

Commonwealth Government Financial Administration— A Handbook

Report

191

Joint Committee of
Public Accounts

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

191ST REPORT

COMMONWEALTH GOVERNMENT FINANCIAL ADMINISTRATION

A HANDBOOK

Australian Government Publishing Service
CANBERRA 1981.

© Commonwealth of Australia 1981

JOINT COMMITTEE OF PUBLIC ACCOUNTS

THIRTEENTH COMMITTEE

D.M. CONNOLLY M.P. (Chairman)

SENATOR G. GEORGES (Vice-Chairman)

SENATOR M.E. LAJOVIC

SENATOR J.O.W. WATSON

S.A. LUSHER, M.P.*

J.M. BRADFIELD, M.P.

M.J. DUFFY, M.P.

R.J. KELLY, M.P.

P.D. SHACK, M.P.

G.E.J. TAMBLING, M.P.

A.C. THEOPHANOUS, M.P.

* Ex-officio member being Chairman,
House of Representatives Standing
Committee on Expenditure

DUTIES OF THE COMMITTEE

Section 8.(1) of the Public Accounts Committee Act 1951 reads as follows:

8.(1) Subject to sub-section (2), the duties of the Committee are:

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
- (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and of intergovernmental bodies to which this Act applies;
- (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
- (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.

PREFACE

The Joint Parliamentary Committee of Public Accounts wishes to thank the Department of Finance for assistance in preparing this publication which provides a guide to Commonwealth Government Financial Administration. It believes that this Handbook will prove to be a valuable and convenient reference source for Senators and Members, and others in the general community.

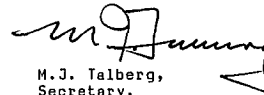
In tabling this edition of the Handbook in the form of a Report to both Houses of Parliament the Committee hopes that the wider circulation that it will receive, should substantially contribute to an expanded awareness of the ways by which Commonwealth moneys are receipted and expended.

This report continues the Committee's philosophy of bringing wider notice to financial and management issues in the public sector. In so doing, it would welcome a dialogue with any person or organisation that believes it could make a contribution to these matters.

For and on behalf of the Committee,



David M. Connolly M.P.,
Chairman.



M.J. Yalberg,
Secretary,
Joint Committee of Public Accounts,
Parliament House,
CANBERRA.

7 September 1981

FOREWORD

This Handbook covers matters administered by the Treasurer, the Minister for Finance and their respective departments.

Under the Administrative Arrangements Order issued by the Governor-General on 11 November 1980 the principal matters dealt with by the two Departments are as follows:-

The Department of Finance - Examination, review and evaluation of governmental expenditure proposals and programs. Collection and analysis of forward estimates of expenditure. Administration of the Public Account.

The Department of Treasury - Economic, fiscal and monetary policy. Taxation. Borrowing money on the public credit of the Commonwealth. Banking. Insurance. Currency and legal tender. Foreign exchange. Foreign investment in Australia. Census and Statistics.

This revised edition of the Handbook follows essentially the pattern of the previous edition issued in 1977 but has been updated to take into account, in particular, changes to the Audit Act 1901 brought about by the Audit Amendment Act 1979. It has been compiled for the Joint Parliamentary Committee of Public Accounts by the Department of Finance in consultation with the Treasury.

Department of Finance
September 1981

COMMONWEALTH GOVERNMENT FINANCIAL ADMINISTRATION - A HANDBOOK

TABLE OF CONTENTS

<u>CHAPTER</u>		<u>PAGE</u>
	Preface	vii
	Foreword	ix
1	Introduction	
	. The Constitution	1
	. The Audit Act 1901	2
2	Financial Documents Presented to Parliament.	
	. Budget Speech and Related Papers	5
	. Functional Classification of Outlays - Departmental Estimates	9
	. Explanatory Notes for Parliamentary Estimates Committees	9
	. Financial Statements and other Documents	10
	. Advance to the Minister for Finance	
	Particulars Statement to Parliament	11
3	Classification of Budget Information	
	. Modes of classifying figures	15
	. Distinction between Appropriations and Outlays	17
4	Monthly Statement of Commonwealth Government Financial Transactions	19
	. Above the line transactions	20
	. Financing Transactions	20
	. Unfunded Debt and Bank Balances	22
5	The Commonwealth Public Account, the Consolidated Revenue Fund, the Trust Fund and the Loan Fund	
	. The Commonwealth Public Account	25
	. The Consolidated Revenue Fund	25
	. The Trust Fund	26
	. The Loan Fund	28
6	Commonwealth Cash Accounts and Management of Overall cash balances	
	. In Australia	35
	. Overseas	35
	. Control of Cash	36
	. Control of Fund Balances: Internal Treasury Bills	36

	• Treasury Notes and External Treasury Bills	36
	• Other Bank Accounts	37
7	Forward Obligations in respect of Government Expenditures	39
8	Appropriation of Moneys	
	• Appropriation Acts	41
	• Principles Followed in Preparing Estimates	43
	• Advance to the Minister for Finance	44
	• The Ordinary Annual Services of the Government	44
	• Governor General's Warrant	45
	• Warrant Authority	45
	• Grouping of Expenditures in the Appropriation Acts	46
9	Classification of Expenditure in Annual Appropriations	
	• Appropriation Bill (No. 1)	47
	• Appropriation Bill (No. 2)	48
10	Civil Works Program	51
	• Planning and Design of Works Proposals	52
11	Act of Grace Payments and Waivers	
	• Act of Grace Payments	53
	• Waivers of Debts	54
<u>Appendices</u>		
Appendix A	Relevant Extracts from the <u>Audit Act 1901</u>	55
Appendix B	Relevant Extracts from Constitution	77

CHAPTER 1

INTRODUCTION

1.1 This handbook provides a brief account of the Commonwealth Government's financial transactions through the Commonwealth Public Account, the three major funds which operate within that Account, and the mode of presentation of the figures in the financial papers and documents presented each year with the Budget.

Background

1.2 Government accounting has three special features:-

- Basis in law. The fundamental rules are laid down in the Constitution, the Audit Act and the Finance Regulations and Directions issued under the authority of the Audit Act. While these provide a framework, many supplementary but important requirements are contained in other Acts of Parliament, eg, the Appropriation Acts, Taxation Acts, Loan Acts.
- Accountability. Extreme care must be exercised in accounting for public funds. This is achieved through a comprehensive system of reporting to the taxpayer through Parliament, the Auditor-General and the Joint Committee of Public Accounts.
- The annual cash budget. The Budget is the central feature of the system. The financial activities of all departments and many statutory authorities depend entirely upon the Budget (and the revenue measures and appropriations related to it) with its emphasis on cash allocation for the succeeding financial year.

The Constitution

1.3 The relevant principles embodied in the Constitution are:-

- (a) the Commonwealth Parliament has power to make laws with respect to taxation and borrowing money on the public credit of the Commonwealth (section 51) and has exclusive power to impose duties of customs and excise (section 90);
- (b) all revenues or moneys raised or received by the Executive Government shall form one Consolidated Revenue Fund, to be appropriated for the purposes of the Commonwealth (section 81);

- (c) no public money shall be spent except under an appropriation made by law (section 83);
- (d) proposed laws appropriating revenue or moneys or imposing taxation shall not originate in the Senate. The Senate may not amend proposed laws imposing taxation, or proposed laws appropriating revenue or moneys for the ordinary annual services of the Government. The Senate may not amend any proposed law so as to increase any proposed charge or burden on the people. The Senate may at any stage return to the House of Representatives any proposed law which the Senate may not amend, requesting, by message, the omission or amendment of any items or provisions therein (section 53);
- (e) a proposed law which appropriates revenue or moneys for the ordinary annual services of the Government shall deal only with such appropriation (section 54) and laws imposing taxation shall deal only with the imposition of taxation (section 55); and
- (f) legislation for an appropriation of moneys cannot be passed unless its purpose has been recommended by a message of the Governor-General to the House in which the proposal originated. (section 56).

The Audit Act 1901

1.4 The Audit Act (which is administered by the Minister for Finance) makes provision, inter alia, for:-

- (a) the audit of the public accounts and the Minister for Finance's Annual Financial Statements (see (f) below) and, in doing so, provides for -
 - (i) the appointment of the Auditor-General and the conditions under which he holds office;
 - (ii) the powers, duties and responsibilities of the Auditor-General; and
 - (iii) the Auditor-General to report to Parliament each year.
- (b) the basic rules for accounting by the Minister for Finance for public moneys, including the appointment of accounting officers to receive and disburse moneys and their responsibilities, and for the issue of funds against appropriations made by the Parliament;

- (c) the responsibilities of the Permanent Head of a Department for making appropriate arrangements for implementing the provisions of the Act and Finance Regulations and Directions;
- (d) the Loan Fund and the Trust Fund;
- (e) the Minister for Finance to prepare a monthly Statement of Financial Transactions containing information on receipts and outlays of the Commonwealth and financing transactions relating to the surplus (or deficit); and
- (f) the Minister for Finance to prepare, annually, Financial Statements for the most recently completed financial year comprising:-
 - Receipts and expenditure of the Consolidated Revenue Fund, the Loan Fund and the Trust Fund;
 - Fund and Commonwealth Public Account balances at 30 June; and
 - statements of the financial transactions of each department incorporating information required to be furnished by the Permanent Head.

CHAPTER 2

FINANCIAL DOCUMENTS PRESENTED TO PARLIAMENT

2.1 A number of financial documents are presented to Parliament on a regular, generally monthly or annual, basis. These documents provide information relating to two broad responsibilities of the Government:-

- its responsibility for the Budget and the associated need to seek the appropriation of moneys by the Parliament - the Budget Speech and related papers;
- its accountability to the Parliament for the expenditure of public moneys - Financial Statements of the Minister for Finance (which are subject to Audit) and other documents.

Budget Speech and Related Papers

2.2 When introducing the annual Budget the Treasurer presents his speech and tables a series of related Budget Papers, presently eleven in number. These are outlined briefly below.

Budget Speech

2.3 As well as describing the thrust of the Government's economic policy and its Budget strategy as an instrument of that policy, the Budget Speech forms the Second Reading of the Appropriation Bill (No. 1), the main bill for the financial year to appropriate moneys for the ordinary annual services of the Government.

Budget Paper No. 1 - Budget Statements

2.4 This Paper is circulated by the Treasurer and the Minister for Finance. Prior to 1981 Budget Paper No. 1 contained the Budget Speech and six attached Statements. The Speech is now printed as a separate document and is incorporated in Hansard for both Houses. The Statements as well contain detailed information on the Budget figuring and measures, as well as explanatory material on the broader economic context of the Budget:-

Statement No. 1: Summary of the Budget - outlines of the key Budget aggregates in broad functional and national accounting terms.

Statement No. 2: The Budget and the Economy - reviews the main domestic and international economic developments during the previous financial year, outlines the role of the Budget in the Government's overall economic strategy and presents an assessment of the economic outlook for the current financial year.

Statement No. 3: Estimates of Outlays - contains detailed estimates for the current financial year and explanations of Budget outlays on a functional basis together with comparative figures of actual results for the two previous years.

Statement No. 4: Estimates of Receipts - contains details of the revenue estimates, summarises new revenue proposals and shows their estimated effects on receipts in the current financial year and in a full year; appendices include details of crude oil and LPG pricing and levy arrangements and taxation expenditures.

Statement No. 5: Budget Outcome - summarises the Budget outcome for the previous financial year and discusses, for each major function "block" and each major receipt category, the difference between the Budget estimates and actual outcome. It also details how the previous year's Budget deficit was financed.

Statement No. 6: Budget and other Public Sector Transactions (over previous 10 years) - provides an historical series of Budget data by functional and national accounting classification. It also provides data on the relationship between the Commonwealth Budget and other parts of the public sector and on the overall public sector borrowing requirement.

Appendix: discusses the functional and national accounts classifications of Budget transactions and explains the structure of the functional classification in detail (see Chapter 3 for further details of the classification of Budget information).

Budget Paper No. 2 - Appropriation Bill (No. 1)

2.5 One of the two major annual appropriation measures introduced by the Treasurer on Budget day. It is a Bill to appropriate moneys of the Consolidated Revenue Fund for the ordinary annual services of the Government, including all Defence provisions (see Chapter 8 for further detail).

Budget Paper No. 3 - Appropriation Bill (No. 2)

2.6 The other of the major annual appropriation measures introduced by the Treasurer on Budget day. In accordance with a "Compact" between the two Houses in 1965* as to the provisions which should be included in the Bill for the ordinary annual services of the Government (Appropriation Bill (No. 1)), the No. 2 Bill contains proposed appropriations for:

- the construction of public works and buildings;
- the acquisition of sites and buildings;
- items of plant and equipment which are clearly definable as capital expenditure;
- grants to the States under section 96 of the Constitution (like payments to the Northern Territory are now also included in the No. 2 Bill); and
- new policies not authorised by special legislation (subsequent appropriations for such items are included in the No. 1 Bill).

For further details see Chapter 8.

Budget Paper No. 4 - Estimates of Receipts and Summary of Estimated Expenditure for the Year Ending 30 June

2.7 This document is circulated by the Minister for Finance and includes:-

- details of the estimates of receipts of the Consolidated Revenue Fund;
- details of estimated expenditure from special appropriations;
- summaries of estimated receipts and expenditure of the Consolidated Revenue Fund;
- estimated outlays from the Loan Fund;
- details of average staff employed by and salary costs of departments; and
- details of estimates of expenditure for Budget dependent statutory authorities funded through single line appropriations in Appropriation Acts Nos. 1 and 2.

2.8 It also provides a reconciliation between amounts appropriated from the Consolidated Revenue Fund and total outlays as shown in the Budget Speech and Statements, together with an index to the Appropriation Bills and references to the various documents in which information on particular items may be found. It does not include itemised details of departmental expenditure which can be found in the Appropriation Bills.

2.9 Information on the Trust Fund is included in the Financial Statements of the Minister for Finance,* Table 7, and under the headings of the individual departments which administer Trust Accounts and heads of the Trust Fund. The operation of the Trust Fund is explained in Chapter 5 below.

* J.L. Odgers, Australian Senate Practice, Parliament of the Commonwealth of Australia, Canberra 1976, Parliamentary Paper No. 1, 1976, pp. 374-388.

* See page 10 below

Budget Paper No. 5 - Civil Works Program

2.10 This paper is circulated by the Minister for Housing and Construction. It amplifies information in the Appropriation Bill (No. 2) on the provisions for expenditure on capital works and services under the control of the Department of Housing and Construction and works to be undertaken by the National Capital Development Commission.

2.11 Details are given of each project estimated to cost \$40,000 or more and on which work was still in progress at the beginning of the current financial year; bulk figures are shown for other works in progress. For new works proposed for commencement in the current financial year the estimated cost is shown for each new work expected to cost \$40,000 or more, and bulk figures for other proposed new works. Further details of the Civil Works Program are given in Chapter 10.

Budget Paper No. 6 - Government Securities on Issue at 30 June

2.12 This is an information paper presented by the Treasurer setting out details of securities issued by the Commonwealth and State Governments. With some exceptions, e.g. Income Equalisation Deposits and certain bank loans raised overseas by the Commonwealth, it excludes debt not covered by the issue of securities. It also excludes the debt of semi-government and local authorities and other bodies carrying an Australian government guarantee as these debts are not covered by the issue of securities by a Government.

Budget Paper No. 7 - Payments to or for the States, the Northern Territory, and Local Government Authorities

2.13 Paper No. 7 is presented by the Treasurer and provides a survey of payments made by the Commonwealth Government to the States, the Northern Territory and local government authorities. However, it deals primarily with payments to be made in the current financial year with comparative information on payments in the four previous financial years. The paper includes details of:-

- (a) general revenue grants, including Financial Assistance Grants and Special Grants;
- (b) specific purpose payments; and
- (c) Loan Council borrowing programs.

Appendices to the paper outline some of the earlier history of these payments.

Budget Paper No. 8 - Australia's Overseas Development Assistance Program

2.14 This paper, circulated by the Minister for Foreign Affairs, provides details of Australia's bilateral and multilateral overseas aid programs.

Budget Paper No. 9 - National Income and Expenditure

2.15 Paper No. 9 is prepared by the Australian Statistician and provides estimates of gross domestic product, gross national expenditure and national income for the five preceding financial years.

Budget Paper No. 10 - National Accounting Estimates of Receipts and Outlays of Commonwealth Government Authorities

2.16 This Paper, prepared by the Department of Finance, elaborates on the national accounting presentation of the Budget set out in Budget Statements (Paper No. 1). It includes a dissection of Budget outlays into their domestic and overseas components and also provides, on a comparable basis, estimates for Commonwealth Government authorities operating outside the Budget together with consolidated figures for Commonwealth Government authorities as a whole.

Budget Paper No. 11 - Income Tax Statistics

2.17 Paper No. 11 is presented by the Treasurer and contains summary details of certain income tax statistics of individuals and companies. More detailed statistics are included later in a supplement to the Annual Report of the Commissioner of Taxation.

Functional Classification of Outlays - Departmental Estimates

2.18 While not part of the Budget Paper series this document is presented by the Minister for Finance shortly after the Budget is brought down and shows separately the individual departmental, or portfolio, components of functionally classified data included in Statement No. 3 of Budget Paper No. 1. It fills a gap in the information needs of the Parliament identified by the House of Representatives Standing Committee on Expenditure in its Report entitled "Parliament and Public Expenditure".*

2.19 In providing information on Ministerial or portfolio responsibilities, the document lists departments in the same order as they appear in the Appropriation Bills. For each portfolio, the departmental heading covers all outlays which fall within the direct responsibility of the Minister concerned (e.g. figures for the Department of the Capital Territory include outlays on the Parliament House Construction Authority and the National Capital Development Commission).

Explanatory Notes for Parliamentary Estimates Committees: Estimates of Receipts and Expenditure

2.20 These explanatory notes provide detailed information in support of proposed expenditures of departments and authorities included in the Appropriation Bills Nos 1 and 2.

* Parliamentary Paper 66/1979.

2.21 The information is submitted in accordance with the Senate's resolution of 28 February 1978 relating to Departmental Estimates and Parliamentary Requirements. Its form and content is required to comply with that specified in the Report of the Chairman of (Senate) Estimates Committees on the "Form and Content of Explanatory Notes" tabled in the Senate on 9 June 1978, and varied from time to time in accordance with recommendations of Estimates Committees.

2.22 While the notes were designed to serve the purposes of Senate Estimates Committees they have also been used in conjunction with the deliberations of the House of Representatives Estimates Committees since their introduction in September 1979.

2.23 Senate Estimates Committees, in considering the proposed annual appropriations, normally do not have before them the Appropriation Bills as these Bills cannot be introduced into the Senate until passed by the House of Representatives. In order to give the Senate a reasonable period in which to examine the proposed appropriations, documents entitled "Particulars of Proposed Expenditure" and "Particulars of Certain Proposed Expenditure", corresponding to the Schedules to the Appropriation Bills Nos 1 and 2 respectively, are tabled in the Senate by the Minister for Finance when presenting the Budget Speech in that House.

Financial Statements and Other Documents

Annual Financial Statements Prepared by the Minister for Finance and Reported upon by the Auditor-General

2.24 These statements report on the transactions for the most recently completed financial year. They are prepared pursuant to section 50 of the Audit Act. It is these statements which, pursuant to section 51 of the Audit Act, are examined by the Auditor-General and accompany the Auditor-General's report to the Parliament. They are the audited account of the receipts and expenditure of the Australian Government for the year. The statements list:

- . Fund and Public Account balances at 30 June;
- . receipts and expenditure of the Consolidated Revenue Fund;
- . receipts, expenditure and investments of the Trust Fund;
- . receipts and expenditure of the Loan Fund;
- . statements of the financial transactions of each department incorporating information furnished by Permanent Heads; and
- . further information relating to the financial affairs of the Commonwealth.

2.25 The statements differ in form from those presented in the years prior to 1979 when information on receipts and expenditure was classified primarily by Fund. Reflecting the greater importance placed on the financial responsibilities of Permanent Heads as a result of the Audit Amendment Act 1979, emphasis is now given to the classification of transactions under departmental headings. Under previous legislation the Auditor-General was required to explain the Minister's statement. Responsibility for providing information and explanations has now become that of the Permanent Head of a department. In this connection the words "department" and "Permanent Head" have extended meanings given to them by section 2AB of the Act.

Monthly Statement of Commonwealth Government Financial Transactions

2.26 Section 49 of the Audit Act requires the Minister for Finance "as soon as practicable after the expiration of each month of each financial year" to publish a Statement of Financial Transactions containing information on:-

- . outlays and receipts of the Commonwealth for that month and during that year up to the end of that month; and
- . financing transactions showing, among other things, the manner in which the surplus or deficit for that month (and for the year to that date) was applied or financed.

The monthly Statement is further considered in detail in Chapter 4.

Advance to the Minister for Finance - Annual Statement to Parliament of Particulars

2.27 Each year in the Appropriation Acts Nos 1 and 2 (and the Supply Acts Nos 1 and 2) amounts are appropriated as the Advance to the Minister for Finance to enable the Minister to make:-

- . advances that will be recovered during the financial year;
- . moneys available for expenditure that the Minister is satisfied is "urgently required and that was unforeseen until after the last day on which it was practicable to include appropriation for that expenditure" in the relevant Appropriation Bill and particulars of which will afterwards be submitted to the Parliament; and

moneys available for expenditure pending the issue of a warrant of the Governor-General specifically applicable to the expenditure.

2.28 By the end of the financial year:-

- all advances are recovered;
- expenditure from the Advance pending the issue of Governor-General's warrants are all recovered when the warrants become available;
- the bulk of other expenditures initially met from the Advance have been covered by specific appropriations under further Appropriation Acts (normally Nos 3 and 4 - the so-called "Additional Estimates") and the Advance repayed; but
- certain urgent and unforeseen expenditures which arise after the Appropriation Bills (Nos. 3 and 4) - the "Additional Estimates" - are introduced to the Parliament, remain as a final charge against the Advance and, pursuant to Section 36A of the Audit Act, are charged to appropriate "heads" of expenditure corresponding to the item structure of the Appropriation Acts (Nos. 1 to 4).

2.29 The amounts standing as a final charge against the Advance are the particulars that the Minister for Finance is required under the Advance Appropriations to submit to the Parliament "afterwards".*

2.30 The "particulars document" is tabled in the Parliament by the Minister for Finance early in the Budget Sittings. The document is examined by the Joint Committee of Public Accounts which, after taking evidence as necessary from departmental officers, reports upon it to the Parliament. The document is also referred to Senate Estimates Committees for examination.

2.31 The Advance appropriations are contingency funds and the Minister for Finance has considerable discretion, subject to the criteria/constraints attached by Parliament. For this reason Parliament looks closely at the total amounts provided for this purpose and the use to which the funds are put. Examination of the use to which they are put has been enhanced by the introduction, as from May 1981, of a monthly report of details of expenditure from the Advance (for further details see next heading).

Advance to the Minister for Finance - Monthly Statement of Expenditure therefrom

2.32 The Senate Standing Committee on Finance and Government Operations in 1979 examined and reported upon all

aspects of the Advance to the Minister for Finance.* It recommended, among other things, the tabling in the Parliament of a monthly statement of approvals of expenditure from the Advance. Included in its response to the Standing Committee's Report tabled in the Senate on 29 May 1981, the Government agreed to this proposal.

2.33 The first such statement was for the month of May 1981. Each statement shows, by department and Appropriation Item, details of issues from the Advance (appropriated under the No. 1 and No. 2 Appropriation and Supply Acts) under the following headings:-

- amounts provided to fund payments pending the issue of Governor-General's Warrant;
- advances made which will be repaid within the financial year;
- moneys made available in supplementation of existing appropriations for specified purposes; and
- moneys made available for new services for which no specific appropriation has been made.

The statements show all issues involving the last of these categories and issues in excess of \$50,000 for the others.

* Parliamentary Paper No. 217/1979.

* See Divisions 310 and 868 of Appropriation Bills Nos. 1 and 2 respectively for 1981-82

CHAPTER 3

CLASSIFICATION OF BUDGET INFORMATION

Modes of Classifying Figures

3.1 In the Budget documents three different modes of presentation of Budget information are used. The following notes identify them and indicate, as far as is possible, to which classification documents available to Senators and Members are mainly related. Some Budget documents, such as "Government Securities on Issue" and "Income Tax Statistics" are not relevant to this discussion, while the Statistician's bulletin "Public Authority Finance - Federal Authorities" (not issued as part of the Budget Paper Series) includes statistics of the financial transactions of Commonwealth Government authorities for past years arranged under a number of classifications.

3.2 The three modes of presentation currently used are:-

- . appropriation form;
- . functional classification; and
- . national accounts classification.

Appropriation Form

3.3 The first mode is concerned with the traditional aspect of obtaining Parliamentary approval for the withdrawal of money from the Commonwealth Public Account and with the accountability of Ministers and their departments for expenditure within the amounts authorised by Parliament.

3.4 In this category, the Consolidated Revenue Fund is the most important and it is for this reason that Table 6 of the document "Estimates of Receipts and Summary of Estimated Expenditure" (Budget Paper No. 4) gives full details of the estimated amounts to be expended from the Consolidated Revenue Fund under Ministerial and departmental responsibility. The Appropriation Bills are concerned exclusively with this approach. The document "Civil Works Program" (Budget Paper No. 5) is an associated document.

3.5 The annual Financial Statements of the Minister for Finance, which are legally prescribed by section 50 of the Audit Act, report on expenditures from the Commonwealth Public Account in appropriation format. It is this document which is required by section 51 to be examined by the Auditor-General. It is attached to the Auditor-General's Report which he transmits to each House of the Parliament. (See chapter 2.).

Functional Classification

3.6 The functional classification of Budget transactions was introduced and used as the main framework for the detailed discussion of budget policy proposals in the 1973-74 Budget Statements. This system, unlike the classification which it

replaced, groups outlays according to their primary objective or purposes.* The functional classification aims to reveal more fully information on the nature of Government activities, the share of resources devoted to particular objectives and to facilitate assessment of the effectiveness of outlays in meeting objectives. The functional classification is thus designed to meet a widely recognised need to present Budget data in such a way as to facilitate the decision-making processes of Government and to provide generally a more useful framework for the consideration of policies and their expenditure implications.

3.7 The conventions and principles used are essentially those set out for the classification of government outlays by purpose in the United Nations publication A System of National Accounts.** The figures presented in the functional classification have been derived by reclassifying data from the Appropriation Acts, supplemented by additional information where necessary. It should be noted that the functional categories do not necessarily correspond with appropriation or departmental structures. Furthermore, some outlays and receipts figures are netted in arriving at aggregates. Expenditure votes and revenue heads under the control of a particular department may, therefore, be classified under more than one functional heading and it will not always be possible to identify individual appropriation items in the Statements.

3.8 The functional classification has been applied to outlay aggregates based on national accounting conventions. There is thus a consistent conceptual basis underlying both the functional classification and the classification of Budget transactions by economic categories (the National Accounts Classification).

3.9 The functional classification is used in Statements Nos 1, 3, 4, 5 and 6 of Budget Paper No. 1. A detailed description of the functional presentation can be found in the Appendix to Budget Paper No. 1.

National Accounts Classification

3.10 This classification, although it requires the gathering of additional data, is basically a re-organisation of the material available in appropriation form into a form consistent with that adopted by the Statistician in his national accounts publications. The presentation highlights the economic categories into which Budget transactions fall, e.g. net current purchase of goods and services, capital expenditures, advances and various forms of transfer payments.

* The previous classification was essentially a product of an historical evolution from the appropriation documents and concentrated heavily on input, organizational and institutional characteristics of receipts and outlays.

** United Nations, A System of National Accounts, U.N. Statistical Office 1968.

Presentation in this form facilitates the analysis of relationships between the Budget and the economy as a whole.

3.11 Statements Nos 1, 5 and 6 of Budget Paper No. 1 present Budget aggregates in national accounts form. The document titled "National Accounting Estimates of Receipts and Outlays of Commonwealth Government Authorities" (Budget Paper No. 10) provides a more extensive account of the figures in these Statements and also provides comparative figures for Commonwealth Government authorities operating outside the Budget. "National Income and Expenditure" (Budget Paper No. 9) gives previous years' figures for the economy as a whole.

Distinction between Appropriations and Outlays

3.12 "Appropriations" of the Consolidated Revenue Fund (CRF) - as represented by the Supply Acts, the Appropriation Acts and various Special Appropriations under other Acts - or of the Loan Fund and Trust Fund, and "outlays" as described in the Budget Statements are different, though closely related, concepts. Caution therefore needs to be exercised in relating the one to the other (e.g. in expressing one, say special appropriations, as a percentage of the other, say total outlays).

3.13 The term "appropriation" reflects a legal concept which derives from the requirement in section 83 of the Constitution that no money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law; the term "Budget outlays", on the other hand, reflects an economic concept defined to put Budget data on a basis consistent with, and readily related to, national accounting data for other sectors of the economy (and the economy as a whole) compiled and published by the Australian Bureau of Statistics.

3.14 Not all appropriations are classified as Budget outlays; for example, some transactions deriving from appropriations are classified as "financing transactions" and are therefore not included in outlays. Furthermore some, but not all, Trust Fund outlays have their origin in prior appropriations of the CRF which are offset against one another on consolidation. Other differences arise because particular items recorded as receipts in the CRF are offset against expenditures in arriving at "outlays" and because various transactions which are recorded in gross terms in calculations of "receipts" and "outlays" are netted out in the CRF estimates.

3.15 A reconciliation between estimated Budget outlays as shown in Statement No. 3 of Budget Paper No. 1 and appropriations of the CRF - dissected to identify amounts to be appropriated by Special Appropriations and Appropriation Acts Nos 1 and 2 - is detailed in Tables 1 and 2 of Budget Paper No. 4, "Estimates of Receipts and Summary of Estimated Expenditure for the Year Ending 30 June 19".

CHAPTER 4
MONTHLY STATEMENT OF COMMONWEALTH GOVERNMENT FINANCIAL
TRANSACTIONS

4.1 Monthly statements of Commonwealth Government financial transactions have been published since 1930 and were subsequently known as the Neimeyer Statement. A copy of the Statement issued for June 1981 is included as an attachment to this chapter. (See page 23)

4.2 The Statement provides information on monthly transactions in a form consistent with that used in the Budget Statements, together with progressive totals for the financial year to date, comparative data for the preceding financial year and information on the Budget estimates for the year as a whole.

4.3 While the form of the Statement has changed over the years, its principal aim, particularly since 1969, has been to present timely, comprehensive and consistent information progressively through the year showing actual progress against the annual Budget. Since 1969, the Statement has included data on key budget aggregates, including total outlays, total receipts, the deficit and financing transactions, together with information on their main components. The current form of Statement is prescribed by Section 49 of the Audit Act.

4.4 The broad format of the present Statement dates from September 1973, following the adoption in the 1973-74 Budget of a new functional classification of outlays designed to group expenditures according to their major purposes. This format was embodied in the Audit Act itself in 1979.

4.5 The information required to produce the monthly Statement is derived directly from the Central Ledger maintained by the Department of Finance. The Ledger is coded to produce automatically data for the statement as part of normal end of month ledger processing activities. This usually permits the statement to be published a week or so after the close of the month to which it relates. The Statement is comprehensive in that, taken as a whole, it reflects all financial transactions of the Commonwealth through the Commonwealth Public Account including transactions through the Accounting Offices of the Australian Department of Finance in London, Washington and Geneva.

4.6 The Statement falls into three distinct though related parts:-

- (a) summary details of outlays, receipts and the deficit - "above the line transactions";
- (b) summary details of financing transactions; and

- (c) information on unfunded debt and bank balances as at the close of the relevant month.

(a) "Above the line transactions"

4.7 This major section of the Statement can best be viewed as a progress report against the Budget estimates which shows in summary form details of outlays and receipts headings and the Budget deficit for the current month and to date.

4.8 The classification used in the Statement is the same as that used in the Statements attached to the annual Budget Speech. That classification has been described briefly in Chapter 3. Further information on the structure of the classification, particularly as it relates to items of outlay, is presented annually as an Appendix to the Budget Statements (for 1981-82 see pages 303 to 312 of Budget Paper No. 1). A description of the components of receipts headings can also be found in Statement No. 4 of Budget Paper No. 1.

4.9 It is worth commenting on the concept of the Budget deficit used in the Budget Statements and the Monthly Statements under discussion. The deficit is a very rough, shorthand indicator of the net effect of the Budget on the economy both through its direct effects on demand (its fiscal impact) and indirectly through its effects on money supply (monetary impact). The effects of the Budget will vary according to such things as the size of the deficit, the means of financing it, the mix of outlays and receipts and the mix within outlays and receipts. As a broad generalisation, however, in their direct first round effects Government outlays from the Budget add to demand in the economy and to the volume of money; receipts have the opposite effects.

4.10 Care should be taken in interpreting monthly progressive figures appearing in the Commonwealth Government Statement of Financial Transactions due to seasonal patterns which are evident in Commonwealth Government transactions. Taxation receipts in particular, are subject to very marked fluctuations during the year, dependent in part upon due dates for the payment of particular income taxes. Seasonal influences are reflected in monthly movements in the deficit - the residual figure in the first part of the Statement.

(b) Financing Transactions

4.11 In addition to the concept of the Budget deficit as a summary indicator of Budget impact, the deficit may also be considered as an indicator of the "Commonwealth's requirement to borrow and/or to utilise its cash balances" - in the broadest sense of those terms. "Financing transactions" then consist of those transactions in financial assets and liabilities which have been undertaken to meet the deficit

shown in the previous section of the Statement. They include borrowings overseas, public borrowings in Australia, borrowings from the Reserve Bank, use of cash balances held by the Commonwealth and other miscellaneous transactions including changes in balances and investments held by certain Trust Accounts and minor changes in other financial assets and liabilities.

4.12 The main components of the financing transactions headings presently included in the monthly Statements are:-

(i) Net Overseas Borrowings

Consists of the proceeds of loan raisings overseas, including loans arranged by the Commonwealth to finance the purchase of aircraft and equipment by Australian National Airlines Commission and Qantas, loans arranged for the purchase of ships by the Australian National Line and loans arranged for defence purchases, less repayments, repurchases and redemptions of such loans from Loan Fund, Consolidated Revenue Fund and Trust Fund.

(ii) Net Proceeds of Australian Savings Bonds

Includes proceeds of sales of Savings Bonds, less redemptions of Savings Bonds (and Special Bonds which were on sale until February 1976).

(iii) Net Change in Treasury Notes on issue

This item shows the funds available to the Government from transactions in Treasury Notes, which are the Commonwealth's shortest term securities on issue to the public. Treasury Notes are a useful instrument in helping to control short-term liquidity in the economy.

(iv) Net Proceeds of other Loans Raised in Australia

The actual cash proceeds of loans raised in Australia, including amounts raised through State domestic loan raisings, less reductions in the amount of such debt outstanding through redemptions etc, are included in this item. Amounts subscribed by the Commonwealth Government to Special Loans are excluded and offset against the resultant increase in Commonwealth investments. The effect of these loan raisings on the volume of money depends on the parties subscribing. Broadly speaking, loan subscriptions from the non-bank public reduce the volume of money while subscriptions by the Banks do not.

(v) Borrowings from the Reserve Bank and Use of cash balances

These two items are often referred to as "residual financing" transactions. They represent the net result of all other transactions by the Government. When funds available from all other financing transactions are insufficient to finance the deficit the Government either runs down any accumulated cash balances it may have or, if necessary, borrows from the Reserve Bank against the issue of Treasury Bills and/or other securities. When there is an excess of funds from other sources the Government may repay debt to the Reserve Bank and/or increase cash balances. An increase in cash balances will show up in the Statement in financing transactions as a debit entry.

(vi) Other Financing Transactions in Australia

This item includes funds available to the Government from coinage transactions, net increases in amounts held in respect of employer contributions for the superannuation schemes of the Postal and Telecommunications Commissions, amounts available from moneys held in trust and net amounts available from Trust Accounts' transactions in Government securities.

(c) Unfunded Debt and Bank Balances

4.13 This section, which appears at the foot of each monthly statement, sets out details of short term debt outstanding at the end of the relevant month and information on the absolute amount of Commonwealth bank balances at the same date. The data on short term debt distinguishes between that represented by Treasury Bills, which are not publicly traded, and Treasury Notes which may be issued generally.



MINISTER FOR FINANCE

COMMONWEALTH GOVERNMENT
STATEMENT OF FINANCIAL TRANSACTIONS 1980-81
\$ million

	BUDGET ESTIMATE 1980-81	MONTH OF JUNE 1981	12 MONTHS TO 30.6.1981	12 MONTHS TO 30.6.1980
OUTLAYS				
Defence	3,541.4	476.5	3,533.8	3,008.0
Education	2,886.9	288.5	3,955.2	2,666.5
Health	3,452.9	500.8	3,650.0	3,169.2
Social Security and Welfare	9,889.7	878.9	9,923.6	8,796.7
Housing	365.5	15.2 DR	341.2	345.5
Urban and Regional Development (nec) and the Environment	104.6	52.2	97.4	38.7
Culture and Recreation	393.1	51.5	398.8	320.6
Economic Services -				
Transport and Communication	1,000.0	33.2	988.4	807.4
Water Supply, Electricity and Gas	60.4	0.6	51.0	24.7
Industry Assistance and Development	824.6	122.2	832.2	650.2
Labour and Employment	249.5	25.1	350.8	305.6
Other Economic Services	125.3	6.8	128.2	116.1
General Public Services -				
Legislative Services	109.6	12.2	112.2	78.7
Law, Order and Public Safety	214.9	25.3	220.5	199.7
Foreign Affairs and Overseas Aid	733.8	48.1	747.6	653.9
General and Scientific Research (nec)	327.0	18.8	314.5	271.1
Administrative Services	1,070.7	138.3	1,083.6	951.8
Not Allocated to Function -				
Payments to or for the States, the Northern Territory and Local Government Authorities (nec)	1,905.8	649.7	1,970.6	1,059.9
Public Debt Interest	2,409.1	124.2	2,561.4	2,252.7
Allowance for Prospective Wage and Salary Increases	125.0	-	-	-
Unallocated Administrative Savings	-	-	-	-
Total Outlays	36,036.7	3,197.4	36,271.6	31,694.4
RECEIPTS				
Taxation Revenue -				
Customs Duty -				
Imports	1,770.0	156.0	1,739.5	1,538.1
Coal Exports	30.0	10.6	34.9	30.7
Excise Duty	5,002.0	432.6	5,633.2	4,969.0
Sales Tax	2,060.0	187.6	2,102.3	1,864.8
Income Tax - Individuals - Gross PAYE	15,120.0	1,524.3	15,290.6	13,287.4
- Refunds	1,200.0 DR	14.5 DR	1,170.2 DR	1,122.1 DR
- Net PAYE	13,820.0	1,509.6	14,120.7	12,160.3
- Other	3,250.0	250.2	3,422.6	2,879.8
- Companies	4,500.0	545.5	4,694.7	3,406.5
- Withholding Tax - Dividends	115.0	15.4	116.4	100.1
- Interest	45.0	6.3	46.6	41.0
Payroll Tax	15.0	1.5	17.0	15.7
Departure Tax	20.0	1.7	18.7	18.4
Estate Duty	20.0	0.7	17.1	48.4
Gift Duty	1.5	0.5	0.1 DR	0.5
Stamp Duty	7.5	0.8	6.4	6.9
Other Taxes, Fees and Fines	175.3	7.5	184.6	170.4
Remissions	1.5 DR	0.1 DR	1.4 DR	1.5 DR
Total Taxation Revenue	31,725.8	3,121.6	32,463.1	27,305.2
Interest, Rent and Dividends	2,217.0	623.6	2,245.5	2,035.2
Net Receipts from Government Enterprise Transactions	277.0	149.5	242.8	264.2
Sale of Existing Assets	181.4	6.1	152.7	58.2
Total Receipts	34,471.2	3,901.7	35,144.1	29,660.8
BURDEN (+) DEFICIT (-)	1,565.5-	706.3+	1,127.5-	2,033.6-
FINANCING TRANSACTIONS				
Net overseas borrowings		75.7	97.9 DR	187.0
Net proceeds of Australian Savings Bonds and Special Bonds		44.6	325.5 DR	173.7
Net changes in Treasury Notes on Issue		441.5	1,912.2	205.5
Net proceeds of other loans raised in Australia	1,565.5	42.1	1,550.1	76.8 DR
Borrowings from Reserve Bank		1,000.0 DR	600.0 DR	500.0
Use of cash balances		342.4 DR	242.3 DR	634.9
Other financing transactions in Australia		31.1	22.9	609.5
Total Financing Transactions	1,565.5	706.3	1,127.5	2,033.6

UNFUNDED DEBT AND BANK BALANCES AT 30 JUNE 1981
\$ million

Treasury Bills	1,900.0
Treasury Notes	3,527.4
Bank Balances	620.5

CHAPTER 5

THE COMMONWEALTH PUBLIC ACCOUNT THE CONSOLIDATED REVENUE FUND THE TRUST FUND AND THE LOAN FUND

Commonwealth Public Account

5.1 The "Commonwealth Public Account" is the title of the main bank account of the Commonwealth Government established pursuant to Sections 20 and 21 of the Audit Act 1901 and is kept at the Reserve Bank of Australia in each State capital city as well as in Canberra and Darwin. Receivers of Public Moneys are required to pay daily into the Commonwealth Public Account all moneys received by them. Accounting Office Directors arrange withdrawals from the Account each day to reimburse drawing accounts from which departmental payments are met.

5.2 The "Commonwealth Public Account" comprises the cash balances of the:-

- . Consolidated Revenue Fund
- . Trust Fund (other than the National Debt Sinking Fund - NDSF)
- . Loan Fund

There are no physically separate moneys that can be identified as being attributable to any particular Fund; for accounting purposes the transactions of the three Funds, other than the NDSF, are recorded separately in the Commonwealth's books of account, in conformity with the requirements for each as set out in the Audit Act 1901.

5.3 Moneys of the NDSF, while "maintained within the Trust Fund" pursuant to Section 7 of the National Debt Sinking Fund Act 1966, are required to be kept in an account under the control of the National Debt Commission and thus outside the Commonwealth Public Account.

Consolidated Revenue Fund

5.4 This Fund, established by the Constitution, consists of all revenues raised or received by the Government. It is the principal fund referred to in the Financial Statements prepared by the Minister for Finance and its main sources of receipts are income tax, sales tax, customs and excise duties and other departmental revenues.

5.5 The main payments from the Fund are for:

- . payments to or for the States (other than the States' shares of the proceeds of public loans);
- . payments to the National Welfare Fund for social and health services;

- defence services;
- departmental expenditure on running expenses, works and other services;
- interest and other debt charges including sinking fund contributions;
- advances and payments to statutory authorities dependent on the Budget.

5.6 At 30 June each year the Consolidated Revenue Fund is balanced; thus, no deficit or surplus is carried forward into the new financial year.

5.7 Details of receipts and expenditure are contained in Tables 1 to 7 and 9 to 14 of Budget Paper No. 4.*

Trust Fund

5.8 This Fund is established by Section 60 of the Audit Act. The Trust Fund comprises four groups of accounts, viz:-

- Group 1 - Moneys held in trust for persons and authorities other than the Commonwealth Government.
- Group 2 - Working accounts covering certain factories, stores and services.
- Group 3 - Other moneys held in trust under the authority of Parliament to meet future expenditure.
- Group 4 - Funds and accounts not part of the accounts of the Minister for Finance but which, by virtue of their enabling legislation, are part of the Trust Fund.

5.9 Particulars of the legal authority, purposes, transactions and investments of all heads of the Trust Fund and Trust Accounts are included in the annual Financial Statements prepared by the Minister for Finance under the headings of the departments which administer them.

Group 1 - Moneys held in Trust

5.10 These are "trustee funds" held for or on behalf of persons or authorities other than the Commonwealth Government. Separate accounts or "heads" of the Trust Fund may be established by the Minister for Finance and moneys standing to their credit may be expended only for the purposes approved by the Minister or under the specific authority of an Act. There are relatively few accounts of this type, one example being the Social Security Overseas Administrations Benefits Trust Fund in which are held moneys received from other Governments for pensions payable in Australia.

* Estimates of Receipts and Summary of Estimated Expenditure.

Group 2 - Working Accounts

5.11 Nearly half the accounts in the Trust Fund are working accounts for such activities as:

- (a) munitions factories run by the Department of Industry and Commerce;
- (b) quasi-commercial undertakings run by other departments, and include the Government Printing Office, canteens and cafeterias; and
- (c) some stores and transport operations.

5.12 These working accounts are established by the Minister for Finance under Section 62A of the Audit Act 1901. A trust account stands in the same position as a bank account so far as the operations of the undertaking are concerned. However the cash balance of the trust account forms part of the Commonwealth Public Account and is available for expenditure only in accordance with the purposes defined by the Minister when establishing the trust account.

5.13 The Audit Act defines moneys of the Trust Fund as "public moneys" and safeguards built into the Act for transactions in public moneys apply equally to trust account transactions. However, payments therefrom are not appropriated in the same manner as payments from the Consolidated Revenue Fund or the Loan Fund.

5.14 A significant advantage of a trust account in relation to quasi-commercial activities of government is that it operates on a "revolving fund" basis and facilitates accrual accounting and costing operations. Moneys which can be paid to the credit of a trust account are defined in Section 62A(5) of the Audit Act 1901.

Group 3 - Moneys held to meet Future Expenditure

5.15 Accounts under this heading are generally established under separate authorising Acts (setting out their purposes) but are deemed by those Acts to be trust accounts for the purpose of Section 62A of the Audit Act. They fall into two main groups:-

- (a) the Loan Consolidation and Investment Reserve Trust Account; and
- (b) the remainder, mainly comprising amounts collected by way of levies on certain primary products to provide funds for stabilisation and research.

Group 4 - Funds and Accounts Not Part of the Accounts of the Minister for Finance

5.16 The transactions of the Trust Fund as recorded in the

Financial Statements of the Minister for Finance include information on the National Debt Sinking Fund. While not a head of Trust Fund under Section 60 of the Audit Act nor a Trust Account under Section 62A of that Act, it is, pursuant to the National Debt Sinking Fund Act 1966, an account to be maintained in the Trust fund. As indicated above, it is, however, required to be under the control of the National Debt Commission and is therefore outside the Commonwealth Public Account. The Joint Committee of Public Accounts in its 34th Report* considered that particulars of this Fund should be included in the Financial Statements under a separate category or group of the Trust Fund.

Opening and Closing Trust Accounts

5.17 Most trust accounts are established by the Minister for Finance under the authority of Section 62A of the Audit Act. A number, however, have been authorised by other Acts and their purposes are defined in those Acts.

5.18 Trust accounts may be closed by the Minister once the purposes of the account have been discharged.

5.19 The Minister cannot lawfully amend the purposes of a trust account even if the account was established by him under Section 62A of the Audit Act. If the Government wishes the moneys in a trust account to be used for purposes other than those originally specified it must pass enabling legislation, where appropriate, or the Minister may establish a new trust account for the revised purposes and, pursuant to Section 35(4) of the Audit Act, provide for the balance of the old account to be transferred to the new.

Investment of Trust Fund Balances

5.20 Section 62B of the Audit Act provides that moneys standing to the credit of the Trust Fund may be invested by the Minister for Finance:-

- (a) in any securities of, or guaranteed by, the Commonwealth Government or the Government of a State;
- (b) on deposit in a bank; or
- (c) in the purchase of metal for coinage.

5.21 Interest received from the investment of any moneys standing to the credit of the Trust Fund is paid to the Consolidated Revenue Fund unless otherwise directed by the Minister for Finance or otherwise provided in an Act.

Loan Fund

5.22 Section 55 of the Audit Act 1901 provides that:-

* Parliamentary Paper 69/1957.

A separate account shall be kept of all moneys which shall be raised by way of loan upon the public credit of the Commonwealth, other than moneys raised by way of advances made by banks in pursuance of agreements under Section 20 of the Act.

Such account shall be called "the Loan Fund" and shall be kept under such separate heads as are specified in the several Loan Acts under the authority whereof the moneys were raised.

5.23 Details of expenditure from the Loan Fund are contained in Table 8 of Budget Paper No. 4, the "Estimates of Receipts and Summary of Estimated Expenditure" and in the annual Financial Statements of the Minister for Finance.

Legislative Authority for Loan Raisings

5.24 Constitutional authority in respect of borrowing is vested in the Parliament (subject to section 105A of the Constitution and hence subject to the Financial Agreement) by section 51(iv) - the power to make laws with respect to borrowing on the public credit of the Commonwealth; section 51 (xxxix) - the 'incidental power'; and section 61 - the 'executive power'. Section 105A of the Constitution gives the Commonwealth power to make arrangements with the States with respect to their public debt and has exercised that power in the "Financial Agreement" of 1927 between the Commonwealth and the States as subsequently amended from time to time.

5.25 The Financial Agreement governs all Commonwealth and State borrowing with the exceptions of Commonwealth borrowings for defence purposes approved by Parliament, and borrowings for temporary purposes. It follows from clause 4(4) of the Financial Agreement - read with section 105A of the Constitution - that the Commonwealth is under an obligation not to borrow money except in accordance with the Agreement.

5.26 Although, in the absence of legislation expressly or impliedly providing otherwise, it is not legally necessary for the Commonwealth to have statutory authority to borrow or to issue securities. In practice Commonwealth securities are usually issued under standing legislation and borrowings made either under standing or specific legislation. The power for the Commonwealth to borrow is normally vested in the Treasurer.

5.27 Standing statutory authority to issue securities is provided by:

- (i) the Commonwealth Inscribed Stock Act 1911, under which securities in respect of domestic borrowings are issued;
- (ii) the Treasury Bills Act 1914, which is no longer used to issue securities but has relevance because of references to it in other Acts; and

- (iii) the Loans Securities Act 1912, under which securities in respect of overseas borrowings are issued.

5.28 These Acts contain three basic features which govern the issue of securities in respect of Commonwealth borrowings:

- (i) the authority to issue securities is vested in the Governor-General in council;
- (ii) the power to create and issue securities, other than inscribed stock issued for the purpose of carrying out an obligation of the Commonwealth under the Financial Agreement, is dependent in all cases on authority to borrow under an Act; and
- (iii) principal and interest (if any) secured by securities so issued are claims on the Consolidated Revenue Fund which is appropriated accordingly.

5.29 The Treasurer has standing statutory authority to borrow under:

- (i) the Loans Redemption and Conversion Act 1921 to pay off, repurchase or redeem any loan in accordance with the Act, i.e. where the Governor-General has authorised the Treasurer to pay off, repurchase or redeem a loan;
- (ii) the Financial Agreement Act 1928 to provide loan moneys to the States as authorised under the Agreement;
- (iii) the Loan (Temporary Revenue Deficits) Act 1953 to meet an expected insufficiency in loan fund where funds are needed to cover a deficiency in the Consolidated Revenue Fund, such borrowings to be repaid by 30 June in the financial year in which they were borrowed.

5.30 New money borrowings by the Commonwealth - apart from specific purpose borrowings for on-lending to Commonwealth authorities, or to meet commitments to international financial institutions, or for payments into Trust Funds as authorised by specific legislation - are authorised:

- (i) in legislation enacted from time to time providing for various kinds of payments to the States under section 96 of the Constitution, the amounts of such borrowings being within the limits decided by the Loan Council under the Financial Agreement (discretion is often conferred on the Minister for Finance to make such payments to the States from borrowings - Loan Fund - or from the Consolidated Revenue Fund); or

- (ii) in a Loan Act usually introduced annually to allow defence expenditure approved under the Appropriation Act (No. 1) to be charged to Loan Fund, such borrowings being excluded from the Financial Agreement.

5.31 All loans raised are brought to account in the Loan Fund. So far as is feasible a separate head of Loan Fund is kept to show the authority under which a loan is raised, e.g. Income Equalisation Deposits but, in many cases, loans are raised under the authority of a number of Acts and it is more convenient to credit them to a head of Loan Fund which defines the type of security issued e.g. Australian Savings Bonds.

5.32 Section 57 of the Audit Act provides:-

"(1).... it shall not be lawful for the Minister for Finance to expend any moneys standing to the credit of the Loan Fund except under the authority of an Act".

5.33 The legislation authorising the raising of loans usually provides authority for the money raised to be applied to the purpose for which it was raised. However, securities may be issued under the general authority of the Commonwealth Inscribed Stock Act 1911 and authority for the expenditure of the moneys provided in another Act

Loan Flotation Expenses

5.34 The legislation authorising the raising of loans makes provision, where necessary, for meeting loan flotation expenses. Not all these expenses are a final charge to the Commonwealth and not all are chargeable to Loan Fund, e.g:-

- (a) expenses incurred on loans raised on behalf of Commonwealth authorities such as airline companies are charged to Consolidated Revenue Fund expenditure and recovered from the authorities; and
- (b) expenses relating to other loans are charged initially to the Loan Fund. The States' share of these expenses is recovered and credited to Loan Fund expenditure. The Commonwealth Government's share of expenses on reinvestments is transferred as a charge to Consolidated Revenue Fund expenditure. Its share of expenses of cash loans remains as a charge to Loan Fund.

Loan Management Expenses

5.35 The State Governments are obliged by the Financial Agreement to reimburse the Commonwealth Government for their share of loan management expenses. These expenses are charged initially to an annual appropriation and recoveries from the States are credited to the appropriation.

Payment of Interest

5.36 Payment of interest on Commonwealth Government securities is made in a number of ways. The largest category of interest payments is interest on inscribed stocks and bonds and Australian Savings Bonds which is paid by the Reserve Bank registries in Australia.

5.37 Treasury Notes and External Treasury Bills are issued at a discount; the interest earned accrues to the holder when the security matures or if rediscounted prior to maturity. The interest is brought to account in the monthly statement of financial transactions.

5.38 Interest payments overseas, which follow no set pattern, are made in London, New York and Geneva.

Redemption Repayment and Repurchases of Securities

5.39 All except a very small selection of securities on issue have a set date of maturity or of final maturity - some have earlier optional dates, but the crucial point is that the Commonwealth Government must find the means to meet maturing debts as and when they occur.

5.40 Sources of funds for repayment of the debt are:-

- Consolidated Revenue Fund;
- Loan Fund; and
- Trust Fund
 - Loan Consolidation and Investment Reserve.
 - National Debt Sinking Fund

5.41 The Acts which authorise the issue of securities also appropriate the Consolidated Revenue Fund for redemption of those securities but it is only in rare cases that redemptions are met from that fund. The main category of redemptions from the Consolidated Revenue Fund are loans raised on behalf of Commonwealth authorities which are reimbursed by the authority concerned.

National Debt Sinking Fund (See also comment above on "Commonwealth Public Account" and "Trust Fund")

5.42 Contributions are made to the National Debt Sinking Fund in respect of both Commonwealth and State Government debt.

5.43 A summary of the legislation affecting contributions to the National Debt Sinking Fund is contained in the Annual Report of the National Debt Commission which is tabled in Parliament.*

* For 1979/80 Report see Parliamentary Paper No. 244/1980.

5.44 Sinking Fund moneys are applied in the following ways:-

- (a) in making market repurchases of securities which are still current;
- (b) to meet the cost of repayment of loans by instalments; and
- (c) to meet the cost of redeeming maturing securities.

The Loan Consolidation and Investment Reserve

5.45 Section 6 of the Loan Consolidation and Investment Reserve Act 1955 defines the purposes of the Reserve in the following terms:-

- Moneys standing to the credit of the Reserve may be applied in repurchasing or redeeming securities which represent portion of the public debt of the Commonwealth.
- Securities so repurchased or redeemed shall be cancelled and the amount of the public debt of the Commonwealth shall be reduced accordingly.

5.46 The receipts of the Reserve are derived mainly from appropriations of the Consolidated Revenue Fund and from interest on investments. By the Appropriation Act No. 1 the Minister for Finance is empowered to determine the amount payable from the Consolidated Revenue Fund to the Reserve in a financial year. Such payment is a residual balancing item in the Consolidated Revenue Fund and the amount paid in any year will reflect all other variations from the estimated receipts and expenditure of that Fund.

Special Loans

5.47 It may be necessary during a financial year to raise a Special Loan (ie a loan not open to public subscription) to cover any shortage in the Loan Fund. This may occur where subscriptions to public loans are insufficient to provide for expenditure from the Loan Fund particularly for the State Governments, Loan Council programs, assistance to the States for housing and for redemptions. The Loan Consolidation and Investment Reserve is usually the sole subscriber to such loans.

CHAPTER 6

COMMONWEALTH CASH ACCOUNTS

MANAGEMENT OF OVERALL CASH BALANCES

In Australia

6.1 The main bank account of the Commonwealth Government - formally entitled the Commonwealth Public Account - is domiciled with the Reserve Bank in each State capital city and in Canberra and Darwin. All receipts including revenue and collections, loan moneys and trust moneys, other than receipts of the National Debt Sinking Fund (see Chapter 5), are paid to it, and from it funds are withdrawn by the Accounting Offices of the Department of Finance to meet cheques issued on drawing accounts in payment of expenditures incurred by departments. Receivers of Public Moneys in various departments pay their collections daily to the Public Account. Moneys received by the Registrars of Inscribed Stock for public loans and the proceeds of External Treasury Bills (see below) and Treasury Notes are credited direct to the Public Account by the Reserve Bank and receipts are forwarded to the Department of Finance so that the amounts can be brought to account.

6.2 A drawing account is an account established for the purpose of holding funds to meet the value of cheques issued by departments in payment of accounts certified and authorised for payment under Section 34 of the Audit Act 1901. The total amount of cheques drawn each day on a drawing account is transferred from the Commonwealth Public Account to the credit of the drawing accounts. Drawing accounts are used by the Department of Finance, Australian Taxation Office, the Department of Social Security and the Department of Veterans' Affairs.

Overseas

6.3 The main bank accounts operated on by the Accounting Offices of the Australian Department of Finance overseas (Offices are located in Washington, London and Geneva) are styled "Australian Public Accounts" and are kept at the Reserve Bank of Australia, London; the Chase-Manhattan Bank, New York; the Canadian Imperial Bank of Commerce, Toronto; and the Swiss Banking Corporation, Geneva. These accounts are segments of the Commonwealth Public Account referred to above. Apart from overseas loan raisings, the proceeds of which are normally remitted immediately to Australia, the accounts have few local receipts. As expenditures are usually in excess of receipts the accounts are funded by cash remittances arranged by the Department in Canberra through the Reserve Bank of Australia, that is to say the Reserve Bank sells the appropriate foreign currency to the Commonwealth Government.

Control of Cash

6.4 Under an arrangement with the Reserve Bank the Department of Finance maintains the overall balance of all Commonwealth Accounts (including the Commonwealth Public Account) in credit each day.

6.5 If it appears that the overall balances of the Commonwealth's accounts will run into overdraft, arrangements are made for an issue of "External" Treasury Bills to the Reserve Bank to fund the expected shortage (see below). The Reserve Bank allows the Commonwealth interest at the Treasury Bill rate (1%) on the daily credit balances in the accounts.

Control of Fund Balances: "Internal" Treasury Bills

6.6 Where, during the financial year, the Consolidated Revenue Fund has insufficient moneys for the purposes of any appropriation of that Fund, the Minister for Finance is authorised, by the Loan (Temporary Revenue Deficits) Act 1953, to expend moneys of the Loan Fund. If Loan Fund balances are insufficient for this purpose, the Treasurer is authorised by that Act to borrow moneys, not exceeding the insufficiency, by the issue of Treasury Bills subject to those moneys being repaid in the financial year in which they were borrowed. Uncommitted balances of the Trust Fund are normally available for investment in Treasury Bills. The moneys so invested then form part of the Loan Fund. As such borrowing/investment transactions are totally internal to the Commonwealth, ie they are transfers between Commonwealth Funds, the Treasury Bills are termed "Internal" to distinguish them from Bills issued to the Reserve Bank.

Treasury Notes and "External" Treasury Bills

6.7 From time to time it is necessary to resort to short term borrowings from the Reserve Bank against the issue of Treasury Bills (referred to as "External" Treasury Bills). The amounts on issue vary considerably, largely reflecting seasonal variations in Commonwealth Government receipts and expenditures. These variations are reflected in the monthly statement of Commonwealth Government Financial Transactions published by the Minister for Finance. External Bills are issued at a discount equivalent to 1% per annum for periods not exceeding three months.

6.8 Treasury Notes are somewhat different in that they are sold to the public by weekly tender. They are issued in two series "A" and "B". "A" notes are issued for a period of 13 weeks and "B" notes for 26 weeks, and the prices tendered vary according to market conditions. The amounts of Treasury Notes on issue also vary seasonally throughout the financial year, tending to be greatest when Commonwealth Government transactions are in deficit in the earlier part of the year and to be reduced later in the financial year, particularly as some income tax payments fall due.

Other Bank Accounts

6.9 There are numerous official bank accounts opened for and operated upon by departments under the authority of the Minister for Finance. These include special purpose accounts operated on an imprest basis, that is to say, an advance is provided (from an appropriation of the Consolidated Revenue Fund) and expenditure from that advance is limited both as to purpose and as to amount. The expenditure is reimbursed at frequent intervals by a transfer of funds from the Commonwealth Public Account and at that stage the expenditure is recorded as a charge to the relevant appropriation. There are also many Collectors Receipts accounts and Collectors and Receivers (of Public Moneys) trust accounts which act merely as clearing accounts for public moneys pending their payment into the Commonwealth Public Account (in the case of receipts accounts) or their disbursement (in the case of trust accounts).

6.10 The Department of Finance Accounting Offices, located in all State capital cities, Canberra and Darwin, are responsible for drawing cheques on behalf of all departments for general purpose payments but the Taxation Office, Department of Social Security and the Department of Veterans' Affairs have drawing accounts for the issue of taxation refunds and pensions.

CHAPTER 7

FORWARD OBLIGATIONS IN RESPECT OF GOVERNMENT EXPENDITURES

7.1 The Commonwealth system of financial management requires, as does the United Kingdom system, the Parliament to appropriate any public moneys needed for the purposes of the Commonwealth (Constitution, section 83). There is, however, no requirement similar to that in the United States of America whereby legislative authority must also be obtained before the Executive Government may enter into an obligation. Nevertheless, there is a requirement under Finance Regulation 44A made pursuant to the provisions of the Audit Act, reinforced by Government decision in respect of obligations not covered by that Regulation that an officer shall not incur an obligation on behalf of the Commonwealth unless provision for an appropriation has been made or proposed, or unless the Minister for Finance has given approval.

7.2 In many areas of government activity, budget allocations for a new financial year, and sometimes for years beyond it, can have been largely predetermined by obligations entered into before that year began. In this context obligations will include not only undertakings arising through specific legislation but also actions falling within the area of executive power, such as the signing of contracts for buildings or supplies or the entering into of other agreements for undertakings which, while they may not create legally enforceable claims, will obligate the Government to the payment of moneys.

7.3 For budget planning purposes, and to assist in maintaining expenditure control, procedures have been instituted to provide the Government with comprehensive information on existing and proposed obligations. The central feature of the procedures is the application across the broad range of budget expenditures of a forward planning system, similar in concept to arrangements in respect of the Civil Works Program, under which existing and proposed obligations are identified, considered and approved by the Government at the same time as cash (i.e. Budget) allocations for the emergent financial year are being determined.

7.4 The meet the requirement for comprehensive information, the forward programming system applies not only to obligations to be financed from annual appropriations of departments but also to those to be financed from special appropriations - other than in cases where the amounts and timing of the expenditure are firmly predetermined by the provisions of the relevant legislation.

7.5 The procedures also extend to obligations of statutory authorities operating within the Commonwealth Public Account and, where the obligation might lead to a request for the provision of funds from the Budget, to those operating outside the Public Account.

7.6 As soon as the Budget is introduced, departments and authorities are advised of the limits approved by the Government within which they should contain obligations which they consider will be outstanding at the end of the financial year for funding in future financial years. Subject to any special qualifications laid down by Cabinet or the Minister for Finance, and to the observance of established procedures relating to, for example, the Civil Works Program, Defence Program etc, departments may then enter into obligations up to the limits approved by the Government without further specific approvals.

7.7 Prior approval of the Minister for Finance is required before an obligation is entered into which would result in approved obligation limits being exceeded in respect of matters covered by Finance Regulation 44A, ie:

- the execution of works or the supply of services for or by the Commonwealth; or
- the purchase of chattels or other property for or by the Commonwealth.

7.8 In respect of obligations outside the scope of Finance Regulation 44A, eg. grants, loans and guarantees, prior approval of Cabinet or the Minister for Finance is required.

7.9 General exemptions from the system have been granted to obligations in respect of salaries and allowances, overtime, travelling and subsistence, postage, telegrams and telephone expenses. Exemptions have also been granted in respect of particular appropriations where it was considered appropriate because of the nature of the expenditure, other existing controls etc. Applications by departments for exemptions are considered on their merits.

CHAPTER 8

APPROPRIATION OF MONEYS

8.1 Section 83 of the Constitution provides that no money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law.

Appropriation Acts

8.2 The Parliament appropriates moneys by means of the following annual Appropriation Acts:-

- Supply Acts (Nos 1 and 2)
- Appropriation Acts (Nos 1 and 2)
- Appropriation Acts (Nos 3 and 4) - commonly known as the Additional Estimates

8.3 Special appropriations or standing appropriations of the Consolidated Revenue Fund and the Loan Fund are included in other Acts for purposes specified in those Acts. Examples of special appropriations are contained in the States Grants (Capital Assistance) Acts, the States Grants (Schools Assistance) Acts, the Financial Agreement Acts, the National Welfare Fund Act 1942, the Remuneration Tribunals Act 1973, the Parliamentary Contributory Superannuation Act 1948 and the Parliamentary Allowances Act 1952.

Supply Acts

8.4 Appropriations for the services or purposes required during the early months of a financial year, until the Appropriation Acts have been passed, are provided in the Supply Acts. The amount provided in each Supply Act is usually limited to not more than five months' requirements.

8.5 The amounts included in the Supply Acts, in the main, are based on expenditures or appropriations of the previous year.

8.6 As with Appropriation Acts, Supply Acts do not cover expenditure for which a special appropriation exists in another Act.

Annual Estimates of Expenditure

8.7 The annual estimates of expenditure, when endorsed by the Government, form the basis for preparation of Appropriation Bills (Nos. 1 and 2) and Budget Paper No. 4 - the Estimates of Receipts and Summary of Estimated Expenditure.

8.8 Amounts included in the Appropriation Bill (No 1) are normally shown under the following sub-divisions:-

1. "Salaries and Payments in the Nature of Salary".
2. "Administrative Expenses".
3. "Other Services", or such other approved heading (the sub-division is designed to provide for payments which will arise from a department's responsibilities but which are distinct from its administrative expenses, eg, contributions to semi-governmental and international bodies).

8.9 Expenditure under annual appropriations for the Department of Defence is provided in this Bill.

8.10 Amounts to be included in the Appropriation Bill (No 2) are normally sought under the following headings:-

"Capital Works and Services", which, as a general rule include:-

- Acquisition of Sites and Buildings.
- Buildings and Works.
- Plant and Equipment, irrespective of value, which is clearly definable as capital expenditure.
- Advances and Loans.

"Payments to or for the States and the Northern Territory", for payments to the States under section 96 of the Constitution and for payments of a like nature - though not under section 96 - to the Northern Territory.

"Other Services", for requirements in pursuance of new policies of Government not authorised by special legislation and for which provision has not previously been made.

Additional Estimates of Expenditure

8.11 Where an amount provided in an Appropriation Act (No 1 or No 2) is insufficient to meet approved obligations falling due in a financial year, additional appropriation may be sought in a further Appropriation Bill (No 3 or No 4). Appropriations may also be sought in these Bills for new expenditure proposals.

Principles Followed in Preparing Estimates

8.12 The following general principles are observed by departments in preparing estimates:-

- (a) estimates for all items of expenditure must represent a realistic assessment of the sum that is expected to be spent having regard to the information available to the department at the time of preparation. Estimates for supplies and services are based upon current or known costs and provision is not made for possible rises in costs except where this has been approved for specific programs. Where an item is for a type of recurring expense, eg, office services or travelling and subsistence, it is appropriate to budget on the basis of experience.
- (b) estimates must not include amounts for proposals which are so far from firm that it is not possible to form any real estimate of what payments, if any, will be made in the financial year; and
- (c) estimates are furnished under the heads of expenditure and items used in the annual Appropriation Acts and the Estimates of Receipts and Summary of Estimated Expenditure of the then current financial year or as otherwise approved by the Minister for Finance or his delegate, ie, where new or additional appropriation is required.

8.13 However, in compiling estimates of expenditure on salaries and allowances for inclusion in the Appropriation Bill (No 1), the salary provision for permanent officers (except First Division officers) and temporary employees (Item 01) is the total estimated cash payment for the year on the factors then known. Except for the Department of Defence no provision is made for the filling of positions yet to be created on the departmental establishment. Funds are sought to meet the estimated full year cost of staff actually employed at 1 July plus the cost of employing further staff needed to fill approved positions which may be vacant at 1 July, subject to any staff ceiling that is imposed by the Government from time to time.

8.14 Since 1973-74 the Supply and Appropriation Acts have contained a clause enabling the Minister for Finance to issue out of the Consolidated Revenue Fund such additional amounts as he determines for increases in salaries and wages and payments in the nature of salary. The clause restricts such increases to those covered by a law, or in accordance with an award, order or determination made under a law. The Minister is required to report the amounts so issued under this clause to the Parliament.

8.15 Departments are expected to provide for payments of furlough and accumulated leave payments to officers who will retire during the year, for increments of salary and for allowances such as higher duties allowance, district allowance, overseas living allowance etc.

Advance to the Minister for Finance

8.16 The Supply Acts (Nos 1 and 2) and the Appropriation Acts (Nos 1 and 2) each provide an appropriation for the Advance to the Minister for Finance. The Advances are contingency funds to make advances that will be recovered during the financial year, to make moneys available for expenditure pending the issue of a Governor-General's warrant (see below for discussion of warrants) and for expenditure that the Minister for Finance is satisfied is for urgent and unforeseen requirements. For further discussion on the Advance to the Minister for Finance, see Chapter 2, pages 11 to 13.

The Ordinary Annual Services of the Government

8.17 In accordance with section 53 of the Constitution, the Senate may not amend proposed laws appropriating moneys for the ordinary annual services of the Government and, under section 54, such proposed laws shall deal only with such appropriation.

8.18 The question of what are appropriations for the ordinary annual services of the Government is not a matter for the Courts; the accepted legal position is that it is a matter for decision by the two Houses of the Parliament. The dichotomy between the provisions of a Bill appropriating moneys for the ordinary annual services of the Government (Supply Bill (No 1) and Appropriation Bills (Nos 1 and 3)) and a Bill appropriating moneys other than for such services (Supply Bill (No 2) and Appropriation Bills Nos 2 and 4)) was determined by the so-called "Compact" of 1965 between the Houses.

8.19 That Compact dealt with the question by process of exclusion, i.e. it determined those provisions which should be excluded from the Bill for the ordinary annual services of the Government and which should thus be included in a separate Bill subject to amendment by the Senate. It provided that the following provisions be included in the separate Bill:-

- the construction of public works and buildings;
- the acquisition of sites and buildings;
- items of plant and equipment which are clearly definable as capital expenditure;
- grants to the States under section 96 of the Constitution (like payments to the Northern Territory are now also included in that Bill);
- new policies not authorised by special legislation (subsequent appropriations for such items to be included in the Bill for ordinary annual services of the Government).

8.20 It was agreed as part of the "Compact" that provisions for expenditure on Defence should be included in the Bill for the ordinary annual services of the Government irrespective of the nature of the expenditure (i.e. whether of a current or capital nature).

8.21 The expression "Services of the Government" as adopted in the Compact is not applied to mean, in a literal sense, "services" (including the supply of goods) for the Government. Such an interpretation would be inconsistent with the inclusion in the Bill for the ordinary annual services of the Government (pursuant to the Compact) of provisions for payments by the Commonwealth to international organisations, charitable bodies, the High Court and the Parliament, none of which bodies are, themselves, services of the Government as such. It is, however, consistent with the executive power of the Government under section 61 of the Constitution, that a service of the Government is the provision of moneys, subject to appropriation by the Parliament, for such bodies as the High Court, the Parliament, international organisations etc.

Governor-General's Warrant

8.22 The appropriation of moneys by Parliament does not enable payments to be made without a further step being undertaken. Under Section 32 of the Audit Act the Minister for Finance, when of the opinion that moneys are required to be drawn from the Commonwealth Public Account for the purpose of an appropriation, must notify the Auditor-General who in turn if so satisfied, must certify that the moneys so required do not exceed the amount available for expenditure in respect of the services or purposes in accordance with the appropriation. The Governor-General may then issue to the Minister a Warrant authorising the withdrawal from the Commonwealth Public Account of the amounts specified.

Warrant Authority

8.23 On receipt of Governor-General's Warrant, Warrant Authority, which "shares out" to departments in accordance with the administrative responsibilities for the appropriations, the amounts included in the Governor-General's Warrant, is issued at the following intervals:-

- (a) before the commencement of each financial year - for the amounts contained in the Supply Acts and for the amounts estimated to be required under existing Special Appropriations and Loan Fund Appropriations;

- (b) after the Appropriation Acts (Nos 1 and 2) have been passed - the additional amounts provided for the year (ie, the difference between the amounts made available in the Appropriation Acts and those in the Supply Acts);
- (c) after the Additional Estimates are passed (Appropriation Acts (Nos 3 and 4)) - for the amounts provided in those Acts; and
- (d) after the passing of new legislation containing Special Appropriations and Loan Fund appropriations - for the amounts estimated to be required.

Grouping of Expenditures in the Appropriation Acts

8.24 The grouping of expenditures in the Appropriation Act is "administrative" i.e. in accordance with Ministerial responsibility, rather than "functional". Thus, appropriations for rents and acquisitions of sites and buildings are grouped under the Department of Administrative Services and repairs and maintenance, and buildings and works under the Department of Housing and Construction. The Appropriation Acts are therefore not costing documents and the cost of a particular department cannot be deduced from the departmental groupings. It is not customary for charges to be made for services rendered by one department to another unless some special reason exists or unless such a payment is for services rendered to a business type undertaking within a department (e.g. the Australian Government Publishing Service).

CHAPTER 9

CLASSIFICATION OF EXPENDITURE IN ANNUAL APPROPRIATIONS

9.1 The following rules set out the general principles which departments are directed to follow in classifying expenditure.

A - Appropriation Bill (No 1)

Salaries and Payments in the Nature of Salary

9.2 Expenditure chargeable to Sub-Division 1 (Salaries and Payments in the Nature of Salary) of the Appropriation Act (No 1) is classified as follows:-

- Item 01 - "Salaries and Allowances" - payable to permanent officers, temporary, casual and exempt employees, including those on loan from other departments.
- Item 02 - "Overtime" - payable to permanent officers, temporary, casual and exempt employees, including those on loan from other departments.

Administrative Expenses

9.3 These are generally itemised into:-

- . Travelling and subsistence.
- . Office requisites and equipment, stationery and printing (excluding furniture and fittings).
- . Postage, telegrams and telephone services.
- . Office services. (If this item is not provided the expenses are debited to "Incidental and other expenditure").
- . Freight and cartage. (If this item is not provided the costs are debited to "Incidental and other expenditure").
- . Computer Services.
- . Consultants and part-time members of committees - Fees.
- . Furniture and fittings.
- . Incidental and other expenditure.

Repairs and Maintenance

9.4 Expenditure chargeable to appropriations for repairs and maintenance includes:-

- (a) making good damages, defects, wear and tear;
- (b) re-painting and renovating; and

- (c) alterations and additions in leased premises other than expenditure in relation to property, such as demountable partitions which the Government is entitled to move on vacating leased premises.

Rent

9.5 Expenditure chargeable to appropriations for rent includes rent payable to the owner of the property and all other charges payable as a condition of the lease. It may also include compensation to an outgoing tenant for the unexpired portion of a lease, the removal expenses of tenants and valuation and legal fees incurred by the Government where directly associated with the lease of property.

8 - Appropriation Bill (No 2)

Acquisition Expenses

9.6 Expenditure chargeable to appropriations for acquisition of sites and buildings include survey, valuation and legal fees incurred by the owner of freehold property and payable by the Government (Valuation and legal fees incurred by the Government are charged to appropriations for incidental and other expenditure unless otherwise approved). Costs and fees for surveys incurred by the Government and associated with leases or acquisitions of sites and buildings are chargeable to appropriations for surveys under the control of the Department of Administrative Services and are not recoverable from client departments unless otherwise approved.

Buildings and Works

9.7 Amounts to be provided under this heading include amounts for:-

- (a) the creation of a new Commonwealth asset, including the purchase of a prefabricated or demountable type building, and additions to an asset;
- (b) demolition work relating to a new capital project;
- (c) fittings, equipment or plant (electrical, mechanical and other including air conditioning, blinds, floor coverings and compactus units) which are provided as an integral component in the construction of buildings or works; and
- (d) site testing and field investigations relating to a capital works proposal or project (other than those of a minor nature as determined by the Department of Housing and Construction) carried out by a contractor, State authority, departmental day labour and/or private consultant.

Plant and Equipment

9.8 Amounts to be incurred on plant and equipment clearly definable as capital expenditure should be included under this heading. For this purpose plant and equipment includes emergency power equipment which is an integral part of a computer system but does not include office equipment, furniture, fittings or loose tools and similar items. Items with a working life of less than one year should not be included as capital expenditure.

Payments to or for the States and the Northern Territory

9.9 Amounts payable to or for the States under the authority of section 96 of the Constitution are classified under this heading. Payments to the Northern Territory which, if it were a State, would be payable under Section 96, are also classified under this heading.

Other Services

9.10 Amounts payable in respect of requirements in pursuance of new policies of the not authorised by special legislation and for which provision has not previously been made are to be provided for under this heading; amounts required in subsequent years are to be included in the Appropriation Bill (No 1).

CHAPTER 10

CIVIL WORKS PROGRAM

10.1 Details of the annual civil works program are contained in the document entitled "Civil Works Program" issued by the Minister for Housing and Construction.*

10.2 The Civil Works Program is an integral part of the Commonwealth Government's budget system. It evolves from the capital works proposals of civil departments and certain authorities. Such proposals may relate to foreseen requirements for new or additional facilities needed to implement existing policies, or they may reflect new policy initiatives. Some may take years to develop to the construction stage, which itself could span several years depending on the size of the project. The proposals are developed through the planning and design phases and into the civil works program. This process is advanced under a system of co-ordination and control that takes into account the date by which each project is required and its relative priority, and the overall design, construction and budgetary resources expected to be available.

10.3 The details of the annual Civil Works Program are advised to the Parliament by the Minister for Housing and Construction when the Budget is presented each year. It is also to be noted that the Public Works Committee Act 1969 requires, subject to some exemptions, that each public work estimated to cost more than \$2m shall be referred to the Parliamentary Standing Committee on Public Works for consideration and report to Parliament. The Act also provides that a public work referred to the Committee shall not be commenced unless, after the report of the Committee has been presented to both Houses of the Parliament, the House of Representatives has resolved that it is expedient to carry out the work.

10.4 The document "Civil Works Program" (Budget Paper No. 5) normally consists of two parts, namely:-

Part I - works to be undertaken for civil departments by the Department of Housing and Construction with funds controlled by that Department under Appropriation Bill (No 2).

Part II - works to be undertaken by the National Capital Development Commission with funds appropriated to the Commission in Appropriation Bill (No 2).

10.5 Within each of these parts, the program details the individual works estimated to cost more than \$40,000 each on which expenditure is proposed during the financial year. Details

* Presented to the Parliament with the Budget papers each year - see reference in Chapter 2 to Budget Paper No. 5.

are provided of works in progress* at the beginning of the financial year and works on which construction is expected to commence during the year.

10.6 The source of the funds required to meet the estimated expenditure on the works for each department is also shown. Thus, the section relating to each department begins with a summary of the estimated expenditure in the final year on works in progress and proposed new works, and provides a reference to the Division and Item numbers in the Second Schedule to the Appropriation Bill (No 2).

Planning and Design of Works Proposals

10.7 Works proposals are developed through a system of design lists comprising:-

- Design List "C" - usually reserved for large projects estimated to cost more than \$2m and requiring reference to the Parliamentary Standing Committee on Public Works. Inclusion in Design List "C" authorises the Department of Housing and Construction to proceed with the limited design necessary to refer the project to the Committee.
- Design List "B" - after endorsement by the Parliamentary Standing Committee on Public Works a proposal is advanced to the "B" List. Inclusion of a project in Design List "B" authorises the Department of Housing and Construction to proceed with full documentation of the proposal to stage where tenders can be invited. (A project may proceed directly from Design List "B" to a works program.)
- Design List "A" - reserved for top priority projects estimated to cost up to \$2 million which are considered likely to gain inclusion in the following year's program (along with "B" and "C" List items ready for inclusion in that program) and which, in the Department of Housing and Construction's judgement can be fully documented to meet that timetable.

* Works in progress are those projects that the Department of Housing and Construction was unable to bring to physical or financial completion during the previous financial year. The outstanding liability on these works (commonly referred to as the "revote") is carried over to the new financial year and forms the nucleus of the civil works program for that year.

CHAPTER 11

ACT OF GRACE PAYMENTS AND WAIVERS

Act of Grace Payments

11.1 Authority to approve act of grace payments is provided under section 34A of the Audit Act 1901. An authorised person, the Minister for Finance or a person appointed by the Minister for the purpose, has full discretion to determine requests and may direct that a payment be made. However, he must be satisfied that special circumstances make it reasonable to do so. In certain cases, namely in respect of:

- an amount exceeding \$25,000 proposed to be paid to a recipient as a single sum; and
- amounts aggregating more than \$5,000 per year proposed to be paid to a recipient by way of periodical payments,

the authorised person must first consider a report on the particular request by a Committee of Permanent Heads or their Deputies. The Permanent Heads specified in the legislation are the Secretary to the Department of Finance, the Secretary to the Department of Administrative Services and the Comptroller-General of Customs.

11.2 An act of grace payment is, in terms of section 34A one that is not otherwise payable in pursuance of the law or under a legal liability. It is not, therefore, an alternative to other arbitral processes. Only where a matter cannot otherwise legally or justly be considered and determined is it appropriate for an act of grace payment to be considered. Moreover, where Parliament itself has appropriated funds for a particular purpose (eg statutory or non-statutory schemes or for payments to a specified person or body) payments under such appropriations do not come within the ambit of section 34A. Thus, any payments approved as an act of grace are made out of moneys appropriated under the annual Appropriation Acts (Nos 1,2,3 or 4 as appropriate) and are identified as "Payments pursuant to section 34A(1) of the Audit Act 1901".

11.3 Due to the wide nature of the section 34A power and the great variety of situations encountered, it is possible to state only in general terms the principles currently applied in determining requests for act of grace payments. Those broadly-stated principles are that it may be appropriate to make an act of grace payment:

- (a) where a Commonwealth employee or other person acting on behalf of the Government has, in the exercise of his duties, given incorrect advice (or taken some other incorrect action) which has led the claimant to take a course which was to his financial detriment; or
- (b) where the matter in respect of which a payment is sought is not covered by legislation but it is intended to

introduce legislation and for special reasons it is considered desirable in the particular case to apply the benefits of the proposed legislation prospectively by act of grace; or

- (c) where the matter in respect of which a payment is sought is covered by specific legislation but application of the legislation would produce a result that was unintended, anomalous, inequitable or otherwise unacceptable in the particular circumstances; or
- (d) where in a particular case there are other special circumstances which lead to the conclusion that there is a moral obligation on the Commonwealth to make a payment.

11.4 Not all cases coming within these criteria will necessarily be accepted as warranting an act of grace payment, since the merits of a particular request depend on its attendant circumstances. The authorised person must as indicated above be satisfied that the special circumstances pertaining to the particular case render it reasonable to make an act of grace payment.

Waiver of Debts

11.5 The Minister for Finance is authorised by section 70C of the Audit Act to:

- waive the right of the Commonwealth to an amount (or class of amounts) payable to it;
- waive the recovery of its stores (or class of its stores); and
- postpone the Commonwealth's right of priority of debts (e.g. in bankruptcy).

The Minister may not waive the right of the Commonwealth to receive a payment exceeding \$25,000 without first considering a report on the proposed waiver furnished by a Committee of Permanent Heads which is identical to that specified for act of grace purposes under section 34A of the Audit Act or their deputies.

11.6 The number and aggregate amounts of act of grace payments and waivers are published in the annual financial statements of the Minister for Finance. This is a requirement of section 50 of the Audit Act 1901.

11.7 During the passage of the Audit Amendment Bill 1979 consideration was given to the question of publishing the names of persons benefiting from act of grace payment and waiver decisions and the amounts involved. Having regard to the possible implications for privacy, however, it was decided that the annual publication of the numbers and aggregate amounts of such approvals for each department would be sufficient. It was recognised that parliamentary and public scrutiny of the information in that form would still enable questions to be asked, the answers to which could be considered according to the circumstances surrounding the particular cases concerned.

Extracts from the Audit Act 1901

Responsibilities of
Permanent
Heads
Imposed by
No. 4, 1979, s.5

2AB. (1) The Permanent Head of a Department is responsible for making appropriate arrangements for implementing the provisions of this Act, the regulations and any directions given under this Act or under the regulations in relation to the Department.

(2) In sub-section (1)–

“Department” means–

- (a) a Department of State;
- (b) a Department of the Parliament; or
- (c) a branch or part of the Australian Public Service in relation to which a person has, under an Act, the powers of, or exercisable by, the Permanent Head of a Department of the Australian Public Service;

“Permanent Head” means–

- (a) in relation to a Department of State or a Department of the Parliament–the person who, under the *Public Service Act 1922*, holds, or is performing the duties of, the office of Permanent Head of that Department; or
- (b) in relation to a branch or part of the Australian Public Service referred to in paragraph (c) of the definition of “Department” in this sub-section–the person who has the powers of, or exercisable by, the Permanent Head of a Department of the Australian Public Service so far as those powers relate to that branch or part of that Service.

Section 19
repealed by
No. 8, 1979, s. 14

Heading
submitted by
No. 8, 1979, s. 15
Minister may
agree with
any bank for
conducting
business
Sub-section (1)
amended by
No. 36, 1978, s. 3

PART IV—COLLECTION OF MONEYS AND SECURITIES

20. (1) The Minister may agree with any bank upon such terms and conditions as he may think fit for the receipt custody payment and transmission of public moneys within or without the Commonwealth, and for advances to be made and for the charges in respect of the same, and for the interest payable by or to the bank upon balances or advances respectively, and generally for the conduct of the banking business of the Commonwealth.

Amended by
No. 8, 1979, s. 64

(2) No such agreement shall be made for a period of more than 1 year unless it contains a provision that the same may be terminated at any time after a notice of not exceeding 6 months.

Added by No. 8,
1979, s. 16

(3) An account for the receipt, custody, payment or transmission of public moneys shall not be opened otherwise than in accordance with an agreement under this section.

Common-
wealth
Public
Account
Submitted by
No. 8, 1979, s. 17

21. (1) The Minister—

(a) shall, in accordance with section 20, open and maintain, with such banks as he determines, such accounts, each bearing the designation "Commonwealth Public Account", as he deems fit; and

(b) may, in accordance with section 20, open and maintain, with such banks as he determines, such other accounts, each bearing a designation that includes the words "Commonwealth Public Account" and describes the purpose or purposes of the account, as he deems fit.

(2) All moneys paid into a bank to the credit of an account maintained in accordance with sub-section (1) shall be deemed to be public moneys and the property of the Commonwealth, and to be moneys lent by the Commonwealth to the bank.

(3) A reference to the Commonwealth Public Account in this Act, in the regulations or in an instrument (including directions) under this Act or under the regulations is, unless the contrary intention appears, a reference to the accounts for the time being maintained in accordance with sub-section (1).

21A. Moneys standing to the credit of the Commonwealth Public Account (not being moneys standing to the credit of the Trust Fund) may be invested by the Minister as if they were moneys to which section 62B applies and that section shall apply as if the moneys so invested were invested under that section.

Investment
of moneys in
Common-
wealth
Public
Account
Inserted by
No. 80, 1944,
s. 11; amended
by No. 36, 1978,
s. 3; No. 8, 1979,
s. 64

22. Except as otherwise provided in this Act, every accounting officer shall, in accordance with directions of the Minister, transmit or pay, daily or at such other intervals as the Minister directs, all public moneys collected or received by him—

- to the Minister;
- into the Commonwealth Public Account;
- to such person as the Minister directs; or
- to the credit of another account with a bank as directed by the Minister.

Accounting
officers to
pay money,
&c., to
Minister or
bank, &c.
Submitted by
No. 8, 1979, s. 18

23. The Minister shall daily pay into the Commonwealth Public Account all public moneys received by him.

Minister to
pay money
daily into
bank
Submitted by
No. 8, 1979, s. 18

24. (1) Every accounting officer transmitting or paying any money collected or received by him to the Minister or to any person as aforesaid shall at the same time transmit or deliver to the Minister or to such person a statement signed by him of the days of the month on and the particular heads of receipt under which such money came to his possession or control with such other particulars as may be prescribed.

Accounting
officers to
furnish
statements
Sub-section (1)
amended by
No. 8, 1964, s. 3;
No. 30, 1969,
s. 9; No. 36,
1978, s. 3

(2) Every accounting officer at the time of paying any money into the Commonwealth Public Account shall obtain from the manager or person in charge of the bank into which such money is paid (who is hereby required to give the same) an accountable receipt in duplicate for such money; and shall forthwith after such payment transmit to the Minister or a person appointed by the Minister for the purposes of this sub-section one of the said duplicate accountable receipts and also a statement signed by him of the days of the month on and the particular heads of receipt under which such money came to his possession or control with such other particulars as may be prescribed.

Amended by
No. 8, 1964, s. 3;
No. 30, 1969,
s. 9; No. 36,
1978, s. 3

25. (1) Where—

- moneys are, in pursuance of an enactment, to be paid to the Minister administering this Act, another Minister or an officer, into the Treasury or to the credit of the Trust Fund;

Private
moneys
collected by
officers, &c.
Submitted by
No. 8, 1979, s. 19

- (b) a Minister or officer who is, by virtue of his office, the trustee, or one of the trustees, of a trust receives moneys as the trustee, or as a trustee, of the trust; or
- (c) moneys are otherwise received by a Minister or officer in the course of performing the duties of his office, and the moneys are to be held otherwise than on account of, or for the use or benefit of, the Commonwealth, the moneys are moneys to which this section applies.

(2) Subject to this section, moneys to which this section applies form part of the Trust Fund.

(3) Where the Minister is of the opinion that, having regard to the terms on which any moneys to which this section applies are required to be held, it would not be appropriate for those moneys to form part of the Trust Fund, the Minister may direct, in writing, that the moneys shall not form part of the Trust Fund and may, from time to time while such a direction is in force, give further directions, in writing, as to the manner in which those moneys are to be dealt with.

(4) Where, by virtue of a direction given by the Minister under sub-section (3), moneys to which this section applies do not form part of the Trust Fund, a person shall not fail to comply with a direction given by the Minister under that sub-section as to the manner in which those moneys are to be dealt with.

Penalty: \$100.

(5) Where, by virtue of sub-section (2), moneys have become part of the Trust Fund and—

(a) those moneys have, for a continuous period of not less than 6 years, stood to the credit of the Trust Fund without—

(i) any portion of those moneys having been expended for the purpose for which those moneys are held; or

(ii) any claim having been made by a person entitled to those moneys; or

(b) the purpose for which those moneys are held is no longer capable of being fulfilled,

those moneys may be paid to the Consolidated Revenue Fund and, where interest on those moneys has been paid to the Trust Fund in accordance with a direction of the Minister given under sub-section 62B (3), an amount equal to that interest shall also be paid to the Consolidated Revenue Fund.

(6) Where the Minister is satisfied that a person is entitled to any moneys paid to the Consolidated Revenue Fund in pursuance of sub-section (5), those moneys shall be paid to that person, and the Consolidated Revenue Fund is appropriated accordingly.

(7) Subsections (2) to (6) (inclusive) apply to and in relation to moneys to which this section applies, being moneys of a kind referred to in paragraph (a) or (b) of sub-section (1), to the extent only to which those provisions are not inconsistent with the provisions of the enactment or the terms of the trust, as the case may be, applicable to those moneys.

26. Each accounting officer shall, daily or at such other intervals as the Minister directs, transmit all bonds, debentures or other securities collected or received by him in the course of carrying on the duties of his office to the Minister or to such person as the Minister directs in such manner as the Minister directs.

Securities to be dealt with as directed
Repeated by No. 26, 1973, s. 14 inserted by No. 8, 1979, s. 19

Section 26A, repeated by No. 26, 1973, s. 14; sections 27-30 repeated by No. 8, 1979, s. 19

Heading substituted by No. 20, 1969, s. 30

How moneys are to be issued?

Governor-General's warrant substituted by No. 8, 1979, s. 20

PART V—PAYMENT OF MONEYS

31. No money shall be drawn from the Commonwealth Public Account except in the manner provided by this Act.

32. (1) Where it appears to the Minister that an amount, being an amount not exceeding the amount available for expenditure in respect of any services or purposes in accordance with an appropriation of the Consolidated Revenue Fund or Loan Fund (including a contingent or conditional appropriation), is required, or is likely to be required, to be withdrawn from the Commonwealth Public Account for expenditure in respect of those services or purposes, he may notify the Auditor-General accordingly, by instrument under his hand, in accordance with Form 1 in Schedule 2.

(2) Upon receipt of an instrument under sub-section (1), the Auditor-General shall—

(a) if he is satisfied that the amount specified in the instrument does not exceed the amount available for expenditure in respect of the services or purposes in accordance with the appropriation—

(i) give a certificate in relation to the amount by writing under his hand in accordance with Form 2 in Schedule 2; and

(ii) return the instrument and certificate to the Minister; or

(b) if he is not so satisfied—

(i) refuse to give such a certificate;

(ii) state in writing his reasons for refusing to give the certificate; and

(iii) return the instrument and statement to the Minister.

(3) Where the Auditor-General has given a certificate under this section in relation to an amount specified, in relation to an appropriation, in an instrument prepared by the Minister under this section, the Governor-General may issue to the Minister a warrant under his hand in accordance with Form 3 in Schedule 2 authorizing the drawing of that amount from the Commonwealth Public Account for expenditure in accordance with that appropriation in respect of the services or purposes referred to in the instrument.

(4) The Governor-General may issue a warrant to the Minister under sub-section (3) without obtaining the advice of the Federal Executive Council.

(5) Strict compliance with a form referred to in this section is not required and substantial compliance is sufficient.

(6) A reference in this section to the Auditor-General shall be read as including a reference to a person appointed by the Auditor-General by instrument under his hand to act on his behalf for the purposes of this section.

(7) A reference in this section, or in an instrument, certificate or warrant under this section, to the amount available for expenditure in respect of services or purposes in accordance with an appropriation shall, in the case of a contingent or conditional appropriation, be read as a reference to the amount that is, subject to the occurrence of the contingency or the fulfilment of the condition, available for expenditure in respect of the services or purposes in accordance with the appropriation.

(8) Nothing in this section authorizes the payment of moneys out of a bank account comprised in the Commonwealth Public Account otherwise than in accordance with section 34.

33. (1) When a warrant has been issued by the Governor-General under the last preceding section, the Minister may, subject to this section, make payments out of the Commonwealth Public Account in respect of the services or purposes referred to in the warrant.

Minister may make payments on receipt of warrant
Substituted by No. 20, 1969, s. 11
Sub-section (1) amended by No. 36, 1976, s. 3; No. 8, 1979, s. 21

(2) The sum of the amounts paid under the last preceding sub-section upon the authority of a warrant shall not exceed the amount specified in the warrant.

Amended by No. 8, 1979, s. 21

(3) For the purposes of the last preceding sub-section, moneys or payments that, in pursuance of section 36C or 58A, are taken in reduction of expenditure from an appropriation to which a warrant referred to in that sub-section relates shall also be taken in reduction of the sum of the amounts paid upon the authority of the warrant.

(4) Where a payment is made out of a bank account comprised in the Commonwealth Public Account, the bank is not required to ascertain whether the payment was made upon the authority of a warrant.

Amended by No. 8, 1979, s. 21

33A. (1) Subject to sub-section (2)—

Warrant procedure to apply to transfers between accounts
Substituted by No. 8, 1979, s. 22

(a) the making of a payment by means of a cheque drawn on a bank account comprised in the Commonwealth Public Account shall, for the purposes of sections 31 and 32, be deemed to be the making of a withdrawal from the Commonwealth Public Account notwithstanding that the amount of the cheque is credited to another such bank account; and

(b) the making of any entry (otherwise than in pursuance of the drawing or paying of a cheque) in the accounts kept for the purpose of recording transactions in relation to the Commonwealth Public Account debiting an account shall be deemed, for the purposes of sections 31 and 32, to be the withdrawal of the amount so debited from the Commonwealth Public Account notwithstanding that a corresponding entry is made crediting another account with that amount.

(2) Sub-section (1) does not apply in relation to the making of a payment, or of an entry, of a kind referred to in that sub-section if the making of the payment or entry does not have the effect of reducing the amount available for expenditure by virtue of an appropriation.

33B. Sections 32 and 33 do not apply in relation to moneys standing to the credit of an account comprised in the Commonwealth Public Account that are available for expenditure by virtue of—

Warrants not required for certain expenditure
Inserted by No. 20, 1969, s. 11; amended by No. 8, 1979, s. 23 and 64

(a) an appropriation of the Consolidated Revenue Fund that is to be deemed to be made by virtue of section 35; or

(b) an appropriation of the Trust Fund.

34. (1) An accounting officer shall not cause or permit an amount to be paid out of—

Duties of paying, authorizing and certifying officers
Substituted by No. 8, 1979, s. 24

(a) a bank account comprised in the Commonwealth Public Account; or

(b) any other bank account opened under section 20 that is designated as a drawing account,

except by way of, or for the purpose of, a payment that has been authorized by a person appointed by the Minister for the purposes of this sub-section (in this section referred to as an "authorizing officer").

(2) An authorizing officer shall not authorize the payment of an amount under sub-section (1) unless—

(a) after making such checks as are prescribed or specified in directions given by the Minister under the regulations, he is satisfied

s. 34

- that moneys are lawfully available for the payment of that amount;
- (b) a person (who may be the same person as the authorizing officer) appointed by the Minister for the purpose (in this section referred to as a "certifying officer") has certified that the payment may properly be made; and
 - (c) such other requirements relating to the authorization of the payment of the amount as are prescribed, or specified in directions given by the Minister under the regulations, have been complied with.
- (3) For the purposes of sub-section (2), moneys are not lawfully available for a payment unless—
- (a) in the case of a payment from the Consolidated Revenue Fund or the Loan Fund—moneys sufficient for the payment are available from a relevant appropriation of that Fund, after allowing for payments previously made or authorized to be made in respect of that appropriation, or are available in accordance with section 36A; or
 - (b) in the case of a payment from the Trust Fund—moneys sufficient for the payment stand to the credit of a relevant Trust Account or head of the Trust Fund, after allowing for any payments previously authorized to be made that are to be, but have not yet been, debited to that Trust Account or head of the Trust Fund.
- (4) Subject to sub-section (5), a certifying officer shall not give a certificate under sub-section (2) in relation to the payment of an amount unless, after any relevant provisions of the regulations and of directions given by the Minister under the regulations have been complied with, he is satisfied that the payment may properly be made.
- (5) The regulations may provide that, in respect of payments included in a particular class of payments, a certifying officer may give a certificate under sub-section (2) if, after requirements prescribed by the regulations in respect of payments of that class, and any relevant directions given by the Minister under the regulations, have been complied with, he has no reason to believe that the payment may not properly be made.
- (6) In addition to compliance with the regulations and directions given by the Minister under the regulations, a certifying officer may carry out such investigations as he thinks necessary before deciding whether to give a certificate under sub-section (2).

Act of grace
payments
incurred by
No. 8, 1979,
s. 53

34A. (1) Subject to sub-section (2), where an authorized person is satisfied that, by reason of special circumstances, it is reasonable to do so, he may direct—

s. 34A

- (a) that an amount proposed to be paid to a person by the Commonwealth; or
- (b) that amounts proposed to be paid to a person by the Commonwealth by way of periodical payments,

be treated as properly payable notwithstanding that the amount is, or the amounts are, not payable in pursuance of the law or under a legal liability, but this sub-section does not authorize a payment or payments otherwise than out of moneys that are lawfully available for the purpose.

(2) An authorized person shall not give a direction under sub-section (1) in respect of an amount exceeding \$25,000 proposed to be paid to a person as a single amount, or in respect of amounts aggregating more than \$5,000 per year proposed to be paid to a person by way of periodical payments, unless he has considered a report concerning the proposed payment, or proposed periodical payments, furnished to him by a Committee consisting of the Secretary to the Department of Finance, the Secretary to the Department of Administrative Services and the Comptroller-General of Customs.

(3) The Minister may appoint a person to be a deputy of the person for the time being holding, or performing the duties of, an office specified in sub-section (2).

(4) Where the person for the time being holding, or performing the duties of, an office specified in sub-section (2) is, at any time, unable to act as a member of the Committee referred to in that sub-section, a deputy of that person may act as a member of that Committee on his behalf and shall, while so acting, be deemed to be a member of that Committee in place of that person.

(5) The regulations may make provisions for and in relation to the conduct of the business of, and the convening and conduct of meetings of, the Committee referred to in sub-section (2).

(6) In this section, "authorized person" means the Minister or an officer appointed by the Minister to be an authorized person for the purposes of this section.

35. (1) Where an amount that is, or the total of amounts that are, specified in an item, subdivision or division in a Schedule to an Appropriation Act for a financial year is expressed to be—

- (a) less an amount to be provided from some other appropriation;
- (b) less an amount to be received from a head of the Trust Fund or from a Trust Account; or
- (c) less an amount to be received from some other source,

then—

- (d) an amount equal to the amount referred to in whichever of the preceding paragraphs is applicable shall be deemed to have

Certain
amounts
deemed
appropriated
Repealed by
No. 60, 1948,
s. 17; inserted by
No. 20, 1969,
s. 12.
Sub-section (1)
amended by
No. 36, 1978,
s. 3

been appropriated for the purposes and services referred to in that item, subdivision or division, as the case may be; and

(e) the Minister is authorized to issue and apply the amount first-mentioned in the last preceding paragraph accordingly.

Amended by
No. 16, 1978,
s. 3; No. 8, 1979,
s. 64

(2) Where an amount that is, or the total of amounts that are, specified in an item, subdivision or division in a Schedule to an Appropriation Act for a financial year is expressed to be less amounts to be provided from more than one of the sources referred to in paragraphs (1) (a), (b) and (c), then—

(a) an amount equal to the total of the last-mentioned amounts shall be deemed to have been appropriated for the purposes and services referred to in that item, subdivision or division, as the case may be; and

(b) the Minister is authorized to issue and apply an amount equal to that total accordingly.

Amended by
No. 36, 1978, s. 3

(3) Where it is provided by a Schedule to an Appropriation Act for a financial year that moneys of a specified description that are received may be credited to an item, subdivision or division in that Schedule—

(a) an amount equal to the total of the moneys of that description received in that financial year shall be deemed to have been appropriated for the purposes and services referred to in that item, subdivision or division, as the case may be; and

(b) the Minister is authorized to issue and apply the amount first-mentioned in the last preceding paragraph accordingly.

Substituted by
No. 8, 1979, s. 26

(4) Without limiting the generality of sub-sections (1), (2) and (3), where an amount that is, or the total of amounts that are, specified in an item, subdivision or division in a Schedule to an Appropriation Act for a financial year is expressed to be—

(a) for payment to the credit of a Trust Account (in this sub-section referred to as the "replacement Trust Account"); and

(b) less an amount that is described as the unrequired balance, or the unrequired part of the balance, of another Trust Account (in this sub-section referred to as the "superseded Trust Account"),

then—

(c) an amount equal to the amount referred to in paragraph (b) shall be deemed to have been appropriated for the purposes of the replacement Trust Account;

(d) the Minister is authorized to issue and apply the amount referred to in paragraph (c) accordingly; and

(e) amounts—

(i) received from the sale of articles purchased or produced, or for work paid for, with amounts paid out of the superseded Trust Account for a purpose included in the purposes of that account and in the purposes of the replacement Trust Account; or

(ii) paid by any person for a purpose included in the purposes of the superseded Trust Account and in the purposes of the replacement Trust Account,

shall, notwithstanding any other provision of this Act, be paid to the credit of the replacement Trust Account.

35A. (1) Where the Minister is satisfied that it is necessary to do so in consequence of a function of a Department (in this sub-section referred to as the "original Department") having become, by virtue of an enactment or of an order made by the Governor-General, a function of another Department, whether upon the abolition of the original Department or otherwise, the Minister may, by writing under his hand, direct that all or any of the moneys appropriated by an Appropriation Act that could, if the change of function had not taken place, lawfully have been issued and applied for a particular purpose (in this sub-section referred to as the "original purpose"), being a purpose related to the performance by the original Department of that function, may be issued and applied for the corresponding purpose related to the performance by the other Department of that function and, where such a direction is given, the Appropriation Act has effect, in relation to the issue and application of moneys in accordance with the direction, as if it had appropriated those moneys for that corresponding purpose.

Transfer of
functions
between
Departments
Issued by
No. 8, 1979, s. 27

(2) Sub-section (1) does not affect the operation of an Appropriation Act in accordance with an order made by the Governor-General under section 19B or 19BA of the *Acts Interpretation Act 1901* except to the extent to which that operation would be inconsistent with a direction given under that sub-section, whether before or after the making of the order.

(3) An appropriation contained in an Appropriation Act under a heading referring to a Department, being an appropriation for a purpose that is so expressed as to be capable of being given effect to by another Department, continues to be available for that purpose, subject to any direction given under sub-section (1), notwithstanding the abolition of that Department or the transfer to another Department of a function of that first-mentioned Department to which that purpose is related.

s. 35A

- (4) Where—
- (a) a function of a Department (in this sub-section referred to as the "original Department") becomes, by virtue of an enactment or of an order made by the Governor-General, a function of another Department, whether upon the abolition of the original Department or otherwise; and
- (b) immediately before the date on which that function becomes a function of that other Department, a power or function under this Act or under the regulations could, under an appointment made under this Act or under the regulations, have been exercised or performed with respect to the original Department by the person for the time being holding, or performing the duties of, an office in the original Department,

that power or function may, by virtue of this sub-section, be exercised or performed by that person, on and after that date, with respect to the other Department, and, if the original Department continues in existence but his office is abolished in consequence of the change in the functions of the original Department, also with respect to the original Department, until his authority to do so is terminated under sub-section (5).

(5) Where a person would, but for this sub-section, be authorized by sub-section (4) to exercise a power or perform a function under this Act or the regulations with respect to a Department, the person having power to appoint an officer in that Department to exercise that power or perform that function may, by writing under his hand delivered to the first-mentioned person, terminate the authority conferred on the first-mentioned person by sub-section (4).

- (6) Where the Minister gives a direction under sub-section (1)—
- (a) he shall furnish a copy of the direction to the Auditor-General; and
- (b) he shall include particulars of the direction in the statement prepared in accordance with sub-section 50 (1) for the year in relation to which the direction is given.

Payments made after close of financial year
Sub-section (1) amended by No. 8, 1906, s. 5; No. 4, 1909, s. 2; No. 60, 1948, s. 18

36A. (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 where—

- (a) any obligation involving expenditure has been incurred or is intended to be incurred outside the Commonwealth; and

s. 36

(b) money—

- (i) 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; or
- (ii) has been advanced to an accounting officer for the purpose of paying accounts for prescribed services,

the money so transmitted or advanced 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.

* * * * *

Sub-section (2) omitted by No. 77, 1960, s. 3

36A. Expenditure in excess of specific appropriation or not specifically provided for by appropriation may be charged to such heads as the Minister may direct provided that the total expenditure so charged in any financial year, after deduction of amounts of repayments and transfers to heads for which specific appropriation exists, shall not at any time exceed the amount appropriated for that year under the head "Advance to the Minister for Finance".

Debiting of expenditure charged to Minister's advance
Enacted by No. 8, 1906, s. 8; amended by No. 89, 1951, s. 9; No. 36, 1978, s. 2; No. 8, 1979, s. 54

36B. The amount included in any subdivision in a Schedule to an Appropriation Act for the salary in respect of an office or position occupied by an officer shall be available for payment of the officer's salary in any branch the salaries for which are provided in the same subdivision.

Salary votes
Enacted by No. 8, 1906, s. 8

36C. (1) Money received in a financial year in repayment of expenditure made within that year from an annual appropriation in respect of that year shall be taken in reduction of the expenditure from that appropriation.

Application of repayments of expenditure
Substituted by No. 60, 1948, s. 19

(2) Money received in any financial year in repayment of expenditure from a special appropriation under any Act shall be taken in reduction of expenditure from that appropriation in respect of the year in which the repayment is made.

(3) Payments made for the purpose of adjusting, between Departments, or between branches of Departments, expenditure which was made from an annual appropriation in any financial year, may be taken in reduction of similar expenditure in a subsequent year.

s. 37

Power to vary the annual appropriation
Sub-section (1) amended by No. 60, 1944, s. 20

Amended by No. 60, 1944, s. 20; No. 8, 1979, s. 64

Amended by No. 60, 1944, s. 20

Refunds from Consolidated Revenue
Subsection by No. 74, 1962, s. 3; amended by No. 8, 1979, s. 39

Power of Minister to make certain payments without production of probate or letters of administration
Issued by No. 20, 1969, s. 13
Sub-section (1) amended by No. 36, 1978, s. 3

Amended by No. 36, 1978, s. 3

37. (1) If the exigencies of the public service render it necessary to alter the proportions assigned to the particular items comprised under any subdivision in the annual Appropriation Act the Governor-General may by order direct that there shall be applied in aid of any item that may be deficient a further limited sum out of any surplus arising on any other item under the same subdivision unless such subdivision shall be expressly stated to be "unalterable".

(2) Every order by which such altered application may be made shall be delivered to the Auditor-General within 7 days after the making thereof.

(3) Nothing hereinbefore contained shall authorize the Governor-General to direct that any such sum as aforesaid shall be applied in augmentation of or as an addition to any salary specifically appropriated by the Parliament.

37A. Where—

- (a) an amount has been paid into the Consolidated Revenue Fund; and
- (b) the repayment of that amount, or of a part of that amount, to any person is required or permitted by or under any Act or otherwise by law, but no appropriation of the Consolidated Revenue Fund to enable the repayment to be made is, apart from this section, made by any Act.

the Consolidated Revenue Fund is hereby appropriated to the extent necessary to make the repayment.

37B. (1) Where—

- (a) a person has died, whether before or after the commencement of this section; and
- (b) an amount was, or amounts were, owing by the Commonwealth to the deceased person at the time of his death, being an amount not exceeding, or amounts not exceeding in the aggregate, such amount as is prescribed,

the Minister may, in his discretion, without production of probate of the will, or letters of administration of the estate, of the deceased person, authorize payment of that amount or those amounts to the person to whom the Minister thinks it proper that the payment should be made.

(2) In determining the person to whom an amount is to be paid under this section, the Minister shall have regard to the persons who are entitled to the property of the deceased person under his will or under the law relating to the disposition of the property of deceased persons, as the case requires.

(3) Where an amount is paid in pursuance of this section, the Commonwealth is discharged from all further liability in respect of payment

of that amount, but nothing in this section operates to relieve a person to whom any money is paid in pursuance of this section from liability to account for, or deal with, that money in accordance with law.

s. 49

PART VII—STATEMENTS AND THEIR AUDIT

Heading substituted by No. 20, 1949, s. 20

Minister's monthly Statement of Financial Transactions Substituted by No. 8, 1979, s. 41

49. (1) The Minister shall, as soon as practicable after the expiration of each month of each financial year, publish a Statement of Financial Transactions, in accordance with, or substantially in accordance with, Form 4 in the Schedule, or that form as varied under subsection (2), containing financial information with respect to—

- (a) outlays and receipts of the Commonwealth for that month, and during that year up to the end of that month; and
- (b) financing transactions showing, among other things, the manner in which—
 - (i) the surplus for that month was applied or the deficit for that month was financed; and
 - (ii) the surplus for that year up to the end of that month was applied or the deficit for the year up to the end of that month was financed.

(2) Particulars in Form 4 in the Schedule may be varied with the prior approval of both Houses of the Parliament.

50. (1) As soon as practicable after the end of a financial year, the Minister shall prepare a statement of the receipts and expenditure of the Consolidated Revenue Fund, the Loan Fund and the Trust Fund during that year in respect of each Department.

Annual financial statements Substituted by No. 8, 1979, s. 41

(2) The statement in respect of a financial year prepared, in pursuance of sub-section (1), in respect of a Department shall set out, for each purpose or service specified in a Division or Subdivision of an Appropriation Act for the year that applies to the Department, the total of the amounts expended during that year on behalf of the Department for that purpose or service.

(3) As soon as practicable after the end of a financial year, the Permanent Head of a Department shall furnish to the Secretary to the Department of Finance the following information:

- (a) the total number of payments made during that financial year, in accordance with directions given under sub-section 34A (1), out of moneys appropriated for the purposes of the Department, and the aggregate of those payments;
- (b) the total number of payments waived during that financial year under sub-section 70C (2), being payments of amounts that the Department would, but for the waiver, have been entitled to receive on behalf of the Commonwealth, and the aggregate of those payments;

- (c) particulars, in summary form, of amounts written off during that year in respect of—

- (i) losses or deficiencies of public moneys;
- (ii) irrecoverable amounts of revenue;
- (iii) irrecoverable debts and overpayments; and
- (iv) lost, deficient, condemned, unserviceable or obsolete stores,

in relation to the Department;

- (d) particulars, in summary form, of cases of loss of, or deficiency in, public moneys, or of loss or destruction of, or damage to, other property, under the control of the Department in respect of which action was taken under Part XIIIa during that year; and
- (e) such other information relating to, and explanations of, the receipts and expenditure of the Consolidated Revenue Fund, the Loan Fund and the Trust Fund during that year in respect of the Department as he thinks desirable.

(4) The Minister shall transmit to the Auditor-General, as soon as practicable after the end of a financial year, financial statements in respect of that financial year containing—

- (a) the statements prepared by him in pursuance of sub-section (1);
- (b) summaries of those statements;
- (c) the information furnished by Permanent Heads in relation to that year under sub-section (3);
- (d) such other information relating to, and such explanations of, those statements and summaries as he thinks desirable; and
- (e) such further information relating to the financial affairs of the Commonwealth as he thinks desirable.

(5) For the purposes of this section, the statement of an amount to the next lower, or to the next higher, dollar shall be deemed to be a sufficient statement of that amount.

(6) In this section, "Permanent Head" and "Department" have the same respective meanings as they have in section 2AB.

50A. For the purposes of the statements and accounts of the Minister under this Act, until a coin made in pursuance of the *Currency Act* 1965, is issued, the value of the coin shall be taken to be the value of the metal of which the coin is made.

Coin to be deemed metal until issued
Inserted by
No. 126, 1965,
s. 4; amended by
No. 58, 1978,
s. 3; No. 8, 1979,
s. 64

51. (1) The Auditor-General shall forthwith examine the statements in respect of a financial year that are transmitted to him under sub-section 50 (4), and shall prepare and sign a report concerning the statements—

Auditor-General to audit and report
Sub-section (1) substituted by
No. 8, 1979, s. 43

- (a) stating whether, in his opinion, the statements agree with, or differ from, the accounts and records kept in accordance with section 40;
- (b) setting out particulars of every case in which, in his opinion, the provisions of the Constitution, or of this or any other Act, have not been carried out; and
- (c) containing such information relating to, such explanations of and such comments on the statements as he thinks desirable.

(2) Whenever the Auditor-General considers it expedient he may discharge his obligation to prepare and sign a report under the last preceding sub-section by preparing and signing a report and later, but as soon as practicable, a report or reports supplementary to the first-mentioned report.

Added by
No. 89, 1961,
s. 14

51A. The Auditor-General shall include in any report made by him under this Act such information as he thinks desirable in relation to audits, examinations and inspections carried out by him in pursuance of the provisions of this or any other Act.

Information in respect of audits
Inserted by
No. 60, 1948,
s. 27; amended by
No. 89, 1961,
s. 15

52. (1) Subject to sub-section (2), the Auditor-General shall annex or append to a report under section 51—

- (a) a copy of every order under sub-section 37 (1) by which it may have been directed that there should be applied in aid of any item that may have been deficient a further sum out of any surplus arising on any other item under the same subdivision, and
- (b) a copy of every case or statement of facts laid by the said Auditor-General before the Attorney-General for his opinion together with a copy of the opinion given thereon.

Certain orders and legal opinions to be annexed to Auditor-General's report
Sub-section (1) amended by
No. 89, 1961,
s. 16; No. 20,
1965, s. 23;
No. 8, 1979,
s. 44 and 64

(2) Where a case or statement of facts laid by the Auditor-General before the Attorney-General for his opinion relates to an efficiency audit, the Auditor-General may, instead of annexing or appending the case or statement, together with a copy of the opinion given thereon, to a report under section 51, annex or append the report to a report prepared by him in accordance with Division 2 of Part VI.

Added by No. 8,
1979, s. 44

s. 53

Auditor-General's reports to be transmitted to Parliament
 Substituted by No. 89, 1901, s. 17
 Amended by No. 36, 1978, s. 3; No. 8, 1979, s. 64

53. (1) After preparing and signing a report under section 51, the Auditor-General shall transmit a signed copy of the report to each House of the Parliament on the first day on which that House of the Parliament sits after the day on which he signed the report or within 14 days after that day.

Amended by No. 36, 1978, s. 3; No. 8, 1979, s. 64

(2) If Parliament is not in session when the Auditor-General signs a report under section 51, the Auditor-General shall, within 14 days after the day on which he signed the report, transmit a signed copy of the report to the Minister.

Substituted by No. 8, 1979, s. 45

(3) A copy of a report transmitted to a House of the Parliament or to the Minister under this section shall be accompanied by—

- (a) a copy of the statements transmitted to the Auditor-General under sub-section 50 (4), except in the case of a supplementary report; and
- (b) any copies referred to in section 52 that are relevant to the report.

Amended by No. 36, 1978, s. 3; No. 8, 1979, s. 64

(4) Where a copy of a report and the accompanying papers (if any) are transmitted to the Minister under this section, the Minister shall, within 14 days after the date on which he received them, publish them as a public document.

Auditor-General to make suggestions for accounting, collection and payment
 Amended by No. 60, 1948, s. 32; No. 89, 1901, s. 18; No. 36, 1978, s. 3; No. 8, 1979, s. 64

54. The Auditor-General may in a report under section 51 or in any special report which he may at any time think fit to make recommend any plans and suggestions for the better collection and payment of the public moneys and any improvement in the mode of keeping the public accounts and generally report upon all matters relating to the public accounts public moneys and stores, and such plans and suggestions shall be considered and dealt with by the Minister.

Heading substituted by No. 20, 1969, s. 30

PART VIII—THE LOAN FUND

Separate account to be kept of Loan Fund
 Sub-section (1) substituted by No. 8, 1979, s. 46

55. (1) A separate account shall be kept of all moneys raised by way of loan upon the public credit of the Commonwealth, other than moneys raised by way of advances made by banks in pursuance of agreements under section 20.

s. 55

(2) The account referred to in sub-section (1) shall be called the Loan Fund and shall be kept under such separate heads as are specified in the several Acts under the authority whereof the moneys were raised.

Amended by No. 20, 1969, s. 24; No. 276, 1973, s. 3; No. 8, 1979, s. 64

Section 56 repeated by No. 60, 1948, s. 34

57.¹ (1) Subject to this section, it shall not be lawful for the Minister to expend any moneys standing to the credit of the Loan Fund except under the authority of an Act.

Loan Fund expenditure to be covered by Act
 Sub-section (1) amended by No. 89, 1901, s. 19; No. 36, 1978, s. 3

(2) Such Act shall show the nature of the proposed work or other object of the proposed expenditure and the amount of the proposed expenditure in each case and the total amount proposed to be expended for such work or object.

(3) Where the Commonwealth is liable to repay to any person an amount that has been received by the Commonwealth and paid into the Loan Fund (not being an amount lent to the Commonwealth provision for the repayment of which is made by an Act other than this Act), the Loan Fund is appropriated to the extent necessary to make the repayment.

Added by No. 89, 1901, s. 19

58. When any money is appropriated out of the moneys standing to the credit of the Loan Fund for the purpose of defraying the cost of the purchase of any material the cost of which may ultimately be chargeable to and divisible amongst more works than one and it is not known or does not appear to what work the cost of such material ought ultimately to be charged, then the Minister may direct that all moneys expended for such material shall be charged in the first instance to a Suspense Account and shall afterwards be charged to the proper work when the same is ascertained.

Suspense Accounts
 Amended by No. 60, 1948, s. 32; No. 36, 1978, s. 3; No. 8, 1979, s. 64

58A. The Minister may take in reduction of expenditure charged to the Loan Fund the following receipts:

- (a) moneys received from the sale of property, or for work, in respect of which moneys standing to the credit of the Loan Fund have been expended, but not exceeding the sum of the moneys so expended;
- (b) moneys received in repayment of moneys paid out of the Loan Fund by way of deposits, advances or loans;
- (c) moneys received in reimbursement of any other expenditure for which payments have been made out of the Loan Fund.

Receipts taken in reduction of expenditure charged to Loan Fund
 Substituted by No. 8, 1979, s. 47

59. (1) All the provisions of this Act relating to the issue and expenditure of public moneys and the authority for such issue and expenditure shall apply to the issue and expenditure of moneys standing to the credit

Provisions of Act to apply

s. 59

of the Loan Fund, and the Governor-General shall have the same authority with respect to such moneys and the expenditure thereof as he has with respect to moneys standing to the credit of the Consolidated Revenue Fund.

Amended by
No. 8, 1906, s. 3

(2) All the provisions of this Act relating to the collection and receipt of money and the audit of the Public Accounts and the powers and duties of the Auditor-General with respect to the expenditure of public moneys and the duties and liabilities of accounting officers and other persons whomsoever shall in like manner apply to moneys collected received or expended on account of the Loan Fund.

Heading
submitted by
No. 20, 1969,
s. 39

PART IX—THE TRUST FUND

Trust Fund
Amended by
No. 36, 1978,
ss. 3 and 5

60. A separate account, to be called the Trust Fund, shall be kept of all moneys which shall be placed to the credit of that fund under such separate heads as may be directed by the Minister.

Expenditure
of Trust
moneys
Amended by
No. 36, 1978, s. 3

61. It shall not be lawful for the Minister to expend any moneys standing to the credit of the Trust Fund except for the purposes of such fund or under the authority of an Act.

Provisions of
Act to apply
in relation to
Trust Fund

62. (1) All the provisions of this Act relating to the issue and expenditure of public moneys and the authority for such issue and expenditure shall apply to the issue and expenditure of moneys standing to the credit of the Trust Fund, and the Governor-General shall have the same authority with respect to such moneys and the expenditure thereof as he has with respect to moneys standing to the credit of the Consolidated Revenue Fund.

Inserted by
No. 20, 1969,
s. 25; amended
by No. 8, 1979,
s. 64

(1A) The last preceding sub-section has effect subject to section 33B.

Amended by
No. 8, 1906, s. 3

(2) All the provisions of this Act relating to the collection and receipt of moneys and the audit of the Public Accounts and the powers and duties of the Auditor-General with respect to the expenditure of public moneys and the duties and liabilities of accounting officers and other persons whomsoever shall in like manner apply to moneys collected received or expended on account of the Trust Fund.

Trust
Accounts
Inserted by
No. 8, 1906, s. 13
Sub-section (1)
submitted by
No. 60, 1948,
s. 36; amended
by No. 36, 1978,
s. 3

62A. (1) The Minister may establish Trust Accounts and define the purposes for which they are established.

s. 62A

(2) Subject to this section, the Trust Accounts established by or under this section and existing immediately prior to the commencement of this sub-section shall continue as trust accounts under this section.

Submitted by
No. 60, 1948,
s. 36

(3) All moneys standing to the credit of an account which is a Trust Account established under, or continued by, this section or established under any other Act as a Trust Account for the purposes, or within the meaning, of this section, shall be deemed to be moneys standing to the credit of the Trust Fund:

Submitted by
No. 60, 1948,
s. 36

(4) The Minister may direct that any Trust Account shall be closed and thereupon after all liabilities of the Account have been met the Account shall be closed accordingly.

Submitted by
No. 60, 1948,
s. 36; amended
by No. 36, 1978,
s. 3

(4A) The Minister may direct that any moneys standing to the credit of any Trust Account which are not required for the purposes of that Account and the balance of moneys standing to the credit of a Trust Account closed under the last preceding sub-section shall be paid as provided in the next succeeding sub-section.

Submitted by
No. 60, 1948,
s. 36; amended
by No. 36, 1978,
s. 3

(4B) Where any amount is required in accordance with the last preceding sub-section to be paid, that amount shall, to such extent as it was appropriated out of moneys standing to the credit of the Loan Fund, be paid to the Loan Fund and any balance of that amount shall be paid to the Consolidated Revenue Fund.

Inserted by
No. 60, 1948,
s. 36

(5) The following moneys may be paid to the credit of the Trust Account to which they relate:

Moneys to
be paid into
Trust
Accounts

(a) All moneys appropriated by law for the purposes of any Trust Account;

Amended by
No. 60, 1948,
s. 36; No. 20,
1969, s. 36

(b) All moneys received from the sale to any person or Department of any articles purchased or produced, or for work paid for, with moneys standing to the credit of a Trust Account; and

(c) All moneys paid by any person for the purpose of any Trust Account.

(6) Moneys standing to the credit of a Trust Account may be expended for the purposes of the account.

Expenditure
of money in
Trust
Account

(7) Where—

(a) an amount has been paid to the credit of the Trust Fund; and

Refunds
from Trust
Fund

(b) the repayment of that amount, or of a part of that amount, to any person is required or permitted by or under any Act or otherwise by law,

Submitted by
No. 74, 1962,
s. 4; amended by
No. 8, 1979, s. 46

the repayment may be made from moneys standing to the credit of the Trust Fund.

s. 62B

Investment of moneys standing to credit of Trust Fund
inserted by No. 8, 1906, s. 13
 Sub-section (1) substituted by No. 126, 1905, s. 5; amended by No. 38, 1978, s. 3

62B. (1) Moneys standing to the credit of the Trust Fund may be invested by the Minister—

- (a) in any securities of, or guaranteed by, the Government of the Commonwealth or of a State;
- (b) on deposit in a bank; or
- (c) in the purchase of metal for coinage.

Substituted by No. 38, 1978, s. 5

(2) The Minister and his successors in office shall, for the purposes of the investment of any moneys in pursuance of this section, be deemed to be a corporation by the name of "The Minister for Finance of the Commonwealth", and any securities or deposits taken or made in pursuance of this section may be taken or made by him in his corporate name.

Inserted by No. 60, 1948, s. 37

(2A) A deposit receipt for moneys deposited under this section for a fixed period with any bank shall, for the purposes of this Act, be deemed to be a security.

Substituted by No. 8, 1979, s. 49

(3) Interest received from the investment of any moneys standing to the credit of the Trust Fund shall be dealt with—

- (a) in accordance with any Act making provision with respect to that interest; or
- (b) if paragraph (a) is not applicable—
 - (i) in a case where the Minister has directed the manner in which that interest is to be dealt with—in accordance with that direction; or
 - (ii) in any other case—by payment to the Consolidated Revenue Fund.

RELEVANT EXTRACTS FROM THE CONSTITUTION

APPENDIX B

51. The Parliament shall, subject to this Constitution, have power to make laws for the peace, order, and good government of the Commonwealth with respect to:—

(iv) Borrowing money on the public credit of the Commonwealth.

(xxxix) Matters incidental to the execution of any power vested by this Constitution in the Parliament or in either House thereof, or in the Government of the Commonwealth or in the Federal Judicature, or in any department or officer of the Commonwealth.

53. Proposed laws appropriating revenue or moneys, or imposing taxation, shall not originate in the Senate. But a proposed law shall not be taken to appropriate revenue or moneys, or to impose taxation, by reason only of its containing provisions for the imposition or appropriation of fines or other pecuniary penalties, or for the demand or payment or appropriation of fees for licences, or fees for services under the proposed law.

The Senate may not amend proposed laws imposing taxation, or proposed laws appropriating revenue or moneys for the ordinary annual services of the Government.

The Senate may not amend any proposed law so as to increase any proposed charge or burden on the people.

The Senate may at any stage return to the House of Representatives any proposed law which the Senate may not amend, requesting, by message, the omission or amendment of any items or provisions therein. And the House of Representatives may, if it thinks fit, make any of such omissions or amendments, with or without modifications.

Except as provided in this section, the Senate shall have equal power with the House of Representatives in respect of all proposed laws.

54. The proposed law which appropriates revenue or moneys for the ordinary annual services of the Government shall deal only with such appropriation.

55. Laws imposing taxation shall deal only with the imposition of taxation, and any provision therein dealing with any other matter shall be of no effect.

Laws imposing taxation, except laws imposing duties of customs or of excise, shall deal with one subject of taxation only; but laws imposing duties of customs shall deal with duties of customs only, and laws imposing duties of excise shall deal with duties of excise only.

56. A vote, resolution, or proposed law for the appropriation of revenue or moneys shall not be passed unless the purpose of the appropriation has in the same session been recommended by message

of the Governor-General to the House in which the proposal originated.

61. The executive power of the Commonwealth is vested in the Queen and is exercisable by the Governor-General as the Queen's representative, and extends to the execution and maintenance of this Constitution, and of the laws of the Commonwealth.

81. All revenues or moneys raised or received by the Executive Government of the Commonwealth shall form one Consolidated Revenue Fund, to be appropriated for the purposes of the Commonwealth in the manner and subject to the charges and liabilities imposed by this Constitution.

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

But until the expiration of one month after the first meeting of the Parliament the Governor-General in Council may draw from the Treasury and expend such moneys as may be necessary for the maintenance of any department transferred to the Commonwealth and for the holding of the first elections for the Parliament.

90. On the imposition of uniform duties of customs the power of the Parliament to impose duties of customs and of excise, and to grant bounties on the production or export of goods, shall become exclusive.

On the imposition of uniform duties of customs all laws of the several States imposing duties of customs or of excise, or offering bounties on the production or export of goods, shall cease to have effect, but any grant of or agreement for any such bounty lawfully made by or under the authority of the Government of any State shall be taken to be good if made before the thirtieth day of June, one thousand eight hundred and ninety-eight, and not otherwise.

96. During a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provides, the Parliament may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit.

105. The Parliament may take over from the States their public debts or a proportion thereof according to the respective numbers of their people as shown by the latest statistics of the Commonwealth, and may convert, renew, or consolidate such debts taken over, and thereafter the interest payable in respect of the debts shall be deducted and retained from the portions of the surplus revenue of the Commonwealth payable to the several States, or if such surplus is insufficient, or if there is no surplus, then the deficiency or the whole amount shall be paid by the several States.

105A(1.)* *The Commonwealth may make agreements with the States with respect to the public debts of the States, including -*

- (a) *the taking over of such debts by the Commonwealth;*
- (b) *the management of such debts;*
- (c) *the payment of interest and the provision and management of such debts;*
- (d) *the consolidation, renewal, conversion, and redemption of such debts;*
- (e) *the indemnification of the Commonwealth by the States in respect of debts taken over by the Commonwealth; and*
- (f) *the borrowing of money by the States or by the Commonwealth for the States.*

(2.) *The Parliament may make laws for validating any such agreement made before the commencement of this section.*

(3.) *The Parliament may make laws for the carrying out by the parties thereto of any such agreement.*

(4.) *Any such agreement may be varied or rescinded by the parties thereto.*

(5.) *Every such agreement and any such variation thereof shall be binding upon the Commonwealth and the States parties thereto notwithstanding anything contained in this Constitution or the Constitution of the several States or in any law of the Parliament of the Commonwealth or of any State.*

(6.) *The powers conferred by this section shall not be construed as being limited in any way by the provisions of section one hundred and five of this Constitution.*

* Under Section 2 of the Constitution Alteration (State Debts) Act 1928, the Constitution was amended by the insertion of this section.