

PART 1: AOFM OVERVIEW

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AOFM OVERVIEW

AOFM role, functions, outcome and output structure

The Australian Office of Financial Management (AOFM) is a 'prescribed' agency under the *Financial Management and Accountability Act 1997*. It is responsible for all operational aspects of Commonwealth debt management.

The AOFM's debt management operations encompass the execution of instruments including Treasury Bonds, Treasury Notes and associated derivatives. AOFM activities also encompass risk management and compliance activities, financial reporting and portfolio administration.

The AOFM's outcome is to enhance the Commonwealth's capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time (Figure 1). To achieve this outcome the AOFM delivers a single output — debt management.

Figure 1: Outcome and output structure



The AOFM outlined in the 2002-03 Portfolio Budget Statements the following performance indicators in respect of its outcome and output.

Table 1: Performance information for Outcome 1

Effectiveness $\frac{3}{4}$ Overall achievement of the Outcome	
Debt issued by the Commonwealth (including Commonwealth Government securities allocated to States and Territories) and debt assumed from Commonwealth agencies.	Achievement of the Commonwealth's financing task in a cost-effective manner.
Performance information for agency outputs	
Output Group 1.1 $\frac{3}{4}$ Australian Office of Financial Management	
Output 1.1.1 — Debt management	<p>Achievement of the Commonwealth's financing task in a cost-effective manner.</p> <p>Timely production of reports on debt management activities.</p> <p>Efficient execution of the Commonwealth's borrowing activities. Partial indicators include the narrowness of the range of accepted bids and of the basis point spread between tender and secondary market yields.</p> <p>Efficient management of the Commonwealth's cash balances. Indicators include achievement of the Ministerially endorsed cumulative average cash balance targets as at end-year.</p>

The AOFM is structured around three core functions — execution, risk management, and strategic planning and governance (Figure 2).

Figure 2: AOFM organisational structure



Total resourcing for Outcome 1 includes administered and departmental appropriations and revenue from other sources (Table 2).

Table 2: Resources for AOFM outcomes

	Budget 2002-03 (\$'000)	Actual 2002-03 (\$'000)	Budget 2003-04 (\$'000)
ADMINISTERED			
Administered appropriations			
Annual appropriations	2,792	1,124	2,792
Special appropriations	40,391,628	28,456,023	114,954,706
Total administered appropriations	40,394,420	28,457,147	114,957,498
Total administered resourcing	40,394,420	28,457,147	114,957,498
AGENCY			
Output 1.1 — Debt management	6,574	7,094	6,511
Total revenue from government (appropriations) contributing to price of agency outputs	6,574	7,094	6,511
Percentage of total agency resourcing	99.7%	99.0%	100.0%
Revenue from other sources			
Output 1.1 — Debt management	20	75	-
Total revenue from other sources	20	75	-
Total price of agency outputs	6,594	7,169	6,511
Total agency resourcing	6,594	7,169	6,511
Total resourcing for Outcome 1	40,401,014	28,464,316	114,964,009
	Budget 2002-03	Actual 2002-03	Budget 2003-04
Average staffing level (number)	37	32	37