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AOFM OVERVIEW

Role, function, outcome and output structure

The Australian Office of Financial Management (AOFM) is a specialised agency responsible for the management of Australian Government debt. The AOFM also manages the Government's cash balances and invests in financial assets.

The AOFM's debt management activities include the issuance of Commonwealth Government Securities (CGS) in the form of Treasury Bonds, and the operation of a securities lending facility that allows financial market participants to borrow Treasury Bonds from the Reserve Bank of Australia. The AOFM's cash management activities include the issuance of Treasury Notes for short-term funding, with surplus funds being invested in term deposits with the Reserve Bank of Australia (RBA) and in short-term money market instruments such as bank accepted bills and negotiable certificates of deposit. During the 2008-09 year, the AOFM also invested in residential mortgage-backed securities under a Government program to support competition in lending for housing. It also invested the proceeds of additional bond issuance undertaken during the year in semi-government and Kangaroo bonds.

During the year, the AOFM managed the investment of monies for the Communications Fund on behalf of the Department of Broadband, Communications and the Digital Economy. The Communications Fund was closed on 1 January 2009, with the assets being transferred into the Building Australia Fund, which is managed by the Future Fund Management Agency.

The AOFM forms part of the Treasury portfolio. It is accountable to the Secretary to the Treasury and to the Treasurer, and through the Treasurer to the Parliament and the public. However, its finances are separate from those of the Treasury as it is a prescribed agency under the *Financial Management and Accountability Act 1997* and maintains its own accounts. Its staff are employed under the *Public Service Act 1999*.

For budgetary purposes, the AOFM's activities comprise a single output – debt management – directed to one outcome. This has been to enhance the Australian Government'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 Australian Government over time.

Organisational structure

During 2008-09, the AOFM was organised into four groups as set out in Figure 1:

- Treasury operations;
- Financial risk management;
- Compliance and reporting; and
- Finance, settlement and corporate functions.

These four groups are supported by an information technology support unit and a human resources unit. Additionally, two staff members are seconded to the Papua New Guinea and Solomon Islands governments to support their debt management activities. Roles and responsibilities within the office are structured to ensure an appropriate segregation of duties and reporting lines.

Figure 1: AOFM organisational structure

