



Consolidated Financial Statements for the year ended 30 June 2020

December 2020

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 2020

CIRCULATED BY

SENATOR THE HONOURABLE SIMON BIRMINGHAM
MINISTER FOR FINANCE
OF THE COMMONWEALTH OF AUSTRALIA
DECEMBER 2020

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PREFACE

I am pleased to present the Consolidated Financial Statements (CFS) for the Australian Government for the financial year ended 30 June 2020. 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 2020 and the Australian Government's financial position as at 30 June 2020.

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

The COVID-19 pandemic has had a profound impact on Australia's economy. To address the significant impacts of COVID-19 on Australia's health system, the economy and jobs, the Australian Government has provided critical and unprecedented support to Australian households, businesses and industries affected by the pandemic since March 2020.

Operating statement

The Australian Government's net operating balance for the year ended 30 June 2020 was a deficit of \$99.7 billion. For the year ended 30 June 2019, the Australian Government reported a net operating balance surplus of \$3.2 billion.

This deterioration in the net operating balance was driven by a decrease in revenue of \$7.5 billion (1.5 per cent) in 2019-20 and an increase in expenses of \$95.4 billion (18.9 per cent) in 2019-20.

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 \$679.9 billion as at 30 June 2020. As at 30 June 2019, the Australian Government's net worth was negative \$545.2 billion.

The Australian Government's financial assets increased by \$69.8 billion (13.2 per cent) for the year ended 30 June 2020. Total non-financial assets increased by \$31.5 billion (15.0 per cent).

The Australian Government's liabilities increased by \$236.0 billion, which includes an increase in Australian Government Securities of \$106.6 billion, reflecting the Government's increased borrowing requirements stemming from the response to, and impacts of, the COVID-19 pandemic.

Cash flows

The Australian Government recorded a cash deficit of \$87.5 billion for the year ended 30 June 2020 from operating activities and investing activities in non-financial assets. The cash position at the end of the year was \$8.0 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 2019-20 financial year was released on 25 September 2020, 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 2019-20 CFS.



Senator the Hon Simon Birmingham
Minister for Finance

**COMMENTARY ON THE
CONSOLIDATED FINANCIAL STATEMENTS**

INTRODUCTION

The 2019-20 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))¹. 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 sectors². The GGS results in the 2019-20 CFS materially align with the 2019-20 Final Budget Outcome.

AT A GLANCE

Table 1: Financial results for the year ended 30 June 2020

	2019-20 \$b	2018-19 ³ \$b	Change \$b
Revenue	500.3	507.8	(7.5)
Expenses	600.0	504.6	95.4
Net operating balance (a)	(99.7)	3.2	(102.9)
Per cent of GDP	5.0	0.2	
Net capital investment	7.8	11.7	(4.0)
Fiscal balance (b)	(107.4)	(8.5)	(98.9)
Per cent of GDP	5.4	0.4	
Total assets	838.6	737.4	101.3
Total liabilities	1,518.5	1,282.6	236.0
Net worth (c)	(679.9)	(545.2)	(134.7)
Per cent of GDP	34.3	28.0	
Net cash flows from operating activities	(68.5)	21.3	(89.8)
Net cash flows from investments in non-financial assets	(18.9)	(21.8)	2.9
Cash surplus/(deficit)	(87.5)	(0.5)	(86.9)

(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 2019-20 CFS. Note 14 of the 2019-20 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.

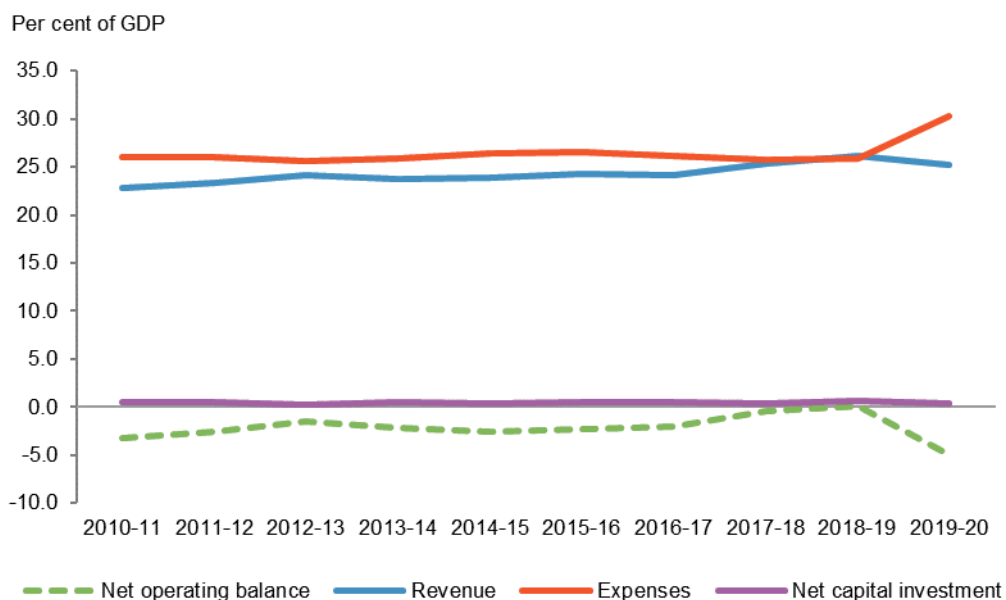
3 The 2018-19 comparatives include restatements. Refer to Note 1.5 of the 2019-20 CFS for further information.

Operating statement (net operating balance)

Table 2: Operating statement

	2019-20	2018-19	Change	Change
	\$b	\$b	\$b	%
Revenue	500.3	507.8	(7.5)	1.5
Per cent of GDP	25.2	26.1		0.8
Expenses	600.0	504.6	95.4	18.9
Per cent of GDP	30.3	25.9		4.4
Net operating balance	(99.7)	3.2	(102.9)	>100.0
Per cent of GDP	5.0	0.2		5.2
Net capital investment	7.8	11.7	(4.0)	33.8
Per cent of GDP	0.4	0.6		0.2
Fiscal balance	(107.4)	(8.5)	(98.9)	>100.0
Per cent of GDP	5.4	0.4		5.0

Chart 1: Operating statement (per cent of GDP) since 2010-11



Balance sheet (net worth)

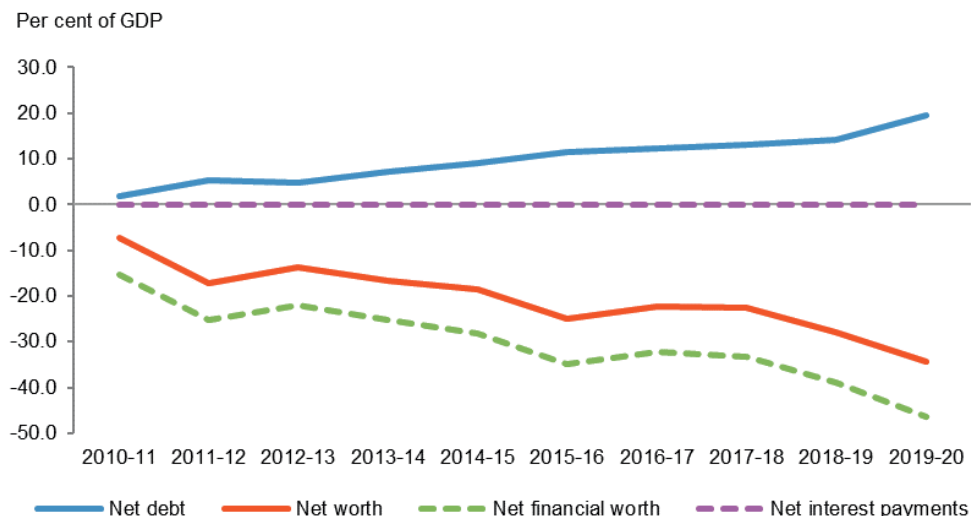
Table 3: Balance sheet

	2019-20	2018-19	Change	Change
	\$b	\$b	\$b	%
Financial assets	596.8	527.0	69.8	13.2
Non-financial assets	241.8	210.3	31.5	15.0
Total assets	838.6	737.4	101.3	13.7
Total liabilities	1,518.5	1,282.6	236.0	18.4
Net worth	(679.9)	(545.2)	(134.7)	24.7
Per cent of GDP	34.3	28.0		6.3
Net financial worth^(a)	(921.7)	(755.5)	(166.2)	22.0
Per cent of GDP	46.5	38.8		7.7
Net debt^(b)	389.2	273.7	115.5	42.2
Per cent of GDP	19.6	14.1		5.6
Net interest payments	(13.5)	(14.2)	0.7	4.9
Per cent of GDP	0.6	0.7		0.1

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

(b) Net debt equals the sum of the deposits held, government securities, loans and other borrowing, minus the sum of the cash and deposits, advances paid and investments, loans and placements.

Chart 2: Balance sheet (per cent of GDP) since 2010-11



DISCUSSION AND ANALYSIS

Net operating balance

The Australian Government's net operating balance was a deficit of \$99.7 billion for the year ended 30 June 2020, a deterioration of \$102.9 billion against the 30 June 2019 result. The change in the net operating balance reflects the significant impact of the global COVID-19 pandemic and the scale of the Government's economic response to support the Australian economy.

The COVID-19 pandemic has caused severe contractions in economic activity, resulting in lower taxation revenue and higher unemployment benefit payments.

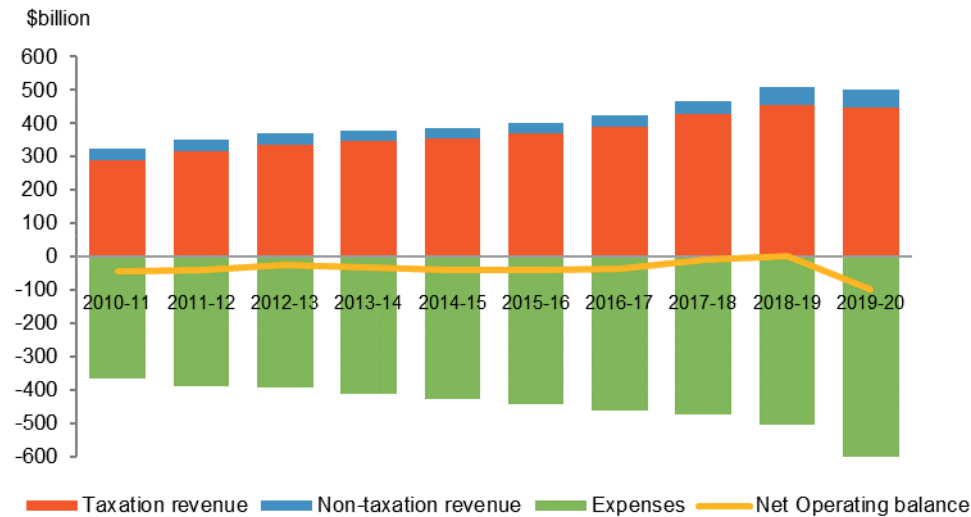
As part of the Government's response to COVID-19, economic support was provided to assist households and help businesses continue to operate through the economic downturn. This included the establishment of the time limited Coronavirus Supplement for income support recipients and the provision of the first \$750 Economic Support Payment to pensioners and eligible recipients to manage the economic impact of COVID-19. The Government also introduced the JobKeeper Payment to help businesses significantly impacted by COVID-19 to cover the costs of their employees' wages and provided temporary tax-free cash flow boosts to support eligible small and medium-sized businesses and not-for-profit organisations.

Table 4: Operating statement

	2019-20 \$b	2018-19 \$b	Change \$b	Change %
Revenue	500.3	507.8	(7.5)	1.5
Expenses	600.0	504.6	95.4	18.9
Net operating balance	(99.7)	3.2	(102.9)	>100.0
Less Net acquisitions of non-financial assets	7.8	11.7	(4.0)	33.8
Fiscal balance	(107.4)	(8.5)	(98.9)	>100.0

Chart 3 below shows the composition of the Australian Government's net operating balance since 2010-11.

Chart 3: Operating statement since 2010-11



Revenue

The Australian Government's revenue decreased by \$7.5 billion (1.5 per cent) in 2019-20 to \$500.3 billion.

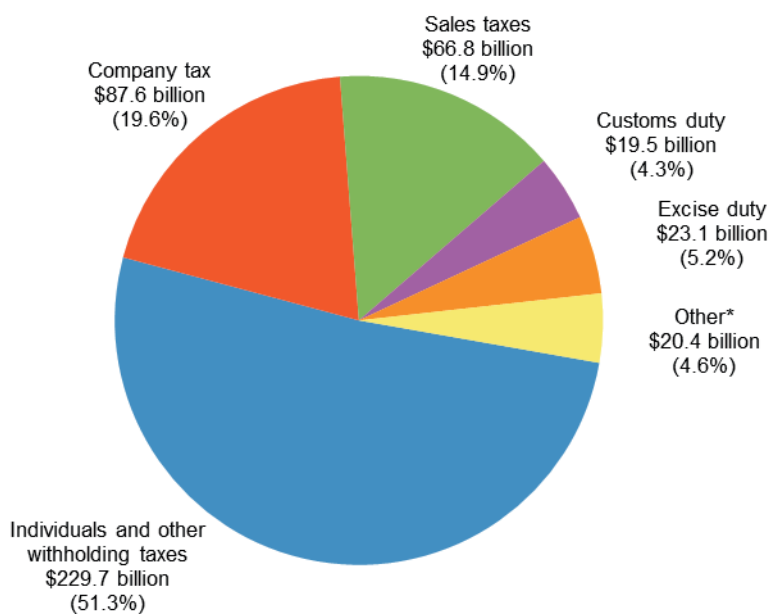
Table 5: Revenue

	2019-20 \$b	2018-19 \$b	Change \$b	Change %
Taxation revenue	447.1	455.9	(8.8)	1.9
Non-taxation revenue	53.2	51.9	1.3	2.5
Total revenue	500.3	507.8	(7.5)	1.5

Taxation revenue

The Australian Government's total taxation revenue for the year ended 30 June 2020 was \$447.1 billion. The composition of taxation revenue is shown in Chart 4 below.

Chart 4: Composition of taxation revenue



* Other includes: Other indirect taxation (\$8.9 billion); Superannuation funds taxes (\$6.6 billion); Fringe benefits tax (\$3.9 billion); and Resource rent taxes (\$0.9 billion).

Taxation revenue decreased by \$8.8 billion (1.9 per cent) in comparison to 2018-19. This is primarily a result of the impacts of the COVID-19 pandemic, driven by a decrease of \$6.9 billion in company tax and a \$4.3 billion decrease in superannuation fund taxes. This was partially offset by an increase in customs duties of \$3.6 billion, particularly through tobacco duty.

Refer to Note 2A of the 2019-20 CFS for further information.

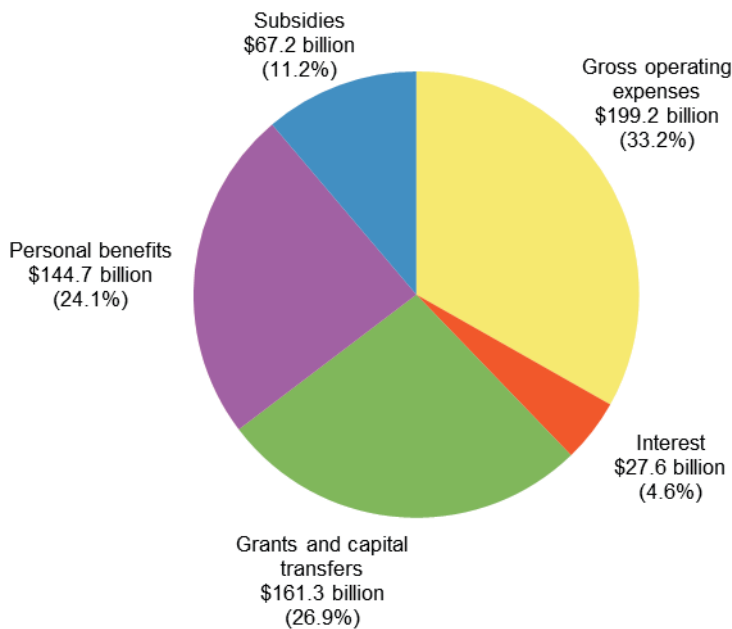
Non-taxation revenue

The Australian Government's total non-taxation revenue for the year ended 30 June 2020 was \$53.2 billion. For more information, refer to Notes 2B to 2D of the 2019-20 CFS.

Expenses

The Australian Government's total expenses for the year ended 30 June 2020 were \$600.0 billion. The composition of expenses is shown in Chart 5 below.

Chart 5: Composition of expenses



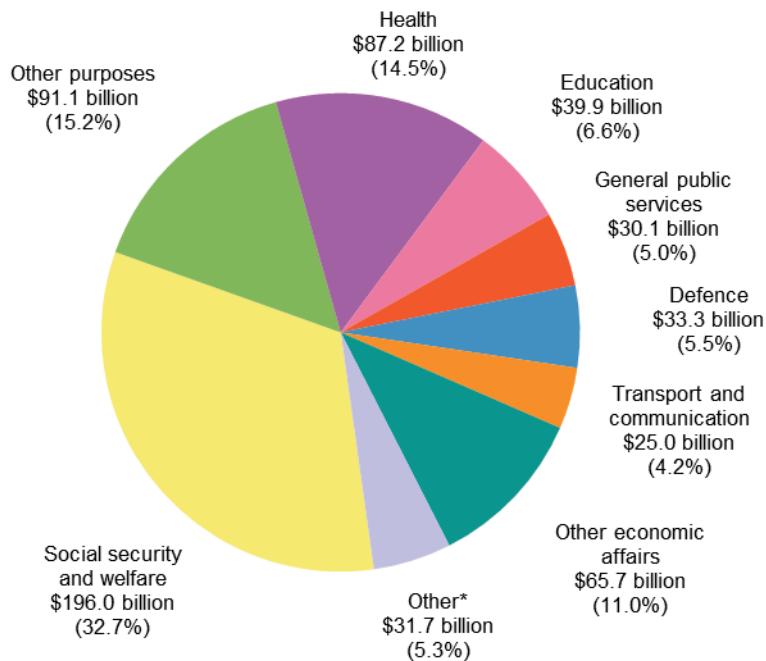
The Australian Government's total expenses increased by \$95.4 billion (18.9 per cent) in comparison to 2018-19. The key changes were:

- an increase in **subsidy expenses** of \$55.9 billion, primarily reflecting JobKeeper Payments and the temporary tax-free cash flow boosts to support businesses as part of the Government's economic response to the COVID-19 pandemic (\$55.2 billion);
- an increase in **personal benefits** of \$19.4 billion, primarily reflecting the time limited Coronavirus Supplement and the first payment of the Economic Support Payment to assist households as part of the Government's economic response to the COVID-19 pandemic, together with changes in recipient numbers and average payment rates of social welfare payments as a result of the impact of COVID-19 on the economy (\$18.4 billion);

- an increase in **gross operating expenses** of \$19.3 billion, driven by:
 - an increase in benefits to households in goods and services of \$10.6 billion, primarily relating to an increase in participants under the National Disability Insurance Scheme (\$6.6 billion) and increased spending in aged care, medical and pharmaceutical benefits (\$3.0 billion);
 - an increase in depreciation and amortisation of \$3.7 billion, largely due to the implementation of AASB 16 *Leases*; and
 - an increase in superannuation expense of \$3.2 billion relating to the current employee service costs, which is calculated with reference to the valuation discount rate at the start of the reporting period.

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 2019-20.

Chart 6: Total expenses by function



* Other includes: Fuel and energy (\$10.6 billion); Public order and safety (\$6.2 billion); Housing and community amenities (\$5.4 billion); Recreation and culture (\$4.0 billion); Mining, manufacturing and construction (\$2.9 billion); and Agriculture, forestry and fishing (\$2.6 billion).

Refer to Note 3 of the 2019-20 CFS for further information on expenses.

Net worth

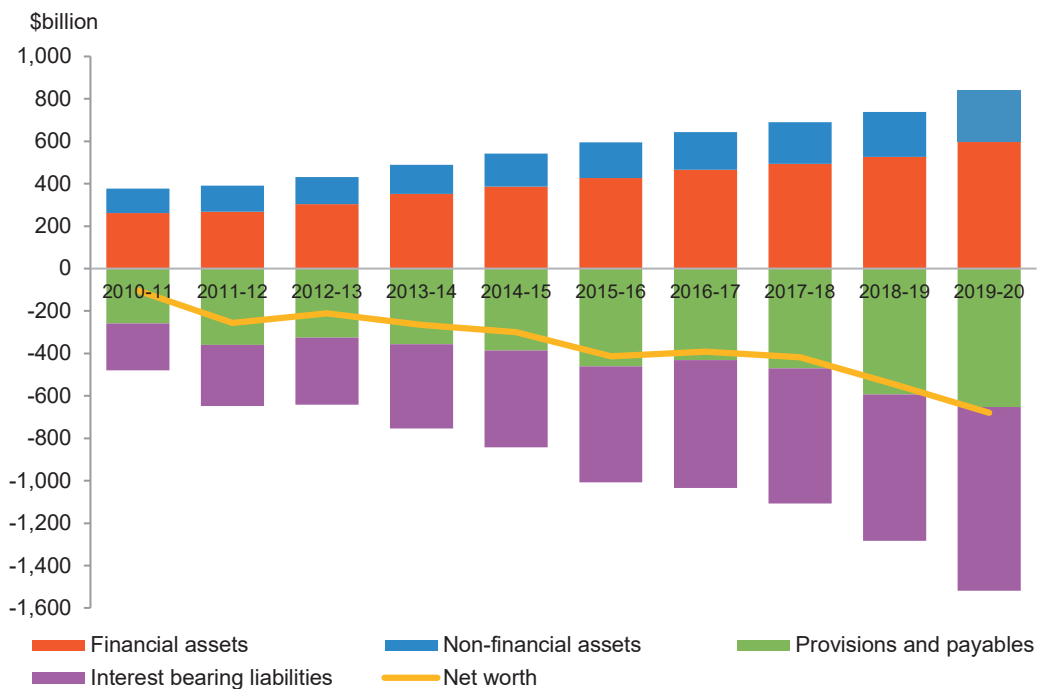
The Australian Government's net worth declined by \$134.7 billion in 2019-20 to a negative net worth of \$679.9 billion as at 30 June 2020.

Table 6: Balance sheet

	2019-20	2018-19	Change	Change
	\$b	\$b	\$b	%
Financial assets	596.8	527.0	69.8	13.2
Non-financial assets	241.8	210.3	31.5	15.0
Total assets	838.6	737.4	101.3	13.7
Interest bearing liabilities	866.3	689.1	177.2	25.7
Provisions and payables	652.2	593.4	58.8	9.9
Total liabilities	1,518.5	1,282.6	236.0	18.4
Net worth	(679.9)	(545.2)	(134.7)	24.7

Chart 7 below shows the composition of the Australian Government's financial position since 2009-10.

Chart 7: Balance sheet since 2010-11



Assets

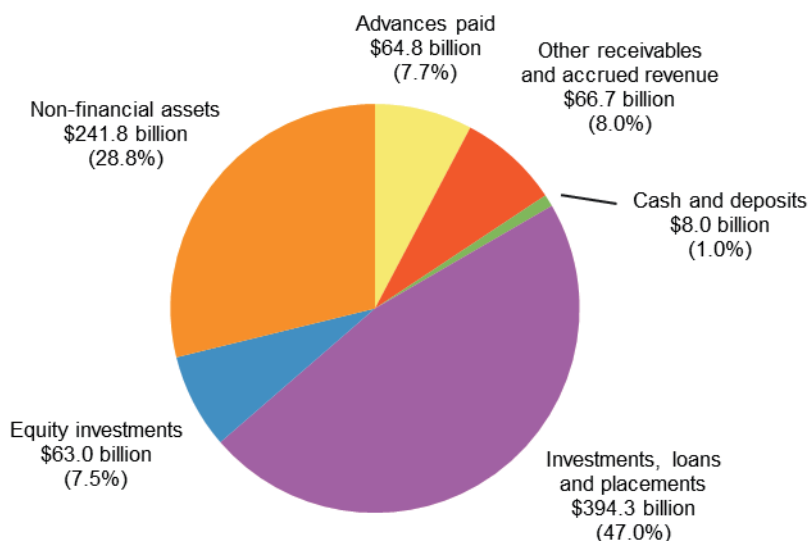
The Australian Government's total assets as at 30 June 2020 were \$838.6 billion.

Table 7: Assets

	2019-20 \$b	2018-19 \$b	Change \$b	Change %
Financial assets				
Cash and deposits	8.0	8.5	(0.5)	5.8
Advances paid	64.8	63.9	0.9	1.4
Other receivables and accrued revenue	66.7	53.2	13.5	25.4
Investments, loans and placements	394.3	333.6	60.8	18.2
Equity investments	63.0	67.9	(4.9)	7.2
Total financial assets	596.8	527.0	69.8	13.2
Non-financial assets	241.8	210.3	31.5	15.0
Total assets	838.6	737.4	101.3	13.7

The Australian Government's total assets increased by \$101.3 billion (13.7 per cent) since 30 June 2019. The composition of assets is shown in Chart 8 below.

Chart 8: Composition of assets



The key changes in **financial assets** were:

- an increase in **investments, loans and placements** of \$60.8 billion, primarily driven by the increase in government securities held by the Reserve Bank of Australia from purchases in the secondary market, conducted as part of a range of monetary policy measures to lower funding costs across the economy in response to the COVID-19 pandemic (\$57.2 billion); and
- an increase in **other receivables and accrued revenue** of \$13.5 billion, primarily driven by an increase in net tax receivables relating to payment deferrals granted to taxpayers experiencing financial hardship as a result of the COVID-19 pandemic (\$8.3 billion) and an increase in other receivables in respect of the advances that were paid to the states for GST during 2019-20 (\$4.7 billion).

The key changes to **non-financial assets** were:

- an increase in **buildings and other plant, equipment and infrastructure** of \$24.1 billion, reflecting the impact of the implementation of AASB 16 *Leases*;
- an increase in **specialist military equipment** of \$5.1 billion, primarily as a result of additions and revaluation adjustments; and
- an increase in **inventories** of \$1.0 billion, driven by the purchase of personal protective equipment and pharmaceuticals for the National Medical Stockpile as part of the Government's response to the COVID-19 pandemic.

Note 5 of the 2019-20 CFS provides further information on assets.

Liabilities

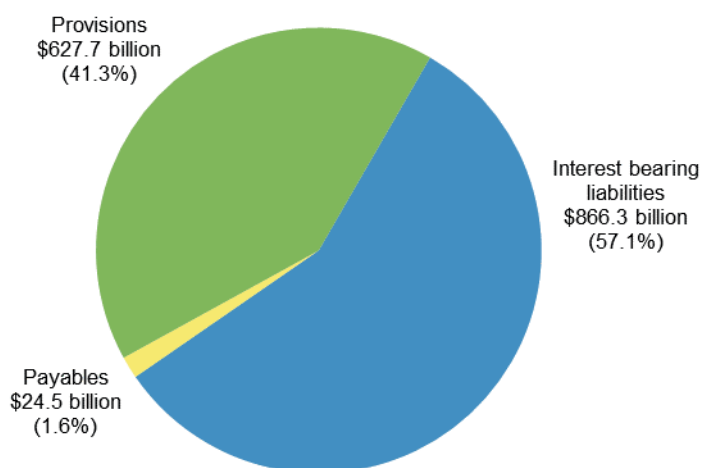
The Australian Government's total liabilities were \$1,518.5 billion as at 30 June 2020.

Table 8: Liabilities

	2019-20 \$b	2018-19 \$b	Change \$b	Change %
Interest bearing liabilities	866.3	689.1	177.2	25.7
Provisions and payables	652.2	593.4	58.8	9.9
Total liabilities	1,518.5	1,282.6	236.0	18.4

The Australian Government's liabilities increased by \$236.0 billion (18.4 per cent) since 30 June 2019. The composition of liabilities is shown in Chart 9 below.

Chart 9: Composition of liabilities



The increase of \$177.2 billion in **interest bearing liabilities** is primarily due to:

- an increase in Australian Government Securities of \$106.6 billion, primarily reflecting the Government's increased borrowing requirements stemming from the response to, and impacts of, the COVID-19 pandemic;
- an increase in deposits held of \$44.9 billion, primarily reflecting the increase in balances held in Exchange Settlement accounts, as a result of the enhanced liquidity operations of the Reserve Bank of Australia in response to the COVID-19 pandemic (\$44.0 billion); and
- an increase in lease liabilities of \$22.3 billion, reflecting the impact of the implementation of AASB 16 *Leases*.

The increase in **provision and payables** of \$58.8 billion was driven by:

- an increase in provisions of \$19.6 billion for JobKeeper and cash flow boost payments to businesses as part of the Government's economic response to the COVID-19 pandemic;
- an increase in the superannuation liability of \$15.0 billion, in part due to the change in actuarial revaluation for a decrease in the long-term discount rates;
- an increase to the actuarial revaluation of other employee liabilities and other provisions relating to military compensation of \$10.8 billion; and
- an increase in Australian currency on issue of \$10.1 billion.

Note 6 of the 2019-20 CFS provides further information on liabilities.

Cash flows

The Australian Government's cash balance was \$8.0 billion at 30 June 2020. For the year ended 30 June 2020, the Australian Government recorded a cash deficit of \$87.5 billion compared to a cash deficit of \$0.5 billion for 2018-19.

Table 9: Cash flows

	2019-20 \$b	2018-19 \$b	Change \$b	Change %
Cash receipts				
Operating activities	482.1	500.1	(18.0)	3.6
Investing activities in non-financial assets	1.8	0.8	1.0	>100.0
Investing activities in financial assets for policy purposes	6.6	4.1	2.6	63.2
Financing activities (net)	163.2	18.9	144.3	>100.0
Total cash receipts	653.7	523.8	129.9	24.8
Cash payments				
Operating activities	550.6	478.8	(71.8)	15.0
Investing activities in non-financial assets	20.8	22.6	1.8	8.1
Investing activities in financial assets for policy purposes	13.4	10.4	(3.0)	29.3
Investing activities in financial assets for liquidity purposes (net)	58.5	4.1	(54.4)	>100.0
Financing activities (net)	11.0	5.9	(5.1)	87.8
Total cash payments	654.2	521.7	(132.5)	25.4
Net movement in cash	(0.5)	2.1	(2.6)	>100.0
Cash at beginning of the year	8.5	6.4	2.1	33.1
Cash at end of year	8.0	8.5	(0.5)	5.8
Key fiscal aggregate				
Net cash flows from operating activities	(68.5)	21.3	(89.8)	>100.0
Net cash flows from investments in non-financial assets	(18.9)	(21.8)	2.9	13.1
Cash surplus/(deficit)	(87.5)	(0.5)	(86.9)	>100.0

Receipts and payments

The following charts provide a detailed breakdown of Australian Government receipts and payments for 2019-20, showing the relative composition of each dollar received and paid.

Chart 10: Composition of each dollar of cash received in 2019-20

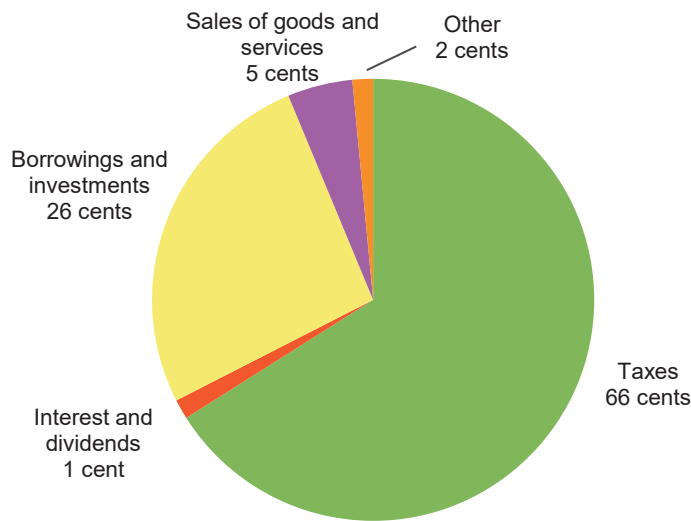


Chart 11: Composition of each dollar of cash paid in 2019-20

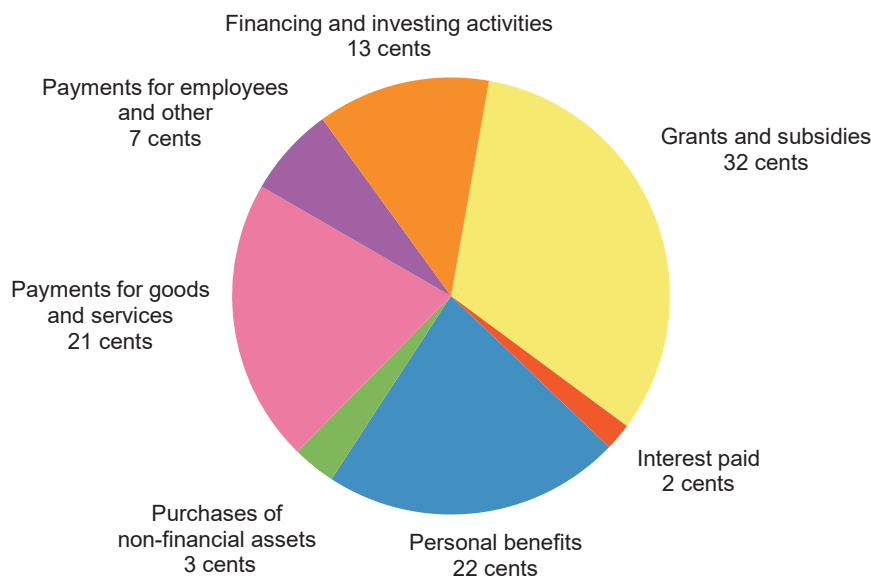
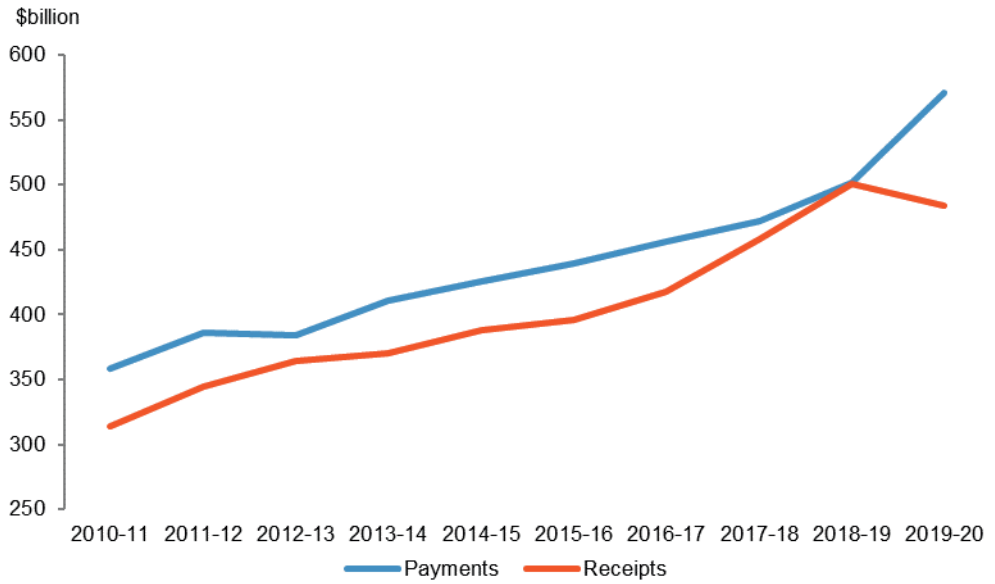


Chart 12 provides the trend of the Australian Government's receipts and payments for operating activities and the sales and purchases of non-financial assets since 2010-11.

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.

2019-20 Final Budget Outcome

The 2019-20 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 2019-20 financial year and is based on external reporting standards.

The 2019-20 FBO was released on the 25 September 2020 and is available on the Australian Government website at: <https://www.budget.gov.au/2019-20/content/fbo/>.

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/2020>.

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>.

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

The Budget Strategy and Outlook – Budget Paper No.1 – 2019-20, the Mid-Year Economic and Fiscal Outlook 2019-20 and the Budget Strategy and Outlook – Budget Paper No.1 – 2020-21 have been prepared in accordance with the Charter.

These Budget papers and the July 2020 Economic and Fiscal Update are available on the Australian Government website at <http://www.budget.gov.au/>.

Tax Benchmarks and Variations Statement 2019

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:

<http://treasury.gov.au/publication/p2020-51153/>.

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



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 2020:

- (a) comply with Australian Accounting Standards; and
- (b) present fairly the financial position of the Australian Government and the General Government Sector as at 30 June 2020 and their financial performance and cash flows for the year then ended.

The Consolidated Financial Statements, which I have audited, comprise the following statements as at 30 June 2020 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 Sector 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 the 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* (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

Completeness and accuracy of taxation revenue

Refer to Note 2A 'Taxation Revenue'

Taxation revenue is significant to the Australian Government operating statement (GGs: \$447.3 billion, Australian Government: \$447.1 billion for the year ended 30 June 2020).

I focused on the completeness and accuracy of taxation revenue as a key audit matter due to the complexity in determining the revenues under the self-assessment and voluntary compliance regimes. Significant professional judgement is required in the application of methodologies and assumptions (including about volatility of economic conditions that increase the uncertainty of the estimates).

The measurement and recognition of taxation revenue is dependent on information provided by taxpayers in a self-assessment and voluntary compliance taxation regime. Ineffective design and implementation of the compliance taxation regime elevates the risk that invalid taxation returns are not detected and corrected resulting in an understatement of taxation revenue.

The Australian Government uses various methodologies to calculate estimates for taxation revenues. Estimation techniques have inherent risks of error and rely on assumptions such as wage growth, gross domestic product and historical information.

How the audit addressed the matter

To audit the completeness and accuracy of taxation revenue, I:

- assessed the appropriateness of the method used for revenue recognition with reference to the accuracy of prior year results and historical trends;
- assessed the 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 reasonableness of the interpretation and analysis of data used for material estimates and recalculated these estimates as at 30 June 2020;
- 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 2020;
- conducted an evaluation of the compliance risk management processes. This involved benchmarking the compliance framework against the Organisation for Economic Co-operation and Development best practice principles of what constitutes an effective taxation compliance program; and
- assessed the identification, assessment and prioritisation processes for a selection of taxation compliance risks. This included an assessment of the strategies and implementation process for monitoring performance and evaluation of compliance outcomes on a sample basis at an enterprise level.

Key audit matter

Eligibility assessments and completeness of reported subsidy expenses and provisions in connection with JobKeeper and Cash Flow Boost measures

Refer to Note 3: 'Expenses from transactions' and Note 6H 'Other provisions'

For the year ended 30 June 2020, the Australian Government reported JobKeeper payments of \$31.6 billion and Cash Flow Boost payments of \$23.6 billion included in subsidy expenses of \$67.2 billion and subsidy provisions of \$23.7 billion.

I focused on the eligibility of JobKeeper and Cash Flow Boost recipients and the completeness and accuracy of the expenses and provisions reported in the 2019–20 financial year. Given the significant value of the subsidy expenses and provisions and the speed of implementation of these stimulus measures, there is a

How the audit addressed the matter

To audit the completeness and accuracy of JobKeeper subsidy expenses and provisions, I:

- tested whether the specifications of the JobKeeper application form were consistent with the eligibility requirements in the applicable legislation;
- assessed the reasonableness of the Australian Taxation Commissioner's decisions in assessing eligibility for JobKeeper payments under the applicable legislation;
- recalculated a sample of manually processed and all system generated payments to assess whether they were accurate and consistent with the legislated amount; and
- assessed the reasonableness of the approach used to estimate the payments likely to be made after 30 June 2020 attributable to the 2019–20 financial year. This included testing the completeness of

higher risk of material misstatement.

For the JobKeeper scheme, employers are required to self-assess their eligibility on-line and assert they meet the criteria specified in the legislation. For the Cash Flow Boost measure entities that meet the legislative requirements are identified by the Australian Government and payments are then made without the need for an application or specific declaration. The Australian Taxation Commissioner has considerable discretion to make judgements on eligibility.

The Australian Government has recognised a liability for JobKeeper payments and cash flow boost claims attributable to the 2019–20 financial year but not paid by 30 June 2020. This liability is based on significant judgements, including estimates of eligible employers.

source data, the adequacy of supporting documentation, the effectiveness of quality assurances processes and the accuracy of manual adjustment journals entered into the general ledger as at 30 June 2020.

To audit the accuracy and completeness of the Cash Flow Boost subsidy expenses and provisions, I:

- assessed the design and operating effectiveness of controls over the extraction of data from the systems used to generate a population of businesses for assessment of eligibility;
- assessed the reasonableness of the Australian Taxation Commissioner's decisions in assessing eligibility for Cash Flow Boost payments under the applicable legislation;
- tested a sample of manual and system generated payments to assess whether they were accurate and consistent with the relevant legislation; and
- assessed the reasonableness of the approach used to estimate the payments likely to be made after 30 June 2020 attributable to the 2019–20 financial year. This included testing the reasonableness of key judgements, the completeness of source data, the adequacy of supporting documentation, the effectiveness of quality assurances processes and the accuracy of manual adjustment journals entered into the general ledger as at 30 June 2020.

Key audit matter

Accuracy and occurrence of personal benefits expense and valuation of personal benefits payable

Refer to Note 3: 'Expenses from transactions' and Note 6G: 'Other payables'

I focused on this area as the accuracy and occurrence of personal benefits expense is dependent on the correct self-disclosure of personal circumstances by a large number of diverse recipients. The accuracy of personal benefits expense 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.

Personal benefits payable involve estimation models which require significant judgements and assumptions including, but not limited to: new budget measures affecting benefit programs, timing of payments; personal circumstances of recipients; and the economic environment. The accuracy and completeness of the source data used by the actuary in developing the estimation of the provisions is also a key component of the valuation process.

The complexity of the personal benefits expense and payables was increased due to the rapid implementation of stimulus measures in response to the COVID-19

How the audit addressed the matter

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

- assessed the 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 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.

To audit the valuation of personal benefits payable, I:

- evaluated the appropriateness of management's processes to assess whether judgements and assumptions used in the estimation models remain appropriate;
- assessed the work undertaken by the Australian Government's actuary;
- assessed the accuracy and completeness of data

pandemic where a range of normal payment eligibility requirements were either expanded, relaxed or waived.

I also focused on the appropriate accounting treatment of the impacts of the Income Compliance Program in view of the Government's decision relating to the program which used averaged income data to calculate an individual's personal benefits debt that was then included in personal benefits receivables. The Government made a decision to refund \$741.6 million and zeroed \$1.013 billion of debts owing at year-end relating to this program. The Government decision to repay or zero debts covered debts raised using income averaging since 1 July 2015. Debts raised prior to 1 July 2015 using income averaging can be reviewed and assessed on a case by case basis if requested by the individual. I therefore focused on whether these potential debt repayments and zeroing had been appropriately accounted for.

Personal benefits expense increased by \$19.4 billion from the previous year to \$144.7 billion for the year ended 30 June 2020 which was mainly due to the COVID-19 stimulus measures. Personal benefits payable totalled \$4.7 billion.

used in the estimation models;

- evaluating the accounting treatment relating to the Income Compliance Program for consistency with data extracted from the debt management system, and the Government's decision to refund debt paid and zero unpaid debt at year-end by raising a personal benefits payable and impairment allowance for the full debt; and
- evaluating the Government's assessment that an unquantifiable contingency existed at 30 June 2020.

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 (advances paid - GGS: \$82.0 billion, Australian Government: \$64.8 billion; other receivables and accrued revenue - GGS: \$67.0 billion, Australian Government: \$66.7 billion).

Advances paid reflect loans provided by the Government, including student loans under the Higher Education Loan Program. Student loans are recognised at fair value. At 30 June 2020 there is a fair value adjustment of \$15.9 billion against student loans, reflecting expected non-repayment.

Receivables reflect amounts due from taxation, personal benefits and other receivables. These are assessed annually for impairment. Impairment provisions of \$24.1 billion have been recognised at 30 June 2020.

The valuation of advances paid and 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 and of the sensitivity of these balances to changes in assumptions.

How the audit addressed the matter

To audit the valuation of advances paid and receivables, I:

- evaluated the design and operating effectiveness of key actuarial controls, including data reconciliations and the review and approval of the estimate;
- tested the completeness, accuracy and appropriateness of the source information used in the estimates;
- assessed the reasonableness of key actuarial assumptions for student loans by comparing them against accepted industry benchmarks for discount rates and salary growth rates in a range of occupations;
- assessed the reasonableness of the key actuarial assumptions for taxation receivables including evaluated the quality assurance processes in relation to overdue and disputed debt; and
- examined the impairment provision balance and assessed the reasonableness of the impairment rate applied.

Key audit matter

Valuation of collective investment vehicles

Refer to Note 5B 'Investments, loans and placements'

The balance of collective investment vehicles is significant to the Australian Government balance sheet

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

(GGS: \$76.3 billion, Australian Government: \$76.3 billion as at 30 June 2020).

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.

To value collective investment vehicles the Australian Government uses valuation experts largely for property, infrastructure and timberland investments while capital account statements received from investment managers, supported by audited financial statements, are used to value other collective investment vehicles.

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. The COVID-19 pandemic and the associated economic downturn has also caused significant volatility and uncertainty and this has impacted the valuation of collective investment vehicles as at 30 June 2020.

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 in place at the Australian Government to assess the valuation of collective investment vehicles whether they be performed by the custodian, the collective investment manager, a valuation specialist or management.

I assessed, on a sample basis, the valuation of indirectly held single infrastructure investments as at 30 June 2020. To do so I:

- evaluated the qualifications, competence and objectivity of the valuation expert used by management;
- tested the valuation models used including the reasonableness of key assumptions regarding growth rates, discount rates and multiples applied to earnings within the models; and
- performed a cross-check between management'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 2020, 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 2020, where available, and agreed the audited net asset value to the capital account statement;
- where 30 June 2020 audited financial statements were unavailable, investigated significant movements from the date of the most recent audited financial statements, obtained any additional information and assessed management's process to confirm that the increase in uncertainty as a result of the current economic conditions had been appropriately considered; and
- 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.

Key audit matter	How the audit addressed the matter
<p>Valuation of specialist military equipment and other plant, equipment and infrastructure assets</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 had non-financial assets of \$241.8 billion (GGs: \$180.3 billion) as at 30 June 2020.</p> <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 management to measure these assets at fair value, including in respect of:</p> <ul style="list-style-type: none"> 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; the selection and application of appropriate indices; the determination and assessment of appropriate useful lives; and the identification of indicators of impairment. 	<p>To address the key audit matter, I:</p> <ul style="list-style-type: none"> assessed whether the selection of the method for determining fair value was appropriate for each asset class; assessed the competence, capability and objectivity of the valuation subject matter experts; tested the completeness and accuracy of data used in the year-end valuation process; assessed whether the useful lives applied were consistent with other available information including expected withdrawal dates for specialist military equipment; tested the accuracy of a sample of cost attribution models, and approvals of cost allocations related to specialist military equipment under construction; assessed whether the assumptions and judgements used to determine the impairment of specialist military equipment are consistent with other available information including changes to planned capability and unscheduled repairs and maintenance; assessed management's assurance process for impairment and inspected a sample of assets for indicators of impairment; and for large high risk assets measured using a discounted cash flow analysis, I performed a sensitivity analysis by varying factors such as discount rates and growth rates to develop a range of reasonable valuation outcomes.
Key audit matter	How the audit addressed the matter
<p>Valuation of superannuation liability</p> <p><i>Refer to Note 6F 'Superannuation liability'</i></p> <p>The balance of superannuation liability is significant to the Australian Government balance sheet (GGs: \$430.1 billion, Australian Government: \$431.1 billion superannuation liability as at 30 June 2020).</p> <p>The superannuation liability represents retirement and death benefits for Commonwealth and Defence Force employees, based on service to date.</p> <p>The valuation of the superannuation liability is a key audit matter due to the measurement of the liabilities being complex, requiring significant judgement and estimation in the selection of long- term assumptions, including the salary growth and discount rates, to which the valuation of the superannuation liability is highly sensitive.</p>	<p>To audit the valuation of the superannuation liability, I:</p> <ul style="list-style-type: none"> assessed the design and operating effectiveness of internal controls over the management of defined benefit schemes including management of members' data used in the valuation model; evaluated the reasonableness of the review performed by management's actuary to confirm the integrity of the data used for estimating the defined benefit provision; evaluated the appropriateness of the methodology and reasonableness of the key assumptions applied in estimating the superannuation provision; and assessed the reasonableness of the results of the valuation including the explanations for the changes in the valuation.

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 2020 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'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, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Minister is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the 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 and the General Government Sector'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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Australian Government and the General Government Sector's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Australian Government to cease to continue as a going concern;

Consolidated financial statements

- 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 and the General Government Sector to express an opinion on the Consolidated Financial Statements. I am responsible for the direction, supervision and performance of the Australian Government and the 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



Grant Hehir
Auditor-General

Canberra

24 November 2020

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 2020 and its financial performance and cash flows for the year then ended.



Senator the Hon Simon Birmingham
Minister for Finance

 24 November 2020

Australian Government operating statement
for the year ended 30 June 2020

	Note	2020 \$m	2019 \$m
Revenue from transactions			
Taxation revenue	2A	447,097	455,891
Sales of goods and services	2B	31,005	27,672
Interest income	2C	4,916	6,026
Dividend income	2C	5,558	7,797
Other	2D	11,737	10,435
Total revenue		500,313	507,821
Expenses from transactions			
<i>Gross operating expenses</i>			
Wages and salaries	3A	25,482	24,337
Superannuation	3A	12,865	9,695
Depreciation and amortisation	3B	16,386	12,666
Supply of goods and services	3C	135,174	124,532
Other operating expenses	3A	9,286	8,696
<i>Total gross operating expenses</i>		<i>199,193</i>	<i>179,926</i>
Superannuation interest expense	3A	7,673	9,444
Interest expense	3D	19,857	19,475
<i>Current transfers</i>			
Current grants	3E	149,769	147,956
Subsidy expenses		67,233	11,363
Personal benefits		144,715	125,324
<i>Total current transfers</i>		<i>361,717</i>	<i>284,643</i>
<i>Capital transfers</i>			
Mutually agreed write-downs	3E	3,114	1,243
Other capital grants	3E	8,409	9,848
<i>Total capital transfers</i>		<i>11,523</i>	<i>11,091</i>
Total expenses	3F	599,963	504,579
Net operating balance		(99,650)	3,242
Other economic flows - included in operating result			
Net write-down of assets (including bad and doubtful debts)	4A	(9,101)	(7,302)
Net gains/(losses) from the sale of assets	4B	1,901	3,541
Net foreign exchange gains/(losses)	4C	358	3,129
Net interest on derivatives gains/(losses)	4C	(536)	(604)
Net fair value gains/(losses)	4C	(18,207)	(31,028)
Net other gains/(losses)	4C	(8,649)	(10,695)
Operating result(a)		(133,884)	(39,717)
Other economic flows - other non-owner movements in equity			
<i>Items that will not be reclassified to operating result</i>			
Revaluation of non-financial assets	7	1,744	3,943
Actuarial revaluations of superannuation		(4,964)	(92,629)
Other economic revaluations		(41)	(66)
<i>Items that may be reclassified subsequently to operating result</i>			
Revaluation of equity investments	7	1,520	1,084
Comprehensive result - total change in net worth		(135,625)	(127,385)
Net operating balance		(99,650)	3,242
less Net acquisition of non-financial assets			
Purchases of non-financial assets		24,616	24,170
less Sales of non-financial assets		1,639	420
less Depreciation and amortisation		16,386	12,666
plus Change in inventories		1,182	655
plus Other movements in non-financial assets		2	(1)
Total net acquisition of non-financial assets		7,775	11,738
Fiscal balance (Net lending/(borrowing))		(107,425)	(8,496)

(a) Includes \$19 million attributable to minority interests (2019: \$18 million).

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

Australian Government balance sheet
as at 30 June 2020

	Note	2020 \$m	2019 \$m
Assets			
<i>Financial assets</i>			
Cash and deposits		7,981	8,472
Advances paid	5A	64,784	63,918
Other receivables and accrued revenue	5A	66,680	53,179
Investments, loans and placements	5B	394,313	333,554
Equity investments	5C	63,043	67,919
<i>Total financial assets</i>		<i>596,801</i>	<i>527,042</i>
<i>Non-financial assets(a)</i>			
Land	5D	13,621	13,627
Buildings	5D	47,471	30,045
Specialist military equipment	5D	71,718	66,582
Other plant, equipment and infrastructure	5D	67,861	61,201
Intangibles	5D	13,081	12,712
Investment property	5D	369	340
Inventories	5E	10,016	9,003
Heritage and cultural assets	5D	11,978	11,696
Other non-financial assets	5F	5,724	5,139
<i>Total non-financial assets</i>		<i>241,839</i>	<i>210,345</i>
Total assets	5G	838,640	737,387
Liabilities			
<i>Interest bearing liabilities</i>			
Deposits held	6A	78,985	34,056
Government securities	6B	725,868	619,219
Loans	6C	18,960	16,240
Leases	6D	32,476	10,164
Other interest bearing liabilities	6E	10,049	9,469
<i>Total interest bearing liabilities</i>		<i>866,338</i>	<i>689,148</i>
<i>Provisions and payables</i>			
Superannuation liability	6F	431,077	416,046
Other employee liabilities	6F	34,425	28,090
Supplier payables	6G	11,914	13,152
Personal benefits payable	6G	4,670	2,994
Subsidies payable	6G	1,027	630
Grants payable	6G	2,859	2,750
Australian currency on issue	6H	90,102	80,024
Other payables	6G	4,027	4,254
Other provisions	6H	72,104	45,467
<i>Total provisions and payables</i>		<i>652,205</i>	<i>593,407</i>
Total liabilities		1,518,543	1,282,555
Net worth			
Accumulated results		(773,542)	(635,727)
Reserves		93,396	90,376
Minority interests		243	183
Net worth		(679,903)	(545,168)

(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 2020

	Note	2020 \$m	2019 \$m
OPERATING ACTIVITIES			
Operating cash received			
Taxes received		431,649	448,256
Receipts from sales of goods and services		31,112	28,041
Interest receipts		4,407	5,270
Dividend receipts		5,043	7,899
Other receipts		9,841	10,606
Total cash received		482,052	500,072
Operating cash used			
Payments for employees		(35,628)	(34,149)
Payments for goods and services		(136,143)	(120,991)
Grants and subsidies paid		(210,179)	(170,207)
Interest paid		(16,969)	(19,482)
Interest payments on lease liabilities		(955)	-
Personal benefits paid		(143,073)	(126,362)
Other payments		(7,641)	(7,631)
Total cash used		(550,588)	(478,822)
Net cash flows from operating activities	8	(68,536)	21,250
INVESTING ACTIVITIES			
Investments in non-financial assets			
Sales of non-financial assets		1,819	799
Purchases of non-financial assets		(20,756)	(22,592)
Net investments in non-financial assets		(18,937)	(21,793)
Investments in financial assets for policy purposes			
Receipts from policy investments		6,625	4,060
Payments for policy investments		(13,414)	(10,375)
Net investments in financial assets for policy purposes		(6,789)	(6,315)
Investments in financial assets for liquidity purposes		(58,451)	(4,075)
Net cash from investing activities		(84,177)	(32,183)
FINANCING ACTIVITIES			
Net financing cash received			
Borrowings		101,887	12,088
Contributed equity		35	-
Other financing		61,288	6,803
Net cash received		163,210	18,891
Net financing cash used			
Distributions paid		(3)	(6)
Principal payments of lease liabilities		(2,752)	-
Other financing		(8,233)	(5,844)
Net cash used		(10,988)	(5,850)
Net cash flows from financing activities		152,222	13,041
Net increase/(decrease) in cash held		(491)	2,108
Cash at beginning of year		8,472	6,364
Cash at end of year		7,981	8,472
Key fiscal aggregate			
Net cash flows from operating activities		(68,536)	21,250
Net cash flows from investments in non-financial assets		(18,937)	(21,793)
Cash surplus/(deficit)		(87,473)	(543)

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 2020

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
Australian Government									
Adjusted opening balance as at 1 July 2018	(500,771)	53,612	59	13,667	8,514	6,975	82,827	110	(417,834)
Contribution/(distribution) of equity	-	-	-	-	-	-	-	58	58
Dividends provided for or paid	(7)	-	-	-	-	-	-	-	(7)
Comprehensive result - change in net worth	(132,107)	4,935	14	75	-	(302)	4,722	-	(127,385)
Transfers to/(from)/between reserves	(2,828)	(109)	-	14	-	2,923	2,828	-	-
Net worth as at 30 June 2019	(635,713)	58,438	73	13,756	8,514	9,596	90,377	168	(545,168)
less: Minority interests	14	-	-	1	-	-	1	168	183
Attributable to the Australian Government									
Sector at 30 June 2019	(635,727)	58,438	73	13,755	8,514	9,596	90,376	-	(545,351)
Adjustment on initial application of AASB 15/1058	(201)	-	-	-	-	-	-	-	(201)
Adjustment on initial application of AASB 16	1,055	-	-	-	-	-	-	-	1,055
Adjusted opening balance as at 1 July 2019	(634,859)	58,438	73	13,756	8,514	9,596	90,377	168	(544,314)
Contribution/(distribution) of equity	-	-	-	-	-	-	-	39	39
Dividends provided for or paid	(3)	-	-	-	-	-	-	-	(3)
Comprehensive result - change in net worth	(138,762)	3,208	72	25	-	(168)	3,137	-	(135,625)
Transfers to/(from)/between reserves	117	3	-	(25)	-	(95)	(117)	-	-
Net worth as at 30 June 2020	(773,507)	61,649	145	13,756	8,514	9,333	93,397	207	(679,903)
less: Minority interests	35	-	-	1	-	-	1	207	243
Attributable to the Australian Government	(773,542)	61,649	145	13,755	8,514	9,333	93,396	-	(680,146)
Sector at 30 June 2020									

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 2020

	Note	General Government		Public non-financial corporations		Public financial corporations		Eliminations and netting(a)		Australian Government	
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue from transactions											
Taxation revenue	2A	447,318	456,203	-	-	-	-	(221)	(312)	447,097	455,891
Sales of goods and services	2B	14,789	12,488	16,616	15,586	812	793	(1,212)	(1,195)	31,005	27,672
Interest income	2C	3,689	4,455	38	43	2,043	2,418	(854)	(890)	4,916	6,026
Dividend income	2C	8,366	9,622	-	-	65	68	(2,873)	(1,893)	5,558	7,797
Other	2D	11,908	10,620	496	176	169	156	(836)	(517)	11,737	10,435
Total revenue		486,070	493,388	17,150	15,805	3,089	3,435	(5,996)	(4,807)	500,313	507,821
Expenses from transactions											
<i>Gross operating expenses</i>											
Wages and salaries	3A	20,721	19,775	4,542	4,362	219	200	-	-	25,482	24,337
Superannuation	3A	12,247	9,136	526	486	97	82	(5)	(9)	12,865	9,695
Depreciation and amortisation	3B	11,766	9,013	4,538	3,578	82	75	-	-	16,386	12,666
Supply of goods and services	3C	125,455	115,188	10,672	10,282	455	467	(1,408)	(1,405)	135,174	124,532
Other operating expenses	3A	8,512	7,863	721	745	58	94	(5)	(6)	9,286	8,696
Total gross operating expenses		178,701	160,975	20,999	19,453	911	918	(1,418)	(1,420)	199,193	179,926
Superannuation interest expense	3A	7,673	9,444	-	-	-	-	-	-	7,673	9,444
Interest expense	3D	18,463	18,078	1,640	1,127	609	1,161	(855)	(891)	19,857	19,475
<i>Current transfers</i>											
Current grants	3E	149,799	147,982	-	-	-	-	(30)	(26)	149,769	147,956
Subsidy expenses		67,641	11,501	-	-	-	-	(408)	(138)	67,233	11,363
Personal benefits		144,714	125,324	-	-	1	-	-	-	144,715	125,324
Tax expenses		-	-	120	196	6	10	(126)	(206)	-	-
Total current transfers		362,154	284,807	120	196	7	10	(564)	(370)	361,717	284,643
<i>Capital transfers</i>											
Mutually agreed write-downs	3E	3,114	1,243	-	-	-	-	-	-	3,114	1,243
Other capital grants	3E	8,568	9,955	-	-	-	-	(159)	(107)	8,409	9,848
Total capital transfers		11,682	11,198	-	-	-	-	(159)	(107)	11,523	11,091
Total expenses	3F	578,673	484,502	22,759	20,776	1,527	2,089	(2,996)	(2,788)	599,963	504,579
Net operating balance		(92,603)	8,886	(5,609)	(4,971)	1,562	1,346	(3,000)	(2,019)	(99,650)	3,242

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

Australian Government operating statement by sector — including General Government Sector Financial Report
(continued)
for the year ended 30 June 2020

Note	General Government		Public non-financial corporations		Public financial corporations		Eliminations and netting(a)		Australian Government	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Other economic flows - included in operating result										
Net write-down of assets (including bad and doubtful debts)	(8,225)	(6,644)	(876)	(657)	-	(1)	-	-	(9,101)	(7,302)
Net gains/(losses) from the sale of assets	2,110	3,338	(4)	6	(220)	197	15	-	1,901	3,541
Net foreign exchange gains/(losses)	(949)	(41)	(4)	(9)	1,311	3,179	-	-	358	3,129
Net interest on derivatives gains/(losses)	(563)	(622)	(2)	(2)	29	20	-	-	(536)	(604)
Net fair value gains/(losses)	(18,004)	(31,127)	(204)	24	1	75	-	-	(18,207)	(31,028)
Net other gains/(losses)	(8,213)	(10,321)	(97)	(25)	(339)	(349)	-	-	(8,649)	(10,695)
Operating result(b)	(126,447)	(36,531)	(6,796)	(5,634)	2,344	4,467	(2,985)	(2,019)	(133,884)	(39,717)
Other economic flows - through equity										
Will not be reclassified to operating result										
Revaluation of non-financial assets	1,753	1,899	(41)	1,936	32	108	-	-	1,744	3,943
Actuarial revaluations of superannuation	(4,617)	(92,165)	(188)	(119)	(159)	(345)	-	-	(4,964)	(92,629)
Other economic revaluations	95	17	(61)	(14)	-	38	(75)	(107)	(41)	(66)
May be reclassified to operating result										
Revaluation of equity investments	4,815	1,253	-	-	1,502	846	(4,797)	(1,015)	1,520	1,084
Comprehensive result	(124,401)	(125,527)	(7,086)	(3,831)	3,719	5,114	(7,857)	(3,141)	(135,625)	(127,385)
Net operating balance	(92,603)	8,886	(5,609)	(4,971)	1,562	1,346	(3,000)	(2,019)	(99,650)	3,242
less Net acquisition of non-financial assets										
Purchases of non-financial assets	15,806	14,688	8,751	9,432	66	50	(7)	-	24,616	24,170
less Sales of non-financial assets	1,400	188	236	72	3	161	-	(1)	1,639	420
less Depreciation and amortisation	11,766	9,013	4,538	3,578	82	75	-	-	16,386	12,666
plus Change in inventories	1,169	637	(1)	23	14	(5)	-	-	1,182	655
plus Other movements in non-financial assets	2	3	-	(4)	-	-	-	-	2	(1)
Total net acquisition of non-financial assets	3,811	6,127	3,976	5,801	(5)	(191)	(7)	1	7,775	11,738
Fiscal balance (Net lending/borrowing)	(96,414)	2,759	(9,585)	(10,772)	1,567	1,537	(2,993)	(2,020)	(107,425)	(8,496)

(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 \$0 million attributable to minority interests (2019: \$14 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 2020

	Note	General Government		Public non-financial corporations		Public financial corporations		Eliminations(a)		Australian Government	
		2020 \$m	2019 \$m	2020 \$m	2019 \$m	2020 \$m	2019 \$m	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Assets											
Financial assets											
Cash and deposits		9,453	8,817	2,261	2,078	702	2,234	(4,435)	(4,657)	7,981	8,472
Advances paid	5A	82,043	75,394	16	19	3,737	2,267	(21,012)	(13,762)	64,784	63,918
Other receivables and accrued revenue	5A	67,032	52,770	2,189	2,138	94	88	(2,635)	(1,817)	66,680	53,179
Investments, loans and placements	5B	243,458	188,022	649	923	279,713	182,616	(129,507)	(38,007)	394,313	333,554
Equity investments	5C	125,349	124,444	188	171	679	547	(63,173)	(57,243)	63,043	67,919
Total financial assets		527,335	449,447	5,303	5,329	284,925	187,752	(220,762)	(115,486)	596,801	527,042
Non-financial assets(b)											
Land	5D	11,718	11,833	1,660	1,569	242	224	1	1	13,621	13,627
Buildings	5D	43,386	27,295	3,638	2,325	456	427	(9)	(2)	47,471	30,045
Specialist military equipment	5D	71,718	66,582	-	-	-	-	-	-	71,718	66,582
Other plant, equipment and infrastructure	5D	17,382	15,336	50,322	45,699	162	170	(5)	(4)	67,861	61,201
Intangibles	5D	9,088	8,751	3,847	3,813	96	97	50	51	13,081	12,712
Investment property	5D	209	160	162	181	-	-	(2)	(1)	369	340
Inventories	5E	9,812	8,804	162	171	42	28	-	-	10,016	9,003
Heritage and cultural assets	5D	11,978	11,696	-	-	-	-	-	-	11,978	11,696
Tax assets		-	-	1,353	951	5	6	(1,358)	(957)	-	-
Other non-financial assets	5F	4,995	4,609	739	548	56	48	(66)	(66)	5,724	5,139
Total non-financial assets		180,286	155,066	61,883	55,257	1,059	1,000	(1,389)	(978)	241,839	210,345
Total assets	5G	707,621	604,513	67,186	60,586	285,984	188,752	(222,151)	(116,464)	838,640	737,387
Liabilities											
Interest bearing liabilities											
Deposits held	6A	484	388	10	14	153,561	69,390	(75,070)	(35,736)	78,985	34,056
Government securities	6B	784,973	626,368	-	-	-	-	(59,105)	(7,149)	725,868	619,219
Loans	6C	10,932	10,380	25,048	16,558	3,709	2,795	(20,729)	(13,493)	18,960	16,240
Leases	6D	19,879	1,531	12,574	8,633	30	-	(7)	-	32,476	10,164
Other interest bearing liabilities	6E	7,319	6,763	804	331	1,926	2,375	-	-	10,049	9,469
Total interest bearing liabilities		823,587	645,430	38,436	25,536	159,226	74,560	(154,911)	(56,378)	866,338	689,148

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

(b) 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 2020

Note	General Government		Public non-financial corporations		Public financial corporations		Eliminations(a)		Australian Government	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<i>Provisions and payables</i>										
Superannuation liability	430,105	415,286	28	34	944	726	-	-	431,077	416,046
Other employee liabilities	32,262	26,090	1,935	1,773	228	227	-	-	34,425	28,090
Supplier payables	7,396	8,271	4,360	4,759	106	100	52	22	11,914	13,152
Personal benefits payable	4,670	2,994	-	-	-	-	-	-	4,670	2,994
Subsidies payable	1,041	630	-	-	-	-	(14)	-	1,027	630
Grants payable	2,847	2,742	12	8	-	-	-	-	2,859	2,750
Australian currency on issue	-	-	-	-	90,102	80,024	-	-	90,102	80,024
Tax liabilities	-	-	829	607	-	-	(829)	(607)	-	-
Other payables	3,461	3,504	600	842	2,731	1,842	(2,765)	(1,934)	4,027	4,254
Other provisions	69,531	43,207	836	713	1,737	1,547	-	-	72,104	45,467
<i>Total provisions and payables</i>	<i>551,313</i>	<i>502,724</i>	<i>8,600</i>	<i>8,736</i>	<i>95,848</i>	<i>84,466</i>	<i>(3,556)</i>	<i>(2,519)</i>	<i>652,205</i>	<i>593,407</i>
Total liabilities	1,374,900	1,148,154	47,036	34,272	255,074	159,026	(158,467)	(58,897)	1,518,543	1,282,555
Net worth										
Accumulated results	(743,246)	(612,626)	(26,536)	(19,473)	(497)	(217)	(3,263)	(3,411)	(773,542)	(635,727)
Reserves	75,816	68,842	9,736	9,960	31,022	29,601	(23,178)	(18,027)	93,396	90,376
Contributed equity	-	-	36,950	35,827	385	342	(37,335)	(36,169)	-	-
Minority interests	151	143	-	-	-	-	92	40	243	183
Net worth	(667,279)	(543,641)	20,150	26,314	30,910	29,726	(63,684)	(57,567)	(679,903)	(545,168)

(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 2020

	General Government		Public non-financial corporations		Public financial corporations		Eliminations and netting(a)		Australian Government	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m	2020 \$m	2019 \$m	2020 \$m	2019 \$m	2020 \$m	2019 \$m
OPERATING ACTIVITIES										
Cash received										
Taxes received	431,775	448,578	-	-	-	-	(126)	(322)	431,649	448,256
Receipts from sales of goods and services	15,490	12,863	17,674	17,137	778	735	(2,830)	(2,694)	31,112	28,041
Interest receipts	3,243	3,768	23	38	1,725	2,464	(584)	(1,000)	4,407	5,270
Dividend receipts	7,007	8,978	-	-	13	7	(1,977)	(1,086)	5,043	7,899
GST receipts	-	-	695	660	20	12	(715)	(672)	-	-
Other receipts	10,127	10,830	396	54	187	159	(869)	(437)	9,841	10,606
Total cash received	467,642	485,017	18,788	17,889	2,723	3,377	(7,101)	(6,211)	482,052	500,072
Cash used										
Taxes paid	-	-	(156)	(269)	(1)	(1)	157	270	-	-
Payments for employees	(30,472)	(29,150)	(4,903)	(4,802)	(258)	(236)	5	39	(35,628)	(34,149)
Payments for goods and services	(126,738)	(111,796)	(12,334)	(11,657)	(451)	(557)	3,380	3,019	(136,143)	(120,991)
Grants and subsidies paid	(210,773)	(170,467)	-	-	-	-	594	260	(210,179)	(170,207)
Interest paid	(16,257)	(18,951)	(756)	(446)	(553)	(1,109)	597	1,024	(16,969)	(19,482)
Interest payments on lease liabilities	(266)	-	(689)	-	-	-	-	-	(955)	-
Personal benefits paid	(143,073)	(126,362)	-	-	-	-	-	-	(143,073)	(126,362)
GST paid	-	-	(380)	(410)	(18)	(15)	398	425	-	-
Other payments	(6,917)	(6,867)	(663)	(699)	(61)	(65)	-	-	(7,641)	(7,631)
Total cash used	(534,496)	(463,593)	(19,881)	(18,283)	(1,342)	(1,983)	5,131	5,037	(550,588)	(478,822)
Net cash from operating activities	(66,854)	21,424	(1,093)	(394)	1,381	1,394	(1,970)	(1,174)	(68,536)	21,250
INVESTING ACTIVITIES										
Investments in non-financial assets										
Sales of non-financial assets	1,724	597	95	43	-	159	-	-	1,819	799
Purchases of non-financial assets	(12,952)	(14,656)	(7,749)	(7,903)	(55)	(48)	-	15	(20,756)	(22,592)
Net cash from non-financial assets	(11,228)	(14,059)	(7,654)	(7,860)	(55)	111	-	15	(18,937)	(21,793)

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

Australian Government cash flow statement by sector — including General Government Sector Financial Report (continued)

for the year ended 30 June 2020

	General Government		Public non-financial corporations		Public financial corporations		Eliminations and netting(a)		Australian Government	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
INVESTING ACTIVITIES										
Investments in financial assets for policy purposes										
Receipts from policy investments	6,367	3,764	-	-	539	383	(281)	(87)	6,625	4,060
Payments for policy investments	(19,922)	(18,152)	(3)	(2)	(1,790)	(632)	8,301	8,411	(13,414)	(10,375)
Net cash from policy investments	(13,555)	(14,388)	(3)	(2)	(1,251)	(249)	8,020	8,324	(6,789)	(6,315)
Investments in financial assets for liquidity purposes										
Net cash from investing activities	(53,640)	1,491	(61)	(27)	(95,924)	9,131	91,174	(14,670)	(58,451)	(4,075)
	(78,423)	(26,956)	(7,718)	(7,889)	(97,230)	8,993	99,194	(6,331)	(84,177)	(32,183)
FINANCING ACTIVITIES										
Cash flows from financing activities										
Net cash received	151,403	10,415	8,483	8,120	944	344	(58,943)	(6,791)	101,887	12,088
Borrowings			1,235	997	43	(60)	(1,245)	(937)	35	-
Contributed equity	2	-	799	77	95,103	(8,192)	(39,009)	12,524	61,288	6,803
Other financing	4,395	2,394								
Net cash received	155,800	12,809	10,517	9,194	96,090	(7,908)	(99,197)	4,796	163,210	18,891
Net cash used										
Distributions paid	(3)	(6)	(286)	(397)	(1,708)	(800)	1,994	1,197	(3)	(6)
Principal payments of lease liabilities	(2,361)	-	(386)	-	(5)	-	-	-	(2,752)	-
Other financing	(7,523)	(5,356)	(851)	(409)	(60)	(81)	201	2	(8,233)	(5,844)
Net cash used	(9,887)	(5,362)	(1,523)	(806)	(1,773)	(881)	2,195	1,199	(10,988)	(5,850)
Net cash from financing activities	145,913	7,447	8,994	8,388	94,317	(8,789)	(97,002)	5,995	152,222	13,041
Net increase/(decrease) in cash	636	1,915	183	105	(1,532)	1,598	222	(1,510)	(491)	2,108
Cash at beginning of year	8,817	6,902	2,078	1,973	2,234	636	(4,657)	(3,147)	8,472	6,364
Cash at end of year	9,453	8,817	2,261	2,078	702	2,234	(4,435)	(4,657)	7,981	8,472
Key fiscal aggregate										
Net cash flows from operating activities	(66,854)	21,424	(1,093)	(394)	1,381	1,394	(1,970)	(1,174)	(68,536)	21,250
Net cash flows from investments in non-financial assets	(11,228)	(14,059)	(7,654)	(7,860)	(55)	111	-	15	(18,937)	(21,793)
Cash surplus/(deficit)	(78,082)	7,365	(8,747)	(8,254)	1,326	1,505	(1,970)	(1,159)	(87,473)	(543)

(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 2020

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	
General Government									
Adjusted opening balance as at 1 July 2018	(483,403)	46,544	54	18,493	-	72	65,163	110	(418,130)
Dividends provided for or paid	(6)	-	-	-	-	-	-	-	(6)
Comprehensive result - change in net worth	(128,693)	2,064	11	1,090	-	1	3,166	-	(125,527)
Contribution/(Distribution) of Equity	-	-	-	-	-	-	-	22	22
Transfers to/(from)/between reserves	(514)	14	-	511	-	(11)	514	-	-
Net worth as at 30 June 2019	(612,616)	48,622	65	20,094	-	62	68,843	132	(543,641)
less: Minority interests	10	-	-	1	-	-	1	132	143
Attributable to the General Government									
Sector at 30 June 2019	(612,626)	48,622	65	20,093	-	62	68,842	-	(543,784)
Adjustment on initial application of AASB 15/1058	(184)	-	-	-	-	-	-	-	(184)
Adjustment on initial application of AASB 16	944	-	-	-	-	-	-	-	944
Adjusted opening balance as at 1 July 2019	(611,856)	48,622	65	20,094	-	62	68,843	132	(542,881)
Dividends provided for or paid	(3)	-	-	-	-	-	-	-	(3)
Comprehensive result - change in net worth	(131,045)	1,745	72	4,822	-	5	6,644	-	(124,401)
Contribution/(Distribution) of Equity	-	-	-	-	-	-	-	6	6
Transfers to/(from)/between reserves	(330)	8	-	315	-	7	330	-	-
Net worth as at 30 June 2020	(743,234)	50,375	137	25,231	-	74	75,817	138	(667,279)
less: Minority interests	12	-	-	1	-	-	1	138	151
Attributable to the General Government									
Sector at 30 June 2020	(743,246)	50,375	137	25,230	-	74	75,816	-	(667,430)

Australian Government statement of changes in equity (net worth) by sector (continued)
for the year ended 30 June 2020

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 non-financial corporations									
Adjusted opening balance as at 1 July 2018	(13,442)	7,905	5	-	-	248	8,158	34,741	29,457
Comprehensive result - change in net worth	(5,719)	1,972	3	-	-	(88)	1,887	1	(3,831)
Dividends provided for or paid	(397)	-	-	-	-	-	-	-	(397)
Transfers to/(from)/between reserves	85	(17)	-	-	-	(68)	(85)	-	-
Contribution/(distribution) of equity	-	-	-	-	-	-	-	1,085	1,085
Net worth as at 30 June 2019	(19,473)	9,860	8	-	-	92	9,960	35,827	26,314
Adjustment on initial application of AASB 15/1058	(29)	-	-	-	-	-	-	-	(29)
Adjustment on initial application of AASB 16	111	-	-	-	-	-	-	-	111
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

Australian Government statement of changes in equity (net worth) by sector (continued)
for the year ended 30 June 2020

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 2018	40	5,086	-	-	14,119	6,763	25,968	296	26,304
Comprehensive result - change in net worth	4,341	953	-	-	-	(216)	737	36	5,114
Dividends provided for or paid	(1,596)	-	-	-	-	-	-	-	(1,596)
Transfers to/(from)/between reserves	(3,002)	(106)	-	-	-	3,002	2,896	106	-
Contribution/(distribution) of equity	-	-	-	-	-	-	-	(96)	(96)
Net worth as at 30 June 2019	(217)	5,933	-	-	14,119	9,549	29,601	342	29,726
Adjustment on initial application of AASB 15/1058	12	-	-	-	-	-	-	-	12
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

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

NOTES TO THE FINANCIAL STATEMENTS

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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). In previous years, a quantitative reconciliation was required, however the Australian Government has early adopted the amendment to AASB 1049 which removes this requirement (refer Note 1.4 below).

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 2019-20, the Australian Government adopted all applicable accounting standards that became effective during the year. The following standards were mandatory for the first time from 1 July 2019 and are applicable to the CFS.

AASB 15 Revenue from Contracts with Customers (AASB 15) and AASB 1058 Income of Not-for-Profit Entities (AASB 1058)

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and Interpretation 13 *Customer Loyalty Programmes*. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

In addition, supplementary changes were also adopted arising from AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*, AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* and AASB 2019-6 *Amendments to Australian Accounting Standards – Research Grants and Not-for-Profit entities*.

AASB 1058 is relevant to the Australian Government in circumstances where AASB 15 does not apply. AASB 1058 replaces most of the not-for-profit (NFP) provisions of AASB 1004 *Contributions* and applies to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives and where volunteer services are received.

Application of AASB 15 and AASB 1058

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

	General Government	Australian Government
	1 July 2019	1 July 2019
	\$m	\$m
Assets		
Receivables	-	12
Contract assets	(1)	-
Total assets	(1)	12
Liabilities		
Contract liabilities	183	213
Total liabilities	183	213
Total adjustment recognised in retained earnings	(184)	(201)

Under the new income recognition model it must first be determined whether an enforceable agreement exists and whether the promises to transfer goods or services to the customer are 'sufficiently specific'. If an enforceable agreement exists and the promises are 'sufficiently specific' (to a transaction or part of a transaction), the general AASB 15 principles are used to determine the appropriate revenue recognition. If these criteria are not met, then consideration is given to the application of AASB 1058.

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

In terms of AASB 1058, the Australian Government is required to recognise volunteer services at fair value if those services would have been purchased if not provided voluntarily and the fair value of those services can be measured reliably.

Transitional disclosure

The adoption of AASB 15 and AASB 1058 did not have a material impact on the Australian Government Consolidated Financial Statements and there would be no material change to the comparative 2018-19 revenue disclosed if it had been retrospectively stated under AASB 15 and AASB 1058. There would also be no material change to the current 2019-20 revenue if the previous revenue standards (AASB 1004, AASB 118, AASB 111 and related interpretations) had continued to be applied in the current financial year.

AASB 16 Leases (AASB 16)

AASB 16 became effective on 1 July 2019. This new standard has replaced AASB 17 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

In addition, supplementary changes were also adopted arising from AASB 2018-8 *Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities* and AASB 2019-8 *Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases*.

The AASB have issued an amendment to AASB 16 in relation to rent relief with respect to COVID-19. This did not have a material impact on the Australian Government as a lessee.

AASB 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. AASB 16 substantially carries forward the lessor accounting in AASB 117, with the distinction between operating leases and finance leases being retained. The details of the changes in accounting policies, transitional provisions and adjustments are disclosed below and in the relevant notes to the financial statements.

Application of AASB 16 Leases

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

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

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

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

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

On adoption of AASB 16, the Australian Government recognised right-of-use assets and lease liabilities in relation to leases of office space, equipment and motor vehicles, which had previously been classified as operating leases. The lease liabilities were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate as at 1 July 2019.

The incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions.

The Australian Government's lease portfolios are managed by various Commonwealth entities. For non-profit entities within the General Government Sector, the incremental borrowing rate is based on Government bond rates with the weighted average rate applied ranging from 1.2 per cent to 1.5 per cent.

For profit entities in the General Government Sector and public corporations, the individual entities' incremental borrowing rates were applied and ranged from 1.7 per cent to 6.8 per cent.

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

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

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

Impact on transition of AASB 16

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

	General Government	Australian Government
	1 July 2019	1 July 2019
	\$m	\$m
Right-of-use assets	19,314	22,348
Lease liabilities	19,195	22,221
Retained earnings	944	1,055

Transitional disclosure

The following table reconciles the Australian Government's minimum lease commitments disclosed in the 30 June 2019 CFS to the amount of lease liabilities recognised on 1 July 2019:

	General Government	Australian Government
	1 July 2019	1 July 2019
	\$m	\$m
Operating lease commitments at 30 June 2019 (under AASB 117)	16,953	19,620
less short-term leases not recognised under AASB 16	(142)	(158)
less low value leases not recognised under AASB 16	(159)	(489)
plus additional commitments at 30 June 2019	1,048	2,146
plus effect of extension options reasonably certain to be exercised	5,583	5,998
less leases not yet commenced at 1 July 2019	(275)	(431)
less commitments outside the scope of AASB 16	(1,273)	(1,469)
less GST included in commitments at 30 June 2019	(555)	(582)
less other	(134)	(145)
Undiscounted lease payments	21,046	24,490
less effect of discounting using the incremental borrowing rate as at the date of initial application	(1,851)	(2,269)
Increase in lease liabilities recognised at 1 July 2019	19,195	22,221

In addition to the above lease liabilities recognised as a result of the application of AASB 16, there was \$10.2 billion in Australian Government leases previously classified as finance leases of which \$1.5 billion related to the General Government Sector and which are now reported in the lease liability in Note 6D.

Early adoption of Australian Accounting Standards

AASB 2019-7 Amendments to Australian Accounting Standards – Disclosure of GFS measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations

AASB 2019-7 amends AASB 1049 *Whole of Government and General Government Sector Financial Reporting* to provide optional relief from the disclosure of key fiscal aggregates measured in accordance with the ABS GFS Manual where they differ from the key fiscal aggregates provided as per paragraph 16 of AASB 1049. It also removes the requirement to provide a quantitative reconciliation between the two measures, provided there is a qualitative disclosure of the differences between the two measures.

AASB 2019-7 was developed in recognition of the increasing divergence of Australian Accounting Standards and Government Finance Statistics (GFS), making it difficult for jurisdictions to reliably calculate GFS measures of key fiscal aggregates and prepare GAAP/GFS reconciliations in a timely and cost-effective way. The new AASB 16 lease requirements is one such example.

While not mandatorily applicable, AASB 2019-7 can be early adopted for the first time for the year ended 30 June 2020 and has been implemented for the 2019-20 CFS. The 2019-20 CFS has removed the quantitative reconciliation between ABS GFS and AASB 1049 key fiscal aggregates and replaced it with qualitative disclosures.

Future Australian Accounting Standards requirements

The following new or amended standards, interpretations and ABS GFS requirements are relevant to Australian Government operations and are effective for future reporting periods:

AASB 1059 Service Concession Arrangements (AASB 1059)

Effective date: 1 July 2020 (2020-21) as amended by AASB 2018-5.

Nature of change: Service concession arrangements involve a private sector entity operating a service concession asset to deliver public services on behalf of a public sector grantor. AASB 1059 will require service concession assets to be recognised immediately at the start of the arrangement, with a corresponding liability to reflect any payments due, and/or the grant of a right, to the operator.

Likely impact on initial application: The adoption of AASB 1059 may result in an increase in assets and liabilities recognised on the balance sheet. AASB 1059 may also impact the operating statement depreciation and amortisation expenses and income from the amortisation of grant-of-right liability. The impact of adopting AASB 1059 is still being assessed.

Conceptual Framework for Financial Reporting (Conceptual Framework)

Effective date: 1 July 2020 (2020-21)

Nature of change: The revised conceptual framework is the foundation on which accounting standards are developed. While most concepts are not new, the new Conceptual Framework does present new concepts around:

- new 'bundles of rights' approach to assets;
- new 'practical ability' approach for recognising liabilities; and
- new control-based approach to derecognition.

Likely impact on initial application: Unlikely to have a significant impact on the CFS.

1.5 Restatement of prior period comparatives

The 2018-19 comparatives have been restated to account for the following:

- For the 2018-19 financial year, a \$109 million restatement was made to the National Disability Insurance Scheme's in-kind contributions from other Australian Government entities. As the in-kind contributions are internal to Government, the associated revenue and expense should not be included in the CFS. There is no impact on the key aggregates reported for 2018-19. A separate \$58 million restatement was also made to the comparative sales of goods and services revenue and unearned income liability in relation to contract revenue which has now been determined to have been internal to the Australian Government while comparative supplier expenses have been adjusted by \$41 million in relation to participant plan provisions. Adjustments have been made to the 2018-19 comparatives as per adjustment (a) in the table below.
- There was a voluntary change in accounting policy for the accounting treatment of amounts held in relation to the rehabilitation of the Ranger Mine site, which is administered by the Department of Industry, Science, Energy and Resources. Adjustments have been made to the 2018-19 comparatives to recognise prior year funds relating to the Ranger Rehabilitation special account as per adjustment (b) in the table below.
- In the calculation of the decommissioning provision as at 30 June 2019 and previous years, the Australian Nuclear Science Technology Organisation discounted the cash flows using a single rate when the discount rate used should have more closely aligned to the time pattern of the projected cash flows. A recalculation of the decommissioning provision using a sliding yield resulted in the decommissioning provision as at 30 June 2019 being understated by \$269 million of which \$177 million related to 2018-19 and \$92 million related to periods prior to 1 July 2018. Adjustments have been made to the 2018-19 comparatives as per adjustment (c) in the table below.

- In the 2019-20 financial period, the Department of Defence undertook additional asset review activities that identified significant write-downs and impairment of assets that should have been recorded in prior financial periods. Adjustments have been made to the 2018-19 comparatives as per adjustment (d) in the table below.
- The Department of Defence has entered into a number of arrangements to perform activities on behalf of foreign governments under which funding is received in advance of expenditure being incurred. In 2018-19 funding received was reported as assets held in relation to activities performed on behalf of foreign governments and subsequently not reported within the statement of financial position. In 2019-20, it has been determined the funding received represents both cash and cash equivalents, in addition to amounts payable, as the funding received is only to be utilised for specific purposes. Adjustments have been made to the 2018-19 comparatives as per adjustment (d) in the table below.

The following material reclassifications have been made to the 2018-19 comparatives to ensure consistency with current year reporting (reclassifications within a note or financial statement category are not shown):

- The Future Fund has historically reported gains/losses on foreign exchange contracts as foreign exchange gains and losses separate from the fair value gain/loss on the investment. For investments measured at fair value, the gains/losses as a result of foreign exchange impacts are now reported as part of the fair value gains/losses on investments.
- The Department of Defence identified some amounts are paid to provide a number of health benefits to employees. However, it was subsequently determined that a portion of amounts paid under the contract relate to administration of the arrangement.

Adjustments have been made to the 2018-19 comparatives as per the reclassification column in the table below.

Notes to the financial statements

		2019	Adjustment			Reclass-	Restated
	Note	\$m	(a)	(b)	(c)	(d) ifications	2019
		\$m	\$m	\$m	\$m	\$m	\$m
Revenue from transactions							
Sales of goods and services	2B	27,730	(58)	-	-	-	27,672
Non-taxation revenue	2D	10,544	(109)	-	-	-	10,435
Total revenue		507,988	(167)	-	-	-	507,821
Expenses from transactions							
<i>Gross operating expenses</i>							
Supply of goods and services	3C	124,652	(150)	-	-	30	124,532
Other operating expenses	3A	8,726	-	-	-	(30)	8,696
<i>Total gross operating expenses</i>		<i>180,076</i>	<i>(150)</i>	-	-	-	<i>179,926</i>
Interest expense	3D	19,470	-	-	5	-	19,475
Total expenses	3F	504,724	(150)	-	5	-	504,579
Net operating balance		3,264	(17)	-	(5)	-	3,242
Other economic flows							
Net write-down of assets (including bad and doubtful debts)	4A	(7,060)	-	-	-	(242)	(7,302)
Net gains/(losses) from the sale of assets	4B	5,494	-	-	-	(1,953)	3,541
Other gains/(losses)	4C	(40,979)	-	-	(172)	1,953	(39,198)
Operating result		(39,281)	(17)	-	(177)	(242)	(39,717)
Assets							
<i>Financial assets</i>							
Cash and deposits		8,261	-	-	-	211	8,472
Investments, loans and placements	5B	333,479	-	75	-	-	333,554
<i>Total financial assets</i>		<i>526,756</i>	-	<i>75</i>	-	<i>211</i>	<i>527,042</i>
<i>Non-financial assets</i>							
Land	5D	13,628	-	-	-	(1)	13,627
Buildings	5D	30,026	-	-	-	19	30,045
Specialist military equipment	5D	66,593	-	-	-	(11)	66,582
Other plant, equipment and infrastructure	5D	61,256	-	-	-	(55)	61,201
Intangibles	5D	12,731	-	-	-	(19)	12,712
Inventories	5E	9,145	-	-	-	(142)	9,003
Heritage and cultural assets	5D	11,695	-	-	-	1	11,696
<i>Total non-financial assets</i>		<i>210,553</i>	-	-	-	<i>(208)</i>	<i>210,345</i>
Total assets		737,309	-	75	-	3	737,387
Liabilities							
<i>Provisions and payables</i>							
Other payables	6G	3,985	58	-	-	211	4,254
Other provisions	6H	45,123	-	75	269	-	45,467
<i>Total provisions and payables</i>		<i>592,794</i>	<i>58</i>	<i>75</i>	<i>269</i>	<i>211</i>	<i>593,407</i>
Total liabilities		1,281,942	58	75	269	211	1,282,555
Net worth							
Opening balance as at 1 July 2018		(417,735)	(41)	-	(92)	34	(417,834)
Comprehensive result - Change in net worth		(126,949)	(17)	-	(177)	(242)	(127,385)
Net worth		(544,633)	(58)	-	(269)	(208)	(545,168)

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.

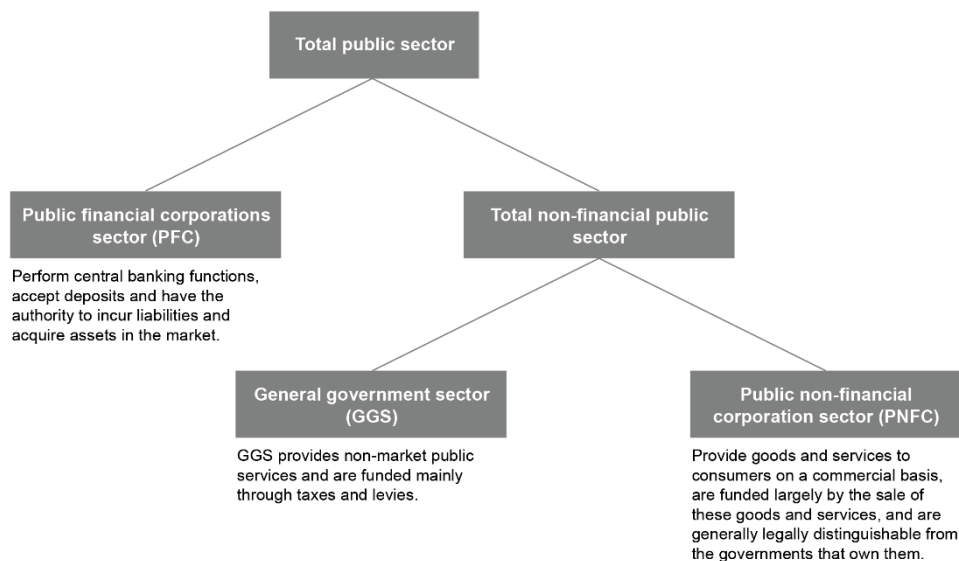
1.7 Business combinations

There were no material business combinations in 2019-20 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. Judgements and estimates 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 general government sector (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 2019-20, actual breaches of Section 83 were identified across eight Commonwealth entities, with a total value of \$14.8 billion (2018-19: \$79.8 million). The breaches identified in 2019-20 include the payment of GST made to non-government schools since 2000-01 for funding provided under the *Australian Education Act 2013* and previous legislation, totalling \$14.6 billion in value. These technical breaches have been rectified, with further detail provided in the financial statements of the Department of Education, Skills and Employment.

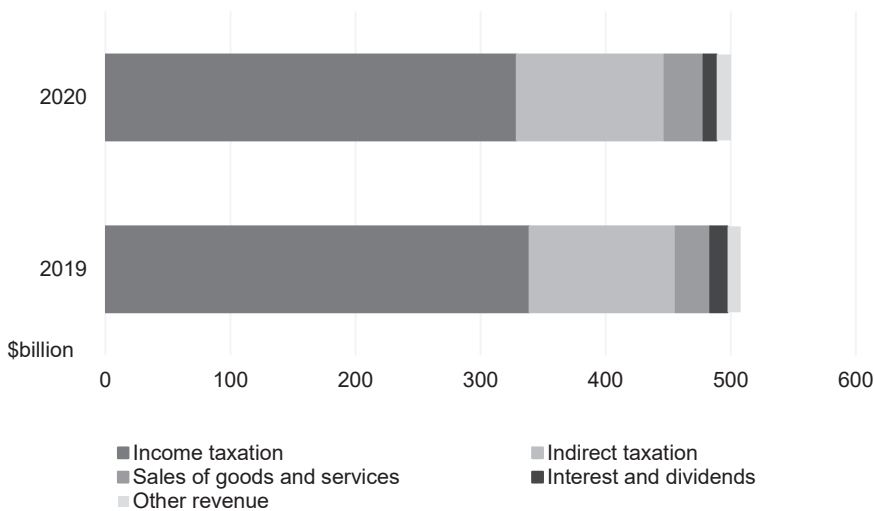
1.13 Impacts from the COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. The outbreak of COVID-19 has created a significant deterioration in global economic conditions. Governments internationally have responded by implementing policy responses to protect the health of citizens and to support their economies. The Australian Government introduced a number of measures to support Australian households, businesses and industries who have been adversely affected by the COVID-19 pandemic. At the same time, tax collections were lower than expected due to the effects of bushfires and the COVID-19 pandemic. There is also increased uncertainty surrounding the expected value and timing of repayments of tax and other receivables. The downturn in the economy and the fiscal response has resulted in pronounced increases in debt issuance to meet funding requirements.

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 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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Income taxation				
Individuals and other withholding taxes				
Gross income tax withholding	217,095	206,403	217,095	206,403
Gross other individuals	48,855	51,555	48,855	51,555
less Refunds	(36,219)	(29,514)	(36,219)	(29,514)
Total individuals and other withholding taxation	229,731	228,444	229,731	228,444
Fringe benefits tax	3,939	3,893	3,939	3,893
Company tax	87,846	94,844	87,625	94,532
Superannuation funds taxes	6,621	10,910	6,621	10,910
Resource rent taxes	921	1,202	921	1,202
Total income taxation revenue	329,058	339,293	328,837	338,981
Indirect taxation				
Sales taxes				
Goods and services tax	65,079	66,385	65,079	66,385
Wine equalisation tax	1,040	995	1,040	995
Luxury car tax	632	688	632	688
Total sales taxes	66,751	68,068	66,751	68,068
Excise duty revenue(a)	23,116	23,489	23,116	23,489
Customs duty revenue(a)	19,507	15,943	19,507	15,943
Other indirect taxation				
Major bank levy	1,639	1,566	1,639	1,566
Agricultural levies	469	563	469	563
Other taxes	6,778	7,281	6,778	7,281
Total other indirect taxation revenue	8,886	9,410	8,886	9,410
Mirror taxes	593	607	593	607
less Transfers to States in relation to mirror tax revenue	(593)	(607)	(593)	(607)
Mirror tax revenue	-	-	-	-
Total indirect taxation revenue	118,260	116,910	118,260	116,910
Total taxation revenue	447,318	456,203	447,097	455,891

(a) The 2019-20 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 comprise 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 and estimated 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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Revenue from contracts with customers				
Sales of goods	1,324	1,306	4,430	4,538
Rendering of services	11,424	9,545	24,240	21,436
Fees from regulatory services(a)	425	-	425	-
Total revenue from contracts with customers	13,173	10,851	29,095	25,974
Rental income(b)				
Operating lease(c)	386	380	456	441
Total rental income	386	380	456	441
Other fees and charges				
Rendering of services(a)	354	-	578	-
Other fees from regulatory services	876	1,257	876	1,257
Total other fees and charges	1,230	1,257	1,454	1,257
Total sales of goods and services	14,789	12,488	31,005	27,672

(a) The Australian Government has applied AASB 15 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 118.

(b) The Australian Government has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

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

Disaggregation of revenue from contracts with customers

	General Government	Australian Government
	2020 \$m	2020 \$m
Function of government		
Transport and Communications	59	12,577
Social Security and Welfare	8,064	8,064
Fuel and Energy	2	2,708
General Public Services	923	1,383
Other Economic Affairs	800	942
Health	691	744
Other	2,634	2,677
	13,173	29,095

Sale of goods

Revenue from the generation and sale of electricity by Snowy Hydro Limited (SHL) currently accounts for some 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 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 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 2020.

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 lease receipts, showing the undiscounted lease payments to be received after the reporting date.

Maturity analysis of operating lease income receivables:	General Government		Australian Government	
	2020		2020	
	\$m		\$m	
Within 1 year	53		104	
One to two years	40		87	
Two to three years	34		74	
Three to four years	33		60	
Four to five years	27		41	
More than 5 years	141		185	
Total undiscounted lease payments receivable	328		551	

Note 2C: Interest and dividend income

	General Government		Australian Government	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Interest from other governments				
State and territory debt	33	56	33	56
Housing agreements	87	98	87	98
General purpose advances	-	-	173	112
Total interest from other governments	120	154	293	266
Interest from other sources				
Indexation of HELP receivable and other student loans	797	645	797	645
Securities	1,051	1,253	1,066	1,278
Advances, deposits and other	1,721	2,403	2,760	3,837
Total interest from other sources	3,569	4,301	4,623	5,760
Total interest	3,689	4,455	4,916	6,026
Dividends				
Dividends from other public sector entities	2,877	1,915	-	-
Other dividends	5,489	7,707	5,558	7,797
Total dividends	8,366	9,622	5,558	7,797
Total interest and dividend income	12,055	14,077	10,474	13,823

Interest and dividend income

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

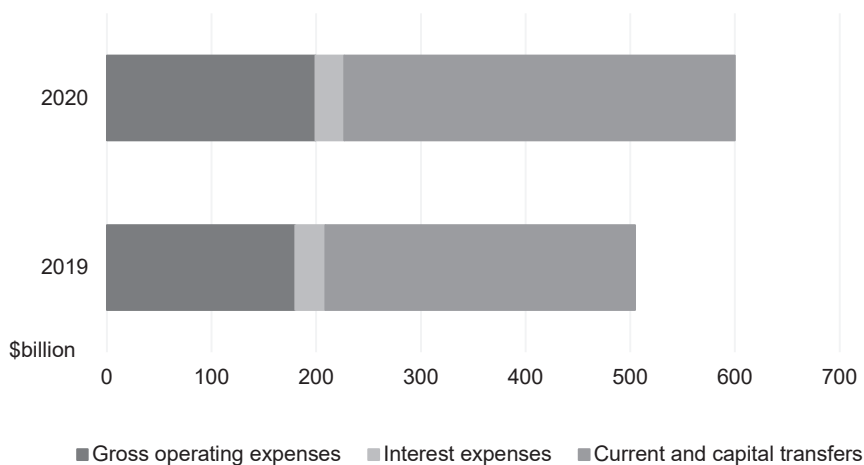
Note 2D: Other sources of non-taxation revenue

	General Government		Australian Government	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Royalties	992	1,432	992	1,432
Seigniorage	57	62	57	62
Child support payments	1,715	1,657	1,715	1,657
Loan fees	98	174	98	174
PBS drug recoveries	2,785	2,242	2,785	2,242
Contributions in-kind from state and territory governments	1,507	1,259	1,507	1,259
Other	4,754	3,794	4,583	3,609
Total other sources of non-taxation revenue	11,908	10,620	11,737	10,435

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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Wages and salaries expenses	20,721	19,775	25,482	24,337
Other operating expenses				
Leave and other entitlements	3,217	3,312	3,783	3,934
Separations and redundancies	213	243	273	313
Workers compensation premiums and claims	2,556	1,866	2,618	1,917
Allowances, FBT and other	2,526	2,442	2,612	2,532
Total other operating expenses	8,512	7,863	9,286	8,696
Superannuation expenses				
Superannuation	12,247	9,136	12,865	9,695
Superannuation interest	7,673	9,444	7,673	9,444
Total superannuation expenses	19,920	18,580	20,538	19,139
Total employee and superannuation expenses(a)	49,153	46,218	55,306	52,172

(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	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Depreciation				
Specialist military equipment	4,615	4,620	4,615	4,620
Buildings	3,962	1,486	4,416	1,646
Other plant, equipment and infrastructure	2,067	1,653	5,673	4,333
Heritage and cultural assets	75	78	75	78
Land	5	-	12	-
Total depreciation	10,724	7,837	14,791	10,677
Amortisation				
Assets held under finance leases	-	66	-	360
Computer software	1,042	1,110	1,595	1,629
Other intangibles	64	93	153	181
Total amortisation	1,106	1,269	1,748	2,170
<i>add back</i> Amortisation of non-produced assets	(64)	(93)	(153)	(181)
Total depreciation and amortisation expense(a)	11,766	9,013	16,386	12,666

(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.

	2020	2019
Buildings	1-200 years	1-200 years
Specialist military equipment	2-52 years	1-50 years
Other plant, equipment and infrastructure	1-480 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:

	2020	2019
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	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Supply of goods and services	31,482	29,154	39,353	37,385
Use of inventory	2,855	2,743	3,208	3,094
Health care payments	5,689	4,686	5,691	4,688
Benefits to households in goods and services	81,926	71,884	81,928	71,886
Operating lease rental expenses(a)	-	2,637	-	2,983
Short-term leases	248	-	1,177	-
Low-value leases	6	-	56	-
Variable lease payments	4	-	5	-
Other	3,245	4,084	3,756	4,496
Total payment for supply of goods and services	125,455	115,188	135,174	124,532

(a) The Australian Government has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

The above lease disclosures should be read in conjunction with the accompanying Notes 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 (2020: \$38 million; 2019: \$146 million) and facilities and diplomatic land subleased by the National Capital Authority in Canberra (2020: \$65 million; 2019: \$67 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	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Interest on debt				
Government securities	16,742	17,088	16,742	17,088
Taxation overpayments	119	113	119	113
Exchange settlement funds	-	-	205	412
Other	59	84	294	364
Total interest on debt	16,920	17,285	17,360	17,977
Other financing costs				
Discount on concessional instruments	657	322	731	364
Unwinding of provisions and other	522	367	528	373
Finance charges for leases(a)	-	104	-	761
Interest on lease liabilities	364	-	1,238	-
Total other financing costs	1,543	793	2,497	1,498
Total interest expense	18,463	18,078	19,857	19,475

(a) The Australian Government has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

The above lease disclosures should be read in conjunction with the accompanying Notes 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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Current grants expense				
State and territory governments(a)	118,096	117,727	118,096	117,727
Private sector	10,500	9,857	10,500	9,857
Overseas	3,916	3,803	3,916	3,803
Non-profit organisations	5,652	5,330	5,652	5,330
Multi-jurisdictional sector	10,391	10,220	10,391	10,220
Other	1,244	1,045	1,214	1,019
Total current grants expense	149,799	147,982	149,769	147,956
Capital grants expense				
Mutually agreed write-downs	3,114	1,243	3,114	1,243
<i>Other capital grants expense</i>				
State and territory governments(a)	7,064	8,768	7,064	8,768
Local governments	634	436	634	436
Non-profit organisations	627	550	627	550
Private sector	52	85	52	85
Other	191	116	32	9
<i>Total other capital grants expense</i>	<i>8,568</i>	<i>9,955</i>	<i>8,409</i>	<i>9,848</i>
Total capital grants expense	11,682	11,198	11,523	11,091
Total grants expense	161,481	159,180	161,292	159,047

- (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 2019-20 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

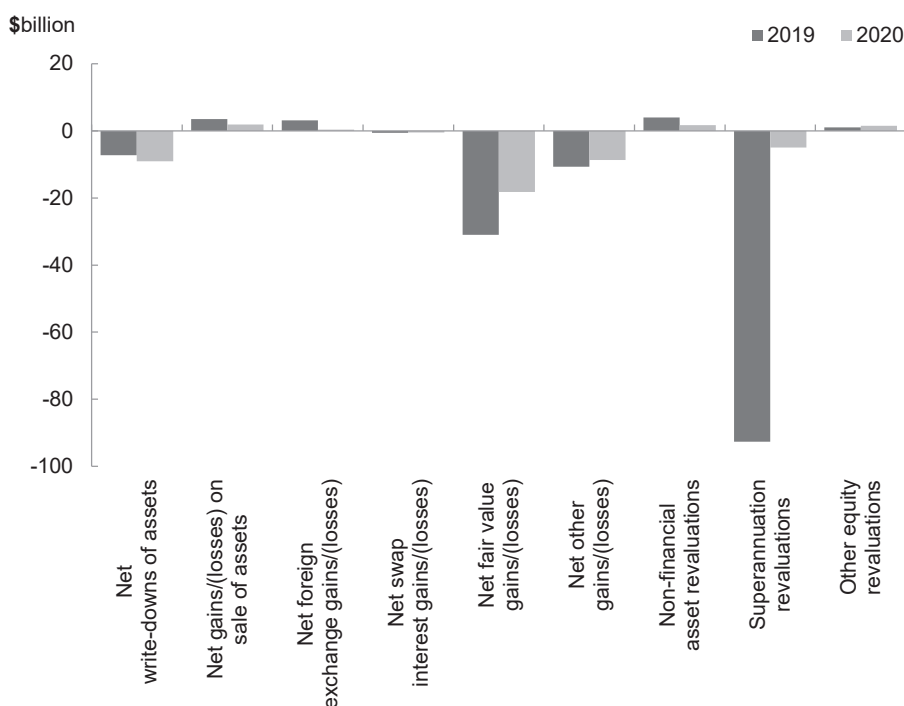
	General Government		Australian Government	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
General public services	29,464	26,518	30,142	27,484
Defence	33,213	30,759	33,271	30,799
Public order and safety	6,388	5,774	6,238	5,770
Education	39,885	34,578	39,885	34,578
Health	87,023	80,196	87,185	80,322
Social security and welfare	196,231	169,896	196,053	169,715
Housing and community amenities	5,332	5,014	5,424	5,065
Recreation and culture	3,971	3,982	3,970	3,982
Fuel and energy	7,892	7,698	10,553	10,264
Agriculture, forestry and fishing	2,584	2,611	2,584	2,611
Mining, manufacturing and construction	2,819	2,505	2,910	2,609
Transport and communication	7,321	8,125	24,961	24,412
Other economic affairs	65,494	9,714	65,727	9,839
Other purposes	91,056	97,132	91,060	97,129
Total expenses	578,673	484,502	599,963	504,579

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	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Financial assets				
Receivables – impairment gain or loss				
Taxes due	6,745	5,558	6,745	5,558
Receivables from contracts with customers	142	122	193	152
Other	717	103	737	105
Total financial write-down and impairment	7,604	5,783	7,675	5,815
Non-financial assets				
Inventories	303	402	311	407
Land	2	31	8	31
Buildings	91	45	91	112
Specialist military equipment	(7)	322	(7)	322
Other infrastructure, plant and equipment	113	39	892	581
Heritage and cultural assets	1	1	1	1
Intangibles	118	21	130	33
Net write-down, impairment and fair value losses arising from the revaluation of non-financial assets	621	861	1,426	1,487
Total net write-down and impairment of assets and fair value losses	8,225	6,644	9,101	7,302

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 2020. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. The recoverable amount of an asset is the higher of its fair value less 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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Financial assets				
Net gains/(losses) from sale of investments	1,933	3,348	1,713	3,495
Non-financial assets				
Proceeds from sale of non-financial assets	1,320	187	1,406	419
less selling costs	(34)	(13)	(49)	(13)
less written down value of assets sold	(1,143)	(197)	(1,218)	(373)
Net gains/(losses) - non-financial assets	143	(23)	139	33
Net gains/(losses) from sale of assets	2,076	3,325	1,852	3,528
add back selling costs included in expenses	34	13	49	13
Net gains/(losses) from sale of assets in other economic flows	2,110	3,338	1,901	3,541

Note 4C: Other gains/(losses)

	General Government		Australian Government	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Foreign exchange				
Net foreign exchange gains/(losses)	(949)	(41)	358	3,129
Net foreign exchange gains/(losses)	(949)	(41)	358	3,129
Interest on derivatives				
Net swap interest revenue	4,235	2,182	4,321	2,284
Net swap interest expense	(4,798)	(2,804)	(4,857)	(2,888)
Net interest on derivatives	(563)	(622)	(536)	(604)
Fair value through profit or loss				
Net fair value losses - financial instruments	(18,005)	(31,128)	(18,204)	(31,040)
Net fair value gains/(losses) - investment properties	1	1	(3)	12
Net fair value gains/(losses)	(18,004)	(31,127)	(18,207)	(31,028)
Other				
Net repurchase premia	(399)	(896)	(399)	(896)
Net actuarial gains/(losses)	(7,962)	(10,103)	(8,314)	(10,453)
Amortisation of non-produced assets	(64)	(93)	(153)	(181)
Net result from associates and joint ventures	(34)	151	(24)	165
Other	246	620	241	670
Net other gains/(losses)	(8,213)	(10,321)	(8,649)	(10,695)
Total other gains/(losses)	(27,729)	(42,111)	(27,034)	(39,198)

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)

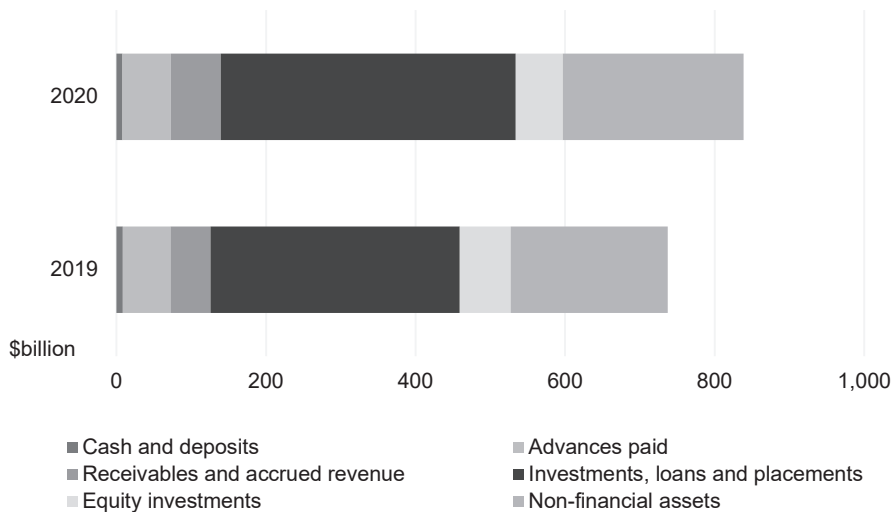
Other gains/(losses) include:

- the actuarial revaluation of provisions, other than superannuation;
- the amortisation of intangible 'non-produced' assets such as goodwill and purchased trademarks;
- net purchase 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 Universal 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:

AASB 9 Financial Instruments			Statutory receivables, gold holdings and equity accounted investments
Amortised cost	Fair value through other comprehensive income (FVOCI)	Financial assets at fair value through profit or loss (FVTPL)	
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 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:

Financial asset category	Recognition and measurement of impairment loss
Financial assets held at amortised cost: Contractual	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. 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. 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 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'.

Financial asset category	Recognition and measurement of impairment loss
Statutory receivables	<p>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.</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 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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
ADVANCES PAID				
Loans to state and territory governments	2,473	3,604	2,473	3,604
Student loans	52,377	51,688	52,377	51,688
Other	27,500	20,366	10,241	8,891
less Impairment allowance(a)	(307)	(264)	(307)	(265)
Total advances paid	82,043	75,394	64,784	63,918
OTHER RECEIVABLES				
Taxes receivable				
Taxes receivable	61,249	47,075	61,306	47,163
less Impairment allowance	(20,758)	(15,614)	(20,758)	(15,614)
less Credit amendment allowance	(4,463)	(5,092)	(4,463)	(5,092)
Net taxes receivable	36,028	26,369	36,085	26,457
Personal benefits recoverable				
Recoveries of benefit payments	5,845	5,594	5,845	5,594
less Impairment allowance	(2,447)	(1,958)	(2,447)	(1,958)
Net personal benefits recoverable	3,398	3,636	3,398	3,636
Goods and services and other				
Goods and services receivable	2,117	1,325	3,817	3,003
Other receivables	13,714	7,868	11,495	6,398
less Impairment allowance	(759)	(912)	(855)	(959)
Net goods and services and other	15,072	8,281	14,457	8,442
Total other receivables	54,498	38,286	53,940	38,535
ACCRUED REVENUE				
Accrued taxation revenue	11,856	13,702	11,856	13,702
Other accrued revenue	678	782	884	942
Total accrued revenue	12,534	14,484	12,740	14,644
Other receivables and accrued revenue	67,032	52,770	66,680	53,179
Total advances paid and receivables	149,075	128,164	131,464	117,097
By maturity:				
No more than 12 months	58,185	49,383	57,471	50,349
More than 12 months	90,890	78,781	73,993	66,748
Total by maturity	149,075	128,164	131,464	117,097
By category of financial assets				
Amortised cost	42,471	31,353	22,703	18,537
<i>Fair value:</i>				
Fair value through profit and loss	52,473	51,815	54,563	53,476
Statutory and other	54,131	44,996	54,198	45,084
Total by category of financial asset	149,075	128,164	131,464	117,097

- (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 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.

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^(a)

	General Government		Australian Government	
	Goods and		Goods and	
	Advances and loans \$m	services and other \$m	Advances and loans \$m	services and other \$m
Opening balance at 1 July 2018	(226)	(990)	(227)	(1,032)
less Amounts written off	(22)	(146)	(22)	(168)
less Amounts recovered and reversed	1	(2)	1	(2)
plus Increase/decrease recognised in operating result	(50)	(70)	(50)	(97)
plus Other movement	(9)	-	(9)	-
Closing balance at 30 June 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)	-
Closing balance at 30 June 2020	(307)	(759)	(307)	(855)

(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 \$58,596 million at 30 June 2020 (2019: \$63,312 million) and no collateral is held. The following table shows the changes in the fair value of HELP loans due to credit risk.

	2020 \$m	2019 \$m
Fair value changes (decreases) due to credit risk:		
During the period	1,067	1,021
Prior periods (cumulative)	15,908	14,705
Cumulative change	16,975	15,726

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 \$22 million sold and contracted for purchase under repurchase agreements (2019: \$350 million). Indigenous Business Australia holds collateral in the form of personal guarantees or security against home and business loans of \$995 million at 30 June 2020 (2019: \$942 million). In addition, the Future Fund received collateral of \$1,409 million at 30 June 2020 (2019: \$426 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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Advances paid and receivables at fair value				
Level 2	47	93	888	454
Level 3	52,426	51,722	53,675	53,022
Total fair value	52,473	51,815	54,563	53,476

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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Level 3 advances paid and receivables				
Opening balance at 1 July	51,722	40,613	53,022	41,838
Purchases/payments	7,066	6,975	7,428	7,224
Sales/repayments	(3,916)	(3,362)	(4,331)	(3,593)
Gains/(losses) recognised in the operating result	(2,445)	7,338	(2,443)	7,396
Transfers in/(out) of Level 3	(1)	158	(1)	157
Total fair value	52,426	51,722	53,675	53,022

Note 5B: Investments, loans and placements

	General Government		Australian Government	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Gold	-	-	6,614	5,158
Deposits	75,757	34,684	23,205	33,561
Government securities(a)	-	-	187,944	130,776
Residential mortgage backed securities	1,815	-	1,815	-
International Monetary Fund quota	13,214	13,028	19,565	19,198
Defined benefit superannuation plan assets	-	-	235	566
Collective investment vehicles	76,334	76,567	76,334	76,567
Other interest bearing securities	57,069	48,753	57,807	49,717
Other	19,269	14,990	20,794	18,011
Total investments, loans and placements	243,458	188,022	394,313	333,554
By category of financial assets				
Amortised cost	85,398	43,389	174,709	127,406
<i>Fair value:</i>				
Fair value through profit and loss	144,493	131,225	199,188	186,965
Fair value through other comprehensive income	13,495	13,319	13,496	13,320
Other(b)	72	89	6,920	5,863
Total by category of financial asset	243,458	188,022	394,313	333,554

(a) 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.

(b) 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 IMF. The investment is denominated in special drawing rights (SDR) and is valued at the Australian dollar equivalent. SDR is an international type of monetary reserve made up of a basket of national currencies created by the IMF. The fair value in the investment in the IMF quota is classified as FVOCI. The IMF quota 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	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Investments, loans and placements at fair value				
Level 1	7,941	5,955	60,425	59,531
Level 2	58,353	46,182	66,775	53,288
Level 3	91,694	92,407	92,098	92,624
Total fair value(a)	157,988	144,544	219,298	205,443

(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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Level 3 investments, loans and placements				
Opening balance at 1 July	92,407	82,819	92,624	83,160
Purchases/payments	23,221	19,907	23,320	19,992
Sales/repayments	(21,254)	(15,197)	(21,339)	(15,335)
Gains/(losses) recognised in the operating result	(2,827)	4,957	(2,654)	4,971
Gains/(losses) recognised in equity	182	(1)	182	(1)
Transfers in/(out) of Level 3	(35)	(78)	(35)	(163)
Total fair value	91,694	92,407	92,098	92,624

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	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Investments in private funds and corporations	58,716	63,644	59,401	64,191
Investment in public corporations	63,179	57,243	-	-
Equity accounted investments	3,454	3,557	3,642	3,728
Total equity investments	125,349	124,444	63,043	67,919
By category of financial assets				
<i>Fair value:</i>				
Fair value through profit and loss	53,431	59,191	53,594	59,262
Fair value through other comprehensive income	68,464	61,696	5,807	4,929
Other	3,454	3,557	3,642	3,728
Total by category of financial asset	125,349	124,444	63,043	67,919

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	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Equity investments at fair value				
Level 1	52,608	57,963	52,608	57,963
Level 2	878	754	878	763
Level 3	68,409	62,170	5,915	5,465
Total fair value	121,895	120,887	59,401	64,191

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	Foreign exchange rates
	Net assets of entities	Net assets of entities
Investment in public corporations	Net assets of entities	Net assets of entities
	Discounted cash flow	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 was valued at \$2,593 million at 30 June 2020 (2019: \$2,225 million): The discounted cash flow valuation incorporates cash flow forecasts underpinning Australia Post's 2021-24 Corporate Plan, extrapolated to 30 June 2026 and an estimated terminal value beyond 30 June 2026. The cash flows are discounted using a weighted average cost of capital (WACC) of 7.75 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 being equal, a WACC in the range of 7.5 per cent to 8.5 per cent resulted in a calculated fair value in the range of \$2,210 million to \$2,720 million.

- Australian Rail Track Corporation (ARTC) was valued at \$2,918 million at 30 June 2020 (2019: \$3,292 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 2020.
- nbn Co Limited (nbn Co) was valued at \$13,768 million at 30 June 2020. The investment in nbn Co was previously based on using its adjusted net asset position (\$8,738 million at 30 June 2019) while construction of the National Broadband Network (NBN) was in progress. As construction of the NBN was largely complete by 30 June 2020, the GGS investment in nbn Co is now 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 10.49 per cent.

The discounted cash flow valuation indicated a range between \$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 being equal, a discount rate in the range of 9.99 per cent to 10.99 per cent resulted in a calculated fair value in the range of \$12,500 million to \$15,300 million.

- Snowy Hydro Limited (SHL) was valued at \$10,250 million at 30 June 2020 (2019: \$10,500 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.

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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Level 3 equity investments				
Opening balance at 1 July	62,170	52,295	5,465	4,335
Purchases/Payments	2,505	2,330	2,560	2,370
Sales/Repayments	(285)	(55)	(285)	(55)
Gains/(losses) recognised in the operating result	(299)	419	(261)	430
Gains/(losses) recognised in equity	4,561	273	(1,321)	(1,609)
Transfers in/(out) of level 3(a)	(243)	6,908	(243)	(6)
Total fair value	68,409	62,170	5,915	5,465

- (a) In 2018-19, the General Government Sector investment in Snowy Hydro Limited (SHL) was transferred from Level 2 into Level 3 of the fair value hierarchy with fair value based on discounted cash flows.

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

General Government Item	Specialist						Heritage and cultural assets		Investment property		Computer software		Other intangibles		Total \$m
	Land \$m	Buildings \$m	Specialist military equipment \$m	Other plant, equipment and infrastructure \$m	Fair value \$m	Fair value \$m	Fair value \$m	Fair value \$m	Fair value \$m	Fair value \$m	Cost \$m	Cost \$m	Cost \$m	Cost \$m	
Measurement basis	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Cost	Cost	Cost	Cost	
Net book value at 30 June 2020															
Gross book value	11,723	49,480	73,780	21,523	12,059	209	12,117	4,793	185,684						
Accumulated depreciation/amortisation	(5)	(6,094)	(2,062)	(4,141)	(81)	-	(7,468)	(354)	(20,205)						
Net book value at 30 June 2020	11,718	43,386	71,718	17,382	11,978	209	4,649	4,439	165,479						
Carrying amount of right-of-use assets(a)	159	17,394	292	1,804	-	-	-	-	19,649						
Assets at fair value by level of the fair value hierarchy:															
Level 2	9,091	3,196	-	1,158	1,741	209	-	-	15,395						
Level 3	2,468	22,796	71,426	14,420	10,237	-	-	-	121,347						
Fair value at 30 June 2020	11,559	25,992	71,426	15,578	11,978	209	-	-	136,742						
Net book value at 30 June 2019(b)															
Gross book value	11,833	30,796	69,253	19,135	11,799	160	11,421	4,814	159,211						
Accumulated depreciation/amortisation	-	(3,501)	(2,671)	(3,799)	(103)	-	(6,979)	(505)	(17,558)						
Net book value at 30 June 2019	11,833	27,295	66,582	15,336	11,696	160	4,442	4,309	141,653						
Assets at fair value by level of the fair value hierarchy:															
Level 2	10,303	3,441	-	996	7,674	160	-	-	22,574						
Level 3	1,530	23,854	66,582	14,340	4,022	-	-	-	110,328						
Fair value at 30 June 2019	11,833	27,295	66,582	15,336	11,696	160	-	-	132,902						
(a) Fair value excludes right-of-use assets which are held at cost.															
(b) The Australian Government has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.															

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

Australian Government										
Item	Land \$m	Buildings \$m	Specialist equipment \$m	Other plant, infrastructure \$m	Heritage and cultural assets \$m	Investment property \$m	Computer software \$m	Other intangibles \$m	Total \$m	
Net book value at 1 July 2018	13,316	29,096	62,164	54,636	11,620	341	6,403	5,164	182,740	
Additions:										
Purchases and entity acquisitions	261	2,096	8,592	9,524	54	20	448	595	21,590	
Acquisition by finance lease	-	3	-	1,103	-	-	-	-	1,106	
Internally developed	-	-	-	-	-	-	1,420	-	1,420	
Revaluations	307	841	1,179	1,685	34	14	-	5	4,065	
Depreciation/amortisation expense(a)	-	(1,705)	(4,620)	(4,634)	(78)	-	(1,629)	(181)	(12,847)	
Recoverable amount write-downs	(33)	(124)	(484)	(599)	(2)	-	(69)	(35)	(1,346)	
Reversal of write-downs	-	15	161	30	-	-	1	66	273	
Other movements	(189)	(129)	(357)	(494)	69	(21)	305	218	(598)	
Disposals	(35)	(48)	(53)	(50)	(1)	(14)	1	-	(200)	
As at 30 June 2019	13,627	30,045	66,582	61,201	11,696	340	6,880	5,832	196,203	
Recognition of right-of-use assets on initial application of AASB 16	175	18,954	-	3,219	-	-	-	-	22,348	
Adjusted total as at 1 July 2019	13,802	48,999	66,582	64,420	11,696	340	6,880	5,832	218,551	
Additions:										
Purchases and entity acquisitions	87	1,714	8,720	9,044	76	43	679	370	20,733	
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)	-	(1,756)	(4,584)	(4,869)	(75)	-	(1,595)	(153)	(13,032)	
Depreciation of right-of-use assets	(12)	(2,660)	(31)	(804)	-	-	-	-	(3,507)	
Recoverable amount write-downs	(8)	(92)	(217)	(906)	(1)	-	(123)	(54)	(1,401)	
Recoverable amount write-downs of right-of-use assets	-	(31)	-	-	-	-	-	-	(31)	
Reversal of write-downs	-	1	224	25	-	-	-	37	287	
Reclassifications of finance leased assets	(88)	(980)	(323)	(7,058)	-	-	-	-	(8,449)	
Reclassifications to right-of-use assets	88	980	323	7,058	-	-	-	-	8,449	
Other movements	124	(70)	92	(82)	71	1	23	7	166	
Other movements of right-of-use assets	(1)	(151)	-	(24)	-	-	-	-	(176)	
Disposals	(93)	(55)	(26)	(198)	-	(12)	(3)	(852)	(1,239)	
As at 30 June 2020	13,621	47,471	71,718	67,861	11,978	369	7,039	6,042	226,099	
Carrying amount of right-of-use assets	250	18,828	292	10,512	-	-	-	-	29,882	

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

General 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	
Net book value at 1 July 2018	11,598	26,345	62,164	15,480	11,620	173	4,006	3,885	135,271	
Additions:										
Purchases and entity acquisitions	255	1,907	8,592	2,061	54	19	371	483	13,742	
Acquisition by finance lease	-	3	-	3	-	-	-	-	6	
Internally developed	-	-	-	-	-	-	939	-	939	
Revaluations	208	553	1,179	31	34	3	-	5	2,013	
Depreciation/amortisation expense(a)	-	(1,545)	(4,620)	(1,660)	(78)	-	(1,110)	(93)	(9,106)	
Recoverable amount write-downs	(33)	(57)	(484)	(61)	(2)	-	(61)	(35)	(733)	
Reversal of write-downs	-	15	161	30	-	-	1	66	273	
Other movements	(186)	93	(357)	(507)	69	(21)	294	(2)	(617)	
Disposals	(9)	(19)	(53)	(41)	(1)	(14)	2	-	(135)	
As at 30 June 2019	11,833	27,295	66,582	15,336	11,696	160	4,442	4,309	141,653	
Recognition of right-of-use assets on initial application of AASB 16	77	17,529	-	1,708	-	-	-	-	19,314	
Adjusted total as at 1 July 2019	11,910	44,824	66,582	17,044	11,696	160	4,442	4,309	160,967	
Additions:										
Purchases and entity acquisitions	85	1,580	8,720	2,235	76	42	565	193	13,496	
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)	-	(1,588)	(4,584)	(1,719)	(75)	-	(1,042)	(64)	(9,072)	
Depreciation of right-of-use assets	(5)	(2,374)	(31)	(348)	-	-	-	-	(2,758)	
Recoverable amount write-downs	(2)	(92)	(217)	(127)	(1)	-	(121)	(44)	(604)	
Recoverable amount write-downs of right-of-use assets	-	(30)	-	-	-	-	-	-	(30)	
Reversal of write-downs	-	1	224	25	-	-	-	37	287	
Reclassifications of finance leased assets	(88)	(980)	(323)	(290)	-	-	-	-	(1,681)	
Reclassifications to right-of-use assets	88	980	323	290	-	-	-	-	1,681	
Other movements	113	(140)	92	34	71	6	(14)	5	167	
Other movements of right-of-use assets	(1)	(148)	-	3	-	-	-	-	(146)	
Disposals	(90)	(22)	(26)	(29)	-	-	(3)	(852)	(1,022)	
As at 30 June 2020	11,718	43,386	71,718	17,382	11,978	209	4,649	4,439	165,479	
Carrying amount of right-of-use assets	159	17,394	292	1,804	-	-	-	-	19,649	

(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. 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.

On initial adoption of AASB 16, the Australian Government has adjusted the right-of-use assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. Following initial application, an impairment review is undertaken for any right-of-use lease asset that shows indicators of impairment and an impairment loss is recognised against any right-of-use lease asset that is impaired. Right-of-use assets continue to be measured at cost after initial recognition.

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 Income approach	Market transactions Future cash flows
	3	Market approach Income approach	Adjusted market transactions Future cash flows
Buildings	2	Market approach Income approach Cost approach	Market transactions Future cash flows Replacement cost of new assets
	3	Market approach Income approach Cost approach	Adjusted market transactions Future cash flows Replacement cost of new assets Consumed economic benefit
Specialist military equipment	3	Market approach Cost approach	Adjusted market transactions Replacement cost of new assets Consumed economic benefit
Other plant, equipment and infrastructure (Other IPE)	2	Market approach Cost approach	Market transactions Replacement cost of new assets
	3	Market approach Income approach Cost approach	Adjusted market transactions Future cash flows Replacement cost of new assets Consumed economic benefit
Heritage and cultural assets	2	Market approach Cost approach	Market transactions Replacement cost of new assets
	3	Market approach Cost approach	Adjusted market transactions 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 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 \$3,520 million at 30 June 2020. 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 1.6 per cent to 3.6 per cent (2019: 2.8 per cent to 4.2 per cent). The nominal post-tax weighted average cost of capital has been estimated in the range of 5.1 per cent to 6.4 per cent (2019: 5.8 per cent to 7.1 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			
	2020		2019	
	+	-	+	-
	\$m	\$m	\$m	\$m
Annual revenue (1% revenue movement p.a.)	128	(128)	136	(136)
Discount rate (+/- 100bps movement)	(640)	946	(516)	1,104

Electricity generation assets and related retail assets were valued at \$9,303 million at 30 June 2020 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 5.4 per cent to 6.9 per cent, with an adopted rate of 6.1 per cent (2019: 6.5 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 \$34,815 million at 30 June 2020 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 \$m	Buildings \$m	Specialist military equipment \$m	Other IPE \$m	Heritage & cultural assets \$m		Land \$m	Buildings \$m	Specialist military equipment \$m	Other IPE \$m	Heritage & cultural assets \$m	
Level 3 fair value at 1 July 2018	1,460	22,927	62,020	14,344	3,979		1,838	24,747	62,020	52,624	3,979	
Additions	6	1,760	8,592	1,775	33		6	1,862	8,592	9,469	33	
Disposals	-	(13)	(385)	(25)	(1)		(17)	(14)	(385)	(39)	(1)	
Gains/(losses) recognised in the operating result	(1)	(1,347)	(4,824)	(1,001)	(46)		(1)	(1,503)	(4,824)	(4,413)	(46)	
Gains/(losses) recognised in equity	23	331	1,179	(686)	21		37	498	1,179	874	21	
Transfers in/(out) of level 3	42	196	-	(67)	36		(8)	(87)	-	(122)	36	
As at 30 June 2019	1,530	23,854	66,582	14,340	4,022		1,855	25,503	66,582	58,393	4,022	
Additions	8	1,394	8,720	1,192	62		8	1,620	8,720	7,030	62	
Disposals	(5)	(1)	(26)	(19)	(1)		(5)	(135)	(26)	(29)	(1)	
Gains/(losses) recognised in the operating result	(18)	(1,428)	(4,485)	(1,148)	(60)		(17)	(1,587)	(4,485)	(4,987)	(60)	
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	
As at 30 June 2020	2,468	22,796	71,426	14,420	10,237		2,815	24,070	71,426	53,811	10,237	

(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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Capital commitments				
Buildings	1,502	1,543	1,829	2,118
Specialist military equipment	24,416	22,860	24,416	22,860
Other plant, equipment and intangibles	1,622	904	9,591	11,850
Total capital commitments	27,540	25,307	35,836	36,828

Assets under construction

Australian Government assets under construction include \$2,222 million (2019: \$1,729 million) in land and buildings, \$7,491 million (2019: \$14,091 million) in specialist military equipment and \$8,405 million (2019: \$7,318 million) in other plant, equipment and infrastructure (including computer software and intangibles).

GGs assets under construction include \$2,175 million (2019: \$1,728 million) in land and buildings, \$7,491 million (2019: \$14,091 million) in specialist military equipment and \$4,087 million (2019: \$2,728 million) in other plant, equipment and infrastructure (including computer software and intangibles).

Note 5E: Inventories

	General Government		Australian Government	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Inventories held for sale				
Finished goods(a)	729	686	835	810
Raw materials and stores	77	71	95	84
Work in progress	218	385	233	400
Total inventories held for sale	1,024	1,142	1,163	1,294
Consumable stores and inventories held for distribution	8,788	7,662	8,853	7,709
Total inventories	9,812	8,804	10,016	9,003

(a) Australian Government finished goods include \$242 million valued at net realisable value (2019: \$243 million). GGS finished goods include \$182 million valued at net realisable value (2019: \$193 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 \$3,264 million (2019: \$2,353 million) expected to be consumed or sold within the next 12 months. GGS inventories include \$3,059 million (2019: \$2,154 million) expected to be consumed or sold within the next 12 months.

Note 5F: Other non-financial assets

	General Government		Australian Government	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Biological assets	31	27	31	27
Assets held for sale	269	293	343	302
Prepayments	4,658	4,254	5,313	4,775
Other	37	35	37	35
Total other non-financial assets	4,995	4,609	5,724	5,139

Note 5G: Assets by function

	General Government		Australian Government	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
General public services	296,161	273,047	293,312	271,171
Defence	113,532	107,165	113,346	106,848
Public order and safety	6,368	3,382	6,368	3,382
Education	55,492	54,827	55,492	54,827
Health	5,770	2,467	5,788	2,461
Social security and welfare	11,154	9,696	10,874	9,411
Housing and community amenities	5,531	4,951	6,606	5,232
Recreation and culture	18,096	16,229	17,365	16,229
Fuel and energy	15,003	15,374	15,883	15,485
Agriculture, forestry and fishing	6,141	5,674	6,141	5,674
Mining, manufacturing and construction	1,070	653	2,697	2,638
Transport and communication	42,861	31,975	54,370	48,664
Other economic affairs	36,737	33,657	210,725	151,424
Other purposes(a)	93,705	45,416	39,673	43,941
Total assets	707,621	604,513	838,640	737,387

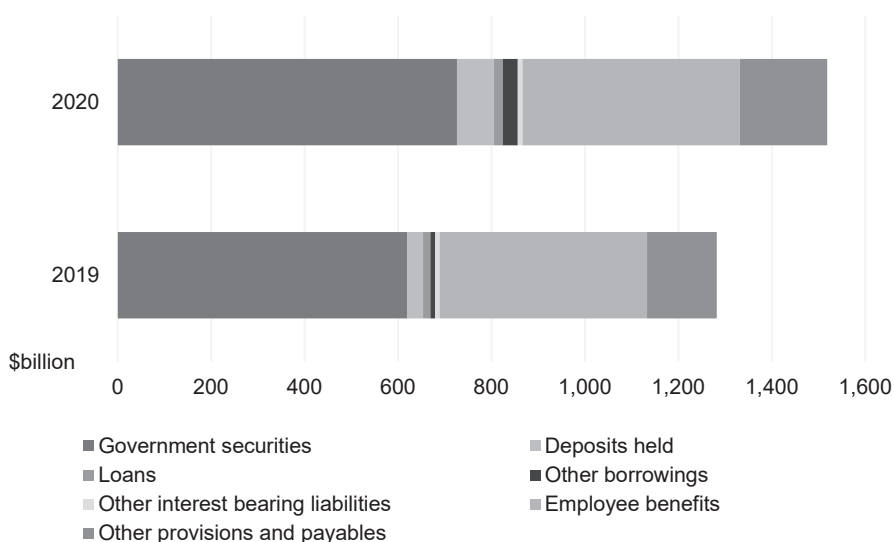
(a) Cash and deposits that are not allocated to other functions are included in the 'other purposes' function.

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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Exchange settlement funds	-	-	73,497	29,490
Drawing accounts held with the RBA	-	-	540	1,038
State governments	-	-	544	310
Monies held in trust	461	365	461	365
Foreign governments	-	-	3,389	2,328
Other	23	23	554	525
Total deposit liabilities	484	388	78,985	34,056

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	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Exposure to liquidity risk on deposits held				
On demand	459	363	78,857	33,311
1 year or less	-	-	103	720
1 to 5 years	25	25	25	25
Total	484	388	78,985	34,056

Note 6B: Government securities

	General Government		Australian Government	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Treasury bonds	614,878	566,662	614,624	566,408
Treasury notes	58,738	2,993	58,738	2,993
Treasury indexed bonds	52,500	49,812	52,500	49,812
Other(a)	58,857	6,901	6	6
Total government securities	784,973	626,368	725,868	619,219

(a) Includes 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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Exposure to liquidity risk on government securities				
1 year or less	125,099	55,535	110,119	48,087
1 to 5 years	249,726	230,511	228,366	229,618
5 to 10 years	292,421	251,918	264,982	250,948
10 to 15 years	98,547	78,549	98,547	78,549
More than 15 years	62,481	66,817	62,481	66,817
Total	828,274	683,330	764,495	674,019

The reported value of AGS is exposed to movements in market interest rates. Unrealised losses from the remeasurement of Government securities amounted to \$9,193 million in 2019-20, increasing the AGS liability (2019: unrealised losses \$43,550 million). Further detail on interest rate risk is provided in Note 9B.

Note 6C: Loans

	General Government		Australian Government	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Bills of exchange and promissory notes	10,051	9,988	11,342	11,033
Bonds (non-Treasury)	-	-	3,128	2,691
Loans	881	392	4,490	2,516
Total loans	10,932	10,380	18,960	16,240
By maturity:				
No more than 12 months	548	170	2,745	1,420
More than 12 months	10,384	10,210	16,215	14,820
Total by maturity	10,932	10,380	18,960	16,240
By category and valuation of financial liability:				
Amortised cost	10,932	10,380	16,206	13,469
Fair value:				
Level 2	-	-	2,727	2,724
Level 3	-	-	27	47
Total by category and valuation	10,932	10,380	18,960	16,240

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 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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Exposure to liquidity risk on loans				
On demand	-	11	3	19
1 year or less	633	277	4,610	2,057
1 to 5 years	576	428	3,628	3,513
More than 5 years	10,233	10,248	12,621	11,232
Total	11,442	10,964	20,862	16,821

Note 6D: Leases

	General Government		Australian Government	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Finance leases(a)	-	1,531	-	10,164
Lease liabilities	19,879	-	32,476	-
Total leases	19,879	1,531	32,476	10,164

(a) Australian Government entities have applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

Total cash outflows for leases for the year ended 30 June 2020 for the Australian Government amounted to \$4,945 million and \$2,885 million for the General Government Sector.

Maturity analysis – contractual undiscounted cash flows

	General Government		Australian Government	
	2020	2020	2020	2020
	\$m	\$m	\$m	\$m
Within 1 year	2,353		3,975	
Between 1 to 5 years	7,980		13,266	
More than 5 years	11,163		32,630	
Total leases	21,496		49,871	

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 networks 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	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Swap principal payable	1,120	650	2,365	1,922
Amounts outstanding under repurchase agreements	-	-	22	350
Special reserve - IMF special drawing rights	6,199	6,111	6,199	6,111
Finance lease incentives(a)	-	2	-	2
Other	-	-	1,463	1,084
Total other interest bearing liabilities	7,319	6,763	10,049	9,469
By category and valuation of financial liability:				
Amortised cost	6,199	6,112	7,710	7,548
Fair value:				
Level 1	22	2	92	153
Level 2	1,098	649	1,922	1,640
Level 3	-	-	325	128
Total by category and valuation	7,319	6,763	10,049	9,469

(a) The Australian Government has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

Objective

The IMF 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	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Exposure to liquidity risk on other debt				
1 year or less	1,120	652	3,084	2,801
1 to 5 years	-	-	500	377
More than 5 years	6,199	6,111	6,547	6,373
Total	7,319	6,763	10,131	9,551

Note 6F: Employee benefits

	General Government		Australian Government	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Total superannuation liability	430,105	415,286	431,077	416,046
Other employee liabilities				
Leave and other entitlements	9,513	8,633	11,035	10,075
Accrued salaries and wages	444	281	668	435
Workers compensation claims	2,029	2,026	2,253	2,229
Separations and redundancies	110	135	186	228
Military compensation	19,815	14,651	19,815	14,651
Other	351	364	468	472
Total other employee liabilities	32,262	26,090	34,425	28,090
Total employee and superannuation liabilities	462,367	441,376	465,502	444,136
Employee benefits maturity schedule(a):				
No more than 12 months	16,311	14,160	17,931	15,603
More than 12 months	446,056	427,216	447,571	428,533
Total employee benefits by maturity	462,367	441,376	465,502	444,136

(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 2020 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 2019-20 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 2020. A provision is also recognised under Note 6H for the hospital and other health care costs associated with treatment and was valued at \$14,302 million at 30 June 2020 (2019: \$8,649 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 2020. 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 2019-20 DVA annual report.

Note 6G: Other payables

	General Government		Australian Government	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Supplier payables				
Trade creditors and accrued expenses	6,055	6,028	9,334	9,334
Operating lease rental payable	10	523	10	523
Personal benefits - indirect	743	956	743	956
Other creditors	588	764	1,827	2,339
Total supplier payables	7,396	8,271	11,914	13,152
Total personal benefits payable - direct	4,670	2,994	4,670	2,994
Total subsidies payable	1,041	630	1,027	630
Grants payable				
State and territory governments	134	163	134	163
Private sector	608	761	608	761
Overseas	1,866	1,566	1,866	1,566
Other	239	252	251	260
Total grants payable	2,847	2,742	2,859	2,750
Other payables				
Unearned income	1,753	1,339	2,302	2,009
Other	1,708	2,165	1,725	2,245
Total other payables	3,461	3,504	4,027	4,254
Total payables	19,415	18,141	24,497	23,780
By category and valuation of financial liability:				
Amortised cost - statutory liability	5,711	3,078	5,711	3,078
Amortised cost	10,229	12,299	14,756	17,320
Fair value:				
Level 3	1,722	1,425	1,728	1,431
Unearned income	1,753	1,339	2,302	1,951
Total by category and valuation	19,415	18,141	24,497	23,780

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 payables is usually within 30 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.

Settlement of suppliers depends on the contractual terms but is generally less than 20 days (2019: 30 days).

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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Level 3 payables				
Opening balance at 1 July	1,425	1,683	1,431	1,689
Sales/repayments	(292)	(517)	(293)	(517)
Gains/(losses) recognised in the operating result	589	259	590	259
Total fair value	1,722	1,425	1,728	1,431

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 2020 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	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Exposure to other multilateral grants payable				
1 year or less	274	204	274	204
1 to 5 years	1,012	992	1,012	992
More than 5 years	436	229	436	229
Total	1,722	1,425	1,722	1,425

Note 6H: Other provisions

	General Government		Australian Government	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Australian currency on issue	-	-	90,102	80,024
Other provisions				
Grant provisions	9,050	8,738	9,050	8,738
Provision for outstanding benefits and claims	27,980	21,588	29,691	23,114
Provision for tax refunds	3,105	3,775	3,105	3,775
Provision for restoration, decommissioning and makegood	3,827	3,374	4,266	3,758
Subsidy provisions	23,689	4,074	23,689	4,074
Other	1,880	1,658	2,303	2,008
Total other provisions	69,531	43,207	72,104	45,467
Total provisions	69,531	43,207	162,206	125,491

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 in exchange funds equal to the full face value of the notes issued.

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
	2020	2020
	\$m	\$m
Balance of provisions at 1 July	43,207	125,491
Provisions made during the year	39,569	50,256
Provisions used during the year	(18,859)	(19,184)
Provisions remeasured, reversed or unwound during the year	5,614	5,643
Balance of provisions at 30 June	69,531	162,206

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

	General Government		Australian Government	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Financial assets				
Financial assets	(7)	163	1,495	1,009
Administered investments	4,822	1,090	25	75
Total financial assets	4,815	1,253	1,520	1,084
Non-financial assets				
Land	(292)	210	(278)	309
Buildings	(62)	551	(164)	839
Specialist military equipment	958	1,179	958	1,179
Other plant, equipment and infrastructure	113	38	192	1,695
Heritage and cultural assets	211	33	211	33
Provision for restoration, decommissioning and makegood	(30)	(117)	(30)	(117)
Intangibles	855	5	855	5
Total non-financial assets	1,753	1,899	1,744	3,943
Total revaluation increases/(decreases) in other comprehensive income	6,568	3,152	3,264	5,027

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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Net operating balance	(92,603)	8,886	(99,650)	3,242
<i>less</i> Revenues not providing cash				
Other non-cash revenues	1,645	2,938	1,649	3,102
Total revenues not providing cash	1,645	2,938	1,649	3,102
<i>plus</i> Expenses not requiring cash				
Increase in employee entitlements	8,413	6,734	8,088	6,378
Depreciation and amortisation expenses	11,766	9,013	16,386	12,668
Mutually agreed write-downs	3,114	1,243	3,114	1,243
Other non-cash expenses	1,837	1,074	1,922	1,918
Total expenses not requiring cash	25,130	18,064	29,510	22,207
<i>plus</i> Cash provided by working capital items				
(Increase)/decrease in receivables	(24,194)	(10,459)	(23,333)	(10,388)
(Increase)/decrease in inventories	(1,169)	(637)	(1,182)	(655)
(Increase)/decrease in other financial assets	1,360	694	1,623	1,342
(Increase)/decrease in other non-financial assets	(1,215)	(442)	(1,103)	(596)
Increase/(decrease) in benefits, subsidies and grants liabilities	23,587	247	23,578	255
Increase/(decrease) in supplier payables	(796)	1,561	(875)	1,938
Increase/(decrease) in other provisions and payables	4,691	6,448	4,545	7,007
Total cash provided/(used by) working capital items	2,264	(2,588)	3,253	(1,097)
equals Net cash from/(used by) operating activities	(66,854)	21,424	(68,536)	21,250

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), the pass-through of member superannuation payments 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 2018	Cash flows	Non-cash movements		Closing balance at 30 June 2019
			Acquisition	Other movements	
Australian currency on issue	75,565	4,459	-	-	80,024
Government securities	567,661	8,691	-	42,867	619,219
Loans	4,037	742	-	164	4,943
Other borrowings	8,817	(445)	1,107	685	10,164
Deposits held	33,841	(327)	-	542	34,056
Other	(7)	(6)	-	16	3
Total	689,914	13,114	1,107	44,274	748,409

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
Other borrowings	10,164	(2,525)	-	24,837	32,476
Deposits held	34,056	45,973	-	(1,044)	78,985
Other	3	35	-	(38)	-
Total	748,409	152,769	-	33,894	935,072

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

General Government Sector	Opening balance at 1 July 2018	Cash flows	Non-cash movements		Closing balance at 30 June 2019
			Acquisition	Other movements	
Australian currency on issue	-	-	-	-	-
Government securities	575,450	8,052	-	42,866	626,368
Loans	383	(465)	-	461	379
Other borrowings	1,535	(59)	6	50	1,532
Deposits held	381	5	-	2	388
Other	-	-	-	3	3
Total	577,749	7,533	6	43,382	628,670

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
Other borrowings	1,532	(2,360)	-	20,707	19,879
Deposits held	388	97	-	(1)	484
Other	3	2	-	(5)	-
Total	628,670	146,482	-	31,059	806,211

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 and 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 risks associated with them and describes 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 2019-20 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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Opening balance as at 1 July	42,162	39,021	43,061	40,261
Increases	2,777	2,628	3,043	2,771
Remeasurement	167	556	198	285
Liabilities crystallised	(18)	-	(18)	-
Expired	(13)	(43)	(493)	(256)
As at 30 June	45,075	42,162	45,791	43,061

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
<i>Terrorism related.</i> 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
<i>Medical indemnities.</i> 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
Garrison and welfare services and immigration detention services. 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
Small and Medium Enterprise Guarantee Scheme. 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
Officers and directors assisting the Commonwealth in relation to asset sales, reviews and other arrangements. 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
Financial Claims Scheme – Deposits. 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 2019, deposits eligible for coverage under the Financial Claims Scheme were approximately \$950 billion (31 December 2018: \$920 billion).	Treasury
Financial Claims Scheme – Insurance. 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 2019-20 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	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Opening balance as at 1 July	19,772	18,770	19,844	18,839
Remeasurement	428	1,002	429	1,005
As at 30 June	20,200	19,772	20,273	19,844

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	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
Opening balance as at 1 July	133	122	136	126
Increases	150	78	152	79
Remeasurement	146	-	146	(1)
Liabilities crystallised	(216)	(2)	(216)	(3)
Expired	(7)	(65)	(7)	(65)
As at 30 June	206	133	211	136

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.

The National Redress Scheme for *Institutional Child Sexual Abuse Act 2018* received royal assent on 23 May 2018 and commenced on 1 July 2018. The Scheme provides people who have experienced institutional child sexual abuse access to counselling and psychological services, a direct personal response from the responsible institution and a monetary payment. Costs associated with the Scheme are considered unquantifiable at this time.

On 2 June 2020, proceedings against the Australian Government for losses due to the temporary suspension of exports of live animals to Indonesia that was put in place on 7 June 2011 found in favour of the applicant and the Australian Government has decided not to appeal the decision. The quantum of any damages and the ongoing claims of class members are still matters before the Court.

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 Goongong 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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Opening balance as at 1 July	6,550	6,448	224,538	229,759
Increases	1,291	824	1,295	824
Remeasurement	41	274	(16,765)	(5,049)
Liabilities crystallised	-	(32)	-	(32)
Expired	(1,622)	(964)	(1,622)	(964)
As at 30 June	6,260	6,550	207,446	224,538

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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Opening balance as at 1 July	172	126	219	150
Increases	201	96	211	132
Remeasurement	166	59	168	57
Assets crystallised	(131)	(82)	(131)	(83)
Expired	(7)	(27)	(40)	(37)
As at 30 June	401	172	427	219

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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
FINANCIAL ASSETS				
Amortised cost				
Interest income	1,544	1,616	791	827
Net foreign exchange gain/(loss)	7	15	2	3
Write-down and impairment	(2,202)	(304)	(2,273)	(336)
Net gain/(loss)	(651)	1,327	(1,480)	494
Fair value through other comprehensive income				
Interest income	10	11	10	11
Dividend income	3,366	1,871	493	(22)
Net gain/(loss) on disposal	2	-	2	
Net foreign exchange gain/(loss)	175	622	175	622
Other gains/(losses)	17	-	17	-
Fair value movements in equity	4,815	1,253	1,520	1,084
Net gain/(loss)	8,385	3,757	2,217	1,695
Fair value through profit and loss				
Interest income	6,370	5,010	8,436	7,472
Net gain/(loss) on disposal	1,931	5,301	1,711	5,448
Dividend income	5,000	7,751	5,065	7,819
Net foreign exchange gain/(loss)	(352)	(840)	960	2,342
Write-down and impairment	-	(14)	-	(13)
Interest expenses	(83)	(191)	(85)	(189)
Other gains/(losses)	(8,824)	11,528	(9,026)	11,625
Net gain/(loss)	4,042	28,545	7,061	34,504

	General Government		Australian Government	
	2020	2019	2020	2019
	\$m	\$m	\$m	\$m
FINANCIAL LIABILITIES				
Fair value through profit and loss				
Interest expense	(22,287)	(20,787)	(22,162)	(20,359)
Net foreign exchange gain/(loss)	-	(3)	-	(3)
Other gains/(losses)	(9,197)	(43,734)	(9,198)	(43,733)
Net gain/(loss)	(31,484)	(64,524)	(31,360)	(64,095)
Other financial liabilities				
Interest expense	(719)	(618)	(2,289)	(2,529)
Net foreign exchange gain/(loss)	(779)	(696)	(779)	(696)
Net gain/(loss)	(1,498)	(1,314)	(3,068)	(3,225)

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. The AOFM also ensures that cash proceeds not immediately required are invested in term deposits with the RBA.

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.

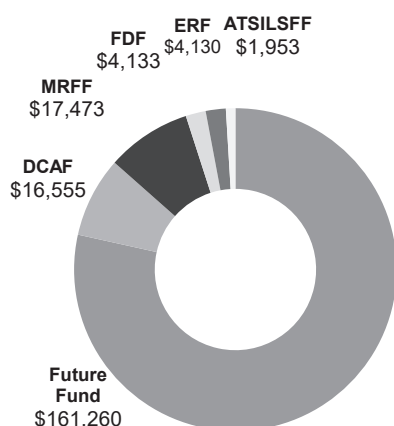
A range of factors are considered in constructing the investment portfolios to ensure that there is adequate diversity so that a negative outcome in any one area does not unduly impact the overall return. The factors considered include the outlook for: global economic growth; inflation; global real interest 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.

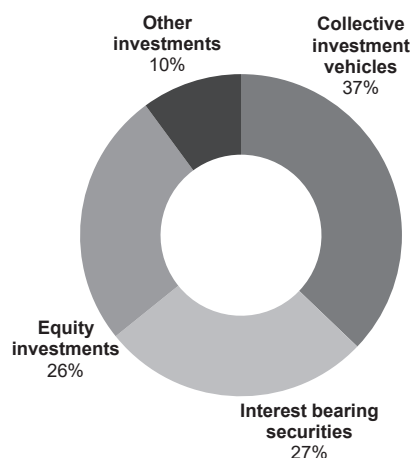
The Board's ESG Policy provides a framework which helps to determine what entities and sectors are excluded from the investment fund portfolio for non-financial reasons.

As at 30 June 2020, the Investment Funds held \$205,504 million in investment assets (2019: \$198,884 million). The allocation of assets by Investment Fund and percentage share by investment category is shown below as at 30 June 2020.

Asset allocation by Fund (\$m)



Allocation by investment category



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 of assets held by the Investment Funds at 30 June 2020 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 2019-20 Annual Report for the Board provides a detailed discussion of the underlying investment strategies, exposures as at the reporting date and the 2019-20 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

The 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.

	2020			Total \$m
	Fixed interest rate \$m	Floating interest rate \$m	Non- interest bearing \$m	
Financial assets				
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
Total financial assets	270,500	64,658	89,354	424,512
Financial liabilities				
Deposits held	78,954	21	10	78,985
Government securities	725,868	-	-	725,868
Loans	4,566	4,366	10,028	18,960
Total financial liabilities	809,388	4,387	10,038	823,813
Net exposure to interest rate risk	(538,888)	60,271	79,316	(399,301)

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

	2019			Total \$m
	Fixed interest rate \$m	Floating interest rate \$m	Non- interest bearing \$m	
Financial assets				
Advances paid and receivables (non-statutory)	9,719	54,064	8,230	72,013
<i>Investments, loans and placements:</i>				
Deposits	32,593	968	-	33,561
Government securities	130,776	-	-	130,776
Collective investment vehicles	-	-	76,567	76,567
Other interest bearing securities	40,405	8,905	407	49,717
Total financial assets	213,493	63,937	85,204	362,634
Financial liabilities				
Deposits held	34,036	20	-	34,056
Government securities	619,219	-	-	619,219
Loans	3,344	2,645	10,251	16,240
Total financial liabilities	656,599	2,665	10,251	669,515
Net exposure to interest rate risk	(443,106)	61,272	74,953	(306,881)

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			
	2020		2019	
	+ 9 basis points \$m	- 9 basis points \$m	+ 20 basis points \$m	- 20 basis points \$m
Financial assets				
Investment funds	(136)	138	(371)	379
RBA Government securities	(311)	311	(83)	83
Financial liabilities				
Government securities	4,465	(4,465)	8,449	(8,647)

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 2020, the notional value of open futures contracts and swaps totalled \$16,907 million (2019: \$18,799 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 2020, the notional value of open futures contracts and swaps totalled negative \$308 million (2019: negative \$2,623 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 is set out below by class at the reported amount.

	Foreign currency	
	2020 \$m	2019 \$m
Financial assets		
Advances paid and receivables	2,504	2,227
<i>Investments, loans and placements:</i>		
Deposits	16,414	29,952
Government securities	35,355	40,004
International Monetary Fund quota	19,565	19,198
Collective investment vehicles	50,799	50,637
Other interest bearing securities	26,058	22,570
Equity investments	47,006	51,883
Total financial assets	197,701	216,471
Financial liabilities		
Loans	11,374	11,246
Other interest bearing liabilities	6,564	6,798
Total financial liabilities	17,938	18,044
Net foreign exchange holdings	179,763	198,427

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 +/- 8.4 per cent (2019: 8.7 per cent) applied to the value of the Australian dollar exchange rate as at 30 June 2020.

Individually material exposures	Impact on operating result and net worth			
	2020		2019	
	8.4	-8.4	+8.7	-8.7
	per cent	per cent	per cent	per cent
	\$m	\$m	\$m	\$m
Foreign financial assets				
Investment Funds	(8,284)	8,209	(8,365)	8,503
RBA Government securities	(4,261)	5,207	(4,400)	5,377
IMF and IFI Investments	(1,447)	1,712	(1,421)	1,691
Foreign financial liabilities				
IMF SDR and loans liabilities	486	(575)	494	(588)

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.

	2020 \$m	2019 \$m
Forward exchange contracts and foreign currency swaps		
Sell foreign currency	(103,791)	(130,921)
Purchase foreign currency	61,599	59,824
Net forward exchange contracts and foreign currency swaps	(42,192)	(71,097)

(d) Other price risk

Exposure

The Australian Government is exposed to equity price risks 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.

	2020 \$m	2019 \$m
Equity price risk exposure		
Domestic equities and managed investment schemes	12,121	12,818
International equities and managed investment schemes	40,673	45,799
Total equity price risk exposure	52,794	58,617

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			
	2020		2019	
	+ 20 & 15 per cent	- 20 & 15 per cent	+ 20 & 15 per cent	- 20 & 15 per cent
	\$m	\$m	\$m	\$m
Domestic equities	4,071	(4,071)	3,705	(3,705)
International equities	16,302	(16,295)	15,444	(15,173)
Total	20,373	(20,366)	19,149	(18,878)

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.

	2020		2019	
	Notional value	Fair value	Notional value	Fair value
	\$m	\$m	\$m	\$m
Buy domestic equity futures contract	458	2	116	1
Sell domestic equity futures contract	(369)	(2)	(138)	(1)
Buy international equity futures contract	3,677	5	3,775	78
Sell international equity futures contract	-	-	(115)	(1)
Buy equity index swap agreements	4,892	462	-	-
International equity index put options	(676)	2	(3,063)	41
International equity index call options	-	-	2,712	85
International exchange traded warrants	10	5	10	6
Total	7,992	474	3,297	209

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 decreased from between 1.3 and 1.9 per cent at 30 June 2019 to between 1.0 and 1.7 per cent at 30 June 2020. This drove the increase 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 2020, 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	
	2020 \$m	2019 \$m	2020 \$m	2019 \$m
Commonwealth Superannuation Scheme (CSS)	94,766	95,503	94,766	95,503
Public Sector Superannuation Scheme (PSS)	143,944	134,288	143,944	134,288
Defence Force Retirement and Death Benefits Scheme (DFRDB)	52,019	55,537	52,019	55,537
Military Superannuation Benefits Scheme (MSBS)	134,511	125,745	134,511	125,745
Other schemes	4,759	4,083	5,720	4,829
Other superannuation liabilities	106	130	117	144
Total superannuation provision	430,105	415,286	431,077	416,046

The defined benefit plan asset of \$235 million reported in Note 5B (2019: \$566 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 2017 Long Term Cost Reports (LTCRs).

Membership data for the CSS, PSS, DFRDB and MSBS as at 30 June 2019 was projected forward to 30 June 2020 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 2020.

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 2020 was estimated using the pre-30 June 2020 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 2019-20

Scheme	2020				
	CSS \$m	PSS \$m	DFRDB \$m	MSBS \$m	Other \$m
Reconciliation of the present value of the defined benefit obligation					
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	-	-	-
Present value at 30 June	(96,646)	(162,850)	(52,019)	(144,784)	(15,411)
Reconciliation of the fair value of scheme assets					
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)
Actuarial gains/(losses)	-	-	-	-	-
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)
Fair value at 30 June	1,881	18,908	-	10,273	9,901
Composition of scheme assets					
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 and infrastructure	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%
Total	100%	100%	-	100%	100%
Principal actuarial assumptions at the reporting date					
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.

Reconciliation of the present value of the defined benefit obligation for 2018-19

Scheme	2019				
	CSS \$m	PSS \$m	DFRDB \$m	MSBS \$m	Other \$m
Reconciliation of the present value of the defined benefit obligation					
Opening present value	(85,512)	(116,391)	(46,714)	(92,659)	(12,601)
Addition of acquired schemes	-	-	-	-	(22)
Adjusted opening present value	(85,512)	(116,391)	(46,714)	(92,659)	(12,623)
Current service cost	(115)	(2,842)	(114)	(3,881)	(660)
Productivity contributions	(11)	(167)	-	-	-
Interest cost	(2,418)	(3,575)	(1,377)	(2,921)	(305)
Contributions by scheme participants	(37)	(524)	-	(273)	(99)
<i>Actuarial gains/(losses) arising from:</i>					
Changes in financial assumptions	(13,863)	(31,875)	(9,738)	(37,143)	(1,521)
Liability experience	57	(726)	736	(134)	46
Other assumptions	-	-	-	-	35
Benefits paid	4,126	2,237	1,670	1,003	528
Taxes, premiums and expenses paid	2	25	-	-	-
Exchange rate gains/(losses)	-	-	-	-	(4)
Present value at 30 June	(97,771)	(153,838)	(55,537)	(136,008)	(14,603)
Reconciliation of the fair value of scheme assets					
Opening fair value	2,618	18,911	-	9,315	10,041
Addition of acquired schemes	-	-	-	-	15
Adjusted opening fair value	2,618	18,911	-	9,315	10,056
Changes in fair value of scheme assets:					
Plan asset acquired					
Interest income	70	579	-	292	259
Adjust for actual return on scheme assets	39	769	-	445	230
Actuarial gains/(losses)	-	-	-	-	1
Net appropriation from CRF	3,621	862	1,670	941	104
Employer contributions	11	167	-	-	125
Participant contributions	37	524	-	273	99
Foreign currency exchange rate changes	-	-	-	-	1
Benefits paid	(4,126)	(2,237)	(1,670)	(1,003)	(537)
Taxes, premiums and expenses paid	(2)	(25)	-	-	(10)
Fair value at 30 June	2,268	19,550	-	10,263	10,328
Composition of scheme assets					
Australian equity	24.0%	24.0%	-	24.0%	10.1%
International equity	25.0%	25.0%	-	24.0%	21.3%
Fixed income	-	-	-	-	1.1%
Property	8.0%	8.0%	-	12.0%	6.5%
Private equity	6.0%	6.0%	-	7.0%	8.6%
Hedge funds	-	-	-	-	0.5%
Infrastructure	3.0%	3.0%	-	-	1.5%
Credit	-	-	-	-	5.6%
Debt instruments	4.0%	4.0%	-	-	22.8%
Diversified growth funds	-	-	-	-	0.3%
Other	15.0%	15.0%	-	17.0%	15.3%
Cash	15.0%	15.0%	-	16.0%	6.4%
Total	100%	100%	-	100%	100%
Principal actuarial assumptions at the reporting date					
Discount rate (active members)	1.7%	1.9%	1.4-1.9%	1.9%	1.9-3.4%
Discount rate (pensioners)	1.7%	1.9%	1.4-1.9%	1.9%	1.9%
Expected rate of return on plan assets	-	-	-	1.9%	-
Expected salary increase rate	2.0%	2.0%	4.0%	4.0%	2.0-4.0%
Expected pension increase rate	2.5%	2.5%	2.5-4.0%	2.5%	2.3-4.0%

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 2020 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%	(6,326)	7,059
Salary growth rate	0.5%	87	(82)
Rate of CPI increase	0.5%	5,633	(5,131)
PSS			
Discount rate	0.5%	(16,002)	18,603
Salary growth rate	0.5%	3,169	(2,979)
Rate of CPI increase	0.5%	13,039	(11,638)
DFRDB and MSBS			
Discount rate	0.5%	(23,399)	28,044
Salary growth rate	0.5%	6,803	(6,399)
Rate of CPI increase	0.5%	18,924	(16,908)
Other			
Discount rate	0.5%	(476)	536
Salary growth rate	0.5%	337	(297)

Employer contributions

The following table shows the expected contributions for 2020-21 by scheme.

Scheme	2021 \$m
Commonwealth Superannuation Scheme	8
Public Sector Superannuation Scheme	150
Defence Force Retirement and Death Benefits Scheme	1,675
Military Superannuation Benefits Scheme	1,195
Other schemes	244

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.

Scheme	Weighted average duration of the defined benefit obligation in years
Commonwealth Superannuation Scheme 1976	14.0 years
Commonwealth Superannuation Scheme 1922	8.1 years
Public Sector Superannuation Scheme	22.1 years
Defence Force Retirement and Death Benefits Scheme	18.6 years
Defence Forces Retirement Benefits Scheme	10.7 years
Military Superannuation Benefits Scheme	31.2 years
Other schemes	13.2 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	2020 \$m	2019 \$m
Short-term employee benefits(a)	9.8	10.6
Post-employment benefits(b)	1.6	62.8
Total key management personnel remuneration	11.4	73.4

- (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 amount reported in 2018-19 includes an estimate of the long-term benefits (including staff, office and vehicle costs) that will be made available to the Prime Minister upon retirement from his ministerial office. The estimate was actuarially determined based on a series of assumptions and is recognised when a new Prime Minister takes office. The resources provided to former Prime Ministers are set out in the *Parliamentary Business Resources (former Prime Ministers) Determination 2017*.

The number of Cabinet Minister positions during the financial year was 23 (2019: 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 Entitlements Act 1990*. 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 (2018-19: \$1.7 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'.

No significant events have occurred after reporting date that require the CFS to be adjusted as at 30 June 2020, nor have there been any significant non-adjusting events that have occurred after reporting date.

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 2019-20 as outlined in April 2019 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:

- (a) *Concessional interest costs* - The ABS GFS Manual recognises the concessional discount on concessional loans as an 'other economic flow'. The CFS treats concessional elements as an expense on initial recognition which is unwound over the loan term.

- (b) *Seigniorage* - The financial statements treat the profit between the cost and sale of circulating coins (seigniorage) as revenue whereas the ABS GFS Manual treats circulating coins as a liability and the cost to produce the coins as an expense.
- (c) *Deferred tax assets and liabilities* - Deferred tax assets and liabilities are reported in the financial statements. The ABS GFS Manual does not recognise these items.
- (d) *Dividends to GGS from other sectors* - The financial statements treat dividends to the GGS as a distribution to owners whereas the ABS GFS Manual treats dividends to owners as an expense. The financial statements recognise the RBA dividends in the year profit was earned whereas the ABS GFS Manual recognises dividends when the Treasurer makes a determination.
- (e) *Renewable Energy Certificates (RECs)* - The financial statements recognise revenue from the surrender of RECs and expenses associated with the refund of shortfall charges. Under the ABS GFS Manual, the issuance and registration of RECs is considered to be government financial transactions resulting in the recognition of assets, liabilities, revenue and expenses.
- (f) *Investment in other sector entities* - The financial statements apply AASB 13 to the valuation of the GGS's investment in public corporations whereas the ABS GFS Manual values public corporations at their net assets unless the shares in a public corporation are publicly traded. A convergence difference arises where the application of AASB 13 results in a valuation other than net assets.
- (g) *Shares and other contributed capital* - The financial statements treat shares and other contributed capital in public corporations as part of net worth. The ABS GFS Manual deducts contributed capital in the calculation of net worth (with net worth calculated as assets less liabilities less shares and other contributed equity).
- (h) *Right-of-use assets and lease liabilities* - 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 sheet for leases that were previously accounted for as operating expenses. The ABS GFS Manual continues the distinction between operating leases and finance leases for lessees.
- (i) *Inventory* - The ABS GFS Manual measures inventory at market value (rather than the lower of cost and net realisable value).
- (j) *Provision for decommissioning/restoration costs* - The ABS GFS Manual does not recognise a provision for decommissioning/restoration costs, nor include an estimate of these costs in the corresponding asset value.
- (k) *Spectrum Auctions* - The ABS GFS Manual recognises the auction and sale of spectrum licences at the time of allocation while these financial statements recognise the disposal of spectrum licences at the point of issuance. This can result in a temporary divergence in net lending/borrowing where the allocation and issuance occur in different years.

- (1) *Timing recognition of the boosting cash flows for employers* – The financial statements recognise expenses based on underlying activity that gives rise to the Cash Flow Boost payment. At 30 June 2020, an accrual is made for estimated payments that relate to the 2019-20 economic activity, for activity statements that have not yet been submitted. The ABS GFS Manual recognises the expense when the business receives payments after submitting activity statements and having met all requirements.

Note 12B: Reconciliation to original budget

The following tables provide a comparison of the original 2019-20 Budget to the final actual results for the GGS, with explanations provided for major variances.

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.

General government sector operating statement 2019-20

	2020 Actual \$m	Original budget(a) \$m	Budget variance \$m
Revenue from transactions			
Taxation revenue	447,318	476,596	(29,278)
Sales of goods and services	14,789	15,757	(968)
Interest income	3,689	6,009	(2,320)
Dividend income	8,366	6,112	2,254
Other	11,908	9,290	2,618
Total revenue	486,070	513,763	(27,693)
Expenses from transactions			
<i>Gross operating expenses</i>			
Wages and salaries	20,721	21,348	(627)
Superannuation	12,247	5,907	6,340
Depreciation and amortisation	11,766	8,505	3,261
Supply of goods and services	125,455	125,566	(111)
Other operating expenses	8,512	6,873	1,639
<i>Total gross operating expenses</i>	<i>178,701</i>	<i>168,199</i>	<i>10,502</i>
Superannuation interest expense	7,673	11,127	(3,454)
Interest expense	18,463	19,264	(801)
<i>Current transfers</i>			
Current grants	149,799	150,408	(609)
Subsidy expenses	67,641	12,661	54,980
Personal benefits	144,714	128,972	15,742
<i>Total current transfers</i>	<i>362,154</i>	<i>292,040</i>	<i>70,114</i>
<i>Capital transfers</i>			
Mutually agreed write-downs	3,114	1,368	1,746
Other capital grants	8,568	8,874	(306)
<i>Total capital transfers</i>	<i>11,682</i>	<i>10,241</i>	<i>1,441</i>
Total expenses	578,673	500,872	77,801
Net operating balance	(92,603)	12,891	(105,494)
Other economic flows - included in operating result			
Net write-down of assets	(8,225)	(7,650)	(575)
Net gain/(loss) from the sale of assets	2,110	1,047	1,063
Net foreign exchange gains/(losses)	(949)	61	(1,010)
Net interest on derivatives gains/(losses)	(563)	-	(563)
Net fair value gains/(losses)	(18,004)	7,747	(25,751)
Net other gains/(losses)	(8,213)	(766)	(7,447)
Operating result	(126,447)	13,330	(139,777)
Other economic flows - through equity			
Will not be reclassified to operating result			
Revaluation of non-financial assets	1,753	315	1,438
Actuarial revaluations of superannuation	(4,617)	262	(4,879)
Other economic revaluations	95	(324)	419
May be reclassified to operating result			
Revaluation of equity investments	4,815	(6,017)	10,832
Comprehensive result	(124,401)	7,565	(131,966)
Net operating balance	(92,603)	12,891	(105,494)
less Net acquisition of non-financial assets			
Purchases of non-financial assets	15,806	14,425	1,381
less Sales of non-financial assets	1,400	1,171	229
less Depreciation and amortisation	11,766	8,505	3,260
plus Change in inventories	1,169	3	1,166
plus Other movements in non-financial assets	2	(3)	5
Total net acquisition of non-financial assets	3,811	4,749	(938)
Fiscal balance (Net lending/borrowing)	(96,414)	8,142	(104,556)

- (a) Original budget for 2019-20 in the 2019-20 Budget papers released in April 2019, presented on the same basis as the actual information to facilitate comparison.

Revenue

Line item	Variance	Explanation
Taxation revenue	(\$29.3b)	<p>Total taxation revenue was \$29.3 billion lower than the original budget, largely driven by the impacts from the COVID-19 pandemic.</p> <ul style="list-style-type: none"> • Company tax was \$12.8 billion lower than original budget, partly due to the impact of health restrictions, which reduced taxable incomes. • Individuals and other withholding taxes were \$4.4 billion lower than original budget, resulting from weaker collections in line with the deterioration in labour market conditions and lodgement and payment deferrals granted by the ATO. • Goods and services tax was \$4.3 billion lower than original budget, reflecting lower-than-expected household consumption and private dwelling investment. • Superannuation fund taxes were \$3.1 billion lower than original budget, largely due to impacts from the COVID-19 pandemic on superannuation funds. • Excise and customs duties were \$2.6 billion lower than original budget, also reflecting lower-than-expected household consumption, particularly through petrol excise and tobacco duty.
Dividend income	\$2.3b	Dividend revenue was \$2.3 billion higher than the original budget, primarily driven by higher-than-expected dividend revenue from the Reserve Bank of Australia and investments held by the Future Fund.

Expenses

Line item	Variance	Explanation
Subsidy expenses	\$55.0b	Subsidy expenses were \$55.0 billion higher than the original budget, primarily reflecting the JobKeeper Payments and the temporary tax-free cash flow boosts to support businesses as part of the Government's economic response to the COVID-19 pandemic.
Personal benefits	\$15.7b	Personal benefit expenses were \$15.7 billion higher than the original budget, primarily reflecting the time limited Coronavirus Supplement and the first payment of the Economic Support Payment to assist households as part of the Government's economic response to the COVID-19 pandemic, together with changes in recipient numbers and average payment rate of social welfare payments as a result of the impact of COVID-19 on the economy.

Line item	Variance	Explanation
Superannuation	\$6.3b	<p>Superannuation expenses were \$6.3 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 2019-20 Budget and as at 30 June 2020 for the CFS. This increase in superannuation expenses was offset by lower-than-expected superannuation interest expense, which was \$3.5 billion lower than the original budget.</p> <p>At the 2019-20 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 2020 that best matches each individual scheme's liability duration. The rates used were between 1.0 to 1.7 per cent per annum depending on the defined benefit scheme. Lower discount rates result in a higher superannuation liability, higher superannuation expenses and lower nominal superannuation interest expense.</p>
Depreciation and amortisation	\$3.3b	Depreciation and amortisation expenses were \$3.3 billion higher than the original budget, largely reflecting the impact from the implementation of AASB 16 <i>Leases</i> .

Other economic flows

Line item	Variance	Explanation
Net fair value gains/(losses)	(\$25.8b)	Net fair value losses were \$25.8 billion higher than the original budget, largely reflecting the higher market value of Australian Government Securities as a result of lower market yields and the change in valuation of investments held by the Future Fund.
Net other gains/(losses)	(\$7.4b)	Net other losses were \$7.4 billion higher than the original budget, mainly relating to the actuarial revaluation of military compensation provisions.
Actuarial revaluations of superannuation	(\$4.9b)	The movement of \$4.9 billion in the value of the superannuation liability compared to the original budget was a result of actuarial revaluations mainly reflecting the decline in the discount rate used to calculate the liability in the CFS (from a range between 1.4 and 1.9 per cent per annum as at 30 June 2019 to a range between 1.0 and 1.7 per cent per annum as at 30 June 2020). For Budget purposes, a long-term discount rate of 5.0 per cent per annum is used.
Revaluation of equity investments	\$10.8b	The movement of \$10.8 billion in the revaluation of equity investments compared to the original budget relates to the change in the valuation of public corporations.

General government sector balance sheet as at 30 June 2020

	2020 Actual \$m	Original budget(a) \$m	Budget variance \$m
Assets			
<i>Financial assets</i>			
Cash and deposits	9,453	5,342	4,111
Advances paid	82,043	83,302	(1,259)
Other receivables and accrued revenue	67,032	53,728	13,304
Investments, loans and placements	243,458	188,358	55,100
Equity investments	125,349	121,920	3,429
Total financial assets	527,335	452,650	74,685
<i>Non-financial assets</i>			
Land	11,718	11,484	234
Buildings	43,386	27,589	15,797
Other plant, equipment and infrastructure (including specialist military equipment)	89,100	86,178	2,922
Intangibles	9,088	9,353	(265)
Investment property	209	193	16
Inventories	9,812	8,045	1,767
Heritage and cultural assets	11,978	11,594	384
Other non-financial assets	4,995	3,926	1,069
Total non-financial assets	180,286	158,362	21,924
Total assets	707,621	611,012	96,609
Liabilities			
<i>Interest bearing liabilities</i>			
Deposits held	484	381	103
Government securities	784,973	619,463	165,510
Loans	10,932	10,713	219
Leases	19,879	1,458	18,421
Other interest bearing liabilities	7,319	6,024	1,295
Total interest bearing liabilities	823,587	638,042	185,545
<i>Provisions and payables</i>			
Superannuation liability	430,105	230,748	199,357
Other employee liabilities	32,262	20,591	11,671
Supplier payables	7,396	6,809	587
Personal benefits payable	4,670	3,746	924
Subsidies payable	1,041	1,210	(169)
Grants payable	2,847	3,927	(1,080)
Other payables	3,461	2,202	1,259
Other provisions	69,531	37,060	32,471
Total provisions and payables	551,313	306,294	245,019
Total liabilities	1,374,900	944,336	430,564
Net worth	(667,279)	(333,324)	(333,955)

(a) Original budget for 2019-20 in the 2019-20 Budget papers released in April 2019, presented on the same basis as the actual information to facilitate comparison.

Assets

Line item	Variance	Explanation
Other receivables and accrued revenue	\$13.3b	Other receivables and accrued revenue was \$13.3 billion higher than the original budget, largely driven by the increase in tax receivables relating to payment deferrals granted to taxpayers experiencing financial hardship as a result of the COVID-19 pandemic and the receivable recognised in respect of the advances that were paid to the states for GST during 2019-20.
Investments loans and placements	\$55.1b	Investments, loans and placements were \$55.1 billion higher than the original budget, primarily reflecting the increase in term deposits held by the Australian Office of Financial Management and the increase in interesting bearing securities held by the Future Fund.
Non-financial assets	\$21.9b	Non-financial assets were \$21.9 billion higher than the original budget, largely due to the implementation of AASB 16 <i>Leases</i> .

Liabilities

Line item	Variance	Explanation
Government securities	\$165.5b	The market value of Australian Government Securities on issue was \$165.5 billion higher than forecast in the original budget, primarily reflecting the Government's increased borrowing requirements stemming from the response to, and impacts of, the COVID-19 pandemic. The reduction in market yields has also led to a higher valuation in the debt outstanding.
Leases	\$18.4b	Lease liabilities were \$18.4 billion higher than the original budget, due to the implementation of AASB 16 <i>Leases</i> .
Superannuation liability	\$199.4b	The superannuation liability was \$199.4 billion higher than the original budget, primarily due to the lower discount rate used to calculate the liability as at 30 June 2020 for the CFS (refer to the explanation for superannuation expenses for further information).
Other employee liabilities	\$11.7b	Other employee liabilities were \$11.7 billion higher than original budget, primarily related to the actuarial revaluation of the military compensation provisions.
Other provisions	\$32.5b	Other provisions were \$32.5 billion higher than the original budget, primarily reflecting the provision for JobKeeper and cash flow boost payments to businesses as part of the Government's economic response to the COVID-19 pandemic and the change in actuarial valuation of the military compensation provisions.

General government sector cash flow statement 2019-20

	2020 Actual \$m	Original budget(a) \$m	Budget variance \$m
OPERATING ACTIVITIES			
Cash received			
Taxes received	431,775	466,397	(34,622)
Receipts from sales of goods and services	15,490	15,745	(255)
Interest receipts	3,243	5,701	(2,458)
Dividend receipts	7,007	6,165	842
Other receipts	10,127	9,897	230
Total cash received	467,642	503,906	(36,264)
Cash used			
Payments for employees	(30,472)	(31,101)	629
Payments for goods and services	(126,738)	(123,277)	(3,461)
Grants and subsidies paid	(210,773)	(171,775)	(38,998)
Interest paid	(16,257)	(16,638)	381
Interest payments on lease liabilities	(266)	-	(266)
Personal benefits paid	(143,073)	(129,783)	(13,290)
Other payments	(6,917)	(6,493)	(424)
Total cash used	(534,496)	(479,066)	(55,430)
Net cash from/(used by) operating activities	(66,854)	24,840	(91,694)
INVESTING ACTIVITIES			
Investments in non-financial assets			
Sales of non-financial assets	1,724	1,615	109
Purchases of non-financial assets	(12,952)	(14,261)	1,309
Net cash from non-financial assets	(11,228)	(12,647)	1,419
Net cash flows from investments in financial assets for policy purposes	(13,555)	(16,581)	3,026
Net cash flows from investments in financial assets for liquidity purposes	(53,640)	(12,248)	(41,392)
Net cash from/(used by) investing activities	(78,423)	(41,476)	(36,947)
FINANCING ACTIVITIES			
Cash flows from financing activities			
Net cash received			
Borrowings	151,403	16,945	134,458
Contributed equity	2	-	2
Other financing	4,395	22	4,373
Net cash received	155,800	16,966	138,834
Net cash used			
Distributions paid	(3)	(1)	(2)
Principal payments of lease liabilities	(2,361)	-	(2,361)
Other financing	(7,523)	(2,551)	(4,972)
Net cash used	(9,887)	(2,552)	(7,335)
Net cash flows from financing activities	145,913	14,414	131,499
Net (decrease)/increase in cash held	636	(2,222)	2,858
Cash at beginning of year	8,817	7,564	1,253
Cash at end of year	9,453	5,342	4,111
Key fiscal aggregate			
Net cash flows from operating activities	(66,854)	24,840	(91,694)
Net cash flows from investments in non-financial assets	(11,228)	(12,647)	1,419
Cash surplus/(deficit)	(78,082)	12,193	(90,275)

(a) Original budget for 2019-20 in the 2019-20 Budget papers released in April 2019, presented on the same basis as the actual information to facilitate comparison.

Note 12C: Glossary of key fiscal aggregates

Balance sheet

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the Accrual 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 \$79.7 million (2019: \$81.0 million). The audit of the CFS cost \$0.7 million (2019: \$0.6 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 2020.

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

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

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 Anti Doping Authority
 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

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

Industry, Science, Energy and Resources Portfolio

General Government:

Australian Institute of Marine Science	Department of Industry, Science, Energy and Resources
Australian Nuclear Science and Technology Organisation	Geoscience Australia
Australian Renewable Energy Agency	IP Australia
Clean Energy Finance Corporation	National Offshore Petroleum Safety and Environmental Management Authority
Clean Energy Regulator	Northern Australia Infrastructure Facility
Climate Change Authority	
Commonwealth Scientific and Industrial Research Organisation	

Public Non-Financial Corporation:

ANSTO Nuclear Medicine Pty Ltd	Snowy Hydro Limited
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Public Financial Corporations:

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

Infrastructure, Transport, Regional Development and Communications Portfolio

General Government:

Australia Business Arts Foundation Ltd (Creative Partnerships Australia) (company limited by guarantee)	Infrastructure Australia
Australia Council	National Capital Authority
Australian Broadcasting Corporation	National Faster Rail Agency
Australian Communications and Media Authority	National Film and Sound Archive of Australia
Australian Film, Television and Radio School	National Gallery of Australia
Australian Maritime Safety Authority	National Library of Australia
Australian National Maritime Museum	National Museum of Australia
Australian Transport Safety Bureau	National Portrait Gallery of Australia
Bundanon Trust (company limited by guarantee)	National Transport Commission
Civil Aviation Safety Authority	Norfolk Island Health and Residential Aged Care Service
Department of Infrastructure, Transport, Regional Development and Communications	North Queensland Water Infrastructure Authority
	Screen Australia
	Special Broadcasting Service Corporation

Public Non-Financial Corporations:

Airservices Australia	Moorebank Intermodal Company Limited
Australian Postal Corporation (Australia Post)	nbn Co Ltd
Australian Rail Track Corporation Limited	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
 Indigenous Business Australia
 Indigenous Land and Sea Corporation
 National Australia Day Council Limited (company limited by guarantee)

National Drought and North Queensland Flood Response and Recovery 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
 Digital Transformation Agency

National Disability Insurance Scheme Launch Transition Agency (National Disability Insurance Agency)
 NDIS Quality and Safeguards Commission
 Services Australia¹

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)

Infrastructure and Project Financing Agency
 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

¹ Services Australia became an Executive Agency from 1 February 2020.

Entity changes during 2019-20

Entities no longer consolidated

Department of Agriculture¹ (1 February 2020)

Department of Communications and the Arts¹ (1 February 2020)

Department of Employment, Skills, Small and Family Business¹ (1 February 2020)

Entities newly controlled/established in 2019-20

National Faster Rail Agency (1 July 2019)

National Indigenous Australians Agency (1 July 2019)

CSIRO FollowOn Services 2 Pty Ltd (24 March 2020)

CSIROGP Fund 2 Pty Ltd (24 March 2020)

Entities with name changes

Department of Agriculture, Water and the Environment
(previously Department of the Environment and Energy)

Department of Education, Skills and Employment
(previously Department of Education)

Department of Industry, Science, Energy and Resources
(previously Department of Industry, Innovation and Science)

Department of Infrastructure, Transport, Regional Development and
Communications (previously Department of Infrastructure, Transport, Cities
and Regional Development)

National Drought and North Queensland Flood Response and Recovery Agency
(previously North Queensland Livestock Industry Recovery Agency)

The Australian Government Organisations Register (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.

¹ The financial information of abolished entities have been reported as part of the entity where functions were transferred to under the Administrative Arrangement Orders effective from 1 February 2020.

