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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

EIGHTEENTH REPORT.

THE FORM AND CONTENT OF THE FINANCIAL
DOCUMENTS PRESENTED TO THE PARLIAMENT.

THE BUDGET SPEECH.

THE ESTIMATES OF RECEIPTS AND EXPENDITURE AND THE
APPROPRIATION BILLS.

PART I.

INTRODUCTION.

THE BUDGET SPEECH.

THE ESTIMATES OF RECEIPTS AND EXPENDITURE.—

- (i) Cash Estimates of Income and Expenditure Estimates.
- (ii) Estimates of Receipts and Expenditure or of Expenditure only.
- (iii) The Presentation of the Estimates before or after the beginning of the Financial Year.

Mr. President

On behalf of the Committee, I bring
up the Eighteenth Report on The
Form and Content of the Financial
Documents Presented to the Parliament
- Part 1 .

JOINT COMMITTEE OF PUBLIC ACCOUNTS

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PRESENTED TO THE PARLIAMENT

THE BUDGET SPEECH, THE ESTIMATES OF RECEIPTS
AND EXPENDITURE AND THE APPROPRIATION BILLS

PART 1

INTRODUCTION

THE BUDGET SPEECH

THE ESTIMATES OF RECEIPTS AND EXPENDITURE -

- (i) Cash Estimates or, alternatively,
Income and Expenditure Estimates,
- (ii) Estimates of Receipts and
Expenditure or, alternatively, of
Expenditure only,
- (iii) The Presentation of the Estimates of
Receipts and Expenditure before or
after the Beginning of the Financial
Year.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

(Appointed 11th August, 1954.)

F. A. Bland, Esquire, M.P. (Chairman).

Senator C. B. Byrne (Vice-Chairman).

Senator S. D. Paltridge

G. Anderson, Esquire, M.P.

Senator the Hon. H. S. Seward

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Neil R. Caffin,
Secretary,
Parliament House,
CANBERRA. A.C.T.

THE DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1951 reads as follows:

8. The duties of the Committee are -

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of subsection (1) of section fifty-three of the Audit Act 1901-1950;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

EIGHTEENTH REPORT

THE FORM AND CONTENT OF
THE FINANCIAL DOCUMENTS PRESENTED TO THE PARLIAMENT

THE BUDGET SPEECH, THE ESTIMATES OF RECEIPTS AND
EXPENDITURE AND THE APPROPRIATION BILLS

PART I

I N T R O D U C T I O N

The Joint Committee of Public Accounts of the Twentieth Parliament (1952 to 1954) initiated an examination of the financial documents which are presented to the Parliament. These documents are :-

- (1) the Budget Speech which is accompanied by explanatory statements,
- (2) the Budget Papers which are presented to the Parliament with the Budget Speech, to provide information for the members,
- (3) the Estimates of Receipts and Expenditure for the current financial year which are presented to the Parliament with the Budget Speech,
- (4) (a) the Additional Estimates of Expenditure presented during the financial year to provide for increased expenditure on ordinary and capital works and services votes over the original Estimates, and expenditure on new commitments,
(b) the Supplementary Estimates of Expenditure presented after the end of the financial year, to provide in general for unforeseen expenditure (if any) in terms of S.36A of the Audit Act 1901-1953,
- (5) the Appropriation Bills which are :-
 - (a) the Supply Bills authorising votes for expenditure pending the passage of the Appropriation Bills,
 - (b) the Appropriation Bill and Appropriation (Works and Services) Bill authorising the votes in the Estimates,

- (c) the Appropriation Bill and Appropriation (Works and Services) (No. 2) Bill authorising the votes in any Additional Estimates,
- (d) the Supplementary Appropriation Bill and Supplementary Appropriation (Works and Services) Bill authorising the votes in any Supplementary Estimates,
- (6) the Finance Statement which is accompanied by the Auditor-General's Report,
- (7) a White Paper on National Income which has, in recent years, been presented to the Parliament with the Budget Speech.

2. The Committee appointed Sectional Committees to examine in detail the Budget Papers and the Form of the Estimates of the Postmaster-General's Department which seemed to the Committee to illustrate many of the difficulties in presenting the estimates to the Parliament. The Sectional Committees held a number of meetings and had discussions with the departments affected.

3. The 1952/54 Committee was not able to complete its review of these matters in time to present a complete report to the Parliament before it was dissolved, but it did submit to the Parliament a progress report^(a) so that the Parliament would be aware of its views.

4. In that Report the Committee stated :-

"The Committee thinks the Parliament should know that evidence has been given that questions :-

- (a) the legal and constitutional validity of the present form of the Governor-General's Message with the Estimates, and generally, of the form of the Estimates of Receipts and Expenditure and of the Appropriation Bill, and
- (b) the legal force of the systems of transfers between votes in the Estimates, the salaries schedules, and the crediting of revenue to votes in the Estimates.

(a) The Thirteenth Report, dated 3rd March, 1954.

Other questions that have been raised for the consideration of the Committee include :-

- (a) the inadequacy both of the information in, and the manner of presentation of various sections of the Estimates and the Budget Papers, and
- (b) the duplication of information in the various financial documents."

The present Committee decided to continue this investigation and it intends to submit its conclusions to the Parliament in four Reports :-

- (1) - dealing with the Budget Speech, the Estimates and Appropriation Bills.
- (2) - to deal with the Budget Papers.
- (3) - to deal with Departmental Estimates.
- (4) - to deal with the Finance Statement and the Auditor-General's Report.

This procedure has been adopted because, despite the common thread which runs through the whole subject-matter, the Committee believes it is advantageous to have its views on the several sections mentioned, presented to the Parliament as soon as possible.

5. In this Report, therefore, the Committee discusses the Budget Speech, the Estimates of Receipts and Expenditure, and the Appropriation Bills under the following headings :-

- (1) The Evidence.
- (2) General Considerations applying to the Financial Documents.
- (3) Previous Inquiries.
- (4) The Budget Speech.
- (5) The present Form of Estimates of Receipts and Expenditure, and Appropriation Bills.
- (6) The Estimates of Receipts and Expenditure.
- (7) The Appropriation Bills.
- (8) The Additional and Supplementary Estimates and Appropriation Bills.
- (9) The Conclusions of the Committee.

6. Under the heading "The Estimates of Receipts and Expenditure" the Committee discusses the following principles :-

- (i) Cash Estimates (i.e. receipts and payments estimates), or, alternatively, Income and Expenditure Estimates,
- (ii) Estimates of Receipts and Expenditure, or, alternatively, of Expenditure only,
- (iii) The Presentation of the Estimates of Receipts and Expenditure before or after the Beginning of the Financial Year,
- (iv) The Grouping of Receipts and Expenditure in the Estimates,
- (v) Gross or Net Appropriations,
- (vi) Salaries Votes,
- (vii) Trust Funds in the Estimates,
- (viii) The Form of the Estimates.

The application of the principles stated in this Report will be developed in the Report of the Committee on "Departmental Estimates".

7. In Part I of this Report, the Committee deals with the introductory sections (1) to (5) in paragraph 5 above, and the first three principles (i) to (iii) in paragraph 6 above. Later parts of the Report will be submitted in due course.

(1) THE EVIDENCE

8. Section 12 of the Public Accounts Committee Act 1951 authorises the Committee to consider evidence taken by a previous Committee, or Sectional Committee, as if given before it. The present Committee has received and examined the evidence taken by the 1952/54 Committee on the subject of the form and content of the financial documents presented to the Parliament and has had further discussions and communications on the matter with the Auditor-General, the Attorney-General, the Treasury and other witnesses. All members of the present Committee were members of the previous Committee.

9. As the evidence taken by the 1952/54 Committee concerns the documents for 1953/54, this Committee has used those documents; where those for 1954/55 were available they have been preferred.

10. The evidence included statements from and discussions with :-

- (1) The Attorney-General,
- (2) The Auditor-General,
- (3) Mr. H.P. Brown, Reader in Economics and Statistics of the Australian National University,
- (4) Mr. S.R. Carver, Acting Commonwealth Statistician,
- (5) The Institute of Chartered Accountants,
- (6) The Parliamentary Draftsman,
- (7) Sir Bertram Stevens, former Colonial Treasurer, State of New South Wales,
- (8) The Commonwealth Treasury,
- (9) The New South Wales and other State Treasuries,
- (10) Commonwealth Railways,
- (11) Department of Territories, and
- (12) Other Commonwealth Departments.

(2) GENERAL CONSIDERATIONS APPLYING TO THE FINANCIAL DOCUMENTS.

11. Writers^(a) on public finance have used the phrase "The Budget" to mean the statement made by the Treasurer about the financial proposals of the Government for the ensuing year with his forecast of anticipated revenue and expenditure, together with a comparison of the achievements of the past year. The Government's financial proposals, and their expression in money terms, are the two aspects of the Budget.

12. The Committee has considered the nature and character of the documents that might best be presented to the Parliament with the Budget.

13. In a statement to the Committee dated 7th September, 1953, the Treasury set out the alternative practices as follows :-

-
- (a) F.A. Bland - Budget Control.
A.E. Buck - The Budget in Governments of To-day.
W.F. Willoughby - The National Budget System.

"..... the Budget as now presented comprises three separate documents, (the Budget Speech, the Budget Papers and the Estimates), each self-contained and each serving a different purpose. Against this, the basis of several of the suggestions made to the Committee is that there should be two or three documents dependent one upon the other to present a complete statement of the financial transactions of the Commonwealth."

14. While the Treasury^(a) prefers the first mentioned point of view, it is quite willing to accept modifications in the content of the documents. It favours the present arrangement of self-contained documents so that a person taking up any one of the documents will be able to obtain the information which the document is designed to provide. The Treasury view is that the Budget Speech is for the general reader; the Estimates of Expenditure are the basis for the Appropriation Bill as well as for the person who wants more information on expenditure estimates than is provided in the Budget Speech; while the Budget Papers are for the person who requires detailed information on the Commonwealth's financial transactions. Each is a self-contained document duplicating information contained in the others.

15. As against the proposal to retain three self-contained documents, the Committee points out :-

(a) that there is duplication of information as between the Estimates and the Budget Papers. Few use the present Budget Papers because the majority are satisfied with the information presented by the Budget Speech : if more detailed information is sought it will be found in the Estimates. It is not easy to justify the cost of printing Budget Papers in their present form for the few who do use them.

(b) that the inclusion of substantially the same information in different documents can itself be confusing, particularly if the detail given varies

(a) Treasury statement 18th May, 1953, para.10, and Transcript 21st May, 1953.

from document to document.

- (c) that the retention of self-contained documents could be taken to the point where the Budget Papers are abandoned altogether - the other documents being self-contained, do not need them.
- (d) that to contend that when the Estimates are not available, it is convenient to have that data in the Budget Papers, is to carry duplication to the extreme.

16. The Committee considers that it would be better to look on the Budget Speech, the Estimates, and the Budget Papers (or whatever other name is given the Papers) as complementary to the financial information presented to the Parliament by the Treasurer. The Budget Speech would then explain in general outline the Government's proposals, with supporting tables and notes as in the existing format. The Budget Papers would provide statistics, explanations and information to supplement the Budget proposals and the Estimates would supply the summaries and detailed figures of the revenue and expenditure proposals.

17. If the self-contained nature of the three documents is abandoned, and instead, each becomes a document complementary to the other two, the whole series could be planned as such and duplication of information in the documents avoided. A cross reference should be made from one document to another where it is necessary.

18. The Finance Statement (which is accompanied by the Auditor-General's Report) would follow as the document which gives the details of the Treasurer's accounting to the Parliament for the expenditure authorised.

19. Any desire for detailed information should be weighed against the difficulties associated with the collection, assembly and printing of such information. The collection alone can be onerous both to the departments and the Treasury. At the same

time the prompt preparation of financial documents for the Parliament calls for special effort on the part of the departments and for co-operation with the Treasury.

20. The Committee believes that it is essential that the revenue and expenditure proposals of the Government for the year should be set out in detail rather than in lump sums. When departments are required to list their proposals in detail, the Parliament approves limited expenditure under a wider range of specified heads and the basis for a more effective control by the Treasury is established. Greater care is likely to be taken with detailed votes than aggregate votes. Officials know that there is always the threat of questioning of a detailed item^(a) in the Parliament, by the Joint Committee, or by the public. Detailed information is also of value to students of general policy. Of course the amount of detail in particular cases is a matter for judgment; this is discussed by the Committee in subsequent Reports.

21. Although the departments prepare detailed information and attend in the House with it, little use is, in fact, made of it by members. The Parliament's approval of the Estimates is the approval of a specific programme submitted by the Treasurer on behalf of the Government. Financial measures are treated as "confidence motions" and debates tend to air grievances rather than to discuss the principle of finance or the detail of estimates. The mode of functioning of the Parliament^(b), and particularly the House of Representatives, is such as makes difficult a detailed examination of the efficient and economic administration of the Government's policy. Much of the field of public administration

(a) For a further discussion on this matter see :-

The Haldane Report on the Machinery of Government Cmd. 9230,
Hawtrey : The Exchequer and Control of Expenditure,
Hills and Fellowes : The Finance of Government,
Young : The System of National Finance,
Bland : Budget Control.

(b) Refer to Eighth Report - Parliamentary Procedure in the House of Representatives on the Supply and Appropriation Bills dated 15th October, 1953.

is passed over in the Estimates debate, and many functions are seldom referred to.

22. To assist the Parliament in the control and efficient expenditure of public moneys, there are, for example, such agencies as :-

- (1) the Auditor-General, who reports to the Parliament whether the money voted by it has been spent for the purposes approved,
- (2) the Treasury, traditionally the custodian of public funds, and
- (3) the Public Service Board, which is the personnel authority.

23. In the Committee's Reports on the financial documents, the financial controls exercised by the Treasury and the Public Service Board over public funds are not canvassed; both agencies have given assurances that a careful scrutiny is made of departmental requests for funds. It is, nevertheless, disturbing that the investigations of the Committee suggests that, at least in some aspects, the supervision has been inadequate. The Committee draws attention to its comments on these matters in the First, Fifth, Twelfth, Fourteenth and Fifteenth Reports, and to the Sixteenth Report which shows the action taken by the departments and the Treasury to remedy the particular weaknesses disclosed in those Reports.

24. A continuing interest on the part of the Parliament, its Committees and members, in the details and significance of the financial documents submitted is essential if parliamentary control of expenditure is to be effective. Such an interest will tend to ensure that there is adequate surveillance by the executive, and the several administrative departments, of the details of the financial operations. The possibility that any item in the documents may have to withstand examination by the Parliament leads to careful evaluations of the merits of each item.

25. In an expanding economy the activities undertaken by governments vary from time to time: new responsibilities are assumed, existing responsibilities are expanded or terminated. The estimates must reflect the details of the financing of these activities and responsibilities and must be adapted continually for this purpose. Indeed, a regular review of the form and content of the estimates is essential. This should be in addition to the day-to-day scrutiny made by the Treasurer and the Treasury.

26. The period of years for which figures should be tabulated in the documents under discussion has to be considered. One view is that summarised figures for say 10 years, under broad headings, would give a useful indication of the direction of public expenditure. But as has also been pointed out above, the functions of departments change and the classification of items of expenditure in the documents may vary from year to year, factors which tend to invalidate comparisons. For example, International Development and Relief, and Subsidies, have been provided under War and Repatriation Services up to 1949/50, but, thereafter, have been provided under Miscellaneous Services in the one case, and Bounties and Subsidies in the other case.

27. The United Kingdom and Canadian Estimates show the estimated expenditure for the current and coming financial years only. In these countries, the estimates of expenditure are presented to the respective Parliaments prior to the commencement of the financial year.

28. Generally, with the current practice of the presentation of the estimates after the beginning of the financial year, the present practice of submitting the figures of estimated and actual expenditure for the past financial year and the estimated figure for the current year only are sufficient. The question of an analysis of revenue and expenditure over a longer period is taken up in a later Report of the Committee on the Budget Papers.

(3) PREVIOUS INQUIRIES

29. In Australia, few official inquiries have been made into the form of the estimates. The State Treasuries have informed the Committee that, except in New South Wales, there have been no official inquiries. For the Commonwealth, there have been two inquiries, in 1917 and 1932, both at the instigation of the then Joint Committee of Public Accounts.

1917 Inquiry

30. An inquiry into the delay in, and the manner of, submitting the Estimates, the Budget and the Treasurer's Financial Statement was undertaken by the First Joint Committee of Public Accounts in 1917. The Report^(a) was presented to the Parliament on 1st March, 1917.

31. The recommendations made by that Committee which are relevant to the present inquiry, were :-

- × (a) An index or details of the contents should be included in the Estimates,
- × (b) In the summary of revenue and expenditure, the transactions of public utilities and trading concerns should be shown separately,
- × (c) A uniform method of showing salaries and allowances should be adopted with salaries and allowances shown separately,
- × (d) Additional details should be shown in the Works Estimates.

1932 Inquiry

32. The Joint Committee of Public Accounts of 1931 commenced an inquiry into the form of the Estimates and, when the Committee's activities ceased with the suspension of the Joint Committee of Public Accounts Act 1913-1920 in 1931, a Joint Select Committee was appointed by the Parliament in March, 1932,

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- (a) Report of the Joint Committee of Public Accounts upon the Manner of Submitting the Estimates, the Budget and the Treasurer's Financial Statement, 1917.
- × The recommendation has been adopted for the 1954/55 Estimates, as well as for earlier estimates.

to complete the inquiry. The Report^(a) of the Joint Select Committee is dated 19th May, 1932, and the recommendations concerning the Estimates are :-

(9) In submitting to Parliament Estimates of Receipts and Expenditure particular attention should be given to :-

- ⌘ (a) the provision of summaries showing the total cost of all Departments,
- ⌘ (b) the consistent and logical grouping of items of expenditure,
- ⌘ (c) the standardization of items wherever practicable,
- ⌘ (d) the proper grouping of salaries and wages and payments in the nature of salaries,
- ⌘ (e) the total personnel and personnel costs of Departments,
- ⌘ (f) the costs of overseas representation,
- ⌘ (g) the elimination of unnecessary detail under "Contingencies",
- ⌘ (h) the provision of greater detail in respect of expenditure on works.

(10) Works Estimates should each year be submitted to Parliament in greater detail and in a manner designed to disclose in respect of each work:- estimated total cost when authorised; estimated total cost as revised; amount voted up to the end of preceding financial year; expenditure up to the end of preceding financial year; amount required to complete the work; balance of previous votes at end of preceding financial year; amount proposed to be voted in current year; total amount available for expenditure; estimated expenditure during current year.

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- ⌘ (15) Greater use should be made of explanatory notes and cross references in both the Estimates and the Budget Papers.
- ⌘ (16) In all cases where moneys are regularly provided from Revenue or Loan Fund, or both, to finance Trust Accounts reasonable details of the estimated expenditure from the Trust Accounts should be provided in the Estimates. The gross estimated expenditure should be shown in items, from the total of

(a) Report from the Joint Select Committee on Public Accounts 1932.

⌘ The recommendation has been adopted for the 1954/55 Estimates as well as for earlier estimates - in the case of (16) to a limited degree only.

which should be deducted amounts estimated to be available in the Trust Account from other sources. No item of expenditure specifically provided for in the Estimates should be exceeded without Treasury approval.

(4) THE BUDGET SPEECH

33. The Budget Speech which is delivered by the Treasurer to the House of Representatives in the Committee of Supply, reviews the financial results of the past year and announces the financial proposals of the Government for the current year. With it, the Treasurer presents the Estimates of Receipts and Expenditure, the Budget Papers, and the White Paper on National Income. In the Senate, the Minister representing the Treasurer in that Chamber, presents a motion for the tabling of the Budget Papers and, speaking to that motion, outlines the financial proposals of the Government. The Budget Speech is printed and the document has a wide circulation. The Treasury estimates that about 90% of those who seek information on the Government's plans are satisfied with this document.

34. The 1954/55 Budget Speech covers 15 pages and another 17 pages consists of statements referred to in the Speech and explaining it in further detail.

35. The use of summaries and tables illustrating aspects of the annual Estimates has always been a feature of the Budget Speech. Prior to the war, a number of them were taken out of the Budget Speech itself and attached to it as appendices. To the 1939/40 Speech, the following four statements were attached as appendices :-

- (1) Comparison of Actual Revenue and Expenditure with the Budget Estimates 1938/39,
- (2) Public Works (excluding Defence) Estimates 1939/40 compared with Actual 1938/39,
- (3) Commonwealth Expenditure from Revenue - Estimated Expenditure 1939/40 compared with Actual Expenditure 1938/39,
- (4) Commonwealth Revenue - Estimated Revenue 1938/39.

The number of statements has gradually increased and there were thirteen attached to the 1950/51 Speech. These statements were revised and the following are appended to the 1954/55 Speech :-

- (1) Consolidated Revenue Fund Results 1953/54,
- (2) Loan Transactions and Public Debt 1953/54,
- (3) Estimates of Revenue 1954/55,
- (4) Estimates of Expenditure 1954/55,
- (5) National Welfare Fund Estimates 1954/55,
- (6) Income Tax on Individuals - Comparison of Amounts Payable at Present and Proposed Rates,
- (7) Income Tax on Individuals - Comparison of Amounts Payable at Proposed Rates with Amounts Payable in the United Kingdom and New Zealand.

In recent years the practice has developed of including explanatory notes on items in the statements.

36. Statements Nos. 6 and 7 made their appearance in 1953/54 for the first time and do not fit into the general pattern of Statements Nos. 1 - 5 which are concerned with the overall explanations of the Budget.

37. Statements Nos. 3 and 4 show the actual expenditure of the past financial year, the estimate of revenue and expenditure for the current year, and the various items are explained in the succeeding tables and notes. In the opinion of the Committee it would be more informative if the figures of receipts and expenditure were shown in one table in the statements attached to the Budget Speech. Such a table should give "a picture" of the Budget proposals as a whole. Although the present summary is based largely on the existing sub-division of the estimates into Parts, some of the Parts are further sub-divided to show important items such as the payment to the National Welfare Fund, individual business undertakings. However, items such as "Other Statutory

Payments", and "Miscellaneous Services" do not convey much to the public. Later in this Report, it is suggested that a table summarising the receipts and expenditure on a functional basis should be used in the Estimates and this table might be used for the purpose set out above.

38. It is the prerogative of the Treasurer to decide the form of the Budget Speech, but the Committee feels sure that he will carefully consider its views.

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(5) THE PRESENT FORM OF ESTIMATES OF RECEIPTS AND EXPENDITURE AND APPROPRIATION BILLS

(a) Responsibility for the Form of the Estimates and Appropriation Bills

39. There is no statutory prescription of the form of the Estimates of Receipts and Expenditure or of the Appropriation Bills. The Treasurer is responsible for the finances and accounts of the Commonwealth and therefore arranges for the preparation of the Estimates, and, nominally with another Minister, for the preparation of the Appropriation Bills. Accordingly, it falls to the Treasurer to decide the form of the estimates and, with the Parliamentary Draftsman, that of the Appropriation Bills; questions of lesser importance are determined by the Treasury. The Senate's powers in respect of financial bills have a bearing on the amount of detail to be shown in the Appropriation Bills and this matter is dealt with later in this Report.

(b) Cost of Printing the Estimates of Receipts and Expenditure

40. The cost of printing the copies of the Estimates and the other financial documents for 1954/55 was £3,076.

However, this is not a large amount in comparison with the total Budget of over £1,000,000,000. The figures do not include the cost of the preparation of the information in the documents by the Treasury and the departments.

(c) The Form of the Estimates of Receipts and Expenditure and Appropriation Bills.

(i) The Estimates of Receipts and Expenditure

41. The estimates of receipts and expenditure of the Consolidated Revenue Fund for 1954/55 are presented in a document of 254 pages, made up as follows :-

(a) Introductory Pages	8
(b) Summaries of the Consolidated Revenue Fund	5
(c) Parts 1-5 of the Consolidated Revenue Fund	149
(d) Salaries Schedules	70
(e) Capital Works and Services Votes of the Consolidated Revenue Fund	18
(f) Loan Fund	4
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	254

42. The Consolidated Revenue Fund estimates are divided into five parts :-

- Part 1 - Departments and Services
- Part 2 - Business Undertakings
- Part 3 - Territories of the Commonwealth
- Part 4 - Payments to or for the States
- Part 5 - Self-Balancing Items

43. As to expenditure, the first three parts are sub-divided as follows :-

Part 1 - Departments and Services -

Special Appropriations (other than War and Repatriation Services and Capital Works and Services)

Departmental
Defence Services
Miscellaneous Services
Bounties and Subsidies
War and Repatriation Services
Capital Works and Services

Part 2 - Business Undertakings -

Commonwealth Railways
Postmaster-General's Department
Broadcasting Services

Part 3 - Territories of the Commonwealth -

Northern Territory
Australian Capital Territory
Norfolk Island
Papua and New Guinea

Parts 4 and 5 are not sub-divided.

44. As to receipts, Part 1 is sub-divided into Indirect Taxation and Direct Taxation (with individual tax revenues listed under each) and Other Revenue. The classification of the receipts under the other Parts is identical with the expenditure headings.

45. The estimates of items of expenditure can be classified according to the "nature" of the expenditure or the "purpose" of the expenditure. In the United Kingdom, the terms "subjective basis" and "objective basis" are used^(a) and its estimates are displayed on these bases. The first classifies expenditure according to the actual payments, i.e. salaries, purchase of stores and the like. The second classifies the expenditure according to the function paid for, i.e. Forestry and Education, and so on.

46. In the Commonwealth Estimates, the classifications of the total expenditure into Parts and of the expenditure under each Part and under sub-divisions of the first three Parts are according to the "purpose" of the expenditure. In many cases, the expenditure is again divided on a "purpose" basis to show votes for the expenditure of departments by branches of the department or by particular services provided by the department. A vote is called a "division" and these are numbered serially.

(a) Final Report of the Committee on the Form of Government Accounts Cmd. 7969. Para.112.

The divisions are divided into sub-divisions and these again into items according to the "nature" of the expenditure.

47. The classification of expenditure according to the functions to be performed, the expenditure of each function generally being itemised in some detail, is that adopted broadly in estimates of the British Commonwealth countries, the United States, and other countries with comparable procedures.

(ii) The Appropriation Bills

48. The estimates are transmitted to the House of Representatives by the Governor-General by a message under Section 56 of the Commonwealth Constitution and are referred immediately to the Committee of Supply for its consideration.

49. The Treasurer makes the Budget Speech and then moves :-

"That the first item in the Estimates, under Division No. 1 - The Senate - namely - "Salaries and Allowances," be agreed to."

The main budget debate follows on this motion. In due course the remainder of the annual votes listed in the estimates are considered by the Committee of Supply. The following resolution is submitted to the Committee and, if accepted, it is reported to the House :-

"That, the following resolution be reported to the House -

That, including the several sums already voted for such services, there be granted to Her Majesty to defray the charges for the year, for the several services hereunder specified, a sum not exceeding"

A schedule presenting in totals the annual appropriations of departmental expenditure follows.

50. In the Committee of Ways and Means the following resolution is proposed :-

"That, towards making good the Supply granted to Her Majesty for the service of the year, there be granted out of the Consolidated Revenue Fund a sum not exceeding"

The resolution cites the grand total of the annual appropriations only. If this resolution is agreed to, it is reported to the

House and if the report is adopted, the Treasurer and another Minister are ordered to prepare and bring in the Annual Appropriation Bills.

51. The bulk of the Estimates, at least by pages, is reproduced as the Schedules to the annual Appropriation Bills. For example, in 1954/55, 215 pages, out of a total of 254 pages of the Estimates, are reproduced in the schedules to the Bills. The Estimates are designed with this arrangement in mind and the same type in the Printing Office is used in the printing of these parts of the two documents.

52. If the Bills are adopted by the House of Representatives they are transmitted to the Senate. In the Senate, a general debate takes place on the motion to table the Budget Papers and details of the Government's financial proposals are considered in the debate on the Appropriation Bills.

53. Details of the Parliamentary procedure in the House of Representatives on the Appropriation Bills are set out in the Eighth Report of the Joint Committee of Public Accounts (dated 15th October, 1953).

(6) THE ESTIMATES OF RECEIPTS AND EXPENDITURE.

54. The Committee has examined the financial documents of the United Kingdom, other British Commonwealth countries - Canada, Ceylon, India, New Zealand, Pakistan and South Africa - the United States of America and the Australian States, and has obtained information from them on certain points.

55. There is a common approach among British Commonwealth countries, including the Commonwealth Government, to the form of the estimates which is inherited, with the common traditions of government, from the United Kingdom. Local variations have developed and, in certain respects, the Commonwealth practice differs from that generally adopted in the United Kingdom and other countries. Instances of the variations are noted below where they fall within the scope of this Report. The attitude of these Governments to the particular points of the form of the

Estimates dealt with in this Report, as evident in their documents or in communications with the Committee, is also noted below and in greater detail in Appendix No. 1.

(1) Cash Estimates or, alternatively, Income and Expenditure Estimates

56. The accounts of the overseas governments examined are broadly of cash transactions within the financial year. For periods after the end of the financial year varying from country to country, payments relating to the votes of that year, are taken into the accounts of that year and adjustments are made to the votes. The estimates are, generally, estimates of the amount of cash to be raised by taxation, or of other moneys to be collected each year to meet the cash expenditure for the year. The cash received may have been due in earlier years or may be advance payments for a future year. The present Commonwealth practice is to present to the Parliament cash estimates, a practice established legally by the following measures :-

"Supply Resolution

That, including the several sums already voted for such services, there be granted to Her Majesty to defray the charges for the year, for the several services hereunder specified, a sum not exceeding"

Appropriation Act

1. This Act may be cited as the Appropriation Act
2. This Act shall come into operation on the day on which it receives the Royal Assent.
3. The Treasurer may issue out of the Consolidated Revenue Fund and apply towards making good the supply hereby granted to Her Majesty for the service of the year ending the thirtieth day of June, One thousand nine hundred and, the sum of pounds.
4. All sums granted by this Act and by the other Act mentioned in the First Schedule to this Act out of the Consolidated Revenue Fund towards making good the supply granted to Her Majesty for the service of the year ending the thirtieth day of June, One thousand nine hundred and, amounting as appears by that Schedule in the aggregate to the sum pounds, are

appropriated, and shall be deemed to have been appropriated, as from the first day of July, One thousand nine hundred and, for the purposes and services expressed in the Second Schedule to this Act in relation to the financial year ending the thirtieth day of June, One thousand nine hundred and

(SCHEDULES)

Audit Act 1901-1954

S. 36 (1) Every appropriation made out of the Consolidated Revenue Fund for the service of any financial year shall lapse and cease to have any effect for any purpose at the close of that year and any balance of the moneys so appropriated which may then be unexpended shall lapse and the accounts of the year shall be then closed:

Provided that any pay earned in any financial year by members of the Militia Forces may be paid after the close of that year and charged to the appropriation made for the service of that year:

Provided also that where -

- (a) any obligation involving expenditure has been incurred or is intended to be incurred outside the Commonwealth, and
- (b) money to an amount not exceeding the appropriation covering the expenditure has, before the close of the financial year for the service of which the appropriation is made, been transmitted for the purpose of making payments in connexion therewith,

the money so transmitted shall be and shall be deemed to have been available for making those payments notwithstanding that the financial year closed before the payments were completed; and for that purpose the appropriation, whether the financial year closed before or after the coming into operation of this proviso, shall be deemed not to have lapsed.

57. On the other hand, Estimates on an income and expenditure basis would take into account the income for the year, whether actually received or not, and the liability for expenditure for the year, whether discharged or not.

58. The Institute of Chartered Accountants in Australia discussed this matter with the Committee and stated^(a) :-

(a) Statement submitted on 20th August, 1953, by the Institute of Chartered Accountants in Australia, para. 9.

"Matching Costs and Income"

The practical effect of this concept may be summed up as follows :-

- (a) income should be brought to account in the period when it is earned, which is not necessarily when it is received,
- (b) the costs of earning the income should be charged or matched against it whether such costs have actually been paid out or not,
- (c) as a rider to (b), expenditure should be written off as its benefit expires. Thus, in commerce, an expenditure during the financial year 1952 may contain benefit for 1953 and to that extent should be carried forward and charged against the income of 1953. Capital expenditure generally carries benefit for a period of years and should be spread over that period as an annual provision for depreciation charged against each year's income.

This concept is universally recognised in commercial accounting, and suggestions have been made from time to time that it should be adopted for Government accounting. In U.S.A., a report on "Budgeting and Accounting" made to Congress by The Commission on Organization of the Executive Branch of the Government (the "Hoover Commission") recommended that this basis of accounting should be used.

Its recommendation was based on a subsidiary report by a Task Force, which made a detailed investigation and said: "We think it is obvious that a basis of accounting that never shows the Government's true revenues and expenses for any year, and that does not provide positive control of assets, liabilities, and appropriations is thoroughly inappropriate to the Government's needs. We suggest, therefore, that the cash basis of accounting be completely ruled out and that the accrual basis be adopted for all the Government's accounting".

The same suggestion was considered by the Committee on the Form of Government Accounts in the United Kingdom. In its final report in June, 1950, the Committee gave its views in detail. It saw great practical difficulties in the way of complete application, though the report sees virtue in its full or partial use in various areas.

It is our view that the idea of matching costs against incomes is a desirable but somewhat theoretical idea in relation to the Government accounts as a whole, but we consider it should be applied to all forms of Government business undertaking so that Parliament and the people can know the true results of such operations. This statement is made with full realisation of the fact that Government policy may remove the profit motive from such enterprises."

59. The Committee endorses the conclusion reached by the Institute in its statement quoted above and adds these observations:

- (a) The cash basis is the traditional character of governmental accounting.

- (b) By means of the cash basis, the Parliament's authority is given to definite transactions which are expected to take place during a year.
- (c) The cash basis permits the speedy closing of the accounts after the end of the financial year and a prompt reporting to the Parliament by the Auditor-General.

60. A refinement of these methods can be contemplated which would bring into the receipts and expenditure recorded in the accounts of a financial year, the following items of expenditure :-

- (a) amounts accruing from the due date to the end of the financial year, e.g. interest on the public debt and salaries and wages, and
- (b) amounts which become payable shortly after the end of a financial year for goods supplied or services rendered in the past financial year.

61. The Commonwealth practice is to close its accounts at 30th June. Some variations in this practice, i.e. of the cash basis of estimates are, however, permitted. The surplus of receipts over expenditure of the Consolidated Revenue Fund at the end of the financial year is paid into the Trust Fund. Interest on the public debt is paid from the Consolidated Revenue Fund into the Trust Fund - "Interest Suspense" - as it falls due. By this method, the relevant votes are debited with the whole amount of interest liability on each due date, not the amount actually paid on interest coupons produced. In regard to salaries and wages, the Commonwealth calculates the amounts accruing to 30th June from the last payment prior to 30th June and transfers them from the Consolidated Revenue Fund (by debits to the votes) to the Trust Fund - "Other Trust Moneys". The amounts are credited to the corresponding votes in the next financial year. The Commonwealth also permits the adjustment of votes after the end of the financial

year but, in accordance with the Treasury Circular for Closing of Accounts, dated 24th May, 1954, these are kept to a minimum so that the accounts can be closed not later than the middle of July.

62. The Committee considers that a speedy accounting to the Parliament of the year's transactions is desirable, and, to do this, the accounts must be closed immediately on 30th June. Variations of this principle which would cause delay in closing the accounts should be avoided.

63. In reply to questions by the Committee why any departure at all should be made from the cash basis, the Treasury has submitted the following :-

(a) Surplus of Receipts over Expenditure of the Consolidated Revenue Fund .

The Commonwealth of Australia Constitution Act 1901 provides that any surplus of receipts over expenditure of the Consolidated Revenue Fund should be paid to the States. This does not affect the Trust Fund and, as a matter of long standing government policy, the amount of the surplus in a financial year is paid out of the Consolidated Revenue Fund into the Trust Fund.

(b) Interest on Public Debt

As interest on the public debt falls due, the amount is paid from the Consolidated Revenue Fund to the Trust Fund - "Interest Suspense". The paying agent, the Commonwealth Bank, claims monthly in arrears on the Trust Fund for the month's outlay. Special arrangements are made at the end of the financial year to recoup the Bank for its expenditure up to 30th June.

The procedure means that a reasonably accurate and up-to-date figure of expenditure on interest is shown in the monthly Neimeyer statements of receipts and expenditure.

The Canadian practice of transferring to a special fund the amount of interest accruing each month is a further refinement of the cash basis of accounts to show

the full year's charge but the effect which would be achieved by that method would not differ greatly from that by the present Commonwealth method.

(c) Salaries and Wages accrued to 30th June

The transfer is made for salaries and wages of permanent and temporary and casual employees. The normal year is 365 days, 52 weeks and 1 day (or 2 days in the case of a leap year). The amount transferred at the end of a financial year increases by 1 day's pay each year (2 days in the case of a leap year) up to 13 days and then the cycle starts again. One day's pay amounts to about £200,000 - £300,000 and, if the procedure were terminated, an extra pay day involving about £2.5m. - £3.5m. would fall due every 11 years. Only in this case did the Commonwealth make provision for accrued liability in a financial year. It is not done for other periodical payments, involving much larger sums, such as civil and war pensions and child endowment, where an extra pay day was provided in certain years.

64. There does not seem to be any justification for adopting two so conflicting principles, and the Committee thinks the Parliament should be assured that a common principle is applied uniformly to all votes in the estimates presented to it. In this case, the principle of cash estimates of expenditure should be observed and the accrual of salaries and wages should be discontinued as and from the financial year 1954/55.

(d) Adjustments between Votes

The Treasury has pointed out that some adjustments between votes, such as of errors in postings to votes, cannot be avoided.

65. Both the Institute of Chartered Accountants in Australia and the United Kingdom Committee on the Form of Government Accounts have reservations in regard to the question whether or not the estimates for business undertakings are best presented as cash

statements. The undertaking's trading for the year may not be accurately reflected in cash transactions. For example, variations in debtors and creditors and stocks may affect the cash result from year to year. A substantial depreciation component in charges may result in a heavy cash surplus on the year although in future years, capital replacement may reverse the position. The question is therefore whether estimates of income and expenditure should be presented for these undertakings rather than of cash transactions.

66. One difficulty lies in defining a "business undertaking": the Committee has taken the definition to mean broadly, services for which some charge is made bearing a relationship to costs. The following are examples :-

Air Services

A.C.T. Services (abattoirs, transport, municipal services, electricity, etc.)

Postmaster-General's Department

Commonwealth Railways

Cafeterias

Coinage

Flax Production

Defence Factories and Dockyards

Forestry

Government Printer

Commonwealth Handling Equipment Pool

Commonwealth Serum Laboratories

Migrant Centres

Jute Products

Nitrogenous Fertilisers

Marine Salvage

N.T. Municipal Services

Overseas Telecommunications Commission

Quarantine (Part)

Repatriation Limb Factories and Laundries (Part)

Shipping Board

Ship Construction
Supply Stores and Transport Service
War Service Homes Insurance
Works Industrial Undertakings

In some cases, part only of the undertakings can be classed as a business undertaking.

67. The transactions of some of these undertakings are part of the transactions of the Consolidated Revenue Fund. Others have separate trust accounts recording their individual transactions. Where the Consolidated Revenue Fund is involved, the transactions are included, in some manner or other, in the annual estimates of the Fund.

68. The Committee considered whether or not it would be possible to combine in the annual estimates of the Consolidated Revenue Fund, estimates of the revenue and expenditure of the undertakings with estimates of the cash transactions for the balance of the government activities. The conclusion reached was that, in the general cash estimates, there would have to be a cash entry for the cash surplus or cash deficiency on the cash transactions of the undertakings for the year. This would be necessary to balance off the cash transactions of the Consolidated Revenue Fund for the year. It seems to the Committee, therefore, that the most that could be done would be to provide cash estimates for the undertakings, either as a single entry for the cash surplus or deficiency, or as detailed cash estimates in the present form of the Postmaster-General's Department's estimates, and to support them by commercial accounts with a reconciliation between the two.

69. The alternative - which has been adopted for many undertakings - is to establish a trust account within the Trust Fund. The question of estimates for the Trust Fund is discussed in a later Part of this Report. There is also a more general principle involved, i. e. that of the use of the Trust Fund for the transactions

business undertakings. The Committee has already initiated an examination of the Fund and this principle will be examined further.

(ii) Estimates of Receipts and Expenditure or, alternatively, of Expenditure only

70. Statements in some form or other of both the estimated receipts and estimated expenditure are presented to the legislative bodies of the overseas countries whose documents have been examined. In some cases, the financial document, which is formally transmitted to the legislative body, contains estimates of expenditure only. In the United Kingdom, Canada, New Zealand, South Africa, India and Pakistan, the document contains estimates of expenditure only. The estimate of receipts, together with the summary accounts of the estimated receipts and expenditure, is presented in a separate financial statement or as an appendix to the Budget Speech.

71. In the United States, Ceylon and the Australian States, the document contains summaries of the estimated receipts and expenditure, with details of both.

72. For the Commonwealth, the estimates document is formally presented to the House of Representatives by the Governor-General and it contains the estimates of receipts and expenditure of the Consolidated Revenue Fund and the estimates of expenditure only of the Loan Fund.

73. The Auditor-General has suggested that :-

"While the Budget Speech must necessarily refer to both receipts and expenditure, the convenience of the Parliament and any person who examines the supporting financial papers would be met if two separate documents were provided, as far as is practicable, for receipts and expenditure respectively

.....

..... that the estimates be estimates of expenditure (Revenue and Loan) only, supported by such expenditure details at present appearing in the statements attached to the Estimates and Budget Papers, as are considered essential." (a)

74. Other witnesses before the Committee gave differing opinions :-

(a) Paragraph 5, Statement of the Auditor-General on the Form of the Estimates, dated 15th May, 1953.

The Treasury^(a) submitted that :

The objective of the Treasury is to submit all essential information of receipts and expenditure in a self-contained document so that the whole financial story is presented.

The Institute of Chartered Accountants in Australia^(b)

"..... separate documents for receipts and expenditure should be prepared. There would be no great objection to this except that in some instances we think net results should be given and at some point, revenue and expenditure must be brought together. However, two documents on the lines suggested need not disturb our proposals, though our preference would be that one document should contain the accounts and budgets."

75. If the whole of the details of the financial proposals of the Government for the financial year are to be placed before the Parliament at the one time and in the most informative and convenient way, it would seem that both receipts and expenditure should be included in the one document, rather than in two documents as suggested by the Auditor-General. The Committee recommends the continued acceptance of this principle.

(iii) The Presentation of the Estimates of Receipts and Expenditure before or after the Beginning of the Financial Year

76. In the United Kingdom, estimates of expenditure are usually presented in sequence during February-March for the financial year commencing on the following 1st April. The Budget Speech, with estimates of receipts and expenditure, is usually made on 6th April and votes on account are obtained to finance the activities of the Government for the period up to August, when the estimates are finally adopted. The United Kingdom procedure is followed broadly in Canada, South Africa, India and Pakistan. In Canada, for example in 1953, the departmental estimates of expenditure for the financial year commencing 1st April, 1953, were presented from January onwards and finally approved in May, 1953^(c). In Ceylon and the United States, estimates of receipts and expenditure are presented and appropriations adopted by the legislature concerned.

(a) Evidence, of 21st May, 1953.

(b) Paragraph 73 of Statement presented by the Institute.

(c) Canadian Business, February, 1954 - Page 104.

before the beginning of the financial year. In the United States, the practice is to present the estimates in January for the financial year beginning on 1st July next and to have the Appropriation Bills passed before that date.

77. The estimates of receipts and expenditure of the Australian States and New Zealand are presented after the beginning of the financial year. The Australian States must now necessarily await financial discussions with the Commonwealth as a result of the Financial Agreement and the advent of uniform taxation but, in fact, it was the general rule prior to Federation for the States to present their estimates after the beginning of the financial year. (a)

78. The Commonwealth practice of presenting estimates of receipts and expenditure after the beginning of the financial year is one which has been followed since Federation. In the years 1914-15 to 1916-17, the estimates were presented long after the beginning of the financial year. The question of the date of the presentation of the estimates of receipts and expenditure was examined in 1917 by the First Committee of Public Accounts. That Committee recommended that the estimates should be presented to the Parliament on 15th July of each year. The dates since 1929-30 on which the Budget Speech has been made, and the estimates presented, are listed in Appendix No. 3: it will be seen that the estimates are usually presented in September, the Appropriation Bills passing some months later.

79. After the Committee commenced its examination of this question, it decided that it would be wise to consider its two aspects, viz. :-

(1) The Constitutional Principle:

whether the Parliament's approval of the estimates of expenditure should be obtained before or after the beginning of the financial year, and

(2) The Mechanics of Estimating:

the difficulties, and the accuracy of estimating, and the Parliamentary timetable.

(a) See Appendix No. 2.

It is essential to distinguish these aspects and to consider them separately. If this is not done, the real issue may be obscured, and an excessive importance might be attached to the mechanics of estimating. Mechanical practicability must, nevertheless, be a final determinant.

(1) The Constitutional Principle

(a) Estimates of Expenditure

80. The principle which the Committee has examined is whether or not the Parliament's approval of the estimates of expenditure for the financial year should be obtained before or after the beginning of that year. This in turn involves the question of the approximate time when the Parliament's approval of the estimates of expenditure is to be obtained.

81. First, there is the question of the importance to be attached to obtaining Parliamentary approval of the estimates of expenditure before the beginning of the financial year.

82. S. 83 of the Commonwealth of Australia Constitution Act 1901 states :-

"No money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law."

The restraint placed on the Executive is that it cannot spend public funds before the Parliament's approval has been obtained to that expenditure. Prior Parliamentary approval to expenditure is therefore fundamental to Parliamentary Government.

83. The Constitution, however, does not forbid the Executive from entering into commitments without the Parliament's approval or before approval of the consequent expenditure is obtained. It is legally practicable for the Executive to enter into commitments, otherwise within its powers, which, when they fall due, will absorb the whole of the year's expenditure. The Parliament would, in that case, be faced with a "fait accompli" and it would have no option but to approve the expenditure of the funds required unless it was prepared to involve the Executive in default. It would have been committed in advance and it would have no freedom of decision.

84. The Acting Solicitor-General discussed this matter in his Opinion given to the Auditor-General dated 11th May, 1953, as follows :-

"As I understand the question which has been put to me, it does not suggest that there is, in the procedure described, an expenditure of funds without an appropriation. Such a course would clearly be unconstitutional. The Auditor-General's concern, as I understand it, is with a prior process - the incurring by the Government of liabilities which will involve the expenditure of funds at a future time.

* * * * *

It is a well-recognized principle of British constitutional law that the Parliament should control the expenditure of public funds, and in the case of the Commonwealth this principle is given statutory recognition in section 83 of the Constitution. Nevertheless, it is the function of the Executive, not of the Parliament, to make contracts on behalf of the Crown, and it is now accepted, both in England and Australia, that the principle of Parliamentary control does not disable the Executive from entering into a contract in a field in which it can validly contract without parliamentary sanction, even though the contract would in the normal course of events involve the expenditure of moneys by the Government and even though those moneys have not at that time been appropriated by the Parliament."

85. A further principle of Parliamentary Government which is being whittled away by Executive expediency, is that the Parliament's approval must be obtained before the commitment is made. The principle is recognised as a "practice", or a "convention" and in general, a wide respect is paid to it. It is not written into the Commonwealth Constitution; indeed both practice and convention permit commitments to be made before the Parliament is consulted.

86. If this principle is regarded as unimportant, the Executive may tend to regard its power to enter into commitments as unfettered, and the position of the Parliament will have become still further subordinate to the Executive. To insist on the Executive complying strictly with the convention that there should be no commitment, from which expenditure must necessarily flow, without the prior approval of the Parliament to such commitment, would in practice, place an intolerable administrative burden on the Executive, and impede effective government.

87. The solution must lie somewhere between the two extremes of prior Parliamentary approval of all commitments, and the lack of attention by the Executive to the rights and privileges of the Parliament. Indeed, the present working of the party system tends to place the Executive, which has a safe majority in the Parliament, in the position that it can always be assured of the approval of the Parliament to its financial proposals. It may be, therefore, that stressing the prior approval of the Parliament is, under existing conditions, to insist upon little more than a formality which must be observed by the Executive but which is not a serious handicap to it.

88. In the field of principle, the alternatives are clear: either the Executive will act as if its powers were unfettered, or the Parliament must insist that its prior approval shall be obtained by the Executive. The Committee believes that the consequences of the exercise of unfettered power by the Executive clearly demonstrates the importance of the principle of prior Parliamentary approval to the Executive's commitments.

89. In consequence, the Parliament's approval of the estimates of expenditure ought to be obtained before the proposals outlined therein are carried out.

90. The present delay in obtaining Parliamentary approval to the estimates, necessitates the departments restricting their activities in the Supply Period to those of the previous year. New proposals, unless of an urgent nature, are delayed until the estimates are approved. This restraint in the Supply Period is inconvenient and a hindrance to efficient administration. To allow of expenditure in this period, the practice is to obtain "supply" or "votes on account" before 1st July, but the principle of prior Parliamentary approval requires that the supply can be applied only to projects or commitments which have already been approved by the Parliament in the budget or additional estimates of the previous years.

91. The Treasury emphasised that urgent requests for expenditure of public funds (such as funds for the relief of floods

or for authority to commit public funds (such as urgent new works) are received and approved during the Supply Period and that it is in the national interest, as well as of economical administration, to approve these exceptions in advance of Parliamentary authority. Actually, the terms of the Supply Bill do not place any legal restriction on what projects or commitments can be financed in the period covered by the Bill other than the scope and total of each vote. The wording of the votes is in general terms such as -

"Buildings, works fittings, and furniture",
and the terms of the Treasurer's Advance appropriation are :-

"To enable the Treasurer to make advances which will be recovered within the financial year and also to meet expenditure particulars of which will afterwards be included in a Parliamentary Appropriation."

These do not specify that the expenditure is to be on projects which have already been submitted to the Parliament, directly or indirectly, and obtained its approval. Nevertheless, the Treasury stated that it observed generally the traditional constitutional principle of prior Parliamentary approval.

Views of Departments

92. On the question of administrative convenience, nine major spending departments were unanimous that the approval of the estimates of expenditure before the beginning of the financial year would assist their administration in planning and operating expenditure programmes. For example, the Postmaster-General's Department has stated^(a):-

"So far as recurring expenditure on salaries and wages of existing staff is concerned, no problems arise but early decisions on increases in staff and the assurance of additional funds needed for the purpose are essential to orderly recruitment and the development of training programmes. Largely because of this aspect, the presentation of Estimates of Expenditure on Ordinary Services prior to the beginning of the financial year would be of advantage from the Post Office viewpoint.

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(a) Postmaster-General's Department Statement dated 30.8.1954.

"Some of the disabilities in regard to materials supply have been overcome in part by the use of the capacity to hold stocks through the Post Office Stores and Services Trust Account Advance, supplemented by annual approval by the Treasurer of an authority to forward-order, up to a specified maximum, materials and equipment for delivery in a subsequent year.

However, at the beginning of a financial year and prior to the passing of the Budget, it would be of advantage if the Post Office could place its short-term orders for materials and proceed without delay to recruit any additional Capital Works staff needed."

93. The defence group of departments, in a joint statement, has stated^(a):-

"The approval of the defence programme for a particular year is dependent on a decision as to the amount of a defence vote for that year and its allocation between departments in the defence group, and the defence vote can only be determined in conjunction with the preparation of the Budget.

* * * * *

Preparation and presentation of the Budget before the beginning of the financial year would enable the earlier approval of the programme, and would permit departments to place orders at the beginning of the financial year with a better prospect of fulfilment in that year and a more regular flow of monthly expenditure throughout the year.

* * * * *

It is the opinion of all departments that the advantages to be gained from the earlier presentation of the Budget, in documents and legislation, would outweigh any minor disadvantages that may arise."

Other departments consulted were :-

- Commonwealth Railways,
- Commonwealth Scientific and Industrial Research Organisation,
- Department of Civil Aviation,
- Department of the Interior,
- Department of Shipping and Transport,
- Department of Territories,
- Department of Works,

94. Commenting upon the general agreement displayed by the Departments, the Treasury suggested that their statements were an over simplification, and implied that expenditure on new projects did not take place during the Supply Period. It was emphasized

(a) Department of Defence Statement

that Departments did, in fact, commit the Government to undertaking urgent new works during the Supply Period, and these works would be financed from the Treasurer's Advance; departments were always free to make representations to the Treasury for this purpose.

95. Nevertheless, the Committee notes the Treasury Statement (quoted in para. 119) that, on general grounds, the restraint on new works in the Supply Period must give rise to some inconvenience and delay the committing of some works additional to those declared 'urgent'. The Department of Works stated that, in 1953/54 authorisations of new civil works in New South Wales, Victoria and Queensland were :-

	<u>£ million</u>
6 months to 31st December, 1953, by which time the Appropriation Bills and the Works Programme had been approved	1.1
6 months to 30th June, 1954	<u>3.6</u>
	<u>£4.7</u>

The figures suggest that, in this field, there was a considerable holding-up of authorisations for new civil works in the Supply Period.

96. Having regard to constitutional principle, public interest, administrative convenience and economy in planning and operating expenditure programmes, the Committee recommends that estimates of expenditure should be presented to the Parliament before the beginning of the financial year in time to permit of their being approved by the Parliament by that date. This would, according to the timetable submitted by the Treasury (see para. 123 below) mean that they would have to be presented to the Parliament during the first week in May.

(b) The Budget

97. The principle of Parliamentary approval may be considered not only in connection with expenditure proposals, but also with the financial plans of the Government for the year. These are put before the Parliament by the Treasurer in his Budget

Speech with the associated financial documents and are debated in the Parliament.

98. The Committee agreed that it would be advantageous if this procedure took place at an earlier date than at present and it examined alternative proposals :-

- (a) the Budget should be presented by the Treasurer to the Parliament with the estimates of expenditure, the latter at least being approved by the Parliament before the beginning of the financial year, or
- (b) the estimates of expenditure should be presented and approved before the beginning of the financial year but the Budget might be presented to the Parliament, following the United Kingdom procedure, in the first or second week of the new financial year.

99. The following considerations were examined by the Committee :-

- (i) It is in the public interest that the Parliament and the people should know beforehand the financial policy the Government intends to follow during the coming year. The level of the Government's defence and capital works expenditures, a surplus or a deficiency on the Government's operations for the year, the incentives and deterrents which may be introduced through taxation, the use of bank credit and international borrowings are all matters of vital interest to the community.
- (ii) From the public's point of view, the following points^(x) were made in regard to taxation :-

"(a) The Pay-as-You-Earn System of Income Tax on individual employee taxpayers necessitates weekly deductions from current earnings.

(x) See Statement from The Federated Taxpayers' Research Bureau dated 24th September, 1954.

The scale of deductions cannot be carried until the rates of income tax for the current tax year are enacted or at least announced. If the rates of income tax are varied upwards or downwards, the varied instalment scale operates only for a portion of the chargeable year. It becomes impossible therefore to equate the weekly deductions to the ultimate annual liabilities."

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- (b) Assessments on self-employed individual taxpayers cannot commence to issue until rates of Provisional Tax, based on the varied Income Tax Rates, are prescribed.
- (c) Companies are charged income tax for the financial year on the income of the preceding year of income. Until the rates of income tax are enacted or at least announced, companies are unable to close their annual accounts with any confidence. This problem is particularly acute when companies adopt a substituted accounting period terminating on date prior to June 30."

The Commissioner of Taxation, in a letter to the Committee dated 26th October, 1954, agreed with the above statement of facts put forward by the Federated Taxpayers' Research Bureau but he would not endorse the conclusions which might be drawn from them. In reply the Bureau's comment on companies, the Commissioner said :-

"Few companies balancing at 30th June would require to know before, say, 1st August following, what provision was required for taxation. Returns are not required of the year's transactions concerned until 31st August."

- (iii) In regard to both (a) and (b) in paragraph 98 above, it is quite unlikely - and, as the Treasury pointed out, it would be unreal - to think that the Government should consider the amounts of its expenditure estimates without settling its revenue proposals.

(iv) In regard to (a) above, it could be argued that a government might not wish to disclose its revenue proposals until it had in hand the actual figures of receipts and expenditure and any balance of cash for the previous year. This is the United Kingdom procedure.

(v) In regard to (b) above, it is pointed out that the presentation of the expenditure estimates would undoubtedly give an indication of - and hence lead to speculation over - revenue proposals.

100. The divergent budgetary practices followed by the several countries whose systems have been reviewed by the Committee clearly reveal the wide variety of opinions held by governments regarding the most appropriate time to present the Budget to the Parliament.

101. It is probably inevitable that similar differences of opinion should be revealed by witnesses and by the Committee in their discussion of the question.

102. All members agree that the Budget should be presented earlier than at present. Some members believe that it would be to the public advantage if the Budget (including the estimates of revenue) were brought down, together with the Estimates or Expenditure, during the first part of May, (as recommended in paragraph 96 above) in time to allow of their approval by the Parliament before the beginning of the financial year. Others, believing that it would not be possible to collect all the data essential for estimating the Revenue with the necessary degree of accuracy, if the Budget were presented before the beginning of the financial year, would be content with the British practice where the Budget is presented during the first week of the new financial year, although the estimates of expenditure are presented during the two months immediately preceding the beginning of the financial year.

(c) Origin of the Present Commonwealth Practice

103. The Committee has investigated the origins of the present Commonwealth practice. It appears that the Commonwealth practices have largely been inherited from the State of Victoria; the head offices of the Commonwealth were first located there and, many of the early staff of the Commonwealth were recruited from that State's public service. In Victoria, a financial year of 1st July - 30th June was first adopted in 1870 on a motion passed by the Victorian Legislative Assembly on 17th November, 1870. The reasons for this choice were given by the then Treasurer in these words (a):-

"There is one argument in favour of the proposed change in the financial year which, to my mind, is more important than any which has yet been advanced. If we meet in winter we can pass the Estimates in time to enable the Government to enter into the contracts for public works, so that they can be carried out during the most convenient season of the year, namely, the summer. This will be a great advantage to the working classes. I also believe that it is inconvenient to meet in summer as we do at present, and useless to attempt to prolong the session over the Christmas holidays. For these reasons, I shall support the motion for changing the financial year."

Another member (b) gave his opinion as follows :-

".....I cannot help expressing the opinion that, weighing the relative conveniences and inconveniences of meeting in the summer and meeting in the winter months, the winter months are much less inconvenient to meet in than the summer months. The temperature of this House in January and February is anything but pleasant. It is enough to drive away any ordinary individuals who have not something of the salamander in them. If the Chamber is somewhat cold in winter we can apply a little heat, but we cannot cool it in the summer."

Apparently the choice was not designed in the main to secure greater accuracy in the preparation of the estimates by reference to the timetables of seasons of primary production and the like.

104. In Victoria, also, the estimates have customarily been presented after the beginning of the financial year, despite affirmations from time to time in the Victorian Legislative Assembly (c) in favour of an earlier date. No specific reason for

(a) Victorian Hansard, 1870, page 225.

(b) Mr. Langton, M.P., Victorian Hansard, 1870, page 225.

(c) See for example : Victorian Hansard 1879-80, page 101.
Victorian Hansard 1881, page 1255.

this attitude has been found in the speeches on Supply recorded in the Victorian Hansard. It is noted that, although the financial year ends on 30th June, in the earlier days of the State, the books were kept open until 31st August and large amounts were debited and credited during July and August. The estimates were usually presented in July and estimated results for the past year were used. It was difficult to be ready any earlier. The practice appears to have settled into a habit which was followed by the Commonwealth.

(2) The Mechanics of Estimating

105. The Committee recognises that only the Government can decide this matter : the Treasury, however, has assured the Committee that, if directed, it could prepare and present estimates for the Government's consideration within the time the Committee recommends.

106. The Executive will doubtless carefully consider the argument placed before the Committee by the Treasury. The Committee appreciates the frank manner in which the Treasury has drawn its attention to various matters so that it will be fully aware of the various problems that arise. Nevertheless, the Committee is convinced that these difficulties do not present insuperable barriers to the adoption by the Government of the Committee's conclusion.

107. In this section, the Committee examines the following matters mentioned by the Treasury as bearing upon the passage of the Appropriation Bills before the beginning of the financial year :

- (i) Approval of Expenditure in the Supply Period,
- (ii) Accuracy of Estimates of Expenditure,
- (iii) Accuracy of Estimates of Receipts,
- (iv) Accuracy of Estimates of Loan Raisings.

(i) Approval of Expenditure in the Supply Period

108. In paragraph 91 above, the Committee has drawn attention to the fact that Parliamentary authority is required for expenditure from 1st July until the Appropriation Bills are passed

and that authority is given in the Supply Acts. These Acts do not limit the expenditure to existing projects or works to the exclusion of new ones to be put forward in the estimates. The Treasurer, however, accepts the constitutional principle of prior Parliamentary approval as limiting expenditure on new projects during this period and administers the Supply votes on the general basis that they are to finance the administration at the rate of spending during the previous year. In his Second Reading Speech on the Supply Bills for 1954/55, the Treasurer gave an undertaking to this effect and specified the following two exceptions :-

- (a) unexpected defence requirements,
- (b) certain States' grants and urgent and unforeseen expenditure from the Treasurer's advance.

When introducing the Supply (Works and Services) Bill for 1954/55, the Treasurer stated that no provision had been made for new services.

Expenditure from Defence Votes

109. The Treasurer's Second Reading Speech on the Supply Bill for 1954/55 exempts "unexpected defence works" from the general restraint on the commencement of new projects in the Supply Period. The defence group of departments informed the Committee that, in fact, once their programmes for the year were approved, they were not restricted in their operations as were civil departments. In agreeing with this view the Treasury stated that the defence programme was relatively flexible and any new defence commitment approved by the Government would be regarded as part of that programme. Provided the commitment was approved in this way, it could be incurred without regard to the limitations on new projects otherwise observed in the Supply Period.

Expenditure from Civil Ordinary Votes

110. The approval of the Treasury must be obtained before a new project, to be financed from the Civil Ordinary Votes, can be put in hand in the Supply Period. These projects were not as numerous as with Civil "Capital Works and Services" Votes and the

Treasury approached the matter from the point of view that administration must proceed.

Expenditure from Civil "Capital Works and Services" Votes

111. In regard to new civil works, the Treasury submitted a statement of the Civil "Capital Works and Services" Votes for 1954/55 to show :-

(a) Commitments -

Outstanding against each vote at 30th June, 1954, and the amounts of the new commitments planned for 1954/55.

(b) Expenditure -

Estimated on commitments outstanding at 30th June, 1954, against each vote and the amounts of the estimated expenditure on new commitments planned for 1954/55.

The statement which does not include defence votes is as follows :-

CAPITAL WORKS AND SERVICES 1954/55

Votes (or Groups of Votes)	C o m m i t m e n t s			Estimated Commonwealth Expenditure		
	At 30/6/54	Estim-ated New Commit-ments 1954/55	Total Commit-ments	Total	Approximate Allocation (a)	
					On Com-mitments at 30/6/54	On New Com-mitments
	£'000	£'000	£'000	£'000	£'000	£'000
Post Office and Broad-casting Equipment	6,000(b)	26,050	32,050	24,050	6,000	18,050
Repayment from Post Office Stores and Services Trust A/cs.	1,500	-	1,500	1,500	-	1,500
	4,500	26,050	30,550	22,550	6,000	16,550
War Service Homes	13,060	28,657	41,717	30,000	13,060	16,940
Snowy Mountains Hydro-Electric Authority	34,950(c)	4,110	39,060	14,200	10,790	3,410
Works Department Programme	14,971	16,497	31,468	17,711	10,000	7,711
Works Department Plant & Equipment	45	300	345	225	45	180
Bureau of Mineral Resources - Plant and Equipment	62	125	187	125	62	63
Atomic Energy Comm. - Plant and Equipment	72	666	738	285	72	213
Other Departments - Plant and Equipment	276	870	1,146	953	198	755
Acquisition of Sites and Buildings	1,844	1,332	3,176	1,910	770	1,140
Civil Aviation - Technical Equipment	3,293	1,537	4,830	2,100	1,144	956
Commonwealth Railways Stirling North-Leigh Creek Railway (a)	6,540	-	6,540	3,200	3,200	-
Carried Forward	80,863	80,576	161,439	94,459	46,289	48,170

Votes (or Groups of Votes)	C o m m i t m e n t s			Estimated Commonwealth Expenditure		
	At 30/6/54	Estim-ated New Commit-ments 1954/55	Total Commit-ments	Total	Approximate Allocation (a)	
					On com-mitments at 30/6/54	On new Commit-ments
	£'000	£'000	£'000	£'000	£'000	£'000
Brought Forward	80,863	80,576	161,439	94,459	46,289	48,170
Standardization of Railway Gauges - South Australia	1,172	87	1,259	650	638	12
Construction of Merchant Ships in Australia	14,880(c)	-	14,880	3,300	3,300	-
Purchase of Merchant Ships Overseas	1,354	-	1,354	1,000	1,000	-
T.B. Hospitals for States - Subsidy on Construction	-	1,500	1,500	1,500	-	1,500
Australian National University Buildings	348	1,262	1,610	850	289	561
Aluminium Production Commission (s)	1,705	-	1,705	1,600	1,600	-
Overseas Buildings	31	168	199	199	31	168
Nitrogenous Fertilizers - Stockpile	-	300	300	300	-	300
Flax Production	12	30	42	42	12	30
River Murray Waters Act	297	330	627	134	134	-
Airways Share Capital	-	500	500	500	-	500
Overseas Telecommuni-cations Commission (s)	-	330	330	50	-	50
Repatriation Mental Hospital - Western Australia	-	42	42	36	-	36
Official Establishments	-	13	13	13	-	13
T O T A L	100,662	85,138	185,800	104,633	53,293	51,340

(a) Approximately only - expenditure is not provided or recorded separately under these heads.

(b) Maintenance and capital materials are purchased through the Trust Account. At 30th June, 1954, forward orders lodged for delivery in 1954/55 totalled approximately £7.5m. Of this amount about £6m. would be for capital installations.

(c) On the basis of current contracts.

112. Of the items of civil works in the statement, those marked "s" are authorised by a special appropriation in the relevant legislation. All the other items are authorised by the annual Appropriation (Works and Services) Act. The totals of the amounts authorised by special appropriations and by the annual appropriation are as follows :-

	Commitments 1954/55			Estimated Expenditure 1954/55		
	At 30th June, 1954	Estimated New Commitments	Total	Approximate Allocation		Total
				On Commitments at 30th June 1954	On New Commitments	
	£'000	£'000	£'000	£'000	£'000	£'000
Special Annual	8,245	330	8,575	4,800	50	4,850
	92,417	84,808	177,225	48,493	51,290	99,783
T O T A L	100,662	85,138	185,800	53,293	51,340	104,633

Special Appropriations for New Civil Works

113. As the Parliament has, in enacting the legislation, approved of expenditure on the project concerned, commitments are incurred and payments made from the Consolidated Revenue Fund during the Supply Period without offending the principle of prior Parliamentary approval. No Supply Bill is necessary. A Government may consider it desirable to make payments during the Supply Period in anticipation of a special appropriation. In such a case, the funds would be obtained temporarily from the Treasurer's Advance.

Annual Appropriations for New Civil Works

114. In regard to new civil works financed from annual appropriations, the Treasury classifies the votes listed in the table above into :-

- (a) votes for continuing projects, and
- (b) votes for other projects.

The continuing project is regarded as approved by the Parliament as a whole when the Parliament enacted the legislation (other than the Appropriation Acts) authorising it. The project may comprise a number of units, or a substantial alteration or extension of the original plans may subsequently be made, but these would be regarded as approved by the Parliament when it approved the project in the legislation. Of the items listed in the table, the following are regarded as continuing projects :-

	Total Commitments 1954/55	Estimated Expenditure 1954/55
	£'000	£'000
<u>Continuing Projects</u>		
Post Office and Broadcasting Equipment	30,550	22,550
War Service Homes	41,717	30,000
Snowy Mountains Hydro-Electric Authority	39,060	14,200
Standardisation of Railway Gauges	1,259	650
River Murray Waters	627	134
	113,213	67,534
<u>Other Projects</u>	64,012	32,249
	177,225	99,783
<u>Special Appropriations</u>	8,575	4,850
TOTAL :	185,800	104,633

115. It is doubtful whether the above explanation for the exception to the Parliamentary principle in favor of "continuing projects" can be applied with equal force to the Post Office Vote. A sounder explanation would be that the exception is an exercise of the Executive's power to enter into commitments prior to the Parliament's approval of the specific commitment or of the funds. An annual appropriation is a vote for the expenditure for a year only and it would seem that a specific clause appropriating funds in the relevant act is required before the Parliament's approval to the total expenditure under it could be assumed.

116. The table shows the extent to which the Executive has exercised its legal power to place commitments before the Parliament's approval is obtained to the commitments, or the funds, and it shows the lesser field of new civil works votes in which the principle of prior Parliamentary approval is observed. It seems to the Committee that the extent to which that has developed is undesirable in the interests of Parliament control of expenditure and that the earlier estimates recommended by the Committee would permit both the authority of the Parliament and the power of the Executive to be satisfied.

117. In regard to the smaller field of votes, the Treasury has authorised the Department of Works to proceed, during this period, with urgent new works costing up to £1,000 in any one case and the Department of the Interior to proceed with urgent acquisitions up to £500 in any one case. Urgent works exceeding £1,000 (or £500 for the Department of the Interior) have been approved by the Treasury before the estimates were adopted if the circumstances warranted the approval. A proposal to increase the limit of the authority of the Department of Works from £1,000 to £7,500 was considered but has been withdrawn.

118. The Committee suggested to the Treasury that even the authority to spend up to £1,000 had not been specifically excluded by the Treasurer from the restraint which he accepted in regard to new commitments during this period. The Treasury agreed that this was, in fact, the case, although the legal phrasing of the Supply Acts did not forbid the action.

119. The inconvenience to administration during the Supply Period arising from the bar on new commitments, particularly in regard to the new civil works programme administered by the Department of Works, has been examined recently by the Treasury, which has introduced a new procedure for the control of these works. The Treasury said :-

"One objective of the new procedure is to provide for all the year round operation of the Works Programme.

That procedure contemplates two main stages :-

- (i) compilation and approval by Cabinet of the actual list of new works to begin construction in the year. Sponsoring department's new works proposals to be submitted in January : new works programme to be approved before the beginning of the financial year,
- (ii) approval some 8 months before the beginning of the construction year of a list of projects to be designed. Design list items selected are to be generally those of a priority ranking adequate to permit them to be selected for the next new works programme.

This procedure, when it settles down, should allow continuous and orderly drawing office activity, and preparation and calling of tenders.

"It is at the stage of making actual commitments that Supply Period needs affect the works implementation process. In that period before works can be committed, they have to be declared 'urgent' and receive Treasurer's approval to the liability being incurred.

In the absence of these conditions doubtless the Works Department would commit some works in the Supply Period additional to those declared urgent. Apart from the need for the Works Department and Treasury to exchange correspondence in respect of each urgent work in the Supply Period, Treasury is not aware of the extent to which restriction in the Supply Period subtracts from the level of efficient activity in the works and sponsoring departments otherwise obtainable. On general grounds however, it is clear that there must be some inconvenience to these departments in being obliged to commit in one quarter of the year a group of works from the programme different from the group they would have committed in the absence of the Supply Period restraints."

120. The new procedure would permit the new civil works programme to start on 1st July, if funds were available. The situation is similar for many plant and equipment votes: the limitations imposed by the Supply Period cause an artificial holding-up of the orderly placement of new commitments, give rise to inter-departmental correspondence for approvals of urgent cases, and entail a longer period before completion. The Treasury has retained the customary procedure for the Supply Period in 1954/55 but is examining the alternate procedure that might be adopted to provide funds for new works in the Supply Period for 1955/56 if the estimates are, in that year, presented to the Parliament after 1st July.

(ii) Accuracy of Estimates of Expenditure

(a) The Timetable for the Preparation of Estimates of Expenditure

121. The Treasury has submitted to the Committee a statement setting out the various stages in the preparation of estimates of receipts and expenditure, and their consideration by the Parliament under the three following procedures examined by the Committee in paragraphs 76 - 78 and Appendix No. 1 :-

- (i) the present procedure of the presentation to the Parliament of estimates of receipts and expenditure for approval after the beginning of the financial year,

- (ii) the procedure followed by the United Kingdom, and
- (iii) the procedure of the presentation to the Parliament of the estimates of receipts and expenditure and their adoption by the Parliament before 1st July.

122. The timetables are as follows :-

	(i) <u>Actual Dates</u> <u>1954/55</u>	(ii) <u>Estimated</u> <u>Dates if the</u> <u>U.K. Procedure</u> <u>adoted</u>	(iii) <u>Estimated</u> <u>Dates for</u> <u>Presentation</u> <u>of Budget &</u> <u>Estimates of</u> <u>Expenditure</u> <u>before beg-</u> <u>inning of</u> <u>financial year</u>
Treasury memo. advising basis of expenditure estimates and requirements of Treasury	9th April	1st March	1st January
Target date for submission of draft expenditure estimates to Treasury by Departments	30th April	31st March	1st February
Submission of revenue estimates by departments - latest date	1st July	15th May	15th March
Completion of Treasury examination and preliminary printing	16th July	30th May	1st April
Completion of consideration by Cabinet	30th July	15th June	15th April
Presentation of Budget to the Parliament	18th August	5th July(b)	1st May
Completion by the Parliament of Appropriation Bills(a)	22nd October	15th August(b)	23rd June
(a) Six weeks is a minimum period to allow for the passage of the estimates through the House of Representatives and the Senate. The Period is usually longer.			
(b) Estimates of expenditure would be presented to the Parliament on 1st May.			

123. The presentation of the estimates of expenditure before the beginning of the financial year would require a Parliamentary session in April-May-June. The Parliamentary records show that that the Parliament has customarily met in these months over the

years since 1930 (see Appendix No. 3), it seems scarcely likely that any objection to its proposals would be raised on that score.

124. The Treasury also submitted the following statement showing when the departmental estimates of expenditure for 1954/55 were actually received :-

Period	<u>Number of Departments or Sections</u>
To 30th April (due date)	2
1st - 7th May	7
8th - 15th May	4
16th - 30th May	7
1st - 15th June	5
5th August (Defence)	1

It will be seen, therefore, that two were received by the due date (30th April), 18 in the following month of May, and the balance of 6 in the months of June and August. The Treasury agreed that this represented what happened each year but it claimed that the longer period for the examination of the departments' estimates was desirable. At the same time, the Treasury stressed the importance of the actual figures of expenditure in the review of the departments' estimates. These would not be available until early July so that the Treasury would have little time for the final review before the Cabinet commenced its deliberations. A review using the actual figures of expenditure would not be possible under the Committee's proposal. It seems to the Committee that the departmental estimates need not be in the hands of the Treasury until about 15th March instead of 1st February, but they should be received by that date.

125. The timetable does not allow for the passage of all the legislation in respect of expenditure other than the Appropriation Bills before 1st July, but this does not appear to be a vital factor: the details would be known and the legislation could be enacted by the Parliament after 1st July.

126. In the scrutiny of the departmental estimates, the figures of expenditure for the previous year provide a measuring rod for the Treasury. It does not possess an intimate knowledge of every item of expenditure, and, therefore, the figures of expenditure for the

previous year are a valuable, although rough, guide to what the estimates might be. If the amount of the estimate is not more than the amount of expenditure in the past year, the tendency is to accept the estimate, and questions are not usually raised unless a special issue is involved.

(b) Departmental Estimates

127. In regard to capital works and services expenditure the Treasury has already agreed that early estimates are possible.

128. The departments were required to send their draft estimates for 1954/55 to the Treasury before they had figures for the full year behind them as estimating guides. In July, 1954, when the figures of actual expenditure of 1953/54 were available, the Treasury reviewed the departments' draft estimates and the results were, subject to government decision, presented to the Parliament in the printed estimates. The Committee considered that it would be useful to test the position by comparing the figures in the draft estimates with the estimates in the printed document. The following table summarises the figures provided by seven departments to whom the questions have been addressed :-

	Deptal. Estimate of 1954/55 Expenditure Submitted to the Treasury.	Estimate of 1954/55 Expenditure in Printed Estimates	Differences	
			Amount	% of Deptal. Estimates
	£	£	£	%
Commerce and Agriculture	17,510,030	17,596,000	+ 85,970	0.5
External Affairs	10,324,000	8,218,000	- 2,106,000	20.4
Health	40,518,040	40,223,000	- 295,040	0.72
Trade & Customs	3,778,900	3,751,000	- 27,900	0.7
Immigration	8,578,000	9,065,000	+ 487,000	5.7
Interior	18,056,000	17,319,000	- 737,000	4.08
Treasury	318,198,446	316,501,546	- 1,696,900	0.5
TOTAL	416,963,416	412,673,546	- 4,289,870	1.0%

129. It will be seen from the table that, for the seven departments, the total expenditure is estimated at £412,673,546 and the net reduction made by the Treasury - £4,289,870 or - 1.0%. The reduction is a net figure for there are additions to and deductions from the items in the draft estimates, which have been offset one against the other, to give the net result.

130. The reasons for the differences were sought from the departments and they provided the following analysis for the Committee :-

	Explanations of Differences				Total
	Deletion of Provision for New Staff	Policy Decisions	Revision by use of Actual Figures 1953/54	Other	
	£	£	£	£	£
Commerce and Agriculture	-26,850	+ 121,750	- 20,100	+ 11,170	+ 85,970
External Affairs	-	-2,076,600	- 10,000	- 19,400	- 2,106,000
Health	-45,700	- 57,500	-254,760	+ 62,920	- 295,040
Trade & Customs	- 1,000	+ 9,100	- 7,350	- 28,650	- 27,900
Immigration	+13,000	+ 637,000	-176,000	+ 13,000	+ 487,000
Interior	-	- 421,000	- 98,000	- 218,000	- 737,000
Treasury	-	-	+1,283,600	-2,880,500	- 1,696,000
TOTAL	-60,550	-1,787,250	+ 717,390	-3,159,460	- 4,289,870

131. Provision for new staff is made by departments in anticipation of an increase in activities in the coming financial year. It is a standing rule of the Treasury that such a provision should be deleted from the departmental estimates unless there are urgent reasons to the contrary: the rule is not related to figures of actual expenditure of the past year. On issues of policy, decisions are made during the year by the government, between ministers or, in some cases, between departments. For example, the government's decision on the level of grants, bounties or of immigration in the coming year will affect the estimates of the departments, and, possibly, give rise to substantial departures from the draft estimates. As mentioned these decisions are taken

throughout the year and are seldom wholly dependent upon figures of actual expenditure in the past year: in the case of an earlier Budget, decisions would necessarily be taken earlier than is, at present, the case.

132. At the same time, the Committee examined the accuracy of the estimates of expenditure for 1953/54 by comparing the original estimate in the document presented to the Parliament and the actual expenditure. The following table sets out the totals of the votes under the control of the departments mentioned above :-

	Estimate (excluding any Additional or Supplementary Estimate) 1953/54 £'000	Actual Expenditure 1953/54 £'000	Difference	
			Amount £'000	%
Commerce and Agriculture	17,703	17,777	+ 74	0.4
External Affairs	7,114	6,238	- 876	12.3
Health	35,257	33,058	- 2,199	6.2
Trade & Customs	5,100	4,656	- 444	8.7
Immigration	8,069	6,791	- 1,278	15.8
Interior	11,507	10,723	- 784	6.8
Treasury	299,745	307,352	+ 7,607	2.5
TOTAL	384,495	386,595	+ 2,100	0.5

133. In this case, there was an increase of £2,100,000 or 0.5% over the estimate submitted to the Parliament. The difference is the result of expenditure in excess of and less than the estimate. There are spectacular differences in regard to particular items of expenditure and the following examples are listed :-

Department	Division	Estimate (excluding any Additional or Supple- mentary Est- imate) 1953/54	Expend- iture 1953/54	Differenc	
				Amount.	%
External Affairs	International Development & Relief	4,250	3,574	- 676	15.9
	Overseas Buildings	250	41	- 209	83.6
Health	Medical Benefits	3,500	1,434	-2,066	59.0
	Pharmaceutical Benefits for Pensioners	850	1,011	+ 161	18.9
Trade & Customs	Bounties	1,665	1,173	- 492	29.5
Immigration	Miscellaneous Services	6,802	5,604	-1,198	17.6
Interior	War Service Land Settlement	1,580	1,307	- 273	17.3
	" (Loan Fund)	7,000	4,199	-2,801	40.0
Treasury	Refunds of Revenue	18,000	21,137	+3,137	17.4

The Departments explained that these differences were due to such things as over and under expenditure, failure of expectations, and to the difficulty in estimating the cost of new services where there was no previous experience available.

134. The Committee asked the departments involved whether or not they would be able to prepare their estimates of expenditure with reasonable accuracy three months earlier. The views of the departments were that there would be little real difficulty in preparing reasonably accurate estimates in March instead of as at present. The figures of past expenditure from February to February could be used as an aid. Over-estimates and under-estimates would tend to cancel out as is the case with the existing timetable. Estimates for new and developing schemes might give rise to difficulties but those difficulties were already being encountered. Policy decisions on which estimates might depend

would necessarily have to be taken earlier.

135. When revising the estimates in the light of the actual expenditure for the previous year, the Treasury concentrates upon a scrutiny of continuing expenditure. The Committee recognises the importance which must be given to such a scrutiny. In many cases, the amount is small but, unless closely watched, such expenditure can lead to extravagances in administration. The Committee is confident that, with earlier estimates, sufficient additional experience would be rapidly acquired by both the departments and the Treasury and, in future years, estimates equally as accurate in this particular field of expenditure would be prepared.

136. The conclusion of the Committee, following its examination of the methods of estimating expenditure by the Commonwealth departments under present circumstances, is that the later estimates of expenditure, prepared with the assistance of the actual expenditure of the past year, are not remarkable for their accuracy. They are far from providing satisfactory proof that only by those methods will accurate estimates be obtained. In view of this position and the comments of the departments that earlier estimates could be prepared with reasonable accuracy, the Committee considers that the principle recommended by it in paragraph 96 above, cannot be rejected on the ground that departmental estimates will be less accurate than at present.

(c) Commonwealth State Financial Relations

137. The Treasury submitted to the Committee a considered statement on the question of the date of presentation of the Budget, concentrating on Commonwealth-State financial relations: the tax reimbursement grants, the special financial assistance grants, the special grants, and economic policy.

138. In regard to tax reimbursement grants and the special financial assistance grants, the Treasury pointed out that :-

"Although a formula for determining the amount of tax reimbursement grants each year is laid down in the States Grants (Tax Reimbursement) Act 1946-48, it has been necessary in each year since 1948 to make grants to the States to supplement the amounts yielded by the formula. The total amount of the tax reimbursement payments has therefore become a matter for determination each year at a Premiers' Conference. The Conferences at which these grants are discussed have necessarily to be held before the Commonwealth Budget is introduced.

In determining the tax reimbursement grants each year the Commonwealth takes into account the representations made by the Premiers as to their financial requirements in that year. It also makes its own appraisal of the financial resources available to the States. As the annual Premiers' Conference does not normally take place before August of each year, the Commonwealth has been able in all but one or two years to make this appraisal in the light of the actual financial results of the States in the preceding year.

If, however, the Commonwealth Budget were introduced at the beginning of May it would be necessary to determine the tax reimbursement payments at a Premiers' Conference held before the end of March. In that event any appraisal of the States' Budget prospects in the following year would need to be based on such data as might be available regarding the preceding year. In those circumstances any reliable assessment of the States' budget prospects in the following year would be virtually impossible."

139. The Committee believes that it would be valuable to the State Governments to have the amounts of the tax reimbursement grants and other matters of Commonwealth-State financial relations settled earlier than is now the case.

140. The Committee noted these aspects of this matter :-

- (a) Of the total amount of £150m. for 1954/55, £130.5m. was determined by a formula prescribed by law and only £19.5m. was determined as a matter of the Commonwealth's discretion.
- (b) The formula prescribed by statute takes into account population and average wage earnings. Estimates were used to calculate the amount of the grant as firm statistics were not available until November-December. At that stage, the amount of the grant was settled and any adjustment was added to or deducted from the special assistance grant.

- (c) The amount of special assistance grant for 1954/55 was determined before 30th June, 1954, on the basis of the information then available and the discussions with the Premiers.
- (d) The State Auditors'-General Reports were necessary for a close examination of the States' financial position, but statements of receipts and expenditure were published by each State at regular intervals.

141. In regard to the special grants recommended by the Commonwealth Grants Commission, the Treasury stated :-

"The Commonwealth Grants Commission usually presents in September of each year the report containing its recommendations regarding the special grants to be paid to South Australia, Western Australia and Tasmania. In recent years the total of these grants has ranged between £10,000,000 and £16,000,000. For the most part, the Commission's recommendations have been advised to the Government in sufficient time to enable the figures to be included in the Budget.

In some years, however, it has been necessary to complete the Budget before the Commission has advised the Government of its recommendations. As it would be improper for the Government to anticipate the Commission's recommendations, the practice has been adopted in those years of providing in the Budget for the same special grants as in the previous year. As the special grants may vary significantly from year to year this practice is, from the budgetary point of view, far from satisfactory.

If the Budget were introduced before the commencement of the financial year, it would be quite impossible, under the procedures followed by the Commission, to provide in the Budget for the special grants to be recommended by the Commission for that year. Before it makes its judgments of the financial needs of the claimant States in the year in which the grants are paid, the Commission requires these States to submit not only estimates of their revenues and expenditures in that year but also details of their actual budget results in the year just closed. Even with this information available and despite the experience which the Commission has had in assessing the States' financial needs, the Commission emphasises regularly in its reports the tentative nature of its estimates.

The fact that, before making its estimates of the States' financial needs in any year, the Commission requires details of the actual budget results of the claimant States for the preceding year, supports the view expressed earlier that it is impossible to prepare even reasonably dependable estimates of the States' budget prospects in any year until details of the actual results in the previous year are available."

142. The Committee noted the following aspects of this matter :-

(i) If the Commission adhered to its present timetable and earlier Commonwealth estimates of expenditure were required, it would be possible to follow the procedure sometimes adopted by the Commonwealth, viz : to include an estimate of the grants in the Commonwealth estimates of expenditure; actual payments would be adjusted to the amounts subsequently recommended by the Commission.

(ii) In any case, the Commission's method is to recommend for a State a grant of an amount acknowledged to be tentative and based on whatever information, which is necessarily of a preliminary character, can be obtained. The amount is then reduced to provide a margin of safety. Two years later, when the audited accounts of the State for that year are available, the amount is adjusted up or down in the light of the actual figures of receipts and expenditure for the State for the year.

143. As in the case of departmental expenditure, the Committee believes that any difficulties for Commonwealth-State financial relations that may arise from the Committee's proposal would not be so substantial as to be an adequate reason for its rejection.

(d) Economic Policy

144. Although this subject is of a general nature, the Committee has found it convenient to deal with it at this stage for it forms part of the Treasury statement on the date of the Budget. In that statement, the Treasury said :-

"At or about the time of the Budget, therefore, there has to be a general survey and summing-up of the economic situation and prospects and such a survey is, in fact, always made. Usually Cabinet gives specific attention to the subject before starting its examination of the Budget as such and it is in this stage that it forms its mind as to what Budget policy - regarded from an economic standpoint - ought to be.

For a number of reasons it is both sounder and more convenient to base an economic survey on the situation just after the close of the financial year rather than before it. The first and most evident reason is that, so far as any forecasting is involved, it will be nearer to the period to which the forecast relates and with an economic scene as changeful as that of Australia, the shorter the range of a forecast the safer. A second reason is that much of the most important data, statistical and other, does not become available until after 30th June. This is true, for example, of the national income and production figures. A third reason is that in Australia the term of the financial and trade year has, from more than one standpoint, a very considerable economic significance. It marks, for example, the mid-point between the end of one exporting season and the start of the next. It is, also characteristically, a stage of transition in the banking and general monetary situation.

A survey made in, say, April, of economic prospects for the next financial year would, in the nature of things, be inadequately informed and hazardous. A summary made in, say, July must still entail a good deal of conjecture as to such important factors as the prospective trend of wool and other export prices but it will have a firmer and more comprehensive factual basis and to that extent it will provide a sounder foundation for decisions on Budget policy."

145. The committee makes the following comments :-

- (i) The survey is an estimate prepared on information of preceding events and, as such, can be falsified by subsequent events. As the Budget Speeches record, (for example, that of 1952/53) it is not possible to forecast, either in July or in March, the calamities or good tidings which may be lying in wait in the future.
- (ii) The later the survey is made, the more information will be available under existing conditions. The Committee's inquiries have, however, suggested that the preparation of statistics may be speeded up and that new statistics or aids to

forecasting may be obtained e.g.

earlier tabulations of income assessments,
forecasts of rural production and export
income,

quarterly statistics of consumer expenditure,
interim estimates of company income.

In the case of some statistics, no later
information would be available in July than in
March. In other cases, the information
available in March would be adequate for the
survey.

(e) The Views of the Overseas Treasuries

146. In the United Kingdom, Canada and U.S.A., the estimates
of expenditure are presented to the Legislatures before the
beginning of the financial year. Views were obtained from the
Treasuries of these three countries on this aspect and they are
quoted, as follows :-

United Kingdom (by letter from U.K. Treasury dated 5th August, 1954)

"Our present practice is to publish the Civil
Vote on account and the detailed Defence Estimates
in the third or fourth week of February, and the
detailed Civil Estimates at intervals during March.
But since in practice the total of each Vote is also
shown in the Vote on Account, final decisions on the
total of each Vote have to be taken not later than the
first half of February.

There has been no formal examination of the
question whether the Estimates might be presented in the
new financial year. No one would pretend that it is
completely satisfactory that Estimates should have to be
settled before the exact outturn of the old year is
known and before the final Budgetary situation has been
assessed. But we do not think that in practice it is
too difficult, in the light of the developing
Budgetary picture, to decide by the first half of
February what the level of a given Estimate should be.

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From our point of view the Estimates are not
always as accurate as we should like, but we do not
think this is to any significant extent the result of
not having final figures of actual expenditure when
the Estimates are settled."

Canada (by letter from Canadian Department of External Affairs dated 15th August, 1954.)

"The Standing Committee on Public Accounts recommended in 1950 "that in order that adequate consideration be given to Supply, it would be highly desirable for the Estimates to be studied by the House at a much earlier date in the Session than has heretofore been done. The tabling of the Estimates at the very outset of the Session, as was done this year, is a commendable step in the right direction. Your Committee considers that the possibility of calling the Estimates as soon as possible after they are tabled in the first days of the Session might be further explored by the Government" Since the Session normally convenes several months before the beginning of the fiscal year, and since the Estimates are introduced as early as possible in the Session, it follows that their tabling in the House, of necessity, takes place before the beginning of the fiscal year.

.....

The use of expenditure trends, while greatly assisting the formulation of a reasonably accurate estimate for each function or service for the new year is only one of the instruments employed to ensure realistic estimating; there are other standards of almost equal importance, such as the necessary or desirable level of program activity, and Government policy in this regard, which have a major effect on program execution. Therefore while the use of expenditure forecasts, rather than actual expenditure figures, in arriving at the level of the new year's Estimates might appear to allow a slight element of inaccuracy to creep in, it is felt to be of negligible importance."

United States of America (via letter from the Australian Embassy dated 18th August, 1954.)

"Congress demands from the Executive Branch, the most up-to-date figures of expenditures during the current fiscal year to assist its consideration of the Budget for the ensuing fiscal year. The Budget presented to Congress in January contains figures of actual expenditure during the past fiscal year and estimates of expenditure during the current and the ensuing fiscal year. It will be realised that the presentation of the Budget is followed by the submission to Congress of a series of appropriations bills. (In 1951 an attempt was made to deal with all appropriations in a single omnibus bill, but this procedure proved to involve considerable delays and the experiment has not been repeated). By the time the House Appropriations Committee comes to consider an appropriations bill it is normally possible for the Executive Branch to provide figures of actual expenditure for the first half of the current year, together with accurate estimates of expenditure for the remaining months.

The Bureau of the Budget considers that estimates for the ensuing fiscal year, arrived at with the aid of the actual figures of estimates mentioned in the preceding paragraph and of its own review of the Executive Departments' programmes, reach a high degree of accuracy."

(iii) Accuracy of Estimates of Receipts

147. The Department of Trade and Customs has advised the Committee by letter dated 17th June, 1954, that estimates of customs and excise receipts for the coming financial year could be prepared with reasonable accuracy in accordance with the Committee's proposals. The value of a final review with actual figures for the past financial year is not, the Department believes, important when estimating possible customs and excise receipts because no large annual payments are involved.

148. The Commissioner of Taxation has summed up his view in his letter dated 30th June, 1954 :-

"It is my firm opinion that with the existing resources of staff and statistical data, it would not be possible to maintain the same standards of accuracy if substantially earlier estimates were required. Little is known in this administration of the methods adopted for estimating revenue in the other countries reviewed here, but I should think that the statistics available, particularly in the United Kingdom and the United States of America, provide much greater detail than is available in Australia. This defect will tend to lessen as Australia improves its techniques in extracting statistics from the information available from uniform tax returns."

During its examination of this matter, the Committee noted the following points :-

- (1) The tabulation of incomes and tax yields from income tax assessments is undertaken by the Bureau of Census and Statistics and the figures are the basic data for the preparation of income tax estimates. The Acting Commonwealth Statistician believes that this work can be advanced by three months at an additional cost of about £3,000 per annum for staff and machines.
- (2) For salaries and wage earners who are not subject to provisional tax, statistics for a

few months less than is now the case would be available as a basis for estimating.

- (3) The issue of assessments for income taxpayers who are subject to provisional tax, lags behind that of assessment for salary and wage earners: under present conditions, statistics relative to this important taxation group up to say 31st March, would cover a smaller percent of the field than if compiled in July. Delays in the issues of these assessments beyond those experienced in respect of salaries and wage earners not subject to provisional tax, appear to be caused by the following considerations :-
- (a) The returns are not due until 31st August, as compared with 31st July for salary and wage earners not subject to provisional tax.
 - (b) The assessments cannot be issued until the Act prescribing the rates of tax receives the Royal Assent (although much preliminary work is done beforehand). For the financial year 1953/54, the Royal Assent was obtained on 26th October, 1953.
 - (c) The need to obtain additional information in respect of the returns from these taxpayers. The assessing of the returns is more complicated than the straight forward assessment of salary and wage earners incomes.

If the Budget and taxation measures are approved

at an earlier date, the issue of assessments, the matter referred to in (b) above, could begin sooner than is now the case.

- (4) Of the general economic and statistical data necessary for estimating taxation receipts in the coming year for earlier estimates of receipts, some would be available for a period shorter by a few months, some would be the same, whether for a late or earlier estimate. Adequate information would be available on wool and wheat incomes. The Acting Commonwealth Statistician stated that existing data could be supplemented in useful ways if the circumstances so required it. A proposal to obtain interim estimates of company income was under consideration.
- (5) The Department of Commerce and Agriculture can prepare forecasts of rural production and rural and merchandise exports (including values) which would be of assistance.
- (6) The estimates of taxation receipts are, as is the case with estimates of expenditure, subject to the uncertainties of the future. Events may transpire or decisions may be taken by the Government after the adoption of the Budget by the Parliament. They can not be foreseen or allowed for at the time of the preparation of the estimates of taxation receipts.
- (7) In the United Kingdom and Canada, estimates of receipts are presented to the legislatures usually in the first week of the new financial year. In the U.S.A. and South Africa, the

estimates are presented before the beginning of the financial year. A comparison between the estimated and total figures of taxation in these countries (see Appendix No. 4) suggests that there is, however, not much difference in the accuracy of the various estimates. There are wider differences in regard to individual taxes, not all in favour of the Commonwealth.

149. The provision of statistics and other data and sampling procedures for estimating taxation receipts are matters which can be developed a good deal. A knowledge of the estimating practices of other countries, such as the United Kingdom, United States of America and Canada, would be of assistance to the Commissioner of Taxation in preparing his estimates and an investigation of these practices by a skilled officer might be undertaken. Nevertheless, the Taxation Office maintained that a date much earlier than at present would give rise to the possibility of significantly greater margins of error in the estimates of taxation receipts for which it was responsible.

(iv) Accuracy of Estimates of Loan Raisings

150. The Treasury has submitted the following views :-

"If the Commonwealth Budget were introduced at the beginning of May it would be necessary for the Commonwealth to determine by the end of March its policy in relation to such matters as Commonwealth assistance for the Loan Council programmes, the method of financing the Commonwealth's own works programmes and other implications for Commonwealth budgetary policy arising from the level of public investment. It would therefore be necessary to hold a Loan Council meeting perhaps before the end of March to determine the Loan Council borrowing programmes for the next financial year.

"The holding of a Loan Council meeting at this time of the year would have important implications so far as the State Governments and semi-Governmental and Local Authorities are concerned. Before the States can indicate their loan requirements for any year, it is necessary for them to formulate their works programmes. These works programmes are then examined by the Co-ordinator-General of Works who discusses the proposed programmes with the States and presents a report to the Loan Council. To enable all this to be done in time for the Loan Council meeting, each State Government would probably need to commence planning its works programme for the following financial year by about January. In other words, if the Commonwealth were to insist on an early Commonwealth budget, it would be necessary to ask the State Governments to commence their planning of the State works programmes for the following financial year at a time when barely six months of the current financial year had elapsed. The States would probably not be slow to point out that an early Commonwealth Budget would mean for them an earlier works "budget". The Co-ordinator-General, in turn, would have the task of attempting to predict the implications of the proposed works programmes for the state of the economy in the coming year a good many months before that year had begun.

Apart from the works aspect, the Loan Council would be called upon to determine in April the amount which could be borrowed at reasonable terms and conditions in the following year. The amount which can be borrowed depends, of course, on the state of the loan market which, in turn, depends on a number of special and complex factors as well as upon the state of the economy as a whole. To determine the amount which can be borrowed is always difficult; it would be rendered still more difficult had the matter to be decided some three months or more before the year opened."

151. The Committee has noted the following aspects of the matter :-

(i) The Loan Council has, in fact, met well before the beginning of the financial year e.g.

It met on 1st May, 1952 to settle the loan programme for 1952/53.

It also met on 18th May, 1953 to settle the loan programme for 1953/54.

(ii) The States' works programmes are prepared for review by the Co-ordinator-General of Works in February. With the report of the Co-ordinator-General and the Commonwealth's own loan programmes, they were before the Loan Council on the occasions noted in (i) above.

(iii) The Commonwealth's forecasts of the loan market for the coming year were also before the Loan Council on those occasions.

152. It would seem that with an earlier Budget, there would not be a radical alteration to time tables which have already been observed.

(3) The Finance Statement and Auditor-General's Report

153. With an earlier Budget, the Finance Statement and Auditor-General's Report would not be available for the financial debates.

154. The Committee notes that, with the exception of the past few years, the Finance Statement and the Auditor-General's Report have seldom been available until some months after that debate has ended. The Committee is aware of the importance attached by members of the Parliament to the availability of the Auditor-General's Report during the Budget and Estimates debate. The view is, however, advanced that the stricter control of public expenditure, the increased emphasis on Parliamentary approval of expenditure, if the Committee's general recommendations are adopted, would, on a balance of advantages, justify the financial debate in the absence of the Report.

(7) CONCLUSIONS OF THE COMMITTEE

155. The examination of the form and content of the financial documents presented to the Parliament involves the whole range of Commonwealth activity. In this Report, however, the Committee in Part I deals with the Budget Speech and the commencement of its examination of the Estimates of Receipts and Expenditure. In later Parts, the Committee will complete its review. Its conclusions on the aspects of these documents which it has examined are as follows :-

General Considerations

- (1) (a) Each financial document should be regarded as complementary to the other financial documents, and not as a self-contained document.
- (b) The documents should continue to present a detailed statement of the receipts and expenditure of the Commonwealth for the year.
- (c) It would be an advantage to have the figures of estimated receipts and expenditure in one table, instead of in separate tables as at present.

Administration

- (2) (a) The Auditor-General, the Treasury and the Public Service Board have a special responsibility to the Parliament for ensuring economic expenditure.
- (b) Regular reviews of the form and content of the financial documents are essential.

Cash Estimates of Receipts and Expenditure

- (3) (a) The principle of "cash receipts - cash expenditure" should continue to be the basis on which the Commonwealth's accounts, as a whole, are recorded.
- (b) The accounts should continue to be closed immediately on 30th June.
- (c) The transfer of the amount of salaries and wages accrued to 30th June from the last pay day prior to that date, which is an exception to the cash basis should be discontinued.

- (d) It is not possible to combine in the cash estimates of the Consolidated Revenue Fund, estimates of business undertakings on an "income earned-expenditure incurred" basis, but the cash votes of each business undertaking should be supported in the estimates of receipts and expenditure by commercial accounts and by a reconciliation between the cash votes and those accounts.

Estimates of Receipts and Expenditure

- (4) If the estimates of receipts and of expenditure are to be presented to the Parliament at the same time, estimates of receipts and expenditure should be presented to the Parliament in the one document as at present.

Parliamentary Control of the Purse

- (5) (a) Section 83 of the Commonwealth of Australia Constitution Act 1901 provides that the Parliament's approval must be obtained before public funds are drawn from the Treasury.
- (b) There is no legal limit to prevent the Executive from entering into commitments without the Parliament's prior approval.

Presentation of the Estimates to the Parliament before the Beginning of the Financial Year

- κ (6) (a) The estimates of expenditure should be presented to the Parliament in time to permit it to complete its consideration of them before the beginning of the financial year.
- (b) The further question of when the Budget should be presented to the Parliament was

considered having regard to the divergent budgetary practices followed by overseas countries, and the views of witnesses. All members agree that the Budget should be presented earlier than at present. Some members believe that it would be to the public advantage if the Budget (including the estimates of revenue) were brought down, together with the Estimates of Expenditure, during the first part of May, (as recommended in paragraph 96 above) in time to allow of their approval by the Parliament before the beginning of the financial year. Others, believing that it would not be possible to collect all the data essential for estimating the Revenue with the necessary degree of accuracy, if the Budget were presented before the beginning of the financial year, would be content with the British practice where the Budget is presented during the first week of the new financial year, although the estimates of expenditure are presented during the two months immediately preceding the beginning of the financial year.

Mr. Anderson is of the opinion that it is possible and desirable for estimates of revenue to be presented to the Parliament with the estimates of expenditure before the beginning of the financial year.

Senator Paltridge disagrees with the Recommendation 6(a), believing that, whenever presented, the estimates of receipts and expenditure should be presented to the Parliament simultaneously.

Approval of Expenditure in the Supply Period

- (7) (a) For new commitments for defence purposes; for projects financed by special appropriations; for the Post Office and Broadcasting equipment; the War Services Homes Schemes; the Snowy Mountains Hydro-electric Project, and a number of other schemes, amounting in all to the greater part of the capital expenditure of the Commonwealth, the Executive, when it deems it necessary, exercises its legal power to incur commitments before the Parliament's approval is obtained. The convention requiring prior Parliamentary approval is observed only in the smaller field of new civil works.
- (b) To the extent that the Executive disregards the convention of prior Parliamentary approval it weakens the authority of Parliament over expenditure.
- (c) The procedures which have been adopted in respect of new commitments for new civil works indicate the administrative difficulties during the Supply Period where prior Parliamentary approval is strictly observed.
- (d) The presentation of estimates of expenditure to the Parliament in time to enable it to complete its consideration of them before the beginning of the financial year would preserve the authority of the Parliament, vindicate the power of the Executive; and resolve many administrative problems.

Accuracy of Estimates of Expenditure

- (8) (a) Under the Committee's proposal, the departmental estimates would be in the hands of the Treasury by 15th March and the estimates of expenditure would be presented to the Parliament in early May. The legislation, other than the Appropriation Bills and dealing with expenditure, could be adopted during May-June-July. The Parliament customarily meets in May and June, but, in the past, the necessity for frequent July meetings has not arisen.
- (b) The estimates of departmental expenditure prepared by Commonwealth departments show, under present conditions, a varying margin of error : in general, the degree of inaccuracy is such that the Committee believes its proposal cannot be rejected on the ground that reasonable accuracy of estimating departmental expenditure can be achieved only by retaining the present time table.
- (c) In regard to the Tax Reimbursement Grants, the major payment to the States is determined by a statutory formula; for 1954/55, the additional grant was settled before that year commenced. The method of determining grants by the Commonwealth Grants Commission provides for advance payments to the States subject to maintaining a margin of safety, and the adjustment of that advance when the audited figures of receipts and expenditure are subsequently available. As in the case

of departmental expenditure, any difficulties in respect of these grants could not, in the Committee's opinion, be so substantial as to offer adequate reasons for the rejection of its proposal.

- (d) Surveys of economic conditions are based on information of preceding events and are always subject to falsification by subsequent events; the speeding up of the preparation of statistics and new statistics will be of assistance in making more accurate estimates.
- (e) The views of the Treasuries of United Kingdom, United States of America and Canada in support of the presentation of estimates of expenditure before the beginning of the financial year have been obtained.

Accuracy of Estimates of Receipts

- (9) (a) The Department of Trade and Customs sees no difficulties in preparing earlier estimates of customs and excise receipts.
- (b) The collection of statistics and other data as well as sampling procedures for estimating taxation receipts are matters which can be suitably developed.
- (c) A knowledge of the estimating practices of other countries such as the United Kingdom, United States of America and Canada would be of assistance to the Commissioner of Taxation in preparing his estimates and an investigation by a skilled officer of those practices might be undertaken.

Accuracy of Estimates of Loan Raisings

- (10) Loan Council meetings were held on 1st May, 1952, in respect of the loan raisings for the financial year 1952/53 and on 18th May, 1953 for 1953/54 : an earlier Budget would not mean a radical alteration to the timetables which were then observed.

On behalf of the Committee

F. A. Bland

~~(F. A. Bland)~~
Chairman

Neil R. Coffin
Neil R. Coffin
Secretary,
Parliament House,
CANBERRA. A.C.T.

10th November, 1954.

MINORITY REPORT BY MR. THOMPSON

I dissent from those portions of the Eighteenth Report - Part 1 - submitted by the Committee, which recommends that the Estimates of Receipts and Expenditure be presented to the Parliament in time to permit the Parliament to complete its consideration of them before the beginning of the financial year.

While agreeing that it is desirable that all expenditure should be approved by the Parliament before it is incurred, it is equally desirable that the estimates presented to the Parliament, both for Receipts and Expenditure, should be estimates that can be accepted as reasonably accurate; furthermore, expenditure should not be approved by the Parliament

unless the Parliament is satisfied that provision has been made to meet such expenditure.

I do not agree with the conclusions in the Committee's Report that this can be satisfactorily done. The timetable set out in the Report provides that the latest date for submission of expenditure estimates by the departments for the ensuing year, shall be the 1st February, and departmental submission of Revenue Estimates for the ensuing year shall be the 15th March; completion of Treasury examination and preliminary printing by the 1st April; completion of consideration by Cabinet by 15th April and presentation of Budget to the Parliament by the 1st May. Completion of both Houses of Parliament of debates on the Estimates and Appropriation Bills by 23rd June.

This timetable would depend not only on the ability of departments and the Treasurer to prepare the necessary documents to present to the Parliament on the due date, but also on the ability of the Parliament to meet from the 1st May until the 23rd June. Should the Parliament be dissolved or an Election take place between those dates; then, to ensure that the Estimates and necessary Bills be passed before the beginning of the Financial Year, the timetable would have to be put back even further than the times set out.

My conclusions are that Estimates of Receipts and Expenditure presented in such a timetable would be more subject to error than under the present system, and the benefits that are claimed would be gained in comparison with the present system of Supply and the Treasurer's Advance Account are not sufficient to warrant the alteration.

I approve of the Estimates being submitted to the Parliament as early as possible, but would insist that they conform as closely as possible to reasoned estimates and not be prepared on too great an element of guess work.

Albert V. Thompson
Albert V. Thompson
10th November, 1954.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

APPENDIX NO. 1 - CERTAIN ASPECTS OF ESTIMATES AND FINANCIAL LEGISLATION
OF OVERSEAS COUNTRIES

Information, and the sources of the information, are set out under the following headings :-

- (1) Cash Estimates or Income and Expenditure Estimates,
- (2) Estimates of Receipts and Expenditure or of Expenditure only,
- (3) The Presentation of the Estimates before or after the beginning of the financial year,
- (4) The Grouping of Receipts and Expenditure in the Estimates,
- (5) Gross or Net Appropriations,
- (6) Salaries Votes,
- (7) Trust Funds in the Estimates,
- (8) The Form of the Estimates,
- (9) The Appropriation Bills,
- (10) The Additional and Supplementary Estimates and Appropriation Bills.

The information is of the United Kingdom, Canada, United States of America, South Africa, New Zealand, India, Pakistan, Ceylon and the Australian States.

Not all countries are noted under every heading for, in some cases, the information could not be obtained in Australia. In other cases, inquiries were made overseas through the Department of External Affairs and the High Commissioner's Office, London.

(1) CASH ESTIMATES OR INCOME AND EXPENDITURE ESTIMATES

United Kingdom

Final Report of the Committee on the Form of Government Accounts

"The statutory requirements governing the Appropriation Accounts are contained in Section 24 of the Exchequer and Audit Departments Act, 1866, which provides that those Accounts shall exhibit on the discharge side the sums which "may have actually come in course of payment" during the financial year. The words "come in course of payment" have always been construed as meaning that the payments shall have matured and the operation of authorising payments shall have been completed before the end of the financial year, by the issue of a cheque or by the transmission to the Paymaster General of a schedule authorising the payment by him of the Payable Orders listed therein. It follows that the unspent balance of the Parliamentary grant for the year must be surrendered to the Exchequer."

This view was confirmed by the United Kingdom Government : see British Hansard, 21st June, 1951.

Notes for the Use of Accounts Branches of Government Departments

146. "Debits and Credits recorded after the close of the Financial Year. - Normally the receipts or payments of a department are recorded in the account of the year (and month) in which the money was received or paid by the department. To this rule there are two classes of exceptions :-

- (i) Transactions of Sub-Accounting Officers or of Agent Departments. (147)
- (ii) Corrections of improper charges or credits in the Prior Year's Accounts. (148)

147. Apart from the transactions of Sub-Accounting Officers, the most usual "throw banks" to the prior year are adjustments with other departments which have acted as "agents". If an "agent" department makes payments in March on account of another "principal" department, the principal may recoup the former in April or May, but it will "throw back" the charge into the Appropriation Account of the year in which the actual payment was made by the "agent".

148. If improper charges or credits are discovered in the Old Year's Account before the Appropriation Account is made up (the necessary corrections will be made in the New Year's Account under the heading "Sub-head A Prior Year", or as the case may be.) If salary has been overpaid during the previous year and recovery is made before the Appropriation Account is completed, the sum recovered should be credited to "Sub-head A Prior Year" and not to "Appropriations in Aid" Sub-head.

Conversely, if it be found that some debtor of the department has by mistake overpaid a sum credited to "Appropriations in Aid" in the Prior Year, the sum so overpaid may be refunded by the department after the 1st April, and charged against the heading "Appropriations in Aid Prior Year" so long as the Appropriations Account of the Prior Year remains open."

Canada

Financial Administration Act 1951

35. "The balance of an appropriation granted for a fiscal year that remains unexpended at the end of the fiscal year shall lapse, except that during the thirty days immediately following the end of the fiscal year a payment may be made under the appropriation for the purpose of discharging a debt payable

- (a) during or prior to the fiscal year, or
- (b) during the said thirty days for goods received or services rendered prior to the end of the fiscal year,

and such payment may be charged in the accounts for the fiscal year."

Public Accounts of Canada 1953 - Vol. 1 Page 19

"In accounting there are two accepted bases or systems. One is the "cash" basis under which revenues are accounted for when received in cash and expenditures are accounted for when paid, and the other is the "accrual" basis under which revenues are accounted for when earned or due, even though not collected, and expenditures are accounted for when the liabilities are incurred whether payment is made in that accounting period or not.

While many factors must be considered in determining how the government's voluminous and varied transactions should be recorded and brought into focus in a clear and comprehensive way, it should be borne in mind that the prime purpose of government accounting is to serve the requirements of Parliament and more particularly to ensure effective control by Parliament over public moneys. As Parliamentary control in Canada is predicated on the

operation of the Consolidated Revenue Fund, which is by law a cash account, and on regulating the flow of cash receipts into and cash payments out of the Fund, it follows that the accounts of Canada must be maintained basically on a cash system. However, there is provision in the Financial Administration Act bringing into the accounts of each fiscal year the expenditures relating to that year, which on a pure cash basis would be excluded, and in addition certain modifications have been made to facilitate the maintenance of accounting control over certain assets and liabilities, and to provide for valuation adjustments for active assets in anticipation of possible losses on ultimate realization.

Revenues are reported on a cash basis and consequently taxes assessed and due and other revenues receivable or accrued (including interest accrued) are not set up as assets on the Government's statement of assets and liabilities although for administrative purposes comprehensive departmental records of tax assessments and accounts and interest receivable are maintained.

On the expenditures side, under the provisions of Section 35 of the Financial Administration Act, for thirty days after the end of each fiscal year, payments for the discharge of debts properly applicable to the old year may be made and charged thereto. Consequently, liabilities under contracts and other accounts payable at March 31 do not appear as liabilities on the statement of assets and liabilities. This is a significant modification of pure "cash" accounting, and brings into the year's transactions those expenditures which on the accrual basis would be carried to the statement of assets and liabilities as accounts payable. In other respects the expenditure accounts reflect refinements of the cash basis. For example, discounts and commissions on loans are not charged to expenditures in the year in which they are paid, but are set up as deferred charges on the statement of assets and liabilities and are amortized or written off to expenditures over the period of the loan. Again, losses on loans and advances and on other assets classed as active are not generally charged to expenditures in the year in which the loss is sustained; instead provision is made annually for a reserve for possible losses on the realization of active assets to which the ultimate loss when determined and authorized may be charged.

Prior to 1951/52, it was the practice to charge interest on the public debt as it became due rather than when it was paid. This was a modification of the strict cash basis of accounting, but in 1951/52 a further modification was made whereby the charges to budgetary expenditures for interest on the public debt were made month by month as the interest accrued rather than annually or semi-annually as it became due and payable. This change is in line with the aim previously mentioned of bringing into the accounts of the year all the expenditures relating to that year. No comparable change in the treatment of interest receivable was made as it was not considered appropriate to accrue interest receivable which might or might not be received or to take it into account in determining the revenues for the year before it was actually received.

These examples will serve to indicate that while revenues are reported on a cash basis, in expenditure reporting substantial modifications have been made in the cash basis to achieve many of the advantages which accrual accounting would produce. The practice is essentially conservative in that on the one hand the budgetary liabilities are set up or are otherwise taken into the accounts for the year, and on the other, tax and other revenue assessments, interest accruals and accounts receivable are not treated as active assets or taken into revenue until collected."

United States of America

The Budget of the U.S. Government 1953/54 - Introduction

"It (the Budget) contains information on both the income side of the Budget and the outgo side. The Budget reflects one stage of the income side and three stages of the outgo side. The former is shown on the basis of cash received. The latter is reflected in terms of authorizations, obligations (or in some cases accrued expenditures), and cash expenditures (checks issued).

Congress acts on the outgo side of the Budget by granting authorizations to incur obligations and make expenditures for expenses, grants, capital outlay, and fixed charges. This congressional action takes several different forms, the most common of which is an appropriation. The Budget contains summaries and detailed schedules which show all new obligational authority, both appropriations and other kinds. It also contains details on obligations incurred (or sometimes on expenditures accruing, in the case of business-type budgets).

The outgo side of the Budget is customarily measured in terms of cash expenditures, not on the basis of authorizations or obligations. Expenditures occur when the obligations and liabilities incurred by Government agencies are paid. In some cases the payment and the obligation occur at the same time. In most cases, however, the payment follows the obligation by some time, varying from a few days or weeks in the case of salaries and wages, to several years in the case of some contracts for major construction and the procurement of new heavy equipment. The Budget contains summaries of expenditures, tables listing the expenditures by accounts, and detailed schedules relating the expenditures in each account to obligations and authorizations."

New Zealand

Letter from the Australian High Commission, Wellington, 21st June, 1954.

"The Government's estimates are prepared on a cash basis. The Government's books are kept open for a period of about four weeks after the end of the financial year, so that outstanding payments made by imprestees can be cleared through the books and also adjustments made between the various accounts within the Public Account."

India

Letter from the Australian High Commission, New Delhi, 6th July, 1954.

"The estimates are prepared on a cash basis. The books of account relating to a financial year are not kept open after the close of the year for any cash transactions. The Reserve Bank of India, who are the bankers of both the Central and State Governments, keep their books open for a few days in April of the following year for giving effect to inter-Governmental adjustments in respect of sanctions issued within the financial year. Thereafter and until the accounts are finally closed, it is permissible to carry out adjustments of a book-keeping nature not involving payment to or from other Governments or parties."

Pakistan

Account Code of Pakistan - Vol. 1 Page 12

"With the exception of such book adjustments as may be authorised by any rules included in this Code or by any general or special orders issued by Government after consultation with the Auditor General, the transactions in Government accounts shall represent the actual cash receipts and disbursements during a

financial year as distinguished from amounts due to or by Government during the same period.

Note :- The Government accounts of a year may be kept open for a certain period in the following year for completion of the various accounting processes inter alia in respect of the transactions of March, for the carrying out of certain inter-departmental adjustments, and for the closing of the accounts of several Provident Funds and Suspense heads. Adjustments may also be made after the close of the year owing to mispostings and misclassifications coming to notice after the 31st March. An actual transaction taking place after 31st March should not, however, be treated as pertaining to the previous financial year even though the accounts for that year may be open for the purposes mentioned above."

Ceylon

Letter from the Australian High Commission, Colombo, 15th July, 1954.

The estimates are prepared on a cash basis. The Ceylon Government's Books are kept open after the close of the financial year till the end of November to incorporate the transactions of that financial year. Payments made during the period the Books are kept open are not taken into the past year's accounts."

New South Wales

New South Wales Audit Act 1902-1942 - Section 32

"Every appropriation out of the Consolidated Revenue Fund for the services of any financial year shall lapse and cease to have any effect for any purpose at the close of that year; and any balance of such appropriation which may then be unapplied shall be written off and cease to be a liability of the Consolidated Revenue Fund for that year, and the accounts of the year shall be then closed.

Provided that where, out of any appropriation for salaries or wages or payments in the nature of salaries or wages, an amount, not exceeding the total of the sums required to meet so much of such salaries, wages and payments as is chargeable in respect of that part of the pay period current at the thirtieth day of June in any year which terminates on that day, is transferred to the credit of a suspense account in Special Deposits Account, and the amount so transferred is thereafter applied in or towards meeting such salaries, wages or payments for that pay period, the amount so transferred shall, for the purposes of this subsection, be deemed to have been applied during the financial year in which the appropriation was made.

(2) ESTIMATES OF RECEIPTS AND EXPENDITURE OR OF EXPENDITURE ONLY

United Kingdom

The following documents are presented to the House of Commons :-

Financial Statement : Statements of Revenue and Expenditure as laid before the House by the Chancellor of the Exchequer when opening the Budget

Civil Estimates	} of Expenditure
Revenue Departments Estimates	
Service Departments Estimates	

Canada
New Zealand
South Africa

Estimates of Revenue and Expenditure are attached to the Budget Speech. Estimates of Expenditure are presented to the legislatures.

United States of America

The Budget and Accounting Procedures Act 1950, Section 201 requires the presentation of a budget of receipts and expenditure.

India
Pakistan

A Budget of receipts and expenditure and detailed estimates or demands for grants are presented.

Ceylon
Australian States (except South Australia)

Estimates of Receipts and Expenditure are presented. In the case of South Australia, detailed estimates of receipts are presented as a separate document.

(3) THE PRESENTATION OF THE ESTIMATES BEFORE OR AFTER THE BEGINNING OF THE FINANCIAL YEAR

United Kingdom

Notes for the Use of Accounts Branches of Government Departments

29. "Issue of Estimates. - On 15th February the Civil and Revenue Department Estimates are formally presented to the House of Commons by the Financial Secretary, and are printed and issued class by class as each class is ready. After the classes have all been issued, a covering memorandum, known as the "Financial Secretary's Memorandum", is issued, explaining any important changes in the form or amount of the Estimates. The memorandum is accompanied by a number of comparative tables. An Index is issued next and finally all the Civil documents are issued together as a single volume, the estimates for the Revenue Departments forming another single volume. The Class containing the Estimate for the Service selected for discussion should be issued before the Committee Stage of "Vote on Account", and the whole of the Classes must be issued before the House embarks upon the consideration of the Civil Estimates, the first stage of which is a Motion that the Speaker do leave the Chair, in order that the House may go into Committee on the Civil Estimates. This may be just before - or just after - the 31st March."

39. "Budget Speech. - Having submitted his proposals to the Cabinet the Chancellor of the Exchequer is ready to "open his Budget", which is usually done in April. The speech is made in the Committee of Ways and Means. In his speech the Chancellor reviews the outturn of the past year and the debt position and finishes with a statement of the estimated revenue and expenditure for the current financial year, explaining and expounding any changes in taxation which he may propose."

Recent Budget Speeches have been made on these dates, having in mind that the financial year begins on 1st April :-

<u>for Financial Year</u>	<u>Date of Budget Speech</u>
1951/52	10th April, 1951
1952/53	11th March, 1952
1953/54	14th April, 1953
1954/55	6th April, 1954

Canada

Departmental estimates are presented from January onwards. The Budget Speech is made shortly after the end of the financial year (31st March) e.g.

<u>for Financial Year</u>	<u>Date of Budget Speech</u>
1951/52	10th April, 1951
1952/53	8th April, 1952
1953/54	19th February, 1953 (a)
1954/55	6th April, 1954

(a) The early date was chosen in order to anticipate the Royal Visit to Canada in 1953.

United States of America

Budget and Accounting Procedures Act 1950

201. "The President shall transmit to Congress during the first fifteen days of each regular session, the Budget, which shall set forth his Budget message, summary data and text, and supporting detail."

Examples are, keeping in mind that the financial year commences on 1st July :

<u>for Financial year</u>	<u>Date of President's Budget Message</u>
1950/51	3rd January, 1950
1951/52	15th January, 1951
1952/53	21st January, 1952
1953/54	9th January, 1953
1954/55	21st January, 1954

South Africa

The financial year ends on 31st March and recent Budget Speeches have been made :

<u>for Financial year</u>	<u>Date of Budget Speech</u>
1951/52	21st March, 1951
1952/53	20th March, 1952
1953/54	22nd July, 1953 (a)
1954/55	24th March, 1954

(a) Delayed by general election : see South African Debates Vol. 82 Page 281, 27th July, 1953.

India

Letter from Australian High Commission, New Delhi, 6th July, 1954.

"The financial year begins on 1st April.

Under Article 112 of the Constitution of India, the President is required to lay before Parliament in respect of each financial year a statement (known as 'Annual Financial Statement') of estimated receipts and expenditure of the Union Government.

The Finance Minister presents this statement to Parliament normally on the last working day of February preceding the financial year to which the statement relates."

Pakistan

Letter from Australian High Commission, Karachi,
30th July, 1954.

"The estimates are presented before the beginning of the financial year, usually on or about the 15th March."

Ceylon

Letter from Australian High Commission, Colombo,
15th July, 1954.

"The financial year of the Government of Ceylon begins on 1st October.

The Annual Estimates are presented and approved by Parliament before the beginning of the financial year."

New Zealand

Letter from Australian High Commission, Wellington,
21st June, 1954.

"The financial year of the New Zealand Government begins on the 1st April.

The estimates are not presented before the beginning of the financial year, but are usually tabled during August, that is some four or five months after the beginning of the financial year. In addition to the main estimates, there are usually supplementary estimates. During the period 1st April to 30th June, Departments are allowed to spend any unused appropriation from the last financial year plus up to one-quarter of the last year's appropriation. (See section 49, Public Revenues Act.) From the 1st July until the Annual Appropriation Bill is passed, the authority for expenditure is contained in Imprest Supply Bills passed in anticipation of the Appropriation Bill.

Australian States

All Budget Speeches are made after the beginning of the financial year.

(4) THE GROUPING OF RECEIPTS AND EXPENDITURE IN THE ESTIMATES

United Kingdom

Select Committee on Estimates, First Report 1926

7. "We consider it important that, as far as possible, all Votes representing activities controlled by, or linked to a particular Minister, should be grouped in the same class, and that there should be some indication in the Estimates as to which Minister is responsible to Parliament for such Services. At present there is no way in which the complete functions and expenditure of any Ministry can be readily ascertained from the Estimates.

9. We consider the Civil Service Estimates should in future be divided into the following nine Classes :-

- I. Central Government and Finance .
- II. Imperial and Foreign
- III. Law and Justice
- IV. Education
- V. Health, Labour and Insurance
- VI. Trade and Industry
- VII. Common Services (Works, Stationery, etc.)
- VIII. Non-effective Charges (Pensions)
- IX. Miscellaneous (Expiring Services).

10. We have regrouped existing Votes under what would appear to be their most appropriate Classes, adding some explanation, in any case, where it appears to us necessary, at the end of the Appendix.

Notes on Classes

11. We recommend that the Civil Service Estimates should in future be called the Civil Estimates, in order to dispel a common illusion that the bulk of the money voted in these Estimates goes in the payment of Civil Servants' Salaries. Quite apart from this fact the title is a misleading one, as a large number of Civil Servants is employed in the Revenue Departments and the Departments of the Fighting Services.

12. In our view it is desirable to put all Civil Service Estimates involving the payment of pensions or non-effective allowances to individuals into a separate Class. In the case of the War Departments and Revenue Departments, there is a separate Vote for non-effective services, and it is useful to have a comparable Class for the Civil Service. The Class should include the Votes for Superannuation, Ministry of Pensions, Royal Irish Constabulary Pensions and Merchant Seamen's War Pensions, which could not properly be classified under any of the other Classes. Old Age Pensions and Widows' etc., Pensions are borderline cases, but in view of their close connexion with the Health Insurance Scheme, the Widows' etc. Pensions, may more properly be placed in Class V and Old Age Pensions should go with them to that Class.

13. We also think it would be convenient, at the present time, to group all Expiring Services together, as we have done in Class IX. Nearly all these Services belong to the Trade and Industry group, and whilst we do not desire to alter the existing System of Accounting or Ministerial responsibility, we believe that by grouping them together we shall concentrate attention on the fact that they are Services which are expected to disappear from the Estimates at an early date. For this reason the category should not be extended too widely or given a quasi-permanent character. It should not, for example, include the Ministry of Pensions, as although that Service is a definitely expiring one it will continue for a generation or more to come.

.....
APPENDIX
Introduction

At the present time the arrangement of Votes in particular classes does not follow any accurate rule.

The subject matter of the various Votes was originally the guiding principle. With the great increase in the number of Votes during the last few years even this principle has been abandoned, and the Votes have become scattered in various classes. When it was found necessary to introduce a new Vote, that Vote was placed where it seemed most convenient at the time without any regard to the Votes next to it.

It is not claimed that it would be possible to group the Votes in any order which would appear completely logical to everyone, as the position of some Votes, such as the Department of Overseas Trade, is a matter of opinion. What we have sought to do

is, by a re-arrangement involving as few changes as possible, to group the Votes so as to present a more accurate view of the total cost of particular services.

There seems to be but little reason in a system which, for instance, places the Foreign Office as Vote 5 in Class 11, and the Diplomatic and Consular Services in Vote 1 Class V. The connection between these two Votes is so intimate that to leave them separated greatly increases the difficulty of rapidly understanding the expenditure on the service as a whole. Yet this clarity of statement is essential if expenditure is to be efficiently controlled.

We have further endeavoured to keep a balance both in the number of Votes placed together, and in the amount to be accounted for lest any class should be overweighted."

Notes for the Use of Accounts Branches of Government Departments

24. "Form of Estimates. - Each Estimate presented to Parliament is divided into three parts, viz :-

Part 1 which specifies the services and purposes for which the Estimate is presented, or in other words the "ambit" of the Vote, and the net amount of the grant required from the Exchequer.

Part 11 which classifies under "Subheads" the expenditure and receipts (if any) which go to make up the net total amount specified in Part 1.

Part 111 which explains in such detail as is considered necessary the nature of the expenditure (and receipts) provided in the Subheads in Part 11. Where the Estimate is very simple, Part 111 is sometimes omitted.

.....

26. The form of the Estimates and of the subsequent Appropriation Accounts is settled by the Treasury. It is, however, established practice that no important changes shall be made in the form of the Estimates without previous consultations with the Select Committee on Estimates and, if accounting questions are involved in the alteration, with the Public Accounts Committee.

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28. Classification of Estimates. - There are, excluding the Fighting Services, over a hundred different Civil Estimates, and three Revenue Department Estimates. The Civil Estimates are divided, for convenience, into ten classes, viz :-

- (1) Central Government and Finance
- (2) Imperial and Foreign
- (3) Home Department, Law and Justice
- (4) Education
- (5) Health, Labour and Insurance
- (6) Trade and Industry
- (7) Common Services (Works, Stationery, etc.)
- (8) Non-Effective Charges (Pensions)
- (9) Miscellaneous (Expiring) Services
- (10) Exchequer Contributions to Local Revenues, etc..

This classification came into force with the 1927 Estimates, though class (10) was added in 1929."

Canada

The estimated expenditure was, for 1954/55 grouped under these headings :-

Agriculture
Auditor General's Office
Canadian Broadcasting Corporation
Chief Electoral Officer
Citizenship and Immigration -
Department
National Gallery of Canada
Civil Service Commission
Defence Production -
Department
Crown Companies
External Affairs
Finance
Fisheries
Governor General and Lieutenant-Governors
Insurance
Justice --
Department
Commissioner of Penitentiaries
Labour -
Department
Unemployment Insurance Commission
Legislation
Mines and Technical Surveys -
Department
Dominion Coal Board
National Defence
National Film Board
National Health and Welfare -
Department
Civil Defence
National Research Council and Atomic Energy Control
Board
National Revenue
Northern Affairs and National Resources
Post Office
Privy Council
Public Archives and National Library -
Public Archives
National Library
Public Printing and Stationery
Public Works
Royal Canadian Mounted Police
Secretary of State
Trade and Commerce
Transport -
Department
Air Transport Board
Board of Transport Commissioners
Canadian Maritime Commission
National Harbours Board
Veterans Affairs
Loans, Investments and Advances

Within each grouping, the expenditure is listed by functions - e.g. :-

Department of Agriculture

(S) Minister of Agriculture - Salary and Motor Car Allowance

Administration Service

- 1 Departmental Administration
- 2 Information Service
- 3 Advisory Committee on Agricultural Services
- 4 Contributions to Commonwealth Agricultural Bureau

Science Service

Science Service Administration -

- 5 Operation and Maintenance
- 6 Construction or Acquisition of Buildings, Works, Lands and New Equipment
- 7 Bacteriology and Dairy Research
Botany and Plant Pathology -
- 8 Operation and Maintenance
- 9 Construction or Acquisition of Buildings, Works, Land and New Equipment
- 10 Chemistry
Entomology -
- 11 Operation and Maintenance
- 12 Construction or Acquisition of Buildings, Works, Land, and New Equipment
Forestry Biology -
- 13 Operation and Maintenance
- 14 Construction or Acquisition of Buildings, Works, Land, and New Equipment
- 15 Plant Protection

Experimental Farms Service

- 16 Experimental Farms Service Administration
Central Experimental Farm including Research and Co-ordinating Divisions for the Experimental Farms Service -
- 17 Operation and Maintenance
- 18 Construction or Acquisition of Buildings, Works, Land, and New Equipment
Branch Experimental Farms, Sub-Station and Illustration Stations -
- 19 Operation and Maintenance
- 20 Construction or Acquisition of Buildings, Works, Land and New Equipment

Production Service

- 21 Production Service Administration
Animal Pathology -
- 22 Operation and Maintenance
- 23 Construction or Acquisition of Buildings, Works, Land and New Equipment
Health of Animals -
- 24 Administration of Animal Contagious Diseases Act, and Meat and Canned Foods Act
- 25 Compensation for animals slaughtered, including compensation for eggs destroyed from infected premises under terms and conditions approved by the Governor in Council
- 26 Live Stock and Poultry
- 27 Plant Products - Seeds, Feeds, Fertilizers, Insecticides and Fungicides Control
- 28 To provide for Grants to Fairs and Exhibitions
- 29 Grants to Agricultural Organisations

Marketing Service

- 30 Marketing Service Administration
- 31 Agricultural Economics
- 32 Dairy Products
- 33 Subsidies for Cold Storage Warehouses under The Cold Storage Act
- 34 Fruit, Vegetables and Maple Products and Honey
- 35 Live Stock and Live Stock Products
- 36 Marketing of Agricultural Products, including temporary appointments that may be required to be made notwithstanding anything contained in the Civil Service Act

Terminable Services

- 37 Freight Assistance on Western Feed Grains
- 38 Agricultural Lime Assistance
- 39 To provide for Quality Premiums on High Grade Hog Carcasses and Administration Costs

Special

- 40 Agricultural Products Board Administration
- 41 To provide for assistance to encourage the improvement of cheese and cheese factories
- 42 To provide assistance for the replacement of maple production equipment
- 43 For assistance in construction of potato warehouses under terms and conditions to be approved by the Governor in Council.
- 44 Prairie Farm Rehabilitation Act and Water Storage
- 45 Major Irrigation and Reclamation Projects in the Prairie Provinces
- 46 Prairie Farm Assistance Act Administration
- 47 Land Protection, Reclamation and Development in British Columbia under such terms and conditions as may be approved by the Governor in Council
- 48 Land Protection and Reclamation; Clearing and Settlement of New Lands under such terms and conditions as may be approved by the Governor in Council
- 49 Maritime Marshland Rehabilitation Act
- 50 Assiniboine River - Dyking and Cut-off
- 51 To provide for Administrative Expenses, Agricultural Prices Support Act, 1944.

Summary

To be voted
Authorized by Statute

Detailed expenditure is shown under standard items,
as follows :-

- 1 Civil Salaries and Wages
- 2 Civilian Allowances
- 3 Pay and Allowances, Defence Forces and R.C.M. Police
- 4 Professional and Special Services
- 5 Travelling and Removal Expenses
- 6 Freight, Express and Cartage
- 7 Postage
- 8 Telephones, Telegrams and Other Communication Services
- 9 Publication of Departmental Reports and Other Material
- 10 Films, Displays, Advertising and Other Informational Publicity
- 11 Office Stationery, Supplies, Equipment and Furnishings
- 12 Materials and Supplies
- 13 Buildings and Works, including Land Construction or Acquisition
- 14 Repairs and Upkeep
- 15 Rentals
- Equipment
- 16 Construction or Acquisition
- 17 Repairs and Upkeep
- 18 Rentals
- 19 Municipal or Public Utility Services
- 20 Contributions, Grants, Subsidies, etc. not included Elsewhere
- 21 Pensions, Superannuation and other Benefits
- 22 All other Expenditures (other than Special Categories)
- 23-33 Special Categories
- 34 Less - Estimated Savings and Recoverable Items

United States of America

The Budget of the U.S. Government 1953/54 - Part 11 Page 3

"Statement of Authorizations and Expenditures by Account Title

A detailed listing of the organization units and account titles show the budget authorizations and expenditures for each. The accounts are divided into several sections: current authorizations other than revolving and management funds, permanent authorizations, revolving and management funds, and supplemental items proposed for later transmission.

Special types of authorizations are set forth under the applicable appropriation titles, identified by separate stub entries. Functional code numbers appear in a separate column, indicating the category in the Budget Message and in the functional tables where each account shown here has been included.

A separate double page spread is used for revolving and management funds. This portion of the table shows the total amounts provided by operations, the total amounts applied to operations and the net expenditures (which is the difference between the two other figures just named). Appropriations and other budgetary authorizations to use general fund money for revolving funds are shown in this section. The expenditures for each revolving fund include both the spending from budgetary authorizations and the spending of receipts of the enterprise.

Detailed Material

The detailed material generally follows the order of the chapter summaries. Thus, the accounts of a given organization unit may be found in several places, if the unit has different types of authorizations and funds. Supplemental items which are anticipated for later transmission are summarized at the end of each chapter, but the regular detailed material on them will be submitted to Congress when the supplemental is formally transmitted by the President."

Detailed expenditure is shown under standard items, as follows :-

01. Personal Services
02. Travel
03. Transportation of things
04. Communication services
05. Rents and utility services
06. Printing and reproduction
07. Other contractual services
Services performed by other agencies
08. Supplies and materials
09. Equipment
10. Lands and structures
11. Grants subsidies and contributions
12. Pensions, annuities, and insurance claims
13. Refunds, awards, and indemnities
14. Interest,
15. Taxes and assessments.
16. Investments and Loans

South Africa

Votes are listed as follows in the 1953/54 Estimates :-

Part 1 - The Governor General and Parliament

1. Governor General
2. Senate
3. House of Assembly
Prime Minister and Minister of
External Affairs
4. Prime Minister and External Affairs
Minister of Finance
5. Treasury
6. Public Debt
7. Provincial Administrations
8. Miscellaneous Services
9. High Commissioner in London
10. South African Mint
11. Pensions
12. Inland Revenue
13. Customs and Excise
14. Audit
15. State Advances Recoveries Office
16. Lands
17. Deeds
18. Surveys
19. Irrigation
Minister of Justice
20. Justice
21. Superior Courts
22. Magistrates and District Administration
23. Prisons and Gaols
24. Police
Minister of Transport
25. Transport
Minister of Agriculture
26. Agriculture (Administration and
National Services)
27. Agriculture (Regional Services and
Education)
28. Agriculture (General)
Minister of Economic Affairs
29. Commerce and Industries
Minister of the Interior
30. Interior
31. Public Service Commission
32. Printing and Stationery
Minister of Defence
33. Defence
Minister of Labour, of Public Works
and of Forestry
34. Labour
35. Public Works
36. Government Villages
37. Forestry
Minister of Posts and Telegraphs
38. Posts, Telegraphs and Telephones
Minister of Native Affairs
39. Native Affairs
Minister of Mines and of Education,
Arts and Science
40. Mines
41. Education, Arts and Science
42. Industrial Schools and Reformatories
43. Native Education
Minister of Health and of Social
Welfare
44. Health
45. Health (Union): Hospitals and
Institutions
46. National Housing
47. Social Welfare
48. Nutrition

49. Adjustment of Salaries, Wages and Allowances
50. Additional Assistance to Pensioners and Other Persons

Total of Part 1.

Part 11

South African Native Trust Fund
National Roads Fund
South African Broadcasting Corporation

Each vote is sub-divided into :-

- A. Salaries, Wages and Allowances
- B. Subsistence and Transport
- C. Postal, Telegraph and Telephone Services
- D. Incidental Expenses
- E. Miscellaneous Expenses
- F-V. (various particular headings).

India

Demands for Grants 1954/55 Vol. 1 - Page 1

"The demands have been arranged by the Ministries on whose behalf they are presented. At the commencement of the demands a statement has also been added, where necessary, giving, for facility of reference, the total expenditure controlled by that Ministry and the demands in which provision for this expenditure is included."

Australian States

All States present estimates of expenditure grouped under headings of ministerial responsibility. For example, New South Wales :-

Manual of Governmental Accounting in New South Wales - Page 41

"Each department is under the control of a Minister and the estimates are so arranged that all departments and sub-departments or divisions of a department coming under the control of one Minister are grouped together. A summary sheet is inserted in front of each of these groups showing the estimate and previous year's expenditure, in totals only, for each Ministry."

(5) GROSS OR NET APPROPRIATIONS

United Kingdom

Notes for the Use of Accounts Branches of Government Departments

27. "Net subheads in Estimates (or Accounts) are deprecated. "If both expenditure and receipts are set out in gross, all the facts are set out clearly for the information of Parliament".

United States of America

The Budget of the U.S. Government 1954/55 - Page A3

"The expenditures of the general fund and the special funds are generally stated on a gross basis; that is, receipts are not deducted from expenditures (except for inter-agency reimbursements and some incidental reimbursements from outside the Government). In the case of intragovernmental revolving and management funds, expenditures are stated on a net basis; that is, their receipts (most of which come from within the Government and are therefore shown as an expenditure of the paying agency) have

been deducted from expenditures of the receiving agency and only the resulting figure is shown as its expenditure.

In the case of public enterprise funds expenditures are reported on both a gross and a net basis. That is, the gross expenditures show the total sums expended, and a deduction in each of the tables indicates their receipts (other than borrowing). The gross figures used here for the public enterprise funds are derived from the business type budget statements of part 11, which show expenditures and receipts on an accrual basis with a single adjustment (on either the expenditure or receipt side but not both) for the conversion from accrual to a checks-issued basis. Therefore, the gross figures used herein for such funds are not strictly on a checks-issued basis, although the net result is on such a basis."

India

Demands for Grants 1954/55 Vol. 1 Note Page 1

"With effect from the Budget for 1952/53 it has been decided, after consulting the Comptroller and Auditor General of India, that the demands to be presented to Parliament should be for the gross expenditure and should exclude all credits and recoveries which were formerly taken as deductions in the demands. The effect of this is to increase the amounts of the demands but this does not involve any increase in the actual expenditure. No change has, however, been made in the accounts, which continue to take the recoveries in reduction of expenditure, so as to avoid exaggeration of both receipts and expenditure. Since these recoveries have been excluded from the demands they will not be available for spending by the Controlling authorities.

The demands for grants contain a note below each demand giving particulars of the recoveries adjusted in the accounts as reduction of expenditure. Information of the estimated credits and their realisation is thus available in the demands for grants. The form of this note has been settled in consultation with the Comptroller and Auditor General."

Pakistan

Compilation of the General Financial Rules Vol. I - Page 10

"the estimates should be prepared on the basis of what is expected to be actually received or paid (under proper sanction) during the ensuing year, including arrears of previous years and not only for the demand or the liability falling due within the year. In no case should merely the net receipts or the net charges be entered, but the gross transactions in full, even where receipts are to be shown as deductions from expenditure.

.....

(6) SALARIES VOTES

United Kingdom

An example is the salaries vote of the Exchequer and Audit Department for 1954/55, as follows :-

Civil Estimates 1950/51 Class 1. No. 9 Part 111

A. Salaries		1950-51	1949-50
Numbers		£	£
1949-50	1950-51		
1	1	2,000	2,000
1	1	1,800	1,800
8	8	11,746	11,778
16	15	19,785	20,764
55	55	59,973	59,013
116	107	79,463	87,557
14	18	13,201	10,348
2	1	1,890	2,311
71	87	42,784	33,456
112	87	44,369	55,821
118	95	27,232	25,153
28	26	6,902	7,384
-	-	175	175
-	-	8,320	11,700
-	-	1,300	1,500
-	-	1,760	3,780
-	-	5,100	5,450
542	501	307,800	340,000

Canada

An example is the salaries vote of the Auditor General's Office for 1954/55 :-

AUDITOR GENERAL'S OFFICE
Salary of the Auditor General

Numbers			Amount	
1954-	1953-		1954-55	1953-54
55	54		\$	\$
1	1	Salary	15,000	15,000
Salaries and Expenses of Office				
1	1	Assistant Auditor General (\$8,000-\$9,000)	9,000	9,000
5	5	Audit Supervisors (\$6,300-\$7,200)	36,000	36,000
5	5	Auditors, Grade 6 (\$5,250-\$5,920)	29,600	28,870
7	2	Auditors, Grade 5 (\$4,940-\$5,580)	37,100	11,150
20	19	Auditors, Grade 4 (\$4,620-\$5,260)	99,415	94,440
24	25	Auditors, Grade 3 (\$3,880-\$4,560)	104,050	111,085
28	28	Auditors, Grade 2 (\$3,150-\$3,850)	103,380	102,725
17	21	Auditors, Grade 1 (\$2,940-\$3,500)	55,195	68,215
1	1	Storeman, Grade 1 (\$2,280-\$2,640)	2,640	2,640
1	1	Principal Clerk (\$3,110-\$3,670)	3,670	3,670
4	9	Clerks, Grade 4 (\$2,770-\$3,110)	12,440	2,280
8	8	Clerks, Grade 3 (\$2,480-\$2,770)	22,160	22,160
5	6	Clerks, Grade 2B (\$2,190-\$2,480)	14,880	14,880
7	5	Clerks, Grade 2A (\$1,690-\$2,240)	14,690	10,550
1	1	Clerk, Grade 2 (Part time)	-	2,020
1	1	Clerk, Grade 1	-	2,628
1	1	Stenographer, Grade 3 (\$2,480-\$2,770)	2,770	2,770
1	1	Office Appliance Operator, Grade 2A (\$1,690-\$2,240)	2,240	2,240
1	1	Senior Messenger (\$2,190-\$2,480)	2,480	2,480
2	2	Messengers (\$1,840-\$2,180)	4,360	4,330
Approximate Requirement for Increases in Rates of Pay			60,000	
139	143		616,070	557,160
Of which totals :				
139	142	Full Time Positions	556,070	556,140
	1	Part Time Position		1,020
Increases in Rates of Pay			60,000	
139	143	Total Salaries (Detailed above)	616,070	557,160

United States of America

A separate appendix to the Budget is called "Details of Personal Services" (for 1953/54 of 470 pages) and the Introduction to that document explains what is shown :-

"This Appendix to the Budget contains two types of statements in accordance with the provisions of section 204 of the Budget and Accounting Act, 1921, as amended (31 U.S.C. 581) : (a) Information as to obligations, classified according to the uniform object categories, and (b) information as to the personal services by grade and title.

Schedules are shown in this Appendix in the same order as in the Budget. The object schedules are identical with those printed in the Budget.

The detail of personal services breaks down the employment of "permanent" positions between departmental (central office) and field, with a further analysis by classification grade and in the higher grades by title. A "lapse" line provides a deduction for savings due to vacancies, leave without pay, etc.. The money required for temporary positions and special categories of personnel, and additional compensation for overtime, night work, etc., are added to arrive at a grand total of personal services. (As in the case of the 1950 Budget, the detail of personal services is omitted

in the case of those accounts where there is no appropriation requested at this time and where no obligations are projected in the Budget for the fiscal year 1953.)"

Pakistan

Compilation of the General Financial Rules Vol. 1 - Page 20

"(1) In framing estimates for sanctioned establishment whether permanent or temporary, the full amount of the pay, including increments, which is likely to be drawn by men on duty during the year should be provided for. Suitable provision should be made for leave salary both of officers and establishment on the basis of past actuals, regard being had to any known factors which may affect the past actuals. Provision for those who are on deputation or otherwise absent and unlikely to return to the strength within the period of the budget should be excluded, but the names of the personnel on deputation should be shown. A lump deduction should then be made where experience shows that a saving may be anticipated for posts likely to be kept vacant on for other reasons.

Page 24

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(iii) In the volume of "Details of Demands and Appropriations", under Pay of Officers and Pay of Establishments there will be a column for strength showing the strength as it exists at the time of preparation of the estimates for the next year. There will also be an Annexure to each Demand showing for the two heads "Pay of Officers" and "Pay of Establishments", the total number and cost in the Budget year and in the previous year."

New South Wales

Manual of Governmental Accounting in New South Wales - Page 41

"...the Budget Papers contain schedules in support of the item 'A.1 Salaries and Wages'. The schedules show the authorised staff establishment in each department or sub-department compared with the number in the previous year, the estimated payments in respect of each of these groups, and any deductions arising from non-filling of vacant positions, or other cause, leaving a net total to agree with the amount shown as item 'A.1 Salaries and Wages' for the department concerned."

(7) TRUST FUNDS IN THE ESTIMATES

Estimates of few countries show any details of estimates for trust funds.

United States of America

Government Accounting and Budget Execution (U.N. Document) Page 74

"All moneys received by the United States Government are deposited in the general fund of the Treasury; all expenditures are made from the general fund. Within the general fund certain types of transactions are segregated into particular types of accounts. These are as follows :-

General accounts embrace the great bulk of tax receipts and other revenues. These moneys are withdrawn in accordance with appropriations made by Congress.

Special accounts, are, in effect, permanent appropriations of earmarked revenue. These include such moneys as reclamation funds and receipts from mineral leases and national forest operations.

Trust Accounts, in an equitable sense, do not 'belong' to the federal Government, but the Government has custody over them in a trustee capacity. These include the social insurance funds, the funds for veterans' life insurance, government employees'

retirement funds, and other miscellaneous activities.

Deposit accounts are those which are credited with collections that are held in suspense for payment to another fund or those which are held by the Government as a banker for non-governmental agencies, and are paid out at the direction of the depositor.

In addition to the foregoing accounts certain funds are segregated within the general fund.

Business enterprise and revolving funds are used to finance government corporations and commercial-type operations conducted by certain agencies. These funds are working capital and may be increased by congressional appropriation or by receipts from programme operation. Expenditures are made from enterprise and revolving funds in accordance with enabling legislation, which is subject to annual budgetary review by the Congress.

Working funds differ from the foregoing types of accounts or funds in that they serve solely as an accounting convention for purposes of transferring money from one agency to another for inter-agency services. They may be used in connexion with general accounts, or with trust accounts or special accounts to establish an earmarked portion.

The summary statements in the United States budget document exclude the trust accounts and the deposit accounts. The accounts and funds which include the general account, the special accounts, working funds and business enterprise and revolving funds are sometimes referred to as "federal funds". The budget summaries embrace these federal funds; definitions of surplus and deficit refer only to federal funds."

India

The statement of the Public Account in the Budget (see that for 1954/55 Pages 18 and 22) includes a brief statement of the receipts and disbursements of funds of this nature.

(8) THE FORM OF THE ESTIMATES

United Kingdom

The form of the estimates is described in quotations on the United Kingdom Estimates above.

Canada

The Estimates of Expenditure provide the following information :-

Summary

The summary lists under departmental headings the following :-

Page	Department	To be Voted 1954-55	Authorized By Statute 1954/55	Total 1954- 55	Total 1953- 54	Compared with Estimates of 1953/54	
						Increase	Decrease
		\$	\$	\$	\$	\$	\$

Statement of Votes

The statement shows the votes by number and these headings :-

No. of Vote	Service	Details on Page No.	1954-55	1953-54	Compared with Estimates of 1953/54	
					Increase	Decrease
			\$	\$	\$	\$

Details of Votes

The details are :-

Number		Details	Amount	
1954-55	1953-54		1954-55	1953-54
			\$	\$

Other details included are :-

	Expenditure	Revenue
Fiscal Year, 1952-53	_____	_____
Fiscal Year, 1953-54 :		
Actual to December 31, 1953	_____	_____
Estimated for balance of year	_____	_____
Estimated total for 1953-54	_____	_____

United States of America

Budget and Accounting Procedures Act 1950

201. "The President shall transmit to Congress during the first fifteen days of each regular session, the Budget, which shall set forth his Budget message, summary data and text, and supporting detail. The Budget shall set forth in such form and detail as the President may determine -

- "(a) functions and activities of the Government;
- "(b) any other desirable classifications of data;
- "(c) a reconciliation of the summary data on expenditures with proposed appropriations;
- "(d) estimated expenditures and proposed appropriations necessary in his judgment for the support of the Government for the ensuing fiscal year, except that estimated expenditures and proposed appropriations for such year for the legislative branch of the Government and the Supreme Court of the United States shall be transmitted to the President on or before October 15 of each year,

- "(e) estimated receipts of the Government during the ensuing fiscal year, and (1) laws existing at the time the Budget is transmitted and also (2) under the revenue proposals, if any, contained in the Budget;
- "(f) actual appropriations, expenditures, and receipts of the Government during the last completed fiscal year;
- "(g) estimated expenditures and receipts, and actual or proposed appropriations of the Government during the fiscal year in progress;
- "(h) balanced statements of (1) the condition of the Treasury at the end of the last completed fiscal year, (2) the estimated condition of the Treasury at the end of the fiscal year in progress, and (3) the estimated condition of the Treasury at the end of the ensuing fiscal year if the financial proposals contained in the Budget are adopted;
- "(i) all essential facts regarding the bonded and other indebtedness of the Government; and
- "(j) such other financial statements and data as in his opinion are necessary or desirable in order to make known in all practicable detail the financial condition of the Government."

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205. Whenever any basic change is made in the form of the Budget, the President, in addition to the Budget, shall transmit to Congress such explanatory notes and tables as may be necessary to show where the various items embraced in the Budget of the prior year are contained in the new Budget."

The Budget of the U.S. Government 1953/54 - Page A3

"Basis of stating budget receipts. - Table 1 includes a summary of budget receipts. Such receipts include all money paid into the Treasury to the credit of the general fund and of special funds. Budget receipts never include money obtained from borrowing. Because revolving and management funds are reported on a net basis in the expenditure figures, budget receipts do not include receipts of such funds.

Basis of stating budget expenditures. - Tables 1, 4, and 7 include information on budget expenditures. Such expenditures cover the general funds, the special funds, and the revolving and management funds. In the case of revolving and management funds, the expenditures are completely on a net basis; that is, the collections received by the fund are deducted from the total of the checks issued in payment for goods and services received, and the resulting figure is shown as the expenditure. Where the collections are larger than the sum of checks issued for such a fund, the net amount included in the expenditures is a negative item.

Expenditures for all categories shown in these tables are on a checks-issued basis. This means that expenditures are reported for the fiscal year in which the checks are issued, or (where no checks are required) the year in which payment is made in cash. It also covers the interest on the public debt becoming payable in the year, including coupon interest and the increase in the redemption value of savings bonds. Table 1 includes an adjustment figure for the past year to bring the final total to the Daily Treasury Statement expenditure basis.

In the case of general fund expenditures, the amounts shown are net of incidental reimbursements from outside, made to the appropriations. In the case of all funds, expenditures are net of reimbursements received from within the Government (thus avoiding double-counting).

Retirement of Government debt is always excluded from budget expenditure figures. Similarly, net investments in United States Government securities (which occur sometimes in the case of Government corporations) are excluded from the expenditure figures.

Eliminations from both receipts and expenditures. - Certain payments from one fund to another are eliminated from budget receipts and expenditures. This is done in order to avoid inflating both sides of the Budget. The payments of earnings and dividends on capital, and the return of such capital to the general fund are the types of items which have been so excluded."

South Africa

The estimates show information in summary and then in detail with a table of staff. The figures are of the year in question and the current year.

India
Pakistan
Ceylon

The form of the estimates is modelled on that of the United Kingdom but, in the case of India and Pakistan, shows figures, for example, for the 1954/55 Budget :-

Actuals	1952/53
Budget Estimate	1953/54
Revised Estimate	1953/54
Budget Estimate	1954/55

For Ceylon, the headings are :-

Actual Expenditure	1952/53
Estimate	1953/54
Estimate	1954/55

(9) THE APPROPRIATION BILLS

United Kingdom

Extract from Appropriation Act, 1952

1. The Treasury may issue out of the Consolidated Fund of the United Kingdom, and apply towards making good the supply granted to Her Majesty for the service of the year ending on the thirty-first day of March, one thousand nine hundred and fifty-three, the sum of two thousand one hundred and sixty million, nine hundred and twenty-three thousand, two hundred and sixty pounds.

.

3. All sums granted by this Act and the other Acts mentioned in Schedule (A) annexed to this Act out of the said Consolidated Fund towards making good the supply granted to Her Majesty amounting, as appears by the said schedule, in the aggregate, to the sum of three thousand nine hundred and eighty-four million, nine hundred and twenty-five thousand, two hundred and thirty pounds are appropriated, and shall be deemed to have been appropriated as from the date of the passing of the Acts mentioned in the said Schedule (A), for the services and purposes expressed in Schedule (B) annexed hereto.

The abstract of schedules and schedules annexed hereto, with the notes (if any) to such schedules, shall be deemed to be part of this Act in the same manner as if they had been contained in the body thereof.

In addition to the said sums granted out of the Consolidated Fund, there may be applied out of any money directed, under section two of the Public Accounts and Charges Act, 1891, to be applied as appropriations in aid of the grants for the services and purposes specified in Schedule (B) annexed hereto the sums respectively set forth in the last column of the said schedule.

4. (Short title only) Sanction of Treasury for temporary application of surpluses on certain votes for Navy, Army and Air Services, to meet deficiencies on other votes for the same service.

Canada

Extract from Appropriation Act No. 2, 1953

2. From and out of the Consolidated Revenue Fund there may be paid and applied a sum not exceeding in the whole seventy-seven million, six hundred and eighty thousand, three hundred and eighty-three dollars towards defraying the several charges and expenses of the public service, from the first day of April, one thousand nine hundred and fifty-two, to the thirty-first day of March, one thousand nine hundred and fifty-three, not otherwise provided for, and being the amount of each of the items voted, set forth in the Schedule to this Act for the fiscal year ending the thirty-first day of March, one thousand nine hundred and fifty three, as laid before the House of Commons at the present session of Parliament.

3. Sums expended under the authority of this Act shall be accounted for in the Public Accounts in conformity with section sixty-four of The Financial Administration Act.

United States of America

Government Accounting and Budget Execution (U.N. Document) Page 72

In the Congress the requests for expenditure authority are considered by standing committees (House Committee on Appropriations and Senate Committee on Appropriations). Final action by the Congress takes the form of from twelve to fifteen appropriation measures, each of which embraces a varying number of departments and agencies. Within each appropriation measure, there are a number of separate appropriation titles, numbering about 400 for the Government as a whole. These appropriation titles are related to the organizational structure of departments and agencies. Since the appropriation measures are voted separately by the Congress and since revenue measures are separated from appropriations, there is no single action which authorizes the budget as a whole, as under parliamentary regimes.

Budgetary authorizations by the Congress may permit departments and agencies to incur obligations, to make expenditures, or both. Obligational authority permits departments and agencies to award contracts, to make commitments for wages and salaries, and to order materials and supplies. Expenditure authority permits departments and agencies to direct the issuance of cheques or the payment of cash to liquidate the obligations. An appropriation measure generally combines obligatory and expenditure authority.

.....

Budget authorizations are, in general, enacted by the Congress in lump sum. The detailed budget requests submitted by the President are not voted as a part of the appropriation measure and are therefore not legally binding on administrative officers. Budget authorizations, however, customarily embody certain limitations which serve to restrict the amount of the authorization which may be utilized for specific purposes.

South Africa

Extract from Appropriation 1953

1. The Exchequer account of the Union is hereby charged with such sums of money as may be required for the service of the Union for the financial year ending on the thirty-first day of March, 1954, not exceeding in the aggregate the sum of two hundred and twenty-three million two hundred and thirty-five thousand four hundred and forty pounds on revenue account as shown in column 1 of the First Schedule hereto.

.....

3. The money appropriated by this Act shall be applied to the services detailed in the Schedules hereto, and more particularly specified in the Estimates of Expenditure from Revenue Funds (U.G.1 - 1953 and U.G. 36 - 1953) and in the Estimates of Expenditure from Loan Funds (U.G. 8 - 1953 and U.G. 36 - 1953), as approved by Parliament, and to no other purpose : Provided that in the case of the sum of thirty-five million and three hundred thousand pounds for capital expenditure of railways and harbours, shown under Loan Vote "A" in the Second Schedule, the authority granted by this Act shall be deemed to apply only to the transfer of that sum from the Consolidated Revenue Fund to the Railway and Harbour Fund, and the expenditure of the said sum shall be in accordance with any appropriation made by Parliament in that behalf.

4. With the approval of the Minister of Finance, a saving on any sub-head of a vote may be made available to meet excess expenditure on any other sub-head, or expenditure on a new sub-head of the same vote : Provided that no excess shall be incurred on the sums appearing in column 2 of the Schedules hereto, nor shall savings thereon be available for any purpose other than that for which the money is hereby granted as indicated in the said Schedules.

India

Letter from Australian High Commission, New Delhi,
6th July, 1954.

"The annual Appropriation Bill is a summary of the estimated expenditure met out of the Consolidated Fund of India."

Pakistan

Letter from Australian High Commission, Karachi,
30th July, 1954.

"In Pakistan, there is no Appropriation Bill, but only Budget Documents containing, inter alia, a summary of receipts and expenditure (commonly known as the Budget Statement) and Demands for Grants for expenditure under the various heads in the estimates. At the end of the Budget Session the Demands for Grants are submitted to the Parliament for vote by broad categories; they are however, later printed in detailed form."

Ceylon

Letter from Australian High Commission, Colombo,
15th July, 1954.

"The Annual Appropriation Bill is a list of the Votes and not a duplication of the items of expenditure in the Estimates."

New Zealand

Letter from Australian High Commission, Wellington,
21st June, 1954.

"The Annual Appropriation Bill is a summary of the items of expenditure in the estimates. In addition to the annual appropriations, there are also permanent appropriations authorized by special Acts. For example, monetary benefits under the Social Security Act 1938, salaries of the legislature under the Civil List Act 1950."

(10) THE ADDITIONAL AND SUPPLEMENTARY ESTIMATES AND APPROPRIATION BILLS

United Kingdom

Canada

Further estimates are presented in the same form as in the main estimates.

United States of America

Budget and Accounting Procedures Act 1950

"203. (a) The President from time to time may transmit to Congress such proposed supplemental or deficiency appropriations as in his judgment (1) are necessary on account of laws enacted after the transmission of the Budget, or (2) are otherwise in the public interest. He shall accompany such proposals with a statement of the reasons therefor, including the reasons for their omission from the Budget."

India

Letter from Australian High Commission, New Delhi,
6th July, 1954.

"In case funds in excess of amounts authorized in the Appropriation Act are found necessary during the course of the year, Supplementary Grants are obtained, in accordance with Article 115 of the Constitution. The procedure applicable to such Supplementary Demands for Grants is the same as in the case of the original Demand."

Under Article 267(1) of the Constitution, a Contingency Fund has also been established and placed at the disposal of the President of India and he is authorized to sanction advances from the Fund in emergent and unforeseen cases to cover expenditure not provided in the Budget pending authorization of Supplementary Grants by Parliament."

Pakistan

Letter from Australian High Commission, Pakistan,
30th July, 1954.

"Supplementary Grants are obtained during the financial year. Applications are as a rule required to be submitted to the Ministry of Finance by the middle of December at the latest (para. 102 of Compilation of the General Financial Rules Vol. 1.) Supplementary Grants must be placed before Parliament as soon as possible after approval by the Ministry of Finance (Ibid, para. 103). Parliamentary approval, on the other hand, may be obtained either during the financial year, or at the time of presenting the estimates for the ensuing year."

Ceylon

Letter from Australian High Commission, Ceylon,
15th July, 1954.

"Additional appropriations, if necessary, are obtained during the financial year by means of a Resolution of the House of Representatives in terms of section 67(2) of the Ceylon (Constitution and Independence) Orders in Council, 1946 and 1947."

JOINT COMMITTEE OF PUBLIC ACCOUNTS

APPENDIX NO. 2 -- SAMPLE OF DATES ON WHICH STATE BUDGETS HAVE BEEN
PRESENTED PRIOR TO FEDERATION

Financial Year	N.S.W.	Vic.	Q'land	S.A.	W.A.	Tasmania
1869/70	Dec. 1868 (b)	Feb. 1869 (b)	July 1869 (b)	Sept. 1869	(a)	Sept. 1868 (b)
1874/75	Oct. 1873 (b)	June 1874	April 1874 (b)	May 1874	July 1874	Oct. 1873 (b)
1879/80	June 1880 (b)	July 1879	June 1879	Aug. 1879	Sept. 1879	Oct. 1878 (b)
1884/85	Jan. 1884 (b)	July 1884	Sept. 1884	Aug. 1884	Sept. 1884	Oct. 1883 (b)
1889/90	April 1889 (b)	July 1889	July 1889	Aug. 1889	Nov. 1889	Sept. 1888 (b)
1894/95	Nov. 1894 (c)	Oct. 1894	July 1894	Aug. 1894	Nov. 1894	Aug. 1894 (c)
1899/1900	Aug. 1899	Aug. 1899	Sept 1899	Aug. 1899	Sept. 1899	July 1899 (b)

(Information from Votes and Proceedings, Parliamentary Papers and Parliamentary Debates of the States).

- (a) Records in the possession of the Library commenced after this date.
- (b) For calendar year instead of financial year.
- (c) For 6 months to 30th June, 1895.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

APPENDIX NO. 3 - DATES ON WHICH THE COMMONWEALTH BUDGET SPEECH
HAS BEEN MADE AND THE COMMONWEALTH ESTIMATES
PRESENTED SINCE 1929/30.

Financial Year	Date of Budget Speech	Treasurer
1929/30	{ 22. 8.1929 21.11.1929	E.C.G. Page E.G. Theodore
1	9. 7.1930	J.H. Scullin
2	10. 7.1931	E.G. Theodore
3	1. 9.1932	J.A. Lyons
4	4.10.1933	"
5	24. 7.1934	"
6	23. 9.1935	R.G. Casey
7	10. 9.1936	"
8	27. 8.1937	"
9	21. 9.1938	"
40	8. 9.1939	R.G. Menzies
1	21.11.1940	A.W. Fadden
2	{ 25. 9.1941 29.10.1941	" J.B. Chifley
3	2. 9.1942	"
4	29. 9.1943	"
5	7. 9.1944	"
6	7. 9.1945	"
7	14.11.1946	"
8	19. 9.1947	"
9	8. 9.1948	"
50	7. 9.1949	"
1	12.10.1950	A.W. Fadden
2	26. 9.1951	Sir Arthur Fadden
3	6. 8.1952	"
4	9. 9.1953	"
5	18. 8.1954	"

JOINT COMMITTEE OF PUBLIC ACCOUNTS

APPENDIX NO. 4 -- COMPARISON OF ESTIMATED RECEIPTS AND ACTUAL RECEIPTS IN THE ACCOUNTS OF THE COMMONWEALTH AND OVERSEAS COUNTRIES

(% of surplus receipts over estimated is shown as + and deficit as -)

Year	Commonwealth	United Kingdom	United States of America	Canada	South Africa
	%	%	%	%	%
<u>INCOME TAX</u>					
1949-50 (Indiv. Coys)	+ 0.2 } + 3.9 }	+ 0.5	- 3.2 - 2.9	+ 3.2 } + 2.0 }	+ 20.6
1950-51 (Indiv. Coys)	+10.2 } + 7.9 }	+ 0.9	+ 8.2 + 6.1	+10.6 } +27.8 }	+ 6.1
1951-52 (Indiv. Coys)	- 7.6 } +11.4 }	+ 2.3	+ 1.9 - 6.3	+12.2 } +14.8 }	+ 12.1
1952-53 (Indiv. Coys)	+ 1.3 } + 0.1 }	- 5.7	- 3.2 - 8.9	- 1.6 } - 2.7 }	+ 13.6
1953-54 (Indiv. Coys)	- 1.1 } + 0.5 }	- 2.9	N.A.	- 4.9 } - 2.8 }	+ 8.5
<u>SALES TAX</u>					
1949-50	+21.2			+ 2.3	
1950-51	- 1.4			+13.4	
1951-52	-18.4			+ 1.8	
1952-53	+ 1.2			+ 8.3	
1953-54	+ 9.1			+ 2.1	
<u>ESTATE (OR DEATH) DUTY</u>					
1949-50	+21.1	+ 7.7		+15.0	(insignificant)
1950-51	- 1.5	- 6.5		+12.0	
1951-52	- 8.5	+ 1.7		- 0.5	
1952-53	-11.7	-13.2		-11.6	
1953-54	+ 0.8	+ 4.5		(insignificant)	
<u>CUSTOMS DUTY</u>					
1949-50	+28.4	- 2.0	+12.8	- 3.9	- 26.5
1950-51	(insignificant)	+ 3.9	+ 4.0	+20.1	+ 21.4
1951-52	+ 9.6	+ 7.2	- 4.3	+ 9.8	- 4.6
1952-53	+14.5	- 1.7	+ 3.9	+ 4.8	- 5.0
1953-54	+14.5	- 0.2	N.A.	+ 3.3	+ 14.3

Year	Commonwealth	United Kingdom	United States of America	Canada	South Africa
	%	%	%	%	%
<u>EXCISE DUTY</u>					
1949-50	+ 3.4	+ 6.3	- 0.4	+ 5.0	- 0.8
1950-51	+ 4.3	+ 1.7	+ 5.5	+ 2.6	- 4.8
1951-52	(insignificant)	+ 4.4	- 1.7	-11.0	+ 10.0
1952-53	+ 8.7	- 4.3	+ 2.0	+ 0.4	(insignificant)
1953-54	+ 4.1	+ 6.2	N.A.	-13.9	- 1.5
<u>ALL TAXES</u>					
1949-50	+ 7.0	+ 1.7	- 1.9	+ 1.3	+ 4.5
1950-51	+ 6.2	+ 2.9	+ 8.2	+15.8	+ 6.4
1951-52	- 4.0	+ 6.1	- 0.9	+ 6.4	+ 8.5
1952-53	+ 2.5	- 2.9	- 6.0	+ 0.5	+ 8.3
1953-54	+ 2.7	- 1.2	N.A.	- 2.4	+ 7.5

Sources:

Income Tax, Sales Tax, Estate Duty and All Taxes (except 1953/54) : Commissioner of Taxation by memorandum dated 30th June, 1954.

Customs and Excise Duty and 1953/54 Figures :-

Commonwealth : Budget Papers

United Kingdom: U.K. Financial Statements and Finance Accounts

Canada : Canadian Budget Papers and Public Accounts

South Africa : South African Budget Speeches and Reports of the Comptroller and Auditor General and Government Gazette.

United States of America :

It appears that taxation proposals are submitted to the Congress after the introduction of the Budget in January. The effect of these proposals is not included in the original Budget. The proposals may not become law - if at all, and even then in amended form - until after some of the financial year has passed. A further estimate including the effect of the new proposals is then published in the succeeding Budget. The comparison above is therefore that between the revised estimate (published the following January) and the actual receipts for the year.

JOINT COMMITTEE OF PUBLIC ACCOUNTS

APPENDIX NO. 5 - MONTHS IN WHICH SITTINGS OF THE PARLIAMENT WERE HELD
SINCE 1930

Calendar Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1930			x	x	x	x	x	x		x	x	x
1931			x	x	x	x	x	x	x	x	x	
1932		x	x	x	x			x	x	x	x	x
1933			x	x	x					x	x	x
1934						x	x	x		x	x	x
1935			x	x					x	x	x	x
1936			x	x	x				x	x	x	x
1937						x	(1 day)	x	x		x	x
1938				x	x	x			x	x	x	
1939				x	x	x			x		x	x
1940				x	x	x		x			x	x
1941			x	x	x	x	x	x	x	x	x	x
1942		x	x	x	x	x			x	x		x
1943	x	x	x	(1 day)		x	(1 day)		x	x		
1944		x	x				x	x	x		x	x
1945		x	x	x	x	x	x	x	x	x		
1946			x	x		x	x	x			x	x
1947		x	x	x	x	x			x	x	x	x
1948		x	x	x	x	x			x	x	x	x
1949		x	x		x	x	x		x	x		
1950		x	x	x	x	x	(1 day)		x	x	x	x
1951			x			x	x		x	x	x	
1952		x	x		x	x		x	x	x	x	
1953		x	x						x	x	x	x
1954		(1 day)		x				x				
Number of Occasions out of 25 years	1	12	19	18	16	18	12	12	19	19	20	17

NOTE: The number of days on which sittings were held in each month varies.