

Finance Minute on  
Report 186—  
Advance to the Minister  
for Finance  
(Appropriation Acts  
1979-80)

**217**

Joint Committee of  
Public Accounts



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

217TH REPORT

FINANCE MINUTE ON THE COMMITTEE'S 186TH REPORT -  
EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE  
(APPROPRIATION ACTS 1979-80)

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CANBERRA 1983

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#### DUTIES OF THE COMMITTEE

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

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.

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## PREFACE

Following the creation of the Department of Finance in 1976, it was agreed that the 'Treasury Minute' arrangements for ensuring that appropriate action is taken in response to Committee recommendations, should continue. These procedures then became known as the 'Department of Finance Minute'.

Although these arrangements are periodically reviewed, they have been in operation, in more or less their current form, since 1952, when the Public Accounts Committee was re-established.

The Finance Minute procedures, as they now stand, are as follows:

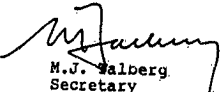
1. The Report of the Committee is tabled in both Houses of the Parliament and motions are moved in both places that the Report be printed as a Parliamentary Paper.
2. The Chairman of the Committee thereafter forwards a copy of the Report to the responsible Minister and to the Minister for Finance with a request that he give the Report his consideration and inform the Chairman of the action taken to deal with the Committee's conclusions.
3. The reply which is in the form of a Department of Finance Minute, is then examined by the Committee and, together with the conclusions of the Report to which it relates, is submitted as soon as possible as a Report to the Parliament.
4. Should the Committee find during its examination of a Department of Finance Minute that certain recommendations are not fully dealt with or are subject to a further Minute, it holds an exploratory discussion with officers of the Department of Finance prior to the submission of the Minute to the Parliament.
5. In reporting a Minute to the Parliament, the Committee, except in special cases does not usually make any comment other than to note recommendations not fully dealt with or subject to a further Minute.

6. When the Committee next examines the Department concerned the Department of Finance Minute is considered by the Committee if applicable.
7. The Department of Finance furnishes the Committee with a half-yearly report on outstanding Minutes, indicating the progress made in dealing with the Committee's comments.

In accordance with the procedures outlined above, this report documents the Department of Finance Minute which was submitted in response to the Committee's 190th Report.

For and on behalf of the Committee.

  
Senator G. Georges  
Chairman

  
M.J. Valberg  
Secretary  
Joint Parliamentary Committee of Public Accounts  
Parliament House  
Canberra  
30 November 1983

## CHAPTER 1

### INTRODUCTION

1.1 The Committee's 186th Report, an examination of Expenditure from the Advance to the Minister for Finance (Appropriation Acts 1979-80) was tabled in Parliament on 7 April 1981. A summary of that report appears in Chapter 2. The recommendations together with the Department of Finance Minute, which was sent to the Committee by the Minister for Finance on 16 December 1982, appear in Chapter 3.

1.2 On 23 September 1983 the Committee wrote to the Secretary, Department of Finance and requested additional information and clarification of the Departmental responses to Recommendations 5 and 6.

1.3 The Committee considered the departmental response to Recommendation 5 did not adequately address the question concerning the reasons for the amount in question (\$1.72m) and failed to answer the more detailed question concerning a serious deficiency in the Department's estimating and financial control procedures.

1.4 Similarly, the Committee considered the departmental response to Recommendation 6 failed to answer the underlying question concerning deficiencies in the Department's financial control procedures and in addition made no response to the following points:

- the underestimation of staff wastage in the latter part of the year;
- the inability of the Department to anticipate the full cost of its recruitment program in 1979/80, and make provision in the estimates accordingly;
- the inability of the Department to anticipate the number of staff paid under this item. This resulted because the Bureau of Transport Economics establishment did not achieve the forecast level and the transfer of the Papua New Guinea staff did not occur in time for inclusion in the additional estimates.

1.5 The Committee also asked for an assurance that these procedures had been re-examined by the Department and that they were satisfactory.

1.6 In response, the Department of Finance provided the Committee with additional information supplied by the Department of Aviation dated (29 November 1983). The Department stated that the salaries estimating and financial control procedures are as follows:

...Following the Committee's enquiry, the former Department of Transport undertook a review of its salaries estimating and control procedures. The review was continued by the Department of Aviation and took the form of a working group comprising officers from Finance, Manpower and Personnel Branches of the Department, reporting to a Steering Committee of senior officers. As a consequence of this review, major changes were instituted, and the revised arrangements have been operating since mid 1982.

Prior to these changes the Department relied on a system which arrived at the salaries estimates by use of a broad averaging technique. Under the revised arrangements the estimate is built up on the basis of a detailed analysis of relevant components, including numbers of staff and average salary for each employment category. While the latter system requires considerably greater effort and use of resources it has proved to be much more accurate and reliable.

The system was first used in respect of the 1982/83 Additional Estimates and provided a very satisfactory result. Expenditure in 1982/83 was within 0.2% of the appropriation.

In addition to the development of more accurate estimates, the revised arrangements provide for the dedication of resources to the monitoring of staffing and salaries expenditure trends, with regular reporting to the Departmental Executive. The estimating and monitoring systems are designed to identify all factors affecting salaries estimating procedures and financial control including the points identified by the Committee as being deficient. They are also subject to an ongoing review process to further refine the methodology and to ensure that they are responsive to changing circumstances.

1.7 The Committee is now satisfied with the responses to its 186th Report.

## CHAPTER 2

### SUMMARY OF COMMITTEE'S 186TH REPORT

2.1 In accordance with normal practice the Committee obtained from Departments 128 explanations relating to items from the Advance to the Minister for Finance (AMF) in 1979/80. Four items were selected for public examination and additional written information was requested from a further twelve departments in relation to their explanations.

2.2 The first purpose of the AMF is to provide moneys that will be recovered during the financial year. These may be from any source including recoveries from the Additional Estimates later in the year. It is unusual for departments to require additional funds to meet unforeseen changes in circumstances prior to the Additional Estimates and in such cases the Department of Finance will meet the requirement from the AMF 'pending Additional Estimates.' The department concerned is then required to seek the amount involved in the Additional Estimates and when the additional Appropriation Acts are passed the amount is credited back to the Advance. The same principle of reimbursing the AMF applies to amounts provided to departments 'pending the issue of Governor-General's Warrant'. In this way the Advance is used as a source of temporary finance.

2.3 The remaining purpose of the AMF is to meet commitments that could not have been foreseen in time for their inclusion in the Additional Estimates and particulars of which are later submitted to the Parliament. It is this use of the facility which interests the Committee on behalf of the Parliament.

2.4 In examining expenditure from the Advance to the Minister for Finance the Committee seeks to determine whether or not expenditure from the Advance has been confined to urgent and unforeseeable requirements for which provision could not be made in the departmental estimating procedures and to determine whether or not the departments concerned have maintained efficient administration in their expenditure of those funds.

2.5 The four departments examined in 1980 were the Departments of Finance, Social Security, Transport and Veterans' Affairs. The Committee concluded that in most cases expenditure from the Advance to the Minister for Finance was confined to urgent and unforeseeable requirements for which provision could not have been made in the Appropriation Acts. However, in relation to the then Department of Transport, there was evidence of clerical errors, inefficient estimating procedures, and delays which caused expenditure to be charged to the Advance when provision should properly have been made in the Additional Estimates.



CHAPTER 3

DEPARTMENT OF FINANCE MINUTE ON 186TH REPORT

3.1 This Chapter details departmental responses to the recommendations made by the Committee in its 186th Report. As explained in Chapter 1 the responses below were provided in the Department of Finance Minute of 16 December 1982.

RECOMMENDATION 1 (Department of Finance)

The Committee notes with concern any instances where expenditure on an appropriation item is in excess of Warrant Authority held for that item, as such expenditure is incurred without the authority of the Parliament or the approval of the Minister for Finance. It is noted that remedial action has taken place to improve internal control in the Departments which over-expended in 1979/80 and trusts that this will result in no further instance of over-expenditure in the future.

Response

3.2 The Department of Finance has advised that interim action to highlight Warrant Advice issues which exceeded approved Warrant Authority for expenditure was implemented prior to the close of the 1980/81 financial year. Further developmental work has continued on the Warrant Authority control system within the ADP Ledgers System. Features now incorporated include controls to prevent the issue of funds in excess of approved Warrant Authority and to prevent the allocation of Warrant Authority in excess of Parliamentary Appropriations.

3.3 The revised arrangements also give the 'head-office' departmental Authorising Officer an increased capacity to supervise and co-ordinate the issue of Warrant Advices. This has been achieved by providing a facility which enables him to centralise the input of Warrant Advices through the Canberra Accounting Office of the Department of Finance. Previously these transactions could only be input on a decentralised basis through the regional Accounting Offices of the Department of Finance.

RECOMMENDATION 2 (Department of the Senate)

The Committee is particularly concerned at the breakdown of internal control procedures in the Department of the Senate, which resulted in the Department over-expending in two appropriation items in 1979/80. The Committee considers that the Parliamentary Departments have an added

responsibility to ensure that expenditure on all items is kept within the limit of Warrant Authority held. This Committee therefore expects that the remedial action taken within this Department will be sufficient to ensure that over expenditure will not recur at any time in the future.

Response

3.4 The Department of the Senate has advised that its manually maintained Warrant Control Ledger has been restructured to provide immediate and accurate information of the warrant available under each appropriation item. It is expected that this measure, together with a strengthening of internal control procedures, will ensure that expenditure on all items is kept within the limit of Warrant Authority held.

RECOMMENDATION 3 (Department of the Senate)

A further matter of concern is that the Department of the Senate did not provide a response to a letter of 12 August 1980 from the Committee which sought detailed information in relation to the over-expenditure until 3 October 1980, a period of approximately 2 months. The Committee considers that such a delay is unacceptable, especially as it was requested that a response be provided by 29 August 1980.

Response

3.5 The Department of the Senate accepts the Committee's criticism. An examination of departmental records indicates that, whilst several discussions relating to the matter were held with officers of the Committee Secretariat and the Department of Finance during that period, the Committee's deadline was overlooked and consequently the matter was not given its due priority.

RECOMMENDATION 4 (Department of Social Security)

The Committee is generally satisfied with the Department's explanation in relation to the expenditure of \$56,605 from the Advance to the Minister for Finance for this item. However, the Committee notes that the Department's decentralisation and expansion program is of a long term nature and that vehicles have been hired from the Department of Administrative Services for several years. The Department, on the basis of its past experience, should therefore have been able to make provision for the full costs of the car fleet expansion and for the payment of the June 1980 period ended accounts at additional estimates time.

**Response.**

3.6 The Department of Social Security accepts that the additional estimate could be criticised as lacking the desirable degree of precision. However, every endeavour is made to ensure that estimates are as accurate as possible having regard to the latest available information at the time of their preparation. Even so, in appropriations such as that for motor vehicles where the decentralisation of departmental activities dictates that forecasting must be undertaken on a State by State basis and where the services are provided by other organisations, difficulties can arise, on occasions, in securing absolutely accurate and timely information.

**RECOMMENDATION 5 (Department of Transport)**

The Committee is particularly concerned that \$1.72m of the amount provided for this item in the Advance to the Minister for Finance cannot readily be quantified or accounted for by the Department and believes that this situation illustrates a serious deficiency in the Department's estimating and financial control procedures.

**Response**

3.7 After investigations by officers of the former Department of Transport the factors determining the need for the amount of \$1.72 million have now been identified - \$0.05 million was not spent and the remaining \$1.67 million was primarily attributable to:

- (a) an underestimation of the 'base' average salary by approximately 1% (accounting for \$1-\$1.5 million of the shortfall); and
- (b) an upward shift in the staff profile during 1978/79 and 1979/80.

This analysis results from investigations by officers of the former Department of Transport which included:

- (a) a reconciliation of the staff employed and the staff paid by the Department to ascertain any discrepancy;
- (c) an examination of long service and sick leave patterns to determine whether abnormal higher duties payments, and/or prepayments of salary had been made;
- (d) an examination of the number of inoperative staff returning to the payroll to determine whether it was more than estimated;

(e) examination of the possibility that non-budgeted variations in allowances had occurred; and

(f) an investigation of the possibility that the 'base' figure had been underestimated or calculated incorrectly.

**RECOMMENDATION 6 (Department of Transport)**

The Committee considers that, notwithstanding the diversity and complexity of operations, deficiencies in the Department's financial control procedures are further illustrated by the following unsatisfactory features:

- the underestimation of the average salary paid in the Department by a factor of between 1 and 2 per cent;
- the underestimation of staff wastage in the latter part of the year;
- the inability of the Department to be able to anticipate the full cost of its recruitment program in 1979/80, and make provision in the estimates accordingly; and
- the inability of the Department to anticipate the number of staff paid under this item as a result of the Bureau of Transport Economics establishment not obtaining the forecast level and the transfer of the Papua New Guinea staff in time for inclusion in the additional estimates.

**Response**

3.8 In 1980/81 procedures were introduced to optimise the use of automated personnel and establishments information, provided by systems such as Mandata (operated by the Public Service Board), to obtain better data on staffing levels and related salaries implications.

3.9 However, the Mandata system ceased to operate in September 1981. Since then, an interim system enabled basic records on establishment and personnel to be maintained and updated, but did not provide salary information nor capacity for addition of information such as the application of Arbitrator's determinations. This led to underestimation of requirements for salaries in 1981/82.

3.10 The former Department of Transport subsequently established a working group to develop specifications for an overall system to enable accurate information to be provided on salaries expenditure and future salaries requirements. This working group was continued by the Department of Aviation. Its terms of reference appear at Appendix 1.

3.11 Despite the further developmental work required, the Department has stated that some improvement has already been evidenced in the calculation of base salary estimates. Funds from the Advance to the Minister for Finance were not required in respect of the salaries vote by the former Department of Transport in 1980/81 and the reasons for the need for recourse to the Advance to the Minister for Finance in 1981/82 have been identified and attempts to correct them have been made by the Department.

3.12 The Department of Finance has noted the progress already made in production of an improved estimate and will continue to monitor developments.

#### RECOMMENDATION 7 (Department of Transport)

The Committee is concerned that the Department has exceeded its staff ceiling for at least 2 consecutive years and suggests that the Department review its staffing procedures to ensure that in future it remains within approved ceiling levels.

#### Response

3.13 The former Department of Transport paid increased attention to the management of staff ceilings in 1980/81 and 1981/82 by monthly monitoring of staff levels and where necessary by issuing directives from Central Office to regions concerning adjustments to recruitment strategy.

3.14 As may be seen from the table at Appendix 2, variations in approved ceiling figures in 1980/81 and 1981/82 made it difficult to keep actual staff numbers close to ceiling. Nevertheless, June 1981 staff figures were only marginally different from staff ceiling figures, (0.09% variation), having been below ceiling for most of the year.

3.15 The former Department of Transport's ceiling was substantially reduced in July 1981. Consequently, from July to December 1981 the actual staff level of the former Department of Transport was above ceiling. The Department's staff ceiling was increased to 400 in December 1981, a figure achieved by the Department in March 1982. On introduction of the new Departmental Administrative Arrangements in May 1982 the actual staff level exceeded the ceiling by 0.15%.

3.16 The Department considers that given the large number of staff categories involved (over 100) and the decentralised recruitment arrangements, it is unlikely that a greater degree of precision in the management of staff ceiling levels could have been achieved.

#### RECOMMENDATION 8 (Department of Transport)

The Committee notes that the Department is aware of the need to improve its estimating procedures, and expects that the current review will result in a significant improvement in performance in the future. The Committee wishes to be kept informed of the progress made in this review.

#### Response

3.17 As commented on in Paragraph 4.10 the former Department of Transport established a senior level Steering Committee and a working group to investigate problems in the salaries estimating procedures and make recommendations for improvements. This working group was continued by the Department of Aviation and has now finalised its report, a copy of which appears at Appendix 3. The Department of Aviation has now introduced a system for salaries estimating and monitoring and in the near future intends to automate this system.

SALARIES ESTIMATES WORKING GROUP  
TERMS OF REFERENCE

The review of the Salaries Estimating procedures has, as its primary objective, the development of an overall system to enable accurate information on salaries expenditure and future salaries requirements (including Overtime) to be provided to Departmental Management and the Department of Finance.

Contained within the overall objective are the following identified sub-goals:

- Examination of existing salaries estimating procedures to identify causes of deficiencies. Develop a system which will provide a realistic and practicable estimate, acceptable to Department of Finance and which meets Departmental management needs, in particular
  - establish the most efficient manner of developing an accurate estimate of the "Salary Base"
  - establish a system for identifying all the variables affecting salary expenditure and which caters for these effects in the estimate.
- Examine the monitoring systems used to provide timely information on expenditure on salaries and related allowances and identify deficiencies. Develop a monitoring system which will
  - provide accurate salaries expenditure data on a fortnightly basis
  - identify in advance variations which will significantly affect salary payout figures.
  - assess effects of these variations to the total salary expenditure requirements.
- Examine the accuracy of the data bases used in compiling or verifying salary estimates and specify new automatic and/or manual systems to improve the reliability and/or useability of this information.

## FORMER DEPARTMENT OF TRANSPORT

	Full Time Operative Staff	Full Time Operative Staff Ceiling
1980/81		
July	11,315	11,615
August	11,335	"
September	11,362	"
October	11,354	"
November	11,424	11,362
December	11,373	11,615
January	11,415	"
February	11,640	"
March	11,600	11,730
April	11,669	"
May	11,623	"
June	11,741	"
1981/82		
July	11,634	11,576
August	11,653	"
September	11,608	"
October	11,633	"
November	11,674	"
December	11,673	11,976
January	11,812	"
February	11,945	"
March	11,980	"
April	11,994	"

APPENDIX 3

REVIEW OF SALARIES ESTIMATING PROCEDURES WITHIN  
THE DEPARTMENT OF AVIATION - 1982

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Report Summary

- . The report proposes the implementation of an additive type salaries estimating system coupled with detailed monitoring of salaries expenditure
  - to meet the Department's current and future requirements in the salaries estimating field.
- . The system recognises the complexities associated with the Department's salaries and allowances estimates and is seen as a forward looking solution to meet the Department's special requirements
  - associated with its size, large number of categories of staff and decentralised operations.
- . The salaries estimating methodology is to involve the following components:
  - calculation of a base salary using number of staff employed at each increment level in each category
  - calculation of increment entitlement for these staff
  - estimation of penalty payments to accrue to individuals at each classification level
  - calculation of higher duties, Reg 97, Flying, Second Division and other allowances separately and in detail
  - calculation of leave loading entitlements for staff
  - estimation of lump sum payments
  - inclusion of factors for staffing variations.
- . The monitoring methodology is to involve regular and detailed reporting on expenditure on all the components listed above
  - as well as costing of the effects of arbitral determinations and awards as they are handed down throughout the year.
- . The report proposes that the responsibility for co-ordination and compilation of salaries estimates and monitoring be placed in the Management Services Division (MSD)
  - Regions are to provide much of the source data and expenditure figures
  - Finance Branch of Resources Division is to provide clear and precise instructions to MSD concerning the nature, timing and format for each estimate

- other Departmental areas to provide specific information to MSD as required.
- The system proposed has staff resource implications and will involve a full-time additional position in MSD
- Regional staff resource implications will be assessed during developmental discussions with Regional representatives.
- The overall system is to be documented in a procedural manual
- which is in a draft form at the present time and will involve Regional, Finance Branch, MSD and Manpower Branch inputs to bring it to finality.

REVIEW OF SALARIES ESTIMATING PROCEDURES WITHIN THE  
DEPARTMENT OF AVIATION - 1982

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Investigation and Report by Ian Carmody  
Assisted by Carol Bates

Manpower Branch  
July 1982

## 1. The Nature of Salaries Estimates

Salaries estimates are unlike other estimates provided to the Department of Finance in that expenditure on salaries can not be varied to ensure alignment with the estimate. There exists a flexibility in the rate of expenditure on travel, for example, which enables a certain degree of adjustment to be made to ensure expenditure is close to the estimate amounts. This is the case for most other administrative expenditure items. Whilst the lack of flexibility in salaries expenditure does not imply that these other administrative items do not require a detailed accurate estimate it does in practice mean that the salaries estimates, particularly the additional estimates, need to be an extremely accurate report on all known variables.

The Department's expenditure on salaries is the largest single line item in the Appropriation Acts and accounted for 46% of total estimated expenditure in the 1981/82 financial year for the Department of Transport (as it was then titled). The importance of accurate salaries estimates can be seen in that a small percentage underestimate will mean that there is a significantly large overspend on salaries. For example, using the latest available salary expenditure figures for D of A, if the first estimate is out by one percent the actual difference will be close to \$2.2 million.

Problems also arise from the diversity of categories involved in D of A operations and the number of special allowances which are applicable to D of A staff. Regionalised operations and decentralised salaries payment systems also add to the problems experienced in developing an accurate salaries estimate.

D of A is not the only Department which experiences all these problems; in fact most large Departments are faced with similar difficulties when preparing salaries estimates. The Review Team examined in detail the salaries estimating procedures within the Departments of Administrative Services (DAS), Primary Industry (DPI) and the Australian Taxation Office (ATO).

DPI has attempted to prepare estimates centrally and has experienced difficulty in preparing accurate salary estimates. They are in the process of developing an instruction manual for circulation to State Offices which will establish a salaries estimating procedure that will require extensive Regional inputs. The estimate processes were not resolved at the time we spoke with DPI Officers but it was their intention that the estimates cell in the Finance Branch of DPI undertake the co-ordination of the salaries estimates.

DAS deploy the equivalent of a full time Class 7 officer on salaries estimates and monitoring. This officer is located in the Establishments Section, not in the Financial Estimates or Accounts area. This officer has concentrated on

refining the Finance Ledger System and has extensively utilized appropriation codes to enable extraction of detailed salaries data using the ledger. Salaries estimates are also prepared by this officer who consults other specialist areas or line managers as and when necessary (e.g. staff ceiling allocations, wastage rates, policy initiatives).

ATO has developed a detailed procedure manual which is issued to each Region and to relevant areas in Central Office. This manual defines Branch/Region responsibilities in the salaries estimating process and provides formulae to be used when providing estimates on salaries and allowances variables. The Finance area in Central Office of ATO co-ordinates the compilation of the final office wide estimates. As the system operates in ATO the compilation task is merely mechanical in approach. The Finance area is constantly reviewing and developing the instructions contained in the procedural manual. A copy of the relevant sections of the ATO procedural manual is enclosed for information at attachment A.

## 2. Need for Co-ordination

Until recently no specific line area has been made responsible for co-ordination of inputs to the salaries estimating process. In practice Finance Branch has undertaken the work in preparing salaries estimates in consultation on an ad hoc basis with Personnel and Recruitment Sections. To overcome the problems mentioned earlier, particularly the problems resulting from the decentralised regional organisation, it will be necessary for an area to take responsibility for the co-ordination of estimates (six times for each estimating cycle - see section five). In as far as accurate monitoring is essential in the preparation of revised and additional estimates there is a strong case for the same area to maintain monitoring responsibilities. The placement of the co-ordination function is discussed later in the report but first the desirable methodology for estimating and monitoring is outlined.

## 3. Methodology for Estimating Salaries Expenditure

The type of methodology employed in developing a salaries estimate impacts on the type of co-ordination required. There are two broad types of estimating methodology which can be used; viz averaging systems and detailed additive type systems. There are advantages in both systems. The deployment of averaging methodology saves staff time and resources but at a cost of detail and accuracy. The additive type estimate is considerably more expensive of staff resources, involving Regions in a detailed analysis of their records, but will provide a sound, reliable salaries base. Averaging systems can be largely undertaken centrally, whereas the detailed type system is reliant upon regional inputs.



The problems experienced with estimating salaries have prompted this review. They have been the product of a central averaging type system and whilst, with hindsight it can be seen where the miscalculations occurred, there is little chance of ensuring that similar mistakes are not repeated unless the system is extensively redeveloped. The development of an averaging system to the point where such occurrences are ruled out will require extensive statistical and methodology development.

In contrast the detailed "building block" approach would allow the Department to have a clear measurement of the estimate of each component in the salaries and allowances vote which will, with detailed monitoring of expenditure components, allow accurate estimates to be submitted to D of F.

It is proposed that a detailed salary estimate be constructed based on a procedure manual which is currently being developed. The essential components of this estimating procedure are detailed below. In the longer term it may be possible for parts of the systems to be refined and replaced by soundly based and tested statistical averages.

#### 4. Proposed Salaries Estimating Procedure

It is proposed to adopt an estimating procedure which will provide an estimate for each variable component within the salaries vote. These sub estimates can then be monitored against expenditure rates (see monitoring procedures later in this report) and initial estimating assumptions can be altered and revised for additional estimates. Listed hereunder are the variables to be estimated. The type of information required for each variable and the area most likely to be able to provide this data is shown.

- (a) Basic Salary: Consists of the normal entitlement excluding allowances paid to each officer/employee within the Department. It is by far the largest sub component of the salaries and allowances vote and therefore should attract considerable attention to ensure that the initial estimate is soundly based.

The ideal estimate would be obtained by adding every officer's/employee's annual salary - this is impractical for D of A with approximately 11,000 staff members. The next best alternative would be to group the number of staff actually employed at each increment level within each classification level and, by a simple arithmetical calculation, derive the average salary for each classification level.

To obtain this data it will be necessary to approach Personnel areas in Regions and C.O. This would be a large task but one which should be within the capabilities of each Personnel area.

- (b) Increments: Having determined the base salary according to the above mentioned methodology it will be necessary to estimate for the payment of salary increments. It is a simple matter, using the base salary data, to determine the maximum increment increase possible in the year. In practice, as a result of staff wastage and turnover, the variations due to increments will fall short of the maximum. Australian Taxation Office has determined an increment rate of 67% based on that organisations turnover rates. D of A wastage rates are relatively low, at approximately 10% per annum. It is proposed therefore that an increment payment rate of 90% of the maximum possible increment be adopted for the purposes of the estimate. This can be revised in light of operating practice.

- (c) Penalty Pay: Penalty payments form an ongoing part of the salary of many categories within the Department, notably ATCs and FSOs. The amount of penalty hours worked and the rate at which penalty pay is accrued depends largely on staffing and shift arrangements. The number of hours of penalty pay to be worked at each rate for each classification level will provide the necessary data to calculate an estimate of expenditure on this component.

Regional management should be in a position to provide this data, partly relying on historical records of penalty hours worked (taking into account State public holidays and other factors) and partly anticipating significant staffing variations. The central co-ordinating unit will be able to apply salary rates to this data to arrive at estimate figures.

- (d) Allowances:

- (iii) Higher Duties Allowance: There are two different reasons for which higher duties allowance is paid, and each should be dealt with differently in the estimate. Higher duties which is paid whilst an officer occupies a vacant position is not an additional cost as it is included in the salary base calculations. Higher duties allowance paid to staff who occupy positions which also have other officers paid against those positions represents an additional cost to the Department and needs to be estimated separately.

Whilst every officer accrues paid leave entitlements on an annual basis, not all leave is used each year, nor is each position necessarily filled on a higher duties basis whilst the occupant is on leave. Calculating the component of this additional higher duties allowance cost will not be easy. Regional and Divisional management will be generally aware of positions to be filled on HDA basis whilst annual leave is used and will be able to provide the most accurate estimate of this allowance. The estimate procedures will require Regional and Divisional management to provide an estimate for this component.

- (ii) **Regulation 97:** Under the salaries and allowance appropriation only payments relating to housing allowances are counted. (Reg. 97A, B, C, and D are costed to different appropriations.) Over and above the normal movement of staff through transfers and promotion there is the Canberra Transfer Program which will result in significant payments on this component (\$532,706 in 1981/82).

Known movements only can be considered and to this end Regional management, the Canberra Transfers unit and C.O. Personnel Branch should be able to provide a calculated estimate in relation to known Reg. 97 claims.

- (iii) **Flying Allowance:** Flying allowance is payable to a number of categories within the Department and is counted in the ledger system as an allowance, not as part of basic salary. Special attention will need to be paid to these allowances, with an estimate of likely staffing rates of positions eligible for this allowance to be provided by Regional Offices.
- (iv) **Second Division Allowance:** This new allowance, introduced by the PSB this year, is relatively easy to calculate and should be taken into account when preparing the estimate. The calculations can be undertaken centrally as the number of eligible officers and the allowance rate are known.
- (v) **Other Allowances:** There are many allowances which have so far not been mentioned but which are paid through the salaries appropriation. Generally these are all insignificant and need

only be grouped together with the estimate simply comprising the previous years expenditure on general allowances. In 1981/82 the total for "other payments", which included all these allowances was \$592,920. However it would also be advisable for Regional management and C.O. Personnel to be asked to advise of any known major alterations to the payment level for other allowances.

- (e) **Leave Loading:** Using the staffing figures supplied for the base salary calculations it is a simple matter for leave loading to be calculated for all officers at each level within the Department. This can be achieved centrally by the co-ordinating unit.
- (f) **Lump Sum Payments:** On leaving the Public Service many officers are entitled to lump sum payments for unused Recreation and Long Service Leave. The payments are made over and above that which was estimated in the base pay and require a separate estimate to be included. Personnel Areas would have some information in relation to known cessations and would be able to provide an estimate of lump sum entitlements for these staff. Lump Sum Payments fall into the imponderable category and a truly accurate estimate could not conceivably be calculated. It is important that the known component be included in the estimate and updated through the monitoring of expenditure on this component. The processes will be discussed later in this report.
- (g) **Staffing Variations:** The official staff ceiling for the Department is not known until after Budget deliberations (although a provisional ceiling is usually advised by the PSB before the end of the financial year). Consequently, as draft salary estimates are prepared about February/March before the provisional ceiling is known, it is advisable to use the staff ceiling for the current year and assume that this will be the average staffing level for the forthcoming year, until the provisional ceiling is known.

Usually there would be a discrepancy between the existing staffing level and the assumed average staffing level for the next financial year. It could be that the existing staffing level is under the staff ceiling which, on the basis of the above approach,

would require increased average staffing rates for the forthcoming year. Similarly, if the staffing level is above staff ceiling a reduction in average staff numbers will be required to meet the assumed average staff level.

The assumed increase or reduction in staff numbers will affect the base salary calculation. The overall staffing numbers are required to be translated into increases/decreases at each classification level in Regions and Divisions. Regional/Divisional management will need to provide information as to where increases/decreases will occur. Manpower Branch will also be able to provide initial directions and statistical breakups in relation to determining the appropriate Departmental wide staffing breakup.

5. Responsibility for Preparation of Salaries Estimates

The existing Financial Estimating cycle calls for six estimates to be submitted in relation to each financial year. Three of these estimates are termed planning estimates in that they do not directly result in funds being provided. The other three are cash estimates. The table below shows the breakup and the timing of the estimates.

Approx. timing of submission of estimate to D of F.	Type of Estimate	
	Planning	Cash
<u>Year 1</u>		
January	Three year Forward Estimates	
April		• Draft Estimates
May		• Supply Estimates
<u>Year 2</u>		
January	• January Revised Estimates	
April		• Additional Estimates
May	• May Revised Estimates	

It is recommended that a detailed estimate, as outlined above, be prepared for the Draft and Additional Estimates only. The remaining estimates, because of their general planning nature do not require the same in depth analysis, and less accurate measures can be used for calculations, including averaging type systems and building on the current year's expenditure. The monitoring system to be introduced will enable revised estimates to be prepared.

Although some information for estimates can be obtained from the Finance Ledger System most of the components mentioned above are only obtainable from Personnel areas within D of A. Consequently to derive detailed salaries estimates for the Draft and Additional cash estimates it will be necessary to involve the Regions in much of the original compilation.

It is proposed that the responsibility for providing the detailed information on salaries and allowances of staff employed in each State be passed to the Regions. In Central Office it is proposed that the Personnel areas be given responsibility for extraction of information. To ensure consistency of approach between Regions and C.O. it is further proposed that a central co-ordinating unit issue instructions whenever estimates are required.

The co-ordination and compilation could be undertaken in the Finance Branch of Resources Division or it could be undertaken in the Personnel Branch, MSD. There is logic in the placement of the function in either of these areas; the Finance Branch performs a similar co-ordination role for some administrative items, such as travel; MSD has a functional responsibility for Departmental wide personnel operations. To decide the location of the co-ordination role it is in part necessary to address the question of whether MSD is required to be aware of and check for completeness and accuracy of the total salaries expenditure figure.

The majority of the information to be obtained in the proposed estimate procedure is obtainable from Management Services Division in Central Office or from Management Services operations in Regions. Therefore MSD's role in the proposed estimating procedure is significant. It is proposed that the responsibility for the co-ordination function for salaries estimates rest within the MSD Division as it is this Division which maintains functional responsibilities for the greatest number of estimate components.

The recommendation to place the co-ordinating responsibility within MSD does not, of course, totally remove Finance Branch's involvement from the salaries estimates. The Finance Branch clearly must maintain responsibility for provision of timely guidelines and instructions to MSD concerning the required format for salaries estimates. This is applicable to all salaries information required by the D. of F. including provision of clear instructions in relation to Table 9\* as well as estimates.

The proposed breakup of responsibilities associated with preparation of salaries estimates is summarised as:

Resources Division  
Finance Branch

- Establish clear instructions concerning timing, content and special requirements for each estimate. Review estimate to ensure consistency with instructions before submission to D of F.

MSD

- Co-ordination and compilation of the salaries estimates involving responsibility for the accuracy of the total Departmental estimate of salaries to be submitted to Finance Branch.

Regional Directors )  
Personnel Areas C.O. )

Responsible for the provision of accurate figures in line with instructions issued by MSD.

Resources Division )  
Manpower Branch )  
MSD, Personnel )  
Branch )

Provision of accurate staffing and recruitment information as requested by the MSD co-ordinating area.

Attachment B shows graphically the flow of information envisaged between areas under the proposed estimating system.

6. Proposed Monitoring System

Having established an estimating procedure as outlined above, it will be essential that a comprehensive monitoring system be developed to ensure that expenditure on all sub-components of the system is recorded. The monitoring system

\* Table 9 is a budget paper containing a break-up by Division and function of actual and estimated Departmental staffing and salaries expenditure. They are provided to D. of F. by each Department in July.

proposed will draw on centrally available data as much as possible but will require regular reporting from Regional Offices. The components of the monitoring system can be divided into early warning aspects, fortnightly reporting and monthly reporting.

- (a) Early Warning of Variations to Salaries: Since the demise of Wage Indexation, wage increases have been effected by Arbitrator's determination. The abandonment of Wage Indexation Guidelines has led to a large number of applications by unions/staff associations for pay rises which have subsequently been approved by the Arbitrator.

As determinations to vary pay rates and allowances are issued it is possible to calculate the total increase to Departmental expenditure for these items. The costing of each determination gives an early warning of the effect each determination will have on total Departmental expenditure. Industrial Relations Branch, as the recipient of information on industrial matters, will be required to forward to the Co-ordinating Unit information on Arbitrators' determinations, lodgment of claims and other relevant material as it is received.

It would also prove helpful to a monitoring program if advice concerning known excess payments or significant staff movements was provided. This data could be forwarded from Regions and C.O. Personnel or Recruitment areas on a regular fortnightly basis and forecast known excess payments a month in advance.

- (b) Staffing Variations

At the time firm advice is received on the ceiling for the coming year, an analysis should be made of the effect on average staffing. In making the analysis account should be taken of the likely pattern of recruitment intakes or wastage rates required to meet the new staff ceiling. There should then be an assessment made of the effect of these staffing variations on salaries estimates.

- (c) Fortnightly Reporting: The basis of fortnightly reporting will be an analysis of the fortnightly pay. Ideally the reporting should sub-divide the pay of each Region and C.O. into the components mentioned in the estimating procedures. D of F data does not enable extraction of this information in the detailed format which would be ideally required e.g. it is not possible to extract the total basic salary paid to each classification level and the number of staff at that level from D of F printouts at this stage.

The basis of the fortnightly reporting system will be a "Fortnightly Salaries and Wages Return" to be completed by the Regions and Central Office Personnel Areas. The following components will be reported in the Fortnightly Return.

- Total basic salary for the Region/C.O. and number of staff receiving pay divided between full time operatives, casual and part-time and inoperatives.
- The regional/C.O. calculation of penalty back pay resulting from each Determination.
- Higher Duties allowance payable to officers who are acting in positions, the occupant of which is on paid leave.
- Flying allowances paid to eligible categories and any back pay resulting from determinations varying this allowance.
- Reg. 97 allowance paid each pay and number of staff receiving allowance.

The Finance Ledger will be queried on a fortnightly basis to obtain total expenditure on salaries and allowances for the Department.

Staffing figures will be obtained from Manpower Branch and will be maintained as a check on Departmental staffing vis a vis staff ceiling. (It should be remembered that average staffing levels affect general trends in salary expenditure.)

- (d) Monthly Monitoring: Once a month a detailed breakup of expenditure information is available from the Finance Ledger System. These breakups enable an accurate picture of Departmental expenditure to be maintained. As they are not produced on a fortnightly basis they are not timely enough for monitoring for revised and additional estimates however, in the final result they represent actual Departmental expenditure as recognised by D. of F.

#### 7. Responsibility for the Monitoring of Salaries Expenditure

In recognition of the nexus that exists between monitoring salaries expenditure and preparing salaries estimates a case can be developed for placing the monitoring function with MSD. This is particularly so as an accurate additional or revised estimate is dependent upon careful monitoring of expenditure and changes to variables.

Finance Branch maintains overriding responsibility for monitoring of Departmental expenditure however, this does not include the detailed monitoring of salaries expenditure envisaged under the new system. The monitoring of salaries is to be an ongoing task involving the analysis of Determinations, allowance changes, penalty payment variations, average staffing and actual fortnightly pay to name but a few aspects. It is proposed that the monitoring of salaries expenditure be placed with the area in MSD which is to prepare the salaries estimates.

#### 8. Usage of ADP in the Salaries Estimating/Monitoring Activities

There is potential in the estimating/monitoring system for some of the data to be manipulated or extracted by ADP means. One of the roles of the central co-ordinating unit will be the development of ADP processes where necessary. The Review Team has identified two main areas where ADP manipulation may be possible and these are discussed hereunder.

##### 1. D of F Data Holdings

The D. of F. pay system which actually determines D. of A. officers' pay levels is recorded on tapes which are passed to this Department and used by Finance Branch for costing purposes. These tapes hold an enormous amount of data but without programming development this information can not be used for estimating or monitoring. It may be feasible to use these tapes to produce information on such components as penalty pays and pays per category/classification level, which would in turn reduce manual inputs in Regions and Central Office. The central co-ordinator will, in conjunction with ADP Branch, need to develop appropriate manipulations of D. of F. data holdings.

The pay system information is transposed on to the Finance Ledger System by the D. of F. computer. The data is arranged according to a hierarchy of terms each of which are determined primarily by this Department. The Ledger system has the potential to enable a wide variety of enquiries to be made and for salaries data to be sorted in many ways.

In its current format the Ledger provides quite a deal of information. With some development and redefining of the structure of the Ledger it should be possible to obtain monthly printouts down to classification level in each Region/Division and by type of salary and allowance payment. The central co-ordinating area will need to consider development of these aspects.

## 2. General ADP Applications

Many officers have mentioned to the Review Team that they see potential for the Transdata system to be utilised to provide computer calculations. The most obvious and simple is the inclusion of a salary code next to each entry on the Transdata system. This will enable a base salary to be calculated centrally, but will require Personnel areas to forward increment advice forms to the Transdata entry area.

Another enhancement discussed, involved the automatic costing of effects of Arbitrators determinations. This would require a small program to be developed to be able to perform the necessary update of salary levels and calculations for current year and full year effects for each determination.

Apart from the above mentioned possibilities the Review Team is not advocating any large scale automatic estimating or monitoring system. The Review Team does consider though that salaries estimating would lend itself to computer modelling, but it is considered that at this stage the resources to be devoted to developing a model would be extensive and could not be justified.

## 9. Overtime

The main focus of the Review has been turned towards the salaries and allowances component of the overall salaries appropriation at the expense of detailed consideration of overtime. It should be noted that the Finance Branch have in the past scrutinised overtime expenditure closely, and that estimating arrangements exist whereby Divisions/Regions provide estimates of overtime requirements to Finance Branch.

It is recommended that the existing arrangement continue, whereby Finance Branch maintains responsibility for the estimating and monitoring of the Departmental overtime vote. It is further recommended that the global overtime estimate be developed in consultation with the Co-ordinating Unit in MSD, which has the responsibility of advising Finance Branch of salary variations which affect overtime expenditure.

## 10. Establishment Implications

If the recommendations concerning placement of responsibility are accepted the decision concerning the actual location of the co-ordination function within MSD will of course be the responsibility of FAS (MS). In that connection it is noted that a discrete expenditure control cell is to be established in Executive Services Section in order to centralise control of MSD funds (AS (Services) minute of 24 June 1982

refers). It is understood that this cell will estimate and control the allocation of funds for the general services component of Office Requisites vote 655/2/02, and it may be worthwhile for this cell to undertake salaries estimating as well. However, it would seem that placement of the Estimating and Co-ordination function in the Personnel Branch would be an attractive proposition in that it tends to centralise, on a functional basis, the co-ordinating/ monitoring role within the area of the Department which has primary obligations as far as supply of inputs is concerned.

It is recognised that the type of system proposed in this report is costly in terms of staff resources both within Central Office and in the Regions. The quantification of the additional workload would not be straight forward as the majority of the proposed activities have not been undertaken to date. Furthermore, during the first two years at least, there will be ongoing development work associated with refining the system as set out in the procedure manuals (to be developed) and manipulating and rearranging D of F computer information to replace manual data gathering.

Similarly in Regions and C.O. Personnel areas there will be an increased workload, but the increase will be hard to quantify. In each Region/C.O. Personnel area the efforts required will not be as extensive as in Central Office. It is expected the increased workload will be met from within existing resources.

It is possible to obtain a general impression of the size of the central co-ordinating and monitoring task by examining the requirements of the financial estimating system. As mentioned earlier, in each estimating cycle there are six estimates required. In line with the recommendation contained earlier in the report the detailed compilation of estimates will be undertaken for draft and additional estimates only, both of which occur in the period March/April. With issuing instructions, compiling data and preparing these estimates an officer would be occupied over the estimate period, say from February through to April. The remaining estimates will be compiled in a less detailed manner and would be expected to require less effort from the co-ordinating area.

The monitoring of the salaries system will be an ongoing activity, and one which is arguably the most essential aspect of an accurate salaries estimating system. The fortnightly returns will require little manipulation, particularly in the first half of the financial year. Data from the returns will need to be transposed onto cumulative type registers. The examination of the detailed monthly ledgers will not require a great deal of effort with perhaps transposition of data into a more easily readable format being the most important aspect in the first half of the financial year. Costing of

Determinations and comparison of costs with Regional/C.O. returns is an ongoing aspect but one for which the work is rather intermittent, governed as it is by many economic, political and other forces.

It could be generally concluded that neither the estimating task or the monitoring tasks will involve a full years work. However towards the end of the financial year, as the draft and additional estimates are being prepared, and the work effort required to analyse expenditure amounts in each component is high, a full time officer will be required.

Considering the overlay of developmental aspects associated with the first two years of operation of this central co-ordinating unit, particularly the need to consider D of F printout manipulations and programing changes, a strong case exists for a full time position to be allocated to MSD for the purpose of operating the salaries estimating system.

The complexities and responsibilities associated with the range of tasks involved in the estimating and monitoring activities are diverse. A great deal of the work could be categorised as clerical assistant work, whilst the actual preparation of the estimates would seem to fall into the middle-of-the range Third Division classification. The ongoing development and assessment of the system, combined with the responsibilities for preparing accurate salaries estimates are viewed as tasks falling at the Class 8 level. Not one of these three broad work divisions would seem to justify a full time position.

Consequently it is difficult to set the level of the position required to meet these varied tasks. In the circumstances it is recommended that establishment action involve the allocation of a position to meet the higher level developmental work and the responsibilities of estimates preparation. Arrangements for the lower level tasks to be absorbed by existing staff within the Personnel Branch should be made where possible.

#### 11. Summary

The paper seeks the endorsement of the Steering Committee to the recommendations listed herein, which involve

1. Acceptance of the methodology for preparation of the estimates and the manner of monitoring salaries expenditure.
2. Development of a procedural manual for issue to Regions and other areas which are to provide data for estimates and for the monitoring system.
3. Placement of the co-ordination responsibility within MSD.

On the basis of acceptance of the second recommendation it is proposed that representatives from MSD, Manpower Branch, Finance Branch and the Regions be selected to assist in the critical examination and final development of the procedural manual. This would ensure not only that the procedures are workable but also that a degree of consensus is reached prior to final documentation.

ATTACHMENT A

EXTRACT FROM  
AUSTRALIAN TAXATION OFFICE  
FINANCIAL ESTIMATES MANUAL

INTRODUCTION

This manual is designed to provide uniform procedures for the preparation of estimates of expenditure under Division 677.

All estimates of expenditure should be prepared in accordance with:

- (a) Section 6 of the Finance Directions,
- (b) Finance Circulars issued from time to time,
- (c) Instructions issued by Head Office.

Generally speaking, estimates of expenditure should be prepared in accordance with the procedures contained within this manual although some flexibility is allowed to cater for particular Branch Office circumstances.

The manual is not intended to be a "Bible" and its true value is to be found if it is used as a guide. In this sense it is regarded as an extremely valuable document and any major departure from the principles and procedures contained within it is certainly not sanctioned.

Estimates in respect of Item 677-1-01, Salaries and Allowances, must be compiled in accordance with the procedures contained within the manual and all working papers must be forwarded in support of each salary estimate.

In relation to each estimate prepared, a detailed explanatory statement containing reasons for any major variation should be prepared and forwarded in support of the particular estimate.

The task of providing soundly based estimates is a relatively dynamic project and there is no doubt that the procedures and working papers contained in this manual will require modification on a regular basis. In this connection, any suggestions for improvement or modification are welcomed and may be referred to Head Office at any time.



NOTES:

1. In this manual, the term "previous estimate" refers to either an original or an additional estimate. A revised estimate is not a "money" estimate and, as such, may not be regarded as a "previous estimate".
2. Item 677-1-01: Salaries and Allowances

The procedures contained in this manual for the compilation of a salary estimate are based on an entirely new concept which, to a very large extent, is dependent on data stored on the Department of Finance I.M.S. Ledger System.

Accordingly, it is absolutely essential that Personnel Sections in each office make proper use of "APFN" codes.

JUNE 1981

Attachment 1

BRANCH :  
\* Original/Revised/Additional Estimate 19 /19  
Item 677/01 : Salaries and Allowances

Division	Previous Estimate 19 /19	# Estimate 19 /19	+ / - Variation
Second	\$	\$	\$
Third			
Fourth			
Total			

Average Employment Analysis (Operative Staff)

Division	Previous Est. * Adh./Orig.	# Estimate	+ / - Variation	Program	Previous Est.	# Estimate	+ / - Variation
Second				Executive Management			
Third				Professional Staff			
Fourth				Collection			
				General Management			
				PSYL			
				General Services			
				Accountant and			
				Taxpayer Services			
				Sales Tax			
				Variation			
Total				Total			

# Recommended Supported Approved (Designation) (Designation) (Designation)

\* Delete inapplicable term  
 N.B. All estimated costs at level 3 to be rounded to the nearest \$100  
 All estimated costs at levels 1/2 to be rounded to the nearest \$1000

BRANCH : \_\_\_\_\_

\* Original/Revised/additional Estimate 19 /19

Item 677/1/01 : Salaries and Allowances

## Allowances Summary

Type of Allowance	Previous Estimate * Addit./Orig.	Estimate.	+/- Variation
Short Term Higher Duties (Often called Relieving Allowance.)	\$	\$	\$
Penalty/Shift Allowance			
Regulation 97			
Leave at (Old and SA only)			
Translating/Interpreting			
Other (Specify)			
Total			

\* Delete inapplicable term

N.B. Each estimate to be rounded to the nearest \$100.

BRANCH : \_\_\_\_\_

\* Original/Revised/Additional Estimate 19 /19

Item 677/1/01 : Salaries and Allowances

## Explanation of Variations

Type of Variation	+/-
	\$
N W C Decision .....	
N W C Decision .....	
Merit Decision .....	
Allowances (Transfer Total Variation Shown on Attachment 2)	
Increments	
Leave Bonus	
Payments in Lieu of	
A. Accrued Long Service Leave (Furlough)	
B. Accrued Recreation Leave and Leave Bonus	
Seasonal Employment	
Inoperatives	
Variation in Ceiling	
Maintaining Full Ceiling	
Structural Change	
Other (Specify) MINOR Variations	
Total	

\* Delete inapplicable term

N.B. 1. All variations to be rounded to the nearest \$100  
 2. Total variation to be rounded to the nearest \$1,000.



ITEM 677-1-01

SALARIES AND ALLOWANCES

GENERAL

The main components of this item are:

- Basic salary (full-time staff)
- Short-term higher duties allowance
- Increments
- Allowances
  - Regulation 97
  - Penalty/Shift
  - District (Qld. and S.A. only)
  - Interpreting/Translating
- Leave bonus
- Seasonal employment
- Payments in lieu of accrued
  - long service leave (furlough)
  - recreation leave
- Inoperative staff

NB: 1. Short-term higher duties allowance is that which applies to periods of less than one month. An officer temporarily transferred to a higher position for a period in excess of one month should be regarded as being permanently in receipt of that higher level of salary.

NB: 2. In the year in which they are first paid, increments are not to be regarded as part of basic salary.

RESPONSIBILITY

While prime responsibility for this estimate must rest with the Personnel Manager, who should provide much of the basic data for its compilation, the Finance Manager/Officer-in-Charge, Expenditure Section, should prepare the estimate having regard to the procedures outlined below.

It is of course realised that in some offices the entire preparation of the estimate is the responsibility of the Personnel Manager.

In any event, it is expected that all Finance Managers, as part of their responsibility for the financial management of their particular office, become fully conversant with the form, content and compilation of salary estimates.

PROCEDURE

In compiling the salary estimate the following information will be required for each officer/employee who received a salary payment on the immediate preceding pay day.

Designation  
Current salary level (excluding short-term higher duties allowance)  
Increment date  
Details of inoperative staff and seasonal employees

This information is available from the Personnel Section.

A. ORIGINAL ESTIMATE

Average Salary

As a starting point, the first task that needs to be done is the calculation of an average salary for each classification within the Third/Fourth Divisions.

The number of Second Division offices is relatively small and salary estimates in respect of those officers can be accurately calculated on an individual basis.

Each current "salary point" for each classification of officer employed should be listed on Forms 1/01A (NB. a separate set of forms for each salary Division).

The number of officers on each salary point should be totalled and these figures inserted in the relevant location on Forms 1/01A.

Once this data has been collated, an average salary per classification can be determined by simply dividing the total cost applicable to each classification by the respective number of officers in receipt of a salary within each classification.

## INCREMENTS

The suggested method, which is quite self explanatory, is outlined in the "example" Form 1/01A. As with the "average salary" calculations, the expected cost of increments should be listed Divisionally.

NB: Experience has shown that a percentage of 67% of the calculated value of expected increments should be used for estimate purposes. In this connection, if a lower or higher percentage is used, full documentation should be provided.

## THE CEILING FACTOR

"Ceiling" is now expressed in terms of a "man-months" allocation and the assumption that must be made for the original estimate is that the ceiling man-months allocation for year 2 will be the same as the ceiling man-months allocation for year 1.

In addition, another assumption which must be made is that, for year 2, average employment will equal the full ceiling for year 1.

The rationale behind this approach is that at the time the original estimate is prepared (in year 1) the ceiling for year 2 will not be known. Accordingly, any adjustment to ceiling should be taken into account at the time of the revised/additional estimates.

Given a "notional" ceiling for year 2, a decision must be made as to the composition of this ceiling in terms of numbers per classification. Ordinarily, this decision will be made by senior officers within each office.

Once this decision has been made, appropriate details should be entered on Form 1/01B and costed using the average rate per classification (See Forms 1/01A).

## HIGHER DUTIES ALLOWANCE

Higher duties allowance is payable for periods of temporary transfer to positions of higher classification.

In the past, interpretations of what is and what is not higher duties allowance have been quite varied. In this connection, for salary estimate purposes, higher duties allowance should only relate to periods of temporary transfer of less than one month (short-term relieving situations). Higher duties allowance which relates to periods of temporary transfer in excess of one month is to be regarded as part of basic salary and incorporated in "average salary" calculations.

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Some flexibility is allowed in relation to this rule because situations will arise where periods of quantifiable short-term temporary transfer exceed one month.

The real cost of higher duties allowance is the cost of providing relief which, if no consequential relief is required "down the line"; should be calculated on the difference between the lowest salary point of the higher position and the highest salary point of the lower position. If "line relief" is also required in a particular situation, the cost should be calculated on the difference between the lowest salary point of the highest position requiring relief and the highest salary point of the basic level position.

There will of course be some historical trend record available of short-term higher duties allowance paid. However, in preparing this estimate, each manager should be asked to indicate what relief will be required in his/her area during the forthcoming financial year. This information should be provided on Forms 1/01C and costed according to the guidelines set out above.

Of course, the abovementioned procedures for the calculation of Higher Duties Allowance reflect the "ideal" situation. In this connection, it is realised that in some offices, for a variety of reasons, it may not be practical to adopt these procedures.

Accordingly, if an office wishes to calculate the cost of Higher Duties Allowance by some other method, no objection is raised provided that full documentation of the basis of calculation is supplied with each estimate.

## LEAVE BONUS

This estimate should be based on the average cost for each classification and the estimated number of officers expected to be held against each classification during the forthcoming financial year.

Leave bonus payments for all officers up to and including those at the Class 7 level should be costed using the following formula, viz:

### Clerk , Class 2/3

No.	Formula	Av. Salary	Leave Bonus	
120 X	(24 x .175)	X \$12,489	=	\$20,111
(a)	313	(b)		

Where (a) and (b) are variables, obtained by reference to Forms 1/01A.

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Leave bonus payments for all officers at the Class 8 level or higher should be costed using the maximum leave bonus rate as advised by the Public Service Board.

The total cost of estimated leave bonus payments for each classification should be shown (Divisionally) on Forms 1/01D.

The taking of recreation leave in each office varies and this estimate should be prepared in the light of local leave arrangements/conditions.

#### ALLOWANCES

Appropriate details relating to officers in receipt of, or eligible for, an "allowance" should be supplied by the Personnel Manager and used as a basis for preparing the estimate of allowances on Form 1/01E. In this connection, separate schedules are required for each allowance, by Division.

Provision should only be made for officers who, it is known will be in receipt of an allowance/s from 1 July and costed at current rates of charge.

#### PAYMENTS IN LIEU OF ACCRUED LEAVE

- Long Service Leave
- Recreation Leave

These estimates are based upon information supplied by line managers and the Personnel Manager and are to be shown on Form 1/01F.

These payments represent payments additional to salary which will be made during the forthcoming financial year as a consequence of termination of employment.

#### SEASONALS

Seasonal employment is now expressed in terms of a "man-days" allocation and the assumption that must be made for the original estimate is that the seasonal man-days allocation for year 2 will be the same as the seasonal man-days allocation for year 1.

Using Form 1/01G, the requisite seasonal man-days allocation should be costed out at current salary rates.

**NB:** Most seasonal employment is at the Clerical Assistant, Grade 1, level and the appropriate salary rate for seasonal staff of this classification is the second level of a qualified adult employee.

Provision should also be made for pro-rata recreation leave and leave bonus entitlement payments. This information should also be shown on Form 1/01G.

#### INOPERATIVES

Inoperative staff are those officers absent from duty on approved leave for a period in excess of twelve weeks. Inoperative staff generally fall into the following categories:-

- sick leave
- maternity leave
- employees compensation
- long service leave (furlough)
- leave without pay.

Theoretically, an estimate can only be based on what is "known" at a particular point in time. The annual composition of the level of inoperative staff is relatively "dynamic" and little purpose is served in calculating an original estimate of the cost of inoperatives based on the actual level of inoperative staff at that particular point in time. To do so, would result in the original estimate being greatly understated.

Accordingly, the original estimate for the cost of inoperative staff for year 2 should be the same as the additional estimate of the cost of inoperative staff for year 1. That is to say, no actual computation of this estimate is required for the original/revised estimates.

The estimated cost of inoperative staff will, of course, be reviewed in detail at the time of the additional estimates review.

#### SHORT-TERM POSITIONS

No specific estimate should be provided for the cost of activating short-term positions as any such cost will be covered in the "full ceiling" calculation.

#### SUMMARY OF SALARY COMPONENTS

Each of the estimates should be summarised on Form 1/01H and aggregated to derive the full estimate, by Division, for the forthcoming financial year. This information should then be transferred to Attachment 1 in terms of estimated cost and estimated average employment.

Details of estimated allowances shown on Form 1/01H are also to be shown on Attachment 2.

Generally speaking, each total salary estimate will always reflect an increase over the immediate preceding estimate. The overall increase in estimated cost must be reconciled by comparing the cost of each component with the amount provided for in the additional estimate of the previous year. A separate schedule detailing this reconciliation should be prepared and any explanations as to variation should be shown separately on Attachment 3.

EXPLANATIONS FOR VARIATION

Set out hereunder are the only explanations which are acceptable in justifying an increase in an original salary estimate over the immediate preceding additional estimate:

	<u>Type of Variation</u>
- N.W.C. DECISIONS	+
- ARBITRATION DECISIONS	+
- ALLOWANCES	+ or -
- INCREMENTS	+ or -
- LEAVE BONUS	+ or -
- PAYMENTS IN LIEU OF ACCRUED	
- LONG SERVICE LEAVE	+ or -
- RECREATION LEAVE	+ or -
- SEASONAL EMPLOYMENT	SMALL +
- STRUCTURAL CHANGE	SMALL + or -
* - MAINTAINING FULL CEILING	GENERALLY +
- OTHER <u>MINOR</u> VARIATIONS	SMALL + or -

\*MAINTAINING FULL CEILING

The original estimate for year 2 has been based on the assumption that the ceiling man-months allocation for year 2 will be the same as the ceiling man-months allocation for year 1.

Rarely, if ever, does an office achieve ceiling in terms of average annual employment. In most cases, average annual employment falls short of the ceiling man months allocation. In some cases, the contra applies.

The original estimate for year 2 has been based also on the assumption that full year 1 ceiling, in terms of average annual employment, will be achieved during year 2.

In view of the two abovementioned assumptions, it follows that if an office, in terms of average annual employment, fails to achieve its ceiling/exceeds its ceiling, more/less funds will be required for the subsequent year.

This additional/reduced funding requirement has already been taken care of because of the first assumption on which the original estimate was based. However, for salary variation explanation purposes, the following always applies:

<u>YEAR 1</u>	<u>YEAR 2</u>
AVERAGE EMPLOYMENT RESULT/PREDICTION	ORIGINAL ESTIMATE SALARY VARIATION EXPLANATION
under ceiling	+'ve adjustment
over ceiling	-'ve adjustment

NB: Original estimates are prepared in March each year and it will, of course, be necessary for senior management within each office to predict the likely ceiling result, in terms of average employment, for the current year.

B. REVISED/ADDITIONAL ESTIMATES

Average Salary

As a starting point, the first task that needs to be done is the calculation of an average salary for each classification within the Third/Fourth Divisions.

In this connection, the same format as that laid down for the original estimate is to be followed and current rates of salary are to be used. The form to be used for this exercise is Form 1/011.

The Ceiling Factor

At the time the revised/additional estimates are prepared, the current year ceiling man-months allocation will be known. In addition, actual average employment up to that point in time will also be known.

It follows that a simple extrapolation exercise should predict the level of average employment required for the remainder of the financial year if full ceiling, in terms of average employment, is to be attained.

Nature'sly, if the recruitment strategy of any office aims at achieving an annual average employment level which is less than the approved ceiling for that office, an appropriate adjustment will need to be made.

Given an average employment "target" for the remainder of the financial year, a decision must be made as to the composition of the employment strategy in terms of numbers per classification. Ordinarily, this decision will be made by senior officers within each office.

Once this decision has been made, appropriate details should be entered on Form 1/01I and costed using the current average salary rate per classification. The resultant costing figures should then be transferred to Form 1/01J.

#### EXTRANEOUS PAYMENTS

(excluding increments, short term higher duties allowance and inoperatives)

Following the guidelines set out for the original estimate, the remaining annual cost of:

- leave bonus payments
- allowances
  - Reg. 97
  - Penalty/shift
  - District (S.A. and Qld. only)
  - Interpreting/Translating
- \*seasonal employment
- payments in lieu of accrued:
  - long service leave (furlough)
  - recreation leave

should be calculated and added to the respective progressive expenditure figures. The resultant totals represent the updated estimated annual cost of the abovementioned extraneous payments. Forms 1/01D - 1/01G are to be used for these estimates.

#### \* Seasonal Employment

At the time of the Revised/Additional review, the actual seasonal man-days allocation for the current year will be known.

Having regard to:

- (a) expenditure to date at that particular time;
- (b) planned seasonal usage for the remainder of the financial year,

the remaining cost of seasonal employment can be easily determined.

N.B. See original estimate guidelines for details of the "costing" basis to be followed.

#### Other Extraneous Payments

##### Higher Duties Allowance

Manual records maintained in the Personnel area should show the value of short-term higher duties allowance paid to date.

The remaining cost of short-term higher duties allowance should be calculated in accordance with the guidelines laid down for the original estimate and added to the progressive expenditure figure.

The resultant total represents the updated estimated annual cost of short-term higher duties allowance. Form 1/01C is to be used for this estimate.

##### Increments

In relation to this extraneous payment, an assumption that must be made is that the original estimate of the cost of increments will remain unchanged.

The remaining cost of increments can be determined by applying an extension of the Rule of 78 to the number of pay days remaining. A simple extrapolation exercise will determine the value of increments paid to date. Form 1/01K is to be used for this estimate.

##### Inoperatives (Additional Estimates Only)

With reference to data supplied by the Personnel Manager, the remaining cost of inoperative staff should be determined using the average salary rates calculated on Form 1/01I.

This estimate should be added to the progressive expenditure figure; the resultant total representing the updated estimated annual cost of inoperative staff: Form 1/01L should be used for this estimate.

##### SUMMARY OF SALARY COMPONENTS

The revised/additional estimate for each component has been calculated on a "remaining cost" basis and the figures so derived should be added, by Division, to expenditure to date figures. The resultant total will represent the updated current year estimate for each component.



Each of the estimates should be summarised on Form 1/01H and transferred to Attachment 1 in terms of estimated cost and estimated average employment.

Details of estimated allowances shown on Form 1/01H are also to be shown on Attachment 2.

**N.B.** When calculating the revised/additional estimate of the cost of operative average employment, care should be taken to ensure that expenditure to date figures for the cost of short-term higher duties allowance and increments are deducted.

Generally speaking, each total salary estimate will always reflect an increase over the immediate preceding estimate. The overall increase in estimated cost of the revised/additional estimate must be reconciled by comparing the cost of each component with the amount provided for in the original estimate for the current year. A separate schedule detailing this reconciliation should be prepared and any explanations as to variation should be shown separately on Attachment 3.

Explanations for Variation

Set out hereunder are the only explanations which are acceptable in justifying an increase in a revised/additional salary estimate over the immediate preceding original estimate.

	<u>Type of Variation</u>
- N.W.C. Decisions	+
- Arbitration Decisions	+
- Allowances	+ or -
- Increments	<u>Generally no change</u>
- Leave Bonus	+ or -
- Payments in Lieu of accrued	
- Long Service Leave	+ or -
- Recreation Leave	+ or -
- Seasonal Employment	Small + or -
- Structural Change	Small + or -
- *Maintaining Full Ceiling	<u>Generally -</u>
- *Variation in Ceiling	<u>Generally +</u>
- Other Minor Variations	Small + or -

\*Variation in Ceiling

At the time the original estimate for Year 2 was prepared, the assumption made was that the ceiling man-months allocation for Year 2 would be the same as the ceiling man-months allocation for Year 1.

By the time of the revised/additional estimates reviews, the actual ceiling man-months allocation for Year 2 is known.

It follows that if an office, in terms of average employment, receives an increase/decrease in ceiling, more/less funds will be required.

This additional/reduced funding has already been taken care of in the compilation of the revised/additional estimate. However, for salary variation explanation purposes, the following always applies.

<u>YEAR 2</u>	
CEILING	REVISED/ADDITIONAL ESTIMATE VARIATION
Increase	+ 've adjustment
Decrease	- 've adjustment

\*Maintaining Full Ceiling

The revised/additional estimate has been based, to a very large extent, on a planned recruitment strategy which may aim at achieving a level of average employment which is higher/lower than the approved ceiling man-months allocation.

The subsequent additional/reduced funding has already been taken into account in the compilation of the revised/additional estimate. However, for salary variation explanation purposes, the following always applies.

<u>YEAR 2</u>	
AVERAGE EMPLOYMENT PREDICTION	REVISED/ADDITIONAL ESTIMATE VARIATION
Under ceiling	- 've adjustment
Over ceiling	+ 've adjustment

**N.B.** The effects of employment changes are not to be aggregated as there is a very clear distinction between  
 - ceiling variation  
 - maintaining ceiling.

**N.B.** Additional estimates are prepared during January-February each year and it will, of course, be necessary for senior management within each office to predict the likely ceiling result, in terms of average employment for the current year.

BRANCH :

Original Estimate 19 /19

\* Third/Fourth Division (excluding seasonals)  
Average salary and increment worksheet

6771/01  
\* Division Third Fourth

Classification	Salary Scale	No.	Total		Average Salary	No. entitled to increment	Average increment	
			No.	Cost			Annual increment within classification	Total
E.g. FOURTH DIVISION	\$							
Classical Assistant, Grade 2	9591	30	287,730			30	155	4650
	9746	20	194,920			20	148	2950
	9894	30	206,820			30	111	3330
	10005	40	400,200		9831			
		120	1,179,670					
E.g. THIRD DIVISION								
	11834	20	236,680			20	367	7340
	12201	40	485,040			40	145	1450
	12572	30	270,590			30	369	11070
	12771	10	133,140			20	373	7160
Clerk, Class 2/3	13314	10	133,140		12489			
		170	1,493,840					
							Total	48650

Estimated cost of increments is 67% of \$48,650 = \$32,433

\* Delete inapplicable term

N.B. Separate schedules required for each Division

BRANCH :

Original Estimate 19 /19

\* Third/Fourth Division (excluding seasonals)  
Average salary and increment worksheet

6771/01  
\* Division Third Fourth

Classification	Salary Scale	No.	Total		Average Salary	No. entitled to increment	Average increment	
			No.	Cost			Annual increment within classification	Total
	\$							
							Total	

Estimated cost of increments is 67% of = \$

\* Delete inapplicable term

N.B. Separate schedules required for each Division



BRANCH : \_\_\_\_\_

Form 1/01D

\* Original/Revised/Additional Estimate 19 \_\_\_\_ /19 \_\_\_\_

Leave Bonus Payments

\* Division : Second  
Third  
Fourth

677/1/01.

Classification	Average Salary	Annual Bonus	Number of Bonuses To Be Paid	Estimated Cost
		\$		\$
Sub-Total				
Estimate				

\*\* ADD: Expenditure 1/ 7/ to / /

\* Delete inapplicable term

\*\* To be used only for Revised/Additional Estimates

BRANCH : \_\_\_\_\_

Form 1/01E

\* Original/Revised/Additional Estimate 19 \_\_\_\_ /19 \_\_\_\_

\* Allowances Reg. 97  
Penalty/shift  
District  
Interpreting

\* Division : Second  
Third  
Fourth

677/1/01

Name of Officer	Fortnightly periods		Total
	Unit rate	No. of periods	
	\$		\$
Sub-Total			
Estimate			

\*\* ADD: Expenditure 1/ 7/ to / /

\* Delete inapplicable term

\*\* To be used only for Revised/Additional estimate

BRANCH : \_\_\_\_\_

\* Original/Revised/Additional Estimate 19 \_\_\_\_ /19 \_\_\_\_

Payments in Lieu of Accrued Leave

- \* - Long Service Leave
- Recreation Leave

677/1/01

Name	Retirement Date	Accrued Leave	Annual Salary	Total
			\$	\$
Sub-Total				
** ADD : Expenditure 1/ 7/ to / / Estimate				

\* Delete inapplicable term

\*\* To be used only for Revised/Additional Estimate

BRANCH : \_\_\_\_\_

\* Original/Revised/Additional Estimate 19 \_\_\_\_ /19 \_\_\_\_

Seasonals -

677/1/01

Location	Base Daily Salary	No. of Mandays	Cost
	\$		\$
Sub-Total			
ADD: Pro-rata recreation leave (give details) Leave loading bonus (give details) ** Expenditure 1/ 7/ to / / Estimate			

\* Delete inapplicable term

\*\* To be used only for Revised/Additional Estimate

BRANCH : \_\_\_\_\_  
 \* Original/Revised/Additional Estimate 19 \_\_\_\_/19 \_\_\_\_

Summary of Salary Components

6771/01

Component	Second		Third		Fourth		Total	
	No.	Cost	No.	Cost	No.	Cost	No.	Cost
Operative Average Employment (Basic Salary)		\$		\$		\$		\$
Higher Duties Allowance								
Incentives								
Leave Bonus								
Allowances								
Rate 97								
District								
Penalty/Shift								
Intercepting								
Payments in Lieu								
Long Service Leave								
Recreation Leave								
Seasonal								
Incentives								
Total								

\* Delete inapplicable term

BRANCH : \_\_\_\_\_  
 \* Revised/Additional Estimate 19 \_\_\_\_/19 \_\_\_\_  
 \* Third/Fourth Division (Excluding Seasonals)

6771/01

Basic Cost of Remaining Pays

Classification	Salary Scale	No.	Total	Total		Average Salary	No. of Pays Remaining	Total	
				No.	Cost			No.	Cost
FOURTH DIVISION Clerical Assistant, Grade 2	\$		\$		\$	\$	↑ Eg. 8 ↓		\$
	9591	30	287,730						
	9786	20	194,930						
	9787	10	290,920						
	10005	40	400,500	120	1,179,670	9831		145	438,614
THIRD DIVISION Clerk, Class 2/3	11834	20	236,680				↑ Eg. 8 ↓		
	12201	40	488,040						
	12572	30	377,160						
	12941	20	258,820						
	13314	10	133,140	120	1,493,840	12489		140	537,988

Eg.

Eg.

\* Delete inapplicable term  
 N.P. Separate schedule required for each Division

BRANCH : \_\_\_\_\_  
 \* Revised/Additional Estimate 19 \_\_\_\_ /19 \_\_\_\_  
 \* Third/Fourth Division (Excluding Seasonals)

6771/01

\* Division Third  
Fourth

Basic Cost of Remaining Pays

Classification	Salary Scale	No.	Total		Average Salary	No. of Pays Remaining	Total	
			Total	No.			No.	Cost
	\$		\$		\$			\$

\* Delete inapplicable term  
 N.B. Separate schedule required for each Division

BRANCH : \_\_\_\_\_  
 \* Revised/Additional Estimate 19 \_\_\_\_ /19 \_\_\_\_  
 Basic Cost of Remaining Pays

6771/01

Classification	Second Division		Third Division		Fourth Division		Total	
	No.	Cost	No.	Cost	No.	Cost	No.	Cost
		\$		\$		\$		\$

N. B. Cost = Average classification cost x expected average employment per classification for remaining pays.  
 \* Delete inapplicable term





ITEM 677-1-02

OVERTIME

RESPONSIBILITY

It is the responsibility of each respective manager to prepare estimates of overtime and associated overtime meal allowance for his/her functional area.

PROCEDURE

A. Original Estimate

When this estimate is being considered, each respective manager should complete a separate overtime and meal allowance schedule (Form 1/02C) for each month of the forthcoming financial year. On the reverse side of this form, managers should describe the nature of the work to be undertaken outside the normal hours of duty.

In this connection, and because overtime is paid in arrears, overtime estimates should relate (approximately) to the period 11 June 19X1 to 10 June 19X2. However, it should be realised that this "cut-off" date is directly dependent on the timing of the Australian Public Service pay-days during the month of June each year.

After each manager has prepared the Forms 1/02C for each month, he/she should then summarise them on to a consolidated Form 1/02B and submit the complete set of forms for appropriate endorsement.

The details contained on each appropriately endorsed Form 1/02B should be summarised by the Finance Manager/Officer-in-Charge, Expenditure Section, on to Form 1/02A for appropriate local approval.

Details of estimated overtime shown on Form 1/02A are also to be shown on Attachment 4.

B. Revised/Additional Estimates

Both of these estimates should be prepared on the basis of expenditure and commitment to date with provision being made for overtime that will be worked up to about 10 June. Forms 1/02A - 1/02C and Attachment 4 are also to be used for both of these estimates.

GENERAL COMMENT

Managers should retain copies of all forms which relate to their particular area for the purpose of monitoring performance against their estimate.

Although overtime meal allowance is an administrative expense, and a component of the item "Travelling and Subsistence", it is directly related to overtime worked. For this reason, it has been more convenient to locate the working papers for overtime meal allowance under this item.

However, when the estimate for this item is being consolidated, overtime meal allowance details must be excluded.

BRANCH : \_\_\_\_\_  
 \* Original/Revised/Additional Estimate 19 /19 \_\_\_\_\_  
 Item 6771/02 : Overtime

Section/Branch	Expenditure and Commitment 11/6/ to / /		# Proposed Estimate 19 /19		Previous Estimate 19 /19		+/- Variation	
	Manhours	Cost \$	Manhours	Cost \$	Manhours	Cost \$	Manhours	Cost \$
<b>Total</b>								

Division	\$	#	\$	+/- \$
Third				
Fourth				
<b>Total</b>				

¢ Proposed Estimate Supported ..... (Designation)  
 \* Delete inapplicable term

BRANCH : \_\_\_\_\_ Form 1/02-B  
 Section : \_\_\_\_\_

\* Original/Revised/Additional Estimate 19 /19 \_\_\_\_\_

Summary - Overtime  
 - Overtime Meal Allowance

Month	Overtime						Meal Allowance Cost \$
	4th Division		3rd Division		Total		
	Hours	Cost \$	Hours	Cost \$	Hours	Cost \$	
JULY							
AUGUST							
SEPTEMBER							
OCTOBER							
NOVEMBER							
DECEMBER							
JANUARY							
FEBRUARY							
MARCH							
APRIL							
MAY							
JUNE							
	Sub - Total						

\*\* ADD : Expenditure + Commitment 11/6/ to / /

# Proposed Estimate  
 Previous Estimate  
 Variation

\* Recommended ..... (Designation) .....  
 \* Supported ..... (Designation) .....

\* Delete inapplicable term

\*\* To be used only for Revised/Additional Estimates

SEE OVER

Explanation for Variation

Form 1/02-C1 ...

BRANCH : \_\_\_\_\_

\*Original/Revised/Additional Estimate 19 \_\_\_\_ /19 \_\_\_\_

Item 6771/02 - Overtime

Section: \_\_\_\_\_

Month: \_\_\_\_\_

CLASSIFICATION	HOURS				COSTING			
	Nights	Saturdays	Sundays	Total	Nights	Saturdays	Sundays	Total
					\$	\$	\$	\$
Acc. Mach., DPO and Typist Gr. 1								
Typist Gr. 2								
Acc. Mach. and DPO Gr. 2								
Acc. Mach. and Typist Gr. 3								
DPO Gr. 3, Steno. Sec. Gr. 1, Acc. Mach. & Typist Supvr. Gr. 1								
Supvr. DPO Gr. 1								
Acc. Mach., DPO & Typist Supvr. Gr. 2								
Supvr. DPO Gr. 3								
Clerical Assistant Gr. 1								
Clerical Assistant Gr. 2								
Clerical Assistant Gr. 3								
Clerical Assistant Gr. 4								
Clerical Assistant Gr. 5								
Clerical Assistant Gr. 6								
Clerical Assistant Gr. 7								
Clerical Assistant Gr. 8								
Printing Assistant								
Maintenance Man								
<b>TOTAL 4TH DIVISION</b>								

\* Delete inapplicable term.

BRANCH : \_\_\_\_\_

\*Original/Revised/Additional Estimate 19 \_\_\_\_ /19 \_\_\_\_

Item 677/1/02 - Overtime

Section:

Month:

CLASSIFICATION	HOURS				COSTING			
	Nights	Saturdays	Sundays	Total	Nights	Saturdays	Sundays	Total
Clerk Class 1					\$	-\$	\$	\$
Clerk Class 2/3								
Clerk Class 4								
Clerk Class 5								
Clerk Class 6								
Clerk Class 7								
Clerk Class 8								
TOTAL 3RD DIVISION								
TOTALS								

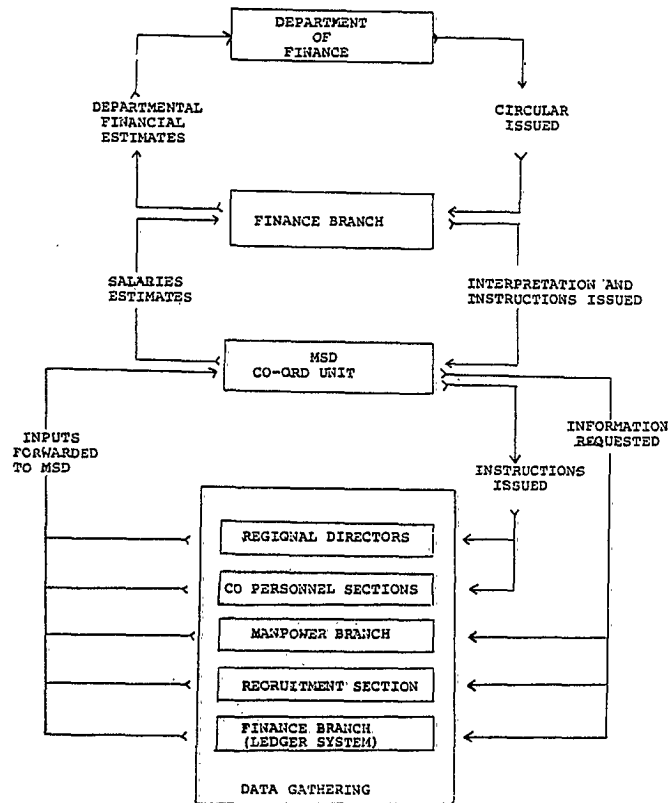
MEAL ALLOWANCE

Mon-Days/Nights					x \$	∴ Total cost = \$
-----------------	--	--	--	--	------	-------------------

\* Delete inapplicable term.

SALARIES ESTIMATES

Proposed Information Flow



## Steering Committee

### MONITORING OF SALARIES EXPENDITURE

#### Background

- . FAS(RE) suggested that the Working Group on Salaries Estimating reconvene as a matter of urgency
  - "and top priority given to the development of a workable system for extracting relevant data from the Finance Salaries system
    - : for use in estimating and monitoring D of A salaries"
  - further suggested that the Working Group report to a Steering Committee
    - : comprising FAS(MS) and FAS(RE).
- . This paper is intended as a preliminary discussion paper on the monitoring aspects for the Steering Committee and contains
  - details and observations of the current manual system and the proposed ADP system
    - : viability and resource requirements, etc
  - recommendations that need to be ratified if the project to implement the ADP system is to be successful.
- . The Review Team consists of Mr P Arthur (ADP), Mr G McLintock (Finance Branch), Ms C Bates (MSD) and Mr Ian Carmody (Manpower).

#### The Manual Monitoring System

- . A revised fortnightly reporting form has been forwarded to Regions and is to be returned for each pay period commencing from 8 October
  - sample copy attached (Attachment 1a).
- . The regional workload in completing the form has been reduced somewhat from that originally proposed and it is estimated that each Region (and the two Central Offices) will devote one hour per fortnight to providing that portion of the data which is also available from the ADP system discussed below
  - there will be other information required from the Regions/CO which will consume more time, but this data will not be available from the ADP system discussed below.

The time estimate of 1 hour per fortnight is somewhat understated in that the initial setting up of recording systems in each Region and the recording of transactions (where necessary) into the registers will require more time. An approximate time base for the input would be:-

7 x 1 x 26 = 182 hrs/annum - form completion

7 x 6.5 = 45 hrs - initial set up of system

7 x 1 x 26 = 182 hrs/annum - additional workload on personnel areas during work transactions

Total = 409 m/hrs of 1400 m/hrs in the first year.

This work would fall most commonly at the Clerk Class 2/3 level. (\$16050 - top of the range)

Using 185% of a Clerk Class 2/3 salary (the 85% is the standard overhead loading used in this report) the approximate first year costs of the manual system would be

\$16050	x	409	x	1.85	=	\$9,000
		<u>1</u>		<u>1400</u>		

The manual monitoring system has a number of draw backs vis a vis an efficient ADP system including timeliness detail and accuracy of data. Also the Central Office Co-ordinator would not be required to chase up tardy Regional reports if an ADP system was in use. These disadvantages are difficult to cost but do indeed add to the cost of the manual system.

#### The ADP System

ADP Branch currently receives salaries data on magnetic tape for costing purposes

- the review team proposes extraction of information
  - : each pay period
  - : from accumulated (year-to-date) data
- steps have been take to store the data in its raw form
  - : as from pay period 2 (1982/83).

- . In view of the proposed implementation of a new operating system on the Departmental computer and consequent availability of state-of-the-art information retrieval software
  - ADP proposes a minimal effort at this stage to produce the necessary reports
    - : by reducing attention to aesthetics
  - initial design to cater for user operation of such software.
- . Evaluation of the users information requirements as supplied in a minute from Ms Bates indicates (copy at Attachment 1b)
  - design/development effort at CSO 3 to be 2 m/months
  - development/implementation effort at CSO 1 to be 2 m/months
  - total cost of development approx \$25,000 (inc. 85% loading)
  - total elapsed time to full implementation approx. 4 months.
- . User area has indicated lack of resources to operate the proposed computer system
  - cost of ADP production services p.a. would be in the order of \$3500 (1m/m @ C1 C1 4).
- . Finance Branch representative (Mr McLintock) pointed out that, through his experience with the salaries tapes, certain technical difficulties existed that would require additional effort
  - inaccuracies in the designation codes used would result in unreliable breakdown of the salaries bill by designation
    - : personnel areas in CO's and Regions would be required to correct
    - : not possible to estimate resource requirement at this time
  - various other problems in identifying particular items of expenditure
    - : not seen as insurmountable
    - : the requirement to consider these particular items, in fact, not resolved as yet
      - = between Finance Branch and MSD

- . Mr McLintock has produced various reports from the salaries tapes for various purposes.
  - demonstrates feasibility of the ADP approach
  - Finance Branch cannot guarantee regular provision of these or other reports in the long term
    - : Mr McLintock is sole person in the area with expertise
      - = can provide valuable input to the ADP Branch development project as indicated in preceding point.
- . Future effort in development/implementation/training regarding the information retrieval system is estimated at 1 man month at CSO 2 (\$4500)
  - cost to purchase the software would be distributed over a number of Departmental users
    - : not possible to apportion at this time.

#### Summary

- . Total cost of ADP resources foreseen at this time \$29,500 + \$3,500 p.a.
  - plus additional cost of Personnel staff in Regions and CO's to correct data.
- . Elapsed time for initial development 4 months
  - some reports could be available within 6 weeks
  - large component associated with documentation.

#### Recommendation

- 1) The manual system be retained as useful to MSD in the short term
  - refined as necessary in the long term.
- 2) An ADP system for monitoring D of A salaries through D of F data is feasible, useful and, indeed, necessary
  - will provide more accurate data for the estimating function
  - ADP Branch should be formally approached to allocate resources
    - a Steering Committee comprising senior ADP and subject matter area officers be established to oversight the project
    - : see suggested role definition at Attachment 2.

- 3) The Working Group continue to define the requirements of the system (Functional Specification Report) in detail
  - one member to be appointed Project Manager (see role at Attachment 3)
  - all members roles to be defined and agreed by Branch Heads.
- 4) Given acceptance and action on the above, the Working Group proceed to establish a work plan identifying appropriate reporting stages
  - Initial report to the Steering Committee for approval of the work plan
  - next report to Steering Committee on completion of the Functional Specification Report.