AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

Annual Report 2023–24

ABOUT THIS REPORT

This report outlines the operations and performance of the Australian Office of Financial Management (AOFM) for the financial year ending 30 June 2024. It has been prepared in accordance with the provisions of section 46 of the *Public Governance, Performance and Accountability Act 2013*, the Public Governance, Performance and Accountability Rule 2014 and the *Department of Finance Resource Management Guide No. 135*.

The AOFM is an administrative entity within the Commonwealth of Australia.

This annual report can be found on the AOFM's website: www.aofm.gov.au

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LETTER OF TRANSMITTAL

11 September 2024

The Hon Dr Jim Chalmers MP
Treasurer
Parliament House
CANBERRA, ACT 2600

Dear Treasurer

I am pleased to present the annual report of the Australian Office of Financial Management (AOFM) for the year ended 30 June 2024.

The report has been prepared in accordance with all applicable obligations of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) including section 46, which requires that you, as the relevant Minister, table the report in Parliament.

The annual performance statement in Part 2 of this report is prepared in accordance with section 39 of the PGPA Act and accurately reflects the AOFM's performance for 2023–24.

The report includes the AOFM's audited financial statements, prepared in accordance with the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015.

I confirm the AOFM has in place appropriate fraud prevention, detection, investigation and reporting mechanisms, including fraud risk assessments and a fraud control plan. The AOFM has taken all reasonable measures to appropriately deal with fraud.

Yours sincerely

Anna Hughes
Chief Executive Officer

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2023–24 ACTIVITIES AT A GLANCE

DEBT ISSUANCE PROGRAM MET	TENDER ISSUANCE READILY ACHIEVED	HIGHER YIELDS THAN RECENT YEARS
AMOUNT ISSUED	COVERAGE RATIO AT TENDERS	AVERAGE YIELD OF ISSUANCE
$50.0b Treasury Bonds	3.3 Treasury Bonds	4.30% Treasury Bonds
$3.6b TIBs	3.2 TIBs	1.76% TIBs (real yield)
$95.0b Treasury Notes	4.4 Treasury Notes	4.28% Treasury Notes

$7.0b
INAUGURAL GREEN TREASURY BOND ISSUE

LONG-DATED ISSUANCE BIAS

12.55 Weighted average maturity of Treasury Bond issuance (years)

ALL GOVERNMENT EXPENDITURE REQUIREMENTS MET

NO OVERDRAFT FACILITY USE

HIGH CASH LIQUIDITY MAINTAINED

$96.4b maximum » **$66.6b** average » **$44.7b** minimum

SUPPORT TO SME LENDERS

4 investments held by ABSF

COVID-19 SUPPORT OF NON-BANK LENDERS

1 remaining SFSF warehouse

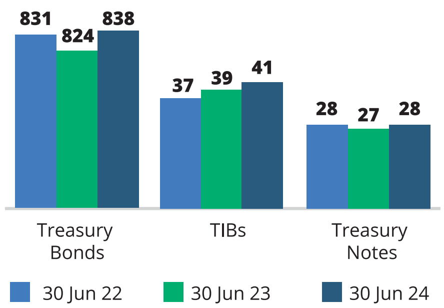
COVID-19 FORBEARANCE SUPPORT

2 non-bank originators supported by fSPV

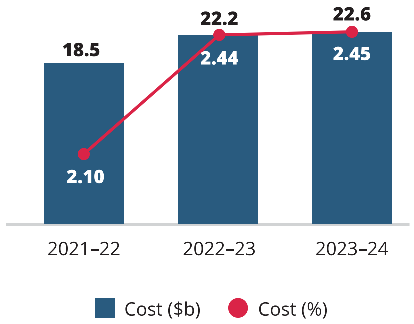
PORTFOLIO AT A GLANCE

AUSTRALIAN GOVERNMENT SECURITIES

Face Value Outstanding ($b)

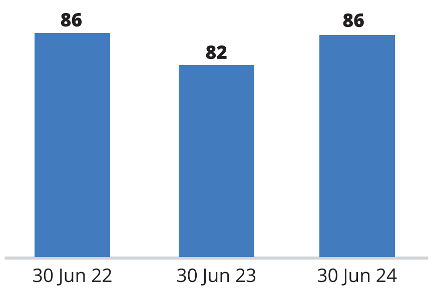


Debt Servicing Costs

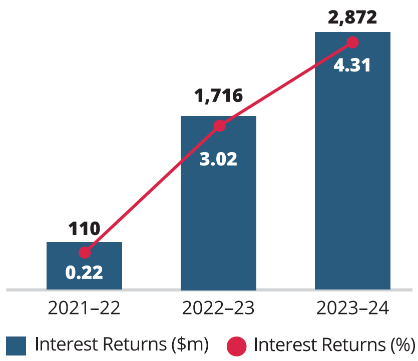


CASH

Cash Balances ($b)

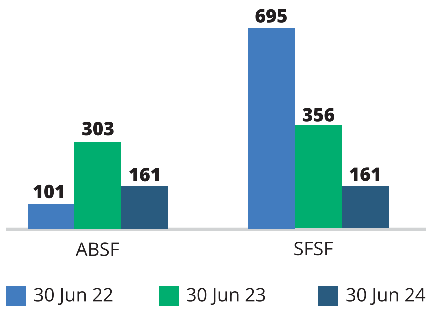


Interest Returns

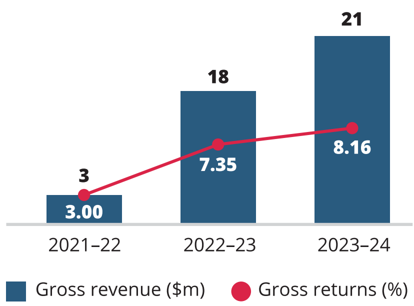


ABSF AND SFSF INVESTMENTS

Investment Balances ($m)



ABSF Investment Revenue



PART 1: OVERVIEW

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A. CHIEF EXECUTIVE OFFICER'S REVIEW

It was the year of the green bond. Twelve months of dedicated work, led by the AOFM's Sustainable Finance team, began with the Treasurer announcing in April 2023 that the Australian Government would launch a green bond program. It continued with the development of the Green Bond Framework and ended with the issuance of the inaugural Green Treasury Bond in June 2024.

This work, which represents the first phase of the green bond program, required a significant amount of collaboration across our organisation, into other parts of the Australian Public Service (APS) and with external stakeholders. These included our Joint Structuring Advisors, our Second Party Opinion provider and, most importantly, our investors.

At the start of the process, we set ourselves several goals – one of them being to attract investors that had not participated in previous AOFM syndicated issues. We also focused on developing a 'best in class' Green Bond Framework and helping the government meet its policy objective of boosting the scale and credibility of Australia's green finance market. While not a crucial performance indicator, we hoped that the first green bond's yield would be lower than our estimate of the fair value yield on the Treasury Bond yield curve.

The success of the green bond program depended on us effectively delivering key activities. The cornerstone of this program was the development of the Green Bond Framework, which we did in collaboration with Treasury. The framework outlines the Australian Government's climate change and environmental priorities and how green bonds will finance eligible expenditures. We would like to extend our gratitude to all parties involved in the consultation process. Their contributions and insights played an important role in developing the framework.

With the successful launch of the framework, we shifted our focus to our goal of expanding our investor base. The AOFM's Investor Relations team organised a four-week roadshow before the issue of our first Green Treasury Bond. The purpose of the roadshow was to provide information to investors about the green bond program and framework, projects that will be financed, and plans for the syndicated issue.

On 3 June 2024, the AOFM launched the $7 billion June 2034 Green Treasury Bond. Investor demand for the bond was strong – investors bid for more than 3 times the amount issued. The deal was well supported by real money investors, particularly the domestic investor base. The green bond label attracted investors, including those who apply environmental, social and governance (ESG) screening or integrate ESG into their portfolios. There were more investors than the AOFM has seen in similar maturity bond deals – and 17 of the investors had never participated in an AOFM transaction before, adding to the breadth of our investor base. The AOFM and market participants estimated a 'greenium' of approximately 2 basis points (bps).

Despite many parts of the organisation being focused on the green bond program, the AOFM, led by the Funding, Strategy and Research team, successfully issued $8 billion of a June 2054 bond line in October 2023. Issuance of a new 30-year benchmark bond contributed to achieving our 12.55-year weighted average maturity of issuance for the year. We are pleased with how the 30-year sector has matured since our initial issuance in 2016–17. This is reflected in the improved pricing as a spread to the 10-year Treasury Bond futures contract over time, with the June 2054 pricing at a spread of 37 bps above the 10-year Treasury Bond futures. Of the June 2054 syndication, 58 per cent was allocated to fund managers. 30-year bonds continue to be successful in diversifying the Australian Government Securities (AGS) investor base. The success of the deal was recognised by the industry publication KangaNews, which awarded the AOFM the Australian Dollar Rates Bond Deal of the Year.

The Structured Finance and Strategy team continued to roll out the Australian Business Securitisation Fund (ABSF). The investments made over the past few years are generating a track record for lending which, in time, is expected to better enable the analysis and rating of pools of small to medium enterprise (SME) loans. The team also continues to contribute to the work of the Australian Securitisation Forum (ASF) in developing the securitisation market's capacity to finance new kinds of SME lending. To this end, a senior member of the team has provided guidance for research being undertaken at the UTS Business School through an ASF steering group.

We continued to mature our modern work practices during the year, migrating to Microsoft SharePoint and Teams. The Business and Data Systems team led this change. They hosted internal workshops and external training sessions and developed an internal communications strategy to uplift general awareness and capability.

We also made progress against the AOFM's Data Strategy, developing a data catalogue to better understand the data we hold and its appropriate management. A community of practice was embedded that promoted knowledge sharing and enhanced cross-agency capability and engagement with business applications and technology.

The Enterprise Risk team collaborated with our ICT Project Manager to develop and implement a secure business continuity environment independent of the corporate network. This gives us enhanced business resiliency.

Changes to the retail investor program began in 2023–24, with delivery of the first initiative expected in January 2025. The project will transition communication methods for the exchange-traded Australian Government Bonds program to be mainly online. This change to electronic communications will support the AOFM's shift towards more sustainable work practices.

From March 2023 to March 2024, extensive negotiations took place to develop a new Enterprise Agreement that will meet the needs and expectations of AOFM employees, the agency and the Australian Government. The process involved numerous consultations with enterprise bargaining representatives and senior leadership from within the AOFM, along with APS-wide bargaining delegates representing government interests, unions and APS employee representatives from every government agency. The resulting AOFM Enterprise Agreement 2024–2027 was overwhelmingly approved by AOFM employees and officially approved by the Fair Work Commission on 14 March 2024.

During the year, we were subject to a performance audit by the Australian National Audit Office (ANAO) on the effectiveness of our management of the Australian Government's debt. The ANAO found that the AOFM is largely effective at managing debt and made 5 recommendations, all of which we agreed to.

While we had a successful year, we will need to stay focused on the fundamentals of transparency and predictability, given the uncertainties surrounding our external environment. With the first phase of the green bond program complete, the AOFM and Treasury need to collaborate across the Australian public sector to deliver our first green bond allocation and impact reports. We are also working to launch exchange-traded Green Treasury Bonds (for retail investors) on the Australian Securities Exchange in 2025. While it involves risks, I have no doubt the team will rise to the challenge and I look forward to reporting on its progress in next year's annual report.

B. ROLE AND ACTIVITIES

The AOFM manages debt financing, the cash portfolio and investment programs for the Australian Government.

We are Australia's sovereign debt manager, responsible for issuing and managing the government's debt and cash balances.

The AOFM borrows in wholesale funding markets by issuing Australian Government Securities (AGS). It has 2 main responsibilities: ensuring the government can always meet its financial obligations (known as 'cash management') and managing the government's debt portfolio by prudently balancing risks and costs over time (known as 'debt management').

We are aware of our potential to impact sectors of the capital markets through our actions as an issuer of government debt and as an investor on behalf of the government – specifically in the Australian securitisation market.

The AOFM's core responsibilities were unchanged during 2023–24: funding the government's expenditure needs, raising debt from financial markets, supporting the functioning of Australia's sovereign debt market, and fulfilling the Australian Business Securitisation Fund (ABSF) and the Structured Finance Support Fund (SFSF) mandates.

Our own operations are funded by Australian Government budget appropriations.

Our values

Trust

To act reliably with integrity and transparency. To work respectfully and collaboratively.

Excellence

To continuously improve through curiosity and innovation. To adapt to changing circumstances and deliver as a prominent, respected authority.

Diversity

To welcome all perspectives and embrace different ideas. To be valued as our authentic selves, and to respect and include everyone.

Our purposes

The AOFM needs to fulfil 4 key purposes:

1. Meet the government's annual financing task while managing the trade-offs between costs and risks
2. Ensure the government can always meet its cash outlay requirements
3. Conduct market-facing activities in a manner that supports a well-functioning AGS market
4. Meet the priorities of the Australian Business Securitisation Fund (ABSF) and Structured Finance Support Fund (SFSF).

The AOFM outcome

The AOFM has one outcome in the Treasury Portfolio Budget Statement: the advancement of macroeconomic growth and stability, and the effective operation of financial markets through issuing debt, investing in financial assets, and managing debt, investments and cash for the Australian Government.

The AOFM's role in financing the Budget

The Australian Government Budget is usually released in May each year for the financial year starting on 1 July and the 3 forward years. The Budget sets out the government's fiscal outlook and budget position, reflecting government policy decisions and assumptions about the performance of the domestic and global economies.

During the Budget process, the AOFM is given an estimate of the annual financing task for the Budget year and forward years. The annual financing task for the Budget year, together with an AOFM-formulated annual debt management strategy, is central to determining the size and nature of the annual issuance program.

The government typically publishes a Budget update around December each year, known as the Mid-Year Economic and Fiscal Outlook (MYEFO). At this point, the AOFM updates its issuance program for the Budget year.

The AOFM's debt management strategy

As part of the Budget process, the AOFM establishes a debt management strategy for the Budget year. This sets out how we plan to achieve the financing task after taking into account market conditions, investor demand, costs and risks.

AGS play a key role in the domestic financial market as they:

- are a flight-to-safety asset in times of uncertainty
- are used as collateral for certain financial market transactions
- provide a pricing benchmark for other financial products.

Accordingly, our debt management strategy also seeks to foster an efficient and liquid secondary market in AGS.

Issuance is by tenders and syndications

The bulk of issuance is via tender. Registered bidders can buy AGS directly from the AOFM at regular tenders (usually held several times a week). The cost of borrowing is driven by the interest rates demanded by intermediaries at each tender.

Registered bidders

Participants in the AGS market approved by the AOFM to bid at tenders.

Where a high-volume transaction is required and the AOFM judges that it brings increased execution risks, we will issue bonds via a syndication. In a syndication, we appoint a panel of banks to support and promote the transaction through their customer networks. The bonds are placed directly with investors.

Domestic and international investors

Investors include central banks, banks, pension funds, hedge funds, insurance companies and private investors.

C. ORGANISATIONAL STRUCTURE

The AOFM's organisational structure is based on financial industry best practice, including developing our teams to align with different stages of our business processes. It specifically recognises financial transaction–related duties. Core operational activities form the following 3 broad areas.

Front office

The front office comprises strategy, markets, sustainable finance and funding. It conducts portfolio and global market research; engages with investors; and liaises with Treasury on debt policy and related financial market issues. It also conducts tenders and syndications for the issuance of AGS; manages the Green Treasury Bond program; administers and executes investment programs for the Australian Business Securitisation Fund (ABSF) and the Structured Finance Support Fund (SFSF); and leads the cash management task.

Middle office

The middle office supports enterprise risk management (ERM); monitors second-line risk assurance; manages business continuity, business systems and data; safeguards security and privacy; and measures portfolio performance. Risk and compliance monitoring facilitates the AOFM's management of risk, including adherence to the separation of back and front office functions. The middle office maintains business databases that facilitate monitoring and reporting of our business activities.

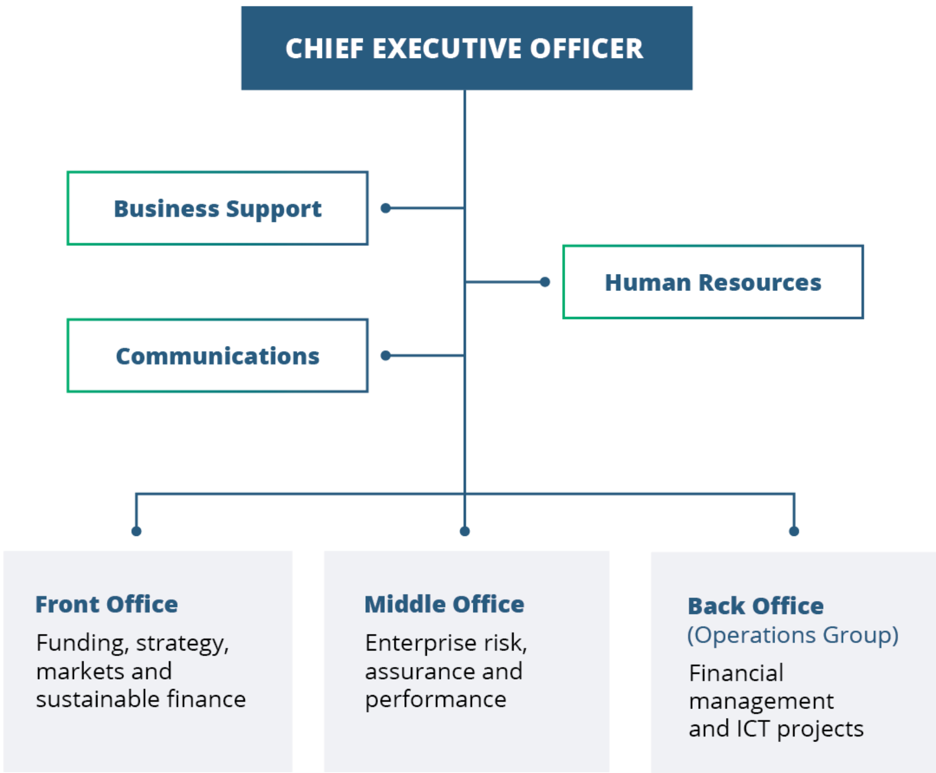
Back office (Operations Group)

The Operations Group is responsible for accounting, budgeting and financial management services. It manages debt financing and investment transaction settlements; ensures debt payment obligations are always met; and manages procurement and vendor risk and outsourced debt registry services. It also manages information and communications technology (ICT) projects and service delivery.

The Office of the CEO manages functions that sit outside the above 3 offices. This includes corporate communications, human resources, administrative support for the agency and executive support for the CEO.

Figure 1 shows AOFM's organisational structure as at 30 June 2024. AOFM's accountable authority is Anna Hughes, CEO, who occupied the position for the full 2023–24 reporting period.

Figure 1: AOFM organisational structure as at 30 June 2024



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A. STATEMENT OF PREPARATION

As the accountable authority of the Australian Office of Financial Management (AOFM), I present the 2023–24 annual performance statement of the AOFM, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, the annual performance statement is based on properly maintained records, accurately reflects the performance of the agency, and complies with subsection 39(2) of the PGPA Act.

Anna Hughes
Chief Executive Officer

26 August 2024

B. FINANCIAL RISK MANAGEMENT

Sovereign debt management requires managing a range of risks and other considerations

Sovereign debt issuance and cash management entails assessing interest rate, liquidity, forecasting and operational risks. Given the size of the government's financial operations, these risks are material to its overall fiscal position and balancing them requires carefully informed judgement. These risks are influenced by a range of factors, primarily global market forces that are subject to constant change.

The AOFM's risk management framework supports decisions about engaging with, and mitigating, risk. It also underpins our risk-aware culture.

An efficient sovereign debt market improves the financial system's resilience to economic and financial market shocks. Through our debt financing activities, the AOFM also supports the domestic financial system in which the issuance and trading of Australian Government Securities (AGS) plays a central role. The AGS market provides key reference points on which to base the price of other capital market instruments and is used by market participants to manage interest rate risk.

The AOFM issues Treasury Bonds, Treasury Indexed Bonds and Treasury Notes

The AOFM issues 3 AGS debt instruments.

- **Treasury Bonds** are the main instrument used to meet the Budget funding task.
- **Treasury Indexed Bonds (TIBs)** are inflation-linked and diversify the AGS investor base.
- **Treasury Notes (T-Notes)** are short-term debt securities used for within-year financing purposes and to provide ready access to large volumes of financing in times of unanticipated need. This can be especially important during times of general market stress.

What are the characteristics of securities issued by the AOFM?

Treasury Bonds are interest bearing securities with maturities ranging to around 30 years. A fixed interest payment (coupon) is made twice each year for the life of the bond. At maturity, holders receive the bond's face value.

Green Treasury Bonds are a subset of Treasury Bonds. Issuance proceeds are used to finance climate and environmental projects.

TIBs have maturities ranging to around 30 years. The face value of TIBs is adjusted for changes to the Consumer Price Index (CPI). Interest is paid quarterly, at a fixed rate, on the bond's inflation-adjusted value. At maturity, the holders receive the inflation-adjusted value of the bond.

T-Notes are instruments with maturities ranging to 1 year. They do not pay coupons and are redeemed at face value at maturity.

The AOFM separates its assets and liabilities into portfolios

For risk management and reporting purposes, AOFM managed assets and liabilities are split into multiple portfolios. Long-term financing is managed through the Long-Term Debt Portfolio (LTDP). Short-term debt and assets are in the Cash Management Portfolio (CMP). Assets managed by the AOFM for policy purposes – including the Australian Business Securitisation Fund (ABSF), the Structured Finance Support Fund (SFSF), and loans to state and territory governments – are held in separate portfolios specific to each activity.

The LTDP comprises Treasury Bonds and TIBs

The AOFM influences the cost and risk profile of the LTDP through the maturity structure of bonds issued and the mix between nominal and inflation-linked bonds.

Balancing cost and risk considerations while avoiding adverse impacts on market functioning requires judgement. Issuing longer-term bonds typically involves higher debt servicing costs, but this is compensated by reduced volatility in future debt servicing costs and lower annual refinancing tasks.[1] Shorter-term borrowing will typically incur lower cost but can expose the government to higher variability in debt servicing costs and will lead to higher annual refinancing requirements.

Developing a medium to long-term view on appropriate portfolio management, and translating it into annual issuance strategies, is informed by research and close monitoring of financial market conditions. The research explores the cost and risk characteristics of alternative portfolio structures and issuance strategies under a range of scenarios.

The CMP comprises T-Notes and deposits with the Reserve Bank of Australia

The CMP is primarily used to manage within-year timing mismatches between government receipts (mostly taxation) and payments. It is a fluctuating portfolio of short-term investments (deposits with the Reserve Bank of Australia (RBA)) and short-term liabilities (T-Notes). The AOFM manages the portfolio to achieve an appropriate balance between cost, refinancing risk and liquidity risk.

Assets managed for policy purposes

In November 2018, the government announced plans to establish the ABSF to promote the development of and increase competition within the small to medium enterprise (SME) lending market. The ABSF aims to improve access to securitisation funding for smaller lenders that provide credit to the SME sector. Enabling legislation was enacted in April 2019.

In March 2020, the Australian Parliament passed a series of economic response measures to support the Australian economy through the COVID-19 pandemic. The *Structured Finance Support (Coronavirus Economic Response Package) Act 2020* (SFS Act) established the $15 billion SFSF to support the wholesale structured finance market, which was disrupted by the economic uncertainty arising from the pandemic. The Act aimed to ensure smaller lenders continued to have access to wholesale funding markets, in turn supporting the ongoing flow of lending to households and small business.

1 Refinancing risk, also referred to as 'rollover risk' or 're-pricing risk', is the risk that borrowing to replace maturing debt occurs on unfavourable terms (or is not possible at all).

Our primary cost measure is accrual debt servicing cost

AOFM cost and risk measures reflect considerations faced by all sovereign debt managers. The primary cost measure is accrual debt servicing cost. This measure includes interest payments made on AGS, realised market value gains and losses on repurchases, capital indexation of TIBs, and amortisation of issuance premiums and discounts. Accrual debt servicing cost excludes unrealised market value gains and losses. The effective yield of the portfolio is the total accrual debt servicing cost expressed as a percentage of total debt outstanding.

Fair value measures of cost (which take account of unrealised gains and losses) are less relevant because the AOFM only considers the repurchase of outstanding bonds when they are close to maturity – a point at which their prices are not very sensitive to changes in interest rates.

How is interest cost for AGS determined?

The interest cost on AGS is set by the market through bids by financial market intermediaries at competitive tenders run by the AOFM (and in some cases by investor bids at syndications). The interest rates bid by intermediaries depend on the maturity and coupon rate of the specific security being issued and prevailing market conditions.

For Treasury Bonds and T-Notes, the full life interest cost is locked in at the time of each issue. For TIBs, the interest cost depends on changes to the CPI over the life of the bond, so the full life interest cost is not known at the time the bond is issued.

C. APPROACH TO ASSESSING PERFORMANCE

Progress towards meeting performance targets is monitored by the AOFM Executive Leadership Group

The AOFM's annual performance planning cycle begins with the Corporate Plan. Our preparation includes reviewing our purposes, key activities and performance measures. The AOFM Executive Leadership Group (ELG) monitors performance measures on a quarterly basis, and reports progress to the AOFM Audit and Risk Committee. The AOFM's 2023–24 Corporate Plan is available on our website.

Our purposes are linked to key activities which, in turn, are mapped to measures of performance. Overall agency performance is assessed through performance outcomes as reported below.

Table 1 shows the AOFM's performance measures and associated targets. They are set out against an overarching purpose. Performance outcomes are reported in the following sections.

Table 1: Performance measures and targets

Performance measures				Target
PURPOSE 1		**Meet the government's annual financing task while managing the trade-offs between costs and risks**		
1.1	Establish a debt management strategy	1.1.1	**Annual debt management strategy:** formulate an annual debt management strategy and advise the Secretary to the Treasury with supporting analysis.	Prior to start of fiscal year
1.2	Execute the debt issuance program	1.2.1	**Term issuance:** the shortfall in volume in dollar terms for the fiscal year between actual Treasury Bond issuance and planned issuance announced at the most recent official Budget related update.	Zero
		1.2.2	**New issuance yields:** the weighted average issuance yield at Treasury Bond and Treasury Indexed Bond tenders compared to prevailing mid-market secondary yields.	At or below mid-market yields
		1.2.3	**Tender coverage ratio:** the average tender coverage ratio across all tenders for the fiscal year.	Greater than 2.5 times
1.3	Settle transactions and coupon and redemption payments	1.3.1	**Settlement of AGS transactions:** the number of times AGS transactions fail to settle in a complete, timely and accurate manner where the AOFM is responsible for the failure.	Zero
		1.3.2	**Settlement of AGS coupons and redemptions:** the number of times AGS coupon and redemption payments fail to occur in a complete, timely and accurate manner where the AOFM is responsible for the failure.	Zero
1.4	Monitor costs and risks of the portfolio of assets and liabilities	1.4.1	**Financing cost – issuance:** the cost of Treasury Bond issuance in percentage terms over the past 12 months compared to the average 10-year Treasury Bond rate over the same period.	Lower

Performance measures				Target
PURPOSE 2		**Ensure the government can always meet its cash outlay requirements**		
2.1	Establish a liquidity management strategy	2.1.1	**Annual liquidity management strategy:** formulate an annual liquidity management strategy and advise the Secretary to the Treasury with supporting analysis.	Prior to start of fiscal year
2.2	Conduct the cash management task	2.2.1	**Use of overdraft facility:** the number of instances the RBA overdraft facility was utilised.	Zero
PURPOSE 3		**Conduct market-facing activities in a manner that supports a well-functioning AGS market**		
3.1	Communicate AOFM operations clearly and consistently to the market	3.1.1	**Market commitments:** the number of times the AOFM failed to conduct issuance operations consistent with prior market announcements.	Zero
3.2	Conduct a market engagement program	3.2.1	**Investor publications:** the number of times investor targeted information publications are updated and made available on the AOFM website.	At least twice a year
3.3	Support financial market liquidity	3.3.1	**Secondary market turnover:** the annual turnover in dollar value terms in the secondary market for Treasury Bonds and Treasury Indexed Bonds in a fiscal year.	Greater than previous fiscal year
PURPOSE 4		**Meet the priorities of the ABSF and the SFSF**		
4.1	Manage the ABSF program	4.1.1	**ABSF rate of return:** the accrual earnings (net of losses) for a fiscal year divided by the average drawn (invested) amount in percentage point terms.	Greater than Bloomberg AusBond Treasury 0-1 year index
4.2	Manage the SFSF program	4.2.1	**SFSF losses:** gross credit losses for a fiscal year divided by the average drawn (invested) amount in percentage point terms.	Zero

Result definitions for performance measures are as follows.

Met	The AOFM delivered against the performance measure.
Partially met	The AOFM partially achieved its aims against the performance measure.
Not met	The performance measure was not met.

D. THE OPERATING ENVIRONMENT

During 2023–24, risks to the outlook for the global economy has become more balanced as inflation eased and central banks began to pivot toward easier policy. Market participants have become increasingly optimistic about achieving a 'soft landing', with recent numbers suggesting inflation is not continuing to accelerate.

Annual inflation in Australia has fallen from its peak of 7.8 per cent in the December quarter of 2022 to 3.8 per cent in the June 2024 quarter. However, as in other developed economies, the rate of disinflation has slowed. This is due to a combination of still elevated services inflation, and reduced disinflation from the goods side of the economy.

The Reserve Bank of Australia (RBA) reached its current level of 4.35 per cent for the cash rate in November 2023. Market participants expect the RBA to cut the policy rates later and by less than central banks in most other advanced economies, where rates were increased earlier and to a higher level than in Australia. This is due to guidance from the RBA that upside risks to inflation remain and that rates will remain 'higher for longer'. Domestic activity and labour market conditions remain relatively resilient. Labour market conditions continued to ease over 2023–24, but they remained healthy. At the end of 2023–24, the unemployment rate was around 4 per cent, the participation rate was high and wages growth was around 4 per cent.

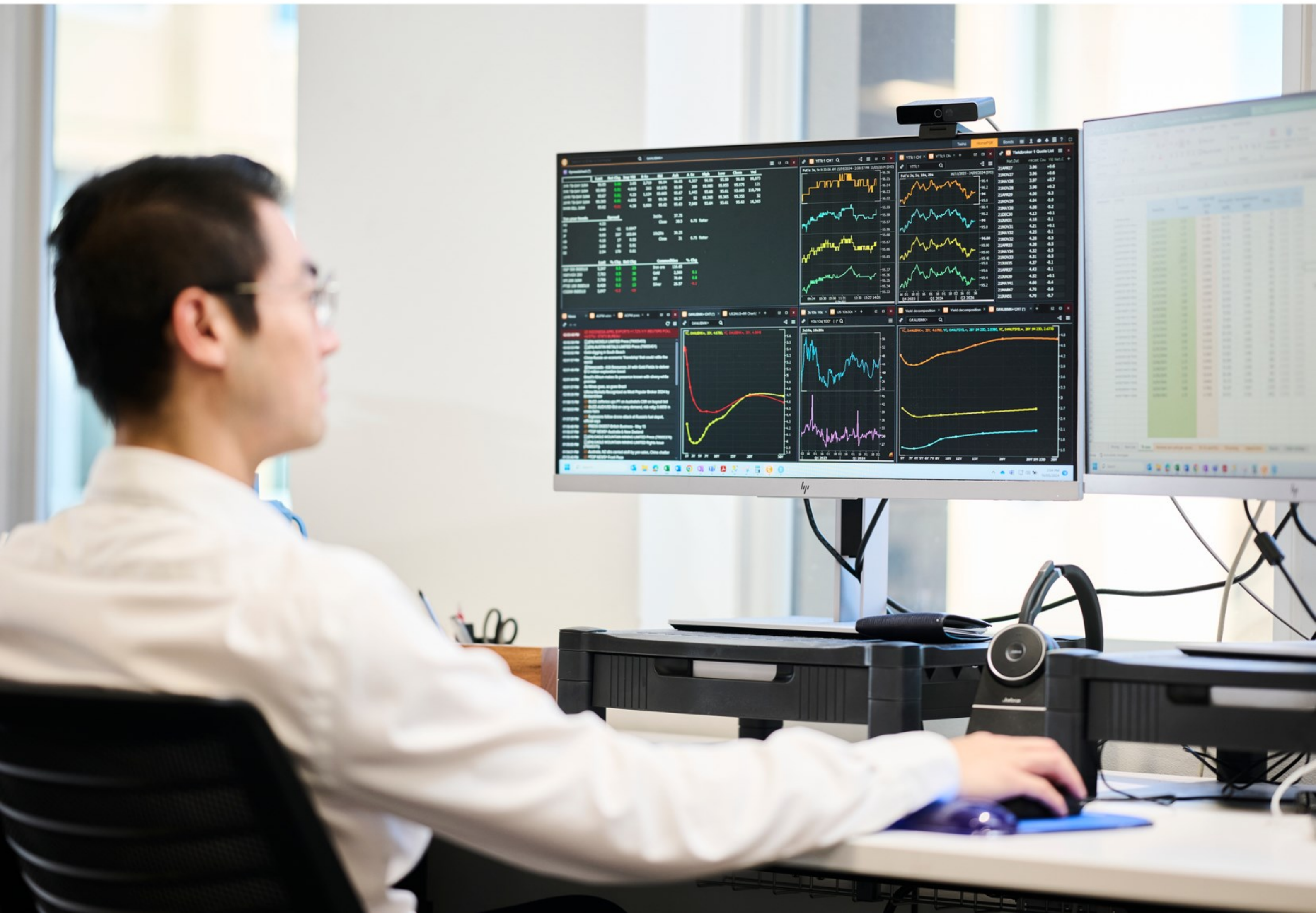
Global bond yields rose appreciably during the first half of 2023–24, especially at longer maturities. Most of this increase represented higher real yields. Yields were relatively stable over the second half of the fiscal year, reflecting market expectations that most central banks are at or close to the end of their policy tightening phases. Yields in most advanced economies have fallen from their peaks but remain above pre-COVID levels. Australian 10-year yields traded from a low of around 3.90 per cent to a high of around 5 per cent in 2023–24.

Bond markets continue to function well although volatility was elevated during some periods. Bid–offer spreads on Australian Government Securities (AGS) have traded narrower over the year to remain around their lowest levels in recent years. Demand for new AGS issuance from both domestic and international investors remains strong.

Over the course of the year, the AOFM's financing task fell as the Budget position strengthened. The AOFM revised issuance plans from $75 billion to $50 billion at MYEFO.

PERFORMANCE ASSESSMENT: PURPOSE 1

Meet the government's annual financing task while managing the trade-off between costs and risks



How Purpose 1 is achieved

The financing task is achieved through issuance of Australian Government Securities (AGS). Issuance is informed by a debt management strategy that balances portfolio risks and borrowing costs.

Debt management considerations include interest cost and interest cost variability over time, changes to investor demand, financial market conditions, the size of the financing task, and funding risk. Issuance decisions require making judgements to balance costs and risks.

Many risks are a product of market influences or events not within the control of the AOFM. Additionally, debt management decisions and fiscal outcomes in one period have flow-on effects into future periods, including on interest costs, annual financing and refinancing requirements, and overall debt levels. The AOFM also looks to ensure its actions support the integrity, liquidity, stability and functionality of the AGS market.

Effective debt management often requires a long-term perspective on decision-making. Smooth operational outcomes require decision-making that considers prevailing market conditions.

The volume of AGS issuance is adjusted in response to changing circumstances, such as changes to the financing requirement. The method of issuance balances considerations that include supporting AGS liquidity, managing execution risk and anticipating transaction costs. The majority of issuance is by competitive tender. Syndicated issuance is generally reserved for executing high-risk transactions due to large volumes or for establishing new bond lines.

Table 2: Summary of performance for Purpose 1

Performance measures		2023–24 Performance	
		Target	**Results**
Key Activity 1.1	**Establish a debt management strategy:** • consistent with a prudent sovereign debt management approach • that anticipates the broad market outlook and attendant risks • to meet the Budget financing task • to meet projected debt portfolio requirements (such as the need for new maturities) • to effectively balance borrowing cost and portfolio risks.		
1.1.1	**Annual debt management strategy:** formulate an annual debt management strategy and advise the Secretary to the Treasury with supporting analysis.	Prior to start of fiscal year	Met
Key Activity 1.2	**Execute the debt issuance program:** • consistent with the annual debt management strategy • through weekly issuance decisions that take prevailing conditions into account • through issuance choices to support the market and reduce the risk of failed transactions • by adjusting issuance if material unanticipated external events arise.		
1.2.1	**Term issuance:** the shortfall in volume in dollar terms for the fiscal year between actual Treasury Bond issuance and planned issuance announced at the most recent official Budget-related update.	Zero	Met
1.2.2	**New issuance yields:** the weighted average issuance yield at Treasury Bond and Treasury Indexed Bond tenders compared to prevailing mid-market secondary yields.	At or below mid-market yields	Met
1.2.3	**Tender coverage ratio:** the average tender coverage ratio across all tenders for the fiscal year.	Greater than 2.5 times	Met

Performance measures		2023–24 performance	
		Target	Results
Key Activity 1.3	**Settle transactions and coupon and redemption payments:** • in a complete, timely and accurate manner.		
1.3.1	**Settlement of AGS transactions:** the number of times AGS transactions fail to settle in a complete, timely and accurate manner where the AOFM is responsible for the failure.	Zero	Met
1.3.2	**Settlement of AGS coupons and redemptions:** the number of times AGS coupon and redemption payments fail to occur in a complete, timely and accurate manner where the AOFM is responsible for the failure.	Zero	Met
Key Activity 1.4	**Monitor costs and risks of the portfolio of assets and liabilities:** by measuring the cost and risk structure of each portfolio.		
1.4.1	**Financing costs – issuance:** the cost of Treasury Bond issuance in percentage terms over the past 12 months compared to the average 10-year Bond rate over the same period.	Lower	Not met

Key Activity 1.1: Establish a debt management strategy

The annual debt management strategy sets out the parameters for the AOFM's issuance activities. This includes the weighted average maturity (WAM) of issuance and the mix of funding instruments to be used. The AOFM Advisory Board is briefed on the strategy. The Secretary to the Treasury endorses the strategy each year.

The 2023–24 debt management strategy was formulated in an environment of a flat yield curve and tightening monetary policy. The relatively small financing task, a flat yield curve and the need to establish a new 30-year benchmark bond informed a long-dated bias to the WAM of issuance.

Performance for Key Activity 1.1

Indicator 1.1.1 Annual debt management strategy

The target to formulate and advise the Secretary to the Treasury of the annual debt management strategy before the start of the fiscal year was met.

The Secretary to the Treasury was briefed on and approved the 2023–24 debt management strategy in June 2023.

Key Activity 1.2: Execute the debt issuance program

The AOFM makes weekly decisions on which AGS to issue. These decisions take account of the debt management strategy; funding and cash requirements; market conditions; liaison with intermediaries and investors; relative value between different bond lines; and the size of existing bond lines. Issuance of AGS occurs through competitive tenders and occasionally by syndication.
Better decision-making should lead to strong tender demand, which is indicated by high coverage ratios combined with bids at or below mid-market yields.

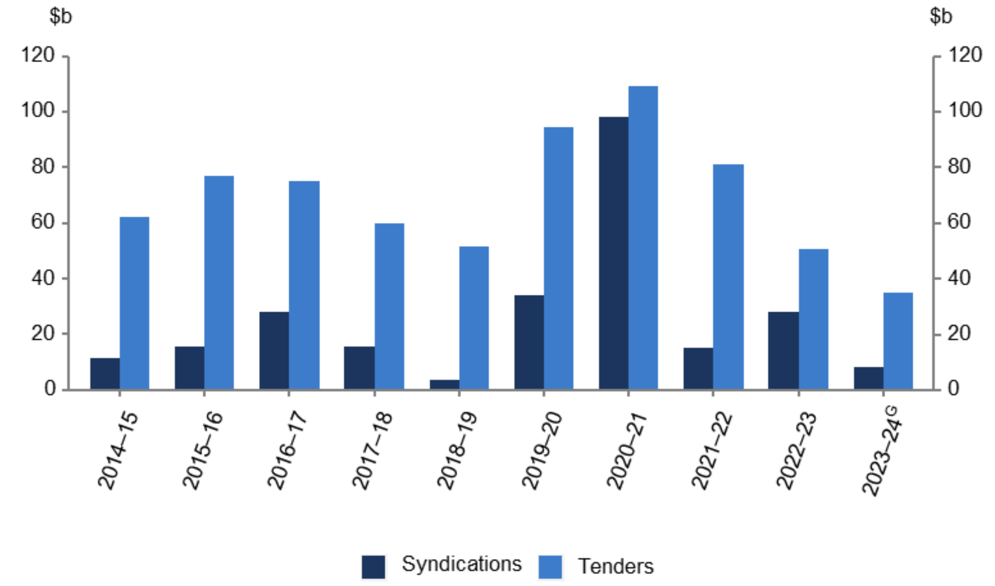
Treasury Bonds

Treasury Bonds are the main instrument used by the AOFM to meet the government's financing requirements.

In 2023–24, $50 billion of Treasury Bonds were issued, with $35 billion issued by tender and $15 billion by syndication. Net issuance was $14.1 billion. Issuance was lower in 2023–24 than in 2022–23 as a lower amount of refinancing was required ($35.9 billion in 2023–24 compared to $85.7 billion in 2022–23).

Two new bond lines were established during the year – a new 30-year benchmark line maturing in June 2054 and a June 2034 Green Treasury Bond. Both were established by syndication, and 30 per cent of total Treasury Bond issuance for the year was into these 2 new lines. Chart 1 shows syndication and tender issuance of Treasury Bonds over the past decade.

Chart 1: Treasury Bonds – issuance by financial year

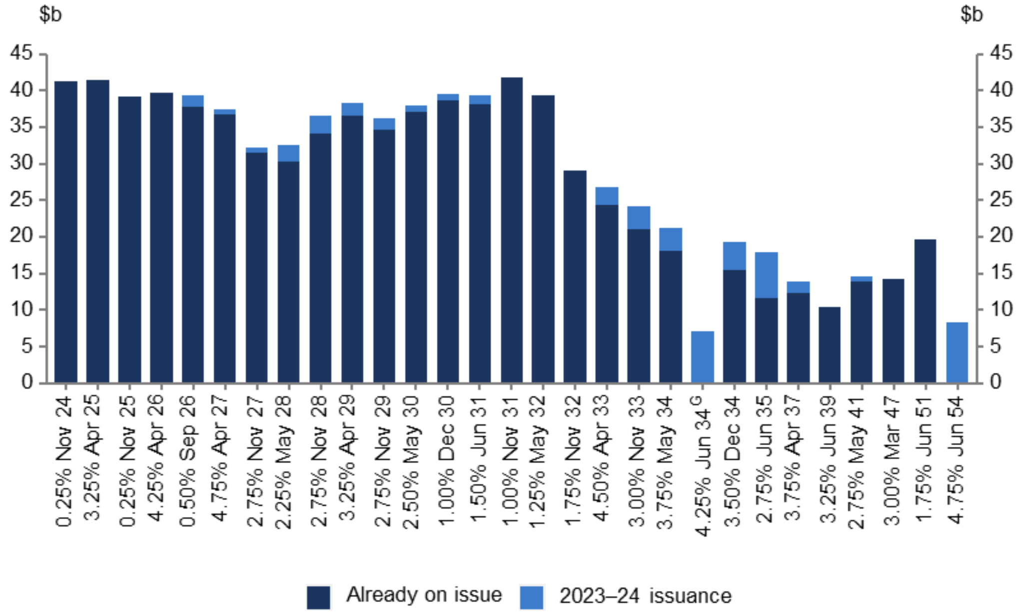


Note: 'G' denotes the issuance of the Green Treasury Bond.

Treasury Bond tenders were held most weeks. Issuance by tender was concentrated in bonds that will mature in 8 to 12 years.

At the end of 2023–24, 29 Treasury Bond lines were on issue. Three lines had more than $40 billion on issue and a further 13 had more than $30 billion on issue. One Green Treasury Bond line was on issue. Chart 2 shows Treasury Bonds on issue as at 30 June 2024 and the allocation of issuance during the year.

Chart 2: Treasury Bonds outstanding as at 30 June 2024 and issuance during 2023–24



Green Treasury Bonds

In April 2023, the Treasurer, the Minister for Climate Change and Energy, and the Assistant Minister for Climate Change and Energy announced that Australia would introduce a green bond program. The AOFM and Treasury published the Australian Government Green Bond Framework, outlining the arrangements for Green Treasury Bonds, in December 2023.

Green Treasury Bonds are identical to standard Treasury Bonds, except that the proceeds of issuance are allocated to eligible green expenditures. These must align strongly with one or more of the Australian Government's 3 key green goals:

- climate change mitigation
- climate change adaptation
- improved environmental outcomes.

Investors will receive ongoing reporting on the allocation of proceeds from Green Treasury Bond issuance to eligible green expenditures, and the climate and environmental impacts of those expenditures.

The first Green Treasury Bond was issued in June 2024. The 10-year bond attracted strong demand from investors. The final order book totalled $23 billion, more than 3 times the $7 billion offered.

A wide range of domestic and global investors supported the bond. Around 35 per cent was allocated to offshore investors, with the deal attracting the largest proportion of European participation in any AOFM 10-year bond issue.

The broad range of investors that bought the bond included fund managers, central banks, hedge funds and banks for their balance sheets and trading desks. The highest allocation by investor type was 63 per cent to fund managers.

Chart 3: Green Treasury Bond allocation – investors by type

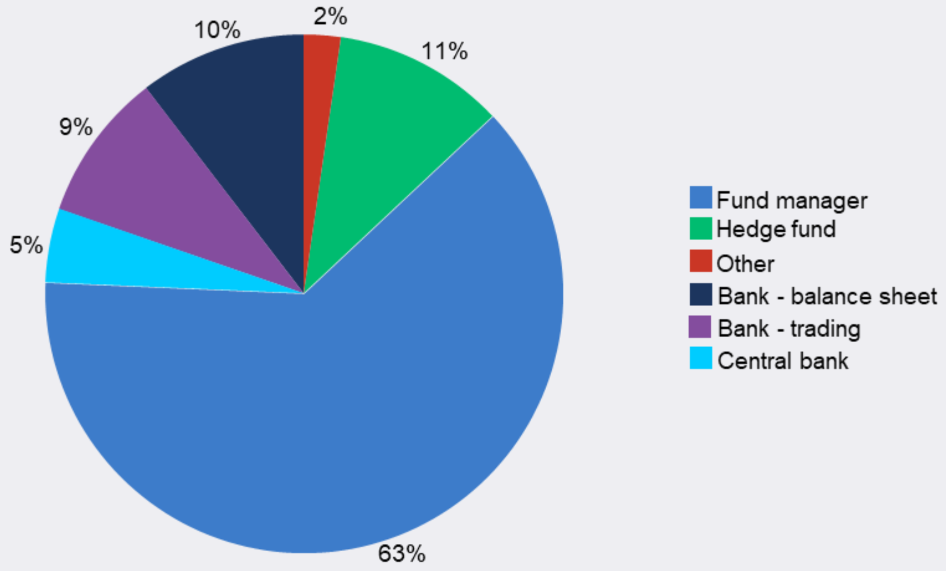
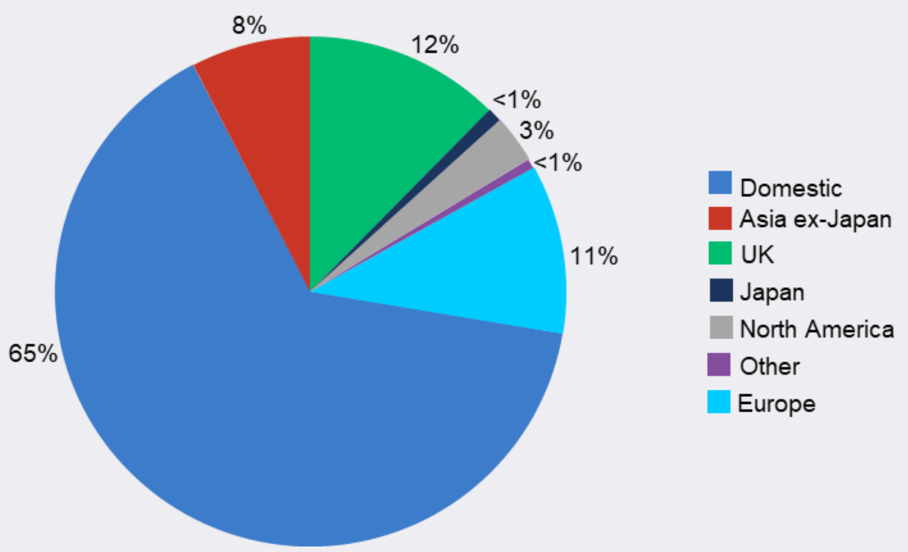


Chart 4: Green Treasury Bond allocation – investors by geography



Of the 105 investors allocated bonds, 17 were new to AOFM syndicated deals. All new participants were investors that consider environmental factors in their investment decisions.

The Green Treasury Bond attracted a 'greenium', which is the difference between the yield of a green bond and the yield of an otherwise identical non-labelled bond. The AOFM estimated a greenium of around 2 basis points (bps) for the transaction, which is broadly in line with other sovereign greeniums. This represented interest cost savings of around $11 million.

Treasury Indexed Bonds

The AOFM issues sufficient Treasury Indexed Bonds (TIBs) to meet demand and support the functioning of the market.

TIB issuance for the year was $3.55 billion (see Chart 5). One or 2 tenders were held in most months. Three of these tenders were 'split' tenders, where 2 TIBs were issued at the same time to allow for more issuance of long-dated TIBs. A $1.3 billion syndicated issue of the August 2035 TIB was conducted in conjunction with a buyback of the September 2025 TIB. This will help to smooth the impact of the September 2025 maturity and improve the functionality of the TIB market.

Chart 5: TIBs – issuance by financial year

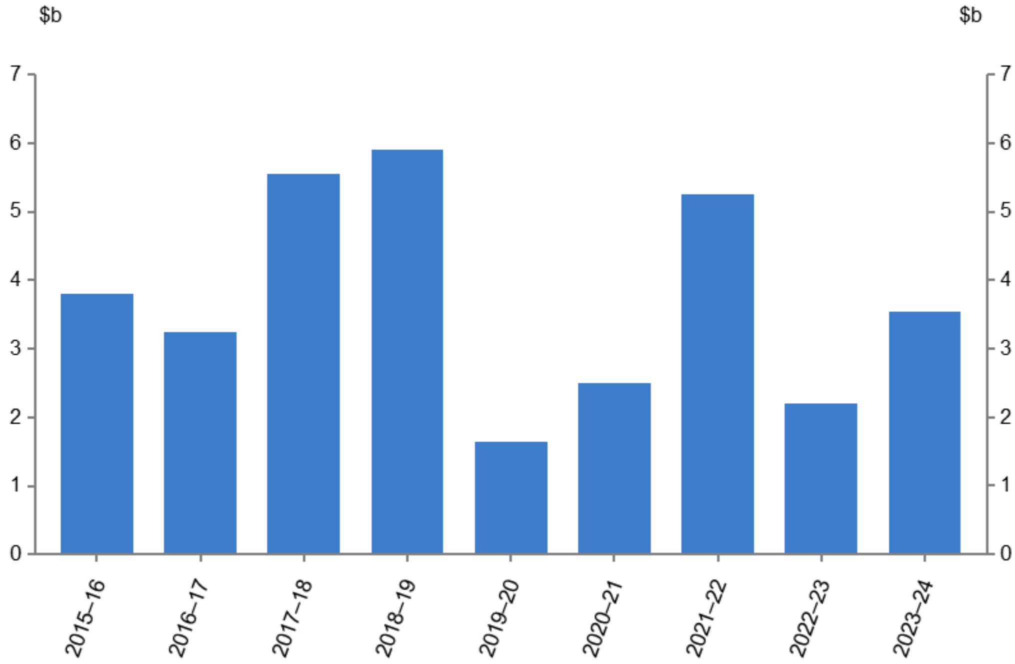
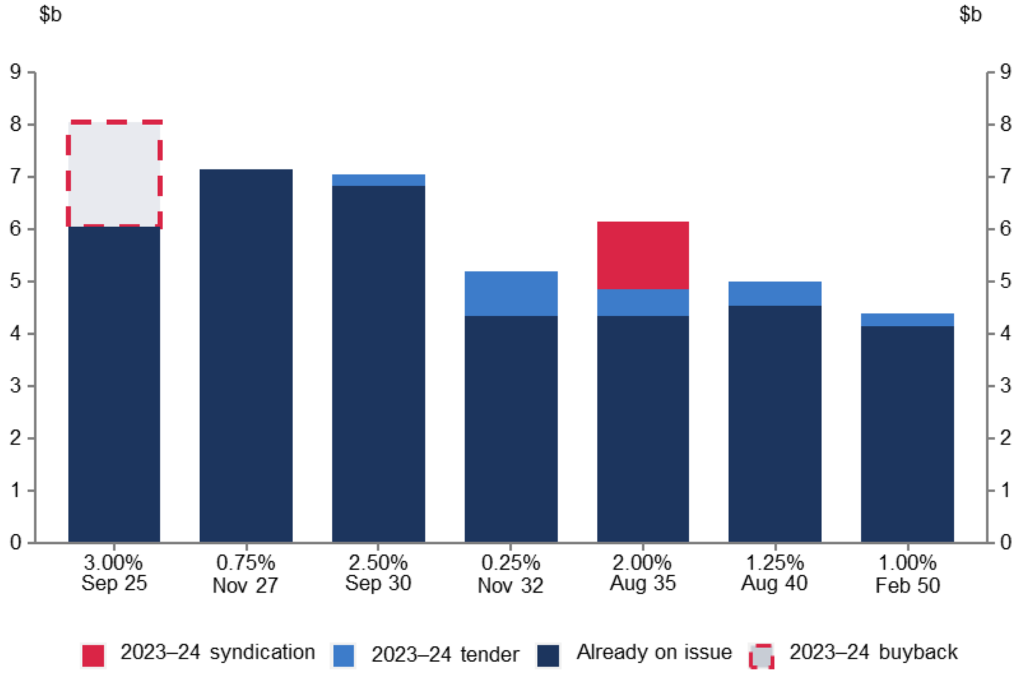


Chart 6 shows the amount outstanding in each of the 7 TIB lines at 30 June 2024 and the allocation of issuance during the year.

Chart 6: TIBs outstanding as at 30 June 2024 and issuance during 2023–24



Performance for Key Activity 1.2

Indicator 1.2.1 Term issuance

Actual Treasury Bond issuance was consistent with the volume announced at the 2024–25 Budget; therefore, this target was met.

The term issuance indicator is used to measure operational consistency with advice to the public. The target is set at zero, although in practice small deviations can be accommodated in issuance for the following year and may be in response to Budget outcomes differing from estimates (for example, tax may be lower than estimated, requiring the AOFM to issue more Treasury Bonds to maintain a given cash balance).

Actual Treasury Bond issuance was $50 billion, consistent with the guidance of 'around $50 billion' announced at the 2024–25 Budget. The AOFM announced issuance of 'around $75 billion' at the 2023–24 Budget. This was revised down to 'around $50 billion' at the 2023–24 MYEFO in December 2023. The downward revision was due to an improvement in the financing task.

Indicator 1.2.2 New issuance yields

The target for new issuance yields to be at or below prevailing secondary mid-market yields was met.

Average tender yields were 1 bps below secondary mid-market yields for Treasury Bonds and 1.4 bps below for TIBs in 2023–24. This was marginally lower than the 1.2 bps and 1.6 bps, respectively, achieved in 2022–23.

Treasury Bonds

Treasury Bond tenders were competitive in 2023–24.

Tender strength was reflected in bond tender issuance yields relative to secondary market yields. At all Treasury Bond tenders during 2023–24, the weighted average issue yields were below prevailing secondary market yields – a favourable outcome relative to mid-market pricing.

Table 3 summarises the results of Treasury Bond tenders conducted during the year. These averages are grouped by time to maturity.

Table 3: Summary of Treasury Bond tender results

Maturity (years)	Face value amount allocated ($m)	Average spread to secondary market yield (bps)	Average times covered
0–2	–	n/a	n/a
2–5	8,900	-1.35	3.53
5–9	5,100	-1.07	2.98
9–12	18,400	-0.85	3.37
12+	2,600	-0.84	2.75
Total/average	**35,000**	**-1.01**	**3.31**

Treasury Indexed Bonds

TIB tenders were competitive during 2023–24. The weighted average issue yield was 1.41 bps less than prevailing secondary market yields in 2023–24 (compared to 1.60 bps in 2022–23).

Table 4 summarises the results of the TIB tenders conducted throughout the year.

Table 4: Summary of TIBs tender results

Maturity (years)	Face value amount allocated ($m)	Average spread to secondary market yield (bps)	Average times covered
0–5	–	n/a	n/a
5–10	1,050	-1.21	3.04
10–20	950	-1.55	3.40
20+	250	-1.67	3.28
Total/average	**2,250**	**-1.41**	**3.22**

Treasury Notes

T-Notes tenders were competitive in 2023–24.

Table 5 summarises the results of T-Notes issuance during the year.

T-Notes attracted a 1 bps spread below the overnight indexed swap rate (OIS)[2] in 2023–24 (compared to 3.5 bps in 2022–23).

2 Spreads to OIS are calculated by AOFM based on interpolated rates around the time of each tender.

Table 5: Summary of T-Notes tender results

Maturity (months)	Face value amount allocated ($m)	Average spread to OIS (bps)	Average times covered
0–3	30,500	-1.05	4.58
3–6	64,500	-0.94	4.30
Total/average	**95,000**	**-0.98**	**4.39**

Indicator 1.2.3 Tender coverage ratio

The target for the average tender coverage ratio to be above 2.5 was met.

AGS tenders were well covered throughout the year. The average coverage ratio for all tenders reduced to 4.1 in 2023–24, down from 4.5 in 2022–23. Table 6 summarises the coverage ratios at AGS tenders during 2023–24 and 2022–23. Total values for average tender sizes are omitted as tender sizes between securities are structurally different.

Table 6: Average coverage ratios at AGS tenders

	Average tender size ($m)		Average coverage ratios	
Security type	**2023–24**	**2022–23**	**2023–24**	**2022–23**
Treasury Bonds	745	677	3.31	3.35
TIBs	118	125	3.22	3.24
T-Notes	990	832	4.39	5.09
Total	**n/a**	**n/a**	**4.08**	**4.46**

Larger tender sizes likely contributed to the reduction in average coverage ratios and spreads to OIS for T-Notes.

Key Activity 1.3: Settle transactions and coupon and redemption payments

Austraclear, a licensed clearing and settlement facility under the *Corporations Act 2001* (Cth), is an electronic securities settlement and depository system for Australian dollar–denominated debt market securities and is central to the settlement of AGS transactions. It is important that transactions settle on time.

The system uses a real-time payment and delivery function for simultaneous gross settlement of transactions. The exchange of securities and cash only occurs when the buyer's funds are available in their Austraclear account and securities are also available in the seller's Austraclear account. If we buy securities back from the market, cash is delivered to successful counterparties in return for the securities. AGS bought back from the market are then cancelled.

The vast majority of AGS on issue are held in Austraclear. The AOFM uses the system to make coupon and redemption payments to the holders of those securities. Computershare, the AOFM's debt registrar, is responsible for facilitating payments to the holders of securities held outside Austraclear.

Performance for Key Activity 1.3

Indicator 1.3.1 Settlement of AGS transactions

The target for settlement of AGS transactions was met.

All tender and syndication issuance during 2023–24 was successfully settled in a complete, timely and accurate manner.

The following box shows settlement values.

In 2023–24, the AOFM settled:

- 47 Treasury Bond tenders, totalling $32.51 billion
- 1 Treasury Bond syndication of $7.90 billion
- 1 Green Treasury Bond syndication of $6.97 billion
- 19 TIB tenders, totalling $2.56 billion
- 1 TIB syndication of $1.79 billion
- 1 TIB buyback of $3.00 billion
- 94 T-Note tenders, totalling $93.80 billion.

Indicator 1.3.2 Settlement of AGS coupons and redemptions

The target for settlement of AGS coupons and redemptions was met.

It is critical for the AOFM to ensure the Australian Government is at all times assessed in financial markets as behaving in a manner fully consistent with its AAA sovereign credit rating. This means all financial (repayment) obligations are always met. All AGS coupon and redemption payments for Austraclear-held and non-Austraclear-held securities were successfully settled in a complete, timely and accurate manner in 2023–24.

The following box shows settlement values.

In 2023–24, the AOFM made:

- 58 Treasury Bond coupon payments, totalling $20.3 billion
- 1 Treasury Bond redemption payment of $35.9 billion
- 28 TIB coupon payments, totalling $907.9 million
- 21 T-Note redemption payments, totalling $93.5 billion.

Key Activity 1.4: Monitor costs and risks of the portfolio of assets and liabilities

The Long-Term Debt Portfolio

The effective yield of the Long-Term Debt Portfolio (LTDP) was 2.39 per cent for 2023–24, 4 bps lower than in 2022–23. Total debt servicing costs were roughly the same as 2023–24, which can be attributed to a higher average volume of bonds on issue offset by lower costs on TIBs.

Table 7: Debt servicing costs – Long-Term Debt Portfolio

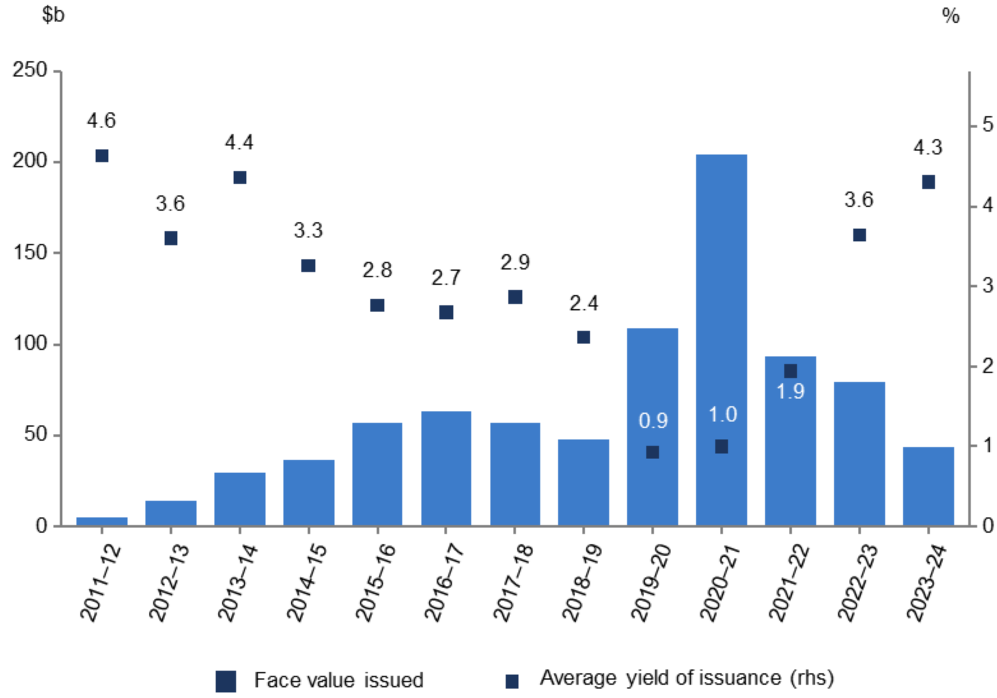
	Debt servicing cost		Book volume		Effective yield	
	2023–24	2022–23	2023–24	2022–23	2023–24	2022–23
	($m)		($m)		(% p.a.)	
Contribution by instrument						
Treasury Bonds	(18,414)	(17,314)	(841,908)	(832,445)	2.19	2.08
TIBs	(3,014)	(4,081)	(54,003)	(48,727)	5.57	8.38
Total	**(21,428)**	**(21,395)**	**(895,911)**	**(881,172)**	**2.39**	**2.43**
Represented by						
Interest costs	(21,346)	(21,395)	(895,911)	(881,172)	2.39	2.43
Cost of repurchases	(82)	–	(895,911)	(881,172)	0.00	–
Total	**(21,428)**	**(21,395)**	**(895,911)**	**(881,172)**	**2.39**	**2.43**

Treasury Bonds

The debt servicing cost of Treasury Bonds was 2.19 per cent in 2023–24. This is 11 bps ($1.1 billion) higher than in 2022–23, driven by higher yields for new issuance.

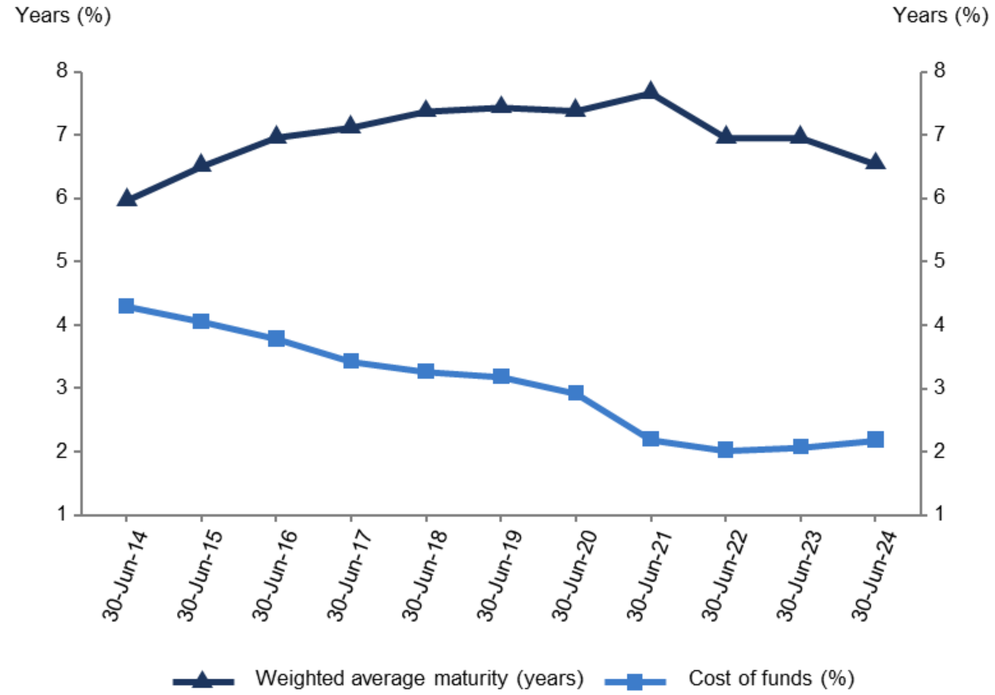
Chart 7 shows the current Treasury Bond portfolio by the financial year in which the bonds were issued, and the average issuance yield for each year. The average yield for Treasury Bond issuance has continued to increase, reaching 4.30 per cent in 2023–24.

Chart 7: Treasury Bond portfolio and average yield by issuance year



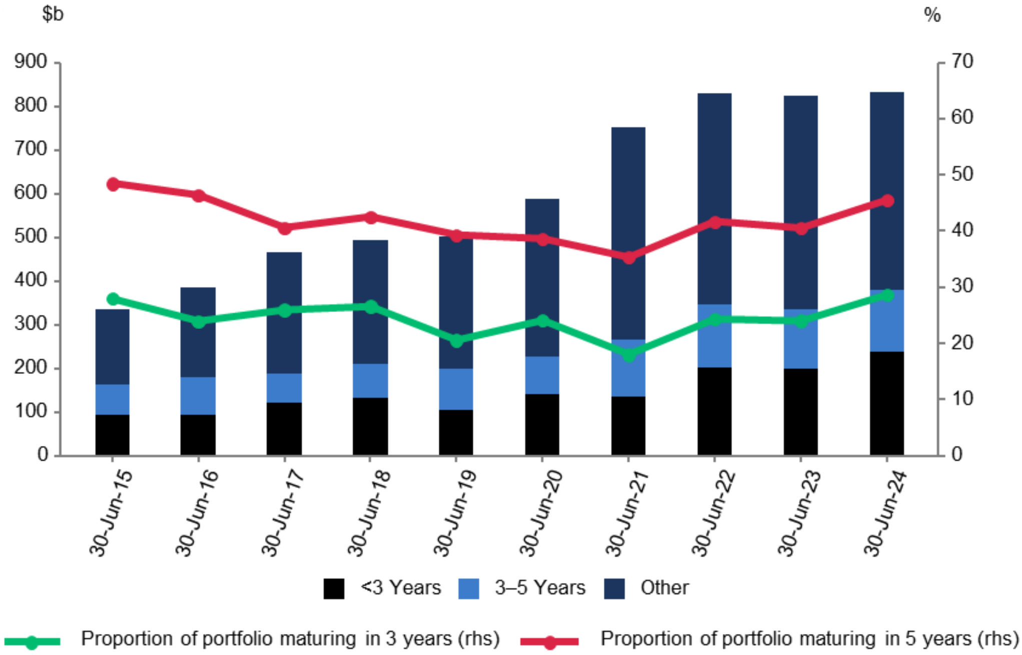
The average maturity of the Treasury Bond portfolio declined to 6.58 years in 2023–24 (see Chart 8).

Chart 8: Treasury Bond portfolio average maturity and cost of funds



The portfolio's risk levels in terms of exposure to refinancing are illustrated in Chart 9. As at 30 June 2024, the portfolio was structured with 28 per cent and 45 per cent of bonds required to be refinanced over the next 3- and 5-year periods, respectively. These figures are higher than those as at 30 June 2023. This is mainly because there will be 2 maturities in each calendar year, starting in 2024, adding to the amount of refinancing that will be needed.

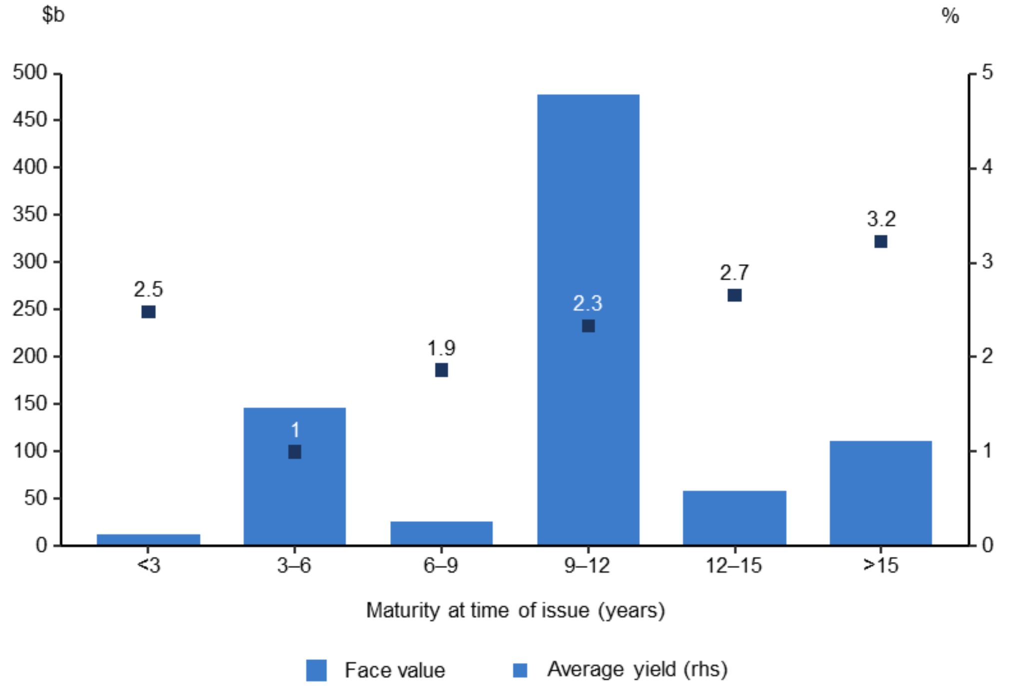
Chart 9: Treasury Bond portfolio – maturity profile



More than half of all outstanding Treasury Bonds were issued with an original maturity of 9–12 years (see Chart 10).

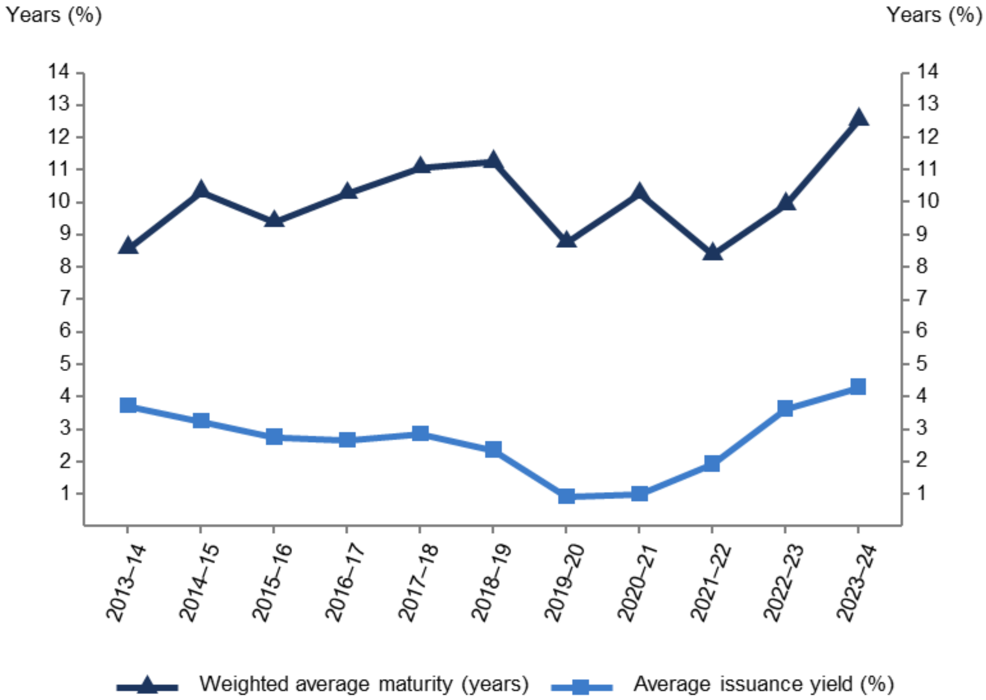
The concentration of issuance into longer maturity bonds reflects the AOFM's long-dated issuance bias. This has contributed significantly to diversifying the investor base and reducing refinancing risks and potential variability in interest cost outcomes.

Chart 10: Treasury Bond portfolio composition by original maturity as at 30 June 2024



The WAM of Treasury Bond issuance in 2023–24 was 12.55 years, significantly longer than the 2022–23 issuance WAM of 9.95 years. This is mainly due to the launch of a new 30-year bond during the year. The average issuance yield in 2023–24 was higher than 2022–23 due to higher bond yields (see Chart 11).

Chart 11: Treasury Bond issuance – average yield and maturity



Treasury Indexed Bonds

The effective yield on the TIBs portfolio in 2023–24 was 5.50 per cent, down from 8.40 per cent in 2022–23. This was driven by lower inflation outcomes.

Cash Management Portfolio

The Cash Management Portfolio (CMP) made a net return of 4.37 per cent for 2023–24, 117 bps higher than in 2022–23.

Table 8: CMP returns (debt servicing costs)

	Return (debt servicing costs)		Book volume		Effective yield	
	2023–24	2022–23	2023–24	2022–23	2023–24	2022–23
	($m)		($m)		(% p.a.)	
Contribution by instrument						
Deposits with the RBA	2,872	1,716	66,575	56,767	4.31	3.02
T-Notes	(1,141)	(823)	(27,006)	(28,830)	4.23	2.85
Total	**1,731**	**893**	**39,569**	**27,937**	**4.37**	**3.20**

Policy portfolios

In total, the policy portfolios made a return of $110 million with an effective yield of 6.27 per cent. The return on the policy portfolios increased by around 38 bps compared to 2022–23.

Income on loans to state and territory governments was $74 million for the period. Income on the Australian Business Securitisation Fund (ABSF) was $21 million and income on the Structured Finance Support Fund (SFSF) was $15 million. Income for the ABSF and SFSF comprises interest revenue and commitment fees, but excludes allowances for expected credit losses.

Table 9: Policy portfolio returns

	Revenue		Book volume		Effective yield	
	2023–24	2022–23	2023–24	2022–23	2023–24	2022–23
	($m)		($m)		(% p.a.[3])	
Contribution by instrument						
ABSF investments[1]	21	18	258	245	8.16	7.35
SFSF investments[2]	15	26	233	496	6.36	5.14
Loans to state and territory governments	74	79	1,258	1,340	5.86	5.86
Total	**110**	**123**	**1,749**	**2,081**	**6.27**	**5.89**

[1] ABSF investment income is before allowances for expected credit losses ($0.2 million revenue in 2023–24 and $1 million expense in 2022–23).

[2] SFSF investment income is before allowances for expected credit losses ($0.1 million revenue in 2023–24 and $0.6 million in 2022–23).

[3] Effective yields were calculated using unrounded figures.

Performance for Key Activity 1.4

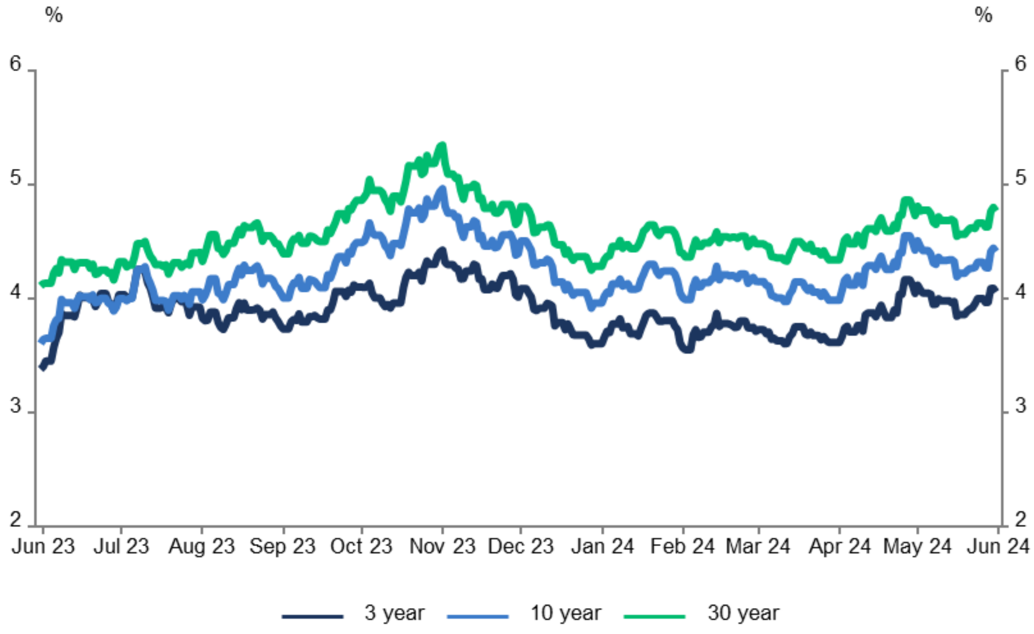
The AOFM monitors issuance cost outcomes against the 10-year bond rate because it is a liquid benchmark point.

Indicator 1.4.1 Financing cost – issuance

The financing cost target for Treasury Bond issuance was not met.

The average yield on Treasury Bond issuance for 2023–24 was 4.30 per cent, which was higher than the average 10-year bond rate of 4.25 per cent over the year. The target was not met mainly because the WAM of 12.55 years at issuance in 2023–24 was significantly longer than 10 years. As yield curves are typically upwards sloping, longer-issuance WAMs will normally attract higher yields. The AOFM judged that a longer WAM of issuance was appropriate for 2023–24 as it had the benefit of locking in costs for longer and reducing refinancing risk.

Chart 12: Evolution of Treasury Bond benchmark yields over 2023–24



Appendix: Cost outcomes for the entire portfolio of debt and assets administered by the AOFM

The net debt servicing cost of the AOFM's portfolio was $22.5 billion in 2023–24 (2022–23: $20.4 billion) on an average book volume of $895.9 billion (2022–23: $851.0 billion). This represents a net cost of funds of 2.29 per cent (2022–23: 2.39 per cent). Table 10 provides details of the cost outcomes for the portfolio of debt and assets administered by the AOFM, broken down by instrument and portfolio, by financial year.

Table 10: Commonwealth debt and assets administered by the AOFM

	Debt servicing cost		Book volume		Effective yield	
	2023–24	2022–23	2023–24	2022–23	2023–24	2022–23
	($m)		($m)		(% p.a.)	
Contribution by instrument						
Treasury Bonds[1]	(18,414)	(17,314)	(841,908)	(832,445)	2.19	2.08
TIBs	(3,014)	(4,081)	(54,003)	(48,727)	5.57	8.38
T-Notes	(1,141)	(823)	(27,006)	(28,830)	4.22	2.86
Gross AGS	**(22,569)**	**(22,218)**	**(922,917)**	**(910,002)**	**2.45**	**2.44**
Deposits with the RBA	2,872	1,716	66,575	56,767	4.31	3.02
ABSF investments[2]	21	18	258	245	8.16	7.35
SFSF investments[2]	15	26	233	496	6.34	5.14
Loans to state and territory governments	74	79	1,258	1,340	5.86	5.86
Gross assets	**2,982**	**1,839**	**68,324**	**58,848**	**4.36**	**3.12**
Net portfolio	**(19,587)**	**(20,379)**	**(854,593)**	**(851,154)**	**2.29**	**2.39**
Contribution by portfolio						
Long Term Debt Portfolio	(21,428)	(21,395)	(895,911)	(881,172)	2.39	2.43
Cash Management Portfolio	1,731	893	39,569	27,937	4.37	3.20
Investments for Policy Purposes Portfolio[2]	110	123	1,749	2,081	6.27	5.89
Total debt and assets	**(19,587)**	**(20,379)**	**(854,593)**	**(851,154)**	**2.29**	**2.39**

[1] Including Green Treasury Bonds.

[2] Investment returns are before allowances for expected credit losses.

PERFORMANCE ASSESSMENT: PURPOSE 2

Ensure the government can always meet its cash outlay requirements

How Purpose 2 is achieved

To ensure the government can always meet its cash outlay requirements, the AOFM requires forecasts of the liquidity position. The AOFM uses information from the Budget, the Australian Taxation Office and spending agencies to forecast daily payments and receipts for the whole of government. There can be periods of significant mismatches between payments and receipts during the year. We use short-term funding in the form of T-Notes and cash balances to manage these mismatches.

The AOFM has minimal appetite for liquidity risk. We assess the level of liquidity risk by considering the outlook for forecasting risk, funding risk and refinancing risk. We then consider appropriate levels for cash balances and the reliance on T-Notes.

Table 11: Summary of performance for Purpose 2

Performance measures		2023–24 Performance	
		Target	Results
Key Activity 2.1	**Establish a liquidity management strategy:** • that considers the broad outlook for funding market conditions • that defines an appropriate liquidity buffer • designed to maintain access to the Treasury Note market.		
2.1.1	**Annual liquidity management strategy:** formulate an annual liquidity management strategy and advise the Secretary to the Treasury with supporting analysis.	Prior to start of fiscal year	Met
Key Activity 2.2	**Conduct the cash management task:** • consistent with the liquidity management strategy • to always meet government spending requirements • to meet minimum liquidity requirements.		
2.2.1	**Use of overdraft facility:** the number of instances the RBA overdraft facility was utilised.	Zero	Met

Key Activity 2.1: Establish a liquidity management strategy

The liquidity management strategy details a high-level framework for the AOFM's liquidity management. The strategy focuses on the management of cash balances and the use of T-Notes. It identifies how we intend to ensure that the government's cash requirements are met in full and on time.

Performance for Key Activity 2.1

Indicator 2.1.1 Annual liquidity management strategy

> The target to formulate and advise the Secretary to the Treasury on the annual liquidity management strategy before the start of the fiscal year was met.

The Secretary to the Treasury was briefed on and approved the 2023–24 liquidity management strategy in June 2023.

Key Activity 2.2: Conduct the cash management task

Cash Management Portfolio

Effective cash management ensures the government can always meet its expenditure obligations at an acceptable cost.

Achieving the cash management objective involves forecasting government cash flows and implementing appropriate strategies for short-term investments and debt issuance.

A liquidity buffer is maintained to manage the forecasting risk associated with large, unexpected cash requirements (or shortfalls in revenue collections) and the funding risk associated with sudden and severe market constraints on issuance.

All cash management investments are held in the cash management account (CMA) at the RBA. The CMA earns an interest rate equivalent to that earned by the RBA in its open market operations. The volume of assets in the CMA ranged from a low of $44.7 billion to a peak of $96.4 billion in 2023–24.

The volume of T-Notes on issue during 2023–24 ranged from $25 billion to $32 billion. The AOFM committed to maintaining at least $25 billion of T-Notes on issue.

Chart 13 shows the movement in total short-term financial assets managed by the AOFM together with the volume of T-Notes on issue during 2023–24.

Chart 13: Cash holdings and T-Notes

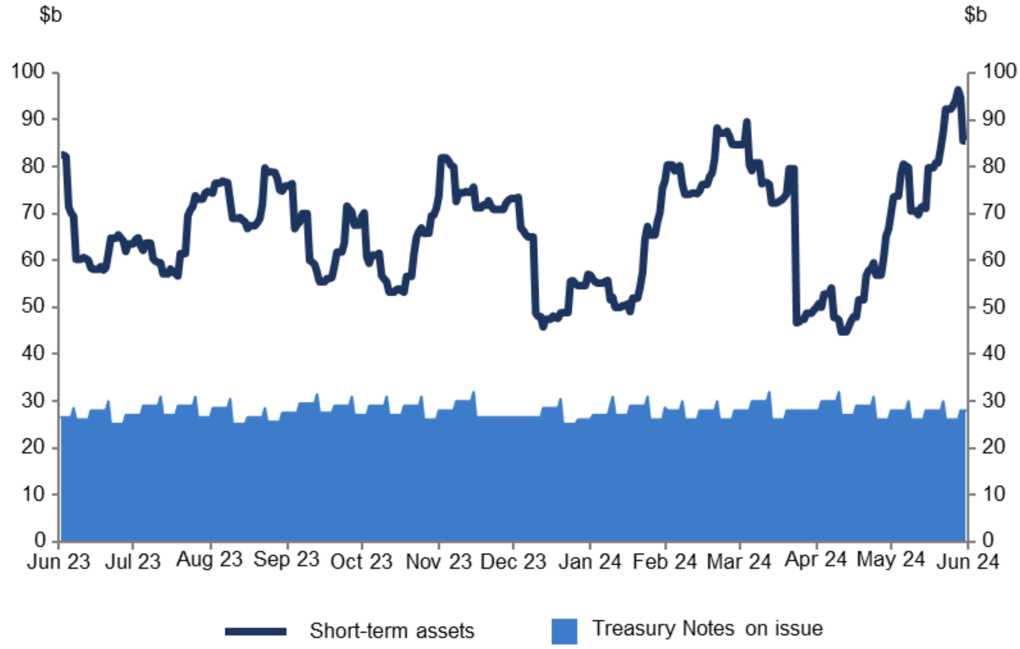
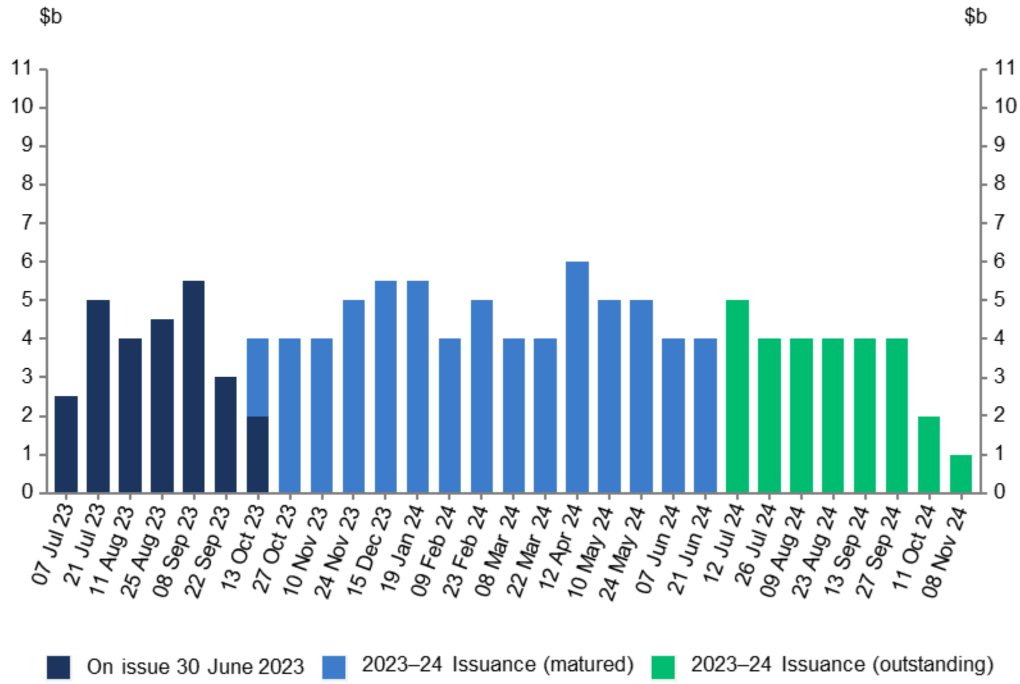


Chart 14 shows T-Note maturities and issuance over the year.

Chart 14: T-Note issuance and maturities in 2023–24



Performance for Key Activity 2.2

Indicator 2.2.1 Use of overdraft facility

The target of zero usage of the overdraft facility was met.

The RBA overdraft facility was not used in 2023–24.

PERFORMANCE ASSESSMENT: PURPOSE 3

Conduct market-facing activities in a manner that supports a well-functioning AGS market

How Purpose 3 is achieved

We consistently and regularly engage with the market to ensure we have a comprehensive understanding of market-related issues. This helps us to achieve our core goals. Aspects we monitor include changing global circumstances; major government fiscal announcements; influences on global capital flows; changing investor preferences such as an increasing focus on developments in the environment, social and governance (ESG) space; and the performance of intermediaries, particularly in the primary AGS market.

Table 12: Summary of performance for Purpose 3

Performance measures		2023–24 Performance	
		Target	Results
Key Activity 3.1	**Communicate AOFM operations clearly and consistently to the market:** • through periodic updates of planned annual gross issuance • by maintaining weekly announcements of impending issuance • through timely disclosure of issues of strategic importance to markets.		
3.1.1	**Market commitments:** the number of times the AOFM failed to conduct issuance operations consistent with prior market announcements.	Zero	Met
Key Activity 3.2	**Conduct a market engagement program:** • in accordance with an annually revised plan • through periodic engagement with financial market intermediaries and key investors (domestic and offshore).		
3.2.1	**Investor publications:** the number of times investor-targeted information publications are updated and made available on the AOFM website.	At least twice per year	Met
Key Activity 3.3	**Support financial market liquidity:** • by monitoring secondary market activity • through regular weekly issuance, having considered market conditions • by maintaining a securities lending facility.		
3.3.1	**Secondary market turnover:** the annual turnover in dollar value terms in the secondary market for Treasury Bonds and Treasury Indexed Bonds in a fiscal year.	Greater than previous fiscal year	Met

Key Activity 3.1: Communicate AOFM operations clearly and consistently to the market

A sovereign debt issuer needs to focus on communicating to financial markets regularly, and to act consistently with its announcements.

The AOFM operates in a manner that upholds our reputation in the financial markets as a credible and predictable issuer and participant in the AGS market, using our operational flexibility responsibly. However, we do not have any regulatory or statutory authority. Any influence we have is by virtue of our communications about issuance, portfolio intentions and specific operations. Nonetheless, we recognise that this influence could be significant.

Performance for Key Activity 3.1

Indicator 3.1.1 Market commitments

The target for market commitments was met. The AOFM's actions remained consistent with our public market announcements and updates throughout the year.

The AOFM uses several channels to communicate with financial markets. We announce forthcoming transactions weekly, and publish higher-level guidance on issuance plans (including annual volumes and plans for new bond lines) several times a year. The AOFM uses an annual address to the Australian Business Economists forum to clarify the basis for many of our operational and portfolio judgements. We also publish information on a range of matters pertinent to the AOFM's investor base on our website.

During 2023–24, we released weekly forthcoming transaction notices at noon on Fridays, as per convention. All tenders and syndications were conducted in accordance with those notices.

We announced the updated annual issuance program after the release of the 2023–24 Budget in May 2023 and updated this with the 2023–24 MYEFO in December 2023. Additional details about the issuance program, including plans for new bond lines, were published in half-yearly updates on 30 June 2023 and in early January 2024.

Key Activity 3.2: Conduct a market engagement program

Why is market engagement important?

The AOFM conducts market engagement with intermediaries and investors, through direct interactions and indirect communication. Engagement with banks, investors and other market participants is mainly conducted by the front office and our CEO.

The insights we gain from regular engagement inform our decision-making. Market engagement helps us to understand:

- how investors are viewing the market
- investor demand for AGS, and whether it might be changing
- intermediaries' relationships with and knowledge of investors
- market dynamics and conditions.

Having a deeper understanding of our investor base helps us identify which investors are important to the AGS market and to assess their level of influence. This information helps us to develop a targeted investor engagement and events program, supports decisions on weekly bond issuance and influences the scaling of investor bids when bond syndications are oversubscribed.

The AOFM's investor engagement combines several approaches. These involve meeting investors and addressing forums where AGS investors are present. The program is underpinned by an investor relations strategy and an annual investor relations plan. The timing of engagement can vary, but typically we begin a cycle of offshore meetings soon after official Budget updates.

In 2023–24, for the first time, the AOFM also conducted meetings specifically designed to educate, inform and encourage investors to consider participating in the syndicated deal for Australia's inaugural Green Treasury Bond deal. This was done through a deal-based roadshow, with the syndication following soon after.

The investor relations strategy was based on 3 themes:

- collecting and analysing market intelligence
- managing and maintaining updates to our planned operations
- focusing on engagement with new or potential investors.

Summary of 2023–24 investor engagement activities

The AOFM's extensive engagement was dominated by the lead-up to the roadshow to launch the inaugural Green Treasury Bond. The Treasurer announced the green bond program in April 2023. We then began information gathering in July and August 2023 to assist in developing the Green Bond Framework. Acting as Joint Structuring Advisors, banks arranged investor meetings that included Treasury representatives and members of the AOFM's Sustainable Finance and Investor Relations units. More than 35 investors participated in the meetings, providing valuable information to inform the development of the framework.

Given the focal point for the year was the issuance of the Green Treasury Bond, we structured many of our engagement activities with this in mind. We conducted investor meetings in the United Kingdom (UK) and northern Europe in September 2023. In addition to hoping to attract UK interest in the Green Treasury Bond, we chose it as a destination because of the planned launch of the new 30-year Treasury Bond in the December quarter. Previously, UK investors showed strong demand for ultra-long bonds.

Following the UK visit, our CEO presented at the United Nations' Principles for Responsible Investment (PRI) in Person conference in Tokyo and met key investors.

Other investor activities we undertook included:

- meetings in several countries in Asia in October 2023 after attending the Asian Development Bank's (ADB's) 2023 Asian Regional Forum on Investment Management of Foreign Exchange Reserves
- meeting international investors while presenting at the Commonwealth Bank of Australia's (CBA's) Fixed Income conference in Sydney in late October
- travelling to 6 European countries to speak to investors after attending a meeting of the Organisation for Economic Co-operation and Development (OECD) Working Party on Debt Management in early November.

The roadshow leading up to the launch of the Green Treasury Bond dominated our engagement program in the first half of the calendar year. Before the roadshow, we collected data for investor meetings and presentations. We also released informational videos launching the roadshow and introducing matters relating to the Green Treasury Bond.

The roadshow consisted of 2 AOFM teams holding an extensive series of in-person meetings with investors, locally and offshore, over 4 weeks. We also held virtual meetings with a range of investors we did not meet in person.

Additionally, we released 2 editions of our Investor Insights publication during the year. The first edition covered our reasons for supporting the 30-year Treasury Bond benchmark. The second focused on the rationale and preliminary investor feedback gathered in the lead-up to the launch of the Green Treasury Bond.

Investor interest in Australia's climate, environmental and emissions policies intensified closer to the launch of the Green Treasury Bond. We continued to provide regular updates via our investor chart packs after the government provided fiscal updates. We also provided up-to-date information on Australia's climate change commitments, policies and programs on our website.

Table 13: Summary of investor relations activities in 2023–24

Activity	Details
Offshore investor campaigns	187 meetings
Domestic investor campaigns	51 meetings
Ad hoc meetings	4 meetings
Presentations: large engagements	4 presentations (UN PRI in Person, ADB Regional Forum on Investment Management of Foreign Exchange Reserves, 2 bank investor conferences)
Presentations: small engagements and roundtables	5 presentations (green bond roadshow presentations, KangaNews roundtable on markets issues)
AOFM staff participation in investor relations activities	CEO; Head of Investor Relations; Head of Funding, Strategy and Research; Head of Sustainable Finance; Manager – Investor Relations; Senior Analyst – Investor Relations; Analyst – Sustainable Finance
Hosting banks: investor roadshows, conferences, roundtable discussions	Australia and New Zealand Bank, CBA, Deutsche Bank, J.P. Morgan, National Australia Bank, UBS, Westpac

Why did the AOFM undertake a green bond roadshow and was it successful?

The Australian Government's first labelled issuance – the Green Treasury Bond – warranted an extensive roadshow to educate and inform institutional investors about the deal. The roadshow provided information about the Green Bond Framework, the structure of the bond, the syndicated issue and plans for ongoing issuance. It provided an opportunity for in-depth discussions about Australia's climate commitments and policies, the projects to be financed through Green Treasury Bonds and expected pricing of the bond. The AOFM also saw this as an opportunity to market the bond to new investors, further diversifying the AGS investor base and attracting more green investors to support Australia's net zero transformation objectives.

The roadshow ran from 11 April to 10 May 2024. It consisted of 84 in-person meetings, 4 group presentations (2 domestically and 2 offshore) attended by 34 investors, and 29 virtual meetings with a wide range of investor types (see Chart 15). It was conducted in Australia, the UK, Europe and Asia (see Chart 16).

Chart 15: Roadshow meetings by investor type

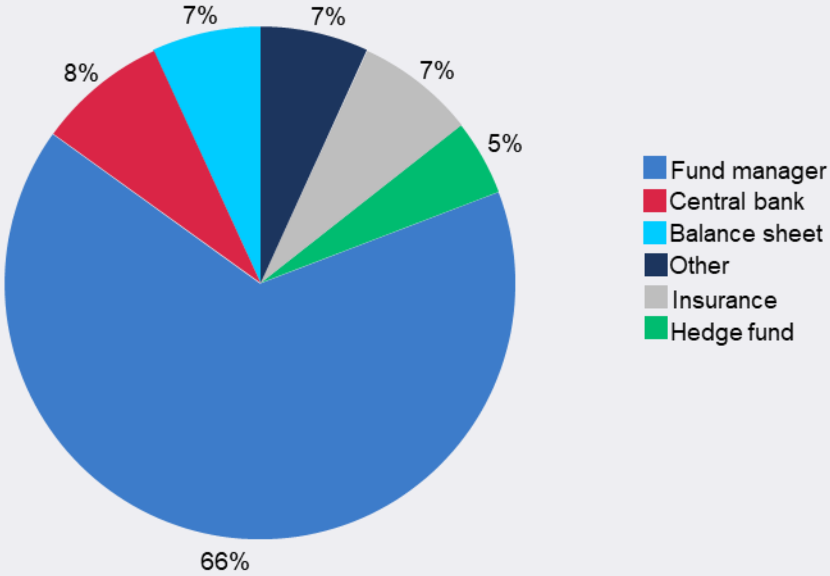
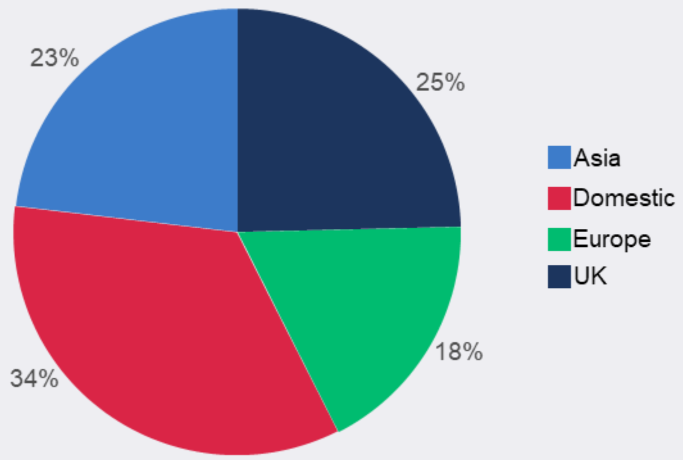


Chart 16: Roadshow investor meetings by geography



Investors responded positively to the roadshow, which was evident in the turnout at the syndication. Of the 91 unique investors (105 including bank trading accounts) in the deal, the AOFM met with 61 (67 per cent) during the roadshow, indicating its high level of success. Of the 91 investors, 17 were new to AOFM syndications. The participation of new investors can be attributed to the extensive roadshow and attraction of a new type of investor due to the bond’s label.

Performance for Key Activity 3.2

Indicator 3.2.1 Investor publications

The target for investor publications was met.

The AOFM published an information pack on Australian Government climate change commitments, policies and programs; 2 fiscal updates to our investor chart packs; and 2 editions of Investor Insights during 2023–24. These publications were made available on the AOFM website.

Key Activity 3.3: Support financial market liquidity

Market liquidity is important to the AOFM, intermediaries and investors. Smooth functioning of the AGS market relies on strong liquidity. While there is no single definition of liquidity, it can be considered as the ability to buy and sell meaningful volumes of AGS as wanted, without affecting the price.

Good liquidity should be reflected in narrow bid–ask spreads, the confidence to take positions in AGS, and high levels of turnover.

The AOFM supports liquidity by monitoring market demand, which informs regular issuance across the yield curve.

The AOFM also encourages market liquidity by supporting Treasury Bond futures contracts. Regular issuance and trading of the underlying bonds enhances the liquidity of the futures contracts, which are important for managing interest rate risk in Australia.

Additionally, the AOFM offers a securities lending facility, which enables smooth intermediation and reduces the risk of failed settlements. The facility was used 251 times (based on transaction end dates) in 2023–24, with a total face value lent of around $9.9 billion.

Performance for Key Activity 3.3

One indicator of market liquidity is the amount of secondary market turnover. The AOFM collects monthly survey turnover data for Treasury Bonds and TIBs from intermediaries.

Indicator 3.3.1 Secondary market turnover

The target for secondary market turnover of Treasury Bonds and Treasury Indexed Bonds to be greater than the prior year was met.

Chart 17: Annual turnover for Treasury Bonds and TIBs

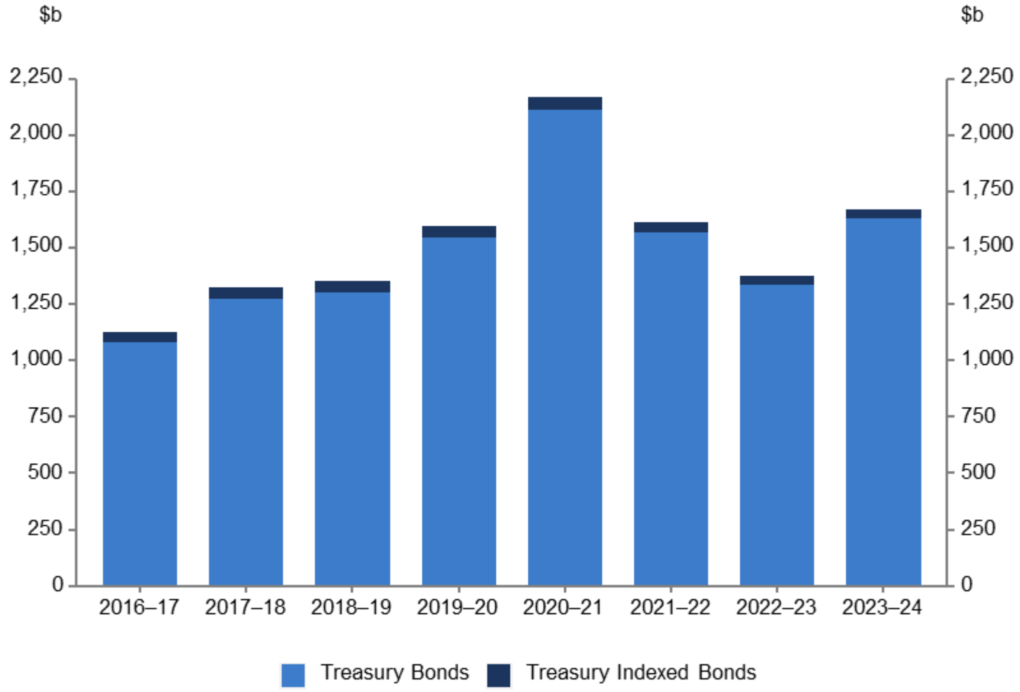


Chart 17 shows secondary market turnover for Treasury Bonds was $1.6 trillion in 2023–24. This was an increase of around $300 billion on 2022–23. Domestic accounts had the largest increase in turnover.

TIB turnover was around $39 billion in 2023–24, a reduction of around $4 billion from 2022–23.

PERFORMANCE ASSESSMENT: PURPOSE 4

Meet the priorities of the ABSF and SFSF

How Purpose 4 is achieved

Australian Business Securitisation Fund

The Australian Business Securitisation Fund (ABSF) was established in 2019 to increase the availability, and reduce the cost, of credit provided to SMEs.

The AOFM has used the ABSF to try to support the development of the Australian securitisation market so that it can finance new and emerging types of lending, including unsecured lending, to small to medium enterprises (SMEs).

A key part of our strategy has been to assist with establishing a track record for new types of SME lending. This has involved helping to standardise the format in which loan performance data is presented to rating agencies and investors, which should make the credit assessment process more efficient. In time, this is expected to attract new capital to the sector.

The Australian Securitisation Forum (ASF), the securitisation industry's peak body, has been leading work on an SME loan data template. We contributed to the design and development of the template. The ASF published the first version of the template in 2021, and a second version in July 2023. This version more closely aligns with the European data standard. We continue to sponsor the adoption of the ASF's template through the ABSF. ABSF proponents are asked to commit to implementing the template in a timely manner as a condition of ABSF investment. In return, we are prepared to temporarily accept a below-market rate of return to subsidise implementation costs.

The AOFM has also supported the development of the market for public asset-backed securities (ABS) collateralised by underdeveloped types of SME lending. We do this by partially underwriting suitable ABS transactions to reduce execution risk.

Structured Finance Support Fund

The Structured Finance Support Fund (SFSF) was established in March 2020 to ensure continued access to funding markets impacted by the economic effects of the COVID-19 pandemic, and to mitigate their impacts on competition in consumer and business lending markets.

A total of $15 billion was credited to the SFSF's special account in 2020, of which a peak in approved commitments of $3.8 billion was reached in 2020–21.

As proponents are required to demonstrate a loss of access to finance resulting from the COVID-19 pandemic as a precondition of support, the SFSF has made no new investments since 2021 and is now effectively in runoff.

Table 14: Summary of performance for Purpose 4

<table>
<tr><th colspan="2" rowspan="2">Performance measures</th><th colspan="2">2023–24 Performance</th></tr>
<tr><th>Target</th><th>Results</th></tr>
<tr><td>Key Activity 4.1</td><td colspan="3">Manage the ABSF program by:
• seeking ABSF proposals from relevant market participants
• making investment in suitable proposals
• meeting subscription notices
• monitoring investment performance.</td></tr>
<tr><td>4.1.1</td><td>ABSF rate of return: the accrual earnings (net of losses) for a fiscal year divided by the average drawn (invested) amount in percentage point terms.</td><td>Greater than Bloomberg AusBond Treasury 0–1 year index</td><td>Met</td></tr>
<tr><td>Key Activity 4.2</td><td colspan="3">Manage the SFSF program by:
• meeting subscription notices
• exiting warehouse financing facilities in an orderly fashion on expiry of arrangements
• monitoring investment performance.</td></tr>
<tr><td>4.2.1</td><td>SFSF losses: gross credit losses for a fiscal year divided by the average drawn (invested) amount in percentage point terms.</td><td>Zero</td><td>Met</td></tr>
</table>

Key Activity 4.1: Manage the ABSF program

The Australian public securitisation market strengthened throughout the 2023–24 financial year. The AOFM offered to partially underwrite 2 public ABS transactions backed by suitable SME loans in the second half of the financial year. However, private sector demand was strong and the ABSF was not required to invest in either transaction. Despite this, the small business lenders sponsoring the transactions noted the benefits of the ABSF's support, including reduced execution risk that gave confidence to proceed with the transactions.

In early 2024, the ABSF exited its first warehouse transaction (announced in April 2020), sponsored by Judo Bank. All objectives regarding adoption of the data template were met and the associated capital can be recycled into new investments. Notably, in September 2023, Judo Bank issued its inaugural public ABS transaction.[3] One new warehouse investment was approved for ABSF investment, in a facility sponsored by Dynamoney, during 2023–24.

As at 30 June 2024, the ABSF was party to 4 revolving warehouse facilities, with a total committed volume of $407.5 million. A public ABS investment of $95 million that was executed in November 2022 began to amortise, as expected, in 2023–24 and the amount outstanding stood at $48 million as at 30 June 2024.

3 The ABSF was not able to invest in this transaction due to the inclusion of some collateral that was incompatible with its investment mandate.

Performance for Key Activity 4.1

Indicator 4.1.1 ABSF rate of return

The performance benchmark for the ABSF was exceeded during 2023–24.

The ABSF's return benchmark is set out in the *ABSF Investment Mandate Directions (2019)*. The ABSF achieved a gross return on average drawn funds of 8.16 per cent for the financial year ending 30 June 2024, compared to a benchmark return of 4.25 per cent.

The key driver of the ABSF's financial outperformance in 2023–24 was the roughly 3.5 percentage point average margin it is currently earning over the floating interest rate benchmark (1-month Bank Bill Swap Rate). The AOFM seeks to price its investments at a market rate, less any subsidy applied to reducing the cost to proponents of adopting the SME loan data template. In doing so, we seek to avoid distorting the competitive landscape in the market for SME lending and crowding out private sector investment from this segment of the market.

While a less significant driver of performance than in 2022–23, short-term interest rates continued to rise in 2023–24, pushing returns higher, both in absolute terms and relative to the benchmark.

Another factor that contributed to the ABSF's outperformance was that it suffered no credit losses during the year.

Key Activity 4.2: Manage the SFSF program

The SFSF continues to hold one remaining warehouse investment, with a $50 million commitment. This investment is scheduled to mature in 2024–25, facilitating the return of the SFSF's capital.

Public investments held by the SFSF also continued to amortise during 2023–24, falling from $290 million to $103 million. No public investments held by the SFSF have been sold to date.

Finally, the outstanding balance of investments held by the SFSF in the forbearance Special Purpose Vehicle (fSPV), a facility established to allow non-bank lenders to provide 'payment holidays' to their clients during the pandemic, fell from just under $16 million to around $8 million during 2023–24. The loans outstanding as at 30 June 2024 were owed by 2 participating originators, a reduction by 2 during the year.

Across the components of the SFSF, the total committed exposure fell to around $161 million during 2023–24, less than 5 per cent of the fund's peak commitment reached in 2020–21.

Performance for Key Activity 4.2

Indicator 4.2.1 SFSF losses

The target for SFSF gross credit losses was met for 2023–24.

No credit losses have been incurred on the program since inception in March 2020.

The AOFM undertook due diligence and credit assessment at the time each investment was made and monitors the performance of the investments within the SFSF.

The SFSF's total outstanding investments fell by more than half during 2023–24, reducing the exposure to credit risk commensurately. As at 30 June 2024, more than 60 per cent of the remaining exposure – $103 million of the $161 million total – was held in term securitisation investments with an investment grade credit rating, with more than 90 per cent rated AAA. While unrated, the remaining warehouse investment is in the most senior (and thus least risky) tranche within the facility's capital structure, and benefits from a significant level of subordination, or credit enhancement. The riskiest part of the portfolio, the exposure to the fSPV, is quite limited in size, with current exposure of $8 million equal to 5 per cent of the fund.

PART 3: MANAGEMENT AND ACCOUNTABILITY

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A. CORPORATE GOVERNANCE

Effective sovereign debt management requires a strong focus on corporate governance and risk management.

The AOFM is a listed non-corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and is legally and financially part of the Commonwealth.

The AOFM's CEO is responsible for directing the AOFM's operations and is accountable to the Treasurer and the Secretary to the Treasury. The Treasurer is responsible for administering the Commonwealth's borrowing legislation, and the Department of the Treasury is responsible for 'borrowing money on the public credit of the Commonwealth'.[4]

As such, the Secretary to the Treasury is accountable for debt management and advising the Treasurer on debt management policy, drawing on the resources of the AOFM and the Treasury for this purpose. The AOFM's officials have been delegated powers and authorisations by the Treasurer for the purposes of debt management, including debt issuance.

The AOFM's corporate governance arrangements ensure that sound business practices underpin decision-making. These arrangements are supported by a culture of risk awareness, accountability, transparency and integrity. The key components of the AOFM's corporate governance framework are:

- corporate planning and performance monitoring
- oversight by the Audit and Risk Committee, which is composed of independent members, including the Chair
- internal committees to support decision-making on a range of significant or whole-of-agency matters
- a risk management framework that includes enterprise risk, business continuity, and assurance and compliance activities

4 As per Administrative Arrangement Orders issued by the Governor-General of the Commonwealth of Australia.

- approval of the financial risk management policy, and debt management and liquidity management strategies by the Secretary to the Treasury
- legislative instruments governing the AOFM's activities.

Governing legislation

Our activities are governed by the legislative instruments shown in Table 15.

Table 15: List of legislative instruments

Legislation	Purpose
Public Governance, Performance and Accountability Act 2013	To establish a system of governance and accountability for public resources with an emphasis on planning, performance and reporting.
Public Service Act 1999 (PS Act)	To provide for the establishment and management of the Australian Public Service (APS), including matters arising from terms and conditions of employment, code of conduct, engagement, termination and retirement of APS employees. • The AOFM's staff are employees of the Department of the Treasury under the Act, and the Secretary to the Treasury has delegated their powers under the Act to the AOFM CEO in relation to the AOFM staff.
Commonwealth Inscribed Stock Act 1911	The Australian Government's primary vehicle for borrowing money denominated in Australian currency on behalf of the Commonwealth of Australia through the creation and issuance of stock and securities. • Under the Act, the Treasurer is required to set a direction as to the maximum total face value of stock and securities that may be on issue under the Act and other borrowing legislation. • On 7 October 2020, the then Treasurer issued an amended direction permitting borrowings up to $1.2 trillion.
Loan Securities Act 1919	To authorise the issue of securities in relation to loans and for other purposes. • Under the Act, the Treasurer may from time to time enter into securities lending arrangements on behalf of the Commonwealth. • The total face value of stock and securities on loan by the Treasurer at any time under securities lending arrangements entered into must not exceed $5 billion.

Legislation	Purpose
Australian Business Securitisation Fund Act 2019	To provide for investments in authorised debt securities and other eligible expenditures to meet the purpose of the Act. • Pursuant to the Act, on 10 April 2019 the then Treasurer issued rules setting out additional requirements for a debt security to constitute an authorised debt security and to prescribe those officials that may be eligible delegates under the Act.
Structured Finance Support (Coronavirus Economic Response Package) Act 2020	To provide for investments in authorised debt securities and other investments and other eligible expenditures to meet the purposes of the Act. • Pursuant to the Act, on 25 March 2020 the then Treasurer issued rules that set out additional requirements for a debt security to constitute an authorised debt security and to prescribe those officials that may be eligible delegates under the Act.

Committees and oversight bodies

During 2023–24, the following committees and oversight bodies provided advice and support for decision-making.

Table 16: List of the AOFM's committees and oversight bodies

Committee/oversight body name	Purpose and membership
Advisory Board (I)	A Treasury oversight body that assisted the Secretary to the Treasury (the Secretary) to assess the AOFM's proposed debt management, liquidity management and investment strategies, and advised the Secretary on matters relating to debt and investment markets. Membership comprised the Secretary (Chair), Deputy Secretary to Treasury's Fiscal Group, the AOFM CEO and 4 external members.
Audit and Risk Committee (I)	Provided independent advice to the CEO on the appropriateness of the AOFM's governance, enterprise risk management, internal control, and financial and performance reporting arrangements. Membership comprised 3 external members, one of whom was Chair.
Executive Leadership Group (M)	Provided guidance and oversight on corporate-related matters. Oversaw development of annual strategic plans and tracked progress against performance targets, reviewed the AOFM's risk profile, set the agency risk appetite, and monitored financial performance, compliance and workforce planning. Membership comprised the CEO (Chair) and all business unit heads.

Committee/oversight body name	Purpose and membership
Operations Committee (M)	Provided advice to the CEO to ensure a coordinated and consistent approach to the administration of the AOFM. The remit incorporated information and communications technology (ICT), security (including cybersecurity), information management and risk management. Membership comprised the Chief Finance and Operating Officer (COFO) (Chair); Chief Risk and Assurance Officer; Head of Funding, Strategy and Research; and the Project Manager – ICT.
Cash Management Meeting (M)	Monitored liquidity risk, forecasting performance and other considerations in managing the government's cash portfolio. Membership comprised the CEO, Head of Funding, Strategy and Research (Chair) and other front office staff.
Portfolio Strategy Meeting (M)	Advised on operational debt portfolio and financial risk management issues, financial market conditions, deal execution and other issues of strategic interest to the AOFM's market-related operating environment. It focused on medium-term to longer-term trends and risks. Membership comprised the CEO; Head of Funding, Strategy and Research (Chair); Head of Sustainable Finance; Head of Investor Relations; and Head of Structured Finance and Strategy. Other staff holding relevant functional responsibilities were invited as contributors and observers.

(I) Independent committee

(M) Management committee

Advisory Board

The Advisory Board (Board) is responsible for assisting the Secretary to the Treasury (as Chair) to assess the AOFM's proposed debt management, liquidity management and investment strategies, and advise on matters relevant to debt and investment markets. The Board does not have executive powers or decision-making authority but offers the Secretary comprehensive guidance based on external perspectives and practices and financial market experience.

The Board consists of the Secretary to the Treasury and 4 external members:

- Anne Anderson
- Stephen Knight
- William Whitford
- Curt Zuber.

The Board met twice during 2023–24. Secretariat support is provided by the Treasury.

Audit and Risk Committee

The AOFM Audit and Risk Committee provides independent advice to the CEO on the appropriateness of the AOFM's financial and performance reporting, risk oversight and management, internal control environment and governance arrangements. The committee's responsibilities and functions are outlined in the Audit and Risk Committee Charter.[5]

The committee's key activities during 2023–24 included:

- advising on the preparation and review of the AOFM's financial statements and annual performance statement
- considering developments in the AOFM's risk profile and compliance performance, as reported through quarterly risk, assurance, and internal audit reports
- reviewing the appropriateness of fraud and corruption control strategies and monitoring activities
- monitoring implementation of audit recommendations.

The Audit and Risk Committee met 4 times, and conducted in-camera sessions with internal and external auditors during 2023–24. Table 17 provides information about committee membership.

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5 The Audit and Risk Committee Charter can be accessed at https://www.aofm.gov.au/about/compliance-reports/audit-and-risk-committee-charter-2024-25

Table 17: Audit and Risk Committee for 2023–24

Members	Qualifications, skills and experience	Attendance	Remuneration[(a)]
Stephen Knight, independent member, Chair	Bachelor of Arts, Fellow of the Australian Institute of Company Directors. 35-year executive career in the finance industry across private and public sectors in a variety of senior roles, including 10 years as CEO. Extensive experience across financial markets, government finance, investment banking, funds management and risk management. Non-executive director roles covering ASX-listed, non-listed and government entities.	4/4	$25,294
Don Cross, independent member	Bachelor of Arts, Fellow of Chartered Accountants Australia and New Zealand, Certified Practising Accountant, Master of Business Administration. A background in financial statement audit, internal audit, management assurance and performance and program management. Background, skills and experience is leveraged as Chair or a member of audit and risk committees for Australian Government departments and corporate Commonwealth entities, providing policy, regulatory and service delivery functions.	4/4	$19,319
Cath Ingram, independent member	Bachelor of Arts, Fellow of Chartered Accountants Australia and New Zealand, Fellow of the Institute of Public Accountants and Certificate IV in Fraud Investigations. Registered company auditor for over 20 years and experienced internal auditor and risk management practitioner. Public and private sector experience in governance, risk and assurance over large IT-enabled programs.	4/4	$19,319

(a) Remuneration includes superannuation and is GST exclusive.

The AOFM's Chief Risk and Assurance Officer attended all Audit and Risk Committee meetings as a permanent adviser.

External observers at Audit and Risk Committee meetings included the Australian National Audit Office (ANAO) and its outsourced provider, Deloitte, and the AOFM's internal audit provider. The AOFM's CEO and COFO regularly attended meetings as observers.

Risk management

Risk management is integral to the AOFM's activities and is the responsibility of all staff. The Executive Leadership Group (ELG) has fostered a strong risk-aware culture and supported staff in making appropriate risk-informed decisions. The risk and assurance functions provide guidance on the design and effective implementation of risk treatments and controls.

The enterprise risk management (ERM) framework provided AOFM officials with guidance and tools to actively and transparently manage uncertainty (threats and opportunities). The consideration of risks was an established feature of annual corporate planning activities. Risk assessments supported strategy development and decisions on operational activities, including forthcoming significant changes. The ELG maintained oversight of the AOFM's risk profile through regular review of risk reports and management of strategic risks.

The ERM framework guided the capture of information to identify emerging risks. This approach was used for risk monitoring at the enterprise level (top down and outward focused) and business unit level (bottom up and inward focused). Staff understood that they were to manage risks in line with the AOFM risk appetite and tolerance statements.

The ERM framework follows a 3 lines model.

Line 1: All staff have a responsibility to manage risk; comply with regulations, standards and organisational policies; and employ the AOFM's risk management practices.

Line 2: This includes oversight of Line 1 activities, and the development and implementation of enterprise-wide risk management processes and policies. At the start of the year, the ELG sets risk appetite levels and endorses a risk management strategy for the next 12 months. The strategy sets out significant risks and the planned actions to manage them. Quarterly review and reporting of risks and their treatments was provided to the ELG and the Audit and Risk Committee.

Line 3: This is an independent assessment of the effectiveness of internal controls and risk management through assurance activities provided by an independent internal audit function.

The AOFM's ERM framework is consistent with the Commonwealth Risk Management Policy.

Table 18 outlines the principal risks and uncertainties identified for 2023–24, together with the actions undertaken during the year to manage them.

Table 18: Key risks identified for 2023–24

Key opportunities	Management actions
Implement a sovereign green bond program	• Leveraged our investor relations program and existing networks to gauge market expectations for Green Treasury Bonds. • Leveraged the Green Bond Committee to collaborate with other Commonwealth agencies, including on criteria and reporting for Commonwealth green projects. • Engaged specialist advisers to assist with the development of a framework for Australian Green Treasury Bonds. • Undertook a Green Treasury Bond roadshow, which included posting a series of videos on the AOFM website and holding face-to-face and virtual meetings with domestic and international investors. • Developed a communications strategy and products to support marketing the Green Treasury Bond.
Key risks	
The market loses confidence in our ability to meet our purposes	• Delivered an investor relations program to foster collaboration and understanding of the AGS investor base. • Conducted regular industry engagement in support of the AGS and securitisation markets. • Operated transparently and in a manner that enhanced our credibility in AGS and securitisation markets.
Compromise of one or more key suppliers severely impacts our ability to deliver our operational responsibilities	• Maintained strong, collaborative relationships with our key suppliers. • Monitored service levels and issues arising from key contracts and worked with suppliers to enhance performance outcomes. • Ensured third-party business continuity and disaster recovery arrangements were in place.

Fraud and corruption prevention and control

The AOFM has minimal appetite for fraud and corruption and has taken comprehensive preventative steps. These include following a fraud and corruption control plan, which covers processes and systems to ensure regular identification, assessment and treatment of fraud risk vulnerabilities. Mandatory annual fraud and corruption awareness training was provided to all staff, including new staff on induction, in 2023–24.

We reported on fraud and corruption matters to the Treasurer and the Australian Institute of Criminology. No instances of fraud or suspected fraud were identified.

Business continuity

Business continuity management is integral to the AOFM's risk management arrangements because we are an operational agency whose core activities are of a point-in-time critical nature. Business continuity arrangements include multiple levels of redundancy that anticipate situations in which day-to-day business systems or our staff are not available to perform key tasks. The most time-critical functions covered by business continuity arrangements related to issuance tenders and settlements, AGS payment obligations (coupons and maturity redemptions), AOFM support for Budget preparation, and changes to documentation or transactions relating to investment funds (the Australian Business Securitisation Fund (ABSF) and the Structured Finance Support Fund (SFSF).

A secure business continuity environment independent of the corporate network was developed and operationalised during the year to provide additional redundancy for time-critical business processes. The business continuity plan was also updated and tested with key third-party service providers. These arrangements are supplemented by a crisis management framework to enhance business resiliency.

Assurance

The AOFM ERM framework is complemented by an assurance framework used to monitor the operation and effectiveness of key internal controls. This framework is modelled on best practice industry standards.

Our compliance with external obligations and internal controls, and our policies and business procedures, were monitored through a co-sourced arrangement. This involved in-house Line 2 assurance and compliance activities supplemented by independent Line 3 internal audit services. In 2023–24, assurance and compliance activities provided structured assurance on the effectiveness of the AOFM's governance arrangements, risk management and internal controls. The Audit and Risk Committee endorsed assurance targets for the year as part of setting the annual assurance strategy.

Information and output from ERM and assurance frameworks supported the CEO's obligations under section 16 of the PGPA Act to maintain appropriate systems of risk oversight and management of internal controls.

Internal audit

The AOFM had 2 internal audit service providers for the year. PwC was internal auditor until 31 August 2023, with Synergy appointed as its replacement in March 2024. Internal audit coverage was determined according to professional internal audit standards, with due regard to the AOFM business and risk contexts. The Audit and Risk Committee endorsed a revised 2023–24 internal audit strategy for CEO approval in March 2024, following the appointment of Synergy.

Both reviews in the revised 2023–24 internal audit work plan were in progress at 30 June 2024:

- effectiveness of the design of the AOFM's assurance framework
- identification of lessons learnt from the design and implementation of the AOFM's approach to the green bond program.

As at 30 June 2024, no internal audit recommendations remained outstanding.

Significant non-compliance issues with finance law

No significant instances of non-compliance with the finance law were reported to the responsible minister in 2023–24.

External scrutiny

In September 2022, the AOFM was advised that the Auditor-General would be conducting a performance audit of the management of the Australian Government's debt, pursuant to section 17 of the *Auditor-General Act 1997.* The ANAO examined whether there was an effective governance framework to manage government debt and that the government debt was appropriately managed.

The performance audit report was tabled in Parliament on 22 February 2024. The AOFM agreed to the 5 recommendations made.

B. OUR PEOPLE

The AOFM relies on a highly skilled, predominantly technical workforce with diverse skills. Our main skills requirements are finance, risk management, accounting, economics and data management. AOFM staff members maintain appropriate market and economic knowledge and tap information networks relevant to global financial markets. Our employee retention rate has improved, with turnover decreasing to 12 per cent from 24 per cent in 2022–2023.

Workplace diversity and inclusion

We are dedicated to fostering a supportive and respectful work environment that acknowledges, values and accommodates the diversity of our employees. We appreciate and embrace individual differences and are committed to creating a more diverse and inclusive workplace. In 2023–24, we improved our gender balance to 55 per cent male and 45 per cent female, from 60 per cent male and 40 per cent female in 2022–23.

Managing and developing employees

Capability development

Around 92 per cent of our staff have formal tertiary qualifications, with 47 per cent holding higher degrees and 22 per cent holding double degrees. Throughout the year, around 69 per cent of employees developed their skills further by undertaking external training.

In 2023–24, except for those who only very recently joined the organisation, all staff participated in some form of external training or development. Just over 69 per cent undertook individually tailored programs, including individual coaching, leadership programs, and financial markets and other technical courses.

We launched an annual training calendar for all staff, providing a strong baseline capability in understanding legislative requirements in the APS as well as workplace diversity and inclusion. We provided access to an online portal for virtual training and development through a learning management system. This gives all staff access to LinkedIn Learning, Skillsoft and Go1 platforms. A wide range of content is available, from step-by-step guides to software applications to leadership and project management courses.

Additional support is provided through funding of job-relevant professional memberships to give staff access to professional forums and the training and industry updates they provide.

Work health and safety

The wellbeing of our people was a particular focus throughout 2023–24, and we introduced initiatives to support their physical and emotional wellbeing. Payments to external providers for wellbeing initiatives averaged $97.95 per full-time equivalent (FTE) employee in 2023–24. Many initiatives were achieved without any additional cost.

The AOFM has a Health and Safety Representative who assists staff in accordance with the *Work Health and Safety Act 2011* (WHS Act).

All staff were offered flu vaccinations before the start of the 2024 flu season, with 56 per cent taking advantage of this service.

Counselling and related help was also available under the Employee Assistance Program provided by Benestar Group. Additional online resources were available to all staff to support their safety, health and wellbeing.

No notifiable incidents were reported to Comcare, no work health and safety investigations were conducted, and no notices were given to the AOFM under Part 10 of the WHS Act.

Employment arrangements

Workplace agreements

The *AOFM Enterprise Agreement (EA) 2024–2027* sets out the terms and conditions of employment for non–Senior Executive Service (SES) employees. The agreement was approved by the Fair Work Commission and came into effect on 14 March 2024. Before this, non-SES AOFM employees were covered by the *AOFM Enterprise Agreement 2015–2018*. This operated in conjunction with determinations made under subsection 24(1) of the PS Act. Both enterprise agreements aligned with Commonwealth legislation and are supported by internal policies and guidelines.

In specific circumstances, terms and conditions are supplemented under an individual flexibility agreement. As at 30 June 2024, one individual flexibility agreement was in place.

Remuneration of staff

The CEO authorised adjustments to the AOFM pay rates through determinations under subsection 24(1) of the PS Act. Rates at the end of the reporting period were set by a determination made on 16 July 2021 until this was replaced by the current EA in March 2024.

The AOFM pay rates increased due to pay outcomes negotiated at a whole-of-APS level. A further one-off payment of 0.92 per cent was made to all non-SES employees on 14 March 2024, in accordance with *Public Service (Subsection 24(1)—Australian Office of Financial Management Non-SES Employees) Determination 2024*. The determination was made under subsection 24(1) of the PS Act.

Table 19: AOFM salary range by classification, 2023–24 (as at 30 June 2024)

APS classification	Minimum	Maximum
SES 3	$362,538	$424,589
EL 2	$210,866	$354,508
EL 1	$144,710	$180,888
APS 6	$108,468	$135,585
APS 5	$88,746	$110,933
APS 4	$82,070	$91,189
APS 3	$72,951	$79,790
APS 2	$62,372	$69,302
APS 1	$55,442	$60,639
Minimum–maximum range	**$55,442**	**$424,589**

Non-salary benefits

Non-salary benefits provided to employees mainly comprise superannuation, support for professional development through study assistance (financial and time in lieu), short courses and payment of job-relevant professional society membership fees. Broad bands are in place that, if all requirements are met, allow movement between levels without an external recruitment process. The new EA included additional leave provisions and improved flexible work arrangements. All staff are issued with a laptop, facilitating flexible work. A mobile phone or tablet is provided if there is a business need.

Performance appraisals

Formal staff performance appraisals were conducted in December 2023 and again in April 2024 due to changes in the performance cycle as a result of the new EA.

Performance appraisals combine what is achieved (outputs) with how those results are obtained (behaviours).

Performance pay

Performance-linked bonuses are not available to AOFM employees.

Disability reporting mechanism

Australia's Disability Strategy 2021–2031 is the overarching framework for inclusive policies, programs and infrastructure to support people with disability to participate in all areas of Australian life. The strategy sets out where practical changes will be made to improve the lives of people with disability. It acts to ensure the principles underpinning the United Nations Convention on the Rights of Persons with Disabilities are incorporated into Australia's policies and programs affecting people with disability, their families and carers.

All levels of government have committed to delivering more comprehensive and visible reporting under the strategy. A range of reports on progress against the strategy's actions and outcome areas will be published and available at https://www.disabilitygateway.gov.au/ads.

Disability reporting is included the Australian Public Service Commission's State of the Service reports and the APS Statistical Bulletin. These reports are available at http://www.apsc.gov.au.

The AOFM workforce

As at 30 June 2024, the AOFM employed 52 staff (headcount), including one non-ongoing employee, one on long-term maternity leave and one on secondment, with an FTE figure of 47.4. The following tables provide detailed breakdowns for 2023–24 (as at 30 June 2024) and 2022–23 (as at 30 June 2023).

As a small workforce, the AOFM does not collect information about gender by state or level, as individuals may be readily identified. To maintain confidentiality, only 'male' and 'female' are used for reporting purposes.

Table 20: APS ongoing employees by classification (headcount), 2023–24 vs 2022–23

	Male		Female		Non-binary		Prefers not to answer		Uses a different term		Total
	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	
2023–24											
SES 3	0	0	1	0	0	0	0	0	0	0	1
SES 2	0	0	0	0	0	0	0	0	0	0	0
SES 1	0	0	0	0	0	0	0	0	0	0	0
EL 2	6	0	2	1	0	0	0	0	0	0	9
EL1	8	0	6	2	0	0	0	0	0	0	16
APS 6	7	0	6	0	0	0	0	0	0	0	13
APS 5	5	0	2	1	0	0	0	0	0	0	8
APS 4	2	0	1	1	0	0	0	0	0	0	4
APS 3	0	0	0	0	0	0	0	0	0	0	0
Total	**28**	**0**	**18**	**5**	**0**	**0**	**0**	**0**	**0**	**0**	**51**
2022–23											
SES 3	0	0	1	0	0	0	0	0	0	0	1
SES 2	0	0	0	0	0	0	0	0	0	0	0
SES 1	0	0	0	0	0	0	0	0	0	0	0
EL 2	6	0	2	0	0	0	0	0	0	0	8
EL1	9	0	5	2	0	0	0	0	0	0	16
APS 6	6	0	3	0	0	0	0	0	0	0	9
APS 5	5	0	4	1	0	0	0	0	0	0	10
APS 4	2	0	1	0	0	0	0	0	0	0	3
APS 3	1	0	1	0	0	0	0	0	0	0	2
Total	**29**	**0**	**17**	**3**	**0**	**0**	**0**	**0**	**0**	**0**	**49**

Table 21: APS non-ongoing employees by substantive classification (headcount), 2023–24 vs 2022–23

	Male		Female		Non-binary		Prefers not to answer		Uses a different term		Total
	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	
2023–24											
SES 3	0	0	0	0	0	0	0	0	0	0	0
SES 2	0	0	0	0	0	0	0	0	0	0	0
SES 1	0	0	0	0	0	0	0	0	0	0	0
EL 2	0	0	0	0	0	0	0	0	0	0	0
EL1	0	0	0	0	0	0	0	0	0	0	0
APS 6	0	0	0	0	0	0	0	0	0	0	0
APS 5	0	0	0	0	0	0	0	0	0	0	0
APS 4	0	0	1	0	0	0	0	0	0	0	1
APS 3	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**
2022–23											
SES 3	0	0	0	0	0	0	0	0	0	0	0
SES 2	0	0	0	0	0	0	0	0	0	0	0
SES 1	0	0	0	0	0	0	0	0	0	0	0
EL 2	0	0	0	0	0	0	0	0	0	0	0
EL1	0	0	0	0	0	0	0	0	0	0	0
APS 6	0	0	0	0	0	0	0	0	0	0	0
APS 5	0	0	0	0	0	0	0	0	0	0	0
APS 4	0	0	0	0	0	0	0	0	0	0	0
APS 3	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Table 22: All ongoing employees by state (headcount), 2023–24 vs 2022–23

	Male		Female		Non-binary		Prefers not to answer		Uses a different term		Total
	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	Full time	Part time	
2023–24											
NSW	4	0	2	0	0	0	0	0	0	0	6
Qld	0	0	0	0	0	0	0	0	0	0	0
SA	0	0	0	0	0	0	0	0	0	0	0
Tas	0	0	1	0	0	0	0	0	0	0	1
Vic	0	0	0	0	0	0	0	0	0	0	0
WA	0	0	0	0	0	0	0	0	0	0	0
ACT	24	0	15	5	0	0	0	0	0	0	44
NT	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Total	**28**	**0**	**18**	**5**	**0**	**0**	**0**	**0**	**0**	**0**	**51**
2022–23											
NSW	3	0	1	0	0	0	0	0	0	0	4
Qld	0	0	1	0	0	0	0	0	0	0	1
SA	0	0	0	0	0	0	0	0	0	0	0
Tas	0	0	0	0	0	0	0	0	0	0	0
Vic	0	0	0	0	0	0	0	0	0	0	0
WA	0	0	0	0	0	0	0	0	0	0	0
ACT	26	0	15	3	0	0	0	0	0	0	44
NT	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0
Total	**29**	**0**	**17**	**3**	**0**	**0**	**0**	**0**	**0**	**0**	**49**

Changes to senior management

There were no changes to senior management during 2023–24.

Other staffing changes

Eight ongoing employees and one non-ongoing employee were recruited and 6 ongoing employees left during 2023–24. Staff departures represented around 12 per cent of headcount in 2023–24. Staff turnover rates have declined significantly, compared to 24 per cent in 2022–23 and 36 per cent in 2021–22.

The retention rate for 2023–24 was 88 per cent, an improvement on 76 per cent in 2022–23 and 64 per cent in 2021–22. Over the three-year period, we retained key staff, meaning the staff departures didn't affect our ability to deliver our key purposes. We also had limited key person dependency and well-established business procedures and documentation.

Employees who identify as Aboriginal and/or Torres Strait Islander people

From November 2023 to January 2024, the AOFM had one staff member who identified as an Aboriginal and/or Torres Strait Islander person. Although only for a brief period, this was an increase on the 2022–23 reporting period when the AOFM did not have any First Nations employees.

Remuneration of key management personnel and highly paid staff

Key management personnel (KMP) are those individuals with authority and responsibility for planning, directing and controlling the entity's activities, directly or indirectly. The AOFM's CEO, the Secretary to the Treasury and the Treasurer have been determined to be the AOFM's KMP. The Secretary to the Treasury appoints the AOFM CEO, who is the only KMP remunerated by the AOFM.

Remuneration for the AOFM CEO is governed by the Australian Public Service Commission's Executive Remuneration Management Policy and Treasury's SES performance framework. Executive remuneration is reported in accordance with the Public Governance, Performance and Accountability Rule 2014 (PGPA rule).

Four of the highly paid staff were reported as KMPs in 2022–23 for the period as acting CEO.

Key management personnel

Table 23: Remuneration for KMP

		Short-term benefits ($)			Post-employment ($)	Other long-term benefits ($)		Termination benefits ($)	Total ($)
Name	**Position**	**Base salary and annual leave**	**Bonus**	**Other benefits**	**Super**	**Long service leave**	**Other**	**Termination benefits**	**Total**
Anna Hughes	CEO	371,390	-	-	65,536	9,208	-	-	446,134

The CEO's remuneration conditions are established by the Secretary to the Treasury. The AOFM does not have any SES staff other than KMP.

In accordance with the executive disclosure rules set out in the PGPA Rule, the AOFM is also required to report information about remuneration for other highly paid staff, in addition to KMP. Remuneration for those staff is reported in accordance with Schedule 3 of the PGPA rule.

Other highly paid staff

Table 24: Remuneration for highly paid staff

		Short-term benefits ($)			Post-employment ($)	Other long-term benefits ($)		Termination benefits ($)	Total ($)
Remuneration band ($)	Number	Average base salary and annual leave	Average bonus	Average other benefits	Average super	Average long service leave	Average other benefits	Average termination benefits	Total
250,000 to 270,000	1	221,582	-	-	32,645	8,529	-	-	262,756
270,001 to 295,000	1	262,987	-	-	38,589	-16,013	-	-	285,563
295,001 to 320,000	3	256,643	-	-	41,398	10,738	-	-	308,779
320,001 to 345,000	1	263,789	-	-	46,982	18,634	-	-	329,405
345,001 to 370,000	1	289,623	-	-	53,725	12,805	-	-	356,153
420,001 to 445,0000	1	354,581	-	-	63,529	19,432	-	-	437,542

C. PURCHASING AND PROCUREMENT

Under the PGPA Act, the AOFM CEO is responsible for the AOFM's proper use of public resources. This responsibility includes developing policies, procedures and systems for conducting procurements.

During 2023–24, the AOFM's purchasing activities were consistent with, and reflected the principles of, the Commonwealth Procurement Rules (CPRs). These were applied to the AOFM's activities through the Accountable Authority Instructions and supporting internal policies and procedures.

The AOFM reported data for contracts awarded with a value of $10,000 or higher on AusTender. The AOFM Procurement Plan, designed to provide suppliers with early attention to potential procurement opportunities, was published on the AusTender website.[6] The plan was updated as required.

Reportable consultancy contracts

During 2023–24, one new reportable consultancy contract was entered into by the AOFM, involving total actual expenditure of $33,300. One reportable consultancy contract was active during the period, involving total actual expenditure of $790,660. This is summarised in Table 25.

This annual report contains information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website.[7]

The AOFM engages consultants where it requires specialist expertise or independent research, review or assessment.

Before engaging consultants, the AOFM considers the skills, experience and resources required for the task, the skills available internally, and the

6 The Procurement Plan is available at www.tenders.gov.au.

7 Information on the value of reportable consultancy contracts is available at www.tenders.gov.au.

cost-effectiveness of engaging external expertise. Decisions to engage consultants are made in accordance with the PGPA Act and related rules, including the CPRs and relevant internal policies.

Table 25: Consultancy contracts

Number of consultancy contracts	2023-24
New contracts	1
Ongoing contracts	1
Expenditure (including GST)	
New contracts	$33,300
Ongoing contracts	$790,660

Additional information

Table 26 lists the names of the organisations that received one or more amounts under one or more consultancy contracts, and the total amount each organisation received, during 2023–24.

Table 26: Additional information for consultancy contracts

Name of organisation	Amount received
Challenger Investment Partners Limited	$790,660
RKI Consulting Pty Ltd	$33,300

Reportable non-consultancy contracts

During 2023–24, 27 new reportable non-consultancy contracts were entered into, involving total actual expenditure of $15,008,003. In total, 28 reportable non-consultancy contracts were active during the period, involving actual expenditure of $2,497,951. This is summarised in Table 27.

This annual report contains information about actual expenditure on reportable contracts. Information on the value of reportable contracts is available on the AusTender website.[8]

8 Information on the value of reportable contracts is available at www.tenders.gov.au.

Table 27: Non-consultancy contracts

Number of non-consultancy contracts	2023–24
New contracts	27
Ongoing contracts	28
Expenditure (including GST)	
New contracts	$15,008,003
Ongoing contracts	$2,497,951

Additional information

Table 28 lists the names of the organisations that received the 5 largest shares of the AOFM's total expenditure on non-consultancy contracts in 2023–24. It also shows the names of organisations that received one or more amounts under one or more non-consultancy contracts that were equal in total to at least 5 per cent of the AOFM's total expenditure on non-consultancy contracts, and the total amount they received.

All payments made to suppliers identified in Table 28 relate to the syndicated issuance of AGS in 2023–24.

Table 28: Additional information for non-consultancy contracts

Name of organisation	Amount received ($)	Total expenditure (%)
Westpac Banking Corporation	2,926,000	16
UBS AG Australia	2,926,000	16
Commonwealth Bank of Australia	2,640,000	14
Barrenjoey Markets Pty Ltd	1,694,000	9
J.P. Morgan Securities Australia	1,408,000	8
Deutsche Bank AG, Sydney Branch	1,232,000	7
National Australia Bank	1,232,000	7

ANAO access clauses and exempt contracts

Of the contracts entered into during 2023–24 that were valued at $100,000 or more, all gave the Auditor-General access to the contractor's premises.

No contract or standing offer was exempted from being published on AusTender on the basis that it would disclose exempt matters under the *Freedom of Information Act 1982* (FOI Act).

Procurement initiatives to support small business

The AOFM supports small business participation in the Australian Government procurement market. SME and small enterprise participation statistics are available on the Department of Finance's website.[9]

Consistent with paragraph 5.5 of the CPRs, the AOFM's procurement practices provide appropriate opportunities for SMEs to compete. They also ensure that SMEs are not unfairly discriminated against.

We recognise the importance of small businesses being paid on time (see the Australian Government Pay On-Time Survey on Treasury's website.[10])

Advertising campaigns and market research

During 2023–24, the AOFM did not conduct any advertising campaigns other than promotional activities in relation to the Green Bond Framework. In addition, we did not conduct market research in relation to an advertising campaign.

Grants

Under the *Financial Agreement Act 1994* (FA Act), the Commonwealth is required to contribute to the Debt Retirement Reserve Trust Account to assist the New South Wales and Victorian governments to redeem maturing debt on allocation to them. Monies standing to the credit of this account are held for the purposes prescribed by the FA Act.

The Commonwealth paid a total of $7,214 into the Debt Retirement Reserve Trust Account during 2023–24.

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9 Procurement statistics for SMEs are available at https://www.finance.gov.au/government/procurement/statistics-australian-government-procurement-contracts-.

10 Pay On-Time survey results are available at www.treasury.gov.au.

D. FREEDOM OF INFORMATION

Entities subject to the FOI Act are required to publish information for the public as part of the Information Publication Scheme (IPS). Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements. In 2023–24, the AOFM worked with the Treasury on 3 FOI requests.

We published an agency plan showing what information is published in accordance with the IPS requirements, including material relevant to us. This plan can be accessed on the AOFM website.[11]

11 The AOFM's IPS plan is available at aofm.gov.au/about/access-information/information-publication scheme.

E. FINANCIAL PERFORMANCE

The PGPA Act requires that the AOFM produce annual financial statements and that they are audited by the ANAO. We are required to prepare separate financial reports for our administered and departmental activities.

Administered activities are those we do not control but for which we have management responsibility on behalf of the government. These activities are subject to prescriptive rules and conditions established by legislation or government policy to achieve government outcomes. Departmental activities are those activities the AOFM has control over.

The AOFM's 2023–24 financial statements are presented in Part 4 of this report. The Auditor-General has issued an unmodified audit opinion in relation to the financial statements.

Administered activities

In 2023–24, the AOFM administered one program on behalf of government. Administered expenses totalled $22.6 billion (2022–23: $22.2 billion), comprised mainly of interest expenses of $22.5 billion on AGS (2022–23: $22.2 billion).

Throughout 2023–24, bond markets were comparatively more stable than in previous years. Short-term rates experienced the most volatility due to inflationary uncertainty, though trading conditions in the AGS market remained liquid, deep and functional.

- In yield terms, gross interest costs incurred on the debt portfolio were 2.45 per cent in 2023–24, largely remained unchanged from 2.44 per cent in 2022–23.
- The lower inflationary environment in 2023–24, compared to 2022–23, has seen a significant reduction of interest costs on TIBs, to $2.9 billion or 5.43 per cent (2022–23: $4.1 billion or 8.38 per cent).

During 2023–24, the AOFM repurchased $2 billion in face value terms of the 21 September 2025 TIB, coinciding with a syndicated issuance of $1.3 billion in face value terms of the 21 August 2035 TIB. The repurchased TIBs incurred an accounting loss of $83.0 million.

Over the year, the value of AGS on issue (in face value terms) increased by $17 billion (from $890 billion to $907 billion). Treasury Bonds remain the core financing instrument used by the AOFM.

- In June 2024, the AOFM launched the first Green Treasury Bond (with maturity of 21 June 2034) of $7 billion in face value terms via syndicated issuance.
- A lower level of financing was required in 2023–24 compared to 2022–23.

As the interest rate environment remained largely unchanged, a modest revaluation loss of $4 billion on the fair value (synonymous with market value) of the debt portfolio occurred as at 30 June 2024.

The AOFM holds cash balances (via the cash management account with the Reserve Bank of Australia (RBA)) to ensure it can meet government outlay requirements at all times.

Departmental activities

The AOFM reported an operating surplus on departmental activities of $4.0 million for 2023–24 (2022–23: $2.6 million). This comprised revenue of $19.5 million (2022–23: $16.6 million) and expenses of $15.5 million (2022–23: $14.0 million).

Employee expenses and supplier expenses increased by $1.3 million and $0.1 million, respectively, in 2023–24. The AOFM's average staffing level increased by 5 in 2023–24 (ASL 47), compared to 2022–23. In addition, departmental expenses arising from the management of the Structured Finance Support Fund (SFSF) and the Australian Business Securitisation Fund (ABSF) decreased by $0.1 million, compared to 2022–23.

The AOFM reported a sound net worth and liquidity position as at 30 June 2024, with an improved net assets position of $33.9 million (30 June 2023: $31.7 million). This was represented by total assets of $42.6 million (30 June 2023: $40.4 million) and total liabilities of $8.7 million (largely unchanged since 30 June 2023).

As at 30 June 2024, the AOFM had unspent annual appropriations totalling $36.6 million (30 June 2023: $33.9 million). These are available to settle liabilities as and when they fall due and for future asset replacements and improvements. Approval from the Minister for Finance would be required to use the unspent appropriations to fund operating losses. Annual appropriations are repealed every 2 years after the financial year in which they are first available to be used. For example, unused annual appropriations for 2020–21 and 2021–22 will be repealed on 1 July 2023 and 1 July 2024, respectively.

Table 29: Agency resource statement and resources for outcomes

Outcome 1: The advancement of macroeconomic growth and stability and effective operation of financial markets, through issuing debt, investing in financial assets, and managing debt, investments, and cash for the Australian Government			
	Budget (a)	Actual Expenses	Variation
	2023–24	2023–24	
	$'000	$'000	$'000
Program 1.1: Australian Office of Financial Management			
Departmental expenses			
Departmental appropriation and other receipts	16,163	14,601	1,562
Expenses not requiring appropriation in the Budget year (b)	848	920	(72)
Administered expenses before re-measurements			
Expenses not requiring appropriation (c)	82,378	82,238	140
Special appropriations expenses			
Commonwealth Inscribed Stock Act 1911	22,546,835	22,488,731	58,104
Australian Business Securitisation Fund Act 2019	-	-	-
Structured Finance Support (Coronavirus Economic Response Package) Act 2020	-	-	-
Financial Agreement Act 1994	10	11	(1)
Loans Securities Act 1919	-	1,778	(1,778)
Total expenses for Program 1.1	**22,646,234**	**22,588,279**	**57,955**
Average staffing level (number)	**48**	**47**	**1**

(a) The Budget figure for 2023–24 is the estimated actual 2023–24 expenses as reported in Table 2.1 of the 2024–25 Portfolio Budget Statements.

(b) Departmental 'Expenses not requiring appropriation' includes depreciation and amortisation, interest on make good and other resources received free of charge (ANAO).

(c) Administered 'Expenses not requiring appropriation' represents expected credit loss expenses on investments in structured finance securities and accrual losses on repurchase of debt before maturity. Note: in the Budget papers, expected credit loss expenses are reported against expenses, while in the Annual Financial Statements, they are reported as an offset to interest revenue.

Table 30: The AOFM's resource statement

	Note	Actual available appropriation	Net payments made	Appropriations extinguished	Balance
		2023–24 $'000	2023–24 $'000	2023–24 $'000	2023–24 $'000
Ordinary annual services					
Departmental appropriation(a)(b)		56,007	15,115	2,390	38,502
Receipts from other sources (s74) (c)		272	–	–	272
Total departmental		56,279	15,115	2,390	38,774
Administered expenses					
Total administered		–	–	–	–
Total ordinary annual services	**A**	56,279	15,115	2,390	38,774
Other services					
Departmental non-operating		–	–	–	–
Total other services	**B**	–	–	–	–
Total available annual appropriations (A+B)		56,279	15,115	2,390	38,774
Special appropriations – operating					
Commonwealth Inscribed Stock Act 1911		23,339,212	23,339,212	–	–
Financial Agreement Act 1994		11	11	–	–
Loans Securities Act 1919		1,778	1,778	–	–
Subtotal		**23,341,001**	**23,341,001**	–	–
Special appropriations – investing and financing					
Commonwealth Inscribed Stock Act 1911		130,399,995	130,399,995	–	–
Loans Securities Act 1919		5,905,398	5,905,398	–	–
Subtotal		**136,305,393**	**136,305,393**	–	–
Total special appropriations	**C**	**159,646,394**	**159,646,394**	–	–
Total appropriations excluding special accounts (A + B + C)		**159,702,673**	**159,661,509**	2,390	38,774
Debt Retirement Reserve Trust		171	–	–	171
Structured Finance Support Fund (d)		14,968,674	–	–	14,968,674

	Note	Actual available appropriation	Net payments made	Appropriations extinguished	Balance
Australian Business Securitisation Fund (e)		1,969,124	89,119	–	1,880,005
Total special accounts	D	**16,937,969**	**89,119**	**–**	**16,848,850**
Total net resourcing and payments for the AOFM (A + B + C + D)		**176,640,642**	**159,750,628**	**2,390**	**16,887,624**

(a) Actual available appropriation comprises *Ordinary Annual Services of the Government – Appropriation Act (No. 1) Operating* plus carried forward appropriation balances as at 1 July 2023.

(b) Includes capital budget appropriation *Ordinary Annual Services of the Government – Appropriation Act (No. 1) DCB* for 2023–24 of $0.395 million.

(c) Receipts received under section 74 of the PGPA Act.

(d) The SFSF Special Account was established in March 2020. It received its statutory funding of $15 billion on 25 March 2020.

(e) The ABSF Special Account was established in April 2019. It received its first credit of funding of $250 million on 1 July 2019; its second credit of funding of $250 million on 1 July 2020; its third credit of funding of $500 million on 1 July 2021; its fourth credit of funding of $500 million on 1 July 2022; and its fifth credit of funding of $500 million on 1 July 2023.

F. AUSTRALIAN PUBLIC SERVICE NET ZERO 2030 GREENHOUSE GAS EMISSIONS INVENTORY

APS Net Zero 2030 is the Australian Government's policy for the APS to reduce its greenhouse gas emissions to net zero by 2030, and to transparently report on its emissions.

The policy has been designed to align with Australia's international commitments and contribute to the achievement of Australia's Paris Agreement targets.

In November 2022, Australia joined the Net Zero Government Initiative at the climate change conference held in Egypt. The initiative commits countries to achieving net zero emissions from government operations and underscores the leadership role of governments in catalysing economy-wide climate action. Each Net Zero Government Initiative participant is developing a roadmap to outline their pathway for achieving the net zero commitment.

- The APS will achieve net zero by actively reducing emissions from government operations and by using offsets.

The Greenhouse Gas Emissions Inventory presents greenhouse gas emissions over the 2023–24 period. Results are presented based on carbon dioxide equivalent (CO_2-e) emissions. Greenhouse gas emissions have been calculated in line with the APS Net Zero Emissions Reporting Framework, consistent with the whole-of-Australian Government approach as part of the APS Net Zero 2030 policy.

Table 31: Greenhouse gas emissions inventory – location-based method, 2023–24 (a)

Emission source	Scope 1 t CO2-e (emissions originating from sources owned or controlled by the AOFM)	Scope 2 t CO2-e (emissions associated with the consumption of purchased energy)	Scope 3 t CO2-e (emissions that are indirect and occur throughout the value chain) (b)	Total t CO2-e
Electricity (location-based method) (c)	N/A	–	–	–
Natural gas (d)	–	N/A	–	–
Solid waste* (e)	N/A	N/A	–	–
Refrigerants*+(f)	–	N/A	N/A	–
Fleet and other vehicles (g)	–	N/A	–	–
Domestic commercial flights	N/A	N/A	11.762	11.762
Domestic hire car* (h)	N/A	N/A	–	–
Domestic travel accommodation*	N/A	N/A	5.819	5.819
Other energy (i)	–	N/A	–	–
Total t CO_2-e	–	–	**17.581**	**17.581**

Note: The table above presents emissions related to electricity usage using the location-based accounting method CO_2-e = Carbon Dioxide Equivalent.

* Indicates emission sources collected for the first time in 2023–24.

\+ Indicates optional emission sources for 2023–24 emissions reporting.

(a) The emissions presented in the above table are calculated using the location-based accounting methodology provided to Commonwealth entities by the Department of Finance APS Net Zero Unit.

(b) Scope 3 emissions are the most challenging to identify and measure. Currently, the Commonwealth is limiting its scope 3 reporting to emissions from domestic business travel.

(c) The AOFM is wholly located within tenancies managed by Treasury. The AOFM's electricity emissions and emissions from the transmission and distribution of electricity are recorded as part of Treasury emissions figures and appear in the Treasury 2023–24 Annual Report.

(d) The AOFM's natural gas emissions are recorded as part of Treasury's emissions figures and appear in the Treasury 2023–24 Annual Report.

(e) The AOFM's solid waste emissions are recorded as part of Treasury's emissions figures and appear in the Treasury 2023–24 Annual Report.

(f) The AOFM's refrigerants emissions are recorded as part of Treasury's emissions figures and appear in the Treasury 2023–24 Annual Report.

(g) The AOFM does not own or control fleet vehicles.

(h) The AOFM did not use domestic hire cars in 2023–24.

(i) The AOFM has measured the emissions from international travel undertaken during 2023–24. These figures do not form part of the net zero reporting requirements for the 2023–24 financial year, and accordingly are not included in the above table. The Scope 3 emissions from international travel for 2023–24 was 157.346 (t CO2-e), including supply chain emission sources.

For more information on APS Net Zero 2030, please visit https://www.finance.gov.au/government/aps-net-zero-emissions-2030.

PART 4: ANNUAL FINANCIAL STATEMENTS

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STATEMENT BY THE CHIEF EXECUTIVE OFFICER AND CHIEF OPERATING AND FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2024 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are prepared from properly maintained financial records as required by subsection 41(2) of the PGPA Act.

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

Signed

A Hughes

Chief Executive Officer

26 August 2024

Signed

S Rowe

Acting Chief Operating and Finance Officer

26 August 2024

OBJECTIVES OF THE AOFM

The Australian Office of Financial Management (AOFM) is a listed entity under the PGPA Act. The AOFM is a not-for-profit Australian Government entity and has no separate legal existence from the Commonwealth of Australia.

These financial statements cover the AOFM as an administrative entity of the Commonwealth of Australia and are for the reporting period 1 July 2023 to 30 June 2024. They are required by section 42 of the PGPA Act and are general purpose financial statements prepared on a going concern basis.

As the sovereign debt manager for the Australian Government, the AOFM is responsible for issuing and managing Australian Government debt, managing the government's cash balances, and investing surplus cash in low-risk financial assets. In April 2019 and March 2020, the AOFM commenced operating the Australian Business Securitisation Fund (ABSF) and the Structured Finance Support Fund (SFSF).

The purpose of the AOFM is to:

- meet the government's annual financing task while managing the trade-offs between costs and risks
- ensure the government can always meet its cash outlay requirements
- conduct market facing activities in a manner that supports a well-functioning Australian Government Securities (AGS) market
- meet the priorities of the ABSF and the SFSF.

Part 2 of the Annual Report provides further information on the AOFM's key activities necessary to support its purposes and associated performance measures.

Legislation

The AOFM's borrowing and portfolio management activities comply with applicable legislative requirements. A number of legislative mechanisms govern these activities and are described in Part 3 of the Annual Report.

ADMINISTERED ACCOUNTS

> In the financial statements, shading distinguishes administered items separately from departmental items.

Administered assets, liabilities, revenue, and expenses are items that an entity does not control but for which it has management responsibility on behalf of the government, and these items are subject to prescriptive rules or conditions established by legislation or Australian Government policy. These items include debt issued to finance the government's fiscal requirements, investments for policy purposes and investments of funds surplus to the government's immediate financing needs.

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Schedule of comprehensive income

Administered schedule of comprehensive income ($millions)

for the period ended 30 June 2024

	Notes	2024	2023
EXPENSES			
Interest expense:			
Treasury Bonds	2	18,414	17,314
Treasury Indexed Bonds	3	2,932	4,081
Treasury Notes	4	1,141	823
Sub-total		**22,487**	**22,218**
Other expenses:			
Debt repurchases		82	..
Supplier expenses		15	23
Sub-total		**97**	**23**
Total expenses		**22,584**	**22,241**
INCOME			
Interest revenue:			
Loans to state and territory governments		74	79
Cash and deposits	5	2,872	1,716
Structured finance securities	6	36	44
Total income		**2,982**	**1,839**
(Deficit) before re-measurements		**(19,602)**	**(20,402)**
RE-MEASUREMENTS (net market revaluation)			
Treasury Bonds		(5,350)	11,983
Treasury Indexed Bonds		1,181	1,454
Treasury Notes		(9)	(2)
Total re-measurements		**(4,178)**	**13,435**
Surplus (deficit)		**(23,780)**	**(6,967)**

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

Interest expense and interest revenue are determined using the effective interest method.

The category 'Debt repurchases' represents the total proceeds paid from repurchasing debt prior to maturity, less the amortised cost carrying value of the debt using the effective interest method. The AOFM conducts these transactions at market rates.

The category 'Deficit before re-measurements' records a financial result that is consistent with an accrual (or amortised cost) basis of accounting under the historic cost accounting convention. This is most relevant to the AOFM's role in managing the debt portfolio – which is predominantly issued and held to maturity – and in portfolio restructuring for debt management purposes rather than profit making purposes.

The category 'Re-measurements' provides information on the unrealised changes in the market valuation of the portfolio of administered financial assets and financial liabilities (which are carried at fair value through profit or loss) during the financial year. This is an implicit cost or revenue, relevant for assessing changes in financial risk exposures and changes to the value of transactions managed from year to year. The revaluation effect will net to zero over the life of a financial instrument.

Schedule of assets and liabilities

Administered schedule of assets and liabilities ($millions)
as at 30 June 2024

	Notes	2024	2023
LIABILITIES			
Interest bearing liabilities at fair value:			
Treasury Bonds	**2**	764,649	749,704
Treasury Indexed Bonds	**3**	51,763	49,493
Treasury Notes	**4**	27,822	26,345
Interest bearing liabilities at amortised cost:			
Other debt		5	6
Other liabilities:			
Loan commitments		..	..
Total liabilities		**844,239**	**825,548**
FINANCIAL ASSETS			
Cash held in the OPA		1	1
Cash held in the cash management account (a)	**5**	85,552	82,207
Assets at amortised cost:			
Structured finance securities	**6**	323	659
Loans to State and Territory Governments	**7**	1,170	1,252
Accrued interest on the cash management account	**5**	295	293
Total assets		**87,341**	**84,412**
Net assets (liabilities)		**(756,898)**	**(741,136)**

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

(a) Cash held in the cash management account contains DRRTA, ABSF and SFSF special account balances. Refer to *Note 9: Appropriations* for detailed.

The Treasurer has issued a direction under the *Commonwealth Inscribed Stock Act 1911* (CIS Act) permitting the AOFM to borrow up to a limit of $1,200 billion in face value terms. As at 30 June 2024, the face value on issue was $906.9 billion ($889.8 billion as at 30 June 2023). The schedule above reports the carrying value of debt in fair value (synonymous with market value) terms, being $844.2 billion for 2023–24 ($825.5 billion for 2022–23). A substantial increase in interest rates since October 2021 has led to the fair value of the debt portfolio to be below its face value as at 30 June 2023 and 30 June 2024.

Financial assets and liabilities denoted as being measured at amortised cost, are measured at fair value on initial recognition and at amortised cost on subsequent measurement using the effective interest method. Changes in carrying value, including amortisation of premiums or discounts, are recognised in interest revenue (for assets) and interest expense (for liabilities).

Financial assets and liabilities denoted as being measured at fair value, are measured at fair value on initial recognition and at fair value through profit or loss on subsequent measurement. Changes in carrying value are attributed to changes in amortised cost and other changes. Changes in carrying value attributable to amortised cost, including amortisation of premiums or discounts, are recognised in interest revenue (for assets) and interest expense (for liabilities). Other changes in carrying value (including unrealised changes in valuation due to a change in interest rates) are recognised in re-measurements.

The AOFM is unaware of any quantifiable or unquantifiable administered contingencies as of the signing date that may significantly impact its operations.

Current/non-current balances reported ($millions)

	Current		Non-current	
	2024	2023	2024	2023
LIABILITIES				
Interest bearing liabilities at fair value:				
Treasury Bonds	82,040	35,639	682,609	714,065
Treasury Indexed Bonds	-	-	51,763	49,493
Treasury Notes	27,822	26,345	-	-
Interest bearing liabilities at amortised cost:				
Other debt	5	6	-	-
Other liabilities:				
Loan commitments	..	..	-	-
Total liabilities	**109,867**	**61,990**	**734,372**	**763,558**
ASSETS				
Financial assets:				
Cash held in the OPA	1	1	-	-
Cash held in the cash management account	85,552	82,207	-	-
Assets at amortised cost:				
Structured finance securities	251	348	72	311
Loans to state and territory governments	81	82	1,089	1,170
Accrued interest on the cash management account	295	293	-	-
Total assets	**86,180**	**82,931**	**1,161**	**1,481**

Schedule of reconciliation

Administered reconciliation schedule ($millions)

for the period ended 30 June 2024

	Notes	2024	2023
NET ASSETS			
Opening value		**(741,136)**	**(757,692)**
Surplus (deficit)		(23,780)	(6,967)
Transactions with the OPA			
Cash management account transfers		3,345	(3,878)
Special appropriations (unlimited)	**9**	159,646	205,885
Transfers to the OPA		(154,602)	(178,297)
Contributed equity – special accounts	**9**	500	500
Change in special account balances	**9**	(871)	(687)
Net assets		**(756,898)**	**(741,136)**

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

Schedule of cash flows

Administered cash flow statement ($millions)

for the period ended 30 June 2024

	Notes	2024	2023
NET CASH FROM OPERATING ACTIVITIES			
Interest receipts		2,996	1,592
Other receipts		1	2
GST refunds from ATO		1	2
Interest paid on Treasury Bonds	**2**	(19,925)	(20,709)
Interest paid on Treasury Indexed Bonds	**3**	(1,840)	(835)
Interest paid on Treasury Notes		(1,151)	(651)
Interest paid on other debt instruments		(27)	(16)
Other payments		(15)	(25)
Net cash from operating activities	**8**	**(19,960)**	**(20,640)**
NET CASH FROM INVESTING ACTIVITIES			
Securities lending principal receipts		5,905	789
Capital proceeds from structured finance securities		426	491
State and territory loan repayments		94	95
Acquisition of structured finance securities		(89)	(343)
Securities lending principal payments		(5,905)	(789)
Net cash from investing activities		**431**	**243**
NET CASH FROM FINANCING ACTIVITIES			
Capital proceeds from borrowings		145,172	175,308
Other receipts		86	76
Repayment of borrowings		(130,314)	(182,312)
Other payments		(86)	(76)
Net cash from financing activities		**14,858**	**(7,004)**

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

Administered cash flow statement ($millions) (continued)
for the period ended 30 June 2024

	Notes	2024	2023
TRANSACTIONS WITH THE OPA			
Cash management account transfers		3,345	(3,878)
Appropriations – unlimited special	**9**	159,646	205,885
Appropriations – special accounts		89	343
Receipts to the OPA – special accounts		(461)	(530)
Receipts to the OPA – other		(154,602)	(178,297)
Net cash from the OPA		**8,017**	**23,523**
Net change in cash held		3,345	(3,878)
+ Cash held at the beginning of the period		82,208	86,086
Cash held at the end of the period		**85,553**	**82,208**

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

Note 1: Financial risk management

The government is exposed to financial risks arising from its portfolio of financial assets and liabilities – interest rate risk, inflation risk, credit risk, liquidity risk and refinancing risk. The AOFM – overseen by the CEO and senior management – manages these risks within a financial risk management framework.
This framework comprises directions from the Treasurer, as well as policies and limits approved by the Secretary to the Treasury.

Interest rate risk

Interest rate risk represents the risk of volatility in debt servicing cost outcomes and investment return outcomes, and to the value of debt and financial assets caused by changes in interest rates.

In its ordinary course of business, AOFM's primary measure of interest rate risk is the accrual basis of accounting under the historic cost accounting convention. Fair value measures of interest rate risk are considered to be secondary.

Financial instruments with a fixed interest rate expose the portfolio to changes in fair value with changes in interest rates, while financial instruments at floating interest rates expose the portfolio to changes in debt servicing costs with changes in interest rates. The extent to which the AOFM can match the repricing profile of financial liabilities with financial assets is limited, due to significant differences in volumes and the need for assets to be available for cash management or other purposes. The interest rate exposure predominantly relates to fixed interest instruments.

Interest exposure of assets and liabilities ($millions)

	2024	2023
Fixed interest rate exposures		
Assets	1,466	1,545
Liabilities	(844,234)	(825,542)
Floating interest rate or non-interest bearing exposures		
Assets	85,875	82,867
Liabilities	(5)	(6)

The following sensitivity analysis illustrates the interest rate risk sensitivity of administered financial instruments and the financial impact on profit or loss and equity based on the financial positions held as at period end.

Sensitivity of 30 June balances to a 136 basis points rise in interest rates (2022–23: 104 basis points) ($millions)

	2024	2023
Financial liabilities		
Changes in fair value:		
Treasury Bonds	51,639	42,441
Treasury Indexed Bonds	5,011	3,880
Treasury Notes	55	38
Financial assets		
Changes in interest revenue:		
Structured finance securities	2	7

Sensitivity of 30 June balances to a 136 basis points fall in interest rates (2022–23: 104 basis points) ($millions)

	2024	2023
Financial liabilities		
Changes in fair value:		
Treasury Bonds	(58,764)	(46,836)
Treasury Indexed Bonds	(6,006)	(4,473)
Treasury Notes	(55)	(38)
Financial assets		
Changes in interest revenue:		
Structured finance securities	(2)	(7)

In undertaking the sensitivity analysis, a parallel shift in interest rates (real and nominal) is applied to instruments while all other variables are held constant.

For fixed rate instruments, a shift in market interest rates on balances at 30 June only influences those instruments carried at fair value, by altering their fair value carrying amount as at 30 June. Fixed rate instruments carried at fair value include Treasury Bonds and Treasury Indexed Bonds.

For floating rate instruments, the impact on interest revenue or interest expense represents an annualised estimate calculated as if the positions as at the period end were outstanding for the entire year.

Cash and cash equivalents are excluded from the analysis.

A sensitivity measure of 136 basis points (104 basis points for 2022–23) has been used for domestic interest rates according to standard parameters mandated by the Department of Finance.

Interest rate benchmarks

Interest rate benchmarks are referenced in a wide range of financial products and are vital for supporting the smooth operation of financial markets.

In Australia, the bank bill swap rate (BBSW) is the major interest rate benchmark for Australian dollar (AUD) denominated debt instruments with tenors from one to six months. In structured finance contracts the basis for determining contractual interest flows remains the one-month BBSW. This has not changed as a result of financial benchmark reforms. However, contractual fall-backs are in place should BBSW cease to be a suitable reference rate in the future.

Inflation risk

Treasury Indexed Bonds have their principal value indexed on a quarterly basis following the release of the all groups Australian Consumer Price Index (CPI). Interest is paid quarterly at a fixed rate on the accreted principal value. Accordingly, these debt instruments expose the government to inflation risk on interest payments, and on the value of principal payable on redemption. There is a six-month lag between the calculation period for the CPI and its impact on the value of interest and principal.

Treasury Indexed Bonds index values for next interest payment as at 30 June (per $100 of face value)

	First issued	2024	2023	2022
20 Sep 2025 – 3.00%	Sep-2009	**148.17**	142.66	132.71
21 Nov 2027 – 0.75%	Aug-2017	**124.22**	119.60	111.26
20 Sep 2030 – 2.50%	Sep-2010	**144.55**	139.17	129.46
21 Nov 2032 – 0.25%	Aug-2021	**116.47**	112.14	104.36
21 Aug 2035 – 2.00%	Sep-2013	**133.99**	129.00	119.99
21 Aug 2040 – 1.25%	Aug-2015	**128.57**	123.78	115.14
21 Feb 2050 – 1.00%	Sep-2018	**121.86**	117.33	109.14

Credit risk

Credit risk is the risk of non-performance (including partial performance) by a counterparty to a financial contract, leading to a financial loss for the creditor.

The AOFM's investment activity comprises balances acquired for cash management purposes, and structured (securitisation) finance securities to support the purposes of the ABSF and SFSF.

For 2022–23 and 2023–24 cash management investments have been restricted to deposits with the Reserve Bank of Australia (RBA) through a cash management account. Cash deposits with the RBA are considered to carry zero credit risk.

For proposed investments in structured finance securities, the AOFM uses credit rating assessments provided by a credit rating agency. If a structured finance security has not been rated by a credit rating agency, the AOFM will engage an adviser to conduct a credit risk assessment, and/or will evaluate the credit risk internally using other available resources and information.

The AOFM also conducts post-trade performance monitoring, including defaults, prepayment rates, losses, profitability, and level of credit enhancement. The actual historical performance of loan pools may guide revisions of expected future performance. The AOFM uses this information to gauge whether credit risk has increased significantly since acquisition and to provide an estimate as to expected future credit losses (either for the next 12 months or full life to maturity, depending on the circumstances).

The maximum credit exposure of structured (securitisation) finance securities acquired is the principal outstanding plus the total amount of undrawn commitments remaining over the life of the respective facilities. However, the likely amount of loss arising from undrawn commitments may be less than the total amount committed, as the commitments are contingent on the maintenance of specific credit standards.

The table below shows the credit exposure to structured (securitisation) finance facilities as at period end:

Credit exposure to structured (securitisation) finance facilities as at 30 June 2024 ($millions)

Exposure by fund	Current exposure	Undrawn commitments	Total credit committed
Australian Business Securitisation Fund (ABSF)			
Public term transactions (a)	48	-	48
Private warehouse transactions (b)	113	295	408
Sub-total	**161**	**295**	**456**
Structured Finance Support Fund (SFSF)			
Public term transactions (a)	104	-	104
Private warehouse transactions (b)	50	-	50
Forbearance special purpose vehicle (fSPV)	8	-	8
Sub-total	**162**	-	**162**
Total	**323**	**295**	**618**

(a) Debt securities (backed by underlying collateral) issued by way of public offer by special purpose vehicles for the purposes of funding their lending activities.

(b) Temporary lines of credit (backed by underlying collateral) provided to special purpose vehicles for the purposes of funding their lending activities.

Credit exposure to structured (securitisation) finance facilities as at 30 June 2023 ($millions)

Exposure by fund	Current exposure	Undrawn commitments	Total credit committed
Australian Business Securitisation Fund (ABSF)			
Public term transactions (a)	95	-	95
Private warehouse transactions (b)	208	225	433
Sub-total	**303**	**225**	**528**
Structured Finance Support Fund (SFSF)			
Public term transactions (a)	290	-	290
Private warehouse transactions (b)	50	-	50
Forbearance special purpose vehicle (fSPV)	16	-	16
Sub-total	**356**	**-**	**356**
Total	**659**	**225**	**884**

(a) Debt securities (backed by underlying collateral) issued by way of public offer by special purpose vehicles for the purposes of funding their lending activities.

(b) Temporary lines of credit (backed by underlying collateral) provided to special purpose vehicles for the purposes of funding their lending activities.

Under Commonwealth-state financing arrangements between 1945 and 1989, the Australian Government made concessional loans (not evidenced by the issuance of debt securities) to state and Northern Territory governments for specific purposes. As at 30 June 2024, the principal outstanding on these loans was $1,271 million.

Composition of loans to state and territory governments as at 30 June 2024 ($millions)

Principal outstanding	2024	2023
New South Wales	562	610
Western Australia	254	272
Queensland	186	201
South Australia	146	155
Northern Territory	123	128
Total	**1,271**	**1,366**

In relation to those loans administered by the AOFM, as at 30 June 2024, Victoria, Tasmania, and the Australian Capital Territory had no loans outstanding. The maximum exposure to credit risk is the principal value of loans outstanding.

Credit exposure to state and territory governments by credit rating ($millions)

Principal value	2024	2023
Aaa / AAA	254	-
Aa1 / AA+	894	1,238
Aa2 / AA	-	-
Aa3 / AA-	123	128
Total	**1,271**	**1,366**

Where a counterparty has a split rating between the rating agencies (S&P and Moody's), the AOFM's exposure is allocated to the lower credit rating.

To protect the Australian Government's financial position with respect to securities lending arrangements (which allows market participants to borrow Treasury Bonds and Treasury Indexed Bonds not readily available from other sources), the market value of the collateral taken from counterparties is greater than the market value of the securities lent. The AOFM has a right to seek additional collateral if there is a decline in the relative values. As at 30 June 2024, there were no open securities lending transactions.

Liquidity risk and refinancing risk

Refinancing risk is the risk that when maturing debt needs to be funded by debt issuance, it may have to be refinanced at a higher cost or market conditions may prevent sufficient funds from being raised in an orderly manner.

The AOFM seeks to manage refinancing risk by avoiding excessive short-dated borrowing; spacing maturity dates; avoiding overly large bond maturities in any one year; and maintaining access to the Treasury Note market.

The AOFM manages liquidity risk by maintaining a cash buffer and access to the Treasury Note market.

The AOFM also has access to an overdraft facility with the RBA, which it can call on at any time. The overdraft facility is to cover temporary unexpected shortfalls of cash and has a limit of $10 billion. The overdraft facility is undrawn at the reporting date.

The following table discloses the undiscounted value of the contractual maturities of financial liabilities as at the reporting date, including estimated future interest payments. Interest payments and the principal value on redemption of Treasury Indexed Bonds are based on capital values as at period end.

Future undiscounted cash outflows of liabilities as at 30 June 2024 ($millions)

	Treasury Bonds	Treasury Indexed Bonds	Treasury Notes and Other	Total
Principal payments:				
Within 1 year	82,800	-	27,647	110,447
1–5 years	295,199	17,835	-	313,034
5–10 years	342,100	16,236	-	358,336
10–15 years	61,150	8,240	-	69,390
15 years+	56,700	11,790	-	68,490
Total principal	**837,949**	**54,101**	**27,647**	**919,697**
Interest payments:				
Within 1 year	19,968	904	358	21,230
1–5 years	62,260	2,507	-	64,767
5–10 years	38,936	1,865	-	40,801
10–15 years	11,877	876	-	12,753
15 years+	14,241	677	-	14,918
Total interest	**147,282**	**6,829**	**358**	**154,469**

Future undiscounted cash outflows of liabilities as at 30 June 2023 ($millions)

	Treasury Bonds	Treasury Indexed Bonds	Treasury Notes and Other	Total
Principal payments:				
Within 1 year	35,900	-	26,171	62,071
1–5 years	297,699	20,025	-	317,724
5–10 years	353,800	14,401	-	368,201
10–15 years	78,550	5,612	-	84,162
15 years+	57,900	10,501	-	68,401
Total principal	**823,849**	**50,539**	**26,171**	**900,559**
Interest payments:				
Within 1 year	19,294	890	334	20,518
1–5 years	62,750	2,581	-	65,331
5–10 years	39,410	1,747	-	41,157
10–15 years	11,706	848	-	12,554
15 years+	9,766	731	-	10,497
Total interest	**142,926**	**6,797**	**334**	**150,057**

Fair value reported

Fair value is the price that would be received by selling an asset, or paid to transfer a liability, in an orderly transaction between market participants. This is the quoted market price if one is available.

AASB 13 *Fair Value Management* requires assets and liabilities measured at fair value to be disclosed according to their position in a fair value hierarchy. This hierarchy has 3 levels: Level 1 is based on quoted prices in active markets for identical instruments; Level 2 is based on quoted prices or other observable market data not included in Level 1; and Level 3 is based on significant inputs to valuation other than observable market data.

Fair value hierarchy for assets and liabilities as at 30 June 2024 ($millions)

	Carried at fair value			Carried at
	Level 1	Level 2	Level 3	amortised cost
Liabilities	(844,234)	–	–	(5)
Assets	–	–	–	87,341

Fair value hierarchy for assets and liabilities as at 30 June 2023 ($millions)

	Carried at fair value			Carried at
	Level 1	Level 2	Level 3	amortised cost
Liabilities	(825,542)	–	–	(6)
Assets	–	–	–	84,412

Note 2: Treasury Bonds (including Green Treasury Bonds)

Treasury Bonds are denominated in Australian dollars and pay a fixed coupon semi-annually in arrears. Treasury Bonds are redeemable at face value on maturity. There are no options available to either the Australian Government or the holders of the securities to exchange or convert Treasury Bonds. There are also no options to either party for early redemption.

The AOFM issues Treasury Bonds primarily to registered bidders through a competitive auction process. In circumstances where a 'high volume' transaction is required, and execution risk is assessed as high, syndicated issuance is undertaken.

In June 2024, the AOFM issued the first Green Treasury Bond (maturity of 21 June 2034) on behalf of the Australian Government via syndicated issue. Issuance was $7 billion in face value, with proceeds received of $6.97 billion. The Australian Government Green Bond Framework outlines how the proceeds will be used to finance public projects that drive Australia's net zero transformation and support environmental objectives. Green Treasury Bonds are no different from other Treasury Bonds in terms of their structure and payments to holders.

The AOFM's buyback activities are based on a transaction entered by the AOFM and the bondholder. If the AOFM buys back bonds, it does so at prevailing market prices and then cancels them.

Accounting policy

The AOFM monitors the cost and risk of Treasury Bonds and on issue primarily on an accrual basis, but also on a fair value basis. The AOFM has designated Treasury Bonds to be carried at fair value through profit or loss under AASB 9 *Financial Instruments.*

The fair value of Treasury Bonds and Green Treasury Bonds is determined by reference to observable market rates for these instruments. As such, they are included as Level 1 financial instruments in the fair value hierarchy.

Key aggregates

Interest expense ($millions)

	2024	2023
Treasury Bonds		
Interest paid / payable	19,847	19,882
Amortisation of net premiums	(1,447)	(2,568)
Treasury Bonds sub-total	**18,400**	**17,314**
Green Treasury Bonds		
Interest paid / payable	14	-
Amortisation of net premiums	-	-
Green Treasury Bonds sub-total	**14**	**-**
Total interest expense	**18,414**	**17,314**

The interest expense on the total Treasury Bond portfolio has risen over time due to higher borrowing levels, and more recently due to the higher interest rate environment. The accrual yield for 2023–24 was 2.19 per cent, 11 basis points higher than the 2022–23 accrual yield of 2.08 per cent.

Carrying values – administered liabilities ($millions)

	2024	2023
Treasury Bonds		
Face value	830,949	823,849
Accrued interest	2,671	2,743
Unamortised net premiums / (discounts)	851	5,267
Market value adjustment	(76,807)	(82,155)
Treasury Bonds carrying value sub-total	**757,664**	**749,704**
Green Treasury Bonds		
Face value	7,000	-
Accrued interest	8	-
Unamortised net premiums / (discounts)	(25)	-
Market value adjustment	2	-
Green Treasury Bonds carrying value sub-total	**6,985**	**-**
Total carrying value	**764,649**	**749,704**

At 30 June 2024, the weighted average market yield on Treasury Bonds was 4.18 per cent (30 June 2023: 4.06 per cent). At 30 June 2024, the weighted average market yield on Green Treasury Bonds was 4.29 per cent.

At 30 June 2024, the weighted average (nominal) issuance yield on Treasury Bonds was 2.22 per cent (30 June 2023: 2.14 per cent). At 30 June 2024, the weighted average (nominal) issuance yield on Green Treasury Bonds was 4.35 per cent. Higher yields for the Green Treasury Bond than other Treasury Bonds reflect the timing of the Green Treasury Bond Issuance. Regular Treasury Bond yields are comparatively lower as they include heightened issuance during COVID when interest rates were low. These figures are weighted by aggregate value.

Changes in principal value (face value) for the period ($millions)

	2024	2023
Treasury Bonds		
Issuance	43,000	78,800
Debt repurchased	..	-
Maturities	(35,900)	(85,463)
Treasury Bonds change in principal value sub-total	**7,100**	**(6,663)**
Green Treasury Bonds		
Issuance	7,000	-
Green Treasury Bonds change in principal value sub-total	**7,000**	**-**
Total change in principal value	**14,100**	**(6,663)**

Interest paid – schedule of cash flows ($millions)

	2024	2023
Treasury Bonds		
Coupons paid	20,301	21,178
Interest received on issuance	(370)	(469)
Interest paid on repurchase	..	–
Treasury Bonds interest paid sub-total	**19,931**	**20,709**
Green Treasury Bonds		
Coupons paid	-	-
Interest received on issuance	(6)	-
Interest paid on repurchase	-	-
Green Treasury Bonds interest paid sub-total	**(6)**	**-**
Total interest paid	**19,925**	**20,709**

Note 3: Treasury Indexed Bonds

Treasury Indexed Bonds are denominated in Australian dollars and are capital indexed with the principal value of the bond adjusted by reference to movements in the CPI.

Interest payments are made quarterly in arrears, at a fixed rate, on the adjusted capital value. At maturity, investors receive the adjusted capital value of the bond.

The AOFM issues Treasury Indexed Bonds primarily through a competitive auction process. In circumstances where a 'high-volume' transaction is required, and execution risk is assessed as high, syndicated issuance is undertaken.

Accounting policy

The AOFM monitors the cost and risk on Treasury Indexed Bonds primarily on an accrual basis, but also on a fair value basis. The AOFM has designated Treasury Indexed Bonds to be carried at fair value through profit or loss under AASB 9 *Financial Instruments*.

The fair value of Treasury Indexed Bonds is determined by reference to observable market rates for these instruments. As such, they are included as Level 1 financial instruments in the fair value hierarchy.

Capital accretion is recognised as interest expense over time with each quarterly release of the CPI.

As future inflation rates are uncertain and it is not appropriate for the AOFM to express a view on the inflation outlook, an estimate of the adjusted capital value on maturity of each series of Treasury Indexed Bonds is not disclosed in the financial statements.

Key aggregates

Interest expense ($millions)

	2024	2023
Interest paid / payable	911	841
Capital accretion and amortisation of net premiums	2,021	3,240
Interest expense	**2,932**	**4,081**

The interest expense on the Treasury Indexed Bond portfolio has fallen due to the lower inflationary environment than forecast. The accrual yield for 2023–24 was 5.57 per cent, 2.81 basis points lower than the 2022–23 accrual yield of 8.38 per cent.

Carrying values – administered liabilities ($millions)

	2024	2023
Principal (adjusted capital value):		
Face value	40,985	39,435
Capital accretion (to next coupon)	13,117	11,103
Principal value	**54,102**	**50,538**
Accrued interest	58	52
Unamortised net premiums	1,167	1,285
Market value adjustment	(3,564)	(2,382)
Carrying value	**51,763**	**49,493**

At 30 June 2024, the weighted average market (real) yield on Treasury Indexed Bonds was 1.80 per cent (30 June 2023: 1.36 per cent). At 30 June 2024, the weighted average (real) issuance yield on Treasury Indexed Bonds was 1.02 per cent (30 June 2023: 1.06 per cent). These figures are weighted by aggregate value.

Changes in principal value for the period ($millions)

	2024	2023
Changes in face value due to:		
Issuance	3,550	2,200
Debt repurchased	(2,000)	..
Maturities	-	-
Changes in capital accretion due to:		
Issuance	958	380
Debt repurchased	(941)	..
Maturities	-	-
Accretion for the period	1,996	3,420
Change in principal value	**3,563**	**6,000**

Interest paid – schedule of cash flows ($millions)

	2024	2023
Coupons paid	908	839
Interest received on issuance	(6)	(4)
Interest paid on repurchase	4	..
Accretion since issuance (paid on redemption)	934	..
Interest paid	**1,840**	**835**

Note 4: Treasury Notes

Treasury Notes are short term discount instruments, denominated in Australian dollars and repayable at face value on maturity.

Treasury Notes are used to accommodate within-year cash requirements. The AOFM conducts issuance of Treasury Notes via competitive tenders.

Accounting policy

The AOFM monitors the cost and risk on Treasury Notes primarily on an accrual basis, but also on a fair value basis. The AOFM has designated Treasury Notes to be carried at fair value through profit or loss under AASB 9 *Financial Instruments*.

The fair value of Treasury Notes is determined by reference to observable market rates for these instruments. As such, it is they are included as Level 1 financial instruments in the fair value hierarchy.

Key aggregates

Interest expense ($millions)

	2024	2023
Interest paid / payable	1,141	823
Interest expense	**1,141**	**823**

The accrual yield on the Treasury Note portfolio was 4.22 per cent for 2023–24, 136 basis points higher than 2022–23 (2.86 per cent). This increase was due to the higher interest rate environment.

Carrying values – administered liabilities ($millions)

	2024	2023
Face value	28,000	26,500
Unexpired interest discount	(178)	(146)
Market value adjustment	..	(9)
Carrying value	**27,822**	**26,345**

Changes in principal value (face value) for the period ($millions)

	2024	2023
Issuance	95,000	96,500
Maturities	(93,500)	(97,500)
Change in principal value	**1,500**	**(1,000)**

Note 5: Cash held in the cash management account (CMA)

The CMA was created under the authority of section 53 of the PGPA Act. The CMA resides outside the OPA and earns a market rate of interest. The agreement is structured so that daily, excess OPA balances (above an agreed minimum threshold) are swept to the CMA at the end of each day and returned to the OPA at the start of the next day. The cash balance of the OPA is reported by the Department of Finance.

Accounting policy

The balances held in the CMA are effectively 'at call' and classified as 'cash' in the balance sheet.

Key aggregates

Interest revenue ($millions)

	2024	2023
Interest received / receivable	2,872	1,716
Interest revenue	**2,872**	**1,716**

Carrying values – administered assets ($millions)

	2024	2023
Face value	85,552	82,207
Accrued interest (a)	295	293
Carrying value	**85,847**	**82,500**

(a) The accrued interest on the CMA is reported separately from the principal value of the cash balance on the administered balance sheet.

Note 6: Investments in structured finance securities

Investments acquired by the AOFM through the ABSF and SFSF represent debt securities in structured finance vehicles, and are either public term securitisations, private warehouse financing facilities, or debt securities issued by the Forbearance SPV. The contractual cash flows received on these debt securities represent payments of principal and interest on outstanding principal. This is consistent with a basic lending arrangement.

Accounting policy

The AOFM recognises these investments at fair value on initial recognition. The AOFM's business model is to hold these investments primarily to collect the contractual cash flows. As such they are carried at amortised cost on subsequent measurement using the effective interest method.

Periodically, the actual historical performance of each investment is used to revise expected future performance. This information is used to gauge whether credit risk has increased significantly since acquisition, and to provide a revised estimate of the expected future credit losses. Where relevant, the impairment provision is revised accordingly.

Impairments on these investments are required to be measured on an expected credit loss (ECL) basis under AASB 9 *Financial Instruments*. The process of calculating the forward-looking loss allowance for the 12-month ECL and lifetime ECL categories requires the use of significant estimates of and judgements about the probability of default, loss given default, exposure at default and economic conditions.

Key aggregates

Interest revenue ($millions)

	2024	2023
Australian Business Securitisation Fund (ABSF):		
Interest and fees received / receivable	21	18
Amortisation of discounts	-	..
Concessional loan discounts	-	..
Impairment provision (expenses) revenues	..	(1)
ABSF sub-total	**21**	**17**
Structured Finance Support Fund:		
Interest and fees received / receivable (a)	14	24
Amortisation of discounts	1	2
Concessional loan discounts	-	-
Impairment provision (expenses) revenues	..	1
SFSF sub-total	**15**	**27**
Total interest revenue	**36**	**44**

(a) Includes earnings from debt securities issued by the Forbearance SPV.

Carrying values – administered assets ($millions)

	2024	2023
Australian Business Securitisation Fund (ABSF)		
Face value	161	303
Unamortised net discounts	..	..
Accrued Interest	..	1
Expected credit loss provision	..	(1)
ABSF sub-total	**161**	**303**
Structured Finance Support Fund (SFSF) (a)		
Face value	161	356
Unamortised net discounts	..	(1)
Accrued Interest	1	1
Expected credit loss provision	..	..
SFSF sub-total	**162**	**356**
Total carrying value	**323**	**659**
Expected to be received (b):		
Within 1 year	251	348
In 1 to 5 years	72	311
In more than 5 years	-	-
Carrying value by expected recovery	**323**	**659**
Ageing:		
Not overdue	323	659
Overdue	-	-
Carrying value by ageing	**323**	**659**

(a) Includes debt securities issued by the Forbearance SPV.

(b) The maturity profile is based on the weighted average life of each investment and disregards estimated principal repayments (the timing and quantum of which are uncertain) prior to that time.

Change in principal value (face value) of investments for the period ($millions)

	2024	2023
Australian Business Securitisation Fund (ABSF)		
Acquisitions	89	320
Redemptions	(231)	(128)
Total change in principal value for ABSF	**(142)**	**192**
Structured Finance Support Fund (SFSF) (a)		
Acquisitions	-	23
Redemptions	(194)	(362)
Total change in principal value for SFSF	**(194)**	**(339)**

(a) Includes debt securities issued by the Forbearance SPV.

The Forbearance SPV

The value of interest revenue earned, and investments identified in the above tables for the SFSF includes the Forbearance SPV.

The AOFM acquired variable funding notes issued by the Forbearance SPV to fund the making of liquidity payment loans to participating trust vehicles. As the Participation Unitholder of the Forbearance SPV, the Commonwealth is entitled to any residual income generated by the Forbearance SPV.

The provision of liquidity funding to participating trust vehicles ceased on 31 March 2021.

In accordance with the requirements of clause 32 of the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015, the Forbearance SPV has not been consolidated in accordance with *AASB 10 Consolidated Financial Statements*, or with *AASB 128 Investments in Associates and Joint Ventures*. The AOFM has applied *AASB 9 Financial Instruments* to its debt security investments in the Forbearance SPV.

Interest revenue earned from the Forbearance SPV in 2023–24 was $0.6 million (2022–23: $1.1 million). As at the end of the financial year, the carrying value of debt securities held in the Forbearance SPV was as follows.

Carrying value of debt securities held in the Forbearance SPV as at 30 June 2024 ($millions)

	2024	2023
Forbearance SPV		
Face value of securities	8	16
Accrued interest	..	..
Expected credit loss provision	..	..
Total carrying value	**8**	**16**

Change in principal value (face value) of investments for the period ($millions)

	2024	2023
Forbearance SPV		
Acquisitions	-	-
Redemptions	(8)	(10)
Total change in principal value	**(8)**	**(10)**

Note 7: Loans to state and territory governments

Loans to state and territory governments predominantly comprise concessional housing advances and specific purpose capital advances made between 1945 and 1989 under Commonwealth – state financing arrangements. These loans are structured with annual repayments, which incorporate principal and interest.

Accounting policy

Loans to state and territory governments are measured at fair value on initial recognition and at amortised cost on subsequent measurement using the effective interest method. The expected credit loss is estimated to be nil on these loans, due to the federal financial relations system between the Commonwealth and the states and territories.

Key aggregates

Carrying values – administered assets ($millions)

	2024	2023
Face value	1,271	1,366
Unamortised net discounts	(101)	(114)
Accrued interest	..	..
Carrying value	**1,170**	**1,252**
Expected to be received:		
Within 1 year	81	82
In 1 to 5 years	351	346
In more than 5 years	738	824
Carrying value by expected recovery	**1,170**	**1,252**
Ageing:		
Not overdue	1,170	1,252
Overdue	-	-
Carrying value by ageing	**1,170**	**1,252**

The fair value of these loans was $1,282 million at 30 June 2024 (2022–23: $1,397 million). In estimating fair value, data from Treasury Bonds is used.

Note 8: Cash flow reconciliation

The following table reconciles the surplus (deficit) reported in the Schedule of Comprehensive Income to net cash flows from operating activities reported in the Schedule of Cash Flows.

Reconciliation of net cash from operating activities ($millions)

	2024	2023
Surplus (deficit)	**(23,780)**	**(6,967)**
Adjustments for non-cash items:		
Amortisation and capital accretion of debt instruments	575	672
Amortisation of financial assets	(13)	(15)
Concessional loan discounts	-	..
Impairment provision expenses (revenues)	..	..
Remeasurements	4,178	(13,435)
Adjustments for cash items:		
Capital accretion costs on redemption of debt	(934)	..
Debt repurchases	82	..
Accrual adjustments:		
Interest accruals on debt	(68)	(649)
Interest accruals on assets	..	(246)
Net cash from operating activities	**(19,960)**	**(20,640)**

Note 9: Appropriations

Administered special appropriations – unlimited ($'000)

	2024	2023
Commonwealth Inscribed Stock Act 1911		
Section 13AA – payment of principal and interest on money raised by Stock issued under the Act and payments on depository interests in Stock issued under the Act	150,720,507	205,070,656
Section 13A – payment of costs and expenses incurred in relation to issuing and managing debt and depository interests	15,199	25,435
Section 13B – payment of costs and expenses incurred in repurchasing debt prior to maturity	3,003,501	107
Financial Agreement Act 1994		
Section 5 – debt redemption assistance and payment of interest to bond holders on behalf of the state and Northern Territory governments on public debt under the Act (a)	11	10
Loan Securities Act 1919		
Section 5BA – payment of money to enter into securities lending arrangements	5,907,176	789,256
Total	**159,646,394**	**205,885,464**

(a) The 2023–24 amount includes $7,215 paid into the Debt Retirement Reserve Trust Account (2022–23: $5,066).

The following administered special appropriations are available but were not used by the AOFM during 2023–24 and 2022–23:

- *Australian National Railways Commission Sale Act 1997*, section 67AW – Purpose: Payment of principal and interest on former debts of the National Railways Commission
- *Loans Redemption and Conversion Act 1921*, section 5 – Purpose: Payment of principal, interest, and costs of converting loans made in accordance with the Act
- *Loans Securities Act 1919*, section 4 – Purpose: Payment of principal and interest on money raised by stock issued under the Act
- *Loans Securities Act 1919*, section 5B – Purpose: Payment of money under a swap or other financial arrangement and any expenditure in connection with the negotiation, management, or service of, or a repayment under, any such agreement
- *Moomba-Sydney Pipeline System Sale Act 1994*, section 19 – Purpose: Payment of principal and interest on former debts of the Pipeline Authority
- *Public Governance, Performance and Accountability Act 2013,* section 58(7) – Purpose: Investments made in the name of the Commonwealth of Australia
- *Public Governance, Performance and Accountability Act 2013*, section 74A – Purpose: Payments of recoverable GST
- *Treasury Bills Act 1914*, section 6 – Purpose: Payment of principal and interest on money raised by issuance of Treasury Bills.

Special account – Australian Business Securitisation Fund (ABSF) ($'000)

	2024	2023
Opening balance	1,216,421	892,446
Statutory credit to the special account	500,000	500,000
Investments made	(89,119)	(320,340)
Capital proceeds received from investments	231,284	128,487
Interest and commitment fees received	21,419	15,828
Closing balance	**1,880,005**	**1,216,421**
Balance represented by:		
Cash – held in the OPA (CMA)	1,880,005	1,216,421

The establishing Instrument of the ABSF is the *Australian Business Securitisation Fund Act 2019* (ABSF Act), section 11. Its purpose is to increase the availability and reduce the cost of credit provided to small and medium enterprises. The Commonwealth achieves this by investing in debt securities in accordance with the ABSF Act.

The ABSF special account received its first funding credit of $250 million on 1 July 2019. A second tranche of funding of $250 million was made on 1 July 2020. Additional funding, each worth $500 million, occurred on 1 July 2021, 1 July 2022, and 1 July 2023.

Special account – Structured Finance Support Fund (SFSF) ($'000)

	2024	2023
Opening balance	14,759,997	14,397,201
Statutory credit to the special account	-	-
Investments made	-	(22,892)
Capital proceeds received from investments	194,272	362,851
Interest and commitment fees received	14,405	22,837
Other receipts	-	-
Closing balance	**14,968,674**	**14,759,997**
Balance represented by:		
Cash – held in the OPA (CMA)	14,968,674	14,759,997

Receipts and payments reported above include receipts from and payments to the Forbearance SPV. Receipts from and payments to the Forbearance SPV are as follows.

Forbearance SPV – receipts and payments ($'000)

	2024	2023
Investments made	-	-
Capital proceeds received from investments	7,599	10,566
Interest received	570	1,078
Other receipts	-	..
Net cash inflows (outflows) for the Forbearance SPV	**8,169**	**11,644**

The establishing Instrument of the Forbearance SPV is the *Structured Finance Support (Coronavirus Economic Response Package) Act 2020* (SFSF Act), section 11.

Its purpose is to ensure that smaller lenders have continued access to funding markets during the COVID-19 pandemic.

The SFSF special account received a statutory funding credit of $15 billion on 25 March 2020.

Special account – Debt Retirement Reserve Trust Account (DRRTA) ($'000)

	2024	2023
Opening balance	163	190
Commonwealth contributions and interest paid	7	5
State contributions	1	..
Debt repayments made	-	(32)
Closing balance	**171**	**163**
Balance represented by:		
Cash – held in the OPA (CMA)	171	163

The establishing Instrument of the DRRTA is the PGPA Act, section 80.

Its purpose is to fund the redemption of state and territory debt governed by the *Financial Agreement Act 1994* (FA Act). Monies standing to the credit of the DRRTA are held on behalf of New South Wales and Victoria. These monies are held for the purposes prescribed under the FA Act.

Note 10: Budgetary report to outcome comparison

The AOFM produces estimates of the impact of its debt financing operations through the issuance of AGS and certain financial assets for the Australian Government Budget. The government produced its 2023–24 Budget in May 2023. The Budget comprises the 2023–24 financial year plus 3 forward years.

The projections of debt issuance and asset holdings are a consequence of the expenditure, investment and revenue decisions and assumptions made by the government in producing its Budget together with estimates of debt to mature during the period. As part of the Budget process, the Treasury provides the AOFM an estimate of the aggregated annual financing task for the Budget year and forward years. The annual financing task, plus the volume of maturing AGS debt and planned early repurchases of AGS debt (that would otherwise mature in a future year), are central to determining the size of the planned debt issuance program for each year.

The volume of AGS debt that needs to be issued in face value terms to generate the required level of financing will depend on the level of AGS yields (or interest rates) and the chosen maturities and mix of debt to be issued. These decisions are based on the debt management strategy for the period ahead, which in turn takes into account longer term portfolio considerations.

It is assumed that the future AGS yields for different tenors of debt will be the same as the prevailing observed market rates at the time the Budget estimates are prepared.

Administered schedule of comprehensive income ($millions)

	Outcome 2024	Budget (a) 2024	Variance 2024
EXPENSES			
Interest expense	22,487	22,591	(104)
Other expenses	97	24	73
Total expenses	**22,584**	**22,614**	**(30)**
INCOME			
Interest revenue	2,982	2,377	605
Total income	**2,982**	**2,377**	**605**
Surplus (deficit) before re-measurements	**(19,602)**	**(20,237)**	**635**
Re-measurements	(4,178)	(8,847)	4,669
Total re-measurements	**(4,178)**	**(8,847)**	**4,669**
Surplus (deficit)	**(23,780)**	**(29,084)**	**5,304**

(a) Budget released in May 2023. The Budget figures are not audited.

Significant variances in expenses before re-measurements

Interest expense for 2023–24 was $104 million lower than forecast in the 2023–24 Budget. This comprises a favourable variance of $321 million and $121 million on Treasury Bonds and Treasury Indexed Bonds respectively, and an unfavourable variance of $338 million on Treasury Notes. Interest expense on Treasury Bonds was lower due to the improving fiscal position leading to a reduction in issuance for the period compared to Budget. A lower inflationary environment than forecast decreased the Treasury Indexed Bond interest expense through lower accretion costs. This was offset by higher interest expense on Treasury Notes due to interest rates in 2023–24 being higher than forecast.

Other expenses were $73 million higher than forecast in the 2023–24 Budget.

Actual other expenses were $97 million primarily comprised of an $83 million accounting loss on the repurchase of $2 billion (in face value terms) of the September 2025 Treasury Indexed Bond series, and $15 million in syndication costs (net of GST recoveries). At the 2023–24 Budget, the AOFM did not plan to conduct debt repurchases, however the AOFM decided to conduct the repurchase to support the objective of promoting efficient operation of the market. This is achieved by repurchasing illiquid near to maturing stock and encouraging investors into more liquid lines.

Significant variances in income before re-measurements

Interest revenue for 2023–24 was $605 million higher than forecast in the 2023–24 Budget. This arose by way of 2 factors: a richer average cash position due to the improving fiscal position and a higher interest rate environment.

Significant variances in re-measurements

Re-measurements represent the unrealised change in the fair value (synonymous with market value) of the AGS portfolio from 1 July 2023 to 30 June 2024.

It is assumed in the Budget that AGS yields for different tenors of debt will be the same as the prevailing observed market rates (at the time the budget estimates are prepared) for the entire forecast period. Observed yields at the 2023–24 Budget closely aligned with those as at 30 June 2024, resulting in a modest favourable market revaluation variance on the AGS portfolio of $4.7 billon.

Administered schedule of assets and liabilities ($millions)

	Outcome 2024	Budget (a) 2024	Variance 2024
LIABILITIES			
Treasury Bonds	764,649	826,295	(61,646)
Treasury Indexed Bonds	51,763	56,705	(4,942)
Treasury Notes	27,822	19,982	7,840
Other debt	5	5	-
Loan commitments	..	1	(1)
Total liabilities	**844,239**	**902,988**	**(58,749)**
ASSETS			
Cash at bank: bank accounts	85,553	67,910	17,643
Investments	323	1,036	(713)
Loans to state and territory governments	1,170	1,170	-
Accrued interest on the cash management account	295	140	155
Total assets	**87,341**	**70,256**	**17,085**
Net assets	**(756,898)**	**(832,732)**	**75,834**

(a) Budget released in May 2023. The Budget figures are not audited.

Significant variances in liabilities

The fair value of Treasury Bonds and Treasury Indexed Bonds experienced a favourable change of $66.5 billion as at 30 June 2024 compared to forecasts in the 2023–24 Budget. The fair value of Treasury Notes experienced an unfavourable change of $7.8 billion as at 30 June 2024 compared to forecasts in the

2023–24 Budget, driven by higher-than-expected face value of Treasury Notes outstanding.

The stronger fiscal position resulted in lower term issuance of around $30.4 billion (in face value terms). In addition, the higher interest rate environment resulted in a $4.7 billion favourable fair value revaluation as compared to the 2023–24 Budget.

Significant variances in assets

A stronger fiscal position in 2023–24 led to a richer cash position of $17.6 billion as at 30 June 2024 compared to forecasts in the 2023–24 Budget. Investment balances for the ABSF were lower than forecast due to 2 factors: slower origination of private warehouse transactions; and planned investments in public transactions being displaced by private sector investors, because of favourable market conditions. In addition, the originator with the single largest private warehouse commitment exited from the ABSF following a strategic shift in its funding strategy, which had not been forecast.

Note 11: Securities lending facility

The AOFM has a securities lending facility for Treasury Bonds and Treasury Indexed Bonds, which the RBA operates on behalf of the Australian Government.

The purpose of the facility is to enhance the efficiency of the bond markets by allowing bond market participants to borrow Treasury Bonds and Treasury Indexed Bonds when they are not readily available. Bonds are lent on an intra-day or overnight basis.

The securities lending facility was extended in 2022–23, allowing eligible parties to post cash as collateral.

Transactions completed during the period

	Number		Face value ($millions)	
	2024	2023	2024	2023
Overnight:				
Treasury Bonds	239	33	9,595	1,297
Treasury Indexed Bonds	12	104	298	1,101
Intra-day:				
Treasury Bonds	-	-	-	-
Treasury Indexed Bonds	-	-	-	-
Total	**251**	**137**	**9,893**	**2,398**

DEPARTMENTAL ACCOUNTS

Departmental assets, liabilities, revenue, and expenses are those items an entity has control over including ordinary operating costs and associated funding, salaries, employee entitlements and operational expenses.

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Statement of comprehensive income

Statement of comprehensive income ($'000)
for the period ended 30 June 2024

	Notes	2024	2023	Budget 2024	Variance from Budget
NET COST OF SERVICES					
EXPENSES					
Employee benefits	**A**	9,256	7,986	10,188	(932)
Supplier expenses	**A**	5,533	5,392	8,411	(2,878)
Depreciation and amortisation	**C, D**	650	595	553	97
Interest on lease liabilities	**F**	54	57	54	-
Interest on make good liability	**G**	20	19	-	20
Asset write-offs		8	-	-	8
Total expenses		**15,521**	**14,049**	**19,206**	**(3,685)**
OWN-SOURCE INCOME					
Staff secondments		112	-	25	87
Asset revaluation		-	8	-	-
Resources received free of charge		250	250	260	(10)
Total own-source income		**362**	**258**	**285**	**77**
Net cost of services		**(15,159)**	**(13,791)**	**(18,921)**	**3,762**
APPROPRIATION FUNDING					
Revenue from government		19,121	16,379	19,121	-
Total appropriation funding		**19,121**	**16,379**	**19,121**	**-**
Surplus (deficit)		**3,962**	**2,588**	**200**	**3,762**
OTHER COMPREHENSIVE INCOME					
Asset revaluation		-	481	-	-
Make good revaluation		-	(81)	-	-
Comprehensive income		**3,962**	**2,988**	**200**	**3,762**

The above statement should be read in conjunction with the accompanying notes. Note J discusses variances between actuals and the Budget released in May 2023 (Budget figures are not audited).

Statement of financial position

Statement of financial position ($'000)
as at 30 June 2024

	Notes	2024	2023	Budget 2024	Variance from Budget
ASSETS					
Financial assets:					
Cash and cash equivalents		100	100	100	-
Receivables	**B**	36,578	33,852	35,571	1,007
Non-financial assets:					
Property, plant, and equipment	**C**	5,345	5,821	5,530	(185)
Computer software	**D**	72	252	299	(227)
Supplier prepayments		494	344	280	214
Total assets		**42,589**	**40,369**	**41,780**	**809**
LIABILITIES					
Payables:					
Supplier payables		869	924	906	(37)
Salary and superannuation		264	233	545	(281)
Provisions:					
Employee provisions	**E**	3,275	3,031	2,357	918
Lease liabilities	**F**	3,649	3,902	3,648	1
Other provisions	**G**	603	583	483	120
Total liabilities		**8,660**	**8,673**	**7,939**	**721**
Net assets		**33,929**	**31,696**	**33,841**	**88**
EQUITY					
Retained surplus		45,619	41,658	41,418	4,202
Asset revaluation reserve		715	715	315	400
Contributed equity		(12,406)	(10,677)	(7.892)	(4,514)
Total equity		**33,929**	**31,696**	**33,841**	**88**

The above statement should be read in conjunction with the accompanying notes. Note J discusses variances between actuals and the Budget released in May 2023 (Budget figures are not audited).

Current/non-current balances ($'000)

	Current		Non-current	
	2024	2023	2024	2023
ASSETS				
Financial assets:				
Cash and cash equivalents	100	100	-	-
Receivables	16,890	17,090	19,688	16,762
Non-financial assets:				
Property, plant, and equipment	-	-	5,345	5,821
Computer software	-	-	72	252
Supplier prepayments	494	344	-	-
Total assets	**17,484**	**17,534**	**25,105**	**22,835**
LIABILITIES				
Payables:				
Supplier payables	869	924	-	-
Salary and superannuation	264	233	-	-
Provisions:				
Employee provisions	974	956	2,301	2,075
Lease liabilities	261	253	3,388	3,649
Other provisions	-	-	603	583
Total liabilities	**2,368**	**2,366**	**6,292**	**6,307**

Statement of changes in equity

Statement of changes in equity ($'000)
for the period ended 30 June 2024

	Notes	2024	2023	Budget 2024	Variance from Budget
RETAINED SURPLUS					
Opening balance		**41,658**	**39,070**	**41,218**	**440**
Surplus (deficit)		3,962	2,588	200	3,762
Retained surplus		**45,620**	**41,658**	**41,418**	**4,202**
ASSET REVALUATION RESERVE					
Opening balance		**715**	**315**	**315**	**400**
Asset revaluation		-	481	-	-
Make good revaluation		-	(81)	-	-
Asset revaluation reserve		**715**	**715**	**315**	**400**
CONTRIBUTED EQUITY					
Opening balance		**(10,677)**	**(8,664)**	**(8,287)**	**(2,390)**
Capital injection		395	377	395	-
Appropriations extinguished	**I**	(2,124)	(2,390)	-	(2,124)
Contributed equity		**(12,406)**	**(10,677)**	**(7,892)**	**(4,514)**
Total equity		**33,929**	**31,696**	**33,841**	**88**

The above statement should be read in conjunction with the accompanying notes. Note J discusses variances between actuals and the Budget released in May 2023 (Budget figures are not audited).

The AOFM is not aware of any quantifiable or unquantifiable departmental contingencies as of the signing date that would have a significant impact on its operations.

Statement of cash flows

Statement of cash flows ($'000)
for the period ended 30 June 2024

	Notes	2024	2023	Budget 2024	Variance from Budget
NET CASH FROM OPERATING ACTIVITIES					
Appropriations: Operating		14,936	13,178	18,621	(3,685)
GST received from the ATO		6	1	-	6
Services and other		267	105	25	242
Employees		(9,108)	(7,709)	(10,188)	1,080
Suppliers		(5,522)	(5,171)	(8,126)	2,604
Interest paid on leases		(54)	(57)	(54)	-
Transfers to the OPA (a)		(272)	(106)	(25)	(247)
Net operating activities	**H**	**253**	**241**	**253**	**-**
NET CASH FROM INVESTING ACTIVITIES					
Purchase of assets		(2)	(16)	(395)	393
Net investing activities		**(2)**	**(16)**	**(395)**	**393**
NET CASH FROM FINANCING ACTIVITIES					
Appropriations: Capital		2	16	395	(393)
Lease liability		(253)	(241)	(253)	-
Net financing activities		**(251)**	**(225)**	**142**	**(393)**
Net change in cash held		-	-	-	-
+ Cash held at the beginning of the period		100	100	100	-
Cash held at the end of the period		**100**	**100**	**100**	**-**

The above statement should be read in conjunction with the accompanying notes. Note J discusses variances between actuals and the Budget released in May 2023 (Budget figures are not audited).

(a) Non appropriation receipts are required to be returned to the OPA. They increase the AOFM's available appropriation under section 74 of the PGPA Act and when subsequently drawn down for use by the AOFM they are recorded as appropriations.

Note A: Expenses

Employee benefits ($'000)

	2024	2023
Wages and salaries	7,683	6,566
Superannuation	1,294	1,326
Leave entitlements	198	89
Other employee expenses	81	5
Total	**9,256**	**7,986**

For 2023–24 the AOFM's average staffing level was 47, which represented an increase (of 5) from an average staffing level of 42 in 2022–23.

The below table sets out the actual remuneration (on an accruals basis) for key management personnel.

Key management personnel ($'000)

	2024	2023
Salary and other short-term benefits	351	318
Annual leave accrued	20	25
Long service leave accrued	9	7
Post-employment benefits (superannuation)	66	53
Total	**446**	**403**
Key management personnel	**1**	**6**

Key management personnel are persons with the authority and responsibility to plan, direct and control the entity's activities directly or indirectly. The Chief Executive Officer (CEO), the Secretary to the Treasury and the Treasurer have been determined to be key management personnel for the AOFM. The AOFM CEO is appointed by the Secretary to the Treasury and is the only key management personnel remunerated by the AOFM.

For 2022–23, the remuneration note discloses the six individuals who acted in the role of CEO (two on a substantive basis and 4 on an acting basis). During this period, the AOFM's former CEO resigned and was substantively replaced after an intervening period of acting CEO arrangements.

Supplier expenses ($'000)

	2024	2023
Consultants and contractors for ABSF and SFSF	-	3
Corporate support services	1,268	926
Depository and transaction costs	92	116
Internal and external audit services (a)	286	549
Investment management services for ABSF and SFSF	621	822
Legal	135	240
Market data services	674	571
Travel	501	314
Treasury management system	636	528
Trust management expenses (b)	91	128
Insurance	70	58
Other	1,159	1,137
Total	**5,533**	**5,392**

(a) External audit services were $250,000 in 2023–24 and 2022–23.

(b) These expenses are wholly attributable to the operation of the Forbearance SPV.

Note B: Receivables

Accounting policy

Receivables are measured at fair value on initial recognition and at amortised cost on subsequent measurement.

Appropriations receivables are recognised at their nominal amounts. Appropriations receivable are appropriations controlled by the AOFM but held in the OPA under the government's 'just in time' drawdown arrangements.

Receivables ($'000)

	2024	2023
Goods and services (related)	27	26
Appropriations receivable	36,550	33,824
GST and FBT	1	2
Total	**36,578**	**33,852**

No receivable is overdue. All receivables are with related entities.

Note C: Property, plant, and equipment

Accounting policy

Asset recognition threshold on acquisition

Purchases of leasehold improvements are recognised initially at cost; except for purchases costing less than $10,000, which are expensed at the time of acquisition. The estimated cost of removal and restoring the leased premises to their original condition is included in the initial cost of leasehold improvements.

AASB 16 *Leases* sets out the rules for recognising, measuring, and disclosing of leases. It requires most leases to be recognised under a single lease model, removing the distinction between finance and operating leases. It also requires a lessee to recognise a “right of use asset” and a lease liability on its balance sheet. The AOFM has recognised a lease liability on its obligations arising from the lease of its office premises within the Treasury Building. The lease term ends on 21 December 2025 and there are 2 five-year extension options exercisable by the AOFM which the AOFM expects to exercise. A right of use asset was initially recognised and measured at a value equivalent to the lease liability. The right of use asset is subsequently depreciated using the straight-line method to the end of the expected lease term.

Purchases of plant and equipment are recognised initially at cost, except for purchases costing less than $1,000, which are expensed at the time of acquisition.

Revaluations

Following initial recognition at cost, items of property, plant, and equipment whose fair value can be measured reliably are valued with sufficient frequency to ensure that the carrying amounts of assets do not materially differ from fair value as at the reporting date. Fair value is determined by depreciated replacement cost for leasehold improvements and by secondary market information for plant and equipment.

Every 3 years, the AOFM engages an independent valuer to conduct a valuation of property, plant, and equipment assets. A revaluation was last conducted as at 31 March 2023.

Right of use assets are retained at cost and are not subject to periodic revaluation.

Property, plant, and equipment ($’000)

	2024	2023
Gross value:		
Leasehold improvements	2,582	2,582
Plant and equipment	264	273
Right of use asset – lease premises	4,820	4,820
Accumulated depreciation:		
Leasehold improvements	(826)	(673)
Plant and equipment	(33)	(11)
Right of use asset – lease premises	(1,462)	(1,170)
Total	**5,345**	**5,821**

No indicators of impairment were identified for property, plant, and equipment.

Reconciliation of changes in gross value ($'000)

	2024	2023
Opening value	**7,675**	**7,134**
Purchases	2	16
Disposals	(11)	-
Revaluation adjustments – leasehold improvements	-	557
Revaluation adjustments – plant and equipment	-	(32)
Closing value	**7,666**	**7,675**

Reconciliation of changes in accumulated depreciation ($'000)

	2024	2023
Opening value	**(1,854)**	**(1,404)**
Depreciation charge for period		
Leasehold improvements	(153)	(103)
Plant and equipment	(25)	(19)
Right of use asset	(292)	(292)
Revaluation adjustments – leasehold improvements	-	(76)
Revaluation adjustments – plant and equipment	-	40
Disposals	3	-
Closing value	**(2,321)**	**(1,854)**

Depreciation

Leasehold improvements and right of use assets are depreciated using the straight-line method over the expected lease term.

Plant and equipment are depreciated using the straight-line method, on the basis of the following useful lives.

Useful life

	2024	2023
Artwork	100 years	100 years
Furniture and fittings	Lease term	Lease term
ICT equipment	3–5 years	3–5 years

Useful lives are assessed annually and revised if necessary to reflect current estimates of an asset's useful life to the AOFM. Revisions in useful life affect the rate of depreciation applied for the current period and future periods.

The useful lives of leasehold improvements and furniture and fittings were reviewed in 2023–24 and no changes were made to their useful lives. There was no change to depreciation expenses for 2023–24 arising from useful life revisions (2022–23: nil).

Note D: Computer software

Accounting policy

Asset recognition threshold on acquisition

Purchases of computer software are recognised initially at cost except for purchases costing less than $10,000, which are expensed at the time of acquisition.

An item of software represents a software licence granted for more than 12 months, or a developed software application.

Developed software is recognised by capitalising all directly attributable internal and external costs that enhance functionality and, therefore, service potential. Software assets are retained at cost and are not subject to periodic revaluation.

Computer software ($'000)

	2024	2023
Gross value	1,696	1,696
Accumulated amortisation	(1,624)	(1,444)
Total	**72**	**252**

No indicators of impairment were identified for computer software.

Reconciliation of changes in gross value ($'000)

	2024	2023
Opening value	**1,696**	**1,696**
Purchases	-	-
Disposals	-	-
Closing value	**1,696**	**1,696**

Amortisation

Software assets are amortised using the straight-line method over their anticipated useful lives, which are 3 to 10 years (2022–23: 3 to 10 years).

Reconciliation of changes in accumulated amortisation ($'000)

	2024	2023
Opening value	**(1,444)**	**(1,263)**
Amortisation charge for the period	(180)	(181)
Closing value	**(1,624)**	**(1,444)**

Note E: Employee provisions

Accounting policy

Leave

The liability for employee benefits includes provisions for annual leave and long service leave. No provision has been made for sick leave, as sick leave is non-vesting and the average sick leave taken in future years by AOFM employees is estimated to be less than the annual entitlement for sick leave.

Long service leave and annual leave are measured at the present value of the estimated future payments to be made. The AOFM applies the Department of Finance's shorthand method to determine the present value for long service leave.

Superannuation

The AOFM contributes to defined benefit superannuation schemes and the Public Sector Superannuation Scheme) and defined contribution schemes on behalf of staff.

The AOFM accounts for its superannuation contributions as if they were defined contribution plans that is, it has no ongoing liability to report. The superannuation benefits payable from defined benefit schemes to an employee upon termination of employment with the Australian Government are recognised in the financial statements of the Department of Finance and are settled by the Australian Government in due course.

An on-cost liability is recognised for superannuation contributions and ancillary costs payable on accrued annual leave and long service leave as at the end of the financial year.

Employee provisions ($'000)

	2024	2023
Annual leave	722	623
Long service leave	1,876	1,777
Superannuation on-costs (a)	677	631
Total	**3,275**	**3,031**

Note F: Lease liabilities

Accounting policy

AASB 16 requires most leases to be recognised under a single lease model, removing the distinction between finance leases and operating leases. It requires lessees to recognise a "right of use asset" and a lease liability on its balance sheet. The AOFM has recognised a lease liability on its obligations arising from the lease of its office premises within the Treasury Building for its expected remaining term. The lease liability was initially measured at the present value of the estimated future lease payments, discounted at the Australian Government's borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.

Lease liability ($'000)

	2024	2023
Opening value	**3,902**	**4,142**
Amounts recognised in profit or loss:		
Interest expense on lease liability	54	57
Amounts recognised in cash flow:		
Lease payments	(307)	(297)
Closing value	**3,649**	**3,902**
Discounted amount recognised in the Statement of Financial Position:		
Current	261	253
Non-current	3,389	3,649
Total	**3,649**	**3,902**

Future estimated lease payments ($'000)

	2024	2023
Undiscounted cash flows:		
Less than 1 year	311	307
1-5 years	1,288	1,264
More than 5 years	2,372	2,707
Total	**3,971**	**4,278**

Note G: Other provisions

Other provisions are for the restoration costs of the AOFM's leasehold premises on the expiry of its lease. The AOFM lease for its office premises ends on 21 December 2025 and there are 2 five-year extension options exercisable at the AOFM's discretion. The present value of the make good provision was last assessed as at 31 March 2023 in accordance with advice from an independent expert.

Other provisions ($'000)

	2024	2023
Make good on leasehold premises	603	583
Total	**603**	**583**

Reconciliation of movements in other provisions ($'000)

	2024	2023
Opening balance	**583**	**483**
Interest expense on make good provision	20	19
Remeasurements (a)	-	81
Total	**603**	**583**

(a) In accordance with AASB Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities, the provision increment has been recognised as an adjustment to the asset revaluation reserve in equity.

Note H: Cash flow reconciliation

The following table reconciles the AOFM's operating cash flows as presented in the Statement of Cash Flows to its net cost of services presented in the Statement of Comprehensive Income.

Reconciliation of net cost of services to net operating cash flows ($'000)

	2024	2023
Net cost of services	**(15,159)**	**(13,791)**
Add revenue from government	19,121	16,379
Adjustments for non-cash items:		
Depreciation and amortisation	650	595
Appropriations extinguished	(2,124)	(2,390)
Interest on make good liability	20	19
(Gain) on revaluation of assets	-	(8)
Loss on disposal of assets	8	-
Change in receivables for capital budget items	393	362
Adjustments for changes in assets:		
(Increase) decrease in receivables	(2,726)	(1,292)
(Increase) decrease in supplier prepayments	(150)	(64)
Adjustments for changes in liabilities:		
Increase (decrease) in supplier payables	(55)	18
Increase (decrease) in salary and superannuation	31	57
Increase (decrease) in employee provisions	244	356
Net cash from operating activities	**253**	**241**

Note I: Appropriations

The following table outlines appropriations for the period and the amount of appropriations used in the period.

Annual appropriations ($'000)

	2024	2023
Annual appropriations:		
Outputs (a)	19,121	16,737
Departmental capital budget	395	377
Public Governance, Performance and Accountability Act 2013:		
Section 74 – retained receipts	272	106
Total available for payment	**19,788**	**17,220**
Appropriation applied (current and prior years)	(15,115)	(13,194)
Variance	**4,673**	**4,026**

(a) For 2022–23, $358,000 of departmental operating appropriations were withheld under section 51 of the PGPA Act.

The variances in 2022–23 and 2023–24 in departmental appropriations available to appropriations applied (spent) is explained by lower than planned staff and supplier costs, including from the management of policy assets.

The following table outlines the unspent balance of appropriations available to the AOFM as at the end of the reporting period.

Unspent departmental annual appropriations ($'000)

	2024	2023
Acts to be repealed on 1 July 2023:		
Supply Act (No. 1) 2020–2021	-	2,153
Appropriation Act (No. 1) 2020–2021	-	237
Sub-total	-	**2,390**
Acts to be repealed on or after 1 July 2024:		
Appropriation Act (No. 1) 2021–2022	2,124	17,062
Sub-total	**2,124**	**17,062**
Acts to be repealed on or after 1 July 2025:		
Supply Act (No. 1) 2022–2023	7,237	7,237
Supply Act (No. 3) 2022–2023	9,625	9,625
Appropriation Act (No.1) 2023–2024	19,788	-
Sub-total	**36,650**	**16,862**
Total	**38,774**	**36,314**
Represented by:		
Cash at bank	100	100
Appropriations receivable	36,550	33,824
Appropriations extinguished – 1 July	2,124	2,390
Total	**38,774**	**36,314**

Note J: Budgetary report to outcome comparison

The Budget figures shown in the primary financial statements represent the Budget released in May 2023. The Budget figures are not audited.

Judgement is applied when determining variances requiring explanation. Considerations include the value of the variance, the nature of the item and its usefulness in analysing financial performance.

Significant variances in the departmental financial statements

Employee expenses were $0.9 million lower than forecast at 2023–24 Budget. The average staffing level for 2023–24 reached 47 against a forecast of 56. This resulted in lower than anticipated staffing costs.

Supplier expenses were $2.8 million lower than forecast at 2023–24 Budget. In 2023–24, the AOFM implemented a Green Treasury Bond program as part of the Government's Comprehensive Sustainable Finance Strategy. Costs associated with establishing the program included consultants, legal fees, market data, travel, and promotional costs. These supplier expenses were lower than forecast.

Supplier expenses also include service provision for the management of the SFSF and ABSF. The primary service provision was to the Forbearance SPV as part of an ongoing contract. During 2023–24, the AOFM made no new investments in the SFSF, and the value of investments fell due to amortisation and trustees exercising call options to repurchase outstanding securities. For the ABSF, the AOFM made investments into existing warehouse facilities only, as favourable market conditions allowed originators to seek support from private investors. Overall, lower than budgeted investment balances and a progressive insourcing of services, has resulted in lower supplier expenses for investment management fees, legal costs, credit analysis and investment due diligence.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with:

- the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015
- Australian Accounting Standards that apply for the reporting period.

The financial statements have been prepared on an historical cost basis, except for certain assets and liabilities that are carried at fair value or on a discounted cash flow basis as required or allowable by relevant accounting standards.

The financial statements are presented in Australian dollars and values are rounded as indicated.

The continued existence of the AOFM in its present form, and with its present outcome and program, is dependent on government policy and on continuing appropriations by Parliament for the AOFM's administration and activities.

New Australian Accounting Standards applicable to the reporting period

During 2023–24, the AOFM adopted all applicable Australian Accounting Standards that became effective during the reporting period. These did not have a material impact on the AOFM's accounts.

New Australian Accounting Standards applicable in future reporting periods

A number of revised or new Australian Accounting Standards have been issued that are effective for future reporting periods. These are not expected to materially impact the AOFM's accounts.

POST-BALANCE DATE EVENTS

No matter, transaction, or event of a material or unusual nature has arisen in the interval between the end of the reporting period (30 June 2024) and the date of signing this report that has significantly affected or may significantly affect the AOFM's operations.

LITIGATION – KATHLEEN O’DONNELL V COMMONWEALTH OF AUSTRALIA AND OTHERS

On 22 July 2020 the Applicant lodged in the Federal Court of Australia (FCA) proceedings against the Commonwealth, the Secretary to the Treasury and the Chief Executive of the AOFM for failure of fiduciary duties, failure of duties of care, and breaches of the *Australian Securities and Investments Commission Act 2001* (ASIC Act), for not disclosing climate change risks in retail investor product disclosure documents for Australian Government Bonds. The Applicant lodged the pleadings as a class action. The Applicant was seeking injunctive relief only.

Following strike out applications by the Commonwealth, the FCA struck out the Applicant’s pleadings for breach of fiduciary duty and breach of duty of care. The FCA allowed the pleading as to false and deceptive conduct in financial product disclosure documents (under the ASIC Act) to proceed, and for the proceedings to continue as a class action.

The Applicant’s claim focused on the allegation that the Commonwealth failed to disclose material climate change price risk information to those who have acquired certain exchange-traded Australian Government Bonds. The Applicant claimed that by failing to include information about climate change risks in information statements (prepared by the Commonwealth), the Commonwealth had engaged in conduct in relation to financial services that was misleading or deceptive under the ASIC Act. It was asserted that climate change risks could affect the future price at which the exchange-traded Australian Government Bonds in question are traded.

On 8 May 2023, the Commonwealth and the Applicant participated in mediation before a registrar of the FCA. On 14 August 2023, the Applicant filed an application with the FCA to settle and discontinue the proceedings. On 11 October 2023, the parties agreed that the Applicant will discontinue the proceedings with no order as to costs. As part of the non-monetary settlement, the parties agreed to make a public statement on the matter. The statement was published on the Treasury website on 16 October 2023. It was also published on the website of the Applicant’s lawyers, Equity Generation Lawyers.

ANAO AUDIT OPINION

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Opinion

In my opinion, the financial statements of the Australian Office of Financial Management (the Entity) for the year ended 30 June 2024:

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

(b) present fairly the financial position of the Entity as at 30 June 2024 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2024 and for the year then ended:

- Statement by the Chief Executive Officer and Chief Operating and Finance Officer;
- Administered schedule of comprehensive income;
- Administered schedule of assets and liabilities;
- Administered schedule of reconciliation;
- Administered cash flow statement;
- Statement of comprehensive income;
- Statement of financial position;
- Statement of changes in equity;
- Statement of cash flows; and
- Notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

Key audit matters

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

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Key audit matter

Valuation of Australian Government Securities

Refer to Administered Notes 1 'Financial Risk Management', 2 'Treasury Bonds (including Green Treasury Bonds)', 3 'Treasury Indexed Bonds' and 4 'Treasury Notes'

The Entity issues Australian Government Securities (AGS) on behalf of the Commonwealth Government. The securities primarily comprise treasury bonds, treasury indexed bonds and treasury notes. I consider the valuation of AGS to be a key audit matter due to:

- the significant value of AGS relative to the Entity's Administered Schedule of Assets and Liabilities ($844,234 million at 30 June 2024). There is a range of AGS issued and measured at fair value; and
- the variety of methodologies used to determine the fair value of financial instruments. These methodologies include the use of assumptions relating to forward yield curves, the consumer price index and discount rates.

How the audit addressed the matter

The audit procedures that I applied to address the matter included:

- testing the design, implementation and operating effectiveness of relevant controls related to the issuance of AGS;
- testing the design, implementation, and operating effectiveness of relevant controls in relation to the ongoing assessment and recalculation of market valuations of AGS; and
- assessing the valuation of AGS at 30 June 2024, using the following procedures:
  - agreeing the face values and coupon rates of treasury bonds, treasury indexed bonds and treasury notes to independent third party reports; and
  - assessing the reasonableness of the yield to maturity assumption on securities, relative to market interest rates and performing a recalculation of the fair value of AGS for issued treasury bonds, treasury indexed bonds and treasury notes.

Accountable Authority's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Australian National Audit Office

Rona Mellor

Rona Mellor PSM

Acting Auditor-General for Australia

Canberra

28 August 2024

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PART 5: AIDS TO ACCESS

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GLOSSARY OF ABBREVIATIONS

AASB	Australian Accounting Standards Board
ABS	Asset-backed securities
ABSF	Australian Business Securitisation Fund
ACT	Australian Capital Territory
ADB	Asian Development Bank
AFMA	Australian Financial Markets Association
AGS	Australian Government Securities
ANAO	Australian National Audit Office
ANZ	Australia and New Zealand Banking Group Limited
AOFM	Australian Office of Financial Management
APS	Australian Public Service
ASF	Australian Securitisation Forum
ASX	Australian Securities Exchange
bps	Basis points
CEO	Chief Executive Officer
CMA	Cash management account
CMP	Cash Management Portfolio
COFO	Chief Operating and Finance Officer
CPA	Certified Public Accountant
CPI	Consumer Price Index
CPRs	Commonwealth Procurement Rules
CRAO	Chief Risk and Assurance Officer
Cth	Commonwealth
DFAT	Department of Foreign Affairs and Trade
ECL	Expected credit losses
ELG	Executive Leadership Group
ESG	Environmental, social and governance
FA Act	*Financial Agreement Act 1994*
FCA	Federal Court of Australia
FOI	Freedom of Information
FOI Act	*Freedom of Information Act 1982*
fSPV	Forbearance Special Purpose Vehicle
FTE	Full-time equivalent
FV	Face value
GST	Goods and Services Tax
IMF	International Monetary Fund
IPS	Information Publication Scheme
IT	Information Technology
KMP	Key management personnel
LTDP	Long-Term Debt Portfolio
MYEFO	Mid-Year Economic and Fiscal Outlook
NAB	National Australia Bank
NSW	New South Wales

NT	Northern Territory
OIS	Overnight indexed swap
OPA	Official Public Account
PGPA	Public Governance, Performance and Accountability
PGPA Act	*Public Governance, Performance and Accountability Act 2013*
PS Act	*Public Service Act 1999*
Qld	Queensland
RBA	Reserve Bank of Australia
SA	South Australia
SES	Senior Executive Service
SFSF	Structured Finance Support Fund
SMEs	Small and medium enterprises
Tas	Tasmania
TIBs	Treasury Indexed Bonds
T-Notes	Treasury Notes
UBS	Union Bank of Switzerland
US	United States of America
Vic	Victoria
WA	Western Australia
WAM	Weighted average maturity
WHS Act	*Work Health and Safety Act 2011*

COMPLIANCE WITH ANNUAL REPORT REQUIREMENTS

PGPA rule reference	Part of report	Description	Requirement
17AD(g)	**Letter of transmittal**		
17AI	Letter of transmittal	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory
17AD(h)	**Aids to access**		
17AJ(a)	Table of contents	Table of contents (print only).	Mandatory
17AJ(b)	Part 5	Alphabetical index (print only).	Mandatory
17AJ(c)	Part 5	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	Part 5	List of requirements.	Mandatory
17AJ(e)	About this report	Details of contact officer.	Mandatory
17AJ(f)	About this report	Entity’s website address.	Mandatory
17AJ(g)	About this report	Electronic address of report.	Mandatory
17AD(a)	**Review by accountable authority**		
17AD(a)	Part 1 (A)	A review by the accountable authority of the entity.	Mandatory
17AD(b)	**Overview of the entity**		
17AE(1)(a)(i)	Part 1 (B)	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	Part 1 (C)	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	Part 1 (B)	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a)(iv)	Part 1 (B)	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(aa)(i)	Part 2 (A)	Name of the accountable authority or each member of the accountable authority	Mandatory
17AE(1)(aa)(ii)	Part 2 (A)	Position title of the accountable authority or each member of the accountable authority	Mandatory
17AE(1)(aa)(iii)	Part 1 (C)	Period as the accountable authority or member of the accountable authority within the reporting period	Mandatory

PGPA rule reference	Part of report	Description	Requirement
17AE(1)(b)	Not applicable	An outline of the structure of the portfolio of the entity.	Portfolio departments – mandatory
17AE(2)	Not applicable	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory
17AD(c)	**Report on the performance of the entity**		
	Annual performance statements		
17AD(c)(i); 16F	Part 2 (C)	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory
17AD(c)(ii)	**Report on financial performance**		
17AF(1)(a)	Part 2 – Performance assessment by purpose	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	Part 3 (E)	A table summarising the total resources and total payments of the entity.	Mandatory
17AF(2)	Part 3 (E)	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.
17AD(d)	**Management and accountability**		
	Corporate governance		
17AG(2)(a)	Part 3 (A)	Information on compliance with section 10 (fraud systems)	Mandatory
17AG(2)(b)(i)	Letter of transmittal	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory
17AG(2)(b)(ii)	Letter of transmittal	A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory

PGPA rule reference	Part of report	Description	Requirement
17AG(2)(b)(iii)	Letter of transmittal	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory
17AG(2)(c)	Part 3 (A)	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory
17AG(2)(d) – (e)	Not applicable	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to noncompliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory
	Audit committee		
17AG(2A)(a)	Part 3 (A)	A direct electronic address of the charter determining the functions of the entity's audit committee.	Mandatory
17AG(2A)(b)	Part 3 (A)	The name of each member of the entity's audit committee.	Mandatory
17AG(2A)(c)	Part 3 (A)	The qualifications, knowledge, skills or experience of each member of the entity's audit committee.	Mandatory
17AG(2A)(d)	Part 3 (A)	Information about the attendance of each member of the entity's audit committee at committee meetings.	Mandatory
17AG(2A)(e)	Part 3 (A)	The remuneration of each member of the entity's audit committee.	Mandatory
	External scrutiny		
17AG(3)	Part 3 (A)	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory
17AG(3)(a)	Not applicable	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory
17AG(3)(b)	Not applicable	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory
17AG(3)(c)	Not applicable	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory
	Management of human resources		
17AG(4)(a)	Part 3 (B)	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
17AG(4)(aa)	Part 3 (B)	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees;	Mandatory

PGPA rule reference	Part of report	Description	Requirement
		(b) statistics on part-time employees; (c) statistics on gender (d) statistics on staff location	
17AG(4)(b)	Part 3 (B)	Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: Statistics on staffing classification level; Statistics on full-time employees; Statistics on part-time employees; Statistics on gender; Statistics on staff location; Statistics on employees who identify as Indigenous.	Mandatory
17AG(4)(c)	Part 3 (B)	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the *Public Service Act 1999*.	Mandatory
17AG(4)(c)(i)	Part 3 (B)	Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory
17AG(4)(c)(ii)	Part 3 (B)	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	Part 3 (B)	A description of non-salary benefits provided to employees.	Mandatory
17AG(4)(d)(i)	Part 3 (B)	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory
17AG(4)(d)(ii)	Part 3 (B)	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory
17AG(4)(d)(iii)	Part 3 (B)	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory
17AG(4)(d)(iv)	Part 3 (B)	Information on aggregate amount of performance payments.	If applicable, Mandatory
	Assets management		
17AG(5)	Not applicable	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities	If applicable, mandatory
	Purchasing		
17AG(6)	Part 3 (C)	An assessment of entity performance against the *Commonwealth Procurement Rules*.	Mandatory
	Reportable consultancy contracts		
17AG(7)(a)	Part 3 (C)	A summary statement detailing the number of new reportable consultancy contracts entered into during the period; the total actual	Mandatory

PGPA rule reference	Part of report	Description	Requirement
		expenditure on all such contracts (inclusive of GST); the number of ongoing reportable consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST).	
17AG(7)(b)	Part 3 (C)	A statement that "*During [reporting period], [specified number] new reportable consultancy contracts were entered into involving total actual expenditure of $[specified million]. In addition, [specified number] ongoing reportable consultancy contracts were active during the period, involving total actual expenditure of $[specified million]*".	Mandatory
17AG(7)(c)	Part 3 (C)	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory
17AG(7)(d)	Part 3 (C)	A statement that "*Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website.*"	Mandatory

PGPA rule reference	Part of report	Description	Requirement
	Reportable non-consultancy contracts		
17AG(7A)(a)	Part 3 (C)	A summary statement detailing the number of new reportable non-consultancy contracts entered into during the period; the total actual expenditure on such contracts (inclusive of GST); the number of ongoing reportable non-consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST).	Mandatory
17AG(7A)(b)	Part 3 (C)	A statement that "*Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website.*"	Mandatory
17AD(daa)	**Additional information about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts**		
17AGA	Part 3 (C)	Additional information, in accordance with section 17AGA, about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts.	Mandatory
	Australian National Audit Office access clauses		
17AG(8)	Part 3 (C)	If an entity entered into a contract with a value of more than $100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory
	Exempt contracts		
17AG(9)	Part 3 (C)	If an entity entered into a contract or there is a standing offer with a value greater than $10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory

PGPA rule reference	Part of report	Description	Requirement
	Small business		
17AG(10)(a)	Part 3 (C)	A statement that *"[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website."*	Mandatory
17AG(10)(b)	Part 3 (C)	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory
17AG(10)(c)	Part 3 (C)	If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that "*[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website*."	If applicable, Mandatory
	Financial statements		
17AD(e)	Part 4	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory
	Executive remuneration		
17AD(da)	Part 3 (C)	Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 2–3 of the Rule.	Mandatory

PGPA rule reference	Part of report	Description	
17AD(f)	**Other mandatory information**		
17AH(1)(a)(i)	Part 3 (C)	If the entity conducted advertising campaigns, a statement that "*During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website*."	If applicable, Mandatory
17AH(1)(a)(ii)	Part 3 (C)	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory
17AH(1)(b)	Part 3 (C)	A statement that "*Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website].*"	If applicable, Mandatory
17AH(1)(c)	Part 3 (B)	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	Part 3 (D)	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory
17AH(1)(e)	Not applicable	Correction of material errors in previous annual report	If applicable, mandatory
17AH(2)	Not applicable	Information required by other legislation	Mandatory

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