. Further, the documents listed below are not subject to audit.

#### 2020-21 Final Budget Outcome

The 2020-21 Final Budget Outcome (FBO) was prepared in a manner consistent with the *Charter of Budget Honesty Act 1998* (the Charter). The Charter requires that the Government provide the FBO no later than three months after the end of the financial year. Consistent with these requirements, the FBO encompasses Australian Government GGS fiscal outcomes for the 2020-21 financial year and is based on external reporting standards.

The 2020-21 FBO was released on the 30 September 2021 and is available on the Australian Government website at: <https://archive.budget.gov.au/2020-21/index.htm>.

#### Australian Government Monthly Financial Statements

The Australian Government GGS monthly financial statements (MFS) are prepared on a basis consistent with the Budget as required under section 47 of the PGPA Act. The statements are prepared in accordance with AASB 1049.

The Australian Government GGS MFS are available on the website of the Minister for Finance as well as the Department of Finance website: <https://www.finance.gov.au/publications/commonwealth-monthly-financial-statements/> and <http://www.financeminister.gov.au/media-releases/2021>.

The historical series datasets are available in electronic format at: <http://data.gov.au/dataset/australian-government-general-government-sector-monthly-financial-statements-tables-and-data>.

### **Budget Strategy and Outlook and Mid-Year Economic and Fiscal Outlook**

The Budget Strategy and Outlook – Budget Paper No.1 – 2020-21, the Mid-Year Economic and Fiscal Outlook 2020-21 and the Budget Strategy and Outlook – Budget Paper No.1 – 2021-22 have been prepared in accordance with the Charter.

These Budget papers are available on the Australian Government website at <http://www.budget.gov.au/>.

### **Tax Benchmarks and Variations Statement 2020**

The Tax Benchmarks and Variations Statement provides details of concessions, benefits, incentives and charges provided through the tax system (tax expenditures) to taxpayers by the Australian Government. Information is published on the Treasury website at:  
<https://treasury.gov.au/publication/p2021-145906>.

**CONSOLIDATED FINANCIAL STATEMENTS,  
INCLUDING THE AUSTRALIAN GOVERNMENT  
AND GENERAL GOVERNMENT SECTOR  
FINANCIAL REPORTS**





Auditor-General for Australia



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Finance

#### Opinion

In my opinion, the Consolidated Financial Statements which include the Australian Government and the General Government Sector (GGS) Financial Reports for the year ended 30 June 2021:

- (a) comply with Australian Accounting Standards; and
- (b) present fairly the financial position of the Australian Government and General Government Sector as at 30 June 2021 and its financial performance and cash flows for the year then ended.

The Consolidated Financial Statements, which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

- Statement of Compliance;
- Australian Government operating statement and Australian Government operating statement by sector – including General Government Sector Financial Report;
- Australian Government balance sheet and Australian Government balance sheet by sector – including General Government Sector Financial Report;
- Australian Government cash flow statement and Australian Government cash flow statement by sector – including General Government Sector Financial Report;
- Australian Government statement of changes in equity (net worth) and Australian Government statement of changes in equity (net worth) by sector; 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 Australian Government and General Government Sector in accordance with the relevant ethical requirements for financial statement audits conducted by me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Key audit matters

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

## Key audit matter

### Accuracy of taxation revenue

*Refer to Note 2A: 'Taxation revenue'*

Taxation revenue is significant to the Australian Government operating statement. The Australian Government recorded taxation revenue of \$479.9 billion for the year ended 30 June 2021 (GGS: \$480.4 billion). The most significant components of taxation revenue relate to income taxation from individuals, companies and superannuation funds collected by the Australian Taxation Office.

I consider that the accuracy of taxation revenue is a key audit matter due to the estimation processes adopted by the Australian Government for financial reporting of taxation revenue, given the value of the transactions and the complexity and judgement involved in the estimation processes and calculations.

The reliable estimation of taxation revenue is complex due to uncertain timing of tax return assessments, payments and forecasting of likely taxation revenue outcomes. The Australian Government applies significant judgement when selecting the appropriate base for revenue recognition.

## How the audit addressed the matter

To audit the accuracy of taxation revenue, I:

- assessed the design and operating effectiveness of the taxation estimation process controls and the associated validation procedures together with the completeness, relevance and accuracy of data used in developing taxation revenue estimates;
- assessed the appropriateness of the method used for revenue recognition with reference to the accuracy of prior year results and historical trends;
- assessed the reasonableness of the interpretation and analysis of data used for material estimates and recalculated these estimates as at 30 June 2021; and
- assessed the adequacy of documentation to support the judgements made in relation to key estimates and allocations of revenue at year-end. This included an assessment of the quality assurance process over manual adjustments processed as at 30 June 2021.

## Key audit matter

### Accuracy and occurrence of personal benefits expenses

*Refer to Note 3: 'Expenses from transactions'*

Personal benefits expenses recorded by the Australian Government increased by \$15.8 billion from the previous year to \$160.5 billion (GGS: \$160.5 billion) for the year ended 30 June 2021. The increase was mainly due to the COVID-19 pandemic stimulus measures.

I consider that the accuracy and occurrence of personal benefits expense a key audit matter due to the dependence on the correct self-disclosure of personal circumstances by recipients. The accuracy of personal benefits expenses is also reliant on a complex information technology system for the processing of a high volume of payments across numerous personal benefit types with varying conditions for determining the payment amount.

The complexity of the personal benefits expense increased due to stimulus measures taken in response to the COVID-19 pandemic where a range of existing payment eligibility requirements were either expanded, relaxed or waived. The additional measures comprised the coronavirus supplement, economic support payments and a range of related initiatives.

## How the audit addressed the matter

To audit the accuracy and occurrence of personal benefits expenses, I:

- assessed the design and operating effectiveness of internal controls in place over the personal benefits payments, focusing on processes for monitoring compliance with requirements to disclose accurate personal information;
- assessed the information technology general controls, specifically access controls to personal circumstances data and controls designed to prevent and detect unauthorised changes to the information technology environment; and
- recalculated a sample of personal benefits payments made to recipients, based on relevant legislation and personal circumstances data held by the Australian Government.

**Key audit matter****Valuation of advances paid and receivables**

*Refer to Note 5A 'Advances paid and receivables'*

Advances paid and receivables are significant to the Australian Government balance sheet and net worth. They comprise:

- advances paid of \$71.6 billion at 30 June 2021 (GGS: \$81.4 billion); and
- other receivables and accrued revenue of \$59.3 billion at 30 June 2021 (GGS: \$60.0 billion).

Advances paid reflect loans provided by the Government. At 30 June 2021 the balance of advances paid is primarily comprised of student loans made under the Higher Education Loan Program of \$55.5 billion (GGS: \$55.5 billion). Student loans are recognised at fair value.

I consider the valuation of advances paid in respect of student loans a key audit matter due to the high level of judgement required in estimating the fair value of loans, including loans not expected to be repaid. These judgements include assumptions about discount factors, future employment and salary rates and future collectability of repayments that contain a significant degree of uncertainty and are influenced by the economic environment.

Receivables reflect amounts due from taxation, personal benefits and other items. The balance of the Australian Government's receivables includes taxation receivables of \$31.2 billion (GGS: \$31.5 billion) at 30 June 2021. Taxation receivables are assessed annually for impairment and estimates of amendments arising from disputed cases (credit amendment allowance). Impairment allowance of \$26.5 billion and credit amendment allowance of \$6.0 billion have been recognised in respect of taxation receivables at 30 June 2021.

I consider that valuation of taxation receivables is a key audit matter due to the high level of judgement required as a result of the inherent complexity and uncertainty in estimating recoverability. Estimation methodologies are based on assumptions including taxpayer compliance and lodgment history, the existence of dispute over a receivable and the taxpayer's capacity to pay. These models use historical data to predict future taxpayer behavior.

**How the audit addressed the matter**

To audit the valuation of advances paid for student loans, I:

- evaluated the design and operating effectiveness of selected controls relevant to the calculation of the value of the advances relating to student loans, including data reconciliations and the Australian Government's review and approval of the estimate;
- evaluated the appropriateness of the Australian Government's actuarial methodology. This included considering the work and findings of the external actuary engaged by the Australian Government; and
- assessed the reasonableness of key actuarial assumptions for student loans by comparing them with accepted industry benchmarks for discount rates and salary growth rates in a range of occupations.

To audit the valuation of taxation receivables, I:

- evaluated the adequacy of the Australian Government's oversight processes which included the documentation and quality assurance processes to support judgements made in relation to overdue and disputed debts;
- assessed the work undertaken by the Australian Government's actuary by evaluating the reasonableness of the underlying assumptions and methodology developed and adopted by the Australian Government;
- assessed the completeness of the source data used in estimating the balances;
- recalculated the impairment allowance at balance date and assessed whether it was appropriately reflected in the Consolidated Financial Statements;
- performed sample testing of individual taxation receivables, to assess the Australian Government's application of taxation law and the revenue recognition for individual taxpayers' accounts; and
- examined the provision balance and evaluated the appropriateness of the Australian Government's processes to determine whether judgements and assumptions used are appropriate for the impairment rate applied to large disputed taxation cases where an individual assessment has not been made.



## Key audit matter

### Valuation of collective investment vehicles

*Refer to Note 5B: 'Investments, loans and placements' and Note 9B: 'Financial Instruments'*

The Australian Government reported \$90.4 billion of collective investment vehicles at 30 June 2021 (GGS: \$90.4 billion). The balance of collective investment vehicles mainly represent investments made on behalf of the Australian Government by the Future Fund.

Collective investment vehicles are holdings of a diverse range of asset categories including private equity funds, hedge funds, infrastructure funds and property funds. Valuation techniques vary depending on the particular asset category and holding. All investments are held in custody by the Australian Government's appointed custodians.

I consider the valuation of collective investment vehicles to be a key audit matter due to the size of the investments and the inherent subjectivity, significant judgements and estimates required where market data is not available to determine the fair value of these investments.

In addition, disclosures that support the user's understanding of the valuation of collective investment vehicles disclosed in the Consolidated Financial Statements are complex.

## How the audit addressed the matter

To audit the valuation of all collective investment vehicles, I:

- inspected the custodian's independent auditor's assurance report in respect of the design and operating effectiveness of relevant controls over the valuation of investments by the custodian;
- assessed the qualifications, competence and objectivity of the custodian's independent auditor; and
- tested the design and operating effectiveness of a sample of the controls established by the Australian Government to assess the valuation of collective investment vehicles whether they be performed by the custodian, the collective investment manager, a valuation expert or management.

I assessed, on a sample basis, the valuation of indirectly held single infrastructure investments as at 30 June 2021. To do so I:

- evaluated the qualifications, competence and objectivity of the valuation expert used by the Australian Government; and
- tested the valuation models used including the reasonableness of key assumptions regarding growth rates, discount rates and multiples applied to earnings within the models by performing a cross-check between the Australian Government's valuation and the valuation applied by comparable companies, including considering the underlying assumptions.

To assess the valuation of all other collective investment vehicles as at 30 June 2021, on a sample basis, I:

- agreed the fair value to capital account statements received from the underlying investment manager;
- obtained audited financial statements of each underlying collective investment vehicle as at 30 June 2021, where available, and agreed the audited net asset value to the capital account statement;
- performed an assessment of the audited financial statements of the collective investment vehicles which included;
  - considering the regulatory framework under which the financial statements were prepared and the accounting policies adopted; and
  - evaluating the qualifications, competence and objectivity of the audit firm performing the audit and the opinion provided.
- where 30 June 2021 audited financial statements were unavailable, investigated significant movements from the date of the most recent audited financial statements, obtained any additional

	<p>information and assessed the Australian Government's process to confirm that the increase in uncertainty as a result of the current economic conditions had been appropriately considered; and</p> <ul style="list-style-type: none"> <li>assessed the appropriateness of the related disclosures in Note 5B and Note 9B to the Consolidated Financial Statements to support the user's understanding of collective investment vehicles.</li> </ul>
Key audit matter	How the audit addressed the matter
<p><b>Valuation of specialist military equipment and other plant, equipment and infrastructure assets</b></p> <p><i>Refer to Note 5D: 'Land and buildings, plant, equipment and infrastructure, heritage and cultural assets and intangibles'</i></p> <p>The Australian Government reported a balance of non-financial assets of \$248.1 billion as at 30 June 2021 (GGs: \$184.8 billion). The balance includes:</p> <ul style="list-style-type: none"> <li>specialist military equipment \$74.4 billion (GGs: \$74.4 billion); and</li> <li>other plant, equipment and infrastructure assets of \$69.5 billion (GGs: \$17.7 billion). Other plant, equipment and infrastructure assets mainly comprises communications (postal and national broadband network), transport and electricity infrastructure.</li> </ul> <p>I considered the valuation of specialist military equipment and other plant, equipment and infrastructure assets to be a key audit matter due to the high degree of judgement applied by the Australian Government to measure these assets at fair value, including in respect of:</p> <ul style="list-style-type: none"> <li>determining the appropriateness of costs to be capitalised and allocated on complex, large scale and long term acquisitions and construction projects;</li> <li>the subjectivity in the valuation assessment due to the difficulty in obtaining the replacement costs of assets with a similar capability in the absence of an active market;</li> <li>the selection and application of appropriate indices applied in the valuation;</li> <li>the determination and assessment of appropriate useful lives;</li> <li>the identification of indicators of impairment, including through the use of impairment processes which apply judgmental techniques, particularly for income generating assets which apply a discounted cash flow analysis; and</li> <li>in respect of specialist military equipment the complexity and high degree of judgement in the</li> </ul>	<p>To address the key audit matter, I:</p> <ul style="list-style-type: none"> <li>tested a sample of costs allocated to complex, large scale and long-term acquisitions and construction projects, to assess the appropriateness of capitalisation in accordance with the Australian Accounting Standards;</li> <li>assessed whether the selection of the method for determining fair value was appropriate for each asset class and whether the key assumptions used in the valuation methodology were reasonable;</li> <li>assessed the competence, capability and objectivity of the valuation subject matter experts where the Australian Government sought advice in determining the appropriate fair value of assets at 30 June 2021;</li> <li>tested the completeness and accuracy of data applied in the assessment of fair value of specialist military equipment and other plant, equipment and infrastructure assets at 30 June 2021;</li> <li>assessed whether the useful lives applied (for the calculation of depreciation) were consistent with other available information including expected withdrawal dates for specialist military equipment and operational information and industry benchmarking for other plant, equipment and infrastructure assets;</li> <li>performed a sensitivity analysis by varying factors such as discount rates and growth rates to develop a range of reasonable valuation outcomes for material or higher risk assessments measured using a discounted cash flow technique;</li> <li>performed the following procedures particularly in respect of specialist military equipment: <ul style="list-style-type: none"> <li>assessed whether the assumptions and judgements used to determine the impairment of specialist military equipment were consistent with other available information including changes to planned capability and unscheduled repairs and maintenance;</li> <li>assessed the Australian Government's assurance process for impairment and inspected a sample of assets to test for indicators of impairment; and</li> <li>in respect of the cost attribution model</li> </ul> </li> </ul>

cost attribution model that allocates accumulated capitalised costs on large scale acquisition projects between individual platform assets, associated spares and inventory.

applied for specialist military equipment I evaluated the model and approval of cost allocations related to assets under construction.

In respect of the cost attribution model applied in the valuation of specialist military equipment, I identified internal control weaknesses in the asset valuation methodology used by the Australian Government to allocate costs relating to assets under construction. These included:

- limited policies and procedures outlining the approach to developing, maintaining, and recording transactions against the cost attribution model; and
- limited quality assurance mechanisms that can be relied upon to provide assurance over the resulting asset allocations.

These internal control weaknesses increased the risk that the valuation is impacted by incorrectly attributed costs being depreciated over inappropriate useful lives.

## Key audit matter

### Valuation of Government Securities

*Refer to Note 6B: 'Government Securities' and Note 9B: 'Financial Instruments'*

Government Securities primarily comprise treasury bonds, treasury indexed bonds and treasury notes issued by the Australian Office of Financial Management to meet the Australian Government's financing needs. The Australian Government recorded a liability of \$683.9 billion for Government Securities as at 30 June 2021 (GGs: \$888.4 billion)

I consider the valuation of Government Securities to be a key audit matter due to:

- the significance of the value of Government Securities to the Australian Government's net worth;
- the range of Government Securities held; and
- the different methodologies used to determine the fair value of Government Securities. These include assumptions about the expected return on securities which can extend for long period into the future.

## How the audit addressed the matter

To audit the valuation of Government Securities, I:

- tested the design and operating effectiveness of key information technology general controls relevant to the treasury management system used to record and value Government Securities;
- tested the design and operating effectiveness of key controls related to the issuance of Government Securities;
- tested the design and operating effectiveness of key controls relevant to the ongoing monitoring of market valuations of debt;
- assessed the valuation of Government Securities at 30 June 2021, using the following procedures:
  - agreed the face values and coupon rates of treasury bonds, treasury indexed bonds and treasury notes to independent third-party reports; and
  - performed a recalculation of the fair value of Government Securities for issued treasury bonds, treasury indexed bonds and treasury notes and assessed the reasonableness of assumptions about future returns on these securities against market yield data;
- evaluated the appropriateness of the disclosures of sensitivities and risks related to Government Securities as disclosed in Note 6B and 9B to the Consolidated Financial Statements.

**Key audit matter****Valuation of superannuation liability**

*Refer to Note 6F: 'Superannuation liability' and Note 9C: 'Defined benefit superannuation plans'*

The Australian Government recorded a \$407.5 billion superannuation liability at 30 June 2021 (GGS: \$406.9 billion). The balance of the superannuation liability has a significant impact on the Australian Government's net worth.

The Australian Government's superannuation liability represents retirement and death benefits for Commonwealth and Defence Force employees, based on service to date.

I consider that the valuation of the Australian Government's superannuation liability is a key audit matter due to the complexity of the process to measure the value of the liability. The measurement of the liability requires significant judgement and estimation in the selection of long-term assumptions, which include:

- salary growth rates;
- discount rates and other economic factors; and
- actuarial factors, including rates of mortality, life expectancy and disability.

The valuation of the Australian Government's superannuation liability is highly sensitive to changes in these assumptions.

**How the audit addressed the matter**

To audit the valuation of the superannuation liability, I:

- assessed the design and operating effectiveness of internal controls over the management of defined benefit schemes including management of members' data applied in the valuation model;
- tested the accuracy and completeness of the data used to calculate superannuation liability. This included assessing the quality assurance and reconciliation processes used by the Australian Government to provide data to its actuary;
- evaluated the appropriateness of the methodology and reasonableness of the key assumptions applied in estimating the superannuation provision by:
  - comparing economic assumptions to realistic long-term expectations over the term of the schemes' liabilities, based on the Government's economic forecasts;
  - assessing the detailed analysis undertaken by the Australian Government's actuary for consistency with historical data on the membership experience with regards to:
    - rates of mortality, redundancy, resignation, disability and retirement;
    - the proportion of members who will select each form of payment option available under the plan terms; and
    - promotional salary increases.
- assessed the reasonableness of the results of the valuation including the explanations for the changes in the valuation; and
- evaluated the appropriateness of the disclosures of key assumptions applied and of the uncertainties that impact the key assumptions, including the sensitivity analysis in Note 9C to the Consolidated Financial Statements.

## *Consolidated financial statements*

### **Other information**

The Minister for Finance (the Minister) is responsible for the other information. The other information comprises the information included in the Preface and the Commentary on the Consolidated Financial Statements for the year ended 30 June 2021 but does not include the Consolidated Financial Statements and my auditor's report thereon.

My opinion on the Consolidated Financial Statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the Consolidated Financial Statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Minister for Finance's responsibility for the Consolidated Financial Statements**

The Minister is responsible under section 48 of the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of Consolidated Financial Statements that comply with Australian Accounting Standards and the rules made under the Act. The Minister is also responsible for such internal control as the Minister determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Minister is responsible for assessing the ability of the Australian Government and the General Government Sector to continue as a going concern, 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 Consolidated Financial Statements**

My objective is to obtain reasonable assurance about whether the Consolidated 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 Consolidated 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 Consolidated 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 Australian Government's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Minister;
- conclude on the appropriateness of the Minister's use of the going concern basis of accounting in applied preparing the Consolidated Financial Statements, up to the date of my auditor's report, based on the audit evidence I have obtained;
- evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Australian Government to express an opinion on the Consolidated Financial Statements. I am responsible for the direction, supervision and performance of the Australian Government and General Government Sector audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance 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 those charged with governance, I determine those matters that were of most significance in the audit of the financial report 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

A handwritten signature in black ink, reading "Grant Hehir". The signature is written in a cursive, flowing style.

Grant Hehir  
Auditor-General

Canberra  
15 November 2021



## STATEMENT OF COMPLIANCE

The annual Consolidated Financial Statements of the Australian Government are required by section 48 of the *Public Governance, Performance and Accountability Act 2013*.

In my opinion, the attached annual Consolidated Financial Statements of the Australian Government, which includes the whole of government and general government sector financial statements:

- (a) comply with Australian Accounting Standards; and
- (b) present fairly the Australian Government's financial position as at 30 June 2021 and its financial performance and cash flows for the year then ended.

A handwritten signature in blue ink, appearing to read 'Simon Birmingham', with a large, sweeping flourish extending to the right.

Senator the Hon Simon Birmingham  
Minister for Finance

12 November 2021





**Australian Government operating statement**  
**for the year ended 30 June 2021**

	Note	2021 \$m	2020 \$m
<b>Revenue from transactions</b>			
Taxation revenue	2A	479,916	447,097
Sales of goods and services	2B	33,450	31,033
Interest income	2C	6,723	4,925
Dividend and distribution income(a)	2C	7,620	5,558
Other	2D	13,474	11,894
<b>Total revenue</b>		<b>541,183</b>	<b>500,507</b>
<b>Expenses from transactions</b>			
<i>Gross operating expenses</i>			
Wages and salaries	3A	26,110	25,482
Superannuation	3A	13,068	12,865
Depreciation and amortisation	3B	16,695	16,088
Supply of goods and services	3C	150,887	135,477
Other operating expenses	3A	8,658	9,286
<i>Total gross operating expenses</i>		<i>215,418</i>	<i>199,198</i>
Superannuation interest expense	3A	7,002	7,673
Interest expense	3D	20,472	19,857
<i>Current transfers</i>			
Current grants	3E	166,930	149,769
Subsidy expenses		85,249	67,233
Personal benefits		160,485	144,715
<i>Total current transfers</i>		<i>412,664</i>	<i>361,717</i>
<i>Capital transfers</i>			
Mutually agreed write-downs	3E	2,792	2,495
Other capital grants	3E	13,286	8,409
<i>Total capital transfers</i>		<i>16,078</i>	<i>10,904</i>
<b>Total expenses</b>	3F	<b>671,634</b>	<b>599,349</b>
<b>Net operating balance</b>		<b>(130,451)</b>	<b>(98,842)</b>
<b>Other economic flows - included in operating result</b>			
Net write-down of assets (including bad and doubtful debts)	4A	(12,005)	(9,079)
Net gains/(losses) from the sale of assets	4B	3,045	1,901
Net foreign exchange gains/(losses)	4C	(3,609)	358
Net interest on derivatives gains/(losses)	4C	1,235	(536)
Net fair value gains/(losses)	4C	53,777	(18,826)
Net other gains/(losses)	4C	(9,902)	(8,649)
<b>Operating result(b)</b>		<b>(97,910)</b>	<b>(133,673)</b>
<b>Other economic flows - other non-owner movements in equity</b>			
<b>Items that will not be reclassified to operating result</b>			
Revaluation of non-financial assets	7	1,327	1,744
Actuarial revaluations of superannuation		33,451	(4,964)
Other economic revaluations		26	(41)
<b>Items that may be reclassified subsequently to operating result</b>			
Revaluation of equity investments	7	(260)	1,520
<b>Comprehensive result - total change in net worth</b>		<b>(63,366)</b>	<b>(135,414)</b>
<b>Net operating balance</b>		<b>(130,451)</b>	<b>(98,842)</b>
<b>less Net acquisition of non-financial assets</b>			
Purchases of non-financial assets		23,167	24,616
less Sales of non-financial assets		320	1,639
less Depreciation and amortisation		16,695	16,088
plus Change in inventories		2,353	1,182
plus Other movements in non-financial assets		3	2
<b>Total net acquisition of non-financial assets</b>		<b>8,508</b>	<b>8,073</b>
<b>Fiscal balance (Net lending/(borrowing))</b>		<b>(138,959)</b>	<b>(106,915)</b>

(a) The line item dividend income has been renamed 'Dividend and distribution income' to more accurately reflect the transactions included in this item. There is no change in the types of revenues aggregated into this account.

(b) Includes \$83 million attributable to minority interests (2020: \$19 million).  
 Certain comparatives have been restated. Refer to Note 1.5 for further details.

**Australian Government balance sheet**  
as at 30 June 2021

	Note	2021 \$m	2020 \$m
<b>Assets</b>			
<i>Financial assets</i>			
Cash and deposits		7,734	7,981
Advances paid	5A	71,550	64,784
Other receivables and accrued revenue	5A	59,288	66,684
Investments, loans and placements	5B	526,186	394,595
Equity investments	5C	87,334	63,043
<i>Total financial assets</i>		<i>752,092</i>	<i>597,087</i>
<i>Non-financial assets(a)</i>			
Land	5D	14,085	13,621
Buildings	5D	47,749	47,353
Specialist military equipment	5D	74,387	72,147
Other plant, equipment and infrastructure	5D	69,481	67,600
Intangibles	5D	13,674	13,059
Investment property	5D	348	369
Inventories	5E	10,850	9,987
Heritage and cultural assets	5D	11,861	11,975
Other non-financial assets	5F	5,620	5,724
<i>Total non-financial assets</i>		<i>248,055</i>	<i>241,835</i>
<b>Total assets</b>	5G	<b>1,000,147</b>	<b>838,922</b>
<b>Liabilities</b>			
<i>Interest bearing liabilities</i>			
Deposits held	6A	356,014	78,985
Government securities	6B	683,915	725,868
Loans	6C	28,566	18,960
Leases	6D	31,964	32,476
Other interest bearing liabilities	6E	11,398	10,331
<i>Total interest bearing liabilities</i>		<i>1,111,857</i>	<i>866,620</i>
<i>Provisions and payables</i>			
Superannuation liability	6F	407,506	431,077
Other employee liabilities	6F	39,970	34,425
Supplier payables	6G	13,868	11,914
Personal benefits payable	6G	3,015	4,670
Subsidies payable	6G	976	1,027
Grants payable	6G	6,821	2,859
Australian currency on issue	6H	95,485	90,102
Other payables	6G	3,049	4,027
Other provisions	6H	60,820	72,104
<i>Total provisions and payables</i>		<i>631,510</i>	<i>652,205</i>
<b>Total liabilities</b>		<b>1,743,367</b>	<b>1,518,825</b>
<b>Net worth</b>			
Accumulated results		(831,030)	(773,542)
Reserves		87,436	93,396
Minority interests		374	243
<b>Net worth</b>		<b>(743,220)</b>	<b>(679,903)</b>

(a) Right-of-use assets are included in the following line items: Land, Buildings and Other plant, equipment and infrastructure.

Certain comparatives have been restated. Refer to Note 1.5 for further details.

**Australian Government cash flow statement**  
**for the year ended 30 June 2021**

	Note	2021 \$m	2020 \$m
<b>OPERATING ACTIVITIES</b>			
<b>Operating cash received</b>			
Taxes received		473,763	431,649
Receipts from sales of goods and services		34,111	31,112
Interest receipts		5,858	4,407
Dividend and distribution receipts(a)		7,238	5,043
Other receipts		16,438	12,381
<b>Total cash received</b>		<b>537,408</b>	<b>484,592</b>
<b>Operating cash used</b>			
Payments for employees		(39,358)	(38,034)
Payments for goods and services		(147,103)	(136,277)
Grants and subsidies paid		(276,147)	(210,179)
Interest paid		(17,588)	(16,969)
Interest payments on lease liabilities		(1,149)	(955)
Personal benefits paid		(163,747)	(143,073)
Other payments		(7,844)	(7,641)
<b>Total cash used</b>		<b>(652,936)</b>	<b>(553,128)</b>
<b>Net cash flows from operating activities</b>	8	<b>(115,528)</b>	<b>(68,536)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Investments in non-financial assets</b>			
Sales of non-financial assets		369	1,819
Purchases of non-financial assets		(20,545)	(20,756)
<b>Net investments in non-financial assets</b>		<b>(20,176)</b>	<b>(18,937)</b>
<b>Investments in financial assets for policy purposes</b>			
Receipts from policy investments		7,599	6,625
Payments for policy investments		(16,133)	(13,414)
<b>Net investments in financial assets for policy purposes</b>		<b>(8,534)</b>	<b>(6,789)</b>
<b>Investments in financial assets for liquidity purposes</b>		<b>(133,330)</b>	<b>(58,451)</b>
<b>Net cash from investing activities</b>		<b>(162,040)</b>	<b>(84,177)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Net financing cash received</b>			
Borrowings		1,064	101,887
Contributed equity		63	35
Other financing		287,866	61,288
<b>Net cash received</b>		<b>288,993</b>	<b>163,210</b>
<b>Net financing cash used</b>			
Distributions paid		(7)	(3)
Principal payments of lease liabilities		(2,969)	(2,752)
Other financing		(8,696)	(8,233)
<b>Net cash used</b>		<b>(11,672)</b>	<b>(10,988)</b>
<b>Net cash flows from financing activities</b>		<b>277,321</b>	<b>152,222</b>
<b>Net increase/(decrease) in cash held</b>		<b>(247)</b>	<b>(491)</b>
<b>Cash at beginning of year</b>		<b>7,981</b>	<b>8,472</b>
<b>Cash at end of year</b>		<b>7,734</b>	<b>7,981</b>
<b>Key fiscal aggregate</b>			
Net cash flows from operating activities		(115,528)	(68,536)
Net cash flows from investments in non-financial assets		(20,176)	(18,937)
<b>Cash surplus/(deficit)</b>		<b>(135,704)</b>	<b>(87,473)</b>

(a) Dividend receipts has been renamed 'Dividend and distribution receipts' to more accurately reflect the types of receipts included in this item.

Certain comparatives have been restated. Refer to Note 1.5 for further details.

**Australian Government statement of changes in equity (net worth)**  
for the year ended 30 June 2021

Item	Reserves								Total net worth
	Accumulated results	Asset revaluation reserve	Foreign currency translation reserve	Investments reserve	Statutory funds	Other reserves	Total reserves	Contributed equity	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Australian Government</b>									
Adjusted opening balance as at 1 July 2019	(635,070)	58,438	73	13,756	8,514	9,596	90,377	168	(544,525)
Contribution/(distribution) of equity	-	-	-	-	-	-	-	39	39
Dividends provided for or paid	(3)	-	-	-	-	-	-	-	(3)
Comprehensive result - change in net worth	(138,551)	3,208	72	25	-	(168)	3,137	-	(135,414)
Transfers to/(from)/between reserves	117	3	-	(25)	-	(95)	(117)	-	-
<b>Net worth as at 30 June 2020</b>	<b>(773,507)</b>	<b>61,649</b>	<b>145</b>	<b>13,756</b>	<b>8,514</b>	<b>9,333</b>	<b>93,397</b>	<b>207</b>	<b>(679,903)</b>
less: Minority interests	35	-	-	1	-	-	1	207	243
<b>Attributable to the Australian Government</b>									
<b>Sector at 30 June 2020</b>	<b>(773,542)</b>	<b>61,649</b>	<b>145</b>	<b>13,755</b>	<b>8,514</b>	<b>9,333</b>	<b>93,396</b>	<b>-</b>	<b>(680,146)</b>
Contribution/(distribution) of equity	-	-	-	-	-	-	-	56	56
Dividends provided for or paid	(7)	-	-	-	-	-	-	-	(7)
Comprehensive result - change in net worth	(64,694)	708	(67)	339	-	348	1,328	-	(63,366)
Transfers to/(from)/between reserves	7,288	(10)	-	(339)	1,247	(8,186)	(7,288)	-	-
<b>Net worth as at 30 June 2021</b>	<b>(830,920)</b>	<b>62,347</b>	<b>78</b>	<b>13,756</b>	<b>9,761</b>	<b>1,495</b>	<b>87,437</b>	<b>263</b>	<b>(743,220)</b>
less: Minority interests	110	-	-	1	-	-	1	263	374
<b>Attributable to the Australian Government</b>									
<b>Sector at 30 June 2021</b>	<b>(831,030)</b>	<b>62,347</b>	<b>78</b>	<b>13,755</b>	<b>9,761</b>	<b>1,495</b>	<b>87,436</b>	<b>-</b>	<b>(743,594)</b>

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

## **SECTOR STATEMENTS**



**Australian Government operating statement by sector — including General Government Sector Financial Report**  
for the year ended 30 June 2021

	Note	General Government		Public non-financial corporations		Public financial corporations		Eliminations and netting(a)		Australian Government	
		2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Revenue from transactions</b>											
Taxation revenue	2A	480,381	447,318	-	-	-	-	(465)	(221)	479,916	447,097
Sales of goods and services	2B	16,020	14,826	17,642	16,607	776	812	(988)	(1,212)	33,450	31,033
Interest income	2C	3,001	3,689	30	47	4,505	2,043	(813)	(854)	6,723	4,925
Dividend and distribution income(b)	2C	10,460	8,366	-	-	105	65	(2,945)	(2,873)	7,620	5,558
Other	2D	13,578	12,065	1,494	496	163	169	(1,761)	(836)	13,474	11,894
<b>Total revenue</b>		<b>523,440</b>	<b>486,264</b>	<b>19,166</b>	<b>17,150</b>	<b>5,549</b>	<b>3,089</b>	<b>(6,972)</b>	<b>(5,996)</b>	<b>541,183</b>	<b>500,507</b>
<b>Expenses from transactions</b>											
<b>Gross operating expenses</b>											
Wages and salaries	3A	21,373	20,721	4,504	4,542	233	219	-	-	26,110	25,482
Superannuation	3A	12,431	12,247	537	526	105	97	(5)	(5)	13,068	12,865
Depreciation and amortisation	3B	11,738	11,468	4,877	4,538	80	82	-	-	16,695	16,088
Supply of goods and services	3C	141,735	125,758	9,926	10,672	428	455	(1,202)	(1,408)	150,887	135,477
Other operating expenses	3A	7,879	8,512	736	721	49	58	(6)	(5)	8,658	9,286
<b>Total gross operating expenses</b>		<b>195,156</b>	<b>178,706</b>	<b>20,580</b>	<b>20,999</b>	<b>895</b>	<b>911</b>	<b>(1,213)</b>	<b>(1,418)</b>	<b>215,418</b>	<b>199,198</b>
Superannuation interest expense	3A	7,002	7,673	-	-	-	-	-	-	7,002	7,673
Interest expense	3D	19,187	18,463	1,783	1,640	315	609	(813)	(855)	20,472	19,857
<b>Current transfers</b>											
Current grants	3E	166,968	149,799	-	-	-	-	(38)	(30)	166,930	149,769
Subsidy expenses		86,845	67,641	-	-	-	-	(1,596)	(408)	85,249	67,233
Personal benefits		160,484	144,714	-	-	1	1	-	-	160,485	144,715
Tax expenses		-	-	258	120	6	6	(264)	(126)	-	-
<b>Total current transfers</b>		<b>414,297</b>	<b>362,154</b>	<b>258</b>	<b>120</b>	<b>7</b>	<b>7</b>	<b>(1,898)</b>	<b>(564)</b>	<b>412,664</b>	<b>361,717</b>
<b>Capital transfers</b>											
Mutually agreed write-downs	3E	2,792	2,495	-	-	-	-	-	-	2,792	2,495
Other capital grants	3E	13,506	8,568	-	-	-	-	(220)	(159)	13,286	8,409
<b>Total capital transfers</b>		<b>16,298</b>	<b>11,063</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(220)</b>	<b>(159)</b>	<b>16,078</b>	<b>10,904</b>
<b>Total expenses</b>	3F	<b>651,940</b>	<b>578,059</b>	<b>22,621</b>	<b>22,759</b>	<b>1,217</b>	<b>1,527</b>	<b>(4,144)</b>	<b>(2,996)</b>	<b>671,634</b>	<b>599,349</b>
<b>Net operating balance</b>		<b>(128,500)</b>	<b>(91,795)</b>	<b>(3,455)</b>	<b>(5,609)</b>	<b>4,332</b>	<b>1,562</b>	<b>(2,828)</b>	<b>(3,000)</b>	<b>(130,451)</b>	<b>(98,842)</b>

- (a) The eliminations and netting column includes the elimination of inter-sector transactions and the netting of gains and losses across sectors.
- (b) The line item 'Dividend income' has been renamed 'Dividend and distribution income' to more accurately reflect the transactions included in this item. There is no change in the types of revenues aggregated into this account.



**Australian Government operating statement by sector — including General Government Sector Financial Report**  
**(continued)**  
for the year ended 30 June 2021

Note	General Government		Public non-financial corporations		Public financial corporations		Eliminations and netting(a)		Australian Government	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Other economic flows - included in</b>										
<b>operating result</b>										
Net write-down of assets (including bad and doubtful debts)	(11,164)	(8,203)	(839)	(876)	(2)	-	-	-	(12,005)	(9,079)
Net gains/(losses) from the sale of assets	8,313	2,110	(18)	(4)	(5,253)	(220)	3	15	3,045	1,901
Net foreign exchange gains/(losses)	(379)	(949)	(1)	(4)	(3,229)	1,311	-	-	(3,609)	358
Net interest on derivatives gains/(losses)	1,210	(563)	(2)	(2)	27	29	-	-	1,235	(536)
Net fair value gains/(losses)	53,392	(18,623)	10	(204)	375	1	-	-	53,777	(18,826)
Net other gains/(losses)	(9,630)	(8,213)	(67)	(97)	(205)	(339)	-	-	(9,902)	(8,649)
<b>Operating result(b)</b>	<b>(86,758)</b>	<b>(126,236)</b>	<b>(4,372)</b>	<b>(6,796)</b>	<b>(3,955)</b>	<b>2,344</b>	<b>(2,825)</b>	<b>(2,985)</b>	<b>(97,910)</b>	<b>(133,673)</b>
<b>Other economic flows - through equity</b>										
<b>Will not be reclassified to operating result</b>										
Revaluation of non-financial assets	61	1,753	1,242	(41)	24	32	-	-	1,327	1,744
Actuarial revaluations of superannuation	32,323	(4,617)	656	(188)	472	(159)	-	-	33,451	(4,964)
Other economic revaluations	(53)	95	(28)	(61)	-	-	107	(75)	26	(41)
<b>May be reclassified to operating result</b>										
Revaluation of equity investments	(3,483)	4,815	-	-	(605)	1,502	3,828	(4,797)	(260)	1,520
<b>Comprehensive result</b>	<b>(57,910)</b>	<b>(124,190)</b>	<b>(2,502)</b>	<b>(7,086)</b>	<b>(4,064)</b>	<b>3,719</b>	<b>1,110</b>	<b>(7,857)</b>	<b>(63,366)</b>	<b>(135,414)</b>
<b>Net operating balance</b>	<b>(128,500)</b>	<b>(91,795)</b>	<b>(3,455)</b>	<b>(5,609)</b>	<b>4,332</b>	<b>1,562</b>	<b>(2,828)</b>	<b>(3,000)</b>	<b>(130,451)</b>	<b>(98,842)</b>
<b>less Net acquisition of non-financial assets</b>										
Purchases of non-financial assets	16,968	15,806	6,127	8,751	76	66	(4)	(7)	23,167	24,616
less Sales of non-financial assets	302	1,400	17	236	1	3	-	-	320	1,639
less Depreciation and amortisation	11,738	11,468	4,877	4,538	80	82	-	-	16,695	16,088
plus Change in inventories	2,305	1,169	30	(1)	18	14	-	-	2,353	1,182
plus Other movements in non-financial assets	3	2	-	-	-	-	-	-	3	2
<b>Total net acquisition of non-financial assets</b>	<b>7,236</b>	<b>4,109</b>	<b>1,263</b>	<b>3,976</b>	<b>13</b>	<b>(5)</b>	<b>(4)</b>	<b>(7)</b>	<b>8,508</b>	<b>8,073</b>
<b>Fiscal balance (Net lending/borrowing)</b>	<b>(135,736)</b>	<b>(95,904)</b>	<b>(4,718)</b>	<b>(9,585)</b>	<b>4,319</b>	<b>1,567</b>	<b>(2,824)</b>	<b>(2,993)</b>	<b>(138,959)</b>	<b>(106,915)</b>

(a) The eliminations and netting column includes the elimination of inter-sector transactions and the netting of gains and losses across sectors.

(b) General Government operating result includes \$24 million attributable to minority interests (2020: \$0 million).

Certain comparatives have been restated. Refer to Note 1.5 for further details.

# Australian Government balance sheet by sector — including General Government Sector Financial Report as at 30 June 2021

	Note	General Government		Public non-financial corporations		Public financial corporations		Eliminations(a)		Australian Government	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>											
<b>Financial assets</b>											
Cash and deposits(b)		62,411	9,453		2,261		702	(57,739)	(4,435)	7,734	7,981
Advances paid	5A	81,403	82,043	15	16	4,957	3,737	(14,825)	(21,012)	71,550	64,784
Other receivables and accrued revenue	5A	60,014	67,036	2,275	2,189	126	94	(3,127)	(2,635)	59,288	66,684
Investments, loans and placements(b)	5B	191,633	243,740	1,236	649	540,067	279,713	(206,750)	(129,507)	526,186	394,595
Equity investments	5C	147,789	125,349	244	188	819	679	(61,518)	(63,173)	87,334	63,043
<b>Total financial assets</b>		<b>543,250</b>	<b>527,621</b>	<b>5,936</b>	<b>5,303</b>	<b>546,865</b>	<b>284,925</b>	<b>(343,959)</b>	<b>(220,762)</b>	<b>752,092</b>	<b>597,087</b>
<b>Non-financial assets(c)</b>											
Land	5D	12,070	11,718	1,763	1,660	252	242	-	1	14,085	13,621
Buildings	5D	43,311	43,268	3,980	3,638	470	456	(12)	(9)	47,749	47,353
Specialist military equipment	5D	74,387	72,147	-	-	-	-	-	-	74,387	72,147
Other plant, equipment and infrastructure	5D	17,714	17,121	51,609	50,322	158	162	-	(5)	69,481	67,600
Intangibles	5D	9,795	9,066	3,735	3,847	93	96	51	50	13,674	13,059
Investment property	5D	192	209	156	162	-	-	-	(2)	348	369
Inventories	5E	10,606	9,783	184	162	60	42	-	-	10,850	9,987
Heritage and cultural assets	5D	11,861	11,975	-	-	-	-	-	-	11,861	11,975
Tax assets		-	-	1,394	1,353	5	5	(1,399)	(1,358)	-	-
Other non-financial assets	5F	4,872	4,995	743	739	54	56	(49)	(66)	5,620	5,724
<b>Total non-financial assets</b>		<b>184,808</b>	<b>180,282</b>	<b>63,564</b>	<b>61,883</b>	<b>1,092</b>	<b>1,059</b>	<b>(1,409)</b>	<b>(1,389)</b>	<b>248,055</b>	<b>241,835</b>
<b>Total assets</b>	5G	<b>728,058</b>	<b>707,903</b>	<b>69,500</b>	<b>67,186</b>	<b>547,957</b>	<b>285,984</b>	<b>(345,368)</b>	<b>(222,151)</b>	<b>1,000,147</b>	<b>838,922</b>

(a) Comprises the elimination of inter-sector balances.

(b) The Australian Office of Financial Management has moved from primarily using term deposits to a cash management account for investing cash for short-term liquidity management. This has resulted in a decrease in 'Investment, loans and placements' and an increase in 'Cash and deposits' for the General Government Sector.

(c) Right-of-use assets are included in the following line items: Land, Buildings and Other plant, equipment and infrastructure.

**Australian Government balance sheet by sector — including General Government Sector Financial Report (continued)**  
as at 30 June 2021

	Note	General Government		Public non-financial corporations		Public financial corporations		Eliminations(a)		Australian Government	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Liabilities</b>											
<i>Interest bearing liabilities</i>											
Deposits held	6A	598	484	18	10	415,609	153,561	(60,211)	(75,070)	356,014	78,985
Government securities	6B	888,419	784,973	-	-	-	-	(204,504)	(59,105)	683,915	725,868
Loans	6C	10,540	10,932	28,390	25,048	4,192	3,709	(14,556)	(20,729)	28,566	18,960
Leases	6D	19,440	19,879	12,508	12,574	25	30	(9)	(7)	31,964	32,476
Other interest bearing liabilities	6E	7,871	7,601	572	804	2,955	1,926	-	-	11,398	10,331
<b>Total interest bearing liabilities</b>		<b>926,868</b>	<b>823,869</b>	<b>41,488</b>	<b>38,436</b>	<b>422,781</b>	<b>159,226</b>	<b>(279,280)</b>	<b>(154,911)</b>	<b>1,111,857</b>	<b>866,620</b>
<i>Provisions and payables</i>											
Superannuation liability	6F	406,940	430,105	27	28	539	944	-	-	407,506	431,077
Other employee liabilities	6F	37,779	32,262	1,964	1,935	227	228	-	-	39,970	34,425
Supplier payables	6G	9,964	7,396	3,857	4,360	91	106	(44)	52	13,868	11,914
Personal benefits payable	6G	3,015	4,670	-	-	-	-	-	-	3,015	4,670
Subsidies payable	6G	989	1,041	-	-	-	-	(13)	(14)	976	1,027
Grants payable	6G	6,800	2,847	21	12	-	-	-	-	6,821	2,859
Australian currency on issue	6H	-	-	-	-	95,485	90,102	-	-	95,485	90,102
Tax liabilities		-	-	1,090	829	1	-	(1,091)	(829)	-	-
Other payables	6G	2,425	3,461	599	600	2,839	2,731	(2,814)	(2,765)	3,049	4,027
Other provisions	6H	58,481	69,531	891	836	1,772	1,737	(324)	-	60,820	72,104
<b>Total provisions and payables</b>		<b>526,393</b>	<b>551,313</b>	<b>8,449</b>	<b>8,600</b>	<b>100,954</b>	<b>95,848</b>	<b>(4,286)</b>	<b>(3,556)</b>	<b>631,510</b>	<b>652,205</b>
<b>Total liabilities</b>		<b>1,453,261</b>	<b>1,375,182</b>	<b>49,937</b>	<b>47,036</b>	<b>523,735</b>	<b>255,074</b>	<b>(283,566)</b>	<b>(158,467)</b>	<b>1,743,367</b>	<b>1,518,825</b>

(a) Comprises the elimination of inter-sector balances.

**Australian Government balance sheet by sector — including General Government Sector Financial Report (continued)**  
as at 30 June 2021

	Note	General Government		Public non-financial corporations		Public financial corporations		Eliminations(a)		Australian Government	
		2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Net worth</b>											
Accumulated results		(798,542)	(743,246)	(30,558)	(26,536)	(56)	(497)	(1,874)	(3,263)	(831,030)	(773,542)
Reserves		73,179	75,816	10,998	9,736	23,830	31,022	(20,571)	(23,178)	87,436	93,396
Contributed equity		-	-	39,123	36,950	448	385	(39,571)	(37,335)	-	-
Minority interests		160	151	-	-	-	-	214	92	374	243
<b>Net worth</b>		<b>(725,203)</b>	<b>(667,279)</b>	<b>19,563</b>	<b>20,150</b>	<b>24,222</b>	<b>30,910</b>	<b>(61,802)</b>	<b>(63,684)</b>	<b>(743,220)</b>	<b>(679,903)</b>

(a) Comprises the elimination of inter-sector balances.

Certain comparatives have been restated. Refer to Note 1.5 for further details.

**Australian Government cash flow statement by sector — including General Government Sector Financial Report**  
for the year ended 30 June 2021

	General Government		Public non-financial corporations		Public financial corporations		Eliminations and netting(a)		Australian Government	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>OPERATING ACTIVITIES</b>										
<b>Cash received</b>										
Taxes received	473,851	431,775	-	-	-	-	(88)	(126)	473,763	431,649
Receipts from sales of goods and services	16,390	15,490	19,547	17,674	748	778	(2,574)	(2,830)	34,111	31,112
Interest receipts	2,513	3,243	10	23	3,591	1,725	(256)	(584)	5,858	4,407
Dividend and distribution receipts(b)	10,061	7,007	-	-	12	13	(2,835)	(1,977)	7,238	5,043
GST receipts	-	-	279	695	18	20	(297)	(715)	-	-
Other receipts	16,579	12,667	1,408	396	174	187	(1,723)	(869)	16,438	12,381
<b>Total cash received</b>	<b>519,394</b>	<b>470,182</b>	<b>21,244</b>	<b>18,788</b>	<b>4,543</b>	<b>2,723</b>	<b>(7,773)</b>	<b>(7,101)</b>	<b>537,408</b>	<b>484,592</b>
<b>Cash used</b>										
Taxes paid	-	-	(173)	(156)	-	(1)	173	157	-	-
Payments for employees	(34,135)	(32,878)	(4,958)	(4,903)	(270)	(258)	5	5	(39,358)	(38,034)
Payments for goods and services	(137,351)	(126,872)	(11,896)	(12,334)	(461)	(451)	2,605	3,380	(147,103)	(136,277)
Grants and subsidies paid	(277,676)	(210,773)	-	-	-	-	1,529	594	(276,147)	(210,179)
Interest paid	(16,739)	(16,257)	(872)	(756)	(221)	(553)	244	597	(17,588)	(16,969)
Interest payments on lease liabilities	(364)	(266)	(785)	(689)	-	-	-	-	(1,149)	(955)
Personal benefits paid	(163,747)	(143,073)	-	-	-	-	-	-	(163,747)	(143,073)
GST paid	-	-	(351)	(380)	(20)	(18)	371	398	-	-
Other payments	(7,086)	(6,917)	(707)	(663)	(51)	(61)	-	-	(7,844)	(7,641)
<b>Total cash used</b>	<b>(637,098)</b>	<b>(537,036)</b>	<b>(19,742)</b>	<b>(19,881)</b>	<b>(1,023)</b>	<b>(1,342)</b>	<b>4,927</b>	<b>5,131</b>	<b>(652,936)</b>	<b>(553,128)</b>
<b>Net cash from operating activities</b>	<b>(117,704)</b>	<b>(66,854)</b>	<b>1,502</b>	<b>(1,093)</b>	<b>3,520</b>	<b>1,381</b>	<b>(2,846)</b>	<b>(1,970)</b>	<b>(115,528)</b>	<b>(68,536)</b>
<b>INVESTING ACTIVITIES</b>										
<b>Investments in non-financial assets</b>										
Sales of non-financial assets	350	1,724	19	95	-	-	-	-	369	1,819
Purchases of non-financial assets	(14,283)	(12,952)	(6,189)	(7,749)	(73)	(55)	-	-	(20,545)	(20,756)
<b>Net cash from non-financial assets</b>	<b>(13,933)</b>	<b>(11,228)</b>	<b>(6,170)</b>	<b>(7,654)</b>	<b>(73)</b>	<b>(55)</b>	<b>-</b>	<b>-</b>	<b>(20,176)</b>	<b>(18,937)</b>

(a) The eliminations and netting column includes the elimination of inter-sector transactions and the netting of certain cash flows across sectors.

(b) 'Dividend receipts' has been renamed 'Dividend and distribution receipts' to more accurately reflect the types of receipts included in this item.

# Australian Government cash flow statement by sector — including General Government Sector Financial Report

(continued)

for the year ended 30 June 2021

	General Government		Public non-financial corporations		Public financial corporations		Eliminations and netting(a)		Australian Government	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>INVESTING ACTIVITIES</b>										
<b>Investments in financial assets for policy purposes</b>										
Receipts from policy investments	13,796	6,367	-	-	804	539	(7,001)	(281)	7,599	6,625
Payments for policy investments	(17,161)	(19,922)	(1)	(3)	(1,392)	(1,790)	2,421	8,301	(16,133)	(13,414)
<b>Net cash from policy investments</b>	<b>(3,365)</b>	<b>(13,555)</b>	<b>(1)</b>	<b>(3)</b>	<b>(588)</b>	<b>(1,251)</b>	<b>(4,580)</b>	<b>8,020</b>	<b>(8,534)</b>	<b>(6,789)</b>
<b>Investments in financial assets for liquidity purposes</b>										
Net cash from investing activities	57,614	(53,640)	(190)	(61)	(267,998)	(95,924)	77,244	91,174	(133,330)	(58,451)
	40,316	(78,423)	(6,361)	(7,718)	(268,659)	(97,230)	72,664	99,194	(162,040)	(84,177)
<b>FINANCING ACTIVITIES</b>										
<b>Cash flows from financing activities</b>										
<b>Net cash received</b>										
Borrowings	135,941	151,403	3,227	8,483	629	944	(138,733)	(58,943)	1,064	101,887
Contributed equity	-	2	2,084	1,235	63	43	(2,084)	(1,245)	63	35
Other financing	5,351	4,395	195	799	267,461	95,103	14,859	(39,009)	287,866	61,288
<b>Net cash received</b>	<b>141,292</b>	<b>155,800</b>	<b>5,506</b>	<b>10,517</b>	<b>268,153</b>	<b>96,090</b>	<b>(125,958)</b>	<b>(99,197)</b>	<b>288,993</b>	<b>163,210</b>
<b>Net cash used</b>										
Distributions paid	(7)	(3)	(258)	(286)	(2,583)	(1,708)	2,841	1,994	(7)	(3)
Principal payments of lease liabilities	(2,526)	(2,361)	(437)	(386)	(6)	(5)	-	-	(2,969)	(2,752)
Other financing	(8,413)	(7,523)	(47)	(851)	(231)	(60)	(5)	201	(8,696)	(8,233)
<b>Net cash used</b>	<b>(10,946)</b>	<b>(9,887)</b>	<b>(742)</b>	<b>(1,523)</b>	<b>(2,820)</b>	<b>(1,773)</b>	<b>2,836</b>	<b>2,195</b>	<b>(11,672)</b>	<b>(10,988)</b>
<b>Net cash from financing activities</b>	<b>130,346</b>	<b>145,913</b>	<b>4,764</b>	<b>8,994</b>	<b>265,333</b>	<b>94,317</b>	<b>(123,122)</b>	<b>(97,002)</b>	<b>277,321</b>	<b>152,222</b>
<b>Net increase/(decrease) in cash</b>	<b>52,958</b>	<b>636</b>	<b>(95)</b>	<b>183</b>	<b>194</b>	<b>(1,532)</b>	<b>(53,304)</b>	<b>222</b>	<b>(247)</b>	<b>(491)</b>
<b>Cash at beginning of year</b>	<b>9,453</b>	<b>8,817</b>	<b>2,261</b>	<b>2,078</b>	<b>702</b>	<b>2,234</b>	<b>(4,435)</b>	<b>(4,657)</b>	<b>7,981</b>	<b>8,472</b>
<b>Cash at end of year</b>	<b>62,411</b>	<b>9,453</b>	<b>2,166</b>	<b>2,261</b>	<b>896</b>	<b>702</b>	<b>(57,739)</b>	<b>(4,435)</b>	<b>7,734</b>	<b>7,981</b>
<b>Key fiscal aggregate</b>										
Net cash flows from operating activities	(117,704)	(66,854)	1,502	(1,093)	3,520	1,381	(2,846)	(1,970)	(115,528)	(68,536)
Net cash flows from investments in non-financial assets	(13,933)	(11,228)	(6,170)	(7,654)	(73)	(55)	-	-	(20,176)	(18,937)
<b>Cash surplus/(deficit)</b>	<b>(131,637)</b>	<b>(78,082)</b>	<b>(4,668)</b>	<b>(8,747)</b>	<b>3,447</b>	<b>1,326</b>	<b>(2,846)</b>	<b>(1,970)</b>	<b>(135,704)</b>	<b>(87,473)</b>

(a) The eliminations and netting column includes the elimination of inter-sector transactions and the netting of certain cash flows across sectors.

Certain comparatives have been restated refer to Note 1.5 for further details.

**Australian Government statement of changes in equity (net worth) by sector**  
for the year ended 30 June 2021

Item	Reserves								Total Net Worth \$m
	Accumulated results \$m	Asset revaluation reserve \$m	Foreign currency translation reserve \$m	Investments reserve \$m	Statutory funds \$m	Other reserves \$m	Total reserves \$m	Contributed equity \$m	
<b>General Government</b>									
Adjusted opening balance as at 1 July 2019	(612,067)	48,622	65	20,094	-	62	68,843	132	(543,092)
Dividends provided for or paid	(3)	-	-	-	-	-	-	-	(3)
Comprehensive result - change in net worth	(130,834)	1,745	72	4,822	-	5	6,644	-	(124,190)
Contribution/(distribution) of equity	-	-	-	-	-	-	-	6	6
Transfers to/(from)/between reserves	(330)	8	-	315	-	7	330	-	-
<b>Net worth as at 30 June 2020</b>	<b>(743,234)</b>	<b>50,375</b>	<b>137</b>	<b>25,231</b>	<b>-</b>	<b>74</b>	<b>75,817</b>	<b>138</b>	<b>(667,279)</b>
less: Minority interests	12	-	-	1	-	-	1	138	151
<b>Attributable to the General Government</b>									
<b>Sector at 30 June 2020</b>	<b>(743,246)</b>	<b>50,375</b>	<b>137</b>	<b>25,230</b>	<b>-</b>	<b>74</b>	<b>75,816</b>	<b>-</b>	<b>(667,430)</b>
Dividends provided for or paid	(7)	-	-	-	-	-	-	-	(7)
Comprehensive result - change in net worth	(54,412)	48	(59)	(3,489)	-	2	(3,498)	-	(57,910)
Contribution/(distribution) of equity	-	-	-	-	-	-	-	(7)	(7)
Transfers to/(from)/between reserves	(861)	(6)	-	858	-	9	861	-	-
<b>Net worth as at 30 June 2021</b>	<b>(798,514)</b>	<b>50,417</b>	<b>78</b>	<b>22,600</b>	<b>-</b>	<b>85</b>	<b>73,180</b>	<b>131</b>	<b>(725,203)</b>
less: Minority interests	28	-	-	1	-	-	1	131	160
<b>Attributable to the General Government</b>									
<b>Sector at 30 June 2021</b>	<b>(798,542)</b>	<b>50,417</b>	<b>78</b>	<b>22,599</b>	<b>-</b>	<b>85</b>	<b>73,179</b>	<b>-</b>	<b>(725,363)</b>

**Australian Government statement of changes in equity (net worth) by sector (continued)**  
for the year ended 30 June 2021

Item	Reserves								Total Net Worth \$m
	Accumulated results \$m	Asset revaluation reserve \$m	Foreign currency translation reserve			Statutory funds \$m	Other reserves \$m	Total reserves \$m	
			\$m	\$m	\$m				
Public non-financial corporations									
Adjusted opening balance as at 1 July 2019	(19,391)	9,860	8	-	-	92	9,960	35,827	26,396
Comprehensive result - change in net worth	(6,890)	(58)	-	-	-	(138)	(196)	-	(7,086)
Dividends provided for or paid	(283)	-	-	-	-	-	-	-	(283)
Transfers to/(from)/between reserves	28	(5)	-	-	-	(23)	(28)	-	-
Contribution/(distribution) of equity	-	-	-	-	-	-	-	1,123	1,123
Net worth as at 30 June 2020	(26,536)	9,797	8	-	-	(69)	9,736	36,950	20,150
Comprehensive result - change in net worth	(3,847)	1,267	(8)	-	-	86	1,345	-	(2,502)
Dividends provided for or paid	(258)	-	-	-	-	-	-	-	(258)
Transfers to/(from)/between reserves	83	(3)	-	-	-	(80)	(83)	-	-
Contribution/(distribution) of equity	-	-	-	-	-	-	-	2,173	2,173
Net worth as at 30 June 2021	(30,558)	11,061	-	-	-	(63)	10,998	39,123	19,563



**Australian Government statement of changes in equity (net worth) by sector (continued)**  
for the year ended 30 June 2021

Item	Reserves								Total Net Worth \$m
	Accumulated results \$m	Asset revaluation reserve \$m	Foreign currency translation reserve \$m	Investments reserve \$m	Statutory funds \$m	Other reserves \$m	Total reserves \$m	Contributed equity \$m	
Public financial corporations									
Adjusted opening balance as at 1 July 2019	(205)	5,933	-	-	14,119	9,549	29,601	342	29,738
Comprehensive result - change in net worth	2,219	1,534	-	-	-	(34)	1,500	-	3,719
Dividends provided for or paid	(2,590)	-	-	-	-	-	-	-	(2,590)
Transfers to/(from)/between reserves	79	-	-	-	-	(79)	(79)	-	-
Contribution/(distribution) of equity	-	-	-	-	-	-	-	43	43
Net worth as at 30 June 2020	(497)	7,467	-	-	14,119	9,436	31,022	385	30,910
Comprehensive result - change in net worth	(3,741)	(581)	-	-	-	258	(323)	-	(4,064)
Dividends provided for or paid	(2,687)	-	-	-	-	-	-	-	(2,687)
Transfers to/(from)/between reserves	6,869	(1)	-	-	1,247	(8,115)	(6,869)	-	-
Contribution/(distribution) of equity	-	-	-	-	-	-	-	63	63
Net worth as at 30 June 2021	(56)	6,885	-	-	15,366	1,579	23,830	448	24,222

The above statements should be read in conjunction with the accompanying note.

## **NOTES TO THE FINANCIAL STATEMENTS**



## INDEX TO NOTES

<b>NOTE 1: BASIS OF FINANCIAL STATEMENTS PREPARATION .....</b>	<b>57</b>
<b>NOTE 2: REVENUE FROM TRANSACTIONS.....</b>	<b>66</b>
Note 2A: Taxation revenue.....	67
Note 2B: Sales of goods and services .....	70
Note 2C: Interest and dividend and distribution income.....	72
Note 2D: Other sources of non-taxation revenue.....	73
<b>NOTE 3: EXPENSES FROM TRANSACTIONS.....</b>	<b>74</b>
Note 3A: Employee and superannuation expenses .....	75
Note 3B: Depreciation and amortisation expenses .....	75
Note 3C: Supply of goods and services .....	77
Note 3D: Interest expense.....	78
Note 3E: Grants expense .....	79
Note 3F: Expenses by function .....	80
<b>NOTE 4: OTHER ECONOMIC FLOWS.....</b>	<b>82</b>
Note 4A: Net write-down of assets (including bad and doubtful debts) .....	83
Note 4B: Net gains/(losses) from the sale of assets .....	84
Note 4C: Other gains/(losses) .....	85
<b>NOTE 5: ASSETS .....</b>	<b>87</b>
Note 5A: Advances paid and receivables.....	90
Note 5B: Investments, loans and placements.....	94
Note 5C: Equity investments .....	99
Note 5D: Land and buildings, plant, equipment and infrastructure, heritage and cultural assets and intangibles.....	103
Note 5E: Inventories .....	113
Note 5F: Other non-financial assets.....	114
Note 5G: Assets by function .....	114
<b>NOTE 6: LIABILITIES.....</b>	<b>115</b>
Note 6A: Deposit liabilities.....	116
Note 6B: Government securities .....	117
Note 6C: Loans.....	118
Note 6D: Leases.....	120
Note 6E: Other interest bearing liabilities .....	121
Note 6F: Employee benefits .....	122
Note 6G: Other payables.....	125
Note 6H: Other provisions .....	127

<b>NOTE 7: NET REVALUATION INCREASES/(DECREASES) IN OTHER COMPREHENSIVE INCOME .....</b>	<b>129</b>
<b>NOTE 8: RECONCILIATION OF CASH .....</b>	<b>129</b>
<b>NOTE 9: RISKS.....</b>	<b>133</b>
Note 9A: Contingencies .....	133
Note 9B: Financial instruments.....	139
Note 9C: Defined benefit superannuation plans.....	153
<b>NOTE 10: RELATED PARTIES .....</b>	<b>162</b>
Note 10A: Ministerial remuneration .....	162
Note 10B: Related party disclosures .....	162
<b>NOTE 11: EVENTS OCCURRING AFTER BALANCE DATE .....</b>	<b>163</b>
<b>NOTE 12: RECONCILIATIONS AND EXPLANATIONS.....</b>	<b>164</b>
Note 12A: Explanation of differences to ABS GFS measures.....	164
Note 12B: Reconciliation to original budget .....	166
Note 12C: Glossary of key fiscal aggregates .....	173
<b>NOTE 13: AUDIT EXPENSES .....</b>	<b>174</b>
<b>NOTE 14: LIST OF AUSTRALIAN GOVERNMENT REPORTING ENTITIES ....</b>	<b>175</b>

## **Note 1: Basis of financial statements preparation**

### **1.1 Purpose**

The purpose of this note is to outline the basis on which the financial statements for the Australian Government (whole of government) and the general government sector (GGS) have been prepared.

Significant accounting policies that are relevant to understanding the financial statements are provided throughout the notes to the financial statements. Except as otherwise noted, the accounting policies detailed in this note and throughout the financial statements are applicable at both the whole of government level and for the GGS.

### **1.2 Statement of compliance**

The Australian Government Consolidated Financial Statements (CFS) are required by section 48 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The CFS are general purpose financial statements that have been prepared for the whole of government and the GGS in accordance with Australian Accounting Standards (AAS), including AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

The GGS financial statements are included in the CFS and can be found in the Sector statements and the Notes to the financial statements.

### **1.3 Basis of accounting**

The CFS provides users with information about the stewardship by the Australian Government and accountability for the resources entrusted to it; information about the financial position, performance and cash flows of the Australian Government; and information that facilitates assessment of the macroeconomic impact.

The principles and rules in the Australian Bureau of Statistics *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 – ABS Catalogue No. 5514.0* (ABS GFS Manual) have been applied in the production of these financial statements, except in instances in which their application would conflict with AAS.

The CFS presents financial aggregates according to the Uniform Presentation Framework (UPF). The UPF is an agreed framework between the Australian, state and territory governments for the presentation of government financial information.

The CFS also presents expenses and assets classified according to the functions of Government (refer Notes 3F and 5G respectively). The Classifications of Functions of Government - Australia (COFOG-A) in the 2015 ABS GFS Manual replaced the former Government Purpose Classification (GPC). However,

consistent with the Final Budget Outcome and historical reporting, the CFS adopts the GPC under the previous ABS 2005 GFS Manual (*Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005 – ABS Catalogue No. 5514.0*).

The adoption of COFOG-A would result in the reallocation of Government superannuation expenses from the General Public Services function across all functions and the grouping or reallocation of certain sub-functions.

Under the 2019 UPF, jurisdictions which apply the former GPC hierarchy must reference the previous ABS 2005 GFS Manual.

Where the key fiscal aggregates presented on the face of the financial statements are materially different to those measured in accordance with the applied ABS GFS Manual, an explanation of the differences between the two measures is provided (refer Note 12A).

The CFS has been prepared on an accrual basis and is presented in Australian dollars.

#### **1.4 New Australian Accounting Standards**

##### **Adoption of new Australian Accounting Standard requirements**

During 2020-21, the Australian Government adopted all applicable accounting standards that became effective during the year. The following standard was mandatory for the first time from 1 July 2020 and is applicable to the CFS.

##### **AASB 1059 Service Concession Arrangements: Grantors (AASB 1059)**

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from a grantor's perspective.

Prior to the issuance of AASB 1059, there was no definitive accounting guidance in Australia for service concession arrangements, which include a number of public private partnerships (PPP) arrangements. The AASB issued the new standard to address the lack of specific accounting guidance and based the content thereof broadly on its international equivalent: International Public Sector Accounting Standard 32: Service Concession Arrangements: Grantor.

The adoption of AASB 1059 did not have a material impact upon the Australian Government CFS.

## 1.5 Restatement of prior period comparatives

The 2019-20 comparatives have been restated to account for the following:

- There was a voluntary change in accounting policy for the accounting treatment of public sector defined benefit member superannuation contributions. The pass-through of public sector defined benefit member superannuation payments will now be presented on a gross basis in the cash flow statement. The voluntary change in accounting policy has been retrospectively applied, resulting in increases in payments for employees and other receipts of \$2.4 billion respectively.
- The Department of Defence (Defence) made a voluntary change in accounting policy for asset capitalisation thresholds including property, plant and equipment and intangibles. The purpose of the change was to reduce the administrative burden, processes and costs involved in accounting for low value items. Adjustments have been made to the 2019-20 comparatives as per adjustment (a) in the table below.
- In the 2020-21 financial period, Defence undertook additional asset review activities that identified significant write-downs and impairment of assets that should have been recorded in prior financial periods. In addition, Defence identified additional operating revenue and expenses that required disclosure. Adjustments have been made to the 2019-20 comparatives as per adjustment (b) in the table below.

The following material reclassifications have been made to the 2019-20 comparatives to ensure consistency with the current year reporting period (reclassifications within a note or financial statement category are not shown):

- Future Fund Management Agency (FFMA) has made a reclassification to balance sheet items associated with their futures derivative financial instruments.
- A change in accounting policy for the debt not expected to be repaid and remissions of education loan programs has resulted in a reclassification between mutually agreed write-downs and net fair value gains/(losses). This is a voluntary change in accounting policy, bringing consistency to the treatment of concessional loans and visibility to the treatment of debt forgiveness resulting from policy decisions for income contingent concessional loans.

Adjustments have been made to the 2019-20 comparatives as per the reclassification column in the table below.



Notes to the financial statements

		2020	Adjustment		Reclass- ifications	Restated 2020
	Note	\$m	(a) \$m	(b) \$m	\$m	\$m
<b>Revenue from transactions</b>						
Sales of goods and services	2B	30,996	-	37	-	31,033
Non-taxation revenue	2D	11,737	-	157	-	11,894
<b>Total revenue</b>		<b>500,313</b>	<b>-</b>	<b>194</b>	<b>-</b>	<b>500,507</b>
<b>Expenses from transactions</b>						
<i>Gross operating expenses</i>						
Depreciation and amortisation	3B	16,386	(85)	(213)	-	16,088
Supply of goods and services	3C	135,174	31	272	-	135,477
<i>Total gross operating expenses</i>		<i>199,193</i>	<i>(54)</i>	<i>59</i>	<i>-</i>	<i>199,198</i>
<i>Capital transfers</i>						
Mutually agreed write-downs	3E	3,114	-	-	(619)	2,495
<i>Total capital transfers</i>		<i>11,523</i>	<i>-</i>	<i>-</i>	<i>(619)</i>	<i>10,904</i>
<b>Total expenses</b>	3F	<b>599,963</b>	<b>(54)</b>	<b>59</b>	<b>(619)</b>	<b>599,349</b>
<b>Net operating balance</b>		<b>(99,650)</b>	<b>54</b>	<b>135</b>	<b>619</b>	<b>(98,842)</b>
<b>Other economic flows</b>						
Net write-down of assets (including bad and doubtful debts)	4A	(9,101)	-	22	-	(9,079)
Net fair value gains/(losses)	4C	(18,207)	-	-	(619)	(18,826)
<b>Operating result</b>		<b>(133,884)</b>	<b>54</b>	<b>157</b>	<b>-</b>	<b>(133,673)</b>
<b>Assets</b>						
<i>Financial assets</i>						
Other receivables and accrued revenue	5A	66,680	-	4	-	66,684
Investments, loans and placements	5B	394,313	-	-	282	394,595
<i>Total financial assets</i>		<i>596,801</i>	<i>-</i>	<i>4</i>	<i>282</i>	<i>597,087</i>
<i>Non-financial assets</i>						
Buildings	5D	47,471	(121)	3	-	47,353
Specialist military equipment	5D	71,718	-	429	-	72,147
Other plant, equipment and infrastructure	5D	67,861	(189)	(72)	-	67,600
Intangibles	5D	13,081	(7)	(15)	-	13,059
Inventories	5E	10,016	-	(29)	-	9,987
Heritage and cultural assets	5D	11,978	(2)	(1)	-	11,975
<i>Total non-financial assets</i>		<i>241,839</i>	<i>(319)</i>	<i>315</i>	<i>-</i>	<i>241,835</i>
<b>Total assets</b>	5G	<b>838,640</b>	<b>(319)</b>	<b>319</b>	<b>282</b>	<b>838,922</b>
<b>Liabilities</b>						
<i>Interest bearing liabilities</i>						
Other interest bearing liabilities	6E	10,049	-	-	282	10,331
<i>Total interest bearing liabilities</i>		<i>866,338</i>	<i>-</i>	<i>-</i>	<i>282</i>	<i>866,620</i>
<b>Total liabilities</b>		<b>1,518,543</b>	<b>-</b>	<b>-</b>	<b>282</b>	<b>1,518,825</b>
<b>Net worth</b>						
Opening balance as at 1 July 2019		(544,314)	(373)	162	-	(544,525)
Comprehensive result - Change in net worth		(135,625)	54	157	-	(135,414)
<b>Net worth</b>		<b>(679,903)</b>	<b>(319)</b>	<b>319</b>	<b>-</b>	<b>(679,903)</b>

## **1.6 The reporting entity and basis of consolidation**

For the purposes of these financial statements, the Australian Government means the executive (consisting principally of Ministers and their departments), the legislature (that is, the Parliament) and the judiciary (that is, the courts). Where the 'Australian Government' is referred to throughout these statements, it is intended to also mean the 'Commonwealth of Australia'. The Australian Government reporting entity (referred to as the reporting entity) includes Australian Government Departments of State, Parliamentary Departments, other non-corporate Commonwealth entities, corporate Commonwealth entities and companies in which the Australian Government holds a controlling interest.

The Australian Government controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence of control in the context of these financial statements does not in any way indicate that there is necessarily control over the manner in which statutory/professional functions are performed by an entity.

In the process of reporting the Australian Government as a single economic entity, all material transactions and balances between Australian Government controlled entities are eliminated. Any dissimilar accounting policies applied at the entity level are amended to ensure consistent policies are adopted in these financial statements where the effect is material.

Where control of an entity is obtained during a financial year, results are included in the consolidated operating statement and the consolidated cash flow statement from the date on which control commenced. Where control of an entity ceases during a financial year, results are included for that part of the year for which control existed.

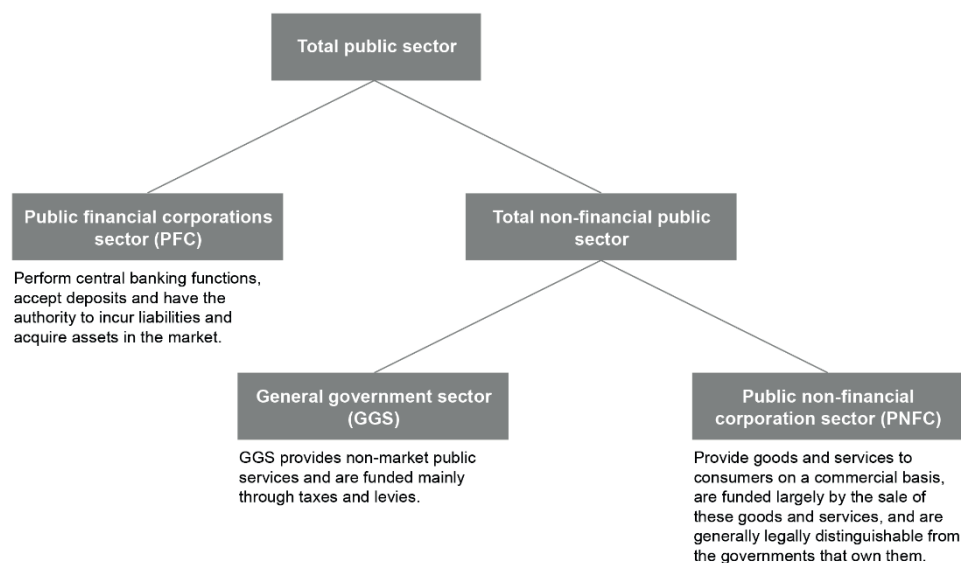
## **1.7 Business combinations**

There were no material business combinations in 2020-21 or the comparative year.

## **1.8 Sectors**

The sector classification of Australian Government entities follows that defined by the Australian Bureau of Statistics for the purposes of GFS. This, in turn, is based on international standards issued by the International Monetary Fund (IMF).

**Figure 1: Institutional structure of the public sector**



## 1.9 Significant accounting judgements and estimates

In preparing financial statements, Australian Government entities are required to make judgements and estimates that impact:

- income and expenses for the year;
- the reported amounts of assets and liabilities; and
- the disclosure of off-balance sheet arrangements, including contingent assets and contingent liabilities.

Judgements and estimates are subject to periodic review, including through the receipt of actuarial advice. They are based on historical experience, various other assumptions believed to be reasonable under the circumstances and, where appropriate, practices adopted by other entities.

Judgements and estimates made by Australian Government entities that have the most significant impact on the amounts recorded in these financial statements include:

Significant accounting estimate / judgement	Note
Taxation revenue items reported under the Economic Transactions Method	2A
Revenue recognition – whether revenue from contracts with customers is recognised over time or at a point in time	2B
Impairment — key assumptions and methodologies used to estimate the recoverability of accounts receivable, statutory debts and inventory	4A
Fair value — assumptions used in valuation techniques for the fair value of financial assets and liabilities, including derivatives	5, 6

Significant accounting estimate / judgement	Note
Fair value and impairment test — key assumptions underlying recoverable amount and valuations of land, property, plant and equipment and infrastructure	5D
Lease terms — whether Commonwealth entities are reasonably certain to exercise extension options	5D, 6D
Measurement of defined benefit obligations — principal actuarial assumptions	6F, 9C
Recognition and measurement of provisions and contingencies — key assumptions about the likelihood and magnitude of an outflow or inflow of resources	6H, 9A

The ABS GFS Manual requires assets and liabilities to be measured at market value. Under AASB 1049, the Australian Government applies the AASB 13 *Fair Value Measurement* fair value hierarchy to assets and liabilities except where another standard requires an alternate treatment. The fair value hierarchy categorises fair value measurements into three levels:

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

The classification of each asset and liability class by fair value level is disclosed in the relevant notes to the balance sheet.

Australian Government entities utilise a range of valuation techniques and inputs in determining fair value. The following table summarises the valuation techniques used by entities in determining the values of Level 2 and Level 3 categorised assets and liabilities.

Valuation technique	Description
Cost approach / Current replacement cost (CRC)	The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. Obsolescence is determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.
Income approach / Discounted cash flows	Converts future amounts (cash flow or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
Market approach	Market approach seeks to estimate the current value of an asset with reference to recent market evidence including transactions of comparable assets within local second-hand markets.
Net assets of entities	The value of the entity's assets less the value of its liabilities.

The following table summarises the inputs used by entities.

Input used	Description
Cost of new assets	The amount a market participant would pay to acquire or construct a new substitute asset of comparable utility.
Per square metre cost	The square metre cost of new or replacement assets.
Consumed economic benefit	Physical deterioration, functional or technical obsolescence and conditions of the economic environment specific to the asset.
Capitalisation rate	Rate of return on a real estate investment property based on the income that the property is expected to generate.
Market transactions	Market transactions of comparable assets, adjusted to reflect differences in price sensitive characteristics (for example size, condition).
Adjusted market transactions	Market transactions of comparable assets, involving significant professional judgement to adjust for other factors (for example economic conditions) and their impact on price sensitive characteristics.
Principal due	The amount of the principal remaining to be repaid.
Discount rate	Rate at which cash flows are discounted back to the value at measurement date.
Future cash flows	The future predicted cash flows of the asset.
Foreign exchange rates	Rates used to convert foreign currencies into Australian dollars.
Weighted average cost of capital	The rate of return expected to pay on average to security holders to finance assets.
Net assets of entities	The value of the entity's assets less the value of its liabilities.

## 1.10 Insurance

Australian Government entities operating in the GGS are members of the Australian Government's self-managed fund for insurable risks, Comcover. This excludes workers' compensation where the risk is managed by Comcare. Australian Government entities operating outside the GGS adopt their own insurance strategies, which includes both self-insurance and commercial insurance coverage.

## 1.11 Rounding

All amounts have been rounded to the nearest million dollars, unless otherwise noted.

### **1.12 Compliance with the Commonwealth of Australia Constitution Act**

Section 83 of the *Commonwealth of Australia Constitution Act* (Constitution) provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. It is important to note that it is not possible in all instances to fully remove the potential for Section 83 breaches under existing legislation. In many cases the Australian Government relies on information provided by payment recipients to calculate and pay appropriate entitlements and this information is not always timely or accurate.

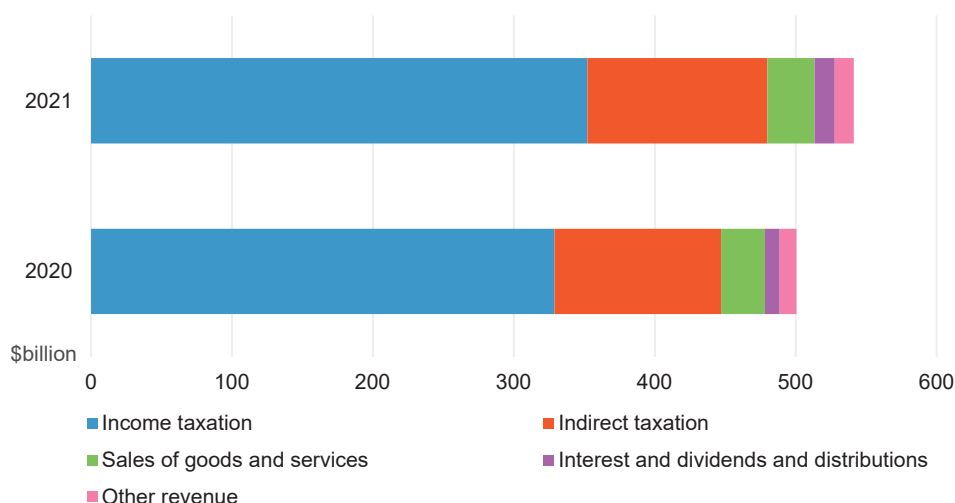
Australian Government entities monitor their level of compliance with Section 83 of the Constitution across all legislation for which they have legislative responsibility. If an entity identified a potential or actual Section 83 breach during the reporting period, the details have been disclosed in the financial statements of the responsible entity.

In 2020-21, actual breaches of Section 83 were identified across four Commonwealth entities, with a total value of \$7.9 billion (2019-20: across eight Commonwealth entities, with a total value of \$14.8 billion). The breaches identified in 2020-21 include the business activity statement refunds paid by the Australian Taxation Office (ATO) between 1 July 2000 and 29 June 2012 under the *Taxation Administration Act 1953*, totalling \$7.7 billion in value. These technical breaches have been rectified, with further detail provided in the financial statements of the ATO.

## Note 2: Revenue from transactions

Revenue from transactions arise from interactions between the Australian Government and other entities, including households, private corporations, the not-for-profit sector and other governments. It excludes gains resulting from changes in price levels and other changes in the volume of assets. These are disclosed separately in Note 4 as 'other economic flows'. The total Australian Government revenue and relative composition of revenue sources were as follows:

### Revenue composition



- **Income taxation** (refer Note 2A) is the largest source of Australian Government revenue and refers to the taxation of income, profits and capital gains.
- **Indirect taxation** (refer Note 2A) includes taxes on the sale and use of goods and services and other taxes. This includes the goods and services tax (GST), customs and excise duties and other taxes levied on particular products or industries.
- **Revenue from sales of goods and services** (refer Note 2B) is distinguished from taxation in that the revenue is received in return for the direct provision of goods and services (including the provision of regulatory services) to the payer as well as rental income which relates to income received in return for the right-to-use an asset.
- **Interest income** (refer Note 2C) refers to income accrued on financial assets such as deposits, securities other than shares, loans and accounts receivable.
- **Dividend and distribution income** (refer Note 2C) includes equity distributions received by the Australian Government investment funds (investment funds) and corporations and, at the GGS level, also includes distributions from corporate Commonwealth entities or companies (which are eliminated upon consolidation).

- **Other sources of non-taxation revenue** (refer Note 2D) includes transaction revenue not categorised elsewhere, with significant items including the Pharmaceutical Benefits Scheme (PBS) drug recoveries, the collection of royalties, the collection of child support payments to pass on to custodial parents and in-kind contributions from states and territories for services provided under the National Disability Support Scheme.

## Note 2A: Taxation revenue

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Income taxation</b>				
Individuals and other withholding taxes				
Gross income tax withholding	221,704	217,095	221,704	217,095
Gross other individuals	50,225	48,855	50,225	48,855
less Refunds	(36,265)	(36,219)	(36,265)	(36,219)
<b>Total individuals and other withholding taxation</b>	<b>235,664</b>	<b>229,731</b>	<b>235,664</b>	<b>229,731</b>
Fringe benefits tax	3,501	3,939	3,501	3,939
Company tax	99,255	87,846	99,114	87,625
Superannuation funds taxes	13,037	6,621	13,037	6,621
Resource rent taxes	897	921	897	921
<b>Total income taxation revenue</b>	<b>352,354</b>	<b>329,058</b>	<b>352,213</b>	<b>328,837</b>
<b>Indirect taxation</b>				
Sales taxes				
Goods and services tax	74,738	65,079	74,738	65,079
Wine equalisation tax	1,101	1,040	1,101	1,040
Luxury car tax	900	632	900	632
<b>Total sales taxes</b>	<b>76,739</b>	<b>66,751</b>	<b>76,739</b>	<b>66,751</b>
Excise duty revenue(a)	24,503	23,116	24,503	23,116
Customs duty revenue(a)	18,123	19,507	18,123	19,507
Other indirect taxation				
Major bank levy	1,572	1,639	1,572	1,639
Agricultural levies	534	469	534	469
Other taxes	6,556	6,778	6,232	6,778
<b>Total other indirect taxation revenue</b>	<b>8,662</b>	<b>8,886</b>	<b>8,338</b>	<b>8,886</b>
Mirror taxes	610	593	610	593
less Transfers to States in relation to mirror tax revenue	(610)	(593)	(610)	(593)
Mirror tax revenue	-	-	-	-
<b>Total indirect taxation revenue</b>	<b>128,027</b>	<b>118,260</b>	<b>127,703</b>	<b>118,260</b>
<b>Total taxation revenue</b>	<b>480,381</b>	<b>447,318</b>	<b>479,916</b>	<b>447,097</b>

(a) The 2020-21 Final Budget Outcome provides a disaggregation of excise and customs duty revenue by duty type.



## Taxation revenue

Taxation revenues are recognised when there is a basis establishing the Australian Government's right to receive the revenue, it is probable that future economic benefits will be received, and the amount of revenue to be received can be reliably measured. Estimation of some revenues can be difficult due to impacts of economic conditions and the timing of final taxable income, hence the Australian Government uses two bases of recognition:

- **Economic Transactions Method (ETM)** - Revenue is recognised when the Government, through the application of legislation to taxation and other relevant activities, gains control over the future economic benefits that arise from taxes and other statutory charges. Where a taxation revenue is able to be measured reliably (even in cases where the transactions are yet to occur, but are likely to be reported) the ETM method is used to recognise revenue.
- **Taxation Liability Method (TLM)** - Revenue is recognised at the earlier of when an assessment of a tax liability is made, or payment is received. Furthermore, revenue is recognised when there is sufficient information to raise an assessment, but an event has occurred which delays the issue of the assessment. This method is permitted when there is an 'inability to reliably measure taxes when the underlying transactions or events occur'. Revenue recognised under this policy is generally measured at a later time than would be the case if it were measured under ETM.

The revenue recognition policy adopted by the Australian Government for each major type of taxation revenue is as follows:

Type of taxation revenue	Method	Basis of revenue recognition
Income tax – individuals	TLM	Comprise income tax withholding (ITW), other individuals, Medicare levy and income tax refunds. ITW represents amounts withheld from payments of remuneration for the year. Other individuals revenue includes income tax instalments and final tax returns received during the year. Other individuals revenue and income tax refunds do not incorporate an estimate of the tax to be paid or refunded on the final assessment for the year.
Income tax – companies	TLM	Comprise amounts of tax payable by companies that relate to instalments and final payments received/raised for current and former periods. It does not include estimates of revenue related to the reporting year that will be recognised in annual income tax returns lodged after the reporting date.
Income tax – superannuation funds	TLM	Superannuation contributions tax is levied on superannuation funds based on contributions made by employers. Superannuation fund tax revenue comprises amounts of tax payable by superannuation funds that relate to instalments and payments for current and former reporting years. It does not include estimates of revenue related to the reporting year that will be recognised in annual income tax returns lodged after the reporting date.

Type of taxation revenue	Method	Basis of revenue recognition
Petroleum resource rent tax (Resource rent taxes)	ETM	Recognised based on the actual taxable profits in respect to offshore petroleum projects excluding some of the North-West Shelf production and associated exploration areas, which are subject to excise (included in excise on petroleum and other fuel products) and royalties.
Goods and services tax (GST)	ETM	Recognised based on the actual liabilities raised during the year and includes an estimate of amounts outstanding that relate to transactions occurring in the reporting period.
Excise duty	ETM	Recognised based on the actual and estimated duty payable. Excise duty becomes payable when certain goods are distributed for home consumption during the reporting period.
Customs duty	ETM	Recognised when imported goods are distributed for home consumption.
Luxury car tax	ETM	Recognised at the time the sale (or private import) of a luxury vehicle occurs within the reporting period and includes an estimate of amounts outstanding that relate to transactions occurring in the reporting period.
Wine equalisation tax	ETM	Recognised when an assessable dealing occurs within the reporting period giving rise to a tax liability and includes an estimate of amounts outstanding that relate to transactions occurring in the reporting period.
Fringe benefits tax (FBT)	ETM	Recognised on fringe benefits provided by employers to employees during the reporting period and includes an estimate of outstanding instalments and balancing payments for the annual FBT return.
Major bank levy	ETM	Calculated within the reporting period on authorised deposit-taking institutions with a total liability threshold of greater than \$100 billion.

Penalties and general interest charges (GIC) arising under taxation legislation are recognised as revenue at the time the penalty and GIC are imposed on the taxpayer and included within the relevant revenue categories. Generally, subsequent remissions and write-offs of such penalties and interest are treated as an expense (mutually agreed write-down) or other economic flow of the period. Penalties and interest that are imposed by law and immediately cancelled by the Commissioner of Taxation are not recognised as revenue or expense.

Taxpayers are entitled to dispute amounts assessed by the Australian Government. Where the Government considers that the probable outcome will be a reduction in the amount of tax owed by a taxpayer, an allowance for credit amendment (if the disputed debt is unpaid) or a provision for refund (if the disputed debt has been paid) will be created and there will be a corresponding reduction in revenue.

Concessions and other forms of tax expenditures constitute revenue foregone and are not reported as taxation revenue or an expense (unless available to beneficiaries regardless of whether they are required to pay tax in which case an expense is recorded). The Department of the Treasury (the Treasury) issues an annual Tax Benchmarks and Variations Statement (unaudited), which provides a list of tax expenditures provided by the Australian Government to individuals and businesses.

## Note 2B: Sales of goods and services

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Revenue from contracts with customers</b>				
Sales of goods	1,332	1,324	4,453	4,430
Rendering of services	12,896	11,461	26,847	24,277
Fees from regulatory services	550	425	550	425
<b>Total revenue from contracts with customers</b>	<b>14,778</b>	<b>13,210</b>	<b>31,850</b>	<b>29,132</b>
<b>Rental income(a)</b>				
Operating leases	394	386	485	447
<b>Total rental income</b>	<b>394</b>	<b>386</b>	<b>485</b>	<b>447</b>
<b>Other fees and charges</b>				
Rendering of services	260	354	527	578
Other fees from regulatory services	588	876	588	876
<b>Total other fees and charges</b>	<b>848</b>	<b>1,230</b>	<b>1,115</b>	<b>1,454</b>
<b>Total sales of goods and services</b>	<b>16,020</b>	<b>14,826</b>	<b>33,450</b>	<b>31,033</b>

(a) Comprises revenue from operating leases where an Australian Government entity is the lessor.

## Disaggregation of revenue from contracts with customers

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Function of government</b>				
Transport and Communications	95	59	13,889	12,577
Social Security and Welfare	9,402	8,064	9,402	8,064
Fuel and Energy	-	2	2,689	2,708
General Public Services	1,021	923	1,415	1,383
Other Economic Affairs	903	800	970	942
Health	773	691	846	744
Other	2,584	2,671	2,639	2,714
	<b>14,778</b>	<b>13,210</b>	<b>31,850</b>	<b>29,132</b>

## **Sale of goods**

Revenue from the generation and sale of electricity by Snowy Hydro Limited (SHL) currently accounts for some 60 per cent (2020: 61 per cent) of Australian Government sales of goods revenue and is recognised at a point in time, being when SHL fulfils its performance obligations in generating energy.

## **Rendering of services**

Revenue from postal services currently accounts for over 29 per cent (2020: 29 per cent) of Australian Government rendering of services revenue and includes domestic mail products, parcels and express services and international letters and parcels along with associated retail services. The collection, processing and distribution of articles is identified collectively as a single performance obligation to deliver the series of articles lodged to the specified destination in the manner requested by the customer and is recognised progressively over time.

Telecommunications revenue for NBN Co currently accounts for over 17 per cent (2020: 16 per cent) of Australian Government rendering of services revenue and includes recurring wholesale-only broadband network revenue and recurring facility access services revenue. The performance obligations associated with these products are satisfied over time. Non-refundable upfront fees for connection and installation charges and similar are recognised at the point in time when these services are provided.

## **Remaining performance obligations**

The Australian Government's contracts with customers for certain products and services include performance obligations which Commonwealth entities have either not satisfied, or partially satisfied, at 30 June 2021.

## **Other fees and services**

The requirements of AASB 1058 apply to not-for-profit transactions that are not contracts with customers. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset), received by an entity.

Revenue is recognised upon receipt of funding, unless received to construct non-financial assets which are recognised as unearned revenue when received, and subsequently recognised progressively through construction of the asset.

The Government charges fees for both regulatory and other services. These fees are designed to cover all or part of the cost of providing a regulatory function. If the revenue collected is clearly out of proportion to the costs of providing the regulatory service, then the fee is classified as taxation revenue. Fees from regulatory services are recognised when collected or when due and payable under the relevant legislation.

## Operating lease receivables

The following table sets out a maturity analysis of operating lease receipts, showing the undiscounted lease payments to be received after the reporting date.

<b>Maturity analysis of operating lease income receivables:</b>	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
Within 1 year	63	53	114	104
One to two years	23	40	70	87
Two to three years	59	34	90	74
Three to four years	48	33	65	60
Four to five years	48	27	58	41
More than 5 years	165	141	205	185
<b>Total undiscounted lease payments receivable</b>	<b>406</b>	<b>328</b>	<b>602</b>	<b>551</b>

## Note 2C: Interest and dividend and distribution income

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
<b>Interest from other governments</b>				
State and territory debt	16	33	16	33
Housing agreements	81	87	81	87
General purpose advances	-	-	714	173
<b>Total interest from other governments</b>	<b>97</b>	<b>120</b>	<b>811</b>	<b>293</b>
<b>Interest from other sources</b>				
Indexation of HELP receivable and other student loans	364	797	364	797
Securities	666	1,051	675	1,066
Advances, deposits and other	1,874	1,721	4,873	2,769
<b>Total interest from other sources</b>	<b>2,904</b>	<b>3,569</b>	<b>5,912</b>	<b>4,632</b>
<b>Total interest</b>	<b>3,001</b>	<b>3,689</b>	<b>6,723</b>	<b>4,925</b>
<b>Dividends and distributions(a)</b>				
Dividends from other public sector entities	2,962	2,877	-	-
Other dividends and distributions	7,498	5,489	7,620	5,558
<b>Total dividends and distributions</b>	<b>10,460</b>	<b>8,366</b>	<b>7,620</b>	<b>5,558</b>
<b>Total interest and dividend and distributions income</b>	<b>13,461</b>	<b>12,055</b>	<b>14,343</b>	<b>10,483</b>

(a) 'Dividends' has been renamed 'Dividends and distributions' to more accurately reflect the transactions included in this item. There is no change in the types of the revenues aggregated into this account.

## Interest and dividend and distribution income

Interest revenue is recognised using the effective interest method. Dividend and distribution revenue is recognised when the right to receive a dividend or distribution has been established.

## Finance lease receivables

The following table sets out a maturity analysis of finance lease receipts, disclosed in Advances, deposits and other above, showing the undiscounted lease payments to be received after the reporting date.

Maturity analysis of finance lease receivables	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
Within 1 year	3	4	3	4
One to two years	2	7	14	7
Two to three years	2	-	12	11
Three to four years	2	-	2	9
Four to five years	1	-	12	10
More than 5 years	3	-	987	995
<b>Total undiscounted lease payments receivable</b>	<b>13</b>	<b>11</b>	<b>1,030</b>	<b>1,036</b>
Unearned finance income	(1)	(1)	(837)	(847)
<b>Net investment in leases</b>	<b>12</b>	<b>10</b>	<b>193</b>	<b>189</b>

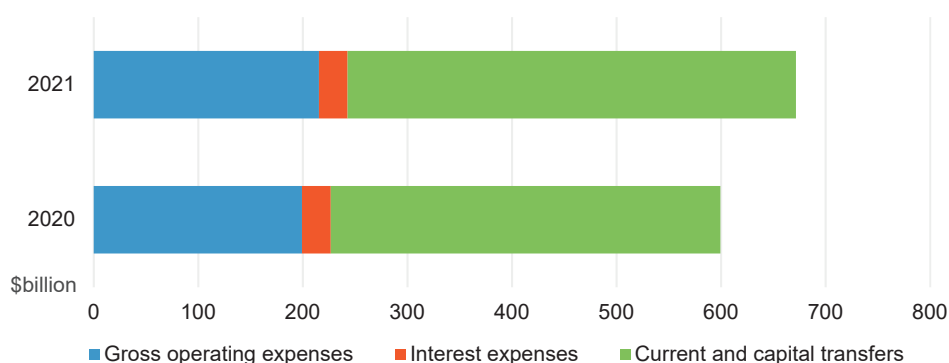
## Note 2D: Other sources of non-taxation revenue

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
Royalties	651	992	651	992
Seigniorage	87	57	87	57
Child support payments	1,725	1,715	1,725	1,715
PBS drug recoveries	3,480	2,785	3,480	2,785
Contributions in-kind from state and territory governments	1,369	1,507	1,369	1,507
Unclaimed superannuation monies	802	1,120	802	1,120
Other	5,464	3,889	5,360	3,718
<b>Total other sources of non-taxation revenue</b>	<b>13,578</b>	<b>12,065</b>	<b>13,474</b>	<b>11,894</b>

### Note 3: Expenses from transactions

Expenses from transactions arise from interactions between the Australian Government and other entities, including households, private corporations, the not-for-profit sector and other governments. They exclude losses resulting from changes in price levels and other changes in the volume of assets. These are disclosed separately in Note 4 as 'other economic flows'. The total Australian Government expenses and relative composition of expenses are as follows:

#### Expense composition



- **Gross operating expenses** cover the costs incurred by the Government in the provision of services, including benefit payments to third parties to provide services to households (such as Medicare). Included in gross operating expenses are:
  - employee and superannuation expenses (refer Note 3A);
  - depreciation and amortisation (refer Note 3B); and
  - supply of goods and services (refer Note 3C).
- **Interest expenses** comprise the nominal growth in the Government's unfunded superannuation liabilities (refer Note 3A), interest incurred on financial liabilities and the initial discount recognised on the provision of concessional loans (refer Note 3D).
- **Current and capital transfers** are unrequited transfers in the form of:
  - personal benefits paid directly to individuals or households;
  - subsidies to public and private entities to allow them to provide goods or services at a reduced cost; or
  - financial assistance in the form of current or capital grants (refer Note 3E) to third parties to achieve particular government outcomes.

**Note 3A: Employee and superannuation expenses**

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Wages and salaries expenses</b>	<b>21,373</b>	<b>20,721</b>	<b>26,110</b>	<b>25,482</b>
<b>Other operating expenses</b>				
Leave and other entitlements	2,542	3,217	3,031	3,783
Separations and redundancies	178	213	291	273
Workers compensation premiums and claims	2,779	2,556	2,881	2,618
Allowances, FBT and other	2,380	2,526	2,455	2,612
<b>Total other operating expenses</b>	<b>7,879</b>	<b>8,512</b>	<b>8,658</b>	<b>9,286</b>
<b>Superannuation expenses</b>				
Superannuation	12,431	12,247	13,068	12,865
Superannuation interest	7,002	7,673	7,002	7,673
<b>Total superannuation expenses</b>	<b>19,433</b>	<b>19,920</b>	<b>20,070</b>	<b>20,538</b>
<b>Total employee and superannuation expenses(a)</b>	<b>48,685</b>	<b>49,153</b>	<b>54,838</b>	<b>55,306</b>

(a) Employee benefits accounting policies are disclosed in Note 6F and superannuation is disclosed in Note 9C.

**Note 3B: Depreciation and amortisation expenses**

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Depreciation</b>				
Specialist military equipment	4,244	4,414	4,244	4,414
Buildings	4,130	3,940	4,583	4,394
Other plant, equipment and infrastructure	2,204	2,007	6,124	5,613
Heritage and cultural assets	75	75	75	75
Land	4	5	11	12
<b>Total depreciation</b>	<b>10,657</b>	<b>10,441</b>	<b>15,037</b>	<b>14,508</b>
<b>Amortisation</b>				
Computer software	1,081	1,027	1,658	1,580
Other intangibles	68	64	159	153
<b>Total amortisation</b>	<b>1,149</b>	<b>1,091</b>	<b>1,817</b>	<b>1,733</b>
<i>add back</i> Amortisation of non-produced assets	(68)	(64)	(159)	(153)
<b>Total depreciation and amortisation expense(a)</b>	<b>11,738</b>	<b>11,468</b>	<b>16,695</b>	<b>16,088</b>

(a) Includes depreciation and amortisation relating to right-of-use assets which is separately disclosed in Note 5D.



## Depreciation

Land, being an asset with an unlimited useful life, is not depreciated. The depreciation amounts reported above represent the right-of-use of land held under lease arrangements. Some heritage and cultural assets are not depreciated as they are considered to have infinite useful lives given they have appropriate curatorial and preservation policies and procedures in place. The majority of buildings, plant, equipment and infrastructure are depreciated on a straight-line basis over their useful life, or over the lesser of the lease term and useful life for leasehold improvements.

Given the breadth of government operations there is a significant range in the remaining useful lives of Australian Government assets as shown below.

	2021	2020
Buildings	1-200 years	1-200 years
Specialist military equipment	2-52 years	2-52 years
Other plant, equipment and infrastructure	1-400 years	1-400 years
Heritage and cultural assets	1-5,000 years	1-5,000 years

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

## Amortisation

Software is amortised on a straight-line basis over its anticipated useful life. Other intangible assets are amortised from the date they are available for use, unless classified as an indefinite life intangible (for example, goodwill and water entitlements). Amortisation rates applying to each class of intangible asset are based on the following useful lives:

	2021	2020
Computer software	1-26 years	1-26 years
Other intangibles	1-100 years	1-100 years

**Note 3C: Supply of goods and services**

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
Supply of goods and services	35,667	31,785	42,721	39,656
Use of inventory	2,925	2,855	3,291	3,208
Health care payments	5,248	5,689	5,249	5,691
Benefits to households in goods and services	94,457	81,926	94,459	81,928
Short-term leases	107	248	1,242	1,177
Low-value leases	41	6	92	56
Variable lease payments	10	4	10	5
Other	3,280	3,245	3,823	3,756
<b>Total payment for supply of goods and services</b>	<b>141,735</b>	<b>125,758</b>	<b>150,887</b>	<b>135,477</b>

The above lease disclosures should be read in conjunction with the accompanying Notes 2B, 3D, 4B, 5D and 6D.

**Supply of goods and services**

The expense recognition policy for the supply of goods and services is consistent with the revenue policy detailed in Note 2B.

**Short-term leases and leases of low-value assets**

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

**Subleases**

Within the Australian Government, the majority of sublease commitments involve property arrangements between controlled entities. Some entities also sublease to external parties, with the largest arrangements including commercial, industrial and retail sites subleased by Australia Post (2021: \$41 million; 2020: \$38 million) and facilities and diplomatic land subleased by the National Capital Authority in Canberra (2021: \$81 million; 2020: \$82 million).

**Benefits to households in goods and services (indirect personal benefits)**

These benefits are provided to households as social transfers and delivered by a third party (for example, medical and pharmaceutical benefits). The benefits are reported separately to personal benefits which comprise current transfers provided directly to individuals or households, rather than via a third party. Direct and indirect personal benefit payments are determined in accordance with provisions under social security law and other legislation.

**Note 3D: Interest expense**

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
<b>Interest on debt</b>				
Government securities	17,041	16,742	17,041	16,742
Taxation overpayments	55	119	55	119
Exchange settlement funds	-	-	40	205
Other	16	59	240	294
<b>Total interest on debt</b>	<b>17,112</b>	<b>16,920</b>	<b>17,376</b>	<b>17,360</b>
<b>Other financing costs</b>				
Discount on concessional instruments	1,578	657	1,689	731
Unwinding of provisions and other	145	522	151	528
Interest on lease liabilities	352	364	1,256	1,238
<b>Total other financing costs</b>	<b>2,075</b>	<b>1,543</b>	<b>3,096</b>	<b>2,497</b>
<b>Total interest expense</b>	<b>19,187</b>	<b>18,463</b>	<b>20,472</b>	<b>19,857</b>

The above lease disclosures should be read in conjunction with the accompanying Notes 2B, 3C, 4B, 5D and 6D.

**Interest expense**

Interest on outstanding borrowings and other finance costs directly related to borrowings is expensed as incurred.

**Note 3E: Grants expense**

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
<b>Current grants expense</b>				
State and territory governments(a)	131,266	118,096	131,266	118,096
Private sector	12,416	10,500	12,416	10,500
Overseas	4,414	3,916	4,414	3,916
Non-profit organisations	5,472	5,652	5,472	5,652
Multi-jurisdictional sector	12,175	10,391	12,175	10,391
Other	1,225	1,244	1,187	1,214
<b>Total current grants expense</b>	<b>166,968</b>	<b>149,799</b>	<b>166,930</b>	<b>149,769</b>
<b>Capital grants expense</b>				
Mutually agreed write-downs	2,792	2,495	2,792	2,495
<i>Other capital grants expense</i>				
State and territory governments(a)	11,207	7,064	11,207	7,064
Local governments	1,509	634	1,509	634
Non-profit organisations	428	627	428	627
Private sector	63	52	63	52
Overseas	60	22	60	22
Other	239	169	19	10
<i>Total other capital grants expense</i>	<i>13,506</i>	<i>8,568</i>	<i>13,286</i>	<i>8,409</i>
<b>Total capital grants expense</b>	<b>16,298</b>	<b>11,063</b>	<b>16,078</b>	<b>10,904</b>
<b>Total grants expense</b>	<b>183,266</b>	<b>160,862</b>	<b>183,008</b>	<b>160,673</b>

- (a) Current and capital grants to and through state and territory governments are limited to grants under the Federal Financial Relations framework, as disclosed in Budget Paper No. 3 and the Final Budget Outcome. Commonwealth entities may also provide grants to individual state and territory government entities, including under the Commonwealth Grants Rules and Guidelines (CGRGs). These are disclosed as grants to non-profit organisations or other grants as appropriate.

**Current and capital transfers (grants)**

Where no economic benefits are receivable in return for transfers, amounts are recognised as current transfers. For other transfers, the distinction between current and capital transfers is based on the nature of the activities or assets for which the transfers are made. If the activities or assets relate to the acquisition of assets, other than inventories that will be used in production for one year or more, the transfers are treated as capital transfers. Otherwise, they are treated as current transfers.

Where a transaction or event gives rise to legal, social, political or economic consequences such that the Australian Government has little discretion to avoid the sacrifice of future economic benefits, a liability and expense is recognised. In other circumstances, grants are recognised to the extent that the services required to be performed by the grantee have been performed or the grant eligibility criteria have been satisfied.

Multi-year government-to-government grants, including education grants, are recognised when the recipient government has met the grant eligibility criteria or provided the services or facilities that make it eligible to receive the grant.

Capital transfers also include mutually agreed write-downs. These transactions occur when both parties agree to the write-off of an amount owed to the Australian Government, rather than the Australian Government unilaterally deciding to write-down or write-off a debt. Mutually agreed write-downs include, for example, the remission of a penalty raised for overdue taxes receivable. Mutually agreed write-downs are recorded as an expense rather than a revaluation.

The 2020-21 Final Budget Outcome provides a disaggregation of current and capital grants to state and territory governments, and local governments, by jurisdiction.

### Note 3F: Expenses by function

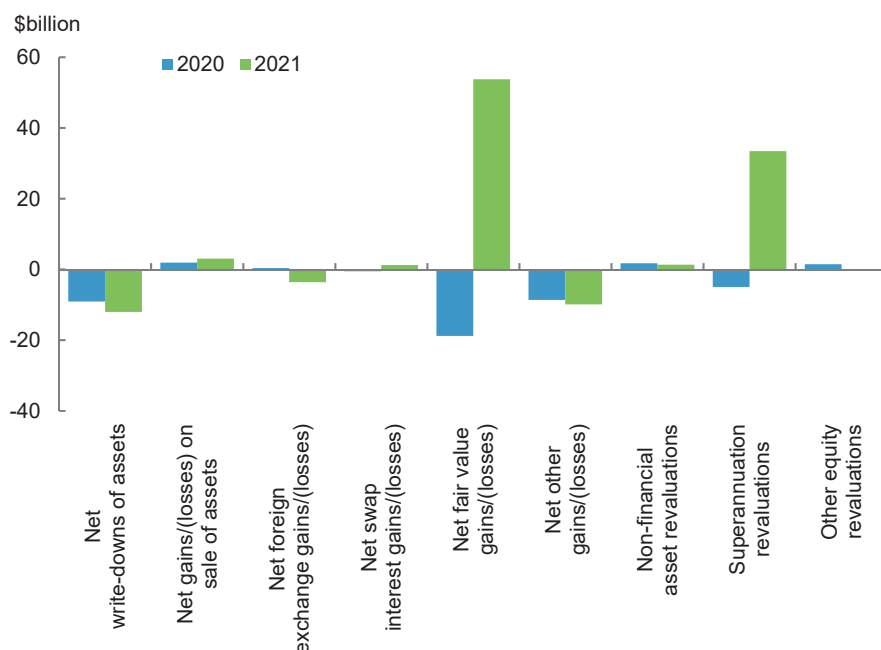
	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
General public services	31,716	29,464	32,237	30,142
Defence	34,414	33,218	34,476	33,276
Public order and safety	6,655	6,388	6,513	5,619
Education	42,331	39,266	42,331	39,885
Health	92,740	87,023	92,908	87,185
Social security and welfare	220,360	196,231	220,187	196,053
Housing and community amenities	6,315	5,332	6,456	5,424
Recreation and culture	4,096	3,971	4,096	3,970
Fuel and energy	8,242	7,892	10,673	10,553
Agriculture, forestry and fishing	3,165	2,584	3,165	2,584
Mining, manufacturing and construction	4,034	2,819	4,089	2,910
Transport and communication	12,804	7,321	29,226	24,961
Other economic affairs	82,067	65,494	82,279	65,727
Other purposes	103,001	91,056	102,998	91,060
<b>Total expenses</b>	<b>651,940</b>	<b>578,059</b>	<b>671,634</b>	<b>599,349</b>

The functional classification of expenses shows the total accrual outlays according to the socioeconomic objectives that the Australian Government aims to achieve. The following table provides a description of each function.

Function	Description
General public services	Includes legislative and executive affairs, financial and fiscal affairs, foreign affairs, foreign economic aid, general research, general economic and social planning, statistical services and government superannuation benefits.
Defence	Includes military and civil defence affairs, foreign military aid and defence research.
Public order and safety	Includes administration of the federal legal system and the provision for legal services, including legal aids, to the community. Public order and safety expenses also include law enforcement and intelligence activities and the protection of Australian Government property.
Education	Includes primary and secondary education, university and other higher education, technical and further education, preschool and special education and transportation of students.
Health	Includes general hospitals, repatriation hospitals, mental health institutions, nursing homes, special hospitals, hospital benefits, medical benefits, medical clinics and practitioners, dental clinics and practitioners, maternal and infant health, ambulance services, school and other public health services, pharmaceuticals, medical aids and appliances and health research.
Social security and welfare	Includes sickness benefits, benefits to ex-service people and their dependants, invalid and other permanent disablement benefits, old age benefits, widows, deserted wives, divorcees and orphans' benefits, unemployment benefits, family and child benefits, sole parent benefits, family and child welfare and aged and disability welfare.
Housing and community amenities	Includes housing and community development, water supply, household garbage and other sanitation, sewerage, urban stormwater drainage, protection of the environment and street lighting.
Recreation and culture	Includes public halls and civic centres, swimming pools and beaches, national parks and wildlife, libraries, creative and performing arts, museums, art galleries, broadcasting and film production.
Fuel and energy	Includes coal, petroleum, gas, nuclear affairs and electricity.
Agriculture, forestry and fishing	Includes agricultural land management, agricultural water resources management, agricultural support schemes, agricultural research and extension services, forestry and fishing.
Mining, manufacturing and construction	Includes activities relating to prospecting, mining and mineral resources development, manufacturing activities and research into manufacturing methods, materials and industrial management and activities associated with the building and construction industry.
Transport and communication	Includes road construction, road maintenance, parking, water transport, rail transport, air transport, pipelines, multi-mode urban transit systems and communications.
Other economic affairs	Includes storage, saleyards, markets, tourism and area promotion and labour and employment affairs.
Other purposes	Includes public debt transactions, general purpose inter government transactions and natural disaster relief. Grants to and through state and territory governments are recorded against the 'other purposes' function.

## Note 4: Other economic flows

Other economic flows are the changes in the volume or value of assets and liabilities that do not result from transactions. This includes impairment write-downs (unless mutually agreed with the counter-party), fair value movements, changes in assumptions underpinning actuarial assessments and foreign exchange gains or losses. For government reporting, these flows are distinguished from transactions as they do not involve an interaction between entities and are often not related to economic activities (for example, production, income generation, consumption, wealth accumulation). Noting that other economic flows comprise both gains and losses, the predominant sources of other economic flows are as follows:



Of the above, the following flows are included in the measurement of the accounting operating result. The remaining movements are adjusted directly to equity.

- **Net write-down of assets (including bad and doubtful debts)** (refer Note 4A) comprise the revaluation and impairment of financial and non-financial assets.
- **Net gains/(losses) from the sale of assets** (refer Note 4B) is the difference between the proceeds and the carrying amount of assets sold after selling costs.
- **Net foreign exchange gains/(losses)** (refer Note 4C) comprise unrealised gains/losses from the translation of assets and liabilities held overseas.
- **Net swap interest gains/(losses)** (refer Note 4C) comprise interest accrued or incurred on swaps and other derivatives (a form of financing transaction).

- **Net fair value and other gains/(losses)** (refer Note 4C) comprise fair value movements and other volume or price movements included in the calculation of the operating result for accounting purposes.

**Note 4A: Net write-down of assets (including bad and doubtful debts)**

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Financial assets</b>				
<b>Receivables – impairment gain or loss</b>				
Taxes due	8,004	6,745	8,004	6,745
Receivables from contracts with customers	103	142	147	193
Other	682	717	690	737
<b>Total financial write-down and impairment</b>	<b>8,789</b>	<b>7,604</b>	<b>8,841</b>	<b>7,675</b>
<b>Non-financial assets</b>				
Inventories	1,512	303	1,520	311
Land	(22)	2	(13)	8
Buildings	12	101	20	101
Specialist military equipment	447	(89)	447	(89)
Other infrastructure, plant and equipment	102	161	863	940
Heritage and cultural assets	181	2	181	2
Intangibles	143	119	146	131
<b>Net write-down, impairment and fair value losses arising from the revaluation of non-financial assets</b>	<b>2,375</b>	<b>599</b>	<b>3,164</b>	<b>1,404</b>
<b>Total net write-down and impairment of assets and fair value losses</b>	<b>11,164</b>	<b>8,203</b>	<b>12,005</b>	<b>9,079</b>

**Impairment of statutory receivables - taxes due**

Impairment losses for taxes due are recognised as incurred. Impairment for large tax receivables (greater than \$10 million) are estimated on an individual assessment basis, with a default percentage impairment rate (based on historical collectability rates) applied to debts where the taxpayer is insolvent or has entered into a payment arrangement. The remaining tax receivables (less than or equal to \$10 million) impairment loss is derived using an automated model which allows large debt populations to be examined and provides for statistical credibility, in conjunction with interpretive judgement.



### Impairment of receivables from contracts with customers

Applying the simplified approach under AASB 9 *Financial Instruments*, an impairment loss allowance is recognised for goods and services receivable based on lifetime expected credit losses (ECLs). Australian Government entities use impairment loss allowance matrices to measure the ECL from individual customers, which comprise a very large number of small balances. Estimated losses are based on previous credit loss experience, adjusted to reflect changes in economic conditions where appropriate.

### Impairment of non-financial assets

Non-financial assets were assessed for impairment at 30 June 2021. 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 cost to sell and its value in use. Where an asset is held for continuing use and not primarily for its ability to generate net cash flows, its value in use is taken to be its current replacement cost (CRC).

### Note 4B: Net gains/(losses) from the sale of assets

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Financial assets</b>				
Net gains/(losses) from sale of investments	8,312	1,933	3,059	1,713
<b>Non-financial assets</b>				
Proceeds from sale of non-financial assets	211	1,320	230	1,406
less selling costs	(22)	(34)	(25)	(49)
less written down value of assets sold	(210)	(1,143)	(244)	(1,218)
<b>Net gains/(losses) - non-financial assets</b>	<b>(21)</b>	<b>143</b>	<b>(39)</b>	<b>139</b>
<b>Net gains/(losses) from sale of assets</b>	<b>8,291</b>	<b>2,076</b>	<b>3,020</b>	<b>1,852</b>
add back selling costs included in expenses	22	34	25	49
<b>Net gains/(losses) from sale of assets in other economic flows</b>	<b>8,313</b>	<b>2,110</b>	<b>3,045</b>	<b>1,901</b>

**Note 4C: Other gains/(losses)**

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Foreign exchange</b>				
Net foreign exchange gains/(losses)	(379)	(949)	(3,609)	358
<b>Net foreign exchange gains/(losses)</b>	<b>(379)</b>	<b>(949)</b>	<b>(3,609)</b>	<b>358</b>
<b>Interest on derivatives</b>				
Net swap interest revenue	5,237	4,235	5,279	4,321
Net swap interest expense	(4,027)	(4,798)	(4,044)	(4,857)
<b>Net interest on derivatives</b>	<b>1,210</b>	<b>(563)</b>	<b>1,235</b>	<b>(536)</b>
<b>Fair value through profit or loss</b>				
Net fair value gains/(losses) - financial instruments	53,379	(18,624)	53,767	(18,823)
Net fair value gains - biological assets	13	-	13	-
Net fair value gains/(losses) - investment properties	-	1	(3)	(3)
<b>Net fair value gains/(losses)</b>	<b>53,392</b>	<b>(18,623)</b>	<b>53,777</b>	<b>(18,826)</b>
<b>Other</b>				
Net repurchase premia	-	(399)	-	(399)
Net actuarial gains/(losses)	(9,782)	(7,962)	(10,036)	(8,314)
Amortisation of non-produced assets	(68)	(64)	(159)	(153)
Net result from associates and joint ventures	(174)	(34)	(121)	(24)
Other	394	246	414	241
<b>Net other gains/(losses)</b>	<b>(9,630)</b>	<b>(8,213)</b>	<b>(9,902)</b>	<b>(8,649)</b>
<b>Total other gains/(losses)</b>	<b>44,593</b>	<b>(28,348)</b>	<b>41,501</b>	<b>(27,653)</b>

**Foreign currency translation**

Transactions are translated to Australian dollars at the rate of exchange applicable at the date of the transaction. Balances and investments are translated at the exchange rates applicable at balance date.

**Swap interest**

Consistent with the ABS GFS Manual, interest on swaps and other derivatives is classified as a financing transaction and recorded in 'other economic flows'.

### **Fair value through profit or loss**

Comprises fair value gains and losses in financial assets and liabilities categorised as 'held at fair value through profit or loss' (FVTPL) and fair value movements in biological assets and investment properties. Financial assets categorised as FVTPL include student loans and investments held by the Future Fund and other Australian Government Investment Funds. Financial liabilities classified as FVTPL include Government securities.

### **Other gains/(losses)**

Other gains/(losses) include:

- the actuarial revaluation of provisions, other than superannuation;
- the amortisation of intangible 'non-produced' assets such as goodwill and purchased trademarks;
- net repurchase premia on Government securities; and
- gains and losses from Australian Government investments in associates and joint ventures.

## Note 5: Assets

Assets are probable future economic benefits obtained or controlled by an Australian Government entity as a result of past transactions and activities undertaken and other events. The value and composition of Australian Government assets are as follows:

### Asset composition



### General recognition and measurement policies

#### Financial assets

Financial assets are classified in accordance with the Uniform Presentation Framework as follows:

- **Cash and deposits** include cash on hand or at bank and short-term deposits.
- **Advances paid** (refer Note 5A) include loans receivable and are predominantly provided for policy purposes such as student loans.
- **Other receivables and accrued revenue** (refer Note 5A) include statutory amounts due for the collection of tax or the recovery of benefits and contractual amounts due for the provision of goods and services or other arrangements.
- **Investments, loans and placements** (refer Note 5B) comprise securities and other non-equity investments held for liquidity or policy purposes.

- **Equity investments** (refer Note 5C) cover shares held by the Investment Funds and corporations and, at the GGS level, include the investment in public corporations (which are eliminated upon consolidation).

The Australian Government also discloses financial assets by category of financial instrument. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Statutory receivables, gold holdings and equity accounted investments are included in financial assets in the balance sheet, but are excluded from additional financial instrument disclosures as they are not contractual in nature. Financial assets are allocated into the following categories:

<b>AASB 9 Financial Instruments</b>			<b>Statutory receivables, gold holdings and equity accounted investments</b>
<b>Amortised cost</b>	<b>Fair value through other comprehensive income (FVOCI)</b>	<b>Financial assets at fair value through profit or loss (FVTPL)</b>	
Financial assets held in order to collect contractual cash flows, the contractual terms of which give rise to cash flows which are solely payments of principal and interest (SPPI) on the amount outstanding.	Financial assets which give rise to cash flows which are SPPI on the amount outstanding and which are held for collecting cash flows and/or for selling.  Equity investments are also categorised as FVOCI where the Australian Government intends to hold for the long term for policy purposes.	Financial assets which do not meet the SPPI criteria or are irrevocably designated as such in order to eliminate or reduce a recognition or measurement inconsistency.  Certain equity investments are designated as FVTPL because their performance is actively monitored and they are managed on a fair value basis.  Concessional and other loans are categorised as FVTPL where they exhibit repayment features that are not SPPI.	Financial assets which are statutory in nature, or are excluded from the scope of AASB 9.  Statutory receivables are measured at amortised cost. Gold holdings are valued at fair value.  Equity accounted investments are recognised and measured in accordance with AASB 128, <i>Investments in Associates and Joint Ventures</i> .

Financial assets at amortised cost or FVOCI are assessed for impairment at each balance date as follows:

<b>Financial asset category</b>	<b>Recognition and measurement of impairment loss</b>
Financial assets held at amortised cost: Contractual	<p>Measured based on Expected Credit Losses (ECL), 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.</p> <p>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.</p> <p>The impairment is recognised by way of an allowance loss account which reduces the carrying amount of the financial asset, with the loss recognised in the operating statement as an 'other economic flow – included in operating result'.</p>

Financial asset category	Recognition and measurement of impairment loss
Financial assets held at FVOCI	Measured based on ECL as per financial assets held at amortised cost. The impairment does not reduce the carrying amount of the financial asset, which is held at fair value, but is recognised in the operating statement as an 'other economic flow – other non-owner movements in equity'.
Statutory receivables	Measured based on estimated incurred losses with the impairment loss representing the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets. The impairment is recognised by way of an allowance loss account which reduces the carrying amount of the financial asset, with the loss recognised in the operating statement as an 'other economic flow – included in operating result'.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the asset is transferred to another entity. In the case of a transfer to another entity, it is necessary that the risks and rewards of ownership are also transferred.

#### Non-financial assets

Non-financial assets comprise the Government's holdings of land and buildings, plant, equipment and infrastructure, heritage and cultural assets, investment properties and intangibles (refer Note 5D). Non-financial assets also includes inventories for sale, use or distribution (refer Note 5E) and other non-financial assets (refer Note 5F).

Land and buildings, plant, equipment and infrastructure, heritage and cultural assets and investment properties are stated at fair value. Intangibles are measured at cost unless there is an active market in which case fair value is applied.

Inventories held for sale are valued at the lower of cost and net realisable value. Inventories held for distribution are measured at cost, adjusted for any loss of service potential.

Prepayments are recognised at amortised cost.

**Note 5A: Advances paid and receivables**

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>ADVANCES PAID</b>				
Loans to state and territory governments	2,233	2,473	2,233	2,473
Student loans	55,484	52,377	55,484	52,377
Other	23,981	27,500	14,128	10,241
less Impairment allowance(a)	(295)	(307)	(295)	(307)
<b>Total advances paid</b>	<b>81,403</b>	<b>82,043</b>	<b>71,550</b>	<b>64,784</b>
<b>OTHER RECEIVABLES</b>				
<b>Taxes receivable</b>				
Taxes receivable	63,967	61,249	63,614	61,306
less Impairment allowance	(26,545)	(20,758)	(26,545)	(20,758)
less Credit amendment allowance	(5,914)	(4,463)	(5,914)	(4,463)
<b>Net taxes receivable</b>	<b>31,508</b>	<b>36,028</b>	<b>31,155</b>	<b>36,085</b>
<b>Personal benefits recoverable</b>				
Recoveries of benefit payments	5,581	5,845	5,581	5,845
less Impairment allowance	(1,848)	(2,447)	(1,848)	(2,447)
<b>Net personal benefits recoverable</b>	<b>3,733</b>	<b>3,398</b>	<b>3,733</b>	<b>3,398</b>
<b>Goods and services and other</b>				
Goods and services receivable	1,145	2,121	3,021	3,821
Other receivables	9,992	13,714	7,714	11,495
less Impairment allowance	(843)	(759)	(980)	(855)
<b>Net goods and services and other</b>	<b>10,294</b>	<b>15,076</b>	<b>9,755</b>	<b>14,461</b>
<b>Total other receivables</b>	<b>45,535</b>	<b>54,502</b>	<b>44,643</b>	<b>53,944</b>
<b>ACCRUED REVENUE</b>				
Accrued taxation revenue	13,889	11,856	13,889	11,856
Other accrued revenue	590	678	756	884
<b>Total accrued revenue</b>	<b>14,479</b>	<b>12,534</b>	<b>14,645</b>	<b>12,740</b>
<b>Other receivables and accrued revenue</b>	<b>60,014</b>	<b>67,036</b>	<b>59,288</b>	<b>66,684</b>
<b>Total advances paid and receivables</b>	<b>141,417</b>	<b>149,079</b>	<b>130,838</b>	<b>131,468</b>
<b>By maturity:</b>				
No more than 12 months	44,616	58,189	44,746	57,475
More than 12 months	96,801	90,890	86,092	73,993
<b>Total by maturity</b>	<b>141,417</b>	<b>149,079</b>	<b>130,838</b>	<b>131,468</b>
<b>By category of financial assets</b>				
Amortised cost	32,096	42,475	20,244	22,707
<i>Fair value:</i>				
Fair value through profit and loss	55,610	52,473	57,228	54,563
Statutory and other	53,711	54,131	53,366	54,198
<b>Total by category of financial asset</b>	<b>141,417</b>	<b>149,079</b>	<b>130,838</b>	<b>131,468</b>

(a) An impairment allowance is separately recognised for financial assets measured at amortised cost. Financial assets measured at fair value through profit or loss, such as student loans, are reported net of impairment and after fair value movements.

## **Objective**

Advances paid comprises of concessional and commercial loans which are provided in pursuit of policy objectives, the largest of which are for student loans provided under the Higher Education Loan Program (HELP). Other receivables include statutory amounts due under tax and social security legislation and contractual receivables for the provision of goods and services.

## **Recognition and measurement of advances paid and receivables**

Advances are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method (less impairment), unless these loans have been designated as 'held at fair value through profit or loss'. Interest is recognised on loans evenly in proportion to the amount outstanding over the period to repayment. Loans designated as 'held at fair value through profit or loss' are those which exhibit cash flow characteristics which are not solely payments of principal and interest (SPPI) and include HELP student loans.

Trade debtors, bills of exchange, promissory notes and other receivables are initially recorded at the fair value of the amounts to be received and are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss allowance. Other accrued revenue is recognised when a service has been provided but has not been invoiced. Accrued revenue is recognised at the nominal amounts due. Taxation related accounting policies are disclosed in Note 2A.

At any point in time, there are benefit recipients who have received a benefit in excess of their entitlement and owe money to the Commonwealth. The amount owing is recognised as a personal benefit recoverable. For certain programs, the amount of overpayment is subject to eligibility requirements including a year-end reconciliation after the reporting date, generally on the receipt of tax returns. For relevant programs, a receivable is recognised based on actuarial advice as to the likely level of debt recovery, unless the estimate is subject to significant uncertainty, in which case a receivable is not recognised until the year-end reconciliation has been completed. Personal benefit recoveries for overpayments are offset against personal benefits expense in the Statement of Comprehensive Income.

## **Accounting judgement and estimate — Credit risk**

Credit risk in relation to financial assets is the risk that a third party will not meet its obligations in accordance with agreed terms. Generally, the Australian Government's maximum exposure to credit risk in relation to each class of advances paid and receivables is the carrying amount of those assets as indicated in the consolidated balance sheet and the majority of Australian Government entities do not have significant exposures to concentrations of credit risk.



## Accounting judgement and estimate – Expected credit losses (ECLs) on amortised cost receivables

Advances paid, excluding those held at fair value, are assessed for impairment based on ECL models underpinned by assumptions which require judgements about the recoverability of the loan. The judgements are based on expected cash flow forecasts, indicative credit ratings and probabilities of default events occurring. Significant judgement may be involved where there is an absence of market comparisons.

ECL allowances on other contractual receivables and accrued revenue are estimated using the simplified approach through the use of provision matrices based on historical credit loss experience within invoice ageing categories, adjusted for forward-looking estimates of recovery conditions based on macroeconomic data. ECLs are not recognised on receivables or accrued revenue from state and territory government entities as the probability of default is negligible.

### Reconciliation of the impairment loss allowance<sup>(a)</sup>

	General Government		Australian Government	
	Goods and		Goods and	
	Advances and loans	services and other	Advances and loans	services and other
	\$m	\$m	\$m	\$m
Opening balance at 1 July 2019	(264)	(912)	(265)	(959)
less Amounts written off	(23)	(96)	(24)	(117)
less Amounts recovered and reversed	-	(263)	-	(264)
plus (Increase)/decrease recognised in operating result	(58)	(206)	(58)	(277)
plus Other movement	(8)	-	(8)	-
<b>Closing balance at 30 June 2020</b>	<b>(307)</b>	<b>(759)</b>	<b>(307)</b>	<b>(855)</b>
less Amounts written off	(30)	(45)	(30)	(40)
less Amounts recovered and reversed	-	(15)	-	(15)
plus (Increase)/decrease recognised in operating result	(20)	(144)	(20)	(180)
plus Other movement	2	-	2	-
<b>Closing balance at 30 June 2021</b>	<b>(295)</b>	<b>(843)</b>	<b>(295)</b>	<b>(980)</b>

(a) Excludes statutory receivables such as taxes receivable and personal benefits recoverable.

## Accounting judgement and estimate – Credit risk on fair value advances

The largest of the fair value loans are student loans, including those under HELP. The recoverability of these loans is factored into the annual fair value actuarial assessment. The actuarial assessment takes into account future income projections, the pattern and timing of repayments and debt not expected to be recovered (DNER). The gross nominal value of HELP loans was \$62,175 million at 30 June 2021 (2020: \$58,596 million) and no collateral is held. The following table shows the changes in the fair value of HELP loans due to credit risk.

	2021 \$m	2020 \$m
Fair value changes (decreases) due to credit risk:		
During the period	1,073	1,067
Prior periods (cumulative)	15,106	15,908
<b>Cumulative change</b>	<b>16,179</b>	<b>16,975</b>

### Collateral

The majority of Australian Government entities do not hold collateral to manage credit risk. Cash invested in overseas markets by the Reserve Bank of Australia (RBA) under repurchase agreements is secured by collateral to the value of 102 per cent of the cash invested with \$996 million sold and contracted for purchase under repurchase agreements (2020: \$22 million). Indigenous Business Australia holds collateral in the form of personal guarantees or security against home and business loans of \$983 million at 30 June 2021 (2020: \$995 million). In addition, the Future Fund received collateral of \$1,747 million at 30 June 2021 (2020: \$1,409 million).

### Accounting judgement and estimate — Fair value

The following tables provide an analysis of advances paid and receivables that are measured at fair value against the AASB 13 fair value hierarchy.

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Advances paid and receivables at fair value</b>				
Level 2	-	47	391	888
Level 3	55,610	52,426	56,837	53,675
<b>Total fair value</b>	<b>55,610</b>	<b>52,473</b>	<b>57,228</b>	<b>54,563</b>

Advances paid and receivables categorised as Level 2 and Level 3 have been valued using a discounted cash flow approach. The primary inputs include principal due and the discount rate. Level 3 receivables are differentiated from Level 2 in that they are generally actuarially assessed. The two main valuation inputs are DNER and the fair value of the remaining receivable, calculated as the present value of projected future cash flows.

These balances are sensitive to changes in the underlying assumptions, including the discount rate. Student loans are sensitive to changes in the future CPI growth, the discount rate (yield curve) and DNER. Level 3 advances paid and receivables are reconciled as follows.

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Level 3 advances paid and receivables</b>				
Opening balance at 1 July	52,426	51,722	53,675	53,022
Purchases/payments	7,210	7,066	7,620	7,428
Sales/repayments	(4,789)	(3,916)	(5,107)	(4,331)
Gains/(losses) recognised in the operating result	762	(2,445)	648	(2,443)
Transfers in/(out) of Level 3	1	(1)	1	(1)
<b>Total fair value</b>	<b>55,610</b>	<b>52,426</b>	<b>56,837</b>	<b>53,675</b>

## Note 5B: Investments, loans and placements

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Gold	-	-	6,021	6,614
Deposits(a)	8,252	75,757	24,485	23,205
Government securities(b)	-	-	305,178	187,944
Residential mortgage backed securities	1,850	1,815	1,850	1,815
International Monetary Fund quota	12,474	13,214	17,933	19,565
Defined benefit superannuation plan assets	-	-	739	235
Collective investment vehicles	90,379	76,334	90,379	76,334
Other interest bearing securities	60,563	57,069	61,419	57,807
Other	18,115	19,551	18,182	21,076
<b>Total investments, loans and placements</b>	<b>191,633</b>	<b>243,740</b>	<b>526,186</b>	<b>394,595</b>
<b>By category of financial assets</b>				
Amortised cost	14,673	85,398	254,884	174,709
<i>Fair value:</i>				
Fair value through profit and loss	164,205	144,775	251,785	199,470
Fair value through other comprehensive income	12,756	13,495	12,757	13,496
Other(c)	-	72	6,760	6,920
<b>Total by category of financial asset</b>	<b>191,633</b>	<b>243,740</b>	<b>526,186</b>	<b>394,595</b>

- (a) The Australian Office of Financial Management has moved from primarily using term deposits to a cash management account for investing cash for short-term liquidity management. This has resulted in a decrease in investment, loans and placements and an increase in cash and deposits for the General Government Sector.
- (b) Comprise government securities (non-Australian Government) held by the RBA for monetary policy objectives. Government securities held for investment purposes are included in other interest bearing securities.
- (c) Gold holdings and superannuation plan assets are included in financial assets in the balance sheet, but are not financial instruments for the purposes of AASB 7 *Financial Instruments: Disclosures*.

## **Objective**

The GGS holds deposits for liquidity management and the International Monetary Fund (IMF) quota to meet its subscription obligations to the IMF. Investments in collective investment vehicles (CIVs) and other interest bearing liabilities are held by the Australian Government investment funds as detailed in Note 9B. The RBA holds gold and government securities in conducting monetary policy.

## **Recognition and measurement of investments, loans and placements**

The fair value of gold holdings is equal to the Australian dollar equivalent of the benchmark rate set at 3:00 pm London time in the London gold market on balance date.

Depending on the type of instrument, deposits are recognised at either nominal or market value. Interest is credited to revenue as it accrues. Deposits have varying terms and rates of interest.

Investments in domestic and foreign government securities are predominantly held by the RBA and are used to manage liquidity risk and for monetary policy. The majority of these securities are recoverable within 12 months. With the exception of securities contracted for sale under repurchase agreements, these securities are classified by the RBA as 'at fair value through profit or loss'. Securities purchased and contracted for sale under repurchase agreements are valued at amortised cost. The difference between the purchase and sale price is accrued over the term of the agreement and recognised as interest revenue.

The IMF quota represents Australia's membership subscription to the International Monetary Fund (IMF), an organisation of 189 member countries working to ensure the stability of the international monetary system. Under the IMF Articles of Agreement, each member country is assigned a quota denominated in special drawing rights (SDR), the payment of which is used by the IMF to finance its activities. The SDR is the IMF's unit of account, the value of which is determined daily based on the market exchange rates of a basket of national currencies. The value of the investment reported in the Consolidated Financial Statements is equal to Australia's quota at 30 June 2021, translated to Australian dollars, as this is the amount that would be payable under the IMF Articles if a country were to withdraw from the IMF. The investment is classified as FVOCI and is not expected to be realised in the next 12 months.

CIVs are held by the Future Fund and Investment Funds as part of their investment strategy. CIVs are entities that enable investors to pool their money and invest the pooled funds, rather than buying securities directly. They allow the investor to invest in a range of assets, such as debt securities, equity, commodity-linked investments, real estate, shares in other investment funds and structured assets. Investments in CIVs are recorded at fair value on the date which consideration is provided to the contractual counterparty under the terms of the relevant subscription agreement.

Other interest bearing securities are primarily held by the Investment Funds (refer Note 9B) and include negotiable certificates of deposit, mortgage and asset backed securities, bank bills and corporate debt securities.

Investments in CIVs and other interest bearing securities by the Future Fund and Investment Funds are held for the longer term, consistent with each Fund's investment mandate.

#### Accounting judgement and estimate — Fair value

The following tables provide an analysis of investments, loans and placements that are measured at fair value.

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Investments, loans and placements at fair value</b>				
Level 1	10,786	7,941	94,250	60,425
Level 2	60,331	58,353	70,078	66,775
Level 3	105,844	91,976	106,235	92,380
<b>Total fair value(a)</b>	<b>176,961</b>	<b>158,270</b>	<b>270,563</b>	<b>219,580</b>

(a) Includes gold holdings which are not a financial instrument under AASB 7 but are held at fair value.

Investments, loans and placements categorised as Level 2 have been valued using a market approach based on observable market transactions. Those categorised as Level 3 use the following techniques:

	Valuation technique(s)	Inputs used
IMF quota	Cost approach	Foreign exchange rates
Collective investment vehicles	Discounted cash flow	Discount rate
	Market approach	Adjusted market transactions
Other interest bearing securities	Discounted cash flow	Discount rate
Other	Net assets of entities	Net assets of entities

Investments, loans and placements categorised as Level 3 that are valued using the net assets technique have been based on either the latest available audited accounts of those entities or internal management accounts because this is the most relevant available information at the end of the period.

In determining the fair value of CIVs, reference is made to the underlying unit price provided by the CIV Manager (where available), associated Manager or independent expert valuation reports and capital account statements and the most recent audited financial statements of each CIV. Manager valuation reports are reviewed to ensure the underlying valuation principles are materially compliant with Australian Accounting Standards and applicable industry standards.

For the IMF quota investment, the value of shares are held in foreign currency and converted to an Australian dollar equivalent for inclusion in the financial statements.

The following table reconciles the movement in the balance of investments, loans and placements classified as Level 3.

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Level 3 investments, loans and placements</b>				
Opening balance at 1 July	91,976	92,407	92,380	92,624
Purchases/payments	20,780	23,503	20,892	23,602
Sales/repayments	(17,864)	(21,254)	(17,873)	(21,339)
Gains/(losses) recognised in the operating result	11,360	(2,827)	11,244	(2,654)
Gains/(losses) recognised in equity	(748)	182	(748)	182
Transfers in/(out) of Level 3	340	(35)	340	(35)
<b>Total fair value</b>	<b>105,844</b>	<b>91,976</b>	<b>106,235</b>	<b>92,380</b>

### Accounting judgement and estimate — Credit risk

Generally, Australian Government entities' credit risk exposures on investments are limited to highly rated counterparties and their credit risks are very low. Australian Government entities that do have material concentrations of credit risk include:

- the Future Fund and other Investment Funds' exposure to debt securities issued by domestic banks. The Future Fund utilises credit default swaps for exposure to credit risk. The counterparties for these swaps include major banking firms and their affiliates with exposure managed by utilising multiple counterparties and considering each counterparty's credit rating. The credit risk exposure is concentrated in securities with 'A' ratings. Further detail is provided in the financial statements for the Future Fund Management Agency and Board of Guardians;
- the Public Financial Corporation sector's exposure on financing and credit facilities extended to non-government clients, including commercial account exposures for the Export Finance and Insurance Corporation (EFIC) and the RBA's exposure to the issuers of held securities, banks with which the RBA deposits funds and counterparties that are yet to settle transactions;
- investments, loans and placements managed by the Clean Energy Finance Corporation have a significant concentration of exposure to the energy and renewables sectors as the Corporation has been established for investment in commercialisation and deployment of (or in relation to the use of) Australian based renewable energy, energy efficiency and low emissions technologies (or businesses that supply goods or services needed to develop the same); and
- the Australian Office of Financial Management's (AOFM) financial investments including loans to state and territory governments, deposits and securities.

The Boards responsible for governing the above organisations manage exposure by setting limits on the credit rating of counterparties.

The Australian Government is also exposed to credit risk on foreign exchange swaps and interest rate derivatives. The net derivative exposure is detailed in Note 9B.

**Note 5C: Equity investments**

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
Investments in private funds and corporations	82,561	58,716	83,400	59,401
Investment in public corporations	61,538	63,179	-	-
Equity accounted investments	3,690	3,454	3,934	3,642
<b>Total equity investments</b>	<b>147,789</b>	<b>125,349</b>	<b>87,334</b>	<b>63,043</b>
<b>By category of financial assets</b>				
<i>Fair value:</i>				
Fair value through profit and loss	77,422	53,431	77,750	53,594
Fair value through other comprehensive income	66,677	68,464	5,650	5,807
Other	3,690	3,454	3,934	3,642
<b>Total by category of financial asset</b>	<b>147,789</b>	<b>125,349</b>	<b>87,334</b>	<b>63,043</b>

**Objective**

Shares are held by the Investment Funds as detailed in Note 9B. The Australian Government also holds share equity in international financial institutions and multilateral aid organisations to meet its international policy obligations. The investment in public corporations represents the Government's ownership interest in public corporations such as the RBA, Australia Post and NBN Co Ltd (NBN Co). Equity investments are not expected to be realised within the next 12 months.

**Recognition and measurement of equity investments**

At the whole of government level, equity investments primarily consist of the Future Fund's holdings of listed equities and listed managed investment schemes. These investments are designated as 'financial assets through profit or loss' on acquisition.

At the GGS level, equity investments also include the Australian Government's ownership interest in public corporations. The investments are eliminated at whole of government level. Where the public corporation is a government business enterprise whose principal function is to engage in commercial activities in the private sector and the corporation generates significant non-government cash inflows (compared to inflows from Government), the investment is measured at fair value applying a discounted cash flow technique. Investments in other public corporations are measured as the Australian Government's proportional interest in the net assets of the public corporation as at the end of the reporting period.



## Accounting judgement and estimate — Fair value

In the fair value hierarchy, equity investments were valued as follows:

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Equity investments at fair value</b>				
Level 1	76,229	52,608	76,229	52,608
Level 2	1,464	878	1,464	878
Level 3	66,406	68,409	5,707	5,915
<b>Total fair value</b>	<b>144,099</b>	<b>121,895</b>	<b>83,400</b>	<b>59,401</b>

Equity investments categorised as Level 2 have been valued using a market approach based on observable market transactions. Those categorised as Level 3 use the following techniques:

	Valuation technique(s)	Inputs used
Shares	Values of shares held Net assets of entities	Foreign exchange rates Net assets of entities
Investment in public corporations	Net assets of entities Discounted cash flow	Net assets of entities Weighted average cost of capital

For general government investments in public corporations valued using a discounted cash flow technique, cash flow projections for a forecast period and terminal year are based on management corporate plans and have been discounted using a weighted average cost of capital appropriate to the public corporation.

The fair value of the GGS investment in the following corporations has been determined based on a discounted cash flow method prepared with the advice of independent valuation experts:

- Australian Postal Corporation (Australia Post) was valued at \$2,300 million at 30 June 2021 (2020: \$2,593 million). The discounted cash flow valuation incorporates cash flow forecasts underpinning Australia Post's 2022-25 Corporate Plan, extrapolated to 30 June 2027 and an estimated terminal value beyond 30 June 2027. The cash flows are discounted using a weighted average cost of capital (WACC) of 7.5 per cent determined with reference to entities that operate in similar industries. The terminal value is escalated by the terminal growth rate based on aggregate long term earnings.

The valuation was subject to independent sensitivity analysis, including sensitivity to the WACC. With all other assumptions remaining the same, a WACC in the range of 7.0 per cent to 8.0 per cent (2020: 7.5 per cent to 8.5 per cent) resulted in a calculated fair value in the range of \$1,900 million to \$2,800 million (2020: \$2,210 million to \$2,720 million).

- Australian Rail Track Corporation (ARTC) was valued at \$2,728 million at 30 June 2021 (2020: \$2,918 million). The discounted cash flow method was applied to ARTC's valuation of its interstate and Hunter Valley rail network assets, modified where necessary for cash flows associated with its other asset and liability categories. ARTC measures assets arising from construction of the Inland Rail project at cost, with subsequent impairment using multiple valuation methods including market assessments and discounted cash flow calculations. These assets will be integrated into the valuation of ARTC's interstate network assets once the project is substantially complete but have been impaired to zero value, or close to zero value, at 30 June 2021.

The valuation was subject to independent sensitivity analysis, including sensitivity to the discount rate. With all other assumptions remaining the same, a discount rate in the range of 5.8 per cent to 6.8 per cent resulted in a calculated fair value in the range of \$2,100 to \$3,600 million.

- NBN Co Limited (NBN Co) was valued at \$18,000 million at 30 June 2021 (2020: \$13,768 million). As construction of the NBN is largely complete, the GGS investment in NBN Co has been valued using a discounted cash flow valuation. The discounted cash flow valuation adopts an equity approach using the free cash flows forecast in NBN Co's Integrated Operating Plan (IOP) extrapolated to 2040. The cash flow forecasts were adjusted where appropriate for assumptions on investments and other decisions that would be adopted by a hypothetical purchaser and included calculation of a terminal value, discounted using an assumed rate of return on equity of 10.0 per cent.

The discounted cash flow valuation indicated a range between \$18,000 million and \$20,000 million (2020: \$13,800 million and \$15,800 million). A conservative fair value estimate at the lower end of this range was adopted to reflect the sensitivity of the valuation to changes in key assumptions and ongoing uncertainties of the impact of the COVID-19 pandemic on economic conditions. The valuation was subject to independent sensitivity analysis, including sensitivity to the discount rate. With all other assumptions remaining the same, a discount rate in the range of 9.5 per cent to 10.5 per cent (2020: 9.99 per cent to 10.99 per cent) resulted in a calculated fair value in the range of \$16,500 million to \$19,700 million (2020: \$12,500 million to \$15,300 million).

- Snowy Hydro Limited (SHL) was valued at \$11,000 million at 30 June 2021 (2020: \$10,250 million). The discounted cash flow valuation was supported by crosschecking against the capitalisation of future maintainable earnings method based on an analysis of share trading in energy generation companies.

Other corporations where the GGS investment has been valued applying a discounted cash flow method include Airservices Australia and the Australian Submarine Corporation.

The public corporations in which the GGS investment is valued based on the net assets of the investee are as follows:

- ANSTO Nuclear Medicine Pty Ltd
- Australian Hearing Services (Hearing Australia)
- Australian Naval Infrastructure Pty Ltd
- Australian Reinsurance Pool Corporation
- Coal Mining Industry (Long Service Leave Funding) Corporation
- CSIRO Investment Funds
- Export Finance and Insurance Corporation
- Moorebank Intermodal Company Limited
- National Housing Finance and Investment Corporation
- Reserve Bank of Australia
- Voyages Indigenous Tourism Australia Pty Ltd
- WSA Co Ltd

For shares in international financial institutions held by the Australian Government, the value is held in foreign currency and converted to an Australian dollar equivalent for inclusion in the financial statements. This information is an observable input.

The following table reconciles the movement in the balance of equity investments classified as Level 3.

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Level 3 equity investments</b>				
Opening balance at 1 July	68,409	62,170	5,915	5,465
Purchases/Payments	3,270	2,505	3,317	2,560
Sales/Repayments	(410)	(285)	(410)	(285)
Gains/(losses) recognised in the operating result	43	(299)	161	(261)
Gains/(losses) recognised in equity	(4,774)	4,561	(3,144)	(1,321)
Transfers in/(out) of level 3(a)	(132)	(243)	(132)	(243)
<b>Total fair value</b>	<b>66,406</b>	<b>68,409</b>	<b>5,707</b>	<b>5,915</b>

**Note 5D: Land and buildings, plant, equipment and infrastructure, heritage and cultural assets and intangibles**  
Land and buildings, plant, equipment and infrastructure, heritage and cultural assets and intangibles by basis of valuation

Australian Government										
Item	Land \$m	Buildings \$m	Specialist military equipment \$m	Other plant, equipment and infrastructure \$m	Heritage and cultural assets \$m	Investment property \$m	Computer software \$m	Other intangibles \$m	Total \$m	
Measurement basis(a)										
Net book value at 30 June 2021										
Gross book value	14,118	54,123	75,279	86,907	12,089	348	19,276	7,397	269,537	
Accumulated depreciation/amortisation	(33)	(6,374)	(892)	(17,426)	(228)	-	(12,116)	(883)	(37,952)	
Net book value at 30 June 2021	14,085	47,749	74,387	69,481	11,861	348	7,160	6,514	231,585	
Carrying amount of right-of-use assets										
Assets at fair value by level of the fair value hierarchy:										
Level 2	10,714	4,800	-	4,964	1,750	270	-	-	22,498	
Level 3	3,152	24,905	74,126	54,682	10,111	78	-	-	167,054	
Fair value at 30 June 2021	13,866	29,705	74,126	59,646	11,861	348	-	-	189,552	
Net book value at 30 June 2020										
Gross book value	13,633	54,095	74,008	83,634	12,056	369	17,820	6,851	262,466	
Accumulated depreciation/amortisation	(12)	(6,742)	(1,861)	(16,034)	(81)	-	(10,804)	(808)	(36,342)	
Net book value at 30 June 2020	13,621	47,353	72,147	67,600	11,975	369	7,016	6,043	226,124	
Carrying amount of right-of-use assets										
Assets at fair value by level of the fair value hierarchy:										
Level 2	10,556	4,573	-	3,538	1,741	280	-	-	20,688	
Level 3	2,815	23,952	71,855	53,550	10,234	89	-	-	162,495	
Fair value at 30 June 2020	13,371	28,525	71,855	57,088	11,975	369	-	-	183,183	
(a) Fair value excludes right-of-use assets which are held at cost.										

(a) Fair value excludes right-of-use assets which are held at cost.

Land and buildings, plant, equipment and infrastructure, heritage and cultural assets and intangibles by basis of valuation  
(continued)

<b>General Government</b>		Land		Buildings		Specialist military equipment		Other plant, infrastructure		Heritage and cultural assets		Investment property		Computer software		Other intangibles		Total
Item		\$m		\$m		\$m		\$m		\$m		\$m		\$m		\$m		\$m
<b>Measurement basis(a)</b>		Fair value		Fair value		Fair value		Fair value		Fair value		Fair value		Cost		Cost		Cost
<b>Net book value at 30 June 2021</b>																		
Gross book value		12,080		48,956		75,279		21,464		12,089		192		13,206		5,206		188,472
Accumulated depreciation/amortisation		(10)		(5,645)		(892)		(3,750)		(228)		-		(8,217)		(400)		(19,142)
<b>Net book value at 30 June 2021</b>		<b>12,070</b>		<b>43,311</b>		<b>74,387</b>		<b>17,714</b>		<b>11,861</b>		<b>192</b>		<b>4,989</b>		<b>4,806</b>		<b>169,330</b>
Carrying amount of right-of-use assets		146		16,661		261		1,609		-		-		-		-		18,677
<b>Assets at fair value by level of the fair value hierarchy:</b>																		
Level 2		9,239		3,321		-		1,339		1,750		192		-		-		15,841
Level 3		2,685		23,329		74,126		14,766		10,111		-		-		-		125,017
<b>Fair value at 30 June 2021</b>		<b>11,924</b>		<b>26,650</b>		<b>74,126</b>		<b>16,105</b>		<b>11,861</b>		<b>192</b>		<b>-</b>		<b>-</b>		<b>140,858</b>
<b>Net book value at 30 June 2020</b>																		
Gross book value		11,723		49,340		74,008		21,202		12,056		209		12,079		4,794		185,411
Accumulated depreciation/amortisation		(5)		(6,072)		(1,861)		(4,081)		(81)		-		(7,453)		(354)		(19,907)
<b>Net book value at 30 June 2020</b>		<b>11,718</b>		<b>43,268</b>		<b>72,147</b>		<b>17,121</b>		<b>11,975</b>		<b>209</b>		<b>4,626</b>		<b>4,440</b>		<b>165,504</b>
Carrying amount of right-of-use assets		159		17,394		292		1,804		-		-		-		-		19,649
<b>Assets at fair value by level of the fair value hierarchy:</b>																		
Level 2		9,091		3,196		-		1,158		1,741		209		-		-		15,395
Level 3		2,468		22,678		71,855		14,159		10,234		-		-		-		121,394
<b>Fair value at 30 June 2020</b>		<b>11,559</b>		<b>25,874</b>		<b>71,855</b>		<b>15,317</b>		<b>11,975</b>		<b>209</b>		<b>-</b>		<b>-</b>		<b>136,789</b>

(a) Fair value excludes right-of-use assets which are held at cost.

## Reconciliation of movement in land and buildings, plant, equipment and infrastructure, heritage and cultural assets and intangibles

<b>Australian Government</b>										
Item	Land \$m	Buildings \$m	Specialist military equipment \$m	Other plant, infrastructure \$m	Heritage and cultural assets \$m	Investment property \$m	Computer software \$m	Other intangibles \$m	Total \$m	
<b>Net book value at 1 July 2019</b>	<b>13,802</b>	<b>48,870</b>	<b>66,810</b>	<b>64,177</b>	<b>11,694</b>	<b>340</b>	<b>6,843</b>	<b>5,833</b>	<b>218,369</b>	
Additions:										
Purchases and entity acquisitions	87	1,713	8,638	9,014	76	43	679	370	20,620	
Internally developed	-	-	-	-	-	-	1,178	-	1,178	
Right-of-use assets	-	1,736	-	1,063	-	-	-	-	2,799	
Revaluations	(278)	(164)	958	192	211	(3)	-	855	1,771	
Depreciation/amortisation expense(a)	-	(1,734)	(4,383)	(4,809)	(75)	-	(1,580)	(153)	(12,734)	
Depreciation of right-of-use assets	(12)	(2,660)	(31)	(804)	(75)	-	-	-	(3,507)	
Recoverable amount write-downs	(8)	(102)	(135)	(954)	(2)	-	(124)	(54)	(1,379)	
Recoverable amount write-downs of right-of-use assets	-	(6)	-	-	-	-	-	-	(6)	
Reversal of write-downs	-	1	224	25	-	-	-	37	287	
Other movements	124	(70)	92	(82)	71	1	23	7	166	
Other movements of right-of-use assets	(1)	(176)	-	(24)	-	-	-	-	(201)	
Disposals	(93)	(55)	(26)	(198)	-	(12)	(3)	(852)	(1,239)	
<b>As at 30 June 2020</b>	<b>13,621</b>	<b>47,353</b>	<b>72,147</b>	<b>67,600</b>	<b>11,975</b>	<b>369</b>	<b>7,016</b>	<b>6,043</b>	<b>226,124</b>	
Additions:										
Purchases and entity acquisitions	79	1,848	9,023	7,500	68	8	662	518	19,706	
Internally developed	-	-	-	-	-	-	1,268	-	1,268	
Right-of-use assets	1	1,948	-	258	-	-	-	62	2,269	
Revaluations	735	817	(2,012)	1,675	66	(3)	-	-	1,278	
Depreciation/amortisation expense(a)	-	(1,804)	(4,213)	(5,258)	(75)	-	(1,658)	(158)	(13,166)	
Depreciation of right-of-use assets	(11)	(2,779)	(31)	(866)	-	-	-	(1)	(3,688)	
Recoverable amount write-downs	(1)	(73)	(469)	(907)	(185)	-	(150)	(2)	(1,787)	
Recoverable amount write-downs of right-of-use assets	-	-	-	-	-	-	-	-	-	
Reversal of write-downs	(10)	5	-	-	-	-	-	-	(5)	
Other movements	24	48	22	44	4	-	(2)	8	148	
Other movements of right-of-use assets	(316)	387	(29)	(388)	8	(25)	31	44	(288)	
Disposals	(11)	42	-	(69)	-	-	-	-	(38)	
Disposals	(26)	(43)	(51)	(108)	-	(1)	(7)	-	(236)	
<b>As at 30 June 2021</b>	<b>14,085</b>	<b>47,749</b>	<b>74,387</b>	<b>69,481</b>	<b>11,861</b>	<b>348</b>	<b>7,160</b>	<b>6,514</b>	<b>231,585</b>	

(a) The depreciation/amortisation expense movement includes the amortisation of non-produced intangible assets as reported in Note 4C: Other gains/(losses).

## Reconciliation of movement in land and buildings, plant, equipment and infrastructure, heritage and cultural assets and intangible assets and intangibles (continued)

<b>General Government</b>										
Item	Land \$m	Buildings \$m	Specialist military equipment \$m	Other plant, infrastructure \$m	Heritage and cultural assets \$m	Investment property \$m	Computer software \$m	Other intangibles \$m	Total \$m	
<b>Net book value at 1 July 2019</b>	<b>11,910</b>	<b>44,695</b>	<b>66,810</b>	<b>16,801</b>	<b>11,694</b>	<b>160</b>	<b>4,405</b>	<b>4,310</b>	<b>160,785</b>	
Additions:										
Purchases and entity acquisitions	85	1,579	8,638	2,205	76	42	565	193	13,383	
Internally developed	-	-	-	-	-	-	822	-	822	
Right-of-use assets	-	1,437	-	151	-	-	-	-	1,588	
Revaluations	(292)	(62)	958	113	211	1	-	855	1,784	
Depreciation/amortisation expense(a)	-	(1,566)	(4,383)	(1,659)	(75)	-	(1,027)	(64)	(8,774)	
Depreciation of right-of-use assets	(5)	(2,374)	(31)	(348)	-	-	-	-	(2,758)	
Recoverable amount write-downs	(2)	(102)	(135)	(175)	(2)	-	(122)	(44)	(582)	
Recoverable amount write-downs of right-of-use assets	-	(5)	-	-	-	-	-	-	(5)	
Reversal of write-downs	-	1	224	25	-	-	-	37	287	
Other movements	113	(140)	92	34	71	6	(14)	5	167	
Other movements of right-of-use assets	(1)	(173)	-	3	-	-	-	-	(171)	
Disposals	(90)	(22)	(26)	(29)	-	-	(3)	(852)	(1,022)	
<b>As at 30 June 2020</b>	<b>11,718</b>	<b>43,268</b>	<b>72,147</b>	<b>17,121</b>	<b>11,975</b>	<b>209</b>	<b>4,626</b>	<b>4,440</b>	<b>165,504</b>	
Additions:										
Purchases and entity acquisitions	78	1,604	9,023	2,267	68	8	555	392	13,995	
Internally developed	-	-	-	-	-	-	1,009	-	1,009	
Right-of-use assets	-	1,784	-	145	-	-	-	-	1,929	
Revaluations	604	811	(2,012)	546	66	-	-	-	15	
Depreciation/amortisation expense(a)	-	(1,623)	(4,213)	(1,824)	(75)	-	(1,081)	(58)	(8,884)	
Depreciation of right-of-use assets	(4)	(2,507)	(31)	(380)	-	-	-	-	(2,922)	
Recoverable amount write-downs	(1)	(71)	(469)	(146)	(185)	-	(147)	(2)	(1,021)	
Recoverable amount write-downs of right-of-use assets	-	-	-	-	-	-	-	-	-	
Reversal of write-downs	(1)	11	-	-	-	-	-	-	10	
Other movements	24	48	22	44	4	-	(2)	8	148	
Other movements of right-of-use assets	(316)	37	(29)	(9)	8	(25)	36	36	(262)	
Disposals	(8)	(21)	-	40	-	-	-	-	11	
Disposals	(24)	(30)	(51)	(90)	-	-	(7)	-	(202)	
<b>As at 30 June 2021</b>	<b>12,070</b>	<b>43,311</b>	<b>74,387</b>	<b>17,714</b>	<b>11,861</b>	<b>192</b>	<b>4,989</b>	<b>4,806</b>	<b>169,330</b>	

(a) The depreciation/amortisation expense movement includes the amortisation of non-produced intangible assets as reported in Note 4C: Other gains/(losses).

## **Objective**

Property, plant and equipment are held for operational purposes as is computer software. The Department of Defence (Defence) is the largest holder of non-financial assets. Heritage and cultural assets include the cultural collections of the national gallery, library and museums while other intangibles include the Australian Government's portfolio of water entitlements acquired and which are held for environmental water purposes.

## **Recognition and measurement of non-financial assets**

Where available, the fair value of property, plant and equipment is determined by reference to market-based evidence including, for example, the market value of similar properties. Fair value is estimated using an income (net present value/discounted cash flows) or a cost (current replacement cost (CRC)) approach, if there is no market-based evidence of fair value because of the specialised nature of the item of property, plant or equipment and the item is rarely sold.

The cost of restoration or removal is included in the measurement of property, plant and equipment when a legal or constructive obligation exists. These costs include obligations relating to the dismantling, removal, remediation, restoration and other expenditure associated with the Australian Government's fixed assets or site fit-outs. Restoration provisions are initially recorded when a reliable estimate of the costs to be incurred can be determined and are discounted to present value. Estimates are based upon a review of lease contracts, legal requirements, historical information and expected future costs. Any changes to these estimates are adjusted on a progressive basis as required.

The Australian Government's intangibles comprise internally developed software for internal use, water entitlements, goodwill and intangible assets acquired by public corporations (PNFCs and PFCs). Intangibles are carried at cost. Water entitlements, goodwill and other indefinite life intangibles are not amortised but tested for impairment on an annual basis. When public corporations acquire investments in controlled entities, and pay an amount greater than the fair value of the net identifiable assets of the entity, this excess is recognised as goodwill.



## Right-of-use assets

Leased right-of-use 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. The initial right-of-use value will also include the estimated provision for restoration costs where there is a requirement to restore the premises not related to the specific leasehold improvement. These assets are accounted for by Commonwealth lessees 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.

## Accounting judgement and estimate - Fair value

The analysis of land and buildings, plant, equipment and infrastructure, heritage and cultural assets and intangibles by basis of valuation includes a disaggregation of asset values against the AASB 13 fair value hierarchy. Non-financial assets categorised as Level 2 and 3 have been valued using the following techniques:

	Category	Valuation technique(s)	Inputs used
Land	2	Market approach	Market transactions
		Income approach	Future cash flows
	3	Market approach	Adjusted market transactions
		Income approach	Future cash flows
Buildings	2	Market approach	Market transactions
		Income approach	Future cash flows
		Cost approach	Replacement cost of new assets
	3	Market approach	Adjusted market transactions
		Income approach	Future cash flows
		Cost approach	Replacement cost of new assets Consumed economic benefit
Specialist military equipment	3	Market approach	Adjusted market transactions
		Cost approach	Replacement cost of new assets
			Consumed economic benefit
Other plant, equipment and infrastructure (Other IPE)	2	Market approach	Market transactions
		Cost approach	Replacement cost of new assets
	3	Market approach	Adjusted market transactions
		Income approach	Future cash flows
		Cost approach	Replacement cost of new assets
			Consumed economic benefit
Heritage and cultural assets	2	Market approach	Market transactions
		Cost approach	Replacement cost of new assets
	3	Market approach	Adjusted market transactions
		Cost approach	Replacement cost of new assets Consumed economic benefit
Other	2	Market approach	Market transactions

Level 3 non-financial assets valued using the market approach utilise market transactions of similar assets adjusted using professional judgement for each individual asset's characteristics to determine fair value. Non-financial assets that do not transact with enough frequency and transparency to develop objective opinions of value from observable market evidence have been valued utilising the cost (CRC) approach, unless this cannot be reliably calculated.

Valuations are undertaken 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. Details pertaining to valuations can be found in the audited financial statements of individual Australian Government controlled entities and is summarised below.

#### *Land*

Land which will continue to be used is valued by independent valuers at fair value (highest and best use). Highest and best use is determined from the perspective of market participants with the current use of the land presumed to be its highest and best use unless market or other factors suggest otherwise.

#### *Buildings*

The majority of Government owned buildings are in the defence estate, domestic and overseas property portfolio, CSIRO and Parliament House. The fair value of buildings is performed by independent external valuers using inputs such as sales prices of comparable assets, replacement cost, expected useful life and adjustments for obsolescence. Buildings categorised as Level 3 in the fair value hierarchy include those held for specialised purposes and where there is no readily available market price.

#### *Specialist military equipment*

Specialist military equipment is valued internally by Defence applying a range of valuation techniques and inputs. Valuation techniques include reference to comparable assets, recently purchased assets, recent market data available and indexation based on country of manufacture.

#### *Other plant, equipment and infrastructure*

This asset class includes a range of cash-generating assets, including those held by public corporations, and assets held for internal use. These assets are typically valued using an income approach or a cost approach. Given the specialised nature of the assets and the fact that these assets are not collectively sold or traded, fair value cannot generally be determined with reference to observable market prices or recent market transactions.

Cash generating assets are grouped into cash-generating units for valuation and impairment purposes. Significant infrastructure assets held by the Australian Government include rail infrastructure, electricity generation assets, the broadband network and defence infrastructure.

Rail infrastructure assets were valued at \$3,203 million at 30 June 2021 (2020: \$3,520 million). This value was calculated using the income approach reflecting current market expectations of future cash flows discounted to their present value using a post-tax discount rate that reflects an expert's assessment of current market assessments of the time value of money and the business risk. Long term growth rates for annual revenue reflect contract data, GDP and inflation forecasts and have been estimated in the range 2.1 per cent to 3.9 per cent (2020: 1.6 per cent to 3.6 per cent). The nominal post-tax weighted average cost of capital has been estimated in the range of 5.8 per cent to 6.8 per cent (2020: 5.1 per cent to 6.4 per cent). The fair value of these assets is therefore sensitive to changes in these unobservable inputs as illustrated below.

	Impact on operating result and net worth			
	2021		2020	
	+	-	+	-
	\$m	\$m	\$m	\$m
Annual revenue (1% revenue movement p.a.)	141	(141)	128	(128)
Discount rate (+/- 100bps movement)	(598)	903	(640)	946

Electricity generation assets and related retail assets were valued at \$9,803 million at 30 June 2021 (2020: \$9,303 million) by an independent valuer using both the income approach and the cost approach. In calculating the income approach, a nominal pre-tax weighted average cost of capital was estimated in the range of 5.65 per cent to 6.7 per cent, with an adopted rate of 6.2 per cent (2020: 6.1 per cent). The independent valuer developed a range of scenarios to test sensitivity to changes in key assumptions.

Broadband network infrastructure assets were valued at \$35,625 million at 30 June 2021 (2020: \$34,815 million) and continue to be valued using a cost approach which involves the calculation of a replacement cost and obsolescence. Replacement cost is the cost that is relevant to determining the price that a market participant would pay as it is based on replicating the utility of the asset. An income approach was not applied to the valuation of the broadband infrastructure assets as it is not possible to reliably identify or attribute income to individual or grouped infrastructure assets (with the exception of leased assets) and the use of the income approach could result in the allocation of intangible assets valued to the tangible infrastructure assets.

Non-cash generating assets include specialised assets and plant and equipment measured by independent valuers at fair value (highest and best use).

*Heritage and cultural assets*

Australian Government cultural organisations hold significant collections of heritage and cultural assets, comprising sculptures, artefacts, paintings, drawings, prints, books, photography and memorabilia. This asset class also includes buildings, residences and equipment that may be used but which are primarily held for their heritage or cultural significance.

Heritage and cultural assets are stored, managed, displayed, repaired and restored in ways that will maintain their cultural or heritage value over time. The valuation method for heritage and cultural collections is by market based evidence where a market exists for items in the collection. The valuation of heritage and cultural assets categorised as Level 3 in the fair value hierarchy can be subject to a high level of estimation uncertainty where collection assets are unique and there are few comparable transactions and/or a limited market.

# Reconciliation for recurring Level 3 fair value measurements

The following table reconciles the movement in the balance of non-financial assets classified as Level 3.

Item	General Government						Australian Government					
	Land	Buildings	Specialist military equipment	Other IPE	Heritage & cultural assets		Land	Buildings	Specialist military equipment	Other IPE	Heritage & cultural assets	
	\$m	\$m	\$m	\$m	\$m		\$m	\$m	\$m	\$m	\$m	\$m
<b>Level 3 fair value at 1 July 2019</b>	<b>1,530</b>	<b>23,724</b>	<b>66,810</b>	<b>14,096</b>	<b>4,020</b>		<b>1,855</b>	<b>25,373</b>	<b>66,810</b>	<b>58,149</b>	<b>4,020</b>	
Additions	8	1,393	8,638	1,162	62		8	1,619	8,638	7,000	62	
Disposals	(5)	(1)	(26)	(19)	(1)		(5)	(135)	(26)	(29)	(1)	
Gains/(losses) recognised in the operating result	(18)	(1,415)	(4,202)	(1,135)	(61)		(17)	(1,574)	(4,202)	(4,974)	(61)	
Gains/(losses) recognised in equity	99	(156)	958	258	203		106	(224)	958	390	203	
Transfers in/(out) of level 3(a)	854	(867)	(323)	(203)	6,011		868	(1,107)	(323)	(6,986)	6,011	
<b>As at 30 June 2020</b>	<b>2,468</b>	<b>22,678</b>	<b>71,855</b>	<b>14,159</b>	<b>10,234</b>		<b>2,815</b>	<b>23,952</b>	<b>71,855</b>	<b>53,550</b>	<b>10,234</b>	
Additions	6	1,484	9,023	1,833	44		7	1,934	9,023	5,350	44	
Disposals	(1)	(31)	(51)	(78)	-		(1)	(38)	(51)	(82)	-	
Gains/(losses) recognised in the operating result	(68)	(1,540)	(4,689)	(1,629)	(249)		(63)	(1,649)	(4,689)	(5,581)	(249)	
Gains/(losses) recognised in equity	228	759	(2,012)	550	19		265	737	(2,012)	1,787	19	
Transfers in/(out) of level 3	52	(21)	-	(69)	63		129	(31)	-	(342)	63	
<b>As at 30 June 2021</b>	<b>2,685</b>	<b>23,329</b>	<b>74,126</b>	<b>14,766</b>	<b>10,111</b>		<b>3,152</b>	<b>24,905</b>	<b>74,126</b>	<b>54,682</b>	<b>10,111</b>	

(a) An independent revaluation undertaken during the year of the heritage and cultural assets held by the National Gallery of Australia determined that the valuation inputs used were more aligned to level 3 of the fair value hierarchy given the diverse nature of the assets held. This resulted in a transfer into level 3 as these assets were previously valued using level 2 inputs. In addition, other infrastructure, plant and equipment assets held by NBN Co that were previously finance leases under AASB 117 and included in level 3, are now considered right-of-use assets under AASB 16 and held at cost.

## Contractual capital commitments

At the reporting date, commitments for capital works comprised:

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
<b>Capital commitments</b>				
Buildings	1,514	1,502	3,222	1,829
Specialist military equipment	20,344	24,416	20,344	24,416
Other plant, equipment and intangibles	3,377	1,622	10,315	9,591
<b>Total capital commitments</b>	<b>25,235</b>	<b>27,540</b>	<b>33,881</b>	<b>35,836</b>

## Assets under construction

Australian Government assets under construction include \$2,157million (2020: \$2,222 million) in land and buildings, \$18,205 million (2020: \$7,491 million) in specialist military equipment and \$10,054 million (2020: \$8,405 million) in other plant, equipment and infrastructure (including computer software and intangibles).

GGs assets under construction include \$1,879 million (2020: \$2,175 million) in land and buildings, \$18,205 million (2020: \$7,491 million) in specialist military equipment and \$5,097 million (2020: \$4,087 million) in other plant, equipment and infrastructure (including computer software and intangibles).

## Note 5E: Inventories

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
<b>Inventories held for sale</b>				
Finished goods(a)	572	729	688	835
Raw materials and stores	74	77	92	95
Work in progress	207	218	239	233
<b>Total inventories held for sale</b>	<b>853</b>	<b>1,024</b>	<b>1,019</b>	<b>1,163</b>
Consumable stores and inventories held for distribution	9,753	8,759	9,831	8,824
<b>Total inventories</b>	<b>10,606</b>	<b>9,783</b>	<b>10,850</b>	<b>9,987</b>

(a) Australian Government finished goods include \$211 million valued at net realisable value (2020: \$242 million). GGS finished goods include \$141 million valued at net realisable value (2020: \$182 million).

## Objective

Inventories not held for sale include explosive ordnance, general spares and consumables and strategic stockpiles held for distribution.

## Recognition and measurement of inventories

Inventories held for sale are valued at the lower of cost and net realisable value. Inventories held for distribution are measured at cost, adjusted for any loss of service potential. Quantities on hand and items of inventory are periodically evaluated with excess and obsolete inventory recorded as a reduction to inventory and an expense.

Australian Government inventories include \$2,541 million (2020: \$3,264 million) expected to be consumed or sold within the next 12 months. GGS inventories include \$2,297 million (2020: \$3,059 million) expected to be consumed or sold within the next 12 months.

### Note 5F: Other non-financial assets

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
Biological assets	35	31	35	31
Assets held for sale	589	269	590	343
Prepayments	4,208	4,658	4,955	5,313
Other	40	37	40	37
<b>Total other non-financial assets</b>	<b>4,872</b>	<b>4,995</b>	<b>5,620</b>	<b>5,724</b>

### Note 5G: Assets by function

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
General public services	336,593	296,443	333,222	293,594
Defence	118,391	113,532	118,180	113,346
Public order and safety	5,870	6,368	5,870	6,368
Education	58,644	55,492	58,644	55,492
Health	5,090	5,770	5,091	5,788
Social security and welfare	10,062	11,154	9,774	10,874
Housing and community amenities	4,720	5,531	6,577	6,606
Recreation and culture	18,472	18,096	16,348	17,365
Fuel and energy	16,319	15,003	17,561	15,883
Agriculture, forestry and fishing	6,863	6,141	6,863	6,141
Mining, manufacturing and construction	1,205	1,070	2,938	2,697
Transport and communication	41,509	42,861	57,806	54,370
Other economic affairs	30,384	36,737	325,781	210,725
Other purposes(a)	73,936	93,705	35,492	39,673
<b>Total assets</b>	<b>728,058</b>	<b>707,903</b>	<b>1,000,147</b>	<b>838,922</b>

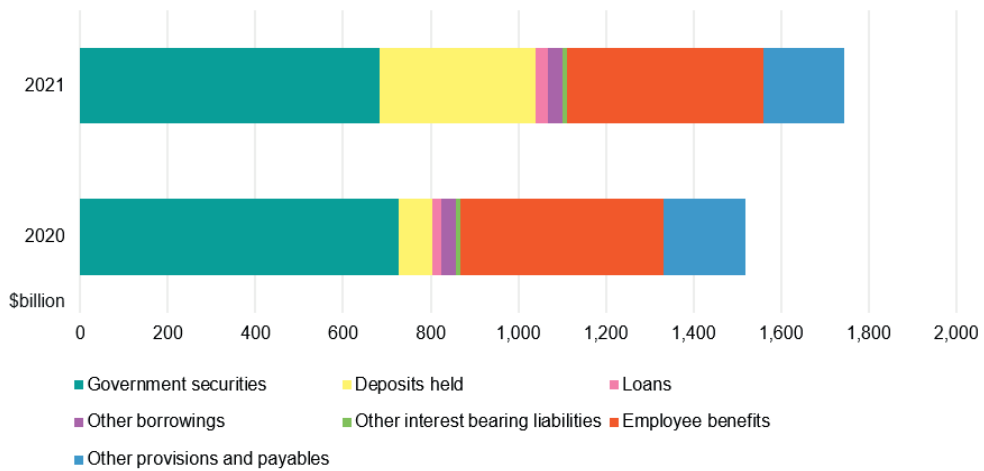
(a) Cash and deposits that are not allocated to other functions are included in the 'other purposes' function.

Refer to Note 3F for a description of each function.

## Note 6: Liabilities

Liabilities are obligations to another entity to provide economic value as a result of past transactions and activities undertaken by Australian Government entities. The value and composition of Australian Government liabilities are as follows:

### Liabilities composition



### Interest bearing liabilities

Interest bearing liabilities are classified in accordance with the ABS GFS Manual as follows:

- **Deposits held** (refer Note 6A) are predominantly the liability for cash and deposits held with the Reserve Bank of Australia (RBA).
- **Government securities** (refer Note 6B) are issued by the Australian Government in the form of Treasury Bonds, Treasury Indexed Bonds and Treasury Notes.
- **Loans** (refer Note 6C) comprise promissory notes issued to the International Monetary Fund (IMF) and other multilateral organisations to meet Australia's international financial obligations, bonds issued by public corporations and other loans.
- **Leases** (refer Note 6D) covers obligations under lease arrangements and includes liabilities for right-of-use assets.
- **Other interest bearing liabilities** (refer Note 6E) include Australia's liability to the IMF as denominated in Special Drawing Rights (SDR), repurchase agreements entered into by the RBA and other debt not classified elsewhere.



The Australian Government also discloses interest bearing liabilities and other financial liabilities by category of financial instrument. Financial liabilities are allocated into the following categories:

Financial liabilities at fair value through profit or loss	Other liabilities
Financial liabilities, including derivative liabilities, designated at fair value through profit or loss in order to eliminate or reduce a measurement or recognition inconsistency or where a group of financial assets or liabilities is managed and evaluated on a fair value basis.	Non-derivative financial liabilities measured at amortised cost.

Financial liabilities are derecognised when the obligation under the contract is discharged, cancelled or expired.

### Provisions and payables

Provisions and payables reported in the balance sheet are summarised into:

- **Employee benefits** (refer Note 6F) capture amounts owing to current and former employees, the largest of which is the Australian Government obligation for the unfunded portion of the public sector and military superannuation schemes.
- **Other payables** (refer Note 6G) include year-end obligations for goods and services, grants and unearned income.
- **Other provisions** (refer Note 6H) include a liability for currency notes issued by the RBA and provisions for benefits and claims, grants, subsidies and tax refunds.

### Note 6A: Deposit liabilities

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Exchange settlement funds	-	-	341,800	73,497
Drawing accounts held with the RBA	-	-	914	540
State governments	-	-	44	544
Monies held in trust	576	461	576	461
Foreign governments	-	-	12,193	3,389
Other	22	23	487	554
<b>Total deposit liabilities</b>	<b>598</b>	<b>484</b>	<b>356,014</b>	<b>78,985</b>

### Objective

Exchange settlement accounts are provided by the RBA for financial institutions to settle financial obligations arising from the clearing of payments, while state and foreign governments may also hold deposits at the RBA. Deposits held by Commonwealth entities are not reported as these are internal to Government and eliminated on consolidation.

## Recognition and measurement of deposits held

Deposits include deposits at call and term deposits and are classified as financial liabilities. Deposit balances are shown at their amortised cost, which is equivalent to their face value. Interest is accrued over the term of deposits and is paid periodically or at maturity.

## Liquidity risk on deposits held

Liquidity risk is the risk that the Australian Government will not be able to meet its obligations as they fall due. The outflows disclosed in the following table represent the contractual undiscounted cash flows relating to deposits held at the reporting date:

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Exposure to liquidity risk on deposits held</b>				
On demand	574	459	355,990	78,857
1 year or less	-	-	-	103
1 to 5 years	24	25	24	25
<b>Total</b>	<b>598</b>	<b>484</b>	<b>356,014</b>	<b>78,985</b>

## Note 6B: Government securities

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Treasury bonds	603,104	614,878	602,850	614,624
Treasury notes	27,250	58,738	27,250	58,738
Treasury indexed bonds	53,809	52,500	53,809	52,500
Other(a)	204,256	58,857	6	6
<b>Total government securities</b>	<b>888,419</b>	<b>784,973</b>	<b>683,915</b>	<b>725,868</b>

(a) Primarily securities held by Australian Government public corporations.

## Objective

Australian Government securities (AGS) are issued through the AOFM to meet the Australian Government's financing needs.

## Recognition and measurement of government securities

Government securities are recognised at fair value through profit or loss applying Level 1 in the fair value hierarchy. Where a security is issued at a premium or discount, the premium or discount is recognised at that time and included in the book value of the liability.

### Liquidity risk on government securities

The outflows disclosed in the following table represent the contractual undiscounted cash flows relating to government securities issued at the reporting date.

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Exposure to liquidity risk on government securities</b>				
1 year or less	71,553	125,099	66,026	110,119
1 to 5 years	320,818	249,726	234,360	228,366
5 to 10 years	378,523	292,421	248,387	264,982
10 to 15 years	116,440	98,547	116,440	98,547
More than 15 years	83,898	62,481	83,898	62,481
<b>Total</b>	<b>971,232</b>	<b>828,274</b>	<b>749,111</b>	<b>764,495</b>

The reported value of AGS is exposed to movements in market interest rates. Unrealised gains from the remeasurement of Government securities amounted to \$28,873 million in 2020-21, increasing the AGS liability (2020: unrealised losses \$9,193 million). Further detail on interest rate risk is provided in Note 9B.

### Note 6C: Loans

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Bills of exchange and promissory notes	10,110	10,051	10,891	11,342
Bonds (non-Treasury)	-	-	3,906	3,128
Loans	430	881	13,769	4,490
<b>Total loans</b>	<b>10,540</b>	<b>10,932</b>	<b>28,566</b>	<b>18,960</b>
<b>By maturity:</b>				
No more than 12 months	1,433	548	1,589	2,745
More than 12 months	9,107	10,384	26,977	16,215
<b>Total by maturity</b>	<b>10,540</b>	<b>10,932</b>	<b>28,566</b>	<b>18,960</b>
<b>By category and valuation of financial liability:</b>				
Amortised cost	10,540	10,932	26,097	16,206
Fair value:				
Level 2	-	-	2,469	2,727
Level 3	-	-	-	27
<b>Total by category and valuation</b>	<b>10,540</b>	<b>10,932</b>	<b>28,566</b>	<b>18,960</b>

## Objective

General Government promissory notes are issued to the IMF and international financial institutions and relate to the undrawn paid in capital subscriptions to these international organisations. Outside the General Government Sector, the Export Finance and Insurance Corporation (EFIC) borrows to fund lending activities.

## Recognition and measurement of loans

Loans are initially recognised at fair value plus any transaction costs that are directly attributable to the issue and are subsequently measured at either amortised cost or at fair value through profit or loss. Any differences between the final amounts paid to discharge the loan and the initial loan proceeds (including transaction costs) are recognised in the operating statement over the borrowing period using the effective interest method.

## Accounting judgements and estimates – Fair value

Loans designated at fair value through profit or loss and categorised as Level 2 and Level 3 are limited to EFIC borrowings. The fair value designation reduces the accounting mismatch that would otherwise arise with derivatives that have been entered by EFIC to hedge transactions. The fair value of these loans have been determined using market interest rates and valuation techniques which incorporate discounted cash flows.

## Liquidity risk on loans

The outflows disclosed in the following table represent the contractual undiscounted cash flows relating to loans issued at the reporting date:

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
<b>Exposure to liquidity risk on loans</b>				
On demand	-	-	-	3
1 year or less	1,490	633	2,824	4,610
1 to 5 years	334	576	15,200	3,628
More than 5 years	8,911	10,233	14,936	12,621
<b>Total</b>	<b>10,735</b>	<b>11,442</b>	<b>32,960</b>	<b>20,862</b>

## Note 6D: Leases

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
Lease liabilities	19,440	19,879	31,964	32,476
<b>Total leases</b>	<b>19,440</b>	<b>19,879</b>	<b>31,964</b>	<b>32,476</b>

Total cash outflows for leases for the year ended 30 June 2021 for the Australian Government amounted to \$5,462 million (2020: \$4,945 million) and \$3,048 million (2020: \$2,885 million) for the General Government Sector.

### Recognition and measurement of leases

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

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

### Maturity analysis – contractual undiscounted cash flows

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
Within 1 year	2,492	2,353	7,011	3,975
Between 1 to 5 years	8,053	7,980	10,215	13,266
More than 5 years	10,817	11,163	31,225	32,630
<b>Total leases</b>	<b>21,362</b>	<b>21,496</b>	<b>48,451</b>	<b>49,871</b>

The Australian Government in its capacity as lessee has significant leasing arrangements for premises occupied by entities within the Defence, Social Services, Home Affairs and Foreign Affairs portfolios and for network assets operated by NBN Co.

The above lease disclosures should be read in conjunction with the accompanying Notes 2B, 3C, 3D, 4B and 5D.

**Note 6E: Other interest bearing liabilities**

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
Swap principal payable	2,019	1,402	3,070	2,647
Amounts outstanding under repurchase agreements	-	-	996	22
Special reserve - IMF special drawing rights	5,852	6,199	5,852	6,199
Other	-	-	1,480	1,463
<b>Total other interest bearing liabilities</b>	<b>7,871</b>	<b>7,601</b>	<b>11,398</b>	<b>10,331</b>
<b>By category and valuation of financial liability:</b>				
Amortised cost	5,851	6,199	8,506	7,710
Fair value:				
Level 1	48	22	71	92
Level 2	1,972	1,380	2,550	2,204
Level 3	-	-	271	325
<b>Total by category and valuation</b>	<b>7,871</b>	<b>7,601</b>	<b>11,398</b>	<b>10,331</b>

**Objective**

The IMF Special Drawing Rights (SDR) liability reflects the Government's obligation to repay to the IMF the cumulative allocations of SDRs provided to Australia since joining the IMF.

The RBA enters into repurchase agreements in carrying out its operations to manage domestic liquidity and foreign reserves. Refer Note 9B for a discussion of swap agreements.

**Recognition and measurement of other interest bearing liabilities**

The IMF SDR allocation liability reflects the amortised cost adjusted for foreign currency translation in Australian dollars of the Australian Government's liability to repay Australia's cumulative allocations of SDRs. Interest is payable to the IMF in relation to the amount by which Australia's SDR holdings are below Australia's net cumulative allocations.

In the course of financial market operations, the RBA engages in repurchase agreements involving foreign and Australian dollar marketable securities. Securities sold but contracted for purchase under repurchase agreements are reported within the relevant investment category and are valued at market prices. The counterparty obligation to repurchase is reported as an interest bearing liability and is measured at amortised cost. The difference between the sale and purchase price is recognised as interest expense over the term of the agreement.

## Accounting judgements and estimates – Fair value

The fair value of other interest bearing liabilities categorised as Level 2 have been determined using market interest rates and valuation techniques which incorporate discounted cash flows.

## Liquidity risk on other interest bearing liabilities

The outflows disclosed in the following table represent the contractual undiscounted cash flows relating to other interest bearing liabilities at the reporting date:

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
<b>Exposure to liquidity risk on other debt</b>				
1 year or less	2,017	1,402	4,833	3,366
1 to 5 years	2	-	665	500
More than 5 years	5,852	6,199	5,967	6,547
<b>Total</b>	<b>7,871</b>	<b>7,601</b>	<b>11,465</b>	<b>10,413</b>

## Note 6F: Employee benefits

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
<b>Total superannuation liability</b>	<b>406,940</b>	<b>430,105</b>	<b>407,506</b>	<b>431,077</b>
<b>Other employee liabilities</b>				
Leave and other entitlements	9,508	9,513	11,057	11,035
Accrued salaries and wages	551	444	768	668
Workers compensation claims	1,939	2,029	2,203	2,253
Separations and redundancies	100	110	168	186
Military compensation	25,163	19,815	25,163	19,815
Other	518	351	611	468
<b>Total other employee liabilities</b>	<b>37,779</b>	<b>32,262</b>	<b>39,970</b>	<b>34,425</b>
<b>Total employee and superannuation liabilities</b>	<b>444,719</b>	<b>462,367</b>	<b>447,476</b>	<b>465,502</b>
<b>Employee benefits maturity schedule(a):</b>				
No more than 12 months	16,567	16,311	18,237	17,931
More than 12 months	428,152	446,056	429,239	447,571
<b>Total employee benefits by maturity</b>	<b>444,719</b>	<b>462,367</b>	<b>447,476</b>	<b>465,502</b>

(a) Note 9C provides the average expected maturity for each of the Australian Government's large defined benefit superannuation schemes.

## **Objective**

The management of the Australian Government's accumulated superannuation liability is discussed in Note 9C. Other employee liabilities include provisions for the accumulated leave entitlements of Australian Government employees, claims for workers compensation (managed through Comcare) and military compensation (managed through the Department of Veterans' Affairs (DVA)).

## **Recognition and measurement of employee benefits**

The superannuation liability represents the present value of the Australian Government's unfunded liability to employees for past services as estimated by the actuaries of the respective superannuation plans.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within 12 months of balance date are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. The liability for leave and other entitlements includes provision for annual leave and long service leave.

All other employee benefits liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

## **Accounting judgements and estimates — employee benefits**

The liability for long service leave is calculated using expected future increases in wages and salary rates including related on-costs and is discounted using applicable government bond rates. In determining the present value of the liability, attrition rates, pay increases through promotion and inflation are taken into account. The liability for long service leave has been determined by reference to the work of actuaries.

The provision for workers compensation claims represents an estimate of the present value of future payments in respect of claims for events occurring on or before 30 June 2021 with a 75 per cent probability of sufficiency. The expected future payments are discounted to present value using a risk free rate. The expected future payments include claims reported but not yet paid, claims incurred but not yet reported and anticipated claims handling costs.



An independent actuary is engaged to value the provision. The provision is subject to a variety of assumptions, including external economic conditions, short-term and long-term continuance rates and administration costs. Small changes in these assumptions can have a material impact on the provision. To conservatively provide for the risks and uncertainties associated with the combination of these assumptions, the actuary applies a risk premium to the central estimate (13 per cent for premium claims liabilities and 16.5 per cent for pre-premium claims liabilities) which results in the 75 per cent probability of sufficiency. In 2020, a further risk premium adjustment of 1.5 per cent (\$20 million) was applied to provide for the risks associated with COVID-19. The 2020-21 annual report for Comcare includes greater detail on this provision.

The military compensation provision represents an estimate of the present value of future payments in respect of claims under the *Military Rehabilitation and Compensation Act 2004* and the *Safety, Rehabilitation and Compensation Act 1988* arising from service rendered before 30 June 2021. A provision is also recognised under Note 6H for the hospital and other health care costs associated with treatment and was valued at \$20,961 million at 30 June 2021 (2020: \$14,302 million). The provisions are calculated by discounting future payments using a yield curve derived from the yields on Commonwealth bonds of various durations as at 30 June 2021. As 'long tail' provisions, the assumptions underpinning the valuation estimate contain inherent uncertainties. These include assumptions as to the impacts of health costs, technology and economic conditions on the growth in payments, short-term and long-term incapacity rates and a range of other factors as set out in the 2020-21 DVA annual report.

**Note 6G: Other payables**

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
<b>Supplier payables</b>				
Trade creditors and accrued expenses	7,102	6,055	10,165	9,334
Personal benefits - indirect	1,377	743	1,377	743
Other creditors	1,485	598	2,326	1,837
<b>Total supplier payables</b>	<b>9,964</b>	<b>7,396</b>	<b>13,868</b>	<b>11,914</b>
<b>Total personal benefits payable - direct</b>	<b>3,015</b>	<b>4,670</b>	<b>3,015</b>	<b>4,670</b>
<b>Total subsidies payable</b>	<b>989</b>	<b>1,041</b>	<b>976</b>	<b>1,027</b>
<b>Grants payable</b>				
State and territory governments	3,906	134	3,906	134
Private sector	515	608	515	608
Overseas	2,058	1,866	2,058	1,866
Other	321	239	342	251
<b>Total grants payable</b>	<b>6,800</b>	<b>2,847</b>	<b>6,821</b>	<b>2,859</b>
<b>Other payables</b>				
Unearned income	1,671	1,753	2,270	2,302
Other	754	1,708	779	1,725
<b>Total other payables</b>	<b>2,425</b>	<b>3,461</b>	<b>3,049</b>	<b>4,027</b>
<b>Total payables</b>	<b>23,193</b>	<b>19,415</b>	<b>27,729</b>	<b>24,497</b>
<b>By category and valuation of financial liability:</b>				
Amortised cost - statutory liability	4,004	5,711	4,004	5,711
Amortised cost	15,677	10,229	19,614	14,756
Fair value:				
Level 3	1,841	1,722	1,841	1,728
Unearned income	1,671	1,753	2,270	2,302
<b>Total by category and valuation</b>	<b>23,193</b>	<b>19,415</b>	<b>27,729</b>	<b>24,497</b>

**Objective**

Supplier payables are mostly managed in accordance with the Commonwealth Procurement Rules (CPRs) issued under section 105B(1) of the PGPA Act and which apply to all non-corporate Commonwealth entities and prescribed corporate Commonwealth entities. The CPRs set out rules and principles for achieving value for money in Commonwealth procurement. Settlement of suppliers depends on the contractual terms but is generally less than 20 days.

Grant payables are governed by the Commonwealth Grants Rules and Guidelines (CGRGs) issued under section 105C of the PGPA Act, with some exceptions such as state and territory grants. Personal benefit payables represent amounts for which recipients are currently entitled to payment at the reporting date.

Contract liabilities in the form of payments received in advance are reported as unearned income. Income is recognised at either point in time as the performance obligation is met or over time as the customer consumes the benefit of the service being provided. This is dependent on the nature of the contractual arrangement.

#### Recognition and measurement of other payables

Trade and other payables, including accruals, are recorded when Australian Government entities are required to make future payments as a result of a purchase of assets or services. Payables are initially recognised at fair value and are subsequently measured at amortised cost. Most payables are expected to be settled within 12 months.

#### Accounting judgements and estimates – Fair value

Payables classified at fair value through profit or loss include multilateral grants and contributions payable. These are valued at Level 3 applying a discounted cash flow method using a discounted rate range and a 10-year government bond rate. The following table reconciles the movement in the balance of Level 3 payables.

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Level 3 payables</b>				
Opening balance at 1 July	1,722	1,425	1,728	1,431
Sales/repayments	(303)	(292)	(308)	(293)
Gains/(losses) recognised in the operating result	422	589	421	590
<b>Total fair value</b>	<b>1,841</b>	<b>1,722</b>	<b>1,841</b>	<b>1,728</b>

#### Liquidity risk on other payables

Supplier and related contractual payables are largely due within the next 30 days to 12 months. In assessing liquidity risk, the remaining contractual cash flow maturities of these liabilities do not differ materially from the carrying amount reported above.

With the exception of grants payable to multilateral aid organisations, grant and subsidies payable at 30 June 2021 are for amounts contractually due within the next twelve months. As such, they are not subject to discounting on recognition in the financial statements.

The maturity profile for multilateral grants is as follows:

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
<b>Exposure to other multilateral grants payable</b>				
1 year or less	288	274	288	274
1 to 5 years	1,213	1,012	1,213	1,012
More than 5 years	340	436	340	436
<b>Total</b>	<b>1,841</b>	<b>1,722</b>	<b>1,841</b>	<b>1,722</b>

#### Note 6H: Other provisions

	General Government		Australian Government	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
<b>Australian currency on issue</b>	<b>-</b>	<b>-</b>	<b>95,485</b>	<b>90,102</b>
<b>Other provisions</b>				
Grant provisions	8,059	9,050	8,059	9,050
Provision for outstanding benefits and claims	35,131	27,887	36,891	29,598
Provision for tax refunds	3,140	3,105	3,140	3,105
Provision for restoration, decommissioning and makegood	3,637	3,827	4,133	4,266
Subsidy provisions	5,270	23,689	4,946	23,689
Other	3,244	1,973	3,651	2,396
<b>Total other provisions</b>	<b>58,481</b>	<b>69,531</b>	<b>60,820</b>	<b>72,104</b>
<b>Total provisions</b>	<b>58,481</b>	<b>69,531</b>	<b>156,305</b>	<b>162,206</b>

#### Objective

Australian banknote currency is issued by the RBA. The RBA's objective in issuing Australian note currency is to maintain public confidence in the supply, security and quality of Australian banknotes. The provisions for outstanding benefits and claims, taxation refunds and for subsidies are for amounts to which recipients are entitled under legislation, but which are not yet payable. This includes tax, social security and health legislation. Grant provisions are typically incurred in pursuit of government policy objectives and include the provision for unfunded university superannuation and provisions for recovery from identified disasters.

The provision for restoration, decommissioning and make good arises where the Government has a legal or constructive obligation to remediate a site, including Defence sites and sites on Antarctica and sub-Antarctic Macquarie Island.

## Recognition and measurement of other provisions

Australian currency issued represents a liability of the RBA in favour of the holder. Currency issued for circulation, including demonetised currency, is measured at face value. When the RBA issues currency notes to the commercial banks it receives funds equal to the full face value of the notes issued in exchange.

Non-employee provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect is material, provisions are determined by discounting the expected future cash flows required to settle the obligation. This is done using a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The calculation of provisions is subject to the volatility of economic assumptions, in particular, discount rates, inflation and payment pattern assumptions. In calculating the estimated cost of future payments for each provision, actuarial advice is generally obtained.

## Reconciliation of movement in provisions

	General Government	Australian Government
	2021 \$m	2021 \$m
Balance of provisions at 1 July	69,531	162,206
Provisions made during the year	22,058	27,584
Provisions used during the year	(39,213)	(39,572)
Provisions remeasured, reversed or unwound during the year	6,105	6,087
<b>Balance of provisions at 30 June</b>	<b>58,481</b>	<b>156,305</b>

## Note 7: Net revaluation increases/(decreases) in other comprehensive income

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Financial assets</b>				
Financial assets	5	(7)	(600)	1,495
Administered investments	(3,488)	4,822	340	25
<b>Total financial assets</b>	<b>(3,483)</b>	<b>4,815</b>	<b>(260)</b>	<b>1,520</b>
<b>Non-financial assets</b>				
Land	604	(292)	735	(278)
Buildings	811	(62)	817	(164)
Specialist military equipment	(2,012)	958	(2,012)	958
Other plant, equipment and infrastructure	546	113	1,675	192
Heritage and cultural assets	66	211	66	211
Provision for restoration, decommissioning and makegood	46	(30)	46	(30)
Intangibles	-	855	-	855
<b>Total non-financial assets</b>	<b>61</b>	<b>1,753</b>	<b>1,327</b>	<b>1,744</b>
<b>Total revaluation increases/(decreases) in other comprehensive income</b>	<b>(3,422)</b>	<b>6,568</b>	<b>1,067</b>	<b>3,264</b>

## Note 8: Reconciliation of cash

Cash includes cash at bank and on hand; short term deposits at call; and investments in short-term money market instruments that are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts. Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Deposits at call, which are held for longer-term investment purposes, are classified as investments. Cash is recognised at its nominal amount.

Reconciliation of net operating balance to net cash flows from operating activities

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>Net operating balance</b>	<b>(128,500)</b>	<b>(91,795)</b>	<b>(130,451)</b>	<b>(98,842)</b>
<i>less</i> Revenues not providing cash				
Other non-cash revenues	1,822	1,667	1,956	1,671
<b>Total revenues not providing cash</b>	<b>1,822</b>	<b>1,667</b>	<b>1,956</b>	<b>1,671</b>
<i>plus</i> Expenses not requiring cash				
Increase in employee entitlements	5,041	8,413	5,538	8,088
Depreciation and amortisation expenses	11,738	11,468	16,696	16,088
Mutually agreed write-downs	2,792	2,495	2,792	2,495
Other non-cash expenses	2,951	1,837	3,140	1,922
<b>Total expenses not requiring cash</b>	<b>22,522</b>	<b>24,213</b>	<b>28,166</b>	<b>28,593</b>
<i>plus</i> Cash provided by working capital items				
(Increase)/decrease in inventories	(2,305)	(1,198)	(2,353)	(1,211)
(Increase)/decrease in receivables	1,931	(24,198)	2,103	(23,337)
(Increase)/decrease in other financial assets	(2,067)	1,360	(2,895)	1,623
(Increase)/decrease in other non-financial assets	293	(1,051)	299	(939)
Increase/(decrease) in benefits, subsidies and grants liabilities	(16,805)	23,587	(17,119)	23,578
Increase/(decrease) in supplier payables	1,373	(796)	1,397	(875)
Increase/(decrease) in other provisions and payables	7,676	4,691	7,281	4,545
<b>Total cash provided/(used by) working capital items</b>	<b>(9,904)</b>	<b>2,395</b>	<b>(11,287)</b>	<b>3,384</b>
<b>equals Net cash from/(used by) operating activities</b>	<b>(117,704)</b>	<b>(66,854)</b>	<b>(115,528)</b>	<b>(68,536)</b>

In the cash flow statement, certain flows are reported on a net basis as this is considered to provide more reliable and comparable information to users. Cash flows reported on a net basis include taxation receipts (net of refunds) and cash flows undertaken for liquidity or financing purposes.

### Reconciliation of changes in liabilities arising from financing activities

The following table shows changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Australian Government	Opening balance at 1 July 2019	Cash flows	Non-cash movements		Closing balance at 30 June 2020
			Acquisition	Other movements	
Australian currency on issue	80,024	10,078	-	-	90,102
Government securities	619,219	96,280	-	10,369	725,868
Loans	4,943	2,928	-	(230)	7,641
Leases	10,164	(2,525)	-	24,837	32,476
Deposits held	34,056	45,973	-	(1,044)	78,985
Other	3	35	-	(38)	-
<b>Total</b>	<b>748,409</b>	<b>152,769</b>	<b>-</b>	<b>33,894</b>	<b>935,072</b>

Australian Government	Opening balance at 1 July 2020	Cash flows	Non-cash movements		Closing balance at 30 June 2021
			Acquisition	Other movements	
Australian currency on issue	90,102	5,383	-	-	95,485
Government securities	725,868	(13,479)	-	(28,474)	683,915
Loans	7,641	10,198	-	429	18,268
Leases	32,476	(3,036)	-	2,524	31,964
Deposits held	78,985	277,008	-	21	356,014
Other	-	(7)	-	7	-
<b>Total</b>	<b>935,072</b>	<b>276,067</b>	<b>-</b>	<b>(25,493)</b>	<b>1,185,646</b>



## Reconciliation of changes in liabilities arising from financing activities (continued)

General Government Sector	Opening balance at 1 July 2019	Cash flows	Non-cash movements		Closing balance at 30 June 2020
			Acquisition	Other movements	
Australian currency on issue	-	-	-	-	-
Government securities	626,368	148,235	-	10,370	784,973
Loans	379	508	-	(12)	875
Leases	1,532	(2,360)	-	20,707	19,879
Deposits held	388	97	-	(1)	484
Other	3	2	-	(5)	-
<b>Total</b>	<b>628,670</b>	<b>146,482</b>	<b>-</b>	<b>31,059</b>	<b>806,211</b>

General Government Sector	Opening balance at 1 July 2020	Cash flows	Non-cash movements		Closing balance at 30 June 2021
			Acquisition	Other movements	
Australian currency on issue	-	-	-	-	-
Government securities	784,973	131,919	-	(28,473)	888,419
Loans	875	(385)	-	(61)	429
Leases	19,879	(2,526)	-	2,087	19,440
Deposits held	484	114	-	-	598
Other	-	(7)	-	7	-
<b>Total</b>	<b>806,211</b>	<b>129,115</b>	<b>-</b>	<b>(26,440)</b>	<b>908,886</b>

## **Note 9: Risks**

The assets and liabilities in the CFS incorporate assumptions and judgements based on the best information available at the date of signing. The judgements and estimates made by Australian Government entities that have the most significant impact on the amounts recorded in the financial statements are disclosed in Note 1.9. In addition to these, there are a range of factors that may influence the amounts ultimately realised or settled in future years that relate to past events. The disclosure of these factors increases the transparency of the risks to the Government's financial position. These risks have been grouped into the following disclosures:

- **Contingencies** (refer Note 9A) comprise possible obligations or assets arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events.
- **Financial instrument market risk** disclosures (refer Note 9B) concern the contractual arrangements that the Australian Government has entered into for policy, liquidity or financing purposes.
- **Defined benefit superannuation plans** disclosures (refer Note 9C) explain the characteristics of the major defined benefit plans and the associated risks and describe how the plans may affect the amount, timing and uncertainty of the Australian Government's future cash flows. The Future Fund is a long-term investment fund that is designed to enhance the ability of the Australian Government to discharge unfunded superannuation liabilities.

Consistent with the amounts recognised in the financial statements, the disclosures are based on the policies, events and arrangements up to the reporting date and do not include policy decisions announced in the 2020-21 Budget which have not yet been enacted or implemented.

### **Note 9A: Contingencies**

Contingencies are possible obligations or assets arising from past events whose existence will be confirmed by future events. Material Australian Government contingencies include the following:

#### **Indemnities, guarantees and warranties**

An indemnity is a legally binding promise whereby the Australian Government undertakes to accept the risk of loss or damage another party may suffer. A guarantee is a promise whereby the Australian Government assumes responsibility for the debt, or performance obligations, of another party on default of its obligation. A guarantee may also involve a promise to provide a loan if certain future conditions are met. A warranty is a promise whereby the Australian Government provides certain assurances to the other party to an arrangement.

Non-corporate Australian Government entities are bound by section 60 of the PGPA Act in relation to the provision of indemnities, guarantees or warranties on behalf of the Australian Government. Arrangements above \$30 million or considered more than remote must be approved by the Cabinet, the National Security Committee of the Cabinet, the Prime Minister, or by a written determination of the Minister for Finance. Corporate Australian Government entities are legally separate from the Commonwealth and may act in their own right subject to rules that may be prescribed under section 61 of the PGPA Act.

The following table reconciles the movement in quantifiable indemnities, guarantees and warranties.

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Opening balance as at 1 July	45,075	42,162	45,791	43,061
Increases	2,753	2,777	2,843	3,043
Remeasurement	(1,543)	167	(1,557)	198
Liabilities crystallised	-	(18)	-	(18)
Expired	(36)	(13)	(203)	(493)
<b>As at 30 June</b>	<b>46,249</b>	<b>45,075</b>	<b>46,874</b>	<b>45,791</b>

In addition to the above, the Commonwealth has entered into a number of indemnities, guarantees and warranties, for which the exposure cannot be reliably quantified, including some that are unlimited. The following table lists the major unquantifiable indemnities, guarantees and warranties and the administering portfolio. Greater detail on each contingency can be found in the annual report for the respective portfolio departments and entities.

Unquantifiable indemnities, guarantees and warranties	Administering portfolio
<b><i>Terrorism related.</i></b> Under the <i>Terrorism Insurance Act 2003</i> the Australian Reinsurance Pool Corporation administers a terrorism reinsurance scheme for commercial property and associated business interruption losses arising from a Declared Terrorism Incident. The Australian Government guarantees payment above the private sector retrocession balance up to a maximum of \$10 billion. The Australian Government also operates the Australian Victims of Terrorism Overseas Payment Scheme to provide financial assistance to Australians who are victims of a declared overseas terrorist act.	Treasury / Home Affairs
<b><i>Medical indemnities.</i></b> The Australian Government indemnifies potential liabilities under the <i>Medical Indemnity Act 2002</i> and the <i>Midwife Professional Indemnity (Commonwealth Contribution) Scheme Act 2010</i> . The Australian Government also indemnifies certain health-care organisations for adverse events arising from the provision of agreed services or health-care products (including blood products and vaccines).	Health

Unquantifiable indemnities, guarantees and warranties	Administering portfolio
<b>Garrison and welfare services and immigration detention services.</b> The Australian Government has negotiated limited liability contracts with providers of garrison and welfare services at regional processing centres; and immigration detention and related services in Australia.	Home Affairs
<b>Small and Medium Enterprise Guarantee Scheme.</b> The Australian Government provides guarantees to eligible lenders to enhance lenders' willingness and ability to provide credit, to support small and medium enterprises (SMEs) to access additional funding to continue operating through the COVID-19 outbreak. Eligible lenders are offering SMEs, guaranteed loans up to \$250,000. The SME Guarantee Scheme is capped at \$20 billion.	Treasury
<b>Officers and directors assisting the Commonwealth in relation to asset sales, reviews and other arrangements.</b> From time to time, the Australian Government has provided warranties, undertakings and indemnities to directors, committee members, advisers, officers and/or staff of organisations for activities undertaken in good faith in assisting the Commonwealth in relation to asset sales, reviews and other arrangements.	Various

In addition to the above, the following contingencies are considered remote but are significant to the Australian Government financial position.

Significant but remote indemnities, guarantees and warranties	Administering portfolio
<b>Financial Claims Scheme – Deposits.</b> The scheme is authorised under the <i>Banking Act 1959</i> and guarantees deposits up to \$250,000 at eligible authorised deposit-taking institutions. When last estimated as at 31 December 2020, deposits eligible for coverage under the Financial Claims Scheme were approximately \$1.1 trillion (31 December 2019: \$950 billion).	Treasury
<b>Financial Claims Scheme – Insurance.</b> The Policyholder Compensation Facility established under the <i>Insurance Act 1973</i> provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed general insurer.	Treasury

The Australian Government has also entered into significant but remote guarantees in respect of NBN Co's financial obligations to Telstra and Optus. Further details are contained in the 2020-21 annual report for the Department of Infrastructure, Transport, Regional Development and Communications. Other guarantees and indemnities considered remote are excluded from this disclosure.

### Uncalled shares and capital subscriptions

The Australian Government holds uncalled capital subscriptions to the European Bank for Reconstruction and Development, the International Bank for Reconstruction and Development, the Multilateral Investment Guarantee Agency and the Asian Development Bank. The following table reconciles the movement in uncalled shares and capital subscriptions.

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Opening balance as at 1 July	20,200	19,772	20,273	19,844
Increases	95	-	95	-
Remeasurement	(1,318)	428	(1,323)	429
<b>As at 30 June</b>	<b>18,977</b>	<b>20,200</b>	<b>19,045</b>	<b>20,273</b>

### Claims and proceedings

At any time various Australian Government entities are subject to claims and legal actions that are pending court or other processes. The majority of Australian Government entities are insured through the Australian Government general insurance fund, Comcover. The following table reconciles the movement in quantifiable contingencies for claims and damages.

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Opening balance as at 1 July	206	133	211	136
Increases	45	150	45	152
Remeasurement	(66)	146	(70)	146
Liabilities crystallised	(9)	(216)	(9)	(216)
Expired	(34)	(7)	(34)	(7)
<b>As at 30 June</b>	<b>142</b>	<b>206</b>	<b>143</b>	<b>211</b>

In addition to the above, the Commonwealth is subject to claims for which the exposure cannot be reliably quantified as the claim is either not sufficiently progressed and/or the costs are not reliable.

Greater detail on each contingency can be found in the annual report for the respective portfolio departments and entities.

## Remediation and decontamination

From time to time, the Australian Government may have ownership of properties that have a potential or possible environmental and associated concern. Where this is the case, further reviews may be undertaken to determine the extent, nature and estimated costs of remediation, if required. Financial provision has been made for the estimated costs in restoring, decontaminating and decommissioning property. Sites where the potential costs cannot be quantified include contingencies for Defence properties, the Googong Dam lease agreement with the Australian Capital Territory Government and the clean-up of the former British atomic test site at Maralinga.

The Australian Government has also provided a number of indemnities or other guarantees in relation to the costs associated with the management and clean-up of sites following incidents or other events. These include potential incidents arising from liquid fuel emergencies, ship sourced marine pollution and carbon dioxide leakage from the Gorgon liquefied natural gas and carbon dioxide storage project.

## Other contingencies

The RBA provides a Committed Liquidity Facility (CLF) to eligible authorised deposit-taking institutions (ADIs) as part of Australia's implementation of the Basel III liquidity standards. The CLF provides ADIs with a contractual commitment to funding under repurchase agreements with the RBA, subject to certain conditions. It was established to ensure that ADIs are able to meet their liquidity requirements under Basel III and was made available because the supply of high quality liquid assets is lower in Australia than is typical in other major countries.

The following table reconciles the movement in the CLF and other quantifiable contingencies.

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Opening balance as at 1 July	6,260	6,550	207,446	224,538
Increases	1,813	1,291	1,888	1,295
Remeasurement	(298)	41	(86,478)	(16,765)
Expired	(765)	(1,622)	(769)	(1,622)
<b>As at 30 June</b>	<b>7,010</b>	<b>6,260</b>	<b>122,087</b>	<b>207,446</b>

In addition to the above, a select number of entities have identified unquantifiable contingencies in relation to potential underpayments of employee on-costs.

## Contingent assets

The following table reconciles the movement in quantifiable contingent assets.

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Opening balance as at 1 July	401	172	427	219
Increases	27	201	60	211
Remeasurement	(66)	166	(66)	168
Assets crystallised	(98)	(131)	(100)	(131)
Expired	(6)	(7)	(20)	(40)
<b>As at 30 June</b>	<b>258</b>	<b>401</b>	<b>301</b>	<b>427</b>

Additionally, at any time various Australian Government entities are pursuing other claims and legal actions that are pending court or other processes.

**Note 9B: Financial instruments**

The Notes to the balance sheet include information on the classification of financial assets and liabilities under AASB 7 *Financial Instruments - Disclosures*.

AASB 7 also requires disclosure of items of income, expenses, gains and losses by financial instrument category. This disclosure is to assist users to understand the financial performance results, given the different measurement basis applied to each category.

	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>FINANCIAL ASSETS</b>				
<b>Amortised cost</b>				
Interest income	1,491	1,544	749	791
Net foreign exchange gain/(loss)	(25)	7	(27)	2
Write-down and impairment	(880)	(514)	(932)	(585)
<b>Net gain/(loss)</b>	<b>586</b>	<b>1,037</b>	<b>(210)</b>	<b>208</b>
<b>Fair value through other comprehensive income</b>				
Interest income	2	10	2	10
Dividend income	2,947	3,366	2	493
Net gain/(loss) on disposal	3	2	3	2
Net foreign exchange gain/(loss)	(946)	175	(946)	175
Other gains/(losses)	(15)	17	(15)	17
Fair value movements in equity	(3,483)	4,815	(260)	1,520
<b>Net gain/(loss)</b>	<b>(1,492)</b>	<b>8,385</b>	<b>(1,214)</b>	<b>2,217</b>
<b>Fair value through profit and loss</b>				
Interest income	6,745	6,370	11,241	8,436
Net gain/(loss) on disposal	8,309	1,931	3,056	1,711
Dividend income	7,513	5,000	7,618	5,065
Net foreign exchange gain/(loss)	(1,006)	(352)	(4,234)	960
Write-down and impairment	(1,098)	(1,069)	(1,098)	(1,069)
Interest expenses	-	(83)	-	(85)
Other gains/(losses)	24,540	(10,512)	24,924	(10,714)
<b>Net gain/(loss)</b>	<b>45,003</b>	<b>1,285</b>	<b>41,507</b>	<b>4,304</b>



	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
<b>FINANCIAL LIABILITIES</b>				
<b>Fair value through profit and loss</b>				
Interest expense	(21,146)	(22,287)	(21,033)	(22,162)
Net foreign exchange gain/(loss)	-	-	-	-
Other gains/(losses)	28,867	(9,197)	28,868	(9,198)
<b>Net gain/(loss)</b>	<b>7,721</b>	<b>(31,484)</b>	<b>7,835</b>	<b>(31,360)</b>
<b>Other financial liabilities</b>				
Interest expense	(1,868)	(719)	(3,278)	(2,289)
Net foreign exchange gain/(loss)	1,598	(779)	1,598	(779)
<b>Net gain/(loss)</b>	<b>(270)</b>	<b>(1,498)</b>	<b>(1,680)</b>	<b>(3,068)</b>

For assets and liabilities held at fair value through profit or loss, interest and dividends are reported separately from gains and losses.

The Australian Government is exposed to the following financial risks:

Interest rate risk	Foreign exchange risk	Other price risk	Credit risk	Liquidity risk
The risk to fair value or future cash flows from changes in market interest rates	The risk to fair value or future cash flows from changes in foreign exchange rates	The risk to fair value or future cash flows from other market changes	The risk of financial loss to the Australian Government if a customer or counterparty fails to meet its contractual obligations	The risk that the Australian Government will encounter difficulty in meeting its financial obligations

Credit risk and liquidity risk are specific to the Australian Government's dealing with its counter-parties and are disclosed in the respective Notes to the balance sheet. This Note focuses on the market risks to which the Australian Government has material exposures, being interest rate risk, foreign exchange risk and equity price risk.

#### (a) Overview of market risk management in the Australian Government

The management of market risk by Australian Government entities is governed by the PGPA Act and, for some entities such as the RBA, specific legislation. The three sectors of government (GGS, PNFC and PFC) hold financial instruments for different purposes and with different financial risk exposures:

## General Government Sector

The GGS holds financial instruments for:

- financing and liquidity management;
- strengthening the Australian Government's long-term financial position through the establishment of investment funds;
- policy purposes through the provision of concessional loans and other instruments; and
- to meet the Australian Government's international commitments to the IMF and other multilateral organisations.

### Financing and liquidity management

Australian Government entities subject to the PGPA Act are required to draw down monies on an 'as-needed' basis. As a general principle, Commonwealth GGS entities cannot invest public monies except as delegated under section 58 of the PGPA Act or authorised by legislation. Corporate Commonwealth entities subject to the PGPA Act are also restricted in how they can invest monies that are surplus to operational requirements. As a general principle, surplus money may only be placed on deposit with a bank or invested directly in securities issued or guaranteed by the Australian Government, a state or a territory, unless an exemption is approved by the Minister for Finance. Financial assets held by the majority of GGS entities are non-interest bearing, including trade receivables, or have fixed interest and do not fluctuate due to changes in the market interest rate.

The majority of GGS entities are also prohibited from borrowing. The Australian Office of Financial Management (AOFM) is responsible for debt management and for ensuring that the Australian Government has sufficient cash to meet its needs. To do this, the AOFM manages the issuance of government securities, including medium to long-term Treasury Bonds and Treasury Indexed Bonds and short-term Treasury Notes.

### Investment Funds

The Australian Government has also established a number of investment funds to meet future liabilities or provide financing resources for critical areas of infrastructure and research. The investment funds currently comprise of the:

- ***Future Fund*** — a long-term investment fund that is designed to enhance the ability of the Australian Government to discharge unfunded superannuation liabilities;

- ***DisabilityCare Australia Fund (DCAF)*** — an investment fund to enhance the Commonwealth’s ability to reimburse the Commonwealth, states and territories for expenditure incurred in relation to the *National Disability Insurance Scheme Act 2013*;
- ***Medical Research Future Fund (MRFF)*** — a financial asset fund established to provide an endowment that will support medical research and innovation into the future;
- ***Aboriginal and Torres Strait Islander Land and Sea Future Fund (ATSILSFF)*** — to support the Government making annual and discretionary payments to the Indigenous Land and Sea Corporation;
- ***Future Drought Fund (FDF)*** — established on 1 September 2019 by the *Future Drought Fund Act 2019*. The FDF enhances the Commonwealth’s ability to make arrangements with, and grants to, persons and bodies in relation to drought resilience, preparedness and response. On establishment, the FDF was credited with the balance of the previous Building Australia Fund, which ceased operation on 1 September 2019; and
- ***Emergency Response Fund (ERF)*** — established on the commencement of the *Emergency Response Fund Act 2019* on 12 December 2019. On establishment, the ERF was credited with the uncommitted balance of the Education Investment Fund, which has now been closed. The ERF allows the Government to draw up to \$200 million in any given year, beyond what is already available to fund emergency response and natural disaster recovery and preparedness, where it determines the existing recovery and resilience-building programs are insufficient to provide an appropriate response to natural disasters.

All the Funds operate under the same governance arrangements with the Future Fund Board of Guardians (the Board) having responsibility for investing decisions and managing the Funds’ assets. The Board is administratively supported by the Future Fund Management Agency. The Department of Finance advises the Minister for Finance on various aspects of the Funds, including policy, legislative and governance matters. Each Fund has an investment mandate that is determined by the Australian Government under legislation.

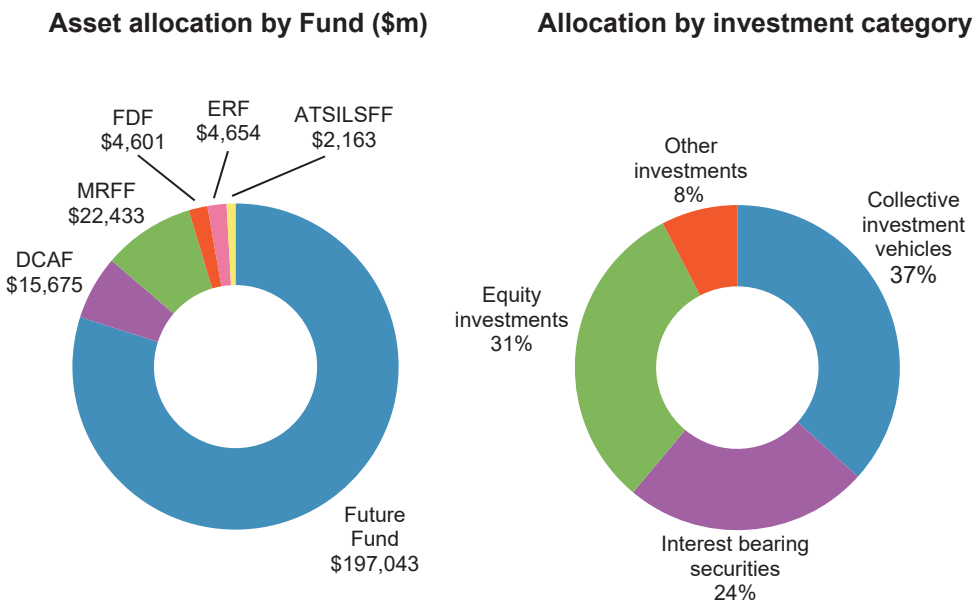
The Government specifies a benchmark return for each Fund and requires the Board to take an acceptable but not excessive level of risk. The Board sets and reviews asset allocations designed to achieve this outcome. It encapsulates a level of risk that is expected to deliver the key return objectives while limiting the downside risk.

A range of factors are considered in constructing the investment portfolios to ensure that there is adequate diversity so that a negative outcome in any one area does not unduly impact the overall return. The factors considered include the outlook for: global economic growth; inflation; global real interest rates; changes in risk premia attached to various asset classes; movements in the value of currencies held; and changes in liquidity and credit conditions.

The Board has overall responsibility for risk management, including that related to environmental, social and governance (ESG) factors. The Board considers these risks from a risk-adjusted returns perspective. As with social and governance factors, the Board integrates material transition and physical climate-related risks and opportunities into Fund investment processes. This includes understanding the potential risks to company earnings due to climate risk and to what extent markets are pricing-in carbon risk.

The Board's ESG Policy provides a framework which helps to determine what entities and sectors are excluded from the investment fund portfolio for non-financial reasons.

As at 30 June 2021, the Investment Funds held \$246,569 million in investment assets (2020: \$205,504 million). The allocation of assets by Investment Fund and percentage share by investment category is shown below as at 30 June 2021.



The Future Fund and the MRFF have long-term investment mandates for which the Future Fund Board constructs a highly diversified portfolio. The remaining funds have shorter-term investment horizons.

The different investment categories provide diversification and exposure to various market risks, consistent with the Future Fund Board's mandate to target appropriate levels of risk to achieve the benchmark returns for each Fund.

The assets of the Investment Funds encompass the following broad investment categories and exposures:

- Equity investments in private funds and corporations (refer Note 5C), which include both domestic and international listed equities and listed managed investment schemes. Equity investments are held both long-term and short-term and provide exposure to price and foreign exchange risk (for international equities).
- Collective Investment Vehicles (CIVs) (refer Note 5B) enable the Future Fund and MRFF to pool funds with multiple investors in investment holding entities in order to manage investment risks through portfolio diversification and provide investment exposure to larger assets. CIVs comprise 37 per cent (2020: 37 per cent) of assets held by the Investment Funds at 30 June 2021 and include a range of underlying strategies including debt, private equity, hedge funds, property, infrastructure and timberland assets, both in Australia and overseas. The diversity of underlying investment strategies in CIVs give rise to credit risk, interest rate risk, price risk and foreign exchange risk, which are summarised in the CFS with further detail provided in the Future Fund's Annual Report.
- Interest bearing securities (refer Note 5B) include international government securities, corporate securities, mortgage and asset-backed securities and interest bearing securities issued by domestic banks. Interest bearing securities are utilised by all of the Investment Funds for return generation and to manage risk, including in the short-term. The portfolio of interest bearing securities provide exposure to credit risk, interest rate risk and foreign exchange risk.
- Other investments (refer Note 5B) include derivatives and cash deposits held for investment purposes, which are not available for Australian Government operating activities.

This Note provides an overview of the interest rate, foreign exchange and equity risks associated with these investments, with credit risk discussed in Note 5B.

The 2020-21 Annual Report for the Board provides a detailed discussion of the underlying investment strategies, exposures as at the reporting date and the 2020-21 investment performance for each of the Investment Funds.

The investment portfolio includes debt, equity and certain transactions denominated in foreign currencies. These give rise to interest rate risk, price risk and foreign exchange risk.

### **Advances and investments for policy purposes**

The GGS also holds certain financial assets and liabilities for public policy purposes, rather than liquidity management. These include:

- loans and investments to facilitate increased flows of finance into certain industries or sectors and loans provided on concessional terms in pursuit of policy objectives. For example, income contingent student and other loans and loans to fund critical infrastructure;
- loans to state and territory governments under previous Commonwealth-State financing arrangements; and
- equity contributions to public corporations for infrastructure development.

### **International commitments**

Australia has shareholdings in international financial institutions (IFIs) and multilateral development banks, including the IMF and the World Bank Group's International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation and the Multilateral Investment Guarantee Agency. Australia also has shareholdings in the Asian Development Bank, the Asian Infrastructure Investment Bank and the European Bank for Reconstruction and Development. In addition to the shareholdings recognised as financial assets, Australia conducts financial transactions with these institutions to manage existing obligations.

### **Public Financial Corporations**

The PFC sector comprises the RBA and similar entities. The RBA is Australia's central bank with responsibility for monetary policy. Its role is set out in the *Reserve Bank Act 1959*. The RBA also holds Australia's foreign currency reserves, operates Australia's main high value payments system, provides banking services to the Australian Government and designs, produces and issues Australia's banknotes. In undertaking these functions, the RBA has significant exposures to interest rate and currency risk. Export Finance and Insurance Corporation (EFIC) is also involved in lending and borrowing activities with exposures to interest rate and currency risk.

In the PFC sector the market operations of the RBA and the EFIC make up the majority of the sector's exposure to market risk.

### **Public Non-Financial Corporations**

PNFC entities primarily hold financial instruments as a direct result of operations, including trade receivables and payables, or to finance operations. Certain entities in the PNFC sector also enter into derivative transactions, including interest rate swaps, forward currency contracts and commodity swap contracts. The purpose is to manage the interest rate, currency and commodity risks arising from the entity's operations and sources of finance.

**(b) Interest rate risk**

**Exposure**

The Australian Government's main exposures to interest rate risk are reflected in the fair value of Australian Government securities on issue and in the fair value and future cash flows associated with debt securities held by the Investment Funds and the RBA. The Australian Government's exposure to interest rate risk on relevant asset and liability classes is set out below.

	2021			Total \$m
	Fixed interest rate \$m	Floating interest rate \$m	Non- interest bearing \$m	
<b>Financial assets</b>				
Advances paid and receivables (non-statutory)	11,768	59,643	8,456	79,867
<i>Investments, loans and placements:</i>				
Deposits	23,721	764	-	24,485
Government securities	305,178	-	-	305,178
Residential mortgage-backed securities	1,850	-	-	1,850
Collective investment vehicles	-	-	90,379	90,379
Other interest bearing securities	52,625	8,794	-	61,419
<b>Total financial assets</b>	<b>395,142</b>	<b>69,201</b>	<b>98,835</b>	<b>563,178</b>
<b>Financial liabilities</b>				
Deposits held	355,962	34	18	356,014
Government securities	683,915	-	-	683,915
Loans	14,553	4,497	9,516	28,566
<b>Total financial liabilities</b>	<b>1,054,430</b>	<b>4,531</b>	<b>9,534</b>	<b>1,068,495</b>
<b>Net exposure to interest rate risk</b>	<b>(659,288)</b>	<b>64,670</b>	<b>89,301</b>	<b>(505,317)</b>

For the comparative period, the exposure to interest rate risk was as follows:

	2020			Total \$m
	Fixed interest rate \$m	Floating interest rate \$m	Non- interest bearing \$m	
<b>Financial assets</b>				
Advances paid and receivables (non-statutory)	8,361	56,189	12,857	77,407
<i>Investments, loans and placements:</i>				
Deposits	22,434	771	-	23,205
Government securities	187,944	-	-	187,944
Residential mortgage-backed securities	1,815	-	-	1,815
Collective investment vehicles	-	-	76,334	76,334
Other interest bearing securities	49,946	7,698	163	57,807
<b>Total financial assets</b>	<b>270,500</b>	<b>64,658</b>	<b>89,354</b>	<b>424,512</b>
<b>Financial liabilities</b>				
Deposits held	78,954	21	10	78,985
Government securities	725,868	-	-	725,868
Loans	4,566	4,366	10,028	18,960
<b>Total financial liabilities</b>	<b>809,388</b>	<b>4,387</b>	<b>10,038</b>	<b>823,813</b>
<b>Net exposure to interest rate risk</b>	<b>(538,888)</b>	<b>60,271</b>	<b>79,316</b>	<b>(399,301)</b>

### Sensitivity

The following table provides a sensitivity analysis for the individual interest rate exposures where the variability is material to the Australian Government. For fixed interest rate instruments that are carried at fair value, changes in fair value only are considered relevant while for fixed rate instruments that are carried at amortised cost, sensitivity to interest rate risk is not considered relevant.

Individually material exposures	Impact on operating result and net worth			
	2021		2020	
	+ 74 basis points	- 74 basis points	+ 9 basis points	- 9 basis points
	\$m	\$m	\$m	\$m
<b>Financial assets</b>				
Investment funds	(1,030)	1,206	(136)	138
RBA Government securities	(10,319)	10,319	(311)	311
<b>Financial liabilities</b>				
Government securities	42,116	(42,116)	4,465	(4,465)



In the above sensitivity analysis, there is an equivalent impact on operating result and net worth as the identified instruments are not classified as 'available for sale'.

The value of concessional loans held at fair value, such as HELP, are also impacted by changes in market interest rates, however, interest rate changes will have no impact on the future cash flows or principal amounts at maturity.

#### **Management of interest rate risk**

The *Loans Securities Act 1919* provides authority to enter into swaps in the management of the debt portfolio. However, the Australian Government does not currently use interest rate swaps in the management of the debt portfolio, with the cost of debt instead managed through debt issuance and investment activities.

The Future Fund's investment managers utilise interest rate derivative contracts to manage the exposure to interest rates and to ensure it remains within approved limits. At 30 June 2021, the notional value of open futures contracts and swaps totalled \$23,556 million (2020: \$16,907 million).

The other investment funds had open positions in exchange traded interest rate futures contracts and interest rate swap agreements at the reporting date. At 30 June 2021, the notional value of open futures contracts and swaps totalled negative \$282 million (2020: negative \$308 million).

The RBA faces interest rate risk because most of its assets are financial assets that have a fixed income stream, such as Australian dollar and foreign currency securities. The RBA uses interest rate futures contracts on overseas exchanges to manage interest rate risk on its portfolio of foreign government securities.

#### **(c) Foreign exchange risk**

##### **Exposure**

The Australian Government's main exposures to foreign exchange risk are reflected in the foreign currency investments of the RBA and the Investment Funds, foreign currency facilities provided by EFIC and in the value of financial assets and liabilities held with international financial institutions (IFIs) and development banks.

The Australian Government's material holdings of foreign exchange assets and liabilities are set out below by class at the reported amount.

	Foreign currency	
	2021 \$m	2020 \$m
<b>Financial assets</b>		
Advances paid and receivables	1,992	2,504
<i>Investments, loans and placements:</i>		
Deposits	15,332	16,414
Government securities	34,237	35,355
International Monetary Fund quota	19,565	19,565
Collective investment vehicles	56,525	50,799
Other interest bearing securities	31,008	26,058
Equity investments	64,738	47,006
<b>Total financial assets</b>	<b>223,397</b>	<b>197,701</b>
<b>Financial liabilities</b>		
Loans	10,891	11,374
Other interest bearing liabilities	6,925	6,564
<b>Total financial liabilities</b>	<b>17,816</b>	<b>17,938</b>
<b>Net foreign exchange holdings</b>	<b>205,581</b>	<b>179,763</b>

The foreign exchange holdings of the RBA, the Investment Funds and EFIC are in multiple currencies, but predominantly US dollars (USD), while the financial assets and liabilities held with IFIs and development banks are denominated in USD, Euros (EUR) and Special Drawing Rights (SDR).

In addition to the above, certain Commonwealth entities are also exposed to foreign exchange risks on sales and procurement contracts denominated in foreign currency. These are not considered material to the Australian Government balance sheet.

### Sensitivity

Given the Australian Government's net holdings of foreign currency assets, an appreciation in the Australian dollar exchange rate results in valuation losses, while a depreciation leads to valuation gains. The following table provides a sensitivity analysis for the individual foreign exchange rate exposures where the variability is material to the Australian Government. The analysis is based on the foreign exchange standardised rate of +/- 7.9 per cent (2020: 8.4 per cent) applied to the value of the Australian dollar exchange rate as at 30 June 2021.

Individually material exposures	Impact on operating result and net worth			
	2021		2020	
	+7.9	-7.9	+8.4	-8.4
	per cent	per cent	per cent	per cent
	\$m	\$m	\$m	\$m
<b>Foreign financial assets</b>				
Investment Funds	(10,171)	10,076	(8,284)	8,209
RBA Government securities	(3,703)	4,526	(4,261)	5,207
IMF and IFI Investments	(1,326)	1,553	(1,447)	1,712
<b>Foreign financial liabilities</b>				
IMF SDR and loans liabilities	432	(506)	486	(575)

### Management of foreign exchange risk

In the GGS, entities are responsible for the management of their foreign exchange risks. However, it is Australian Government policy that GGS entities do not act to reduce the foreign exchange risk that they would otherwise face in the course of their business arrangements. Unless exempted by the Minister for Finance, entities are not permitted to undertake any form of hedging.

Rather than allowing entities to enter into individual hedging arrangements, the Australian Government has taken a decision to self-insure foreign exchange exposures and not accept the additional costs associated with hedging. This is based on the view that, as a large organisation, the Australian Government has a broad spread of assets and liabilities and a range of revenues and expenses, both geographically and across classes, which assists in the management of movements in exchange rates.

Certain entities have been granted an exemption from the policy, including the Future Fund. The Future Fund Board sets a target exposure to foreign currency risk for the Future Fund and other investment funds with risk managed utilising forward foreign exchange contracts and other derivatives.

The Australian Government is exposed to foreign currency denominated in USD, EUR and SDR on financial assets and liabilities held with IFIs and development banks. These exposures are not hedged as these instruments are held for policy purposes.

In the PFC sector, the RBA's holdings of foreign currency-denominated assets expose the bank and the Australian Government balance sheet to fluctuations in exchange rates. As these assets serve a policy function, the RBA does not seek to eliminate this exchange rate exposure. Rather, the RBA mitigates it by diversifying foreign currency assets across several currencies. The RBA also undertakes foreign currency swaps with market counterparties both to assist daily domestic liquidity management and in managing foreign reserve assets.

EFIC eliminates foreign exchange risk on its foreign currency facilities by borrowing in the same currency as the assets or, typically, by borrowing in another currency and using cross-currency swaps and other foreign exchange instruments to remove the foreign exchange exposure.

The following table shows the net reduction in foreign exchange exposure through foreign exchange derivative contracts undertaken by the RBA, Future Fund and other investment funds and EFIC.

	2021 \$m	2020 \$m
<b>Forward exchange contracts and foreign currency swaps</b>		
Sell foreign currency	(136,702)	(103,791)
Purchase foreign currency	87,164	61,599
<b>Net forward exchange contracts and foreign currency swaps</b>	<b>(49,538)</b>	<b>(42,192)</b>

#### (d) Other price risk

##### Exposure

The Australian Government is exposed to equity price risk arising from equity investments, primarily through the investments of the Future Fund and other investment funds. The equity price risk is the risk that the value of the equity portfolio will decrease as a result of changes in the levels of equity indices and the price of individual stocks. The Investment Funds hold equities at fair value through profit or loss. The following table provides the Investment Funds' equity price risk exposure at the reporting date.

	2021 \$m	2020 \$m
<b>Equity price risk exposure</b>		
Domestic equities and managed investment schemes	18,493	12,121
International equities and managed investment schemes	57,908	40,673
<b>Total equity price risk exposure</b>	<b>76,401</b>	<b>52,794</b>

The Investment Funds are also exposed to other price risks arising from investments in Collective Investment Vehicles.

## Sensitivity

The following table demonstrates the impact on the net operating balance and net worth of a +/- 20 per cent change in domestic equities and a +/- 15 per cent change in international equities held by the Investment Funds.

Individually material exposures	Impact on operating result and net worth			
	2021		2020	
	+ 20 & 15 per cent	- 20 & 15 per cent	+ 20 & 15 per cent	- 20 & 15 per cent
	\$m	\$m	\$m	\$m
Domestic equities	5,410	(5,410)	4,071	(4,071)
International equities	21,733	(21,386)	16,302	(16,295)
<b>Total</b>	<b>27,143</b>	<b>(26,796)</b>	<b>20,373</b>	<b>(20,366)</b>

## Management of other price risk

The Future Fund and the other investment funds had open positions in exchange traded equity futures contracts and equity option contracts as at the reporting date. The exchange traded equity futures, swaps and options are used to manage market exposures to equity price risk to ensure that asset allocations remain within the Future Fund Board's approved limits. The notional value of the open contracts and their fair market value are set out below.

	2021		2020	
	Notional value	Fair value	Notional value	Fair value
	\$m	\$m	\$m	\$m
<b>Total</b>	<b>14,794</b>	<b>2,082</b>	<b>7,992</b>	<b>474</b>

## **Note 9C: Defined benefit superannuation plans**

### **Accounting policy**

The Australian Government recognises actuarial gains or losses in other comprehensive income in the year in which they occur. Interest on the net defined benefit liability is recognised as an expense. The return on plan assets excluding the amount included in interest income is recognised in other comprehensive income.

Superannuation liabilities are calculated annually as the present value of future benefit obligations less the fair value of scheme assets. The rate used to discount future benefits of material schemes is determined by reference to the long-term government bond rate. The long-term government bond rate increased from between 1.0 and 1.7 per cent at 30 June 2020 to between 2.0 and 2.3 per cent at 30 June 2021. This drove the decrease in the superannuation liability in comparison to the prior year.

### **Overview of schemes**

Civilian GGS employees will usually be members of the Commonwealth Superannuation Scheme (CSS), Public Sector Superannuation Scheme (PSS) or the Public Sector Superannuation Accumulation Plan (PSSap). The PSS and the CSS are closed to new members, with the PSSap available to most new employees who commenced employment on or after 1 July 2005. The CSS and PSS provide defined benefits. The PSSap provides fully funded accumulation benefits to members, with no ongoing liability to the Australian Government. In this disclosure, unless otherwise specified, reference to the CSS includes both the CSS 1976 scheme and the preceding CSS 1922 scheme.

Australian Government military personnel who entered service prior to 1 July 2016 are members of the Defence Force Retirement and Death Benefits Scheme (DFRDB) or the Military Superannuation Benefits Scheme (MSBS). Both schemes are defined benefit schemes. The DFRDB was closed to new members in 1991. The MSBS was closed to new members from 1 July 2016. Military personnel who entered on or after 1 July 2016 are part of ADF Super, an accumulation scheme. The DFRDB disclosures include the DFRDB and the preceding Defence Forces Retirement Benefits Scheme.

In addition to the above, several schemes have been established under legislation for specified personnel, including the Parliamentary Contributory Superannuation Scheme (PCSS) (closed to new members since 9 October 2004), Judges' Pension Scheme, Governor-General Pension Scheme, Federal Circuit Court Judges Death and Disability Scheme and the North American, London, Dublin and New Delhi pension schemes.

Several Public Corporations are responsible for defined benefit schemes for their employees, including:

Scheme title	Responsible entities
AvSuper(a)	Airservices Australia
Australia Post Superannuation Scheme (APSS)(a)	Australia Post Corporation
State Authorities Superannuation Scheme (SASS), State Superannuation Scheme (SSS), State Authorities Non-contributory Superannuation Scheme (SANCS)(a)	Australian Rail Track Corporation
Australian Submarine Corporation Superannuation Fund (ASCSF)	ASC Pty Ltd
Reserve Bank of Australia Officers' Superannuation Fund (OSF) and UK Pension Scheme (UKPS)(a)	RBA
Energy Industries Superannuation Scheme (EISS), State Superannuation Scheme (SSS) and State Authorities Non-contributory Superannuation Scheme (SANCS)(a)	Snowy Hydro Limited (SHL)

- (a) As required under AASB 119, the rate used to discount the superannuation liability is determined by reference to market yields on government bonds. Certain for-profit public corporations have applied the market yield on high quality corporate bonds in discounting their long-term employee benefits. On consolidation into these statements, the discount rate and associated disclosures have been adjusted back to apply government bond rates.

For the purposes of this whole of government disclosure, the smaller schemes have been grouped under 'other'.

### Composition

As at 30 June 2021, the composition of the Australian Government's net liability for the defined benefit schemes (as reported in Note 6F) was as follows:

Scheme	General Government		Australian Government	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Commonwealth Superannuation Scheme (CSS)	86,191	94,766	86,191	94,766
Public Sector Superannuation Scheme (PSS)	137,440	143,944	137,440	143,944
Defence Force Retirement and Death Benefits Scheme (DFRDB)	45,773	52,019	45,773	52,019
Military Superannuation Benefits Scheme (MSBS)	131,734	134,511	131,734	134,511
Other schemes	5,572	4,759	6,124	5,720
Other superannuation liabilities	230	106	244	117
<b>Total superannuation provision</b>	<b>406,940</b>	<b>430,105</b>	<b>407,506</b>	<b>431,077</b>

The defined benefit plan asset of \$739 million reported in Note 5B (2020: \$235 million) relates to certain schemes sponsored by public corporations (included in 'other').

## Regulatory framework

The following table details the enabling legislation for each of the individually disclosed defined benefits schemes and whether the scheme must comply with the requirements of the *Superannuation Industry (Supervision) Act 1993*.

Scheme	Enabling Act	Period open for new members	Requirement
CSS	<i>Superannuation Act 1976</i>	1 July 1976 to 30 June 1990	Compliance with the <i>Superannuation Industry (Supervision) Act 1993</i> .
PSS	<i>Superannuation Act 1990</i>	1 July 1990 to 30 June 2005	
MSBS	<i>Military Superannuation and Benefits Act 1991</i>	1 October 1991 to 30 June 2016	
DFRDB	<i>Defence Force Retirement and Death Benefits Act 1973</i>	1 October 1972 to 30 September 1991	Exempt from <i>Superannuation Industry (Supervision) Act 1993</i> .

## Funding arrangements

The funding arrangements for the individually disclosed schemes are as follows:

Scheme	Funding
CSS	Partially funded. Contributions generally comprise basic member contributions and employer productivity (up to three per cent) contributions. Benefits are funded on an emerging cost basis (as payments are made to retired employees).
PSS	
MSBS	
DFRDB	Unfunded. DFRDB's member's contribution rate is 5.5 per cent of the highest incremental salary for rank plus Service Allowance, which is paid into consolidated revenue. Benefits are funded on an emerging cost basis. Employer contributions also include the three per cent productivity contributions.

The remaining schemes are a combination of unfunded, partially funded and funded defined benefit schemes.

## Entitlements

The nature of the benefits provided under the schemes are as follows:

Scheme	Benefits paid
CSS	<p>Employer financed indexed pension defined by a set formula based on the member's age at retirement, years of contributory service and final superannuation salary. Indexation occurs twice yearly (January and July) in line with changes in the CPI.</p> <p>Member's basic contributions, employer productivity contributions and interest can be taken as a lump sum or an additional non-indexed lifetime pension. This benefit is determined by the value of contributions and investment returns, and in the case of the non-indexed pension, by applying age-based factors.</p> <p>Where a member has preserved their benefit in the scheme, when the benefit becomes payable, the employer financed indexed pension is calculated by applying age-based factors to the amount of two and a half times the member's accumulated basic member contributions and interest.</p>



Scheme	Benefits paid
PSS	<p>The types of benefits payable are a lifetime indexed pension (indexed in January and July) in line with changes in the CPI and a lump sum payment. On retirement a lump sum benefit is payable which is calculated based on the member's length of contributory membership, their rate of member contributions and final average salary (average of a member's superannuation salary on their last three birthdays).</p> <p>Where a member preserves their benefit in the scheme, generally the member's lump sum benefit at that time is crystallised with the funded component of the benefit accumulating with interest and the unfunded component accumulating with changes in the CPI, until the benefit becomes payable.</p> <p>Generally members can convert 50% or more of their lump sum to a lifetime indexed pension. The indexed pension is calculated by applying age-based factors to the amount of the lump sum to be converted to a pension.</p>
MSBS	<p>Benefits payable comprise a lump sum of accumulated member contributions and an employer financed defined benefit. The defined benefit is calculated on the basis of the member's final average salary and length of contributory service.</p> <p>Benefits arising from member's contributions, the employer three per cent productivity contribution and amounts notionally carried over from the DFRDB are determined by the value of contributions and investment returns.</p> <p>May be taken as a lump sum or as a pension or as a combination of lump sum and pension.</p>
DFRDB	<p>Length of service is the primary factor that determines benefit entitlement.</p> <p>Members who retire from the Australian Defence Force (Defence) after 20 years of effective service (or after 15 years of service at retirement age for rank) are entitled to a pension based on a percentage of their annual pay on retirement, some of which can be commuted to a lump sum. Members are entitled to a productivity benefit based on three per cent of pay increased with interest, which is paid as a lump sum in addition to the defined benefits.</p>

Generally, benefits may also be payable to any surviving eligible spouse and children on the death of a member or pensioner.

## Governance

Commonwealth Superannuation Corporation (CSC), was established under the *Governance of Australian Government Superannuation Schemes Act 2011* and is the trustee for eleven schemes, including the CSS, PSS, DFRDB and MSBS. CSC is responsible for:

- administration of each Scheme;
- management and investment of Scheme assets;
- compliance with superannuation and taxation laws and other applicable laws; and
- compliance with relevant legislation including the *Governance of Australian Government Superannuation Schemes Act 2011*.

CSC is supported by an administrator, a custodian and other specialist providers. The governance arrangements for the 'other' defined benefit superannuation schemes are detailed in the annual reports of the respective employing entities.

## **Risks**

The Australian Government is exposed to risks such as interest rate risk, investment risk, longevity risk and salary risk. The following pages identify and explain the amounts reported in these financial statements and detail the principal actuarial assumptions underpinning each of the major schemes, including an analysis of the sensitivity of changes in these assumptions to the amounts reported in the financial statements.

## **Assumptions**

For the defined benefit obligation, assumptions have been made regarding rates of retirement, death (for active, preserved and pension members), mortality improvements, invalidity, resignation, retrenchment, retention and take up rates of pensions in the schemes. Assumptions have also been made for the ages of spouses and rates of member contributions. These assumptions are consistent to those used within the 2020 Long Term Cost Reports (LTCRs).

Membership data for the CSS, PSS, DFRDB and MSBS as at 30 June 2020 was projected forward to 30 June 2021 applying assumptions in accordance with the LTCRs and adjusted to recognise the difference between actual benefit payments and assumed decrements. Members' account balances were increased to be consistent with the estimated level of earning rates prevailing at 30 June 2021.

For the fair value of plan assets, assumptions have been made as to the expected rate of return. For certain schemes, the fair value of scheme assets as at 30 June 2021 was estimated using the pre-30 June 2021 fair value of scheme assets and adjusted for subsequent cash flows. The following tables explain the amounts reported in the financial statements.

Reconciliation of the present value of the defined benefit obligation for 2020-21

Scheme	2021				
	CSS \$m	PSS \$m	DFRDB \$m	MSBS \$m	Other \$m
<b>Reconciliation of the present value of the defined benefit obligation</b>					
Opening present value	(96,646)	(162,850)	(52,019)	(144,784)	(15,411)
Current service cost	(87)	(3,751)	(102)	(5,258)	(1,347)
Productivity contributions	(7)	(160)	-	-	-
Interest cost	(1,322)	(2,746)	(867)	(2,495)	(252)
Contributions by scheme participants	(25)	(521)	-	(254)	(347)
Actuarial gains/(losses) arising from:					
Changes in demographic assumptions	1,034	(8,185)	2,575	(12,193)	(372)
Changes in financial assumptions	6,139	20,493	2,844	24,095	1,192
Liability experience	(1,194)	(3,571)	57	(4,565)	(302)
Other assumptions	-	-	-	-	38
Benefits paid	4,139	2,618	1,678	1,501	504
Taxes, premiums and expenses paid	1	24	-	-	-
Other	(3)	1	-	-	84
Exchange rate gains/(losses)	-	-	-	-	3
<b>Present value at 30 June</b>	<b>(87,971)</b>	<b>(158,648)</b>	<b>(45,834)</b>	<b>(143,953)</b>	<b>(16,210)</b>
<b>Reconciliation of the fair value of scheme assets</b>					
Opening fair value	1,881	18,908	-	10,273	9,901
Changes in fair value of scheme assets:					
Plan asset acquired					
Interest income	24	317	-	175	171
Adjust for actual return on scheme assets	208	2,680	-	1,725	759
Actuarial gains/(losses)	-	-	-	-	3
Net appropriation from CRF	3,773	1,267	1,739	1,293	128
Employer contributions	7	160	-	-	112
Participant contributions	25	521	-	254	347
Net changes in fair value of scheme assets	-	-	-	-	-
Foreign currency exchange rate changes	-	-	-	-	1
Benefits paid	(4,139)	(2,618)	(1,678)	(1,501)	(513)
Taxes, premiums and expenses paid	(1)	(24)	-	-	(12)
Other	2	(3)	-	-	(49)
<b>Fair value at 30 June</b>	<b>1,780</b>	<b>21,208</b>	<b>61</b>	<b>12,219</b>	<b>10,848</b>
<b>Composition of scheme assets</b>					
Australian equity	26.0%	26.0%	-	26.0%	7.7%
International equity	25.0%	25.0%	-	25.0%	16.5%
Fixed income	-	-	-	-	1.3%
Property and infrastructure	11.0%	11.0%	-	11.0%	14.7%
Private equity	9.0%	9.0%	-	10.0%	6.0%
Hedge funds	-	-	-	-	0.7%
Credit	-	-	-	-	5.7%
Debt instruments	7.0%	7.0%	-	-	30.4%
Diversified growth funds	-	-	-	-	0.3%
Other	11.0%	11.0%	-	11.0%	11.1%
Cash	11.0%	11.0%	-	17.0%	5.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>-</b>	<b>100%</b>	<b>100%</b>
<b>Principal actuarial assumptions at the reporting date</b>					
Discount rate (active members)	2.0%	2.3%	2.1%	2.3%	1.7-3.6%
Discount rate (pensioners)	2.0%	2.3%	2.1%	2.3%	2.3%
Expected rate of return on plan assets	-	-	-	2.3%	-
Expected salary increase rate(a)	1.8-3.5%	1.8-3.5%	4.0%	4.0%	1.8-4.0%
Expected pension increase rate	2.0-2.5%	2.0-2.5%	2.5-4.0%	2.5%	1.8-4.0%

(a) CSS and PSS general salary increases of 1.8% to June 2023, 2.0% to June 2024, 2.5% to June 2025 and 3.5% thereafter. DFRDB and MSBS assume general salary increases of 2.0% to June 2024, 3% for 2025 and 4.0% from 2026.

## Reconciliation of the present value of the defined benefit obligation for 2019-20

Scheme	2020				
	CSS \$m	PSS \$m	DFRDB \$m	MSBS \$m	Other \$m
<b>Reconciliation of the present value of the defined benefit obligation</b>					
Opening present value	(97,771)	(153,838)	(55,537)	(136,008)	(14,603)
Addition of acquired schemes	-	-	-	-	(22)
Adjusted opening present value	(97,771)	(153,838)	(55,537)	(136,008)	(14,625)
Current service cost	(114)	(3,892)	(124)	(5,444)	(1,064)
Productivity contributions	(9)	(157)	-	-	-
Interest cost	(1,625)	(2,900)	(1,038)	(2,626)	(255)
Contributions by scheme participants	(30)	(537)	-	(280)	110
<i>Actuarial gains/(losses) arising from:</i>					
Changes in demographic assumptions	-	-	-	-	1
Changes in financial assumptions	(1,585)	(3,333)	2,135	(1,948)	-
Liability experience	352	(604)	881	239	(19)
Other assumptions	-	-	-	-	(33)
Benefits paid	4,135	2,388	1,664	1,283	474
Taxes, premiums and expenses paid	1	23	-	-	-
<b>Present value at 30 June</b>	<b>(96,646)</b>	<b>(162,850)</b>	<b>(52,019)</b>	<b>(144,784)</b>	<b>(15,411)</b>
<b>Reconciliation of the fair value of scheme assets</b>					
Opening fair value	2,268	19,550	-	10,263	10,328
Addition of acquired schemes	-	-	-	-	15
Adjusted opening fair value	2,268	19,550	-	10,263	10,343
Changes in fair value of scheme assets:					
Plan asset acquired					
Interest income	35	366	-	196	199
Adjust for actual return on scheme assets	(41)	(461)	-	(289)	(269)
Net appropriation from CRF	3,716	1,170	1,664	1,106	114
Employer contributions	9	157	-	-	118
Participant contributions	30	537	-	280	(111)
Foreign currency exchange rate changes	-	-	-	-	(1)
Benefits paid	(4,135)	(2,388)	(1,664)	(1,283)	(482)
Taxes, premiums and expenses paid	(1)	(23)	-	-	(10)
<b>Fair value at 30 June</b>	<b>1,881</b>	<b>18,908</b>	<b>-</b>	<b>10,273</b>	<b>9,901</b>
<b>Composition of scheme assets</b>					
Australian equity	22.0%	23.0%	-	23.0%	8.3%
International equity	25.0%	26.0%	-	23.0%	18.7%
Fixed income	-	-	-	-	1.1%
Property	11.0%	12.0%	-	12.0%	11.4%
Private equity	6.0%	7.0%	-	7.0%	6.4%
Hedge funds	-	-	-	-	0.7%
Credit	-	-	-	-	6.0%
Debt instruments	7.0%	7.0%	-	-	28.5%
Diversified growth funds	-	-	-	-	0.3%
Other	10.0%	10.0%	-	14.0%	13.0%
Cash	19.0%	15.0%	-	21.0%	5.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>-</b>	<b>100%</b>	<b>100%</b>
<b>Principal actuarial assumptions at the reporting date</b>					
Discount rate (active members)	1.4%	1.7%	1.7%	1.7%	1.7-3.5%
Discount rate (pensioners)	1.4%	1.7%	1.7%	1.7%	1.7%
Expected rate of return on plan assets	-	-	-	1.7%	-
Expected salary increase rate (a)	2.0-3.5%	2.0-3.5%	2.0-4.0%	2.0-4.0%	2.0-4.0%
Expected pension increase rate	1.7%	1.7%	2.5-4.0%	2.5%	2.0-4.0%

(a) CSS and PSS general salary increases of 2.0% to June 2024 and 3.5% thereafter. DFRDB and MSBS assume general salary increases of 2.0% to June 2024 and 4.0% thereafter.

The discount rate for 'Other' Schemes includes schemes sponsored by for-profit entities which apply a corporate bond rate for measurement of the liability. In the CFS, these discount rates are adjusted back to a Government bond rate for the consistent measurement of the overall Australian Government liability.

### Sensitivity analysis for significant actuarial assumptions

The impact of a change in the defined benefit obligation reported as at 30 June 2021 under several scenarios is presented below. The balance has been recalculated by changing the assumptions as outlined below, whilst retaining all other assumptions.

		Impact on defined benefit obligation	
	Change in assumption	Increase \$m	Decrease \$m
CSS			
Discount rate	0.5%	(5,287)	5,816
Salary growth rate	0.5%	37	(73)
Rate of CPI increase	0.5%	5,005	(4,612)
PSS			
Discount rate	0.5%	(14,592)	16,806
Salary growth rate	0.5%	2,860	(2,698)
Rate of CPI increase	0.5%	12,588	(11,281)
DFRDB and MSBS			
Discount rate	0.5%	(20,510)	23,977
Salary growth rate	0.5%	4,941	(4,656)
Rate of CPI increase	0.5%	17,795	(14,784)
Other			
Discount rate	0.5%	(457)	514
Salary growth rate	0.5%	289	(258)

### Employer contributions

The following table shows the expected contributions for 2021-22 by scheme.

<b>Scheme</b>	<b>2022 \$m</b>
Commonwealth Superannuation Scheme	6
Public Sector Superannuation Scheme	140
Defence Force Retirement and Death Benefits Scheme	1,667
Military Superannuation Benefits Scheme	1,445
Other schemes	265

### Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation in years for each of the schemes is outlined below.

<b>Scheme</b>	<b>Weighted average duration of the defined benefit obligation in years</b>
Commonwealth Superannuation Scheme 1976	13.2 years
Commonwealth Superannuation Scheme 1922	7.7 years
Public Sector Superannuation Scheme	21.2 years
Defence Force Retirement and Death Benefits Scheme	16.8 years
Defence Forces Retirement Benefits Scheme	9.6 years
Military Superannuation Benefits Scheme	28.6 years
Other schemes	13 years

## Note 10: Related parties

### Note 10A: Ministerial remuneration

Cabinet Ministers are key management personnel of the Australian Government. The disclosure includes all Cabinet Ministers who have served during the financial year.

Ministerial benefits that are not considered to be for personal benefit, such as electorate allowance for staff, transport, printing and communication, as well as costs incurred by portfolio departments on behalf of Ministers, are excluded from this disclosure. Costs associated with The Lodge and Kirribilli House are not included, as these are national assets and incur costs regardless of who uses them. Key management personnel remuneration is reported below.

Remuneration	2021 \$m	2020 \$m
Short-term employee benefits(a)	9.2	9.8
Post-employment benefits(b)	1.6	1.6
<b>Total key management personnel remuneration</b>	<b>10.8</b>	<b>11.4</b>

(a) Short-term benefits comprise total salary (including the additional ministerial component), motor vehicle and other fringe benefit costs including related fringe benefits tax.

(b) Post-employment benefits comprise superannuation contributions and post-retirement travel.

The number of Cabinet Minister positions during the financial year was 24 (2020: 23).

### Note 10B: Related party disclosures

For the Government, related parties include Cabinet Ministers, their close family members and bodies they control.

Cabinet Ministers transact with the Government in respect of their remuneration (refer Note 10A) and fixed expense entitlements under the *Parliamentary Business Resources Act 2017*. Additionally, they or their close family members and bodies they control may transact with government on the same basis as other Australians, such as for the payment of taxes.

Besides these general transaction categories, there were no related party transactions between Cabinet Ministers, close family members and bodies they control and Government to be disclosed.

Transactions with superannuation funds represent contributions and payments of benefits to members or their beneficiaries. These are made in accordance with the rules of the relevant fund. Contributions to the funds for Cabinet Ministers totalled \$1.6 million (2020: \$1.6 million). Further information about defined benefit funds are included at Note 9C.

The Government may also receive taxes and other government charges from entities it jointly controls or in which it is an associate.

## Note 11: Events occurring after balance date

In accordance with AASB 110 *Events after the Reporting Period*, reporting entities are required to disclose any event between the balance sheet date and the date the financial statements are authorised for issue that may affect the financial statements. The standard classifies these events as either 'adjusting' or 'non-adjusting'.

On 16 September 2021, the leaders of Australia, the United Kingdom, and the United States announced the creation of an enhanced trilateral security partnership called "AUKUS" -- Australia, the United Kingdom, and the United States.

AUKUS will promote deeper information and technology sharing, and foster deeper integration of security and defence-related science, technology, industrial bases, and supply chains. In particular, AUKUS will significantly deepen cooperation on a range of security and defence capabilities. As the first initiative under AUKUS, the countries have committed to a shared ambition to support Australia in acquiring nuclear-powered submarines for the Royal Australian Navy.

In pursuing a nuclear submarine pathway, Australia will not proceed with the Attack Class submarine program. This is considered to be a non-adjusting event as this decision occurred subsequent to 30 June 2021. Future costs associated with the Government's decision, including potential contract termination costs and the impairment or write off of amounts previously capitalised as assets under construction, are unable to be quantified.



## Note 12: Reconciliations and explanations

Prepared in accordance with AASB 1049, the whole of government and GGS financial statements provide users with information about the financial position, performance and cash flows of the Australian Government and its sectors; and information that facilitates assessments of the macroeconomic impact of the Australian Government and its sectors.

Reporting at the whole of government and sector level is also distinguished by the following two characteristics:

- the application of two international reporting frameworks, being the accounting standards issued by the International Accounting Standards Board (through the AASB) and the system of Government Finance Statistics (GFS) issued by the IMF and, in Australia, administered by the Australian Bureau of Statistics (ABS); and
- the public release of budget information for the GGS.

To assist the differing users of these whole of government accounts, AASB 1049 requires the following reconciliations and explanations:

- **Explanation of differences to ABS GFS measures** (refer Note 12A) which explains the material differences in key fiscal aggregates between the CFS and the corresponding ABS GFS measures;
- **Reconciliation to original budget** (refer Note 12B), also required by AASB 1055 *Budgetary Reporting*, which compares the reported results to the original budget for 2020-21 as outlined in October 2020 with explanations for key movements; and
- **Glossary of key fiscal aggregates** (refer Note 12C) which explains the key technical terms reported in the CFS and which are not common to financial reports prepared by other entities.

### Note 12A: Explanation of differences to ABS GFS measures

The Government Finance Statistics (GFS) framework reports key fiscal aggregates that measure the financial activities of each government and the impacts of those activities on other sectors of the economy. In Australia, the GFS framework is set out in the Australian Bureau of Statistics (ABS) GFS Manual. The main convergence differences between the key fiscal aggregates reported in the CFS under AASB 1049 and the corresponding fiscal aggregates reported under the ABS GFS Manual include:

Issue	CFS treatment	ABS GFS treatment
Circulating coins – seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins is treated as a liability, and the cost of producing the coins is treated as an expense.
Valuation of loans	Changes in the valuation of loans are treated as a revenue or an expense.  In some circumstances recognition as a revenue or an expense is delayed until the loan ends or is transferred.	Changes in the valuation of loans (excluding mutually agreed write-downs) are treated as an 'other economic flow'.
Timing recognition of Boosting Cash Flow for Employers	Expense recognition based on underlying economic activity that gives rise to the Cash Flow Boost payment.	Recognised when the businesses receive payments after submitting their activity statements and having met all requirements.
Leases	AASB 16 introduced a single lease accounting framework for lessees, which replaced the distinction between operating and finance leases. Right of use assets and lease liabilities are recognised on the balance sheets for leases that were previously accounted for as operating expense.	The distinction between operating leases and finance leases is continued for lessees.
Concessional loans	Concessional elements are treated as an expense on initial recognition and unwound over the loan term.	Concessional elements are treated as an 'other economic flow'.
Investment in other public sector entities	Valued at fair value in the balance sheet as long as it can be reliably measured, otherwise the value of net assets is used.	Unlisted entities valued based on their net assets in the balance sheet.
Provision for restoration, decommissioning and make-good	Capitalised when the asset is acquired.	Capitalised when make-good activity takes place.
Renewable Energy Certificates (RECs)	The financial statements recognise revenue from the surrender of RECs and expenses associated with the refund of shortfall charges.	The issuance and registration of RECs is considered to be government financial transactions resulting in the recognition of assets, liabilities, revenue and expenses.
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.
Dividends paid by the Reserve Bank of Australia	Dividends are recognised in the year profit was earned.	Dividends are recognised when the Treasurer makes a determination.
National Disability Insurance Scheme (NDIS) revenue	Funding contributions by the state and territory governments to NDIS are treated as sales of goods and services revenue.  In-kind disability services provided by the state and territory governments are treated as other revenue.	Funding contributions by the state and territory governments to NDIS are treated as grants revenue.  In-kind disability services provided by the state and territory governments are treated as sales of goods and services revenue.
Commercial tax effect accounting assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that corporations record tax expenses on a consistent basis to the Australian Taxation Office.

Issue	CFS treatment	ABS GFS treatment
Inventory	Inventory held for sale is measured at the lower of cost and net realisable value.  Inventory held for distribution is measured at cost, adjusted for any loss of service potential.	The ABS GFS Manual measures inventory at market value.
<b>Fiscal aggregates differences</b>		
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.
Net financial worth of PNFC and PFC sectors	Calculated as financial assets less total liabilities.	Calculated as financial assets less total liabilities less shares and contributed capital.
<b>Classification differences</b>		
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.
Spectrum sales	Recognise non-financial asset sale for fiscal balance when licences take effect, which may be after the auction of licences, as this is regarded as the point at which control is transferred.	Recognise non-financial asset sale for fiscal balance at time of auction as this is regarded as the point at which control is transferred.

#### Note 12B: Reconciliation to original budget

The following tables provide a comparison of the original 2020-21 Budget to the final actual results for the GGS, with explanations provided for major variances. Variances are treated as major when it is considered important for the reader's understanding and is not focused solely on numerical differences between Budget and actual amounts. Variances relating to cash flows are a result of the factors explained in the Operating Statement and Balance Sheet.

The Australian Government does not present budgets at the whole of government level and therefore, only the GGS is presented in this note. The Budget is not audited.

In the following tables:

- Original budget for 2020-21 in the 2020-21 Budget papers released in October 2020, presented on the same basis as the actual information to facilitate comparison.
- Revised budget for 2020-21 in the 2021-22 Budget papers released in May 2021, presented on the same basis as the actual information to facilitate comparison.

## General government sector operating statement 2020-21

	2021 Actual \$m	Original budget \$m	Budget variance \$m	Revised budget \$m
<b>Revenue from transactions</b>				
Taxation revenue	480,381	434,913	45,468	465,771
Sales of goods and services	16,020	15,874	146	15,947
Interest income	3,001	4,182	(1,181)	2,901
Dividend and distribution income	10,460	6,419	4,041	8,038
Other	13,578	11,054	2,524	12,231
<b>Total revenue</b>	<b>523,440</b>	<b>472,442</b>	<b>50,998</b>	<b>504,889</b>
<b>Expenses from transactions</b>				
<i>Gross operating expenses</i>				
Wages and salaries	21,373	21,593	(220)	21,779
Superannuation	12,431	12,433	(2)	12,387
Depreciation and amortisation	11,738	12,037	(299)	11,851
Supply of goods and services	141,735	150,520	(8,785)	144,601
Other operating expenses	7,879	8,342	(463)	8,405
<i>Total gross operating expenses</i>	<i>195,156</i>	<i>204,925</i>	<i>(9,769)</i>	<i>199,021</i>
Superannuation interest expense	7,002	7,004	(2)	7,004
Interest expense	19,187	18,485	702	19,812
Other property expenses	-	-	-	-
<i>Current transfers</i>				
Current grants	166,968	156,344	10,624	167,111
Subsidy expenses	86,845	100,459	(13,614)	86,892
Personal benefits	160,484	165,845	(5,361)	161,889
<i>Total current transfers</i>	<i>414,297</i>	<i>422,649</i>	<i>(8,352)</i>	<i>415,892</i>
<i>Capital transfers</i>				
Mutually agreed write-downs(a)	2,792	2,832	(40)	2,954
Other capital grants	13,506	14,435	(929)	14,755
<i>Total capital transfers</i>	<i>16,298</i>	<i>17,267</i>	<i>(969)</i>	<i>17,709</i>
<b>Total expenses</b>	<b>651,940</b>	<b>670,329</b>	<b>(18,389)</b>	<b>659,437</b>
<b>Net operating balance</b>	<b>(128,500)</b>	<b>(197,888)</b>	<b>69,388</b>	<b>(154,549)</b>
<b>Other economic flows - included in operating result</b>				
Net write-down of assets	(11,164)	(5,686)	(5,478)	(3,808)
Net gain/(loss) from the sale of assets	8,313	415	7,898	1,476
Net foreign exchange gains/(losses)	(379)	(59)	(320)	(479)
Net interest on derivatives gains/(losses)	1,210	-	1,210	1,148
Net fair value gains/(losses)	53,392	13,105	40,287	51,470
Net other gains/(losses)	(9,630)	46	(9,676)	176
<b>Operating result</b>	<b>(86,758)</b>	<b>(190,067)</b>	<b>103,309</b>	<b>(104,566)</b>
<b>Other economic flows - through equity</b>				
<b>Will not be reclassified to operating result</b>				
Revaluation of non-financial assets	61	326	(265)	324
Actuarial revaluations of superannuation	32,323	54	32,269	(1,242)
Other economic revaluations	(53)	(596)	543	(2,939)
<b>May be reclassified to operating result</b>				
Revaluation of equity investments	(3,483)	(4,415)	932	(10,149)
<b>Comprehensive result</b>	<b>(57,910)</b>	<b>(194,699)</b>	<b>136,789</b>	<b>(118,571)</b>
<b>Net operating balance</b>	<b>(128,500)</b>	<b>(197,888)</b>	<b>69,388</b>	<b>(154,549)</b>
<b>less Net acquisition of non-financial assets</b>				
Purchases of non-financial assets	16,968	18,904	(1,936)	18,318
less Sales of non-financial assets	302	467	(165)	228
less Depreciation and amortisation	11,738	12,037	(299)	11,851
plus Change in inventories	2,305	1,422	883	2,381
plus Other movements in non-financial assets	3	(4)	7	-
<b>Total net acquisition of non-financial assets</b>	<b>7,236</b>	<b>7,818</b>	<b>(582)</b>	<b>8,620</b>
<b>Fiscal balance (Net lending/borrowing)</b>	<b>(135,736)</b>	<b>(205,706)</b>	<b>69,970</b>	<b>(163,169)</b>

- (a) From the 2021-22 Budget, the value of debt not expected to be repaid (DNER) on initial recognition of income contingent concessional loans is reported as a mutually agreed write-down, which is a form of capital transfer. It was previously reported as other financing costs.

## Revenue

Line item	Variance	Explanation
Taxation revenue	\$45.5b	<p>Total taxation revenue was \$45.5 billion higher than the original budget, largely driven by the following:</p> <ul style="list-style-type: none"> <li>Individuals and other withholding taxes (\$13.5 billion higher than original budget), reflecting stronger than expected labour market conditions.</li> <li>Company tax (\$12.9 billion higher than original budget), reflecting stronger than expected profitability, driven by higher commodity prices.</li> <li>Goods and Services tax was \$11.7 billion higher than original budget, resulting from stronger than expected household consumption.</li> <li>Superannuation fund taxes were \$4.9 billion higher than original budget, largely due to significant foreign exchange gains in the second half of 2020-21.</li> </ul>
Dividend and distribution income	\$4.0b	Dividend and distribution income was \$4.0 billion higher than the original budget, primarily driven by higher than expected investments held by the Future Fund.
Other	\$2.5b	Other sources of non-taxation revenue was \$2.5 billion higher than original budget, primarily driven by a penalty imposed on Westpac Banking Corporation for breaches of the <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (\$1.3 billion).

## Expenses

Line item	Variance	Explanation
Supply of goods and services	(\$8.8b)	Supply of goods and services expenses were \$8.8 billion lower than original budget, primarily due to reduced expenditure across government entities.
Current grant expense	\$10.6b	Current grant expenses were \$10.6 billion higher than original budget, primarily driven by greater GST collections which are distributed to State and Territory Governments.
Subsidy expenses	(\$13.6b)	Subsidy expenses were \$13.6 billion lower than original budget, primarily due to lower than expected demand for JobKeeper payments.
Personal benefits	(\$5.4b)	<p>Personal benefits expenses were \$5.4 billion less than the original budget reflecting strong economic conditions, primarily due to:</p> <ul style="list-style-type: none"> <li>lower than expected demand for unemployment benefits due to the strong performance seen in the labour market.</li> <li>lower recipient numbers in Income Support for Seniors due to the recovery of financial markets and the increasing number of people over pension age delaying their retirement or fully funding their retirement.</li> </ul>

Other economic flows

Line item	Variance	Explanation
Net write-down of assets	(\$5.5b)	Net write down of assets was \$5.5 billion higher than the original budget, primarily attributable to an increase in small business aged debt due to the COVID-19 pandemic and revaluation adjustments to the National Medical Stockpile.
Net gain/(loss) from the sale of assets	\$7.9b	Net gain from the sale of assets was \$7.9 billion higher than the original budget, primarily attributable to Future Fund gains on the sale of investments.
Net fair value gains/(losses)	\$40.3b	Net fair value gains were \$40.3 billion higher than the original budget, largely reflecting the higher market value of Australian Government Securities as a result of higher market yields and the change in valuation of investments held by the Future Fund.
Net other gains/(losses)	(\$9.5b)	Net other losses were \$9.5 billion higher than the original budget, mainly relating to the actuarial revaluation of military compensation provisions.
Actuarial revaluations of superannuation	\$32.3b	<p>The movement of \$32.3 billion in the value of the superannuation liability compared to original budget was a result of actuarial revaluations. At the 2020-21 Budget, actuaries determined the long-term discount rate to be 5.0 per cent per annum. This rate reflects the average annual rate estimated to apply over the remainder of the term to maturity of the liability and the actuaries' views that short-term deviations are expected to be smoothed out in the longer term.</p> <p>For the CFS, the Australian Accounting Standards require the use of the long-term government bond rate as at 30 June 2021 that best matches each individual scheme's liability duration. The rates used were between 1.6 to 2.3 per cent per annum depending on the defined benefit scheme.</p>

## General government sector balance sheet as at 30 June 2021

	2021 Actual \$m	Original budget \$m	Budget variance \$m	Revised budget \$m
<b>Assets</b>				
<i>Financial assets</i>				
Cash and deposits	62,411	5,780	56,631	46,693
Advances paid	81,403	87,054	(5,651)	82,235
Other receivables and accrued revenue	60,014	62,080	(2,066)	62,420
Investments, loans and placements	191,633	218,991	(27,358)	182,204
Equity investments	147,789	134,580	13,209	132,178
<b>Total financial assets</b>	<b>543,250</b>	<b>508,485</b>	<b>34,765</b>	<b>505,731</b>
<i>Non-financial assets</i>				
Land	12,070	11,742	328	11,817
Buildings	43,311	43,521	(210)	43,970
Other plant, equipment and infrastructure (including specialist military equipment)	92,101	94,047	(1,946)	93,468
Intangibles	9,795	10,135	(340)	9,821
Investment property	192	218	(26)	210
Inventories	10,606	11,047	(441)	11,710
Heritage and cultural assets	11,861	11,994	(133)	11,979
Other non-financial assets	4,872	4,767	105	4,472
<b>Total non-financial assets</b>	<b>184,808</b>	<b>187,472</b>	<b>(2,664)</b>	<b>187,447</b>
<b>Total assets</b>	<b>728,058</b>	<b>695,956</b>	<b>32,102</b>	<b>693,178</b>
<b>Liabilities</b>				
<i>Interest bearing liabilities</i>				
Deposits held	598	484	114	484
Government securities	888,419	978,283	(89,864)	891,811
Loans	10,540	10,738	(198)	10,393
Leases	19,440	18,893	547	19,527
Other interest bearing liabilities	7,871	6,190	1,681	5,952
<b>Total interest bearing liabilities</b>	<b>926,868</b>	<b>1,014,587</b>	<b>(87,719)</b>	<b>928,166</b>
<i>Provisions and payables</i>				
Superannuation liability	406,940	236,690	170,250	243,455
Other employee liabilities	37,779	33,097	4,682	33,124
Supplier payables	9,964	8,033	1,931	8,507
Personal benefits payable	3,015	3,146	(131)	3,137
Subsidies payable	989	998	(9)	1,090
Grants payable	6,800	2,908	3,892	4,332
Other payables	2,425	2,351	74	3,302
Other provisions	58,481	51,575	6,906	54,560
<b>Total provisions and payables</b>	<b>526,393</b>	<b>338,798</b>	<b>187,595</b>	<b>351,507</b>
<b>Total liabilities</b>	<b>1,453,261</b>	<b>1,353,385</b>	<b>99,876</b>	<b>1,279,673</b>
<b>Net worth</b>	<b>(725,203)</b>	<b>(657,429)</b>	<b>(67,774)</b>	<b>(586,495)</b>

## Assets

Line item	Variance	Explanation
Cash and deposits	\$56.6b	Cash and deposits were \$56.6 billion higher than the original budget. In the 2021-22 Budget, Australian Office of Financial Management (AOFM) moved from primarily using term deposits to a cash management account for investing cash for short-term liquidity management. This resulted in a decrease in investments, loans and placements and an increase in cash and deposits.
Advances paid	(\$5.7b)	Advances paid were \$5.7 billion lower than the original budget. This was mainly driven by early repayments on a Commonwealth loan facility with NBN Co (\$6.3 billion).
Investments, loans and placements	(\$27.4b)	Investments, loans and placements were \$27.4 billion lower than the original budget, primarily reflecting the AOFM replacing term deposits with a cash management account, partially offset by higher than expected investments held by the Future Fund and Department of Finance.
Equity investments	\$13.2b	Equity investments were \$13.2 billion higher than the original budget, primarily driven by the higher value of investments managed by the Future Fund, partially offset by a change in the net asset position of the Reserve Bank of Australia.

## Liabilities

Line item	Variance	Explanation
Government securities	(\$89.9b)	The market value of Australian Government Securities managed by the AOFM was \$89.9 billion lower than the original budget, primarily as a result of stronger than expected recovery from the COVID-19 pandemic, resulting in lower issuance activities for 2020-21. The rise in market yields also led to a lower valuation of the debt outstanding.
Superannuation liability	\$170.3b	The superannuation liability was \$170.3 billion higher than the original budget, resulting from the difference between discount rates used to value the Government's defined benefit superannuation liability at the 2020-21 Budget and as at 30 June 2021 for the CFS.  Refer to the variance in Actuarial revaluations of superannuation in Other economic flows for more details.
Other employee liabilities	\$4.7b	Other employee liabilities were \$4.7 billion higher than original budget, primarily related to the actuarial revaluation of the income support military compensation provisions.
Other provisions	\$6.9b	Other provisions were \$6.9 billion higher than original budget, primarily driven by the actuarial revaluation of the health care military compensation provisions.



## General government sector cash flow statement 2020-21

	2021 Actual \$m	Original budget \$m	Budget variance \$m	Revised budget \$m
<b>OPERATING ACTIVITIES</b>				
<b>Cash received</b>				
Taxes received	473,851	424,643	49,208	459,470
Receipts from sales of goods and services	16,390	16,538	(148)	16,381
Interest receipts	2,513	4,133	(1,620)	2,995
Dividend and distribution receipts	10,061	6,837	3,224	8,493
Other receipts	16,579	11,140	5,439	12,259
<b>Total cash received</b>	<b>519,394</b>	<b>463,291</b>	<b>56,103</b>	<b>499,596</b>
<b>Cash used</b>				
Payments for employees	(34,135)	(32,530)	(1,605)	(32,100)
Payments for goods and services	(137,351)	(148,237)	10,886	(140,017)
Grants and subsidies paid	(277,676)	(285,970)	8,294	(281,234)
Interest paid	(16,739)	(17,230)	491	(17,121)
Purchase payments on lease liabilities	(364)	-	(364)	-
Personal benefits paid	(163,747)	(166,482)	2,735	(163,952)
Other payments	(7,086)	(7,543)	457	(7,873)
<b>Total cash used</b>	<b>(637,098)</b>	<b>(657,992)</b>	<b>20,894</b>	<b>(642,297)</b>
<b>Net cash from/(used by) operating activities</b>	<b>(117,704)</b>	<b>(194,701)</b>	<b>76,997</b>	<b>(142,701)</b>
<b>INVESTING ACTIVITIES</b>				
<b>Investments in non-financial assets</b>				
Sales of non-financial assets	350	473	(123)	235
Purchases of non-financial assets	(14,283)	(17,075)	2,792	(16,056)
<b>Net cash from non-financial assets</b>	<b>(13,933)</b>	<b>(16,602)</b>	<b>2,669</b>	<b>(15,821)</b>
<b>Net cash flows from investments in financial assets for policy purposes</b>	<b>(3,365)</b>	<b>(16,375)</b>	<b>13,010</b>	<b>(7,286)</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>57,614</b>	<b>27,799</b>	<b>29,815</b>	<b>60,898</b>
<b>Net cash from/(used by) investing activities</b>	<b>40,316</b>	<b>(5,178)</b>	<b>45,494</b>	<b>37,791</b>
<b>FINANCING ACTIVITIES</b>				
<b>Cash flows from financing activities</b>				
<b>Net cash received</b>				
Borrowings	135,941	203,311	(67,370)	147,912
Contributed equity	-	-	-	-
Other financing	5,351	24	5,327	1,142
<b>Net cash received</b>	<b>141,292</b>	<b>203,335</b>	<b>(62,043)</b>	<b>149,054</b>
<b>Net cash used</b>				
Distributions paid	(7)	-	(7)	-
Principal payments of lease liabilities	(2,526)	-	(2,526)	-
Other financing	(8,413)	(7,129)	(1,284)	(6,904)
<b>Net cash used</b>	<b>(10,946)</b>	<b>(7,129)</b>	<b>(3,817)</b>	<b>(6,904)</b>
<b>Net cash flows from financing activities</b>	<b>130,346</b>	<b>196,206</b>	<b>(65,860)</b>	<b>142,150</b>
<b>Net (decrease)/increase in cash held</b>	<b>52,958</b>	<b>(3,673)</b>	<b>56,631</b>	<b>37,240</b>
<b>Cash at beginning of year</b>	<b>9,453</b>	<b>9,453</b>	<b>-</b>	<b>9,453</b>
<b>Cash at end of year</b>	<b>62,411</b>	<b>5,780</b>	<b>56,631</b>	<b>46,693</b>
<b>Key fiscal aggregate</b>				
Net cash flows from operating activities	(117,704)	(194,701)	76,997	(142,701)
Net cash flows from investments in non-financial assets	(13,933)	(16,601)	2,668	(15,821)
<b>Cash surplus/(deficit)</b>	<b>(131,637)</b>	<b>(211,303)</b>	<b>79,666</b>	<b>(158,522)</b>

## **Note 12C: Glossary of key fiscal aggregates**

### **Balance sheet**

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the Uniform Presentation Framework, net debt, net financial worth and net financial liabilities are also reported in the balance sheet.

**Comprehensive result** (total change in net worth before transactions with owners as owners)

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other movements in equity, other than transactions with owners as owners.

### **Fiscal balance**

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. The fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.

The fiscal balance measures the Australian Government's investment-saving balance. It measures in accrual terms the gap between government savings plus net capital transfers and investment in non-financial assets. As such, it approximates the contribution of the GGS to the balance on the current account in the balance of payments.

### **Mutually agreed bad debts**

Financial assets written-off where there was prior knowledge and consent by the counterparties.

### **Net actuarial gains**

Includes actuarial gains and losses on defined benefits superannuation plans.

### **Net lending/borrowing**

This is the net operating balance minus the net acquisition/(disposal) of non-financial assets. It is also equal to transactions in the net acquisition/(disposal) of financial assets minus the net incurrence of liabilities. It indicates the extent to which financial resources are placed at the disposal of the rest of the economy or the utilisation of financial resources generated by the rest of the economy. It is an indicator of the financial impact on the rest of the economy.

### **Net other economic flows**

The net change in the volume or value of assets and liabilities that does not result from transactions.

### **Net operating balance**

This is calculated as income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

### **Net worth**

The net worth of the GGS, PNFC and PFC sectors are defined as assets less liabilities. This differs from the ABS GFS definition for the PNFC and PFC sectors where net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the Australian Government's contribution to the wealth of Australia.

### **Operating result**

A measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'.

### **Operating statement**

The operating statement presents details of transactions in revenues, expenses, the net acquisition of non-financial assets (net capital investment) and other economic flows for an accounting period.

### **Transactions**

Interactions between two units by mutual agreement or an action within a unit that is analytically useful to treat as a transaction.

### **Unilaterally determined bad debts**

Financial assets written-off without an agreement with the debtor in cases such as bankruptcy of the debtor.

## **Note 13: Audit expenses**

With the exception of a small number of entities, audit services within the reporting entity are provided by the Auditor-General. The cost of these services, which include performance and financial statement audits, totalled \$78.6 million (2020: \$79.7 million). The audit of the CFS cost \$0.7 million (2020: \$0.7 million).

## Note 14: List of Australian Government reporting entities

The following is a list of Australian Government reporting entities which have been consolidated for the purposes of the financial report. Unless otherwise noted, all such entities are wholly owned. The list is based on the Australian Government Administrative Arrangement Orders in place at 30 June 2021.

### Agriculture, Water and the Environment Portfolio

#### General Government:

Australian Fisheries Management Authority	Grains Research and Development Corporation
Australian Pesticides and Veterinary Medicines Authority	Great Barrier Reef Marine Park Authority
Bureau of Meteorology	Murray Darling Basin Authority
Cotton Research and Development Corporation	Regional Investment Corporation
Department of Agriculture, Water and the Environment	Rural Industries Research and Development Corporation
Director of National Parks	Sydney Harbour Federation Trust
Fisheries Research and Development Corporation	Wine Australia

### Attorney-General's Portfolio

#### General Government:

Administrative Appeals Tribunal	Federal Court of Australia
Asbestos Safety and Eradication Agency	High Court of Australia
Attorney General's Department	National Archives of Australia
Australian Building and Construction Commission	Office of the Australian Information Commissioner
Australian Commission for Law Enforcement Integrity	Office of the Commonwealth Ombudsman
Australian Financial Security Authority	Office of the Director of Public Prosecutions
Australian Human Rights Commission	Office of the Inspector General of Intelligence and Security
Australian Law Reform Commission	Office of Parliamentary Counsel
Comcare	Safe Work Australia
Fair Work Commission	Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority)
Fair Work Ombudsman and Registered Organisations Commission Entity	

#### Public Financial Corporation:

Coal Mining Industry (Long Service Leave Funding) Corporation
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### Defence Portfolio

#### General Government:

AAF Company (company limited by guarantee)	Department of Defence
Army and Air Force Canteen Service (Frontline Defence Services)	Department of Veterans' Affairs
Australian Military Forces Relief Trust Fund (Army Relief Trust Fund)	RAAF Welfare Recreational Company (company limited by guarantee)
Australian Signals Directorate	Royal Australian Air Force Veterans' Residences Trust Fund
Australian Strategic Policy Institute Ltd (company limited by guarantee)	Royal Australian Air Force Welfare Trust Fund
Australian War Memorial	Royal Australian Navy Central Canteens Board
Defence Housing Australia	Royal Australian Navy Relief Trust Fund

## Education, Skills and Employment Portfolio

### General Government:

Australian Curriculum, Assessment and Reporting Authority  
 Australian Institute for Teaching and School Leadership Ltd (company limited by guarantee)  
 Australian Research Council

Australian Skills Quality Authority (National Vocational Education and Training Regulator)  
 Department of Education, Skills and Employment  
 Tertiary Education Quality and Standards Agency

## Finance Portfolio

### General Government:

Australian Electoral Commission  
 Commonwealth Superannuation Corporation  
 Department of Finance

Future Fund Management Agency  
 Independent Parliamentary Expenses Authority

### Public Non-Financial Corporations:

ASC Pty Ltd

Australian Naval Infrastructure Pty Ltd

## Foreign Affairs and Trade Portfolio

### General Government:

Australian Centre for International Agricultural Research  
 Australian Secret Intelligence Service  
 Australian Trade and Investment Commission

Department of Foreign Affairs and Trade  
 Export Finance and Insurance Corporation (National Interest Account)  
 Tourism Australia

### Public Financial Corporation:

Export Finance and Insurance Corporation (Export Finance Australia)

## Health Portfolio

### General Government:

Aged Care Quality and Safety Commission  
 Australian Commission on Safety and Quality in Health Care  
 Australian Digital Health Agency  
 Australian Institute of Health and Welfare  
 Australian National Preventive Health Agency  
 Australian Radiation Protection and Nuclear Safety Agency  
 Australian Sports Commission (Australian Institute of Sport)  
 Australian Sports Foundation Ltd (company limited by guarantee)

Cancer Australia  
 Department of Health  
 Food Standards Australia New Zealand  
 Independent Hospital Pricing Authority  
 National Blood Authority  
 National Health and Medical Research Council  
 National Health Funding Body  
 National Mental Health Commission  
 Organ and Tissue Authority  
 Professional Services Review Scheme  
 Sport Integrity Australia

## Home Affairs Portfolio

### General Government:

Australian Criminal Intelligence Commission  
 Australian Federal Police  
 Australian Institute of Criminology  
 Australian Security Intelligence Organisation

Australian Transaction Reports and Analysis Centre (AUSTRAC)  
 Department of Home Affairs  
 Office of the Special Investigator

## Industry, Science, Energy and Resources Portfolio

### General Government:

Australian Institute of Marine Science  
 Australian Nuclear Science and Technology Organisation  
 Australian Renewable Energy Agency  
 Clean Energy Finance Corporation  
 Clean Energy Regulator  
 Climate Change Authority  
 Commonwealth Scientific and Industrial Research Organisation

Department of Industry, Science, Energy and Resources  
 Geoscience Australia  
 IP Australia  
 National Offshore Petroleum Safety and Environmental Management Authority  
 Northern Australia Infrastructure Facility

### Public Non-Financial Corporation:

ANSTO Nuclear Medicine Pty Ltd

Snowy Hydro Limited

### Public Financial Corporations:

CSIRO FollowOn Services Pty Ltd  
 CSIRO FollowOn Services 2 Pty Ltd  
 CSIRO General Partner Pty Ltd

CSIRO General Partner 2 Pty Ltd  
 CSIROGP Fund 2 Pty Ltd

## Infrastructure, Transport, Regional Development and Communications Portfolio

### General Government:

Australia Council  
 Australian Broadcasting Corporation  
 Australian Communications and Media Authority  
 Australian Film, Television and Radio School  
 Australian Maritime Safety Authority  
 Australian National Maritime Museum  
 Australian Transport Safety Bureau  
 Bundanon Trust (company limited by guarantee)  
 Civil Aviation Safety Authority  
 Creative Partnerships Australia Ltd (company limited by guarantee)  
 Department of Infrastructure, Transport, Regional Development and Communications

Infrastructure Australia  
 National Capital Authority  
 National Faster Rail Agency  
 National Film and Sound Archive of Australia  
 National Gallery of Australia  
 National Library of Australia  
 National Museum of Australia  
 National Portrait Gallery of Australia  
 National Transport Commission  
 Norfolk Island Health and Residential Aged Care Service  
 North Queensland Water Infrastructure Authority  
 Screen Australia  
 Special Broadcasting Service Corporation

### Public Non-Financial Corporations:

Airservices Australia  
 Australian Postal Corporation (Australia Post)  
 Australian Rail Track Corporation Limited

Moorebank Intermodal Company Limited  
 NBN Co Ltd  
 WSA Co Ltd

## Prime Minister and Cabinet Portfolio

### General Government:

Aboriginal Hostels Ltd (company limited by guarantee)  
Australian Institute of Aboriginal and Torres Strait Islander Studies  
Australian National Audit Office  
Australian Public Service Commission  
Department of the Prime Minister and Cabinet  
Digital Transformation Agency  
Indigenous Business Australia  
Indigenous Land and Sea Corporation

National Australia Day Council Limited (company limited by guarantee)  
National Recovery and Resilience Agency  
National Indigenous Australians Agency  
Office of National Intelligence  
Office of the Official Secretary to the Governor General  
Old Parliament House  
Outback Stores Pty Limited  
Torres Strait Regional Authority  
Workplace Gender Equality Agency

### Public Non-Financial Corporation:

Voyages Indigenous Tourism Australia Pty Ltd

## Social Services Portfolio

### General Government:

Australian Institute of Family Studies  
Department of Social Services  
NDIS Quality and Safeguards Commission

National Disability Insurance Scheme Launch Transition Agency (National Disability Insurance Agency)  
Services Australia<sup>1</sup>

### Public Non-Financial Corporation:

Australian Hearing Services (Hearing Australia)

## Treasury Portfolio

### General Government:

Australian Bureau of Statistics  
Australian Competition and Consumer Commission  
Australian Office of Financial Management  
Australian Prudential Regulation Authority  
Australian Securities and Investments Commission  
Australian Taxation Office  
Commonwealth Grants Commission  
Department of the Treasury  
Financial Adviser Standards and Ethics Authority Ltd (company limited by guarantee)

Inspector General of Taxation  
National Competition Council  
National Housing Finance and Investment Corporation (National Housing Infrastructure Facility)  
Office of the Auditing and Assurance Standards Board  
Office of the Australian Accounting Standards Board  
Productivity Commission  
Royal Australian Mint

### Public Financial Corporations:

Australian Reinsurance Pool Corporation  
National Housing Finance and Investment Corporation

Reserve Bank of Australia

## Parliamentary Departments

### General Government:

Department of Parliamentary Services  
Department of the House of Representatives

Department of the Senate  
Parliamentary Budget Office

<sup>1</sup> Services Australia became an Executive Agency from 1 February 2020.

## Entity changes during 2020-21

### *Entities no longer consolidated*

Australian Sports Anti-Doping Authority (1 July 2020)

Infrastructure and Project Financing Agency (1 May 2021)

### *Entities newly controlled/established in 2020-21*

Sport Integrity Australia (1 July 2020)

Office of the Special Investigator (4 January 2021)

### *Entities with name changes*

Creative Partnerships Australia Ltd (company limited by guarantee)

(previously Australia Business Arts Foundation Ltd (Creative Partnerships Australia) (company limited by guarantee))

National Recovery and Resilience Agency

(previously National Drought and North Queensland Flood Response and Recovery Agency)

The Australian Government Organisations Register ([www.directory.gov.au](http://www.directory.gov.au)) provides information on the function, composition, origins and other details of more than 1,200 Australian Government entities and bodies, including the reporting entities consolidated in the financial statements.





