



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 247

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE
(APPROPRIATION ACTS 1984-85)



Expenditure from
the Advance to the
Minister for Finance
(Appropriation Acts
1984-85)

Report

247

Joint Committee of
Public Accounts

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

DEPARTMENT OF THE SENATE
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EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE
(APPROPRIATION ACTS 1984-85).

JOINT COMMITTEE OF PUBLIC ACCOUNTS

FIFTEENTH COMMITTEE

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

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Canberra

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.

(iv)

PREFACE

The Advance to the Minister for Finance (AMF) is a provision authorised by the annual Appropriation Acts and made available to the Minister for issue in accordance with the terms of the appropriations and Section 36A of the Audit Act 1901. In 1984-85 amounts of \$160 million and \$130 million were provided for this purpose in Appropriation Acts Nos. 1 and 2 respectively.

The only amounts which should remain a charge to the appropriations for the Advance to the Minister for Finance at the end of the financial year are urgent and unforeseen expenditures which arise between the time of preparation of the additional Appropriation Bills and the close of the financial year. The Minister for Finance is required under the terms of the appropriations to submit a statement of this expenditure to the Parliament after the end of the financial year. This statement is referred to the Joint Committee of Public Accounts for examination.

In its examination of expenditure from the Advance to the Minister for Finance the Committee seeks to ascertain whether or not expenditure from the Advance has been confined to urgent and unforeseeable requirements for which provision could not have been made in the original or Additional Estimates. The final day for the submittal of Additional Estimates in 1984-85 was 25 March 1985. The Committee also seeks to ascertain whether or not the departments concerned have maintained efficient administration in the expenditure of funds under the items examined.

The Committee is satisfied that in most cases expenditure from the Advance in 1984-85 was confined to urgent and unforeseeable requirements. Nevertheless, the Committee is concerned that some departments still appear to possess inadequate expenditure mechanisms.

For and on behalf of the Committee,

Senator G Georges
Chairman

M J Talberg
Secretary
Joint Committee of Public Accounts
Parliament House
CANBERRA ACT 2600
30 April 1986

(v)

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CHAPTER 1

BACKGROUND AND GENERAL CONCLUSIONS

Background to AMF Facility

1.1 The Advance to the Minister for Finance (AMF) is a provision authorised by the annual Appropriation Acts and made available to the Minister for issue in accordance with the terms of the appropriations and Section 36A of the Audit Act 1901. In aggregate, expenditure from the Advance to the Minister for Finance under Appropriation Act (No 1) 1984-85 totalled \$116 502 639 and under Appropriation Act (No 2) 1984-85 totalled \$67 218 422.

1.2 Guidelines for expenditure from the Advance permit use of the facility only if the Minister for Finance is satisfied that expenditure is urgently required and was unforeseen at the time of preparation of an Appropriation or Supply Bill, as appropriate, that is:

'Urgent' is taken to mean that circumstances exist under which funds are required immediately from the Advance, eg accounts are on hand or are expected but there are insufficient funds to meet them; and

'Unforeseen' is taken to mean unforeseen either to amount or timing, eg arising from an unforeseen price/cost increase subsequent to the settlement of amounts to be included in an Appropriation Bill, or where the price increase is foreseen but the magnitude is unknown at the time of preparation of an Appropriation Bill.

1.3 The primary purpose of the Advance is to provide moneys which will be recovered during the financial year. Recoveries may be made from any source including recoveries from the Additional Estimates later in the year. It is not unusual for departments to require additional funds in any year 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 appropriate Advance '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 to the Minister for Finance. The same principle of reimbursing the Advance to the Minister for Finance applies to amounts provided to departments 'pending the issue of Governor-General's Warrant'. In this way the Advances are used as sources of temporary finance.

1.4 The only amounts which should remain a charge to the appropriations for the Advance to the Minister for Finance at the end of the financial year are urgent and unforeseen expenditures which arise between the time of preparation of the additional Appropriation Bills (usually Nos 3 and 4) and the close of the financial year.

1.5 The following table shows use of the Advance for unforeseen expenditure not recovered through Additional Estimates and therefore remaining a charge to the Advance at 30 June.

FINAL EXPENDITURE REMAINING AS A CHARGE TO THE ADVANCE AT 30 JUNE

Year	Appropriation Act No. 1	Appropriation Act No. 2
	\$	\$
1972-73	10 005 085	9 120 805
1973-74	20 068 993	42 341 308
1974-75	32 871 025	56 828 260
1975-76	56 700 475	12 376 749
1976-77	18 372 410	722 802
1977-78	21 477 733	28 612 004
1978-79	35 161 334	430 258
1979-80	26 249 499	7 516 461
1980-81	38 336 817	19 080 385
1981-82	41 705 404	6 624 278
1982-83	53 881 967(a)	3 338 409
1983-84	141 785 221	118 952 494
1984-85	116 502 639	67 218 422

(a) Appropriation Acts Nos 1. and 3.

The Committee's Task

1.6 In its annual examination of expenditure from the Advance, the Committee seeks to ascertain whether or not expenditure from the Advance has been confined to urgent and unforeseeable requirements for which provision could not have been made in the original or Additional Estimates. The Committee also seeks to ascertain whether or not the departments concerned have maintained efficient administration in the expenditure of funds under the items examined.

1.7 In 1982-83 new AMF procedures were introduced. Under these arrangements, all departmental applications for funds must be accompanied by adequate supporting detail. The Committee receives copies of all approved applications for funds from the Advance where they would remain a final charge to the AMF at the close of the financial year. The Committee does not receive copies of 'non approved' applications.

1.8 The Committee received statements relating to 103 items of expenditure remaining a final charge to the Advance in 1984-85 (see Appendix 1 for a summary). Supplementary material was obtained concerning 22 items. The submissions can be found in Appendix 3, the items and the relevant Departments are listed below:

- Attorney-General's Department: Item 818-1-01 - Computer Equipment - \$164,000;
- Department of Aviation: Item 193-3-07 - Aerodrome Local Ownership Plan - Maintenance grant - \$1,044,000;
- Department of Defence: Item 256-2-02 - Defence Production, Defence Aerospace, Other Expenses (including payments to relevant trust accounts) - \$4,008,000; Item 256-3-01 - Defence Production, Shipbuilding, Other Expenses (including payments to relevant trust accounts) - \$7,051,000;
- Department of Education: Item 270-4-03 - Student Assistance Programs, Secondary Students - \$792,000; Item 270-4-05 - Student Assistance Programs, Aboriginal study grants - \$300,000;
- Department of Foreign Affairs: Item 315-4-03 - Grants and Contributions - \$2,038,904, United Nations Food and Agriculture Organisation; Item 315-4-04 - Grants and Contributions, United Nations - \$7,812,112; Item 315-4-05 - Grants and Contributions, United Nations Educational, Scientific and Cultural Organisation - \$2,007,080; Item 315-4-06 - Grants and Contributions, International Atomic Energy Agency - \$880,194;
- Department of Local Government and Administrative Services: Item 811-1-18 - Acquisition of Sites and Buildings - Departmental - Department of Science - \$72,900;
- Department of Prime Minister and Cabinet: Item 512-1-00 - Commonwealth Ombudsman, Salaries and Payments in the nature of Salary - \$12,328;
- Department of Resources and Energy: Item 943-1-02 - Payments to or for the States and the Northern Territory for the purposes of the National Water Resources (Financial Assistance) Act 1978, Grant to Queensland for the construction of Burdekin Dam - \$1,000,000;
- Department of Sport, Recreation and Tourism: item 592-1-100 - Australian Tourist Commission, for expenditure under the Australian Tourist Commission Act 1967 - \$500,000;

- Department of Territories: Item 620-3-08 - Australian Capital Territories Fire Brigade, Operating expenses - \$200,000;
- Department of Trade: Item 644-1-01 - Export Development Grant Board, Salaries - \$131,533; Item 644-1-02 - Export Development Grant Board, Overtime - \$9,009; Item 644-2-01 - Export Development Grant Board, Travel - \$43,000; Item 644-2-02 - Export Development Grant Board, Office Requisites - \$2,000; Item 644-2-03 - Export Development Grant Board, Incidental Expenditure - \$6,000;
- Department of Transport: Item 644-4-03 - Tasmanian Freight Equalisation Scheme - \$755,000; and
- Department of the Treasury: Item 670-2-02, 670-2-03 and 670-2-05 - Administrative Expenses - \$350,285; Item 670-3-01 - Interest on trustee moneys lodged at call (for payment to the Head of Trust Fund concerned) - \$198,227; Item 670-3-02 - Loan management expenses - \$257,293; Item 977-00-09 - South Australia - Capital grant for water treatment projects - \$12,000,000.

1.9 Further information was sought on the following items:

- Department of Aviation
193-3-07
Aerodrome Local Ownership Plan Maintenance Grant; and
- Department of Defence
256-3-01
Defence Shipbuilding Other Expenses.

1.10 Comments on the use of the Advance by particular departments are provided in Chapter 2. The Committee also noted several large value requirements, details of which are also provided in Chapter 2.

General Conclusions

1.11 The procedures introduced in 1982-83 require Departments whose applications, if accepted, would remain a charge on the Advance at the end of the financial year, to provide sufficient supporting material to satisfy the Committee's requirements. Despite these clear instructions some Departments did not offer sufficient explanation with their applications. The Committee would have expected the Department of Finance to have insisted upon sufficient documentary material for it to be satisfied that an urgent and unforeseeable requirement for funds from the Advance was warranted, prior to approval being finalised.

1.12 Apart from this aspect, to which the Committee drew attention in its examination of the Advance in 1982-83 and 1983-84, the Committee is generally satisfied with the manner in which the procedures are operating. The Committee is also satisfied that, in the majority of 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 Appropriation Acts. However, expenditure control mechanisms remain weak in a number of departments.

CHAPTER 2

OVERVIEW OF THE USE OF THE ADVANCE

General

2.1 The Committee is satisfied that in all cases of expenditure remaining a final charge to the Advance in 1984-85 the requirements were urgent. However it is not convinced that all were unforeseeable.

2.2 The Committee notes that there were several large value requirements, which together comprised 57 percent of the total use of the Advance. These were:

	\$
Department of Communications: Item 841-2-01 - AUSSAT Pty Ltd - Payment of Equity Capital	18,750,000
Department of Defence: Items 234-1-02 and 234-1-04 - New equipment and stores	13,650,000
Department of Resources and Energy: Item 934-9-00 - Payment to Western Australia in lieu of petroleum royalties - Barrow Island	20,000,000
Department of Trade: Item 644-3-01 - For expenditure under the Export Market Development Grants Act 1974	54,000,000
Total	106,400,000

2.3 The requirements for the Department of Resources and Energy and the Department of Trade resulted from Government decisions taken in May 1985. The Department of Communications requirement resulted from a resolution of AUSSAT Pty Ltd Directors for the payment of equity capital. The Department of Defence requirement resulted from the early receipt of valid claims. In all these cases, the Committee was satisfied that the criteria for the use of the Advance were met, namely that payments were of an urgent and unforeseen nature, and did not seek supplementary information.

2.4 In several cases, the requirement for additional funds should have been foreseen before the cut-off date for changes to Additional Estimates (25 March 1985). For example, it is apparent from the supplementary submission provided to the Committee by the Treasury, that that Department's Additional Estimates were prepared in January and not revised to take account of the

effects of changed circumstances over the following period to 25 March 1985. While revision of Additional Estimates would not have eliminated completely the requirement to use the Advance, the requirement would have been reduced to those matters which were unforeseen.

2.5 In another case, the Department of Foreign Affairs used the Advance to clear arrears in payments of grants to United Nations organizations totalling \$12,536,979. The arrears were certainly not unforeseen, but a decision to clear them was apparently not taken until 25 June 1985, when application was made for use of the Advance. The degree of embarrassment likely to arise from the arrears should have been appreciated earlier, and funds sought in the Additional Estimates. Use of the Advance in such circumstances and for such a large amount can be seen as leading to a diminution of Parliamentary scrutiny of Government expenditure.

Department of Aviation

Item 193-3-07 - Aerodrome Local Ownership Plan Maintenance Grant.

2.6 It was necessary for the Committee to seek information in addition to the submission sought to clarify the Department's application for funds from the Advance for this item.

2.7 This item provides reimbursement grants to local authorities amounting to half the cost of maintenance of locally owned aerodromes in accordance with the provisions of the Aerodrome Local Ownership Plan. \$4,220,000 was provided in Appropriation Act No 1, with no additional funds being sought in Appropriation Act No 3. On 20 June 1985 \$449,000 was sought from the Advance to enable payment of accounts on hand.

2.8 The Department advised the Committee that the requirement to seek supplementation arose in consequence of inherent difficulties and unpredictability in timing of the rendition of accounts, allied with the Department's concern to observe the requirement that accounts due and payable should not be held over to the subsequent financial year.

2.9 In accordance with the conditions of the Aerodrome Local Ownership Plan and Air Navigation Regulation 89/2, licensees must maintain aerodromes to prescribed standards to ensure the safety of aircraft operations, attracting the 50 percent grant subsidy. Larger works are subject to formal agreement processes within the Department prior to commencement, but routine day-to-day maintenance is undertaken without prior reference to the Department.

2.10 Most of the 272 licensed aerodromes participating in the Aerodrome Local Ownership Plan are rated for operation of smaller aircraft only, but in 1980/81, Cairns aerodrome was transferred to local ownership, and several other aerodromes were

approved for upgrading to medium jet standard. As a result maintenance costs on the larger aerodromes have increased making prediction of expenditure more difficult. The Department advised that in 1984/85 an amount of \$430,000 had been estimated for maintenance at Cairns International Airport, in consultation with the Cairns Port Authority, whereas the total of claims eventually received was \$644,000.

2.11 Moreover, it is common for local authorities submitting claims to do so only once each year, usually towards the end of the financial year. As a consequence of late submission of claims, the Department offered savings of \$56,000 and approved additional specific works costing \$73,000.

2.12 In view of the difficulties encountered in managing this item the Department conducted a review aimed at improving the precision of estimates and the monitoring of expenditure under the Aerodrome Local Ownership Plan. It was found that there was a requirement for enhanced monitoring procedures in some regions, that some policies were not being applied uniformly across the Department, and that there were variations in the approaches of licensees to submitting estimates to the Department. The Department subsequently advised that draft revised guidelines for licensees seeking grants under the maintenance programme have been developed and it is intended to consult with relevant sectors of the industry before implementation later this year. Formal reporting guidelines for Regional office reports to Central Office in respect of annual and forward estimates, projected cash flows and progressive expenditure have also been developed.

Conclusion

2.13 The Committee notes that the criteria for the use of the Advance were satisfied and that the Department of Aviation has taken remedial action to strengthen control of this item.

Department of Defence

Item 256-3-02 - Defence Shipbuilding Other Expenses.

2.14 It was necessary for the Committee to seek information in addition to the submission sought to clarify the Department's application for funds from the Advance for this item.

2.15 This item provides for all administrative expenses of the Garden Island Dockyard and for administrative expenses, Office machines, furniture and fittings and the operating loss for Williamstown Dockyard. Both Dockyards are operated by the Office of Defence Production. All expenditures incurred at Garden Island Dockyard are funded from appropriations, whereas Williamstown Dockyard's expenses have been funded through trust account operations since 1 July 1984.

2.16 For Williamstown Dockyard, \$2,758,000 was provided in Appropriation Act No 1 and \$440,000 in Appropriation Act No 3 for compensation, Australian Frigate Project Office expenses, furniture and fittings and office machines, which are not funded through trust account operations. An advance of \$12,000,000 in working capital was provided by appropriation under Division 257/2. \$7,051,000 was sought from the Advance to the Minister for Finance, made up of \$6,911,000 to liquidate part of the 1984/85 operating losses and meet commitments during June and July 1985, and \$140,000 for unforeseen compensation payments.

2.17 At the time the trust account was set up, Williamstown Dockyard was under the control of the Department of Defence Support. The Administrative Arrangements Order of 13 December 1984 abolished the Department of Defence Support, transferring most functions including the dockyards to the Department of Defence. The Office of Defence Production was created within the Defence Department on 16 December 1984 and was assigned responsibility for Williamstown Dockyard. Because of the nature of the change in administrative arrangements from the Department of Defence to the office of Defence Production, there was no formal financial handing over. The Department of Defence Support had previously formed part of the overall Defence Outlay and provided budgetary and Five Year Defence Program data to the Department of Defence.

2.18 Under the financial arrangements for the operation of the trust account, Williamstown Dockyard is required to recover the full cost of its operations from its customers, including notional costs usually incurred by the shipbuilding industry, but not profit. Full costs include all direct and indirect labour costs and material costs attributable to a particular task, and related administrative overhead costs (including notional costs) and repairs and maintenance. Notional costs comprise insurance and workers compensation provisions, employer superannuation contributions, depreciation, provision for furlough and interest on the value of working capital and of capital assets.

2.19 The Department advised that recovery of full costs is effected by calculating at the commencement of the financial year the ratio of direct labour costs to overhead costs and applying the relevant ratio as a surcharge on direct labour costs. In 1984/85 the overhead recovery rate was set at 170 percent. Notional costs recovered in this way are repaid to the Consolidated Revenue Fund. Under the financial arrangements, idle time which cannot be recovered through the overhead rate is separately identified and recovered from appropriations.

2.20 The Department advised that the Dockyard's financial situation towards the end of 1984/85 was such that it expected an outright loss on operations of about \$8,450,000. The causes were given as:

- a ratio of direct labour costs to overhead costs greater than the anticipated 170 percent;

- a mismatch of skills to available workload, which resulted in some employees being required to work more overtime than budgeted to meet production schedules, while other employees were diverted to indirect tasks, increasing further the ratio of direct labour costs to overhead costs;
- delays at Williamstown Dockyard in setting up quality assurance arrangements to the appropriate Australian Standard, which resulted in delays in commencing work on the Australian Frigate Project, and reduced recovery of costs from the Royal Australian Navy; and
- the 2.6 percent National Wage Case decision of April 1985.

2.21 The Committee was informed that Williamstown Dockyard recognised during late 1984 that it was incurring operating losses. A review of cash flow forecasts suggested the possibility of a liquidity shortfall in 1984/85 and measures were taken to avoid seeking additional appropriation. These measures included a planned reduction in indirect and overhead costs and an increase in production. Subsequent review indicated that further cash liquidity problems were emerging and further corrective action was taken with the aim of obviating the necessity of seeking additional appropriation. \$440,000 was sought in the 1984/85 Additional Estimates, but this was to meet increased compensation payments and not any part of the possible operating loss.

2.22 According to the Department, it became evident to the Dockyard in late May 1985 that the measures taken to correct the situation had not been effective. It was at this time that the likelihood of revenue shortfall of \$8,450,000 became known to the Department. \$6,911,000 was sought from the Advance, based on an assessment of the cash required to enable the Dockyard to make payment of outstanding notional charges of \$5,661,000 to the Consolidated Revenue Fund, and to meet wages, salaries and other commitments totalling \$1,250,000 during July 1985.

2.23 The Committee noted the Department's advice of 24 April 1986 that the 1984/85 financial statements for Williamstown Dockyard were not as yet finalised. Notwithstanding this, the Australian Audit Office conducted a review of the Williamstown Dockyard accounting systems, and their findings were reported in the Auditor-General's March 1986 report. Audit noted that the creation of the trust account was associated with conversion to a commercial accounting system. The audit disclosed an unsatisfactory situation, which was attributed, in part, to:

- the then Department of Defence Support's apparent under-estimation of the magnitude of the task involving the Dockyard's conversion from a cash accounting basis to full commercial basis;

- an unrealistic timetable set for the implementation of a completely new automated and integrated financial budgeting and accounting system by 1 July 1984.
- the lack of commercial accounting experience, limited knowledge of trust account arrangements, little previous exposure to software accounting packages within the Dockyard's Finance Branch, the protracted delays in the recruitment of appropriate staff and a lack of adequate training for existing Dockyard personnel.

Conclusions

2.24 The Committee is not satisfied that the criteria for the use of the Advance to reimburse the revenue shortfall in the Williamstown Dockyard trust account were satisfied. The fact that the Central Office of the Department was unaware of the likelihood of a very large shortfall until May 1985, although the Dockyard had been implementing measures aimed at eliminating the shortfall since late in 1984, indicates a disturbing lack of liaison between the Dockyard, the Office of Defence Production and the Central Office of the Department.

2.25 Nevertheless, the Committee notes that the shortfall occurred in the first year of operation of the trust account, and that the Dockyard was simultaneously implementing new financial budgeting and accounting systems. Moreover, the decision to set up the trust account and commercial accounting systems at the Dockyard followed major reviews, and was associated with the awarding of the Australian Frigate Construction contract. The expectation was that inefficient management practices would be revealed, and indeed the shortfall did occur in large measures because of inadequate information about overhead costs at the Dockyard, the full extent of which have now emerged.

2.26 The Committee notes the announcement by the Minister for Defence on 21 March 1986, in which he stated that a trimmer workforce at all levels, plus continued management improvements, would result in a more efficient operation with an assured future for the Dockyard's sizable workforce and supporting industries. The Minister commented that the workforce at Williamstown Dockyard was too large for current workload and contained an imbalance in trade skills. The Committee welcomes moves by the Department of Defence to introduce more efficient management and industrial practices into the Dockyard and other Defence production facilities.

2.27 The Committee will be inquiring further into the operation of the Williamstown Dockyard trust account when it reviews the Auditor-General's report of March 1986. The Committee will particularly be looking to examine the proposed 1985/86 financial statements of the Dockyard, which the Department has advised will conform to the 'Guidelines for the Form and Standard of Financial Statements of Commonwealth Undertakings'.

APPENDICES

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APPENDIX 1

1. Advance to the Minister for Finance Statement
of Heads of Expenditure and the amounts
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ADVANCE TO THE MINISTER FOR FINANCE

Statement of Heads of Expenditure
and the amounts charged thereto
pursuant to section 36A of the
Audit Act 1901

For the year ended 30 June 1985

COMMONWEALTH OF AUSTRALIA

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COMMONWEALTH OF AUSTRALIA

ADVANCE TO THE MINISTER FOR FINANCE

Statement of Heads of Expenditure
and the amounts charged thereto
pursuant to section 36A of the
Audit Act 1901

Appropriation Act (No. 1) 1984-85
Division 310—\$160 000 000

Appropriation Act (No. 2) 1984-85
Division 868—\$130 000 000

NOTE. Cents have been omitted and each amount is
shown to the nearer dollar.

THE COMMONWEALTH GOVERNMENT PRINTER
CANBERRA 1985

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ABSTRACT

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE
APPROPRIATION ACT (No. 1) 1984-85—\$116 502 639

DEPARTMENTS AND SERVICES

	Issues from the Advance to the Minister for Finance	Expenditure
Department of Aboriginal Affairs	180 000	178 922
Department of Arts, Heritage and Environment	1 632 000	1 635 000
Attorney-General's Department	219 000	205 399
Department of Aviation	1 044 000	1 017 143
Department of Community Services	20 000	20 000
Department of Defence	35 387 500	31 052 166
Department of Education	2 473 900	1 953 217
Department of Finance	407 882	407 881
Department of Foreign Affairs	15 898 028	15 242 464
Department of Health	2 655 008	2 652 664
Department of Industry, Technology and Commerce	2 181 000	2 137 600
Department of Local Government and Administrative Services	72 900	72 900
Department of Prime Minister and Cabinet	861 056	831 376
Department of Resources and Energy	40 000	40 000
Department of Science	54 450	53 751
Department of the Special Minister of State	364 251	327 661
Department of Sport, Recreation and Tourism	500 000	500 000
Department of Territories	204 000	172 500
Department of Trade	54 725 025	54 717 089
Department of Transport	755 000	754 308
Department of the Treasury	806 448	795 327
Department of Veterans' Affairs	2 472 000	1 847 301

APPROPRIATION ACT (No. 2) 1984-85—\$67 218 422
DEPARTMENTS AND SERVICES

	Issues from the Advance to the Minister for Finance	Expenditure
Attorney-General's Department	182 200	182 195
Department of Communications	18 750 000	18 749 988
Department of Community Services	1 215 437	1 215 429
Department of Employment and Industrial Relations	2 000 000	2 000 000
Department of Foreign Affairs	25 000	25 000
Department of Health	6 276 524	6 275 694
Department of Housing and Construction	23 000	17 969
Department of Local Government and Administrative Services	41 000	40 275
Department of Resources and Energy	21 404 996	21 395 780
Department of the Special Minister of State	108 600	65 304
Department of Sport, Recreation and Tourism	5 170 008	5 169 332
Department of Trade	80 000	79 203
Department of the Treasury	12 001 500	12 001 453

I CASTLES
Secretary to the Department of Finance
September 1985

PETER WALSH
Minister for Finance
September 1985

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE

APPROPRIATION ACT (No. 1) 1984-85
DEPARTMENTS AND SERVICES

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF ABORIGINAL AFFAIRS		
Division 120.—ADMINISTRATIVE		
1.—Salaries and Payments in the nature of Salary	79 000	77 792
3.—Other Services—		
04. Support for Aboriginal hostels (including payments to Aboriginal Hostels Limited).	101 000	101 000
Total: Department of Aboriginal Affairs	180 000	178 792
DEPARTMENT OF ARTS, HERITAGE AND ENVIRONMENT		
Division 344.—NATIONAL LIBRARY OF AUSTRALIA		
1.—For expenditure under the <i>National Library Act 1960</i> —		
02. Restoration expenses related to fire damage	1 635 000	1 635 000
Total: Department of Arts, Heritage and Environment.	1 635 000	1 635 000
ATTORNEY-GENERAL'S DEPARTMENT		
Division 175.—AUSTRALIAN LEGAL AID OFFICE		
1.—Salaries and Payments in the nature of Salary	198 600	196 384
2.—Administrative Expenses	21 000	10 015
Total: Attorney-General's Department	219 600	206 399
DEPARTMENT OF AVIATION		
Division 193.—ADMINISTRATIVE		
1.—Salaries and Payments in the nature of Salary	595 000	571 912
3.—Other Services—		
07. Aerodrome Local Ownership Plan—Maintenance grant.	449 000	445 231
Total: Department of Aviation	1 044 000	1 017 143
DEPARTMENT OF COMMUNITY SERVICES		
Division 560.—ADMINISTRATIVE		
4.—Grants-in-Aid—		
01. Australian Council of Social Service	20 000	20 000
Total: Department of Community Services	20 000	20 000

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF DEFENCE		
Division 232.—CIVIL PERSONNEL—SALARIES AND PAYMENTS IN THE NATURE OF SALARY		
	3 896 000	3 856 357
Division 233.—ADMINISTRATIVE AND OTHER EXPENDITURE		
1.—Administrative Expenses	4 455 000	2 781 715
2.—Other Services—		
03. Payments pursuant to section 34A(1) of the <i>Audit Act 1901</i>	7 500	7 440
Total: Division 233	4 462 500	2 789 155
Division 234.—EQUIPMENT AND STORES		
1.—New Equipment and Stores	13 650 000	11 866 723
Division 256.—DEFENCE PRODUCTION		
2.—Defence Aerospace—		
02. Other expenses (including payments to relevant trust accounts)	4 008 000	3 422 806
3.—Shipbuilding—		
01. Salaries and payments in the nature of salary.	320 000	308 504
02. Other expenses (including payments to relevant trust accounts)	7 051 000	7 006 449
Total: Division 256	11 379 000	10 737 759
Division 257.—CAPITAL WORKS AND SERVICES		
2.—Advances and Loans—		
10. Working Capital Advance (for payment to the Aircraft Factory, Fishermen's Bend, Trust Account)	2 000 000	1 802 172
Total: Department of Defence	35 387 500	31 052 166

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF EDUCATION		
Division 270.—ADMINISTRATIVE		
1.—Salaries and Payments in the nature of Salary	35 000	..
2.—Administrative Expenses	8 000	..
4.—Student Assistance Programs—		
03. Secondary students	792 000	369 154
05. Aboriginal study grants	300 000	246 326
	1 092 000	615 480
<i>Total: Division 270</i>	<i>1 135 000</i>	<i>615 480</i>
Division 271.—EDUCATIONAL SERVICES—AUSTRALIAN CAPITAL TERRITORY		
4.—Other Services—		
01. Signadou College of Education	10 500	10 455
Division 278.—CANBERRA COLLEGE OF ADVANCED EDUCATION		
1.—For expenditure under the <i>Canberra College of Advanced Education Act 1967</i> —Running expenses	210 700	209 814
Division 279.—THE AUSTRALIAN NATIONAL UNIVERSITY		
1.—Running expenses—Supplementary grant	1 066 600	1 066 600
Division 282.—AUSTRALIAN MARITIME COLLEGE		
1.—For expenditure under the <i>Australian Maritime College Act 1978</i> —Running expenses	51 100	50 868
<i>Total: Department of Education</i>	<i>2 473 900</i>	<i>1 953 217</i>

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF FINANCE		
Division 304.—ADMINISTRATIVE		
3.—Other Services—		
05. Exchange adjustments (exchange gains may be credited to this item)	407 882	407 881
<i>Total: Department of Finance</i>	<i>407 882</i>	<i>407 881</i>
DEPARTMENT OF FOREIGN AFFAIRS		
Division 315.—ADMINISTRATIVE		
4.—Grants and Contributions—		
02. General Agreement on Tariffs and Trade	53 152	52 839
03. United Nations Food and Agriculture Organization	2 038 904	1 846 592
04. United Nations	7 812 112	7 812 112
05. United Nations Educational, Scientific and Cultural Organization	2 007 080	1 959 878
06. International Atomic Energy Agency	880 194	835 353
07. International Maritime Organization	3 419	3 419
11. International Centre for the Study of the Preservation and Restoration of Cultural Property, Rome	1 407	1 407
14. Commonwealth Foundation	13 435	13 422
<i>Total: Division 315</i>	<i>12 809 703</i>	<i>12 525 022</i>
Division 316.—OVERSEAS SERVICE		
1.—Salaries and Payments in the nature of Salary	1 566 500	1 222 347
2.—Administrative Expenses	501 100	477 876
<i>Total: Division 316</i>	<i>2 067 600</i>	<i>1 700 223</i>
Division 317.—AUSTRALIA-JAPAN FOUNDATION		
1.—Salaries and Payments in the nature of Salary	20 725	20 724
Division 318.—AUSTRALIAN DEVELOPMENT ASSISTANCE BUREAU		
9.—Emergency Humanitarian Assistance and Disaster Relief	1 000 000	996 495
<i>Total: Department of Foreign Affairs</i>	<i>15 898 028</i>	<i>15 242 464</i>

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF HEALTH		
Division 325.—ADMINISTRATIVE		
3.—Other Services—		
03. Royal Flying Doctor Service of Australia—Grant-in-aid.	2 620 000	2 620 000
Division 326.—AUSTRALIAN INSTITUTE OF HEALTH		
2.—Administrative Expenses	35 000	32 664
<i>Total: Department of Health</i>	<i>2 655 000</i>	<i>2 652 664</i>

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF INDUSTRY, TECHNOLOGY AND COMMERCE		
Division 400.—ADMINISTRATIVE		
1.—Salaries and Payments in the nature of Salary	1 281 000	1 274 382
2.—Administrative Expenses	895 000	863 218
<i>Total: Division 400</i>	2 176 000	2 137 600
Division 540.—ADMINISTRATIVE		
2.—Administrative Expenses	5 000	..
<i>Total: Department of Industry, Technology and Commerce</i>	2 181 000	2 137 600

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF LOCAL GOVERNMENT AND ADMINISTRATIVE SERVICES		
Division 130.—ADMINISTRATIVE		
5.—Overseas Property Services—		
04. Private architects, engineers, quantity surveyors and other consultants—		
Fees	72 900	..
<i>Total: Department of Local Government and Administrative Services</i>	72 900	..

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF THE PRIME MINISTER AND CABINET		
Division 270.—ADMINISTRATIVE		
1.—Salaries and Payments in the nature of Salary	278	258
2.—Administrative Expenses	16 500	10 123
<i>Total: Division 270</i>	16 778	10 381
Division 500.—ADMINISTRATIVE		
1.—Salaries and Payments in the nature of Salary	33 450	32 247
3.—Other Services—		
04. State occasions and official hospitality	192 000	188 677
<i>Total: Division 500</i>	225 450	220 924

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
Division 504.—SPECIAL PURPOSE FLIGHTS IN R.A.A.F. AND DEPARTMENT OF AVIATION AIRCRAFT		
412 000		
Division 506.—GOVERNOR-GENERAL'S OFFICE AND ESTABLISHMENTS		
2.—Administrative Expenses	147 500	138 198
Division 511.—OFFICE OF NATIONAL ASSESSMENTS	47 000	38 546
Division 512.—COMMONWEALTH OMBUDSMAN		
1.—Salaries and Payments in the nature of Salary	12 328	11 327
<i>Total: Department of the Prime Minister and Cabinet</i>	861 056	831 376

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF RESOURCES AND ENERGY		
Division 520.—ADMINISTRATIVE		
3.—Other Services—		
08. Payment to CSR Limited for a residual obligation of the former Petroleum and Minerals Authority in respect of the purchase of Cooper Basin interests		40 000
<i>Total: Department of Resources and Energy</i>	40 000	..

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF SCIENCE		
Division 543.—ANTARCTIC DIVISION		
1.—Salaries and Payments in the nature of Salary		41 150
Division 545.—IONOSPHERIC PREDICTION SERVICE		
1.—Salaries and Payments in the nature of Salary		13 300
<i>Total: Department of Science</i>	54 450	53 751

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF THE SPECIAL MINISTER OF STATE		
Division 577.—AUSTRALIAN FEDERAL POLICE		
1.—Salaries and Payments in the nature of Salary		26 000
Division 579.—PARLIAMENTARY AND MINISTERIAL STAFF AND SERVICES		
1.—Salaries and Payments in the nature of Salary		332 609
Division 582.—ROYAL COMMISSIONS AND INQUIRIES		
2.—Other Services—		
06. Independent Inquiry into Aviation Cost Recovery		5 642
<i>Total: Department of the Special Minister of State</i>	364 251	327 661

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF SPORT, RECREATION AND TOURISM		
Division 592.—AUSTRALIAN TOURIST COMMISSION		
1.—For expenditure under the <i>Australian Tourist Commission Act 1967</i>		500 000
<i>Total: Department of Sport, Recreation and Tourism</i>	500 000	500 000

		Issues from the Advance to the Minister for Finance	Expenditure
		\$	\$
DEPARTMENT OF TERRITORIES			
Division 620.—ADMINISTRATIVE			
3.—Other Services—			
08. Australian Capital Territory Fire Brigade—Operating expenses	200 000	168 562	
25. Coastal Surveillance—Ashmore and Cartier Islands	4 000	3 938	
Total: Department of Territories.	204 000	172 500	

		Issues from the Advance to the Minister for Finance	Expenditure
		\$	\$
DEPARTMENT OF TRADE			
Division 640.—ADMINISTRATIVE			
3.—Other Services—			
05. Argyle Project—Government diamond valuer—Commonwealth contribution	8 483	8 483	
Division 642.—TRADE COMMISSIONER SERVICE			
1.—Salaries and Payments in the nature of Salary	525 000	521 544	
Division 644.—EXPORT DEVELOPMENT GRANTS BOARD			
1.—Salaries and Payments in the nature of Salary	140 542	139 278	
2.—Administrative Expenses	51 000	47 784	
3.—Other Services—			
01. For expenditure under the <i>Export Market Development Grants Act 1974</i>	54 000 000	54 000 000	
Total: Division 644	54 191 542	54 187 062	
Total: Department of Trade.	54 725 025	54 717 089	

		Issues from the Advance to the Minister for Finance	Expenditure
		\$	\$
DEPARTMENT OF TRANSPORT			
Division 664.—ADMINISTRATIVE			
4.—Other Services—			
03. Tasmanian Freight Equalisation Scheme	755 000	754 308	
Total: Department of Transport	755 000	754 308	

		Issues from the Advance to the Minister for Finance	Expenditure
		\$	\$
DEPARTMENT OF THE TREASURY			
Division 670.—ADMINISTRATIVE			
2.—Administrative Expenses			
3.—Other Services—			
01. Interest on trustee moneys lodged at call (for payment to the Head of Trust Fund concerned)	198 227	198 227	
02. Loan management expenses	257 936	257 935	
	456 163	456 162	
Total: Department of the Treasury	806 448	795 327	
DEPARTMENT OF VETERANS' AFFAIRS			
Division 690.—ADMINISTRATIVE			
3.—Other Services—			
01. War Graves—Construction, care and maintenance	68 000	67 108	
Division 691.—REPATRIATION HOSPITALS AND OTHER INSTITUTIONS			
1.—Salaries and Payments in the nature of Salary	130 000	88 593	
3.—Other Services—			
01. Payments under the <i>Compensation (Commonwealth Employees) Act 1971</i>	74 000	63 838	
Total: Division 691	204 000	152 431	
Division 692.—OTHER BENEFITS			
02. Pharmaceutical services	2 200 000	1 627 762	
Total: Department of Veterans' Affairs.	2 472 000	1 847 301	

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE

APPROPRIATION ACT (No. 2) 1984-85
DEPARTMENTS AND SERVICES

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
ATTORNEY-GENERAL'S DEPARTMENT		
Division 818.—CAPITAL WORKS AND SERVICES		
1.—Plant and Equipment—		
01. Computer Equipment	164 000	163 998
Division 821.—TRADE PRACTICES COMMISSION		
1.—Capital Works and Services—		
01. Plant and Equipment	18 200	18 197
Total: Attorney-General's Department	182 200	182 195

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF COMMUNICATIONS		
Division 841.—CAPITAL WORKS AND SERVICES—DEPARTMENTAL		
2.—Equity, Advances and Loans—		
01. AUSSAT Pty Ltd—Payment of Equity Capital	18 750 000	18 749 988
Total: Department of Communications	18 750 000	18 749 988

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF COMMUNITY SERVICES		
Division 881.—CAPITAL WORKS AND SERVICES		
1.—Plant and Equipment—		
01. General services	60 000	59 992
Division 949.—PAYMENTS TO OR FOR THE STATES AND THE NORTHERN TERRITORY		
03. <i>States Grants (Home Care) Act 1969</i> —Grants towards costs of home care services	1 155 437	1 155 437
Total: Department of Community Services	1 215 437	1 215 429

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF EMPLOYMENT AND INDUSTRIAL RELATIONS		
Division 861.—PAYMENTS TO OR FOR THE STATES AND THE NORTHERN TERRITORY		
03. Assistance to the steel regions—New South Wales projects	2 000 000	2 000 000
Total: Department of Employment and Industrial Relations.	2 000 000	2 000 000

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF FOREIGN AFFAIRS		
Division 875.—OTHER SERVICES		
09. Australia-Britain Society	25 000	25 000
Total: Department of Foreign Affairs	25 000	25 000

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF HEALTH		
Division 882.—PAYMENTS TO OR FOR THE STATES AND THE NORTHERN TERRITORY		
08. Health Insurance Act 1973—Medicare grants	6 276 524	6 275 494
Total: Department of Health	6 276 524	6 275 494

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF HOUSING AND CONSTRUCTION		
Division 895.—CAPITAL WORKS AND SERVICES		
1.—Buildings and Works—Departmental—		
22. Australian Federal Police	23 000	17 969
Total: Department of Housing and Construction	23 000	17 969
DEPARTMENT OF LOCAL GOVERNMENT AND ADMINISTRATIVE SERVICES		
Division 811.—CAPITAL WORKS AND SERVICES		
1.—Acquisition of Sites and Buildings—Departmental—		
18. Department of Science	41 000	40 275
Total: Department of Local Government and Administrative Services.	41 000	40 275

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF RESOURCES AND ENERGY		
Division 942.—CAPITAL WORKS AND SERVICES		
1.—Plant and Equipment—		
03. Australian LANDSAT facility.	3 441	3 441
Division 943.—PAYMENTS TO OR FOR THE STATES AND THE NORTHERN TERRITORY		
1.—For the purposes of the National Water Resources (Financial Assistance) Act 1978—		
02. Grant to Queensland for the construction of Burdekin Dam	1 000 000	1 000 000
8.—Reimbursement to Victoria of interest payments in respect of judgement relating to the Petroleum (Submerged Lands) Act 1967	61 555	61 554
9.—Payment to Western Australia in lieu of petroleum royalties—Barrow Island	20 300 000	20 300 000
	21 361 555	21 361 554
<i>Total: Division 943</i>		
Division 944.—OTHER SERVICES		
04. Royal Commission into British Nuclear Tests in Australia—Costs of Commonwealth representation.	40 000	31 785
	21 404 996	21 396 780
<i>Total: Department of Resources and Energy.</i>		

	Issues from the Advance to the Minister for Finance	Expenditure
	\$	\$
DEPARTMENT OF THE SPECIAL MINISTER OF STATE		
Division 955.—OTHER SERVICES		
08. Royal Commission of Inquiry into Alleged Telephone Interception	108 600	65 304
<i>Total: Department of the Special Minister of State.</i>	<i>108 600</i>	<i>65 304</i>
DEPARTMENT OF SPORT, RECREATION AND TOURISM		
Division 811.—CAPITAL WORKS AND SERVICES		
4.—Plant and Equipment—Departmental—		
03. Australian Government Publishing Service	130 000	129 324
Division 957.—PAYMENTS TO OR FOR THE STATES AND THE NORTHERN TERRITORY		
03. Grant to South Australia for capital costs of staging Formula One Grand Prix	5 000 000	5 000 000
Division 958.—OTHER SERVICES		
02. Compensation payments to athletes and teams who withdrew from third country sporting contact with South Africa	34 008	34 008
03. Compensation payments to athletes and teams who did not participate at the Moscow Olympics	6 000	6 000
	<i>Total: Division 958</i>	<i>40 008</i>
<i>Total: Department of Sport, Recreation and Tourism.</i>		<i>5 170 008</i>
		<i>5 169 332</i>
DEPARTMENT OF TRADE		
Division 964.—CAPITAL WORKS AND SERVICES		
2.—Plant and Equipment—		
01. Computer equipment	80 000	79 203
<i>Total: Department of Trade</i>		<i>80 000</i>
		<i>79 203</i>
DEPARTMENT OF THE TREASURY		
Division 976.—CAPITAL WORKS AND SERVICES		
1.—Plant and Equipment—		
03. Prices Surveillance Authority	1 500	1 453
Division 977.—PAYMENTS TO OR FOR THE STATES AND THE NORTHERN TERRITORY		
09. South Australia—Capital grant for water treatment projects	12 000 000	12 000 000
<i>Total: Department of the Treasury</i>		<i>12 001 500</i>
		<i>12 001 453</i>

APPENDIX 2

DEPARTMENT OF FINANCE MEMORANDA

DATE	SUBJECT	PAGE
28 June 1985	Finance Circular 1985/12 - Cash Management	31
4 September 1985	Departmental Over-Expenditure	34
22 November 1985	Additional Estimates 1984-85	35



FINANCE CIRCULAR

No. 1985/12
Ref. 85/552

DEPARTMENT OF FINANCE
CANBERRA, A.C.T. 2600

CIRCULAR MEMORANDUM
TO DEPARTMENTS
CASH MANAGEMENT

It is proposed that, beginning in July 1985, commercial rates of interest will be paid on the Commonwealth's cash balances held with the Reserve Bank. Such arrangements and recent developments in technology highlight both the scope and the benefits to the Commonwealth of efficient and effective cash management.

The term cash management covers a range of activities and processes (eg on the expenditure side payment of bills and payments to the States and agencies outside the Public Account; on the receipts side revenue collections and debt recovery; and a range of matters such as inventory levels and negotiating best payment terms). As a large part of the Commonwealth's cash flow is underpinned by borrowings a key consideration for all those concerned with cash management should be to follow practices which contribute to maintaining the Commonwealth's borrowings at as low a level as possible.

Against the background of recent and prospective developments, the Department of Finance is undertaking a review of all aspects of cash management within the framework of the Financial Management Improvement Program. The purpose of this circular is to draw to the attention of departments and agencies some basic requirements in the field of cash management and some recent developments relevant to this matter.

EXPENDITURE/PAYMENTS

The timing of payments has an important bearing on Commonwealth borrowing requirements. Departments should avoid making large payments, particularly at the beginning of the financial year, in advance of requirements. For reasons of administrative cost, it is suggested that payments be made in roughly equal instalments (generally at no greater than monthly intervals), only to be altered where the recipient can provide evidence of need. In this regard your attention is drawn to Finance Direction 13/15 which provides that grants which are to be applied to a

G. Daly (062) 63 2482
Wendy Shellshear
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DISTRIBUTION INQUIRIES —
Tel. 83 3634

particular purpose should not be made significantly in advance of a clearly demonstrated need for funds. The needs criterion may dictate that payment be made later in the financial year.

Payment of bills was the subject of the recent Finance Circular 1985/2. This circular requested departments to take all necessary steps to avoid delays and ensure that sufficient funds were available when accounts become due for payment. While the objective should be to ensure that all payments are made by the due date, they should not generally be made significantly in advance of that date. Decisions on the timing of payments will involve consideration of, inter alia, the availability of discounts (as required by Finance Direction 6/8).

RECEIPTS

An examination of a substantial number of bank accounts held outside the Public Account has indicated that many of them contain large cash balances. Departments and agencies are requested, therefore, to reduce these balances to the minimum (by paying the funds into the Public Account) and to ensure that, in future, collections are paid into the Public Account as soon as possible after they are received, bearing in mind the amounts involved and associated costs of making more frequent deposits.

Technological developments in the banking field will be an important focus of the review but, in the interim, departments are encouraged to undertake their own internal review to ensure that their existing arrangements for revenue collection are such as to take full advantage of these developments (eg electronic funds transfers). Such a review should also pay particular attention to the following issues:

- the extent to which procedures relating to the collection of moneys due to the Commonwealth (including invoicing and debt collection) and subsequent payment to the Public Account (eg number of collectors of public moneys, number of bank accounts) are compatible with efficient and effective cash management. Debt collection has been raised by the Auditor-General and the Joint Committee of Public Accounts (Report 233). Relevant issues for any review include the existing strategy on debt collection, an analysis of the adequacy (including timeliness) of information on debtors, the level of outstanding balances and the techniques for debt recovery.
- the development of performance indicators on cash management which would allow comparisons between offices and over time (eg average cash balances compared to gross cash flows).

- whether the existing terms of appointment of Collectors and Receivers of Public Moneys contain the requirement that collections be paid into the Public Account as soon as possible after receipt but taking into account the amount of money to be involved and the associated costs of more frequent deposits.

CONCLUSION

As indicated above a major review of all aspects of cash management is being undertaken. Any comments which may emerge from the suggested internal review would be most welcome and should be directed to Mr G.W. Daly on PH(062) 63 2482.

R.G. Holmes
R.G. Humphry
First Assistant Secretary
Financial Management and
Accounting Policy Division
28 June 1985

81/3489
P. Gaughwin
63 3668

The Secretary
Joint Committee of Public
Accounts
Parliament House
CANBERRA ACT 2600

DEPARTMENTAL OVER-EXPENDITURE

I am writing in accordance with arrangements established in 1971 which sought, annually, advice about those departments which expended funds beyond the limit of Warrant Authority in relation to any particular Head of Expenditure at the end of a financial year.

For the financial year ended 30 June 1985 there was one instance where expenditure recorded against a Head of Expenditure exceeded the total Warrant Authority available for that Head of Expenditure. The details are:

DEPARTMENT/ DIVISION	WARRANT ALLOCATED \$	TOTAL EXPENDITURE \$	OVER EXPENDITURE \$
Local Government and Administrative Services			
620-1 (Salaries and payments in the nature of Salary)	524,591.00	524,684.01	93.01

R.G. Humphry
R.G. Humphry
First Assistant Secretary
Financial Management and
Accounting Policy Division
4 September 1985

Reference: 84/5778
Contact Officer: J. Fulop
Telephone: 63 2413



DEPARTMENT OF FINANCE

Newlands Street, Parkes, A.C.T. 2600
Telephone: Canberra 63 9111
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The Secretary
Joint Committee of Public Accounts
Parliament House
CANBERRA ACT 2600

ATTENTION Ms K. Ballard

ADDITIONAL ESTIMATES 1984-85

I refer to the telephone conversation of 15 November 1985 between Ms P. Gaughwin of this department and Ms K. Ballard of your secretariat.

I wish to advise you that on 25 March 1985 authority was given to the Government printer to print Appropriation Bills Nos 3 and 4 of 1984-85. In other words, all amendments to the additional estimates for 1984-85 had to be made on or before this date.

M.J. Kennedy
M.J. Kennedy
A/g First Assistant Secretary
Financial Management and
Accounting Policy Division
November 1985



APPENDIX 3

LIST OF ADDITIONAL SUBMISSIONS

DEPARTMENT	ITEM	PAGE	Dof Local Government and Administrative Services	Acquisition of sites and buildings - Department of Science and Technology 811-1-18	83
Attorney-General's Department	Computer Equipment 818-1-01	39	Department of the Prime Minister and Cabinet	Salaries and payments in the nature of salaries 512-1-00	85
Department of Aviation	Aerodrome Local Ownership Plan - Maintenance grant 193-3-07	41	Department of Resources and Energy	Grant to Queensland for the construction of Burdekin Dam 943-1-02	90
Department of Defence	Defence Aerospace - Other expenses (including payments to relevant trust accounts) 256-2-02	44	Department of Sport, Recreation and Tourism	Expenditure under the Australian Tourist Commission Act 1967 592-1	94
	Shipbuilding - Other expenses (including payments to relevant trust accounts) 256-3-02	49	Department of Territories	ACT Fire Brigade - Operating expenses 620-3-08	102
	Grants and Contributions -	71	Department of Trade	Export Development Grant Board -	105
Department of Foreign Affairs	United Nations Food and Agriculture Organisation 315-4-03	71		Salaries 644-1-01	105
	United Nations Organisation 315-4-04	71		Overtime 644-1-02	108
	United Nations Educational Scientific and Cultural Organisation 315-4-05	72		Travel 644-2-01	110
	International Atomic Energy Agency 315-4-06	72		Office requisites 644-2-02	112
Department of the Prime Minister and Cabinet	Grants and Contributions to United Nations Organisations 315-4-03, 315-4-04 315-4-05, 315-4-06	76	Department of Transport	Incidental expenditure 644-2-03	114
	Student Assistance Programs - Secondary students 270-4-03	77	Department of the Treasury	Tasmanian Freight Equalisation Scheme 644-4-03	116
Department of Education	Student Assistance Programs - Aboriginal Study Grants 270-4-05	81		Interest on trustee moneys lodged at call 670-3-01	119
				Loan management expenses 670-3-02	121
				Office requisites and equipment stationery and printing 670-02-02	123

Postage, telegrams and telephone services 670-02-03	123
Incidental and other expenditure 670-02-05	123
South Australia - Capital grant for water treatment projects 977-09	125

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE 1984/85

Explanatory Statement

Department: Attorney-General's
Division: 818 - Capital Works and Services
Sub-Division: 1 - Plant and Equipment
Item: 01 - Computer Equipment
Purpose of Item: This item provides for the acquisition of new and additional computer equipment.

FUNDS AVAILABLE

Source	1982-83	1983-84	1984-85
	\$	\$	\$
Appropriation Act No. 2	2,636,000	2,738,800	1,974,000
Appropriation Act No. 4	-	-	-
Advance to the Minister for Finance	-	-	164,000
TOTAL FUNDS AVAILABLE	2,636,000	2,738,800	2,138,000
TOTAL EXPENDITURE	1,996,339	2,738,282	2,137,998
UNSPENT FUNDS	639,661	518	2

Explanation of requirements for additional funds in 1984-85.

Advance to the Minister for Finance

1. The need to resort to the Advance to the Minister for Finance under this item basically stemmed from a requirement to meet certain conditions specified in an agreement between the Commonwealth, State Legal Aid Commissions and the supplier of computer equipment for the Computerised Legal Aid Services System (C.L.A.S.S.) Project. This project is a joint development of the Commonwealth and those States which have Legal Aid Commissions and is managed by a Project Steering Committee comprising

representatives of the Commonwealth and the States. The system is designed for implementation in 8 Branch offices and 47 regional offices throughout Australia. Variations in programs do exist to allow for differences in practices amongst the legal aid bodies. The supplier was required to develop a complete system (both hardware and software) to satisfy all bodies.

2. The development of the system commenced in July 1983 and in February 1985 an assessment was made by the Project Steering Committee of the project's progress. Subsequently at a Committee meeting on 23 April 1985 the Committee agreed to an upgrading of the hardware previously envisaged. The total cost of the additional purchases resulting from the upgrade was to be shared between the purchasers. Of the total cost of \$978,000, \$420,000 (in relation to the Australian Legal Aid Office) was to be paid directly by the Commonwealth from Item 818/1/01. In addition the Commonwealth is required to contribute towards the cost of operations of State and Territory Legal Aid Commissions (except New South Wales).

3. Subsequently, an agreement (an amendment to the original contract) was drawn up and approval obtained from the Department of Finance on 22 May to enter into an obligation under Item 818/1/01 to the extent of \$420,000, subject to full offsetting savings under Division 175.3.03 - Reimbursement to the States and Northern Territory in accordance with arrangements for the provision of Legal Aid in the Federal area.

4. At that time it was not clear whether additional funds would be required in 1984/85.

5. The agreement for the supply of the additional hardware specified, inter alia, that separate payments would be required upon execution of the agreement and upon the acceptance of hardware by the Legal Aid Commission.

6. Subsequently, upon execution of the agreement on 23 May 1985 the Commonwealth made a payment of \$166921 to the supplier/contractor.

7. Following delivery of the hardware to the Legal Aid Commission of New South Wales, a preliminary acceptance certificate was issued, whereupon a further amount of \$245,849 became payable by the Commonwealth.

8. At this stage, only \$188,176 was available within item 818-1-01 and the value of accounts on hand (including the claim for hardware \$245,849) totalled \$351,484. It was, therefore, necessary to seek provision of \$164,000 from the Advance to the Minister for Finance to process these accounts.

EXPENDITURE FROM THE ADVANCE TO
THE MINISTER FOR FINANCE 1984-85

<u>Department</u>	<u>AVIATION</u>
<u>Division</u>	: 193 : ADMINISTRATIVE
<u>Sub-Division</u>	: 3 : OTHER SERVICES
<u>Item</u>	: 07 : AERODROME LOCAL OWNERSHIP PLAN - MAINTENANCE GRANT

Purpose of Item : To provide reimbursement grants to local authorities amounting to half the cost of maintenance of locally owned aerodromes in accordance with the provisions of the Aerodrome Local Ownership Plan (ALOP).

FUNDS AVAILABLE

Source	1982/83	1983/84	1984/85
	\$	\$	\$
Appropriation Act No. 1	2,910,000	4,000,000	4,220,000
Appropriation Act No. 3	-	-	-
Advance to the Minister for Finance	120,000	-	449,000
TOTAL FUNDS AVAILABLE	3,030,000	4,000,000	4,669,000
TOTAL EXPENDITURE	3,023,161	3,980,176	4,665,231
UNSPENT FUNDS	6,839	19,824	3,769

Explanation of requirements for additional funds in 1984/85

The requirement to seek supplementation of this item in 1984/85 arose in consequence of inherent difficulties in precise estimation of maintenance requirements and unpredictability in timing of the rendition of accounts, allied with the Department's concern to observe the requirement that accounts due and payable should not be held over to the subsequent financial year.

The underlying principle of the Aerodrome Local Ownership Plan is that aerodromes serving primarily a local need should be owned and operated by the communities they serve, with financial and technical assistance from the Commonwealth. The Commonwealth provides grants of 50% of the cost of approved development, maintenance and operation costs of eligible local authority owned aerodromes. It also meets 100% of the cost of movement area upgrading to medium jet standard when introduction of these services is approved by the Government. Upon transfer to local ownership, grants are provided to put aerodromes in good order for known traffic needs at 100% Commonwealth cost for movement areas and 50% for terminal area works.

In accordance with the conditions of the ALOP and Air Navigation Regulation 89/2, licencees must maintain their aerodromes to prescribed standards to ensure the safety of aircraft operations, attracting the 50% maintenance grant subsidy. Larger works are subject to formal agreement processes with the Department prior to commencement; however the significant expense is incurred in routine day-to-day maintenance which is undertaken without prior reference to the Department. To this extent the Department is unable to precisely predict the level of funding required. Nevertheless, claims upon the Department for maintenance grants are verified by the Department with respect to their accuracy and the necessity of the work undertaken.

There are currently some 272 licensed aerodromes participating in the ALOP, all of which are eligible to receive maintenance grants. Most of these airports are rated for the operation only of smaller aircraft types. However, with the agreement in 1981/82 to the transfer of Cairns aerodrome to ALOP the transfer of larger aerodromes commenced. At about the same time, several aerodromes were approved for upgrading to medium jet standard. As a result, maintenance costs on these larger, more highly rated aerodromes has escalated proportionately.

The estimation task in 1984/85 was thus complicated by uncertainty in forecasting the maintenance grants entitlements in relation to recently upgraded airports and particularly in relation to Cairns International Airport, for which 1984/85 was the first full year under ALOP.

In consultation with the Cairns Port Authority an amount of \$430,000 for maintenance had been estimated for Cairns airport for 1984/85, at a time when overall costs had not stabilised following transfer works, and, in particular, operating costs of the International Terminal complex had not been established. The total of claims eventually received was \$644,000, some \$214,000 in excess of the earlier estimate. This was the major single component of the expenses drawn from the Advance to the Minister for Finance.

Another factor contributing to the difficulty of accurately predicting requirements is the timing of the rendition of claims by local authorities. This is dependent upon local authority processes in the majority of cases, and it is common for authorities to submit only one account per annum, usually late in the financial year. This can lead to some variation in trends in expenditure patterns that generate a false sense of final requirements.

This in fact occurred in 1984/85, when at Revised Estimates, expenditure trends were such that the Department offered an amount of \$56,000 as savings, based on the low level of claims submitted by local authorities to that time.

At that time, some additional specific works were also approved at Lord Howe Is. (runway resel \$21,000) and Tamworth (apron area resel \$52,000) as it was believed these projects could be accommodated within the (reduced) approved funding limits. Subsequently, however the level of claims in respect of routine maintenance considerably exceeded expectations derived from the earlier expenditure patterns.

The overrun of expenditure in the ALOP maintenance program was fully offset by savings in other items of the global administrative and operational appropriation (193/2) in keeping with the Department's financial management strategy. However, because ALOP maintenance grants is a separately funded appropriation, it was necessary to seek recourse to the Advance to the Minister for Finance to obtain the supplementation to the ALOP maintenance appropriation; notwithstanding that, no additional funds were required from the budget.

Given the difficulties associated with determining firm estimates of ALOP maintenance requirements, especially as they will be compounded by maintenance costs to be incurred on other larger aerodromes currently subject to transfer development works, the Department is conducting a review aimed at improving the precision and monitoring of estimates for these requirements. This review is not yet complete.

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE 1984-85

Explanatory Statement

Department: Department of Defence
Division: 256 Defence Production
Sub-Division: 2 Defence Aerospace
Item: 02 Other Expenses (including payments to relevant Trust Accounts).

Purpose of Item:

1. This item provides expenses
- to sustain, in the aircraft industry, the capabilities essential for the manufacture or support of defence materiel and equipment.
- to provide for the rearrangement of production facilities, the costs of which are not properly chargeable to current work in the Defence Aerospace factories.
- to provide for the cost of purchases of raw materials for aircraft spares and the purchase of "long-lead" material components procured in advance of expected orders and related storage charges.
- for the development (other than capital equipment and buildings) of production techniques and for the development of new production items in the aerospace industry including the Government Aircraft Factories.
- to maintain the administrative operations of the Guided Weapons and Electronics Support Facility.
- to meet the costs of the ministerially appointed task force at the Government Aircraft Factories.
- to meet the costs of major overhauls of Government plant located in Industry and other miscellaneous costs associated with the Aerospace Industry.

- 2 -

FUNDS AVAILABLE

Source	1982/83	1983/84	1984/85
	\$	\$	\$
Appropriation Act No 1			40,695,000
Appropriation Act No 3	NOT APPLICABLE	AS ITEM WAS	NIL
Advance to the Minister for Finance	DISTRIBUTED	THROUGH VARIOUS	4,008,000
	APPROPRIATION	ITEMS	
TOTAL FUNDS AVAILABLE			44,703,000
TOTAL EXPENDITURE			44,378,806
UNSPENT FUNDS			324,194

2. The entirety of the funds required from the Advance to the Minister for Finance in 1984/85 relates to the Government Aircraft Factories (GAF) at Fishermens Bend and Avalon. GAF operates on a revolving trust account requiring the reimbursement of all expenditures. This is achieved either through the proceeds of sales or by appropriation. The Other Expenses appropriation (Div 256/2/02) is the means by which GAF funds the shortfall in receipts (unrecovered costs) earned against its operating expenses. Key factors in determining the amount of unrecovered costs needed to be reimbursed to the GAF trust account from Div 256/2/02 are:
 - the number of chargeable manhours of work performed determined by
 - .. orders held
 - .. factory efficiency and productivity.
 - the overall level of indirect expenses (including indirect labour.).
3. Under current financial arrangements GAF charges its customers "Normal" Manhour rates - a formula designed to recover direct labour costs and all Factory Service Costs (or overhead) which would pertain if the factories were fully employed on a single shift basis. To the extent that the factories are not fully employed there is a proportionate shortfall in overhead recovery which is chargeable to and funded from the Other Expenses appropriation. In addition, any other loss on operations is a charge to the Other Expenses appropriation.

4. Significant assumptions on which the 1984/85 GAF budget was based were:

- a decrease in employees, through a process of natural wastage without replacement or redeployment, from 2326 staff as at 1 July 1984 to 2266 targeted for 30 June 1985
- labour utilisation to increase from an average of 950 hours per annum (per employee) in 1983/84 to an average of 1100 hours in 1984/85
- the intrinsic efficiency of the utilised hours to increase to 65% in 1984/85.

Advance to the Minister for Finance

5. Towards the end of 1984/85 it was considered that GAF required an additional \$4.008 million in Other Expenses, increasing the total 1984/85 requirement to \$44.703 million. The causes necessitating the increased requirement were:

a. Variations attributable to factors outside GAF's control	\$M
- 2.5% NWC Decision of April 1985	0.213
- Effects of exchange rate variations	1.500
- Production slippages due to industrial disputes outside the GAF workplace	0.450
Sub Total	2.163
b. Variations attributable to problems internal to GAF	
- Increased higher duties	0.346
- Production slippages	1.647
- Other miscellaneous variations	0.148 CR
Sub Total	1.845
c. Total Requirement	4.008

- The attachment provides further explanations of these variations.
- GAF's additional funding requirements for 1984/85 were not identified at Additional Estimates for the following reasons:
 - April 1985 National Wage Case Decision, unfavourable exchange variations and production slippages occurred after Additional Estimates were prepared;
 - productivity within the factories was proceeding to target until February 1985, but unforeseen difficulties such as internal and external industrial disputes disrupted production; and
 - the depreciation of the \$Aust against the \$US occurred substantially after the preparation of Additional Estimates in January 1985. The full effects did not become evident until April 1985.
- The additional funding was required urgently to pay employee salaries and wages. Additionally, without recourse to AMW, payments to creditors would have been delayed, resulting in complaints from suppliers.
- Over the past decade or so, GAF has been provided with subsidy from two sources:
 - Other Expenses Appropriation
 - Nomad Production Assistance Appropriation.
- With the termination of the Nomad Project, the second avenue of subsidy is disappearing. The combined effect has shown a marked downturn in overall subsidy in 1984/85. The annual subsidy since 1981/82 has been as follows:

	Nomad Production Assistance	Other Expenses	Combined
	\$ million		
1981/82	13.914	19.200	33.114
1982/83	25.204	17.287	42.491
1983/84	14.337	17.693	32.030
1984/85	3.236	21.457	24.693

- The increased requirement for unrecovered costs subsidy in 1984/85 resulted from a number of factors as outlined above, but it should also be viewed in the context of the positive efforts and results achieved by GAF over the past two years in improving its productivity and lowering the combined subsidy.

EXPLANATIONS OF VARIATIONSA) Factors outside GAF's control

(i) National Wage Case Decision of April 1985 added \$213,000 to GAF's payroll for the remainder of 1984/85 without any possibility of recovery in 1984-85.

(ii) Exchange Rate fluctuation

- GAF has a commercial contract to produce Boeing 757 Wing Ribs and Spares for which it is paid in US Dollars. GAF contracted through Hawker de Havilland a hedging agreement with AMP to sell its US Dollars for Australian dollars at the exchange rates prevailing in 1981, the amount to be exchanged being linked to Boeing's required production rate. With the downturn in worldwide aircraft sales, Boeing slowed its production rates down and advised GAF accordingly to do likewise, thereby slowing down the supply of US dollars to GAF. To honour its commitments to AMP, GAF has been forced to buy the additional US dollars at current exchange rates. The \$1.5 million required was due to the fall in the exchange rate during 1985. The hedging agreement expired on 30 June 1985.

(iii) External strikes by the ACOA tied up supplies of raw materials and components on ships and wharves, thereby causing slippages in production. The resultant loss of revenue was \$450,000.

B) Variations attributable to problems internal to GAF

(i) Increased higher duties due to a classification creep that has accompanied the staff reductions together with secondment of personnel to support the ministerially appointed task force - \$0.346 million.

(ii) Production slippages due to productivity targets not being entirely achieved.

- average utilisation is currently 1050 hours per annum per employee and efficiency is 60%
- \$1.647 million.

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE 1984-85Explanatory Statement

Department: Department of Defence
Division: 256 Defence Production
Sub-Division: 3 Shipbuilding
Item: 02 Other expenses (including payments to relevant trust accounts)

Purpose of Item:

1. This item provides for all administrative expenses of the Garden Island Dockyard and for administrative expenses, office machines and furniture and fittings and the operating loss for Williamstown Dockyard.

FUNDS AVAILABLE

Source	1982/83	1983/84	1984/85
	\$	\$	\$
Appropriation Act No 1	NOT APPLICABLE AS	16,861,000	
Appropriation Act No 3	THIS ITEM WAS	948,000	
Advance to the Minister for Finance	DISTRIBUTED	6,911,000	
Advance to the Minister for Finance	BETWEEN VARIOUS APPROPRIATION ITEMS		140,000
TOTAL FUNDS AVAILABLE		24,860,000	
TOTAL EXPENDITURE		24,815,449	
UNSPENT FUNDS			44,551

Explanation of Requirements for Additional Funds 1984/85

2. Both Garden Island Dockyard (GID) and Williamstown Dockyard (WD) are operated by the Office of Defence Production (ODP). All expenditures incurred at GID are funded from Appropriations, whilst WD's ongoing expenses are funded through Trust Account operations. The amounts included in the above table relating to the two Dockyards are as follows:

	<u>GID</u> \$m	<u>WD</u> \$m	<u>Total</u> \$m
Appropriation Act No 1	14.103	2.758	16.861
Appropriation Act No 3	.508	.440	.948
Advance to the Minister for Finance		7.051	7.051
Total Funds Available	14.611	10.249	24.860

3. The amounts of \$2.758 million and \$0.440 million for Williamstown Dockyard shown against Appropriation Acts Nos 1 and 3 relate to Compensation, Australian Frigate Project Office expenses, Furniture and Fittings and Office Machines, which are not funded through Trust Account operations.
4. Williamstown Dockyard commenced operating with a Trust Accounts from 1 July 1984 and was provided with an advance of \$12 million in working capital by appropriation under Division 257/2 in 1984/85.
5. The financial arrangements for the operation of the Trust Account were agreed with the Department of Finance. Under the financial arrangements, WD is required to recover full cost from the customer including notional costs usually incurred by the shipbuilding industry, but not profit. Full cost includes all attributable direct and indirect labour and material costs, related administrative overhead costs (including notional costs) and repairs and maintenance. The notional costs comprise insurance and workers compensation provisions, employer superannuation contributions, depreciation, provision for furlough and interest on the value of working capital and of capital assets.
6. Recovery of full costs is effected by calculating at the commencement of the financial year the ratio of direct labour costs to overhead costs and applying the relevant ratio as a surcharge on direct labour cost. In 1984/85 the overhead recovered was set at 170 percent. Notional costs recovered in this way are repaid to the Consolidated Revenue Fund. The appropriate direct labour and overhead recovery rates are estimated and negotiated between WD and the Royal Australian Navy in advance annually and the Joint Management Arrangement which operates between the two parties provides for annual retrospective adjustments to the recovery rates (if mutually agreed) based on actual results.

7. Under the financial arrangements, idle time which cannot be recovered through the overhead rate is separately identified and recovered from Appropriations.
8. Towards the end of 1984/85, the Dockyard's financial situation was such that it expected an outright loss on operations of about \$8.450 million. This estimated operating loss was due to the following reasons:
 - a. the original 170% overhead recovery rate was based on incomplete data, particularly where Public Service Act direct labour is concerned, due to the lack of detailed historical records. Whilst there was no growth over budget in Public Service Act employee numbers, the ratio of direct labour to overhead was not as anticipated in the formulation of the 170%.
 - b. a mismatch of skills to available workload which had two effects:
 - it was necessary for those employees who were gainfully employed to work more overtime than budgetted in an attempt to meet Navy schedules
 - those employees who could not work on direct tasks were diverted to indirect tasks which again had the effect of distorting the ratio of direct labour costs to overhead;
 - c. delays experienced at WD in setting up Quality Assurance arrangements to the appropriate Australian Standard AS1821 meant that work in many shops could not begin on the Australian Frigate Project in accordance with the schedule submitted to the RAN in January 1983. This schedule also formed the basis for the budget for 1984/85. The direct workers so affected were diverted to indirect tasks.
 - d. the 2.6% National Wage Case Decision of April 1985. WD recognised during late 1984 that it was incurring operating losses and subsequently sought under the terms of the Joint Management Arrangement with RAN to adjust the recovery rates retrospectively. Negotiations failed to provide agreement that all elements of the increased costs should be regarded as a basis for retrospective adjustment of the overhead rate and hence funding was sought from the Advance to the Minister for Finance. Action is currently in progress within the Department to review the overhead rate for 1985/86 and to reassess the 1984/85 rate based on actual 1984/85 results in accordance with the Joint Management Arrangement.

10. The 1984-85 Budget for the Dockyard included the provision for repayment to Consolidated Revenue of the notional charges (depreciation, interest on capital, etc.) totalling \$11.151 million. This amount was later revised to \$10.221 million. Because of operating losses, WD had by June 1985 fallen behind in its scheduled repayments to CRF such that the final repayment due in June 1985 was \$5.661 million. In addition, WD had further obligations related to salaries and wages and overdue payments to creditors. The operating loss of an estimated \$8.450 million in 1984/85 was the main factor contributing to the cash deficiency in the WD Trust Account which would have prevented the Dockyard from meeting its obligations in June and July 1985.
11. An Advance from the Minister for Finance totalling \$6.911 million was sought to liquidate part of the 1984/85 operating losses and provide the Dockyard with sufficient cash to meet end June 1985 payments and to provide liquidity to meet forecast obligations during July 1985.
12. The amount sought under AMF, while not representing the full \$8.450 million anticipated loss, was requested under Division 256/3 - Shipbuilding to enable the liquidation of part of the losses incurred during 1984/85 pending determination of actual losses in the finalisation of the 1984/85 Accounts. It was considered that liquidation of the loss was appropriate as WD cannot, under the present arrangements, charge RAN a profit factor to help offset the loss in future years. The portion of loss not liquidated will be carried forward into future years, its reimbursement not being considered urgent at that stage.
13. Additionally in 1984/85, an application for Advance to the Minister for Finance was also submitted to cover unforeseen compensation payments of \$140,000 due prior to 30 June 1985. The shipbuilding industry is a high risk industry and it is difficult to accurately estimate compensation payment levels.



DEPARTMENT OF DEFENCE

FSA 286/86
RFP 86/15007

24 April 1986

Mr M. Talberg
Secretary
Joint Parliamentary Committee
of Public Accounts
Parliament House
CANBERRA ACT 2600

Dear Mr Talberg

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE
FINANCIAL YEAR 1984/85 - WILLIAMSTOWN DOCKYARD

In your letter of 15 April 1986 you sought additional information on the use of the Advance for 256-2-02: Williamstown Dockyard - Operating Loss. The information is attached.

Yours sincerely

F.R. Harvey
F.R. HARVEY
First Assistant Secretary
Financial Services
and Audit

Question 1: Has Williamstown Dockyard produced financial statements in accordance with "Guidelines for the Form and Standard of Financial Statements of Commonwealth Undertakings"?

Answer: The 1984/85 financial statements for Williamstown Dockyard have not been finalised as yet. The delay is due to the transition to Trust and Commercial accounting which has entailed the establishment of opening balances for Fixed Assets and Work in Progress. This is essential for balance sheet reporting as well as determining depreciation charges.

The 1985/86 financial statements will conform to the Department of Finance guidelines.

Question 2: Have the financial statements been audited by Internal Audit and/or the Auditor-General? If so, please provide details of comments made; if not, please provide an explanation.

Answer: The 1984/85 Financial Statements (not yet finalised) are not covered by a Determination under Section 41D of the Audit Act and therefore there is no statutory requirement for the Australian Audit Office (AAO) to audit and express an opinion on the 1984/85 Statements. However the AAO did conduct an audit of the accounts and records and their findings, which identified a number of areas of concern, were reported in the Auditor-General's March 1986 Report.

The 1985/86 Financial Statements are covered by a Section 41D Determination and therefore subject to audit by the AAO; the Auditor-General will provide an opinion on those statements when they are available.

Question 3: When did the likelihood of an operating loss of \$8.450 million at Williamstown Dockyard become apparent to the Department of Defence? Why was it not known earlier, ie in time for inclusion in the Additional Estimates?

Answer: The likelihood of an \$8.450m revenue shortfall became apparent to the Department late in May 1985.

A review of cash flow forecasts during the 1984/85 financial year suggested the possibility of a liquidity shortfall in the dockyard's operation and steps were taken to implement measures to avoid seeking additional appropriation in 1984/85. These measures included a planned reduction in indirect and overhead costs and an increase in production. Subsequent review of the situation indicated further cash liquidity problems were emerging and further corrective action was taken with the aim of obviating the necessity for seeking additional appropriation. Based on advice from the dockyard no supplementary funds were sought in the 1984/85 Additional Estimates.

In late May 1985 it became evident that the measures taken to correct the liquidity situation had not been effective resulting in an assessed revenue shortfall of \$8.450m in 1984/85.

Question 4: What liaison was conducted with the Department of Defence Support? Was this matter revealed on the financial handover which occurred on disbandment of that Department? When did Williamstown Dockyard come under the control of the Office of Defence Production?

Answer: Liaison. The Department of Defence Support formed part of the global Defence Outlay and as such provided budgetary and Five Year Defence Program data. Due to its status as a separate department there was a somewhat restricted oversight of Department of Defence Support budgetary activities by the Department of Defence.

Handover. Because of the nature of the change in administrative arrangements from Department of Defence Support to the Office of Defence Production, there was no formal financial handover and no identification of the problem associated with the revenue shortfall at Williamstown Dockyard.

Control. Williamstown Dockyard had been under the control of the Department of Defence Support from the inception of that department. The Administrative Arrangement of 13 December 1984 abolished the Department of Defence Support, transferring most functions including the dockyards to Defence. The Office of Defence Production was created within Defence on 16 December 1984 and was assigned the responsibility for Williamstown Dockyard.

Question 5: Please provide further information as to why \$6.911 million (approximately 82% of the anticipated loss of \$8.45 million) was regarded as urgent, rather than the whole of the anticipated loss. What do the accounts show as the actual loss ?

Answer: The estimate of \$8.450m represented an expected shortfall in revenue recoverable from dockyard customer orders. It was based on actual workload achieved to end April 1985 and projected achievement for May and June 1985, compared with the original budget forecast. Within the amount of \$8.450m, which was an assessment of revenue shortfall for the 1984/85 financial year, is the additional cash requirement of \$6.911m for the 1984/85 financial year and for commitments required to be met during July 1985.

This requirement of \$6.911m which was sought from the Advance to the Minister for Finance, was based on an assessment of the cash requirements to enable the dockyard to make payment of outstanding Department of Finance Notional Charges of \$5.661m before 30 June 1985 and to provide \$1.250m to meet wages and salaries and other commitments during July 1985.

Observing that Williamstown Dockyard is operating under commercial accounting procedures, the unaudited financial records maintained by the dockyard show an actual loss on operations for 1984/85, using accrual accounting methods, of \$6,015,838.

Question 6: What other agencies were consulted or knew about the anticipated loss ?

Answer: Officers of the Department of Finance were consulted about the anticipated loss at Williamstown Dockyard, when the situation became evident in May 1985, in the context of seeking funds from the advance to the Minister for Finance.

Question 7: How was the matter resolved ?

Answer: The immediate liquidity problem was resolved by seeking funds from Advance to the Minister for Finance. The matter of implementation of reforms as announced by the Minister on 21 March 1986 is the subject of continuing dockyard and departmental action.

Question 8: Please provide a copy of the Joint Management Arrangement between Williamstown Dockyard and the RAN.

Answer: A copy of the Joint Management Arrangements is attached.

QUESTION 9: Please provide details of any further developments or other information to which the Committee's attention should be drawn, that might assist the Committee in its assessments.

Answer: The 1985/86 Budget provided an amount of \$9.2m for the purpose of recovering shortfalls in dockyard production and some overhead costs. Within the 1985/86 Additional Estimates bids an additional amount of \$5.8m has been sought to accommodate price increases and a further shortfall in production hours.

The Auditor General in his 1986 Report criticised several aspects of Williamstown Dockyard's financial management. Deficiencies were highlighted in such areas as the Accounts Payable System, Wages Accounting, Stores Management, Costing, Documentation and Procedures.

In the context of announcing reforms at Defence establishments, the Minister for Defence on 21 March 1986 said in relation to Williamstown Dockyard:

"A trimmer workforce at all levels, plus continued management improvements will result in a more efficient operation with an assured future for the Dockyard's sizeable workforce and support industries".

In the area of financial administration initiatives have been taken to improve efficiency, accuracy and disclosure:

Costing and Pricing Policies and Practices in GAF and the Munitions factories are under-going major review. Current planning is based on the

introduction of full cost recovery accounting at the factories on a model similar to the Dockyards. The principle feature of the full cost recovery concept is that the operations of those establishments will reflect true cost based on commercial principles and will take account of non-cash costs such as depreciation on assets, interest on investments, employers contribution to superannuation and similar commercial charges. Costs so derived will then be fully recovered from customers including elements of the Defence Force. Costs for excess capacity and services provided to the Defence Force by establishments, not associated with current mainline productive effort will be funded from separate appropriations and not charged to productive work. Adoption of full cost recovery is achieved without increase to the Defence Outlay except provision of working capital which is treated as a one-time add-on.

Despite its initial difficulties, the Williamstown Dockyard Trust Account is sound in concept. The accounting system underpinning the Trust Account is designed to disclose Dockyard performance more accurately by the use of quasi-commercial concepts in a way that will make comparisons with overseas and private sector dockyards more meaningful. Briefly, the system is geared to identification and recovery of commercial costs.

AUSTRALIAN FRIGATE PROJECT
JOINT MANAGEMENT ARRANGEMENTS FOR
THE CONSTRUCTION OF TWO FFG-7 CLASS VESSELS AT
WILLIAMSTOWN NAVAL DOCKYARD
BETWEEN THE
DEPARTMENT OF DEFENCE (DOD)
AND THE
DEPARTMENT OF DEFENCE SUPPORT (DDS)

INTRODUCTION

1. The planned construction of two FFG-7 Class Guided Missile Frigates at Williamstown Naval Dockyard (WND) is one of the more comprehensive and complex tasks of a Defence related nature to be undertaken in Australia in recent years. The problems associated with re-establishing an efficient shipbuilding capability at WND have been the subject of a series of reviews in recent years which culminated in the Report of the Advisory Committee on Management and Operations of Williamstown Naval Dockyard (Hawke Report) in June 1981. This report concluded that the dockyard must be made to operate as nearly as possible as would a successful commercial shipyard. The transfer of Williamstown Naval Dockyard from the direct control of the Department of Defence to the Department of Defence Support, in May 1982, makes possible for the first time, a real degree of separation between the customer (the DOD) and the supplier (the DDS).

2. It is recognised that the task of constructing FFGs 05 and 06, and the relationship between the Department of Defence and the Department of Defence Support, hereafter referred to as the Parties, would be most efficiently handled under interdepartmental arrangements and procedures which are specifically tailored to encompass such a complex undertaking.

PURPOSE

3. The purpose of this document is to define the principal arrangements between, and the procedures to be followed by, the Parties for the construction of two FFG-7 Class Ships at WND and, in so doing, provide a general framework under which more detailed arrangements and procedures, notably the Shipbuilding Agreement, can be developed.

PARTICIPANTS

4. Construction of FFGs 05 and 06 at WND will involve three major participants; the Department of Defence, the Department of Defence Support and the US Navy. The relationship with the US Navy is

documented in the 'Memorandum of Arrangements dated 11 July 1983' between the US and Australian Governments and, at a more detailed level, in individual Letters of Offer and Acceptance (LOA's).

5. In DDS the project will be undertaken by the Defence Shipbuilding Division. Controller Defence Shipbuilding has functional responsibility for the project and will coordinate the activities of other relevant elements of the Department. These include:

- a. WND as the Shipbuilder;
- b. Major Contracts Branch: involved in the purchasing of major equipment (other than that obtained via US FMS arrangements) for both the DOD and WND and as a contract authority for DOD and WND for major contracts to be let directly with overseas firms. DDS MCA role in relation to the Shipbuilding Agreement is set out in paragraph 11.4; and
- c. Contracts Administration Branch: involved in the purchasing of goods and services from local sources and the conduct of cost certification.

6. Within the Department of Defence management of this Project will be undertaken by the Naval Materiel Division represented by the Australian Frigate Project Director (AFPD). AFPD will liaise directly with GM/WND on day-to-day aspects of the project, and in particular in the execution of their joint responsibilities detailed in the Shipbuilding Agreement.

7. The shipbuilding task will be defined in a Shipbuilding Agreement which will be based on the Request for Proposal (RFP) issued to WND on 10 December 1982 for the construction of FFGs 05 and 06, and WND's response submitted on 28 February 1983, endorsed by the Secretary DDS on 29 March 1983.

AIMS AND ARRANGEMENTS

General

8. The successful management of the Australian Frigate Project will require continuing cooperation and consultation on a wide range of detailed issues. The primary document relating to ship construction will be the Shipbuilding Agreement which will be consistent with this document. If any inconsistencies occur this document shall have precedence.

9. An important consideration in undertaking construction of FFGs 05 and 06 is that it provides an opportunity to achieve significant improvements in the areas of WND productivity and efficiency, related areas of industry and management of a major program. DOD and DDS acknowledge responsibility to contribute to these aims.

Objectives

Within the above aims, the specific objectives of the 10. Australian Frigate Project are:

- a. to build two FFG-7 Class ships similar to FFG 04 at Williamstown Naval Dockyard;
- b. to deliver ships as scheduled in the Shipbuilding Agreement;
- c. to establish the necessary support infrastructure and to deliver the ships within approved project costs;
- d. to minimise change from FFG 04 and thereby reduce cost, schedule and technical risks; and
- e. to maximise Australian Industry Participation consistent with the above aims.

The Shipbuilding Agreement**11.1 General**

- a. The Shipbuilding Agreement will be negotiated and concluded between the Department of Defence, as the customer, represented by the Australian Frigate Project Director (AFPD), and the Department of Defence Support, as the shipbuilder, represented by the General Manager, Williamstown Naval Dockyard (GMWD).
- b. The Shipbuilding Agreement will document the relevant obligations and responsibilities of the Parties concerning construction of FFGs 05 and 06 at WND.
- c. The Shipbuilding Agreement will be on a cost reimbursable basis. Within four years of its date of execution the Parties will consult with a view to converting it to a fixed price basis.
- d. DOS agrees that once the Shipbuilding Agreement has been signed, WND shall not take on any future work which would be disruptive to construction of FFGs 05 and 06 without prior agreement.

11.2 AEDD Responsibilities

- a. AEDD will act as the focal point of contact within DOD on all matters relating to the Shipbuilding Agreement.

(PDR) to act as the initial point of contact at Williamstown. The PDR will be responsible to AEDD.

- c. Matters which go beyond AEDD's authority will be referred by AEDD to the appropriate DOD authority(ies).

GMWD Responsibilities

- a. GMWD will act as the DOS focal point of contact on all matters relating to the Shipbuilding Agreement.
- b. GMWD will maintain a project group to act as the initial point of contact within WND.
- c. Matters which go beyond GMWD's authority will be referred by GMWD to the DOS Shipbuilding Division for resolution.

DOS Major Contracts Branch Responsibilities

- a. DOS MCB will be responsible for the preparation of the Shipbuilding Agreement, including the development and incorporation of the detailed requirements sought by DOD. DOS MCB will attend the Shipbuilding Agreement negotiations and will provide advice as required to either AEDD or GMWD.
- b. DOS MCB will monitor the Shipbuilding Agreement and will interpret the document to assist in its administration when required.

Procurement of Government Furnished Equipment (GFE)

- a. Items designated GFE will be detailed in the Shipbuilding Agreement.
- b. AEDD will be responsible for coordinating through normal procurement channels all necessary actions to ensure supply of Government Furnished Equipment to WND in accordance with the Shipbuilding Agreement.

Procurement of Contractor Furnished Equipment (CEE)

- a. Contractor Furnished Equipment will include all equipment and materials required to construct FFGs 05 and 06 other than those items designated GFE.

0043/05/B

(11.10)

normal procurement channels necessary actions to procure all CFE both from local and overseas sources.

c. DDS will outpost Contracts Administration Branch officers to WND to perform the CAB purchasing authority responsibility for CFE to be obtained from local sources.

d. DDS will award the initial contracts for CFE to be obtained from local sources in time to support commencement of construction as specified in the Shipbuilding Agreement and all other contracts in time to support WND's requirements as dictated by the overall construction schedule.

e. DDS MCB will act as the contract authority for WND for a contract to be let directly with Todd Pacific Shipyards to procure those CFE items not available from local sources. DDS will award this contract in time to support commencement of construction as specified in the Shipbuilding Agreement. WND will be the contract administrator for this contract.

11.7 Technical Assistance to Shipbuilder

a. AFPD will arrange for the provision of engineering services as detailed in the Shipbuilding Agreement.

b. WND will be responsible for arranging for the provision of all other engineering services required for the construction of FFGs 05 and 06.

c. DDS MCB will act as the contract authority for WND for a contract to be let directly with Todd Pacific Shipyards to procure technical assistance required by WND. DDS will award this contract in time to support commencement of construction as specified in the Shipbuilding Agreement. GMWD will be the contract administrator for this contract.

11.8 Provision of Technical Data

a. AFPD will arrange for the provision of technical data as set out in the Shipbuilding Agreement.

b. GMWD will be responsible for arranging for the provision of all other technical data required for the construction of FFGs 05 and 06.

11.9 Management Systems

a. DDS will establish a cost/schedule control system (C/SCS) at WND in accordance with the Request for Proposal (RFP).

b. DDS will strengthen the structure and capabilities of management at WND as recommended in the Hawke Report.

11.10 Financial Systems

a. DDS will establish a new commercially based financial management and accounting system at WND by 1 July 1984.

b. Development, implementation, operation and modification of the new system will be within financial policy guidelines developed from time to time in liaison between DOD and DDS, consulting as necessary with the Department of Finance.

c. The costs of operation of WND beyond those appropriately chargeable to the Australian Frigate Project will not be a charge to the project.

d. The financial policy guidelines will be reviewed at least annually by DOD and DDS having due regard to Standard Conditions for the Determination of Costs of Contract. Based on those guidelines DDS will calculate an interim overhead rate for the ensuing period. The interim overhead rate will be agreed by the Parties at the commencement of each year with a final rate being agreed at the completion of each year based on the actual costs incurred during that year. The amount paid based on the interim rate will be adjusted periodically to reflect the actual rate.

e. DOD will ensure that all costs incurred under the Shipbuilding Agreement are paid within 30 days of the claim being submitted. Adjustment to such payment will be made retrospectively in accordance with the Shipbuilding Agreement and upon determination that costs, for which payment has previously been made, are certified allowable costs.

f. Certification of costs for which payment has previously been made will be performed by the Financial Services section of Contracts Administration Branch.

g. DDS will provide to DOD quarterly financial review progress reports for funding which is not included in the Shipbuilding Agreement but which is a charge to the Australian Frigate Project.

11.11 Quality Control

DDS will establish a Quality Control organisation at WND which where necessary meets the requirements of AS 1821, subject to

specific exclusions agreed by DOD prior to commencing construction of FFG 05. DOD through office of directorate of Navy GA will be responsible for assessing the Dockyard on the achievement of the appropriate standard. This assessment will be carried out to an operational program phased to the needs of the construction schedule.

11.12 Facilities and Machinery and Plant

DOD will be responsible for coordinating all arrangements to ensure that facilities and M & P are provided in a timely manner to support the Australian Frigate construction schedule, noting that this will be dependent on provision of adequate and timely funding to be provided by DOD.

12. Funding

Both parties note that achievement of the shipbuilding schedule as set out in the Shipbuilding Agreement will be dependent on provision of adequate and timely funding.

13. Review

This document may be reviewed at the request of either Party given 30 days notice.

(F.N.BENNETT)
Deputy Secretary C
Department of Defence

Dated:.....

11/11/83

(M.W. BUCKHAM)
Deputy Secretary M
Department of Defence Support

Dated:.....

4/11/83

JOINT PARLIAMENTARY COMMITTEE OF PUBLIC ACCOUNTS

Inquiry into the Department of Foreign Affairs
Submission on the Advance to the Minister for Finance 1984-85

Department of Foreign Affairs

Division : 315 : Administrative

Sub-Division : 4 : Grants and Contributions

Item : 03 : United Nations Food and Agriculture Organisation (UNFAO)

Purpose of Item:

The Food and Agriculture Organisation is an autonomous United Nations specialised agency established in 1945. Its aims are to raise the level of nutrition and standards of living of the people of member states by increasing efficiency of production and distribution of all food and agricultural products and bettering the conditions of rural populations. This item provides for Australia's contribution to the Organisation's budget.

<u>FUNDS AVAILABLE</u>	1982-83	1983-84	1984-85
Appropriation Act No 1	3 874 600	4 122 100	4 564 600
Appropriation Act No 3	89 900	184 600	
Advance to the Minister for Finance			2 038 904
<u>TOTAL FUNDS AVAILABLE</u>	<u>3 964 500</u>	<u>4 306 700</u>	<u>6 603 504</u>
<u>TOTAL EXPENDITURE</u>	<u>3 964 500</u>	<u>4 306 699</u>	<u>6 411 192</u>
<u>UNSPENT FUNDS</u>		1	192 312

Division : 315 : Administrative

Sub-Division : 4 : Grants and Contributions

Item : 04 : United Nations

Purpose of Item:

The United Nations was formed to maintain international peace and security, to develop friendly relations among nations and to achieve international co-operation in solving economic, social, cultural and humanitarian problems. This item provides for Australia's contribution to the Organisation's budget.

2.

<u>FUNDS AVAILABLE</u>	1982-83	1983-84	1984-85
Appropriation Act No 1	10 860 100	10 502 700	12 392 300
Appropriation Act No 3			1 151 300
Advance to the Minister for Finance			7 812 112
TOTAL FUNDS AVAILABLE	10 860 100	10 502 700	21 355 712
TOTAL EXPENDITURE	10 340 405	10 466 900	21 355 712
UNSPENT FUNDS	519 695	35 800	

Division : 315 : Administrative

Sub-Division : 4 : Grants and Contributions

Item : 05 : United Nations Educational, Scientific and Cultural Organisation (UNESCO)

Purpose of Item:

The aims of the United Nations Educational, Scientific and Cultural Organisation are to promote goodwill and co-operation among all nations through education, science and culture. This item provides for Australia's contribution to the Organisation's budget.

<u>FUNDS AVAILABLE</u>	1982-83	1983-84	1984-85
Appropriation Act No 1	3 539 000	3 802 800	2 415 300
Appropriation Act No 3	156 400		
Advance to the Minister for Finance			2 007 080
TOTAL FUNDS AVAILABLE	3 695 400	3 802 800	4 422 380
TOTAL EXPENDITURE	3 695 400	2 719 661	4 375 178
UNSPENT FUNDS		1 083 139	47 202

Division : 315 : Administrative

Sub-Division : 4 : Grants and Contributions

Item : 06 : International Atomic Energy Agency (IAEA)

3.

Purpose of Item:

The International Atomic Energy Agency provides assistance in the development and practical application of atomic energy for peaceful purposes, particularly for the needs of under-developed countries. The IAEA's functions include the provision of nuclear technical assistance and the application of safeguards in order to verify that states are complying with their non-proliferation undertakings. This item provides for Australia's contribution to the Organisation's budget.

<u>FUNDS AVAILABLE</u>	1982-83	1983-84	1984-85
Appropriation Act No 1	1 450 500	1 738 200	1 751 100
Appropriation Act No 3			
Advance to the Minister for Finance			880 194
TOTAL FUNDS AVAILABLE	1 450 500	1 738 200	2 631 294
TOTAL EXPENDITURE	1 450 500	1 092 099	2 586 453
UNSPENT FUNDS		646 101	44 841

Background

1. The budgets for the United Nations, UNFAO and UNESCO are prepared biennially. The IAEA budget is prepared annually. Contributions due to each Organisation are assessed at the end of the calendar year and advice transmitted to member governments early the following year. Biennial contributions are generally sought in two equal annual assessments.

2. Although each Organisations' financial regulations provide that annual contributions should be paid within thirty days of receipt of the assessment, it has been longstanding practice for Australia to make its contribution in two parts - one in the first half of the calendar year, and the other in the second half. Thus the second half payment was always in arrears. The purpose of the AMF request was to make a one-time "catch up" payment to the United Nations, UNFAO, UNESCO and IAEA.

Explanations of requirement for funding from the Advance to the Minister for Finance 1984-85

3. Since early 1985 Australia has become more active in the Geneva Group - a group of major Western donor countries which monitors the budgetary and administrative performance of UN agencies - and Australian representatives have adopted a more critical and rigorous approach to these matters in the UN system. Central to Australian activities have been efforts to persuade all UN agencies to accept Geneva Group objectives:

comprising zero real growth in budgets, program concentration and greater financial and administrative efficiency. Australian representatives have made forceful public and private statements on the subject. Our efforts have contributed to much wider acceptance of Geneva Group views and UN agency budgets have increasingly conformed to the zero real growth/maximum restraint approach.

4. UNESCO's financial problems gave impetus to the efforts of the Geneva Group, within which Australia plays a leading role, in arguing and working for restraint and reform in the financial affairs of the U.N. System. Our stance was not supported by our financial arrangements with its consequent late timing of payment of contributions to the United Nations and its major agencies. The lack of consistency in this regard invited criticism that we expect of others what we had not given ourselves; in this case, full and prompt payment of our assessed contributions.

5. In order to maintain our high profile role in this forum, and to avoid development of such criticism to the detriment of our policy of budgetary and administrative restraint across the board, it was considered that the matter of late payments not only to UNESCO, but also to the United Nations UNFAO and IAEA, be addressed urgently. The additional funding required to regularise the payments was thus sought from the Advance to the Minister for Finance.

6. This one time outlay of three half-payments in the one financial year has aligned our payment practice with our financial obligations to these organisations, and now allows any future shortfall in funding due to variation in assessment or exchange variation, to be addressed in the Additional Estimates process.

7. With regard to Item 315/4/04 United Nations the amount of \$7,812,112 provided from the Advance to the Minister for Finance had two components:-

- a) \$7,610,081 to cover the second half-payment of the 1985 contribution, as explained above; and
- b) \$202,031 to cover depreciation of the Australian dollar in respect of the first half-payment to the United Nations of our 1985 contribution;

8. In respect of (b), the full 1985 contribution to the United Nations of US\$10,332,858 was offset by credits stemming from repayment of principal and interest on bond issue totalling US\$203,840, leaving a net 1985 contribution payable of US\$10,129,018. One half of this amount was paid in our 1984-85 financial year, as was the balance of the 1984 contribution.

9. Funds provided in the Appropriation Acts are intended to meet our gross assessment, a net amount of \$US10,129,018 being paid to the United Nations, and \$US203,840 being paid to Revenue.

10. Funds provided in the Appropriation Acts No. 1 and No. 3 were sufficient to meet both our net contributions to the U.N. budget, and to make a \$10,000 donation to the International Year of Peace Program. The exchange rate at the time payment was made of the first half of the 1985 contribution was A\$1 = US\$0.6590 and was significantly lower than that used in calculation of Additional Estimates (A\$1 = US\$0.6840). Despite provision of an additional A\$1,151,300 in Appropriation Act No. 3, this depreciation resulted in insufficient funds remaining to enable transfer to the relevant revenue items of the full amount of US\$203,840.

11. An amount of \$202,031 was sought from the Advance to the Minister for Finance to enable the appropriate payments to revenue to be made.

4 September 1985



THE DEPARTMENT OF
THE PRIME MINISTER AND CABINET

CANBERRA, A.C.T. 2600

The Secretary
Joint Parliamentary Committee of
Public Accounts
Parliament House
CANBERRA ACT 2600

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE
(AMF)

You asked for this Department's comments on the requirement for Funds by the Department of Foreign Affairs from the Advance to make grants and contributions to the United Nations in 1984/85.

We understand that for some years Australia made its contributions to the UN, UNESCO, UN Food and Agricultural Organisation and the International Atomic Energy Agency in two six-monthly installments. The financial regulations of these organisations provide that contributions are due within thirty days of the receipt of the Director-General's request for payment, or by the first day of the calendar year, whichever is the later.

Consequently Australia has been listed in these organisations' documentation as not having made its full annual contribution. Given that in recent months Australia has been making a vigorous push for budgetary reform and restraint within the UN organisations and specialized agencies, specifically through the Geneva Group, the Government was in danger of losing credibility should this system of payment be continued. The level of potential embarrassment was not realized at the time of the preparation of the Additional Estimates and additional funds were not sought. The request therefore met AMF criterion of "urgent" and "unforeseen".

The decision to rectify this problem by paying the second half of Australia's 1985 contribution to these organisations in 1984/85 from the Advance to the Minister for Finance has enabled us to pay annual contributions in one installment and on time, and we will therefore not be in arrears at any time.

The catch-up payments allow Australia to argue more credibly for more UN fiscal responsibility, and have eliminated a potential source of embarrassment for the Government.

A.C. Kevin
A/g First Assistant Secretary
International Division 76
28 August 1985

EXPENDITURE FROM THE ADVANCE TO THE
MINISTER FOR FINANCE 1984-85

Explanatory Statement

DEPARTMENT OF EDUCATION

Division: 270 ADMINISTRATIVE

Sub-Division: 4 Student Assistance Programs

Item: 03 Secondary Students

Purpose of Item:

This item provides for payment of an income-tested allowance to assist low income families to maintain their children at school for the final two years of secondary education.

FUNDS AVAILABLE

SOURCE	1982-83	1983-84	1984-85
Appropriation Act No 1	22,612,000	49,300,000	62,776,000
Appropriation Act No 3	6,559,000	1,554,000	
Advance to the Minister for Finance	1,670,000	-	792,000
TOTAL FUNDS AVAILABLE	30,841,000	50,854,000	63,568,000
TOTAL EXPENDITURE	29,814,783	49,849,202	63,145,154
UNSPENT FUNDS	1,026,217	1,004,798	422,846

Explanation of requirements for additional funds in 1984-85:

Appropriation Act No 3

1. At the time of the Additional Estimates, it was not considered that additional funds would be required. The reason for this, as explained in the later request sent to the Department of Finance for funds from the Advance, was as follows:

'At the time of the preparation of the Additional Estimates in January 1985 the requirements were recalculated on the basis of information available for the July-December 1984 period. This information showed that \$21,355,180 had been spent on 61,495 (preliminary) students. This meant that, while numbers for the period were up on what had been estimated, actual expenditure was down. It may be that the total contained a higher than usual proportion of late applicants qualifying for only one term's benefits.'

In the light of the increased numbers in July-December 1984, the estimate of numbers likely to qualify in the January-June 1985 period was raised from 59,500 to 61,000. At the same time no adjustment to the estimated average benefit appeared warranted. Accordingly it was considered that any additional expenditure arising from increased numbers would be covered by the underspend of \$1,097,820 in July-December 1984.'

Advance to the Minister for Finance

- Funds from the Advance were sought in the light of information available after the payday of 23 May 1985. This information came from control statistics supplied by State Offices and State Office estimates of numbers likely to be put on pay before 30 June. On the basis of this information it was estimated that the number shown on the control statistics as having been assisted by 23 May (55,967) would rise to 62,000 by 30 June.
- The data provided to the Department of Finance when seeking the Advance is set out below. ('Pay 6S' referred to in the first line is the payday of 23 May 1985.)

\$	
'Year to date expenditure to Pay 6S (inclusive)	60,744,447
LESS expenditure in July-December 1984	<u>21,355,180</u>
Expenditure to Pay 6S in 1985 (covering 55,967 students)	<u>39,389,267</u>

This leaves an estimated 6,033 students to be put on pay before the end of the financial year. It is anticipated that the majority of these (4,000) will only be eligible for payment in respect of one term (an estimated \$350). The remaining 2,033 will be entitled to two terms' benefits (calculated at \$700).

\$	
4,000 receiving one term's payments @ \$350	1,400,000
2,033 receiving two terms' payments @ \$700	<u>1,423,100</u>
TOTAL estimated expenditure from 24 May to 30 June	2,823,100
ADD January to Pay 6S expenditure	<u>39,389,267</u>
TOTAL estimated January-June 1985 expenditure	42,212,367
July-December 1984 expenditure	<u>21,355,180</u>
TOTAL expected expenditure 1984-85	63,567,547
LESS appropriation 1984-85	<u>62,776,000</u>
Additional funds required	791,547 (say 792,000)

The actual expenditure from 24 May to 30 June was \$2,400,707 and the number of additional students put on pay was 5,057.

Background

- The Secondary Allowances Scheme provides an income-tested living allowance. The maximum allowance in 1984 was \$1046 and in 1985

is \$1202. The minimum allowance is \$17pa. The allowance is provided in respect of a calendar (academic) year; thus the 1984-85 Appropriation covered allowances for 1984 and 1985.

- The income test is based on adjusted family income, which is the combined gross income of both parents less a deduction of \$450 for each other dependent child and less certain business deductions. The Marginal Adjusted Family Income (MAFI) is the level at which maximum allowance is payable. In 1984 the MAFI was \$12,983 and the cut-out point for partial allowance was \$17,112. In 1985 the MAFI is \$14,281 and the cut-out point \$19,029. The cut-off point is higher where more than one child in the family qualifies.
- The scheme is open-ended in that persons applying and meeting the criteria are paid at the appropriate level of allowance. To qualify for a full year's benefits the application must be lodged before the end of first term. Where applications are received after the end of first term, benefits are paid from the beginning of the term in which the application is lodged.
- Payment is made in term instalments. This means three instalments a year in most States, but four in Queensland and the Northern Territory. Applicants from those two States therefore normally receive half their full year's entitlement in January-June, while those in other States receive two-thirds of it in that period.
- A number of applications each year cannot be processed immediately but require further information, usually income details. Provision of this information frequently results in finalisation of a number of assessments late in the financial year. In such cases the applicant is found to be either ineligible (in which case there is no entitlement to be paid) or eligible for immediate payment of an amount which may vary widely in value. In 1985, payments in this situation ranged between \$8.50 and \$801, the exact amount depending on (a) the applicant's income, (b) whether the application was submitted before the first term closing date (and therefore whether one or two instalments were payable), and (c) which State the applicant lived in.
- Until an application has been fully assessed there is no way of knowing the applicant's level of entitlement, if any.

Calculation of requirements for AMF

- The calculation of the additional funds requirement was based on 1984 data on numbers of applications processed between Pay 6S (the equivalent of 23 May 1985) and 30 June. Similar data for 1983 was also checked to confirm that there had been a consistent pattern over those two years. The 1985 data for 23 May was examined in the light of all this to provide an estimate of numbers likely to be processed and paid by 30 June 1985.

11. A summary of the data that was used for this purpose is given in the following table:

	1983	1984	1985
<u>By Pay 65</u>			
Applications received	53939	61814	65379
Awaiting further information	5002	5169	5289
Not yet examined	5892	6101	3943
Students on pay*	41988	49864	55967
<u>By 30 June</u>			
Applications received	54988	63667	
Students on pay*	47683	57983	

* 'Students on pay' are numbers of students in respect of whom a payment was made. All other data relates to applications, which are on a family basis (ie they can be in respect of more than one child).

12. It was clear from this data that in 1984 there had been a potential pool of 13,123 applications (including 1,853 new ones received between Pay 65 and 30 June), from which payments made by 30 June had been derived.

13. It was also known that the numbers of new applications that had been received in the fortnight preceding Pay 65 had been comparable (in terms of proportion of total applications received) over the two years 1984 and 1985. It was assumed that the numbers received between Pay 65 and 30 June would likewise be comparable over the two years. On this basis it was estimated that the potential source of payments between 23 May and 30 June 1985 would be about 11,200 applications in all.

14. From the pool of 13,123 applications in 1984, payment in respect of an extra 8,119 students had resulted. A pool of 11,200 applications might therefore lead to payments for an extra 6,929 students, with a final total by 30 June 1985 of just on 62,900 students assisted.

15. However, the number of applications 'not yet examined' by Pay 65 had been considerably higher in 1984 than in 1985. Such applications are more likely to produce actual payments by 30 June than those which have been awaiting further information (and may continue to be delayed) or new ones coming in very late in the period. The estimate of 6,929 for 1985 was therefore reduced to 6,033 to bring the total number of students paid by 30 June to 62,000.

16. In the event, control statistics to the end of June later showed that only 5,057 extra students were added during the relevant period, with a 30 June total of 61,024.

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE 1984-85
Explanatory Statement

<u>Department</u>	:	Education
<u>Division</u>	:	270 Administrative
<u>Sub Division</u>	:	04 Student Assistance Programs
<u>Item</u>	:	05 Aboriginal Study Grants
<u>Purpose of Item</u>	:	This item provides assistance for Aboriginals and Torres Strait Islanders to undertake full-time or part-time courses of training or study after leaving school. The awards are non-competitive and are not income tested.

FUNDS AVAILABLE

Source	1982-83	1983-84	1984-85
	\$	\$	\$
Appropriation Act No 1	13,160,000	15,990,000	24,914,000
Appropriation Act No 3	-	3,600,000	-
Advance to the Minister for Finance	700,000	-	300,000
TOTAL FUNDS AVAILABLE	13,860,000	19,590,000	25,214,000
TOTAL EXPENDITURE	13,841,818	19,560,909	25,160,326
UNSPENT FUNDS	18,182	29,091	53,674

Explanation of requirements for additional funds in 1984-85

Advance to the Minister for Finance

1. This Department's Revised/Additional Estimates 1984-85 were submitted to the Department of Finance on 23 January 1985. At that time there was no justification to seek additional funds for Aboriginal Study Grants since expenditure was in line with the expected pattern of spending, e.g. at 31 December 1984 there was an overspending of 0.39% and by the end of January an underspending of 1.11%. It was not until May, when the April expenditure figures were available, that it became apparent that additional funds would be required. Thus, funds could not have been sought as Additional Estimates.

.../2

2. The slightly increased expenditure which occurred late in the financial year resulted from increasing numbers of students enrolled in higher education, encouraged by a direct Government initiative to have more places made available for Aboriginal students. Initial funds were made available for the 1985 academic year through the Commonwealth Tertiary Education Commission for this purpose. The decision to fund this program involving 200 new additional places, was not taken until after the Abstudy allocation for 1984/85 had been determined.
3. Abstudy expenditure in some years has proved difficult to estimate as courses undertaken can be full-time or part-time and can range in length from less than a week to a full year. However, the original estimate for Scheme expenditure for 1984/85 was highly accurate, being in fact 99.02% of actual expenditure. The additional funds required were spent on student benefits, as the allocation for Special Courses within the Abstudy vote (\$3.5 m) was not exceeded.

30 August 1985

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE 1984-85
Explanatory Statement

Department of Local Government and Administrative Services

Division : 811 - Capital Works and Services

Sub-Division : 1 - Acquisition of Sites and Buildings
- Departmental

Item : 18 - Science and Technology

Purpose of Item

This item provides for the acquisition of sites and buildings for the Department of Science and Technology.

Funds Available

<u>SOURCE</u>	1982-83	1983-84	1984-85
	\$	\$	\$
Appropriation Act No. 2	51,800	270,000	79,000
Appropriation Act No. 4			
Advance to the Minister for Finance			41,000
 Total Funds Available	51,800	270,000	120,000
Total Expenditure	51,030	169,542	119,275
 Unspent Funds	770	100,458	725

Explanation of Requirement for Additional Funds in 1984-85

Advance to the Minister for Finance

1. In late May 1985, the Department of Science and Technology advised this Department of a requirement at Kingston, Tasmania, adjacent to its existing Antarctic Division property, to provide for that Division's helicopter operations and buffer zone; plant and equipment storage for maintenance; flammable liquids store and buffer zone; all terrain vehicle testing site; and heavy vehicle access to the Division's workshops and stores. The acquisition proposed was required to alleviate safety problems with the storage of flammable liquids and helicopter operations as well as safety problems associated with the existing turnaround area for large container vehicles.
2. The land proposed for acquisition abutted a parcel of land already proposed for purchase for the Department of Primary Industry and held in the same private ownership. Negotiations for the purchase of the Department of Primary Industry land had reached a deadlock - the owner claiming that purchase of this parcel would leave him with an area of land unsuitable for sub-division.
3. When the owner was again approached on the basis of selling a larger parcel of his land (i.e. that required by the Department of Primary Industry and the abutting parcel for the Department of Science and Technology) he indicated a willingness to negotiate, subject to the proviso that settlement be achieved before 30 June 1985.
4. The Commonwealth valuation of the whole of the area required was \$83,250. Agreement was reached with the owner to purchase the land for \$60,000 plus the owner's reasonable legal costs - estimated not to exceed \$1,000. Of the total requirement of \$61,000, \$41,000 was apportioned to the Department of Science and Technology.
5. Full offsetting savings were provided by the Department of Science and Technology from Division 543-3-02 - Materials and Stores.

20 August 1985

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE

1984-85

EXPLANATORY STATEMENT

*Department of the Prime Minister and Cabinet
Office of the Commonwealth Ombudsman*

Division:	512	Salaries and payments in the nature of salaries
Sub Division:	1	
Item:	00	
Purpose of Item:		This item provides for the salary and allowances including overtime payments payable to Ombudsman's Office staff.

Funds Available:

	<u>1982/83</u>	<u>1983/84</u>	<u>1984/85</u>
Appropriation Act No. 1	1,446,000	1,690,000	1,853,500
Appropriation Act No. 3	1,000	52,900	199,000
Section 5 of Appropriation Act No. 1		14,000	13,500
Advance to the Minister for Finance			<u>12,328</u>
TOTAL FUNDS AVAILABLE	1,447,000	1,756,900	2,078,328
TOTAL EXPENDITURE	<u>1,437,657</u>	<u>1,756,391</u>	<u>2,077,327</u>
UNSPENT FUNDS	9,343	509.	1,001

Explanation of requirements for additional funds in 1984/85

Appropriation Act No. 3

The appropriation figure of \$1,853,500 was based on an approved AOSL of 64, but in fact the office started the financial year with an operative staff level of 73 and it emerged that it was not possible to achieve the average of 64 without resorting to 2E(RR) Act action. The operational staff level at 30 June 1985 was 68.

Based on salary expenditure to pay 13, actual staff level (71) and the estimated staffing level (68) to 30 June 1985, an additional amount of \$199,000 was required to meet salary payments. This took into consideration offset savings from the Administrative Item.

Section 5 of Appropriation Act No. 1

This office had a an additional requirement under Item 512:01, 'Salaries and Payments in the nature of salary' in 1984/85, which was directly attributed to increases which flowed from the National Wage decision of 3 April 1985 (\$9,750) and the 'anomalies' award (\$3,750). The effects of the two increases were as follows:

Expenditure of Funds from the Advance to the Minister for Finance

This office sought extra funds from the A.M.F. due to a shortfall in Item 512:01 "Salaries and Payments in the nature of Salary". The initial advance request was for \$10,980 which was due to

- (a) The salaries of SES staff acting in statutory officer positions continuing to be paid from Item 512:01 (\$5,180);
- (b) Payment of "final monies" following an unexpected resignation of one staff member (\$5,800).

SES STAFF ACTING IN STATUTORY OFFICES

2. In April this year, on the resignation of a Deputy Commonwealth Ombudsman (a Statutory Officer), a Senior Executive Service officer was selected to act in the resultant vacancy. Statutory Office Holders are normally paid from a Special Appropriation Item. Staffing plans to contain salary expenditure in Item 512:01 within approved limits were based at the time on the mistaken belief that, in such circumstances, the salary expenditure, including higher duties allowance, in respect of that SES Officer would be journalised across to the Special Appropriation Item.

3. A similar mistake was made in respect of the attribution of salary for the relief arrangements in respect of another Deputy Ombudsman who was absent on long service leave.

4. The mistake was corrected at May 'revised estimates' time on advice from the Department of Prime Minister and Cabinet. The resultant effects were that the Special Appropriations Item, 'Holders of Public Office' was considerably underspent (savings of \$52,400 were declared) while Item 512:01 'Salaries and Payments in the nature of salary' has been overspent by \$10,980, with \$5,180 being attributable to this cause. All avenues for corrective staffing action since the situation was clarified were taken but, although the overexpenditure has been minimised, it was still necessary to seek additional funds.

RESIGNATION - FINAL MONIES

5. After preparation of the May revised estimates return, advice was received of the resignation of an officer in our Melbourne office. Final monies to the amount of \$5,800 in respect of the resignation were unforeseeable and unavoidable.

6. A second request for funds from the A.M.F. of \$1,348 was sought on 27 June 1985. This request covered a payment of \$354 to a temporary employee whose contract of employment was processed by the Department of Prime Minister and Cabinet after the main pay was posted to the ledger. It took account of advice from the Department notifying that an overspend of \$994 had been incurred on the central ledger after the posting of Pay 26. At that time the Department of Prime Minister and Cabinet could not explain the overspend. A statement prepared by the Department of Prime Minister and Cabinet regarding that advice is attached.

30 August 1985

DEPARTMENT OF THE PRIME MINISTER & CABINET

In 1984/85 the Department of the Prime Minister and Cabinet's Finance/Accounts Section provided accounts processing services to:

- the Department (including the Office of the Status of Women and, from March 1985, the Office of Youth Affairs)
- Commonwealth Ombudsman's Office
- Economic Planning Advisory Council (EPAC)
- Office of National Assessments (ONA)
- Australian Science and Technology Council (ASTEC)
- Governor-General's Office

During the year 13,817 claims were processed - 1,998 more than 1983/84 and the highest number for at least seven years. The increase reflected the first full year's operations of EPAC and, more particularly, the transfer of OYA from Department of Education mid-way through the year. 11,667 vouchers were passed to Department of Finance for cheque action (compared to 10,532 in 1983/84).

June 1985 was the busiest month of a very busy year. In that month 1,325 vouchers were passed to Department of Finance to have cheques drawn (including 406 vouchers in the last week of June). The June figure was 40% above the monthly average for the previous eleven months.

Towards the end of the year the Department of Finance IMS ledger system (IMS) was upgraded to allow departments' Authorising Officers to make certain movements of funds directly through the IMS terminals. PM&C's Authorising Officer is responsible for 52 appropriations together with 24 notional items. During June, 147 funds adjustments were effected through PM&C's terminal - 90 of these occurred in the last week.

It is against the above background that the situation that arose with the Ombudsman's Office salaries vote should be considered.

On 25 June, following the posting of pay 26 to the ledger, the Ombudsman's Office was advised of the need for extra funds and an application for the issue of funds from the Advance to the Minister for Finance was lodged with Department of Finance.

2

Two days later, on 27 June, the Ombudsman's Office was advised that a further overspend had occurred.

The Ombudsman's Offices assertion that PM&C could offer no explanation was apparently based on the outcome of telephone conversations between their officers and officers of PM&C's Finance and Accounts and Personnel Sections.

At the time these events were taking place the Finance and Accounts Section were working under the extreme pressures - demonstrated by the earlier quoted figures - that are the norm at the end of a financial year. It is difficult now to recall all the events and conversations that took place at that time but it would appear that officers of the Finance and Accounts Section assumed that further salary payments had been processed subsequent to the posting of pay 26 and that the Personnel Section were unable to identify any such payment.

It was only after the end of the financial year, when time permitted a proper investigation, that it was revealed that issued funds rather than Warrant Authority had been "overspent" on 27 June. This arose because Warrant Authority of \$1,000 had been held in "reserve" and had not been issued to the salaries ledger Authorising Officer. (Holding Warrant Authority in "reserve" is a normal practice which allows allocation of those funds to an Authorising Officer without an offsetting reduction to another authorising Officer's funds as would be the case if there was not a "reserve". "Reserve" was utilised in 49 of the 76 appropriations and notional items mentioned above). Failure to issue these funds can only be attributed to an oversight due to the extremely high workload being handled by PM&C's Finance and Accounts Section over the last few days of the financial year.

The oversight was an isolated incident of which the Finance and Accounts Section staff are painfully aware. I am confident that there will be no similar mistakes in future.

J G HINTON
Assistant Secretary
Services Branch

29 August 1985

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE 1984-85

Explanatory Statement

Department: Resources and Energy

Division: 943 Payments to or for the States and the Northern Territory

Sub-Division: 1 For the purpose of the National Water Resources (Financial Assistance) Act 1978

Item: 02 Grant to Queensland for the Construction of Burdekin Dam.

Purpose of Item: This item provides for payments as part of the Federal Water Resources Assistance Program to Queensland to meet the cost of Stage 1 of the Burdekin Falls project.

FUNDS AVAILABLE

Source	1982-83	1983-84	1984-85
Appropriation Act No.2	6 500 000	13 000 000	19 000 000
Appropriation Act No.4	-	-	-
Advance to the Minister for Finance	-	-	1 000 000
 TOTAL FUNDS AVAILABLE	 6 500 000	 13 000 000	 20 000 000
TOTAL EXPENDITURE	3 760 905	12 999 999	20 000 000
 UNSPENT FUNDS	 2 739 095	 1	 -

2.

Explanation of requirements for additional funds in 1984-85

In July 1983 the Prime Minister announced that the Commonwealth would meet the full cost of Stage 1 of the Burdekin Falls Dam project, which included dam headworks, saddle dams, construction village and resumptions for storage. The current estimated cost of the Commonwealth commitment to the project is \$120.75 million. Under the Agreement of August 1984 between the Commonwealth and Queensland, the Commonwealth is to provide financial assistance to Queensland to meet the cost of the Commonwealth's commitment and Queensland is to administer the program on the Commonwealth's behalf. The financial assistance for the project is provided under the Federal Water Resources Assistance Program (FWRAP), a program that brings together all assistance to the States for water matters. The allocation to Queensland for the Burdekin Falls Dam from within the overall allocation for FWRAP is set at Budget time on the basis of advice from Queensland as to the expected requirements to meet necessary payments to the contractors etc for work undertaken on the project.

As a result of the successful operation of new construction techniques, the contractor for the main dam had been able to accelerate work over that originally envisaged in the \$19 million allocation for the project in the 1984-85 Budget.

On 16 April 1985 the Queensland Government advised that on the basis of progress on the dam, the \$19 million allocated for the project would not be sufficient to meet payment obligations to the main dam contractor, and that if further funds were not forthcoming there would be a need to defer payment of \$1.4 million from 1984-85 to 1985-86. Under the contract, any deferred payments are liable for interest charges at a rate of 15% per annum.

By 4 June 1985 it was apparent that, of the FWRAP allocations, there would be under-expenditure of \$550 000 under Item 943-1-03 (Assistance to the steel regions - water quality improvement, NSW) and \$450 000 on Queensland floodplain management (part of Item 943-1-01 - Assistance to the States under the Federal Water Resources Assistance Program). Under-expenditures on both these projects related to delays in the respective capital works programs.

There was an advantage to the Commonwealth in reallocating any unspent funds from one part of FWRAP to meet, as far as possible, obligations for payments due to the contractor for the Burdekin Falls Dam project. This had the desirable effect of:

- meeting the Commonwealth obligation to make payments to the contractor;
- reducing the Commonwealth's outstanding obligations for the project;
- reducing pressure for additional funding for the project in 1985-86; and
- avoiding interest charges which would accrue on deferred payments.

The thrust of Finance Regulation 55, Directions 8/2, 8/6 and 8/7 indicates the Commonwealth's interest in promptly meeting its financial obligations. Report 228 of the JCPA endorses the use of the AMF for the purposes of meeting obligations for payment; the rationale is stated to be the avoidance of possible liquidity problems for creditors. Report 228 also commends Finance Circular 1985/2 which indicates the desirability, from a financial management viewpoint, of realising the opportunities available for savings or discounts by prompt payment of accounts and obligations.

Consistent with this is the use of the AMF to meet payments falling due which have the effect of avoiding or minimising interest charges or claims for extras which would otherwise be legally enforceable under contract. Meeting these payments from the AMF (particularly if fully offset from reductions elsewhere in the program) provides direct financial gains to the Commonwealth through avoidance or reductions in penalty charges.

The payment of the additional \$1 million to Queensland for the Burdekin Dam in 1984-85 falls into this category; not only was it provided to meet promptly the Commonwealth's obligations for payment for the dam construction, but the prompt payment also avoided penalty charges which would otherwise have increased the project costs. In these circumstances, payment is considered to have met the urgency criterion applying to the use of AMF, and was an example of prudent financial and program management.

The Burdekin Dam project is in 1985-86 again identified separately from the general FWRAP allocation (943-1-01) in Appropriation Bill (No. 2) 1985-86. In the event that constraints are placed on the transfer of funds late in the financial year, consideration will need to be given to including all FWRAP projects under one item in future years and therefore not identifying assistance for the Burdekin Dam project as distinct from other FWRAP projects.

Department of Resources and Energy
30 August 1985

AUSTRALIAN TOURIST COMMISSION
STATEMENT OF POLICY AND OBJECTIVES

1. The Australian Tourist Commission (ATC), established under a Commonwealth Act in 1967, is Australia's national tourist office. It has responsibility for planning, developing and co-ordinating the marketing of Australia as an international tourism destination. It also has responsibility, in conjunction with the National Tourism Committee of States and Industry, for a national tourism marketing program.

2. Increased national and inbound tourism benefits Australia substantially by providing greater employment opportunities and scope for new investment in services and facilities. Many of the jobs provided by tourism are for unskilled, semi-skilled, part-time workers, often in decentralised areas. In addition, inbound tourism benefits Australia through increased foreign exchange earnings and, from a social aspect, through helping to create understanding and goodwill between Australians and the people of many different nations who visit us.

3. ATC has been set a target of doubling the number of annual visitor arrivals to 2 million by 1988, with emphasis on holiday and meetings traffic in particular, and increasing annual visitor expenditure to \$3 billion.

4. Recent studies by the Bureau of Industry Economics have highlighted tourism's substantial contribution to the economy. Its research suggests that tourism currently contributes \$8 billion (around 5%) to Australia's Gross Domestic Product, and accounts for about 340,000 jobs - 280,000 due to national tourism and 60,000 to inbound tourism.

5. In 1984, the number of overseas visitors to Australia exceeded one million for the first time (1,015,100). These visitors spent \$1,400 million, an average of nearly \$1,400 each and an increase of 18 percent on the previous year. These foreign exchange earnings do not include international airfares paid for outside Australia and, as Qantas is the major carrier of visitors to Australia, a further \$500 million can be attributed to earnings from inbound tourism.

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE 1984-85
Explanatory Statement

Department : Sport, Recreation and Tourism
Division : 592 - Australian Tourist Commission
Sub-Division : 1 - For expenditure under the Australian Tourist Commission Act 1967
Item : -
Purpose of Item : This item provides for funds appropriated by Parliament for expenditure by the Commission, which, under the provisions of the Act, is established to:
· encourage people from other countries to travel to Australia
· encourage greater travel within Australia by overseas visitors and Australian residents.

FUNDS AVAILABLE :

Source	1982-83	1983-84	1984-85
	\$	\$	\$
Appropriation Act No. 1	9,697,000	17,500,000	22,327,000
Appropriation Act No. 2	303,000	-	441,000
Appropriation Act No. 3	-	2,000,000	2,000,000
Advance to the Minister for Finance	-	-	500,000
TOTAL FUNDS AVAILABLE	10,000,000	19,500,000	25,268,000
TOTAL EXPENDITURE	10,000,000	19,500,000	25,268,000
Unspent funds	-	-	-

Explanation of requirements for additional funds in 1984/85.

Appropriation Act No. 3

\$

In December 1984 the government advised that it would provide an additional special appropriation of \$2 million to ATC to conduct a tourist publicity promotion campaign on the eastern side of the United States early in 1985

2,000,000

Advance to the Minister for Finance

In February 1985 the value of the Australian dollar fell dramatically against the currencies of countries in which ATC has current marketing campaigns. On 25 February ATC Chairman telexed the Minister and the Department of Sport, Recreation and Tourism advising of a serious funds deficiency caused by the reduced value of the \$A. As at 21 February 1985 ATC calculated that its loss on the purchasing power of the \$A on marketing activities for which firm commitments had been entered into was \$A630,000 after all available steps being taken to reduce and defer expenditure. This loss situation worsened by the end of the financial year.

2. Additional Estimates for \$630,000 were sought on 7 and 14 March 1985 respectively. Department of Finance sought further detailed information on the ATC's commitments but before the information could be provided the Additional Estimates for 1984-85 had been finalised. A serious shortfall in funds began to cause embarrassment due to non-payment of accounts on hand and those falling due.
3. Discussions between ATC and Department of Finance continued during April and May; the subsequent provision of more information from ATC's overseas offices on the nature and timing of inescapable and unavoidable foreign currency commitments (eg contracts for the \$2 million additional TV advertising in USA) (see Attachment A) resulted in the Department of Finance agreeing to provide funds to enable ATC to honour its commitments and to pay outstanding and overdue foreign currency accounts.
4. The Department of Finance confirmed on 21 June 1985 that \$500,000 had been approved from the Advance to the Minister for Finance to enable ATC to cover, in part, urgent and unforeseen expenditure due to the reduced value of \$A in ATC tourist market countries and to carry over the balance of unpaid commitments to 1985/86.

500,000

2,500,000

ATTACHMENT A

TABLES SUPPLIED TO DEPARTMENT OF FINANCE

TABLE I Statement of Expenditure and Commitments as at 31 December 1984

TABLE II Statement of Expenditure and Commitments January-April 1985

TABLE III Statement of Funding Requirements

TABLE IV Summary of Exchange Rate Losses Since 15 February 1985

STATEMENT OF EXPENDITURE AND COMMITMENTS
AS AT 31 DECEMBER 1984

	<u>Approved Budget</u>	<u>Total \$A</u>	<u>Total Expenditure</u>	<u>Total Committed</u>	<u>\$A</u>	<u>Balance Uncommitted</u>
N.Z.	532,600	162,818		231,640		56,142
1,122,400	307,167		662,071			153,162
Asia	1,321,000	526,722		727,283		66,995
Japan	1,165,000	508,935		543,665		112,400
Europe	1,112,300	369,126		719,731		23,443
U.K.	* 9,429,500	5,465,218		3,963,912		17,410
U.S.A.	381,500	82,420		281,950		17,430
SUB TOTAL	15,064,300	7,442,466	7,190,152			431,682
Australian Ops.	3,070,300	1,456,109		1,247,567		366,624
Comm/Manag.	283,000	152,455		115,545		15,000
Salaries	2,648,500	1,265,269		1,383,231		Nil
General Expenses	2,958,900	1,350,914		1,607,986		Nil
Capital	743,000	344,435		398,565		
TOTAL	24,768,000	12,011,648	11,943,046			813,306

* Includes additional appropriation of \$2,000,000.

STATEMENT OF EXPENDITURE AND COMMITMENTS
JANUARY - APRIL 1985

	JANUARY			FEBRUARY			MARCH			APRIL			11 MAY		
	Paid	Committed	Paid	Committed	Paid	Committed	Paid	Committed	Paid	Committed	Paid	Committed	Paid	Committed	
	\$A	\$A	\$A	\$A	\$A	\$A	\$A	\$A	\$A	\$A	\$A	\$A	\$A	\$A	\$A
N.Z.	(32,701)	323,586	25,893	333,938	(40,825)	396,851	36,312	351,377							(13,285)
38,988	685,032	45,319	713,902	57,740	674,952	68,518	606,434								23,033
Asia	663,411	236,989	426,422	235,104	191,118	43,485	150,424								6,419
Japan	61,987	636,334	59,417	619,917	263,451	336,466	60,1003	303,013							77,511
(58,919)	636,334	53,423	608,547	241,363	475,185	30,150	445,034								306,250
Europe	(28,239)	751,970	494,161	985,948	211,135	3,297,278	2,769,662	781,199							(4,969)
U.K.	180,128	4,284,053	7,948	275,605	86,138	189,567	117,833	76,934							2,799
U.S.A.	10,397														
Canada															
SUB TOTAL	171,641	7,838,547	1,414,937	6,577,756	1,002,106	5,581,617	3,125,963	2,715,015							397,748
Aust. Ops.	132,579	1,183,835	173,175	1,027,711	78,777	1,047,207	(100,760)	1,082,614							(46,419)
Comm/Manag.	14,426	84,975	19,663	80,322	11,098	69,224	29,245	39,597							8,384
Salaries	307,219	1,117,512	208,223	909,289	200,856	708,433	243,704	464,729							109,100
Gen. Exp.	511,526	1,056,999	169,865	927,124	233,995	633,129	322,295	370,834							116,903
Capital	71,775	360,359	19,202	341,157	13,553	327,604	69,205	256,399							45,256
TOTAL	1,215,166	11,682,227	2,005,065	9,863,359	1,540,385	8,427,214	3,689,652	4,931,570							632,974

Note: Payments and Commitments in the above table are shown in \$A as local currency figures are not available.

As previously explained, the Commission reports are required in \$A and as the local currency commitment file is constantly updated it is no longer possible to retrieve historic local currency commitments.

Also as exchange rates applying to individual entries in the computer file are those applying at the date of commitment it is not possible to accurately calculate historic tables in local currency.

AUSTRALIAN TOURIST COMMISSION
STATEMENT OF FUNDING REQUIREMENTS

Table III

	<u>Invoices on hand and paid since 12/5/85</u>	<u>* Total Commitments due before 30/6/85</u>	<u>Cash at Bank 12/5/85</u>	<u>Accounts/ Appropriation Receivable</u>	<u>Funding Required before 30/6/85</u>
	<u>L.C.</u>	<u>L.C.</u>	<u>L.C.</u>	<u>L.C.</u>	<u>\$A</u>
Head Office	1,239,998	401,820	1,641,818	1,099,573	1,600,000
Sydney	40,074	235,508	275,562	6,300	903,816
New Zealand	165,895	494,603	660,498	109,329	130,734
New Asia	468,181	529,087	997,268	237,492	283,345
Japan	50,376,640	17,500,000	67,876,640	17,788,714	2,710,000
Europe	172,076	528,649	700,725	453,330	69,593
United Kingdom	260,211	74,502	334,713	57,662	33,863
U.S.A.	480,745	557,551	1,038,296	348,245	203,811
					TOTAL CASH SHORTFALL
					\$A 678,800

* Total commitments above do not include approximately \$A320,000 creditors not due till after 30 June 1985.

SUMMARY OF EXCHANGE RATE LOSSES SINCE 13 FEBRUARY 1985
BASED ON PAYMENTS AND COMMITMENTS YET TO BE PAID

Table IV

		<u>Total Remitted</u>	<u>Actual Cost</u>	<u>*Cost Prior to Devaluation</u>	<u>Actual Exchange Loss to Date</u>
		<u>L.C.</u>	<u>\$A</u>	<u>\$A</u>	<u>\$A</u>
New Zealand	NZD	86,303	57,416	52,904	4,512
Asia	SGD	565,642	371,163	338,870	32,293
Japan	YEN	86,611,174	489,989	447,164	42,825
Europe	DM	1,172,244	538,188	483,699	54,489
United Kingdom	PDS	575,640	1,048,457	849,778	198,679
North America	USD	3,045,176	4,454,767	4,109,549	345,218
				6,959,980	6,281,964
					678,016

	<u>Balance of Commitments</u>	<u>*projected Cost as at 29.5.85</u>	<u>*Cost Prior to Devaluation</u>	<u>Projected Loss to 30.6.85</u>
	<u>L.C.</u>	<u>\$A</u>	<u>\$A</u>	<u>\$A</u>
New Zealand	NZD	419,935	287,548	257,424
Asia	SGD	731,431	503,706	438,193
Japan	YEN	47,377,926	288,187	244,607
Europe	DM	177,602	87,338	73,283
United Kingdom	PDS	43,188	82,641	63,756
North America	USD	286,240	435,015	386,288
				1,684,435
				1,463,551
				220,884

	TOTAL EXCHANGE LOSS	898,900
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* Based on exchange rates published by the Commonwealth Bank of Australia on 13 February 1985 (copies attached).

* Based on exchange rates published by the Commonwealth Bank of Australia on 29 May 1985 (copies attached).

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE 1984/85

Explanatory Statement

Department	Territories
Division	620 Administrative
Sub-Division	3 Other Services
Item	08 ACT Fire Brigade - Operating Expenses
Purpose of Item	To provide for costs associated with the operation of the ACT Fire Brigade.

FUNDS AVAILABLE

Source	1982-83	1983-84	1984-85
Appropriation Act No 1	5,548,400	6,100,000	6,990,700
Appropriation Act No 3	-	115,000	203,600
Advance to the Minister for Finance	-	-	200,000
Section 5 National Wage Case	-	42,000	-
 Total Funds Available	5,548,400	6,257,000	7,394,300
Total Expenditure	5,541,768	6,223,156	7,362,862
Unspent Funds	\$6,632	\$33,844	\$31,438

Explanation of requirements for additional funds in 1984-85.

Appropriation Act No 3

- As a result of a Worker's Compensation settlement, the Brigade was obliged to pay a former employee \$203,521.94 in September 1984. This was a charge against item 620-3-08. Several smaller compensation payments had also been made by the Brigade and these had been absorbed within the appropriation item. In view of the size of this payment, however, it was necessary to seek additional funding in Appropriation Act No 3. Due to the long lead-times involved in relation to compensation cases and the unpredictability of their outcome, it was not possible to provide for this expenditure in Appropriation Act No 1.
- The sum appropriated was \$203,600.

Advance to the Minister for Finance

- The National Wage Case Decision handed down by the Conciliation and Arbitration Commission in April 1985 resulted in an additional \$31,000 being required for wages payments during the remainder of the 1984/85 financial year. In fact, due to the necessity of obtaining formal approval to the flow on to the appropriate award, delays occurred which prevented payment until 1985/86 and the sum appropriated therefore remained unspent as at 30 June 1985.
- Under an industrially agreed arrangement for manning the control room at the Forrest Fire Station, it is staffed on a relief basis rather than being incorporated into permanent shift arrangements. This entitles Brigade members who man Forrest Fire Station to payment of travelling allowance from their place of residence to Forrest which amounted to \$75,000 in 1984/85. This amount had not been separately budgeted by the Brigade and this was not revealed until June 1985 when an audit of the Brigade's overexpenditure was conducted.
- Due to the extreme bushfire season over the 1984/85 summer, the Brigade was heavily involved in related firefighting activities until much later than usual. Staffing resources were inadequate to undertake bushfire fighting activities as well as provide normal minimum manning levels which were required to ensure proper fire protection within the urban areas of Canberra. This resulted in the extensive use of overtime totalling more than \$85,000 to assist the ACT Bushfire Council and supplement manpower and equipment requirements, particularly at the end of the season.
- During April and May 1985, two officers were retired from the Brigade on the grounds of invalidity requiring total termination payments of \$40,800. This expenditure had not been foreseen and due to the absorption of other similar payments, it was not possible to meet this out of the Brigade's original allocation.
- Three senior officers were invalidly appointed on higher duties within the Brigade during the period 17 October 1984 to 21 May 1985 during a period of extreme industrial unrest. Additional wages paid to them and to subordinate staff who were invalidly advanced as a consequence of this action have been calculated at \$20,715 and until very late in the year, recovery of these overpayments was still under serious consideration. In the event, no recovery was attempted and the appropriation bore the additional expenditure during 1984/85. The Minister has subsequently indicated his acceptance of a recommendation of the Arbitration Commission (Commissioner Bain) that recovery of overpayments should be waived.
- The above items total in excess of \$252,515. Of this, \$168,652 was paid from the AMF and the balance from the allocations under Appropriation Acts No's 1 and 3.

9. The Committee may be aware that the industrial disputation in relation to the ACT Fire Brigade arose, in part, from the circumstances surrounding the Government's appointment of a new Fire Commissioner in October 1984. As a result, the Federal Firefighters' Union banned all cooperation with the appointee and it became impossible to obtain relevant information on any matters affecting the management and operation of the Brigade, including details of the Brigade's financial dealings.

10 September 1985

DEPARTMENT : TRADE
 DIVISION : 644 Export Development Grants Board
 SUB-DIVISION : 1 Salaries and Payment in the nature of Salary
 ITEM : 01 Salaries and allowances

PURPOSE OF ITEM

This Item provides for salaries and allowances for officers of the Export Development Grants Board (EDGB) located in Canberra and six Regional Offices in the State capitals.

FUNDS AVAILABLE

Source	1982-83	1983-84	1984-85
	\$	\$	\$
<u>Appropriation Act No. 1 (incl Section 5 Warrant)</u>			
Section 5 Warrant	2,280,000	2,495,000	2,291,500
Appropriation Act No. 3	153,000	-	100,000
AMF	1,150	-	131,533
<u>Total Funds Available</u>	<u>2,414,150</u>	<u>2,495,000</u>	<u>2,523,033</u>
<u>Total Expenditure</u>	<u>2,414,118</u>	<u>2,466,985</u>	<u>2,521,772</u>
<u>Unspent Funds</u>	<u>32</u>	<u>28,015</u>	<u>1,261</u>

Explanation of requirements for additional funds in 1984-85

Appropriation Act No. 3

A sum of \$100,000 was provided under this Item. These funds were fully offset from elsewhere in the portfolio.

The funds were required to meet the payments (\$100,000) for an average of 4 paid inoperative staff.

Background

Until the 1984/85 financial year there was no requirement for Departments to identify inoperative staff on a paid and unpaid basis. With the implementation of new reporting arrangements it became apparent that the number of paid inoperative staff for the 1984/85 financial year would be higher (+3) than had been previously estimated.

Advance to the Minister for Finance

A sum of \$131,533 was made available under this Item. Full offsetting savings were offered from elsewhere in the portfolio.

The funds were required to meet the following commitments:

(a) one unexpected retirement	32,000
(b) one unexpected resignation	11,400
(c) one unexpected pre-payment of salary (recreation leave including leave bonus) and a new employee in final pay period (pay 26)	3,307
(d) general salaries payments	84,826

Background to (d)

The average operative staffing level (AOSL) for the EDGB for the 1984/85 financial year was reduced considerably on 1983/84 levels (reduction from 96 to 81).

The EDGB was achieving its new lower staffing level by attrition and had reduced its staffing to 83 by March 1985.

At that time it became apparent that there was increasing concern about the backlog of claims payable under the EMDG Scheme - the Report of the National Export Marketing Strategy Panel (Ferris Report) concluded that with an appropriation of \$125m in 1984-85 the carryover at 30 June 1985 would be approximately \$95m - and that efforts would have to be made to make additional funds available to the Scheme later in the financial year.

It was agreed therefore that additional processing staff would be required and that the EDGB's staffing levels should not run down any further but that the salaries funds required would be found from within portfolio resources.

DEPARTMENT : TRADE
 DIVISION : 644 Export Development Grants Board
 SUB-DIVISION : 1 Salaries and Payments in the nature of Salary
 ITEM : 02 Overtime

PURPOSE OF ITEM

This Item provides for payment of hours worked in excess of prescribed normal weekly hours, to staff of the Export Development Grants Board (EDGB) at Class 8 level and below.

FUNDS AVAILABLE

Source	1982-83	1983-84	1984-85
	\$	\$	\$
Appropriation Act No. 1	13,000	12,000	16,000
Appropriation Act No. 3	2,000	3,000	-
AMF	330	-	9,009
Total Funds Available	15,330	15,000	25,009.00
Total Expenditure	15,326	14,406	25,005.90
Unspent Funds	4	594	3.10

Explanation of requirements for additional funds in 1984-85

Appropriation Act No. 3

No additional funds were sought at Additional Estimates.

Advance to the Minister for Finance

A sum of \$9,009 was provided under this item. These funds were fully offset from elsewhere in the portfolio.

The additional overtime funds were required to clear a backlog of claims under the Export Market Development Grants Scheme. (See explanation under Item 644-1-01).

DEPARTMENT : TRADE

DIVISION : 644 Export Development Grants Board

SUB-DIVISION : 2 Administrative Expenses

ITEM : 01 Travelling and subsistence

PURPOSE OF ITEM

This Item provides for the cost of official travel by officers of the Export Development Grants Board (EDGB); fares for the five Board members; car hire for official travel by officers of the Board; and meal allowance to officers working overtime.

FUNDS AVAILABLE

Source	1982-83	1983-84	1984-85
	\$	\$	\$
Appropriation Act No. 1	121,000	114,000	136,000
Appropriation Act No. 3	9,000	26,000	23,000
AMF	-	-	43,000
Total Funds Available	130,000	140,000	202,000.00
Total Expenditure	129,748	139,745	291,761.24
Unspent Funds	252	255	238.76

Explanation of requirements for additional funds in 1984-85

Appropriation Act No. 3

An amount of \$23,000 was provided under this Item. These funds were fully offset from elsewhere in the portfolio.

As has been mentioned previously (Item 644-1-01) the staffing levels of the EDGB were reduced considerably early in the financial year. The unexpected resignation of a senior officer in Perth, extended sick leave of a senior officer in Brisbane and an increase in the number of external review hearings requiring specialist Board representation (e.g. Administrative Appeal Tribunal hearings) meant that the remaining experienced Board staff were required to travel more frequently and for longer periods.

Advance to the Minister for Finance

An amount of \$43,000 was provided under this item. These funds were fully offset from elsewhere in the portfolio.

The additional funds were required for travel in connection with the decision to reduce the backlog of claims against the Export Market Development Grants Scheme.

DEPARTMENT : TRADE
 DIVISION : 644 Export Development Grants Board
 SUB-DIVISION : 2 Administrative Expenses
 ITEM : 02 Office requisites and equipment,
 stationery and printing

PURPOSE OF ITEM

This item provides for expenditure by the Board on printing, office machines, repairs and maintenance of office machines, office requisites, library purchases and photocopy charges.

FUNDS AVAILABLE

Source	1982-83	1983-84	1984-85
	\$	\$	\$
Appropriation Act No. 1	32,500	32,000	38,000
Appropriation Act No. 3	-	-	2,000
AMF	-	-	2,000
Total Funds Available	32,500	32,000	42,000.00
Total Expenditure	30,206	31,630	39,636.82
Unspent Funds	2,294	370	2,363.18

Explanation of requirements for additional funds in 1984-85

Appropriation Act No. 3

A sum of \$2,000 was provided under this Item. These funds were fully offset from elsewhere in the portfolio.

In 1984/85 the Sydney Office of the Export Development Grants Board (EDGB) was relocated and this necessitated the purchase of a photocopier. (The Department of Trade's machine had previously been available on a share basis.)

Advance to the Minister for Finance

A sum of \$2,000 was provided under this Item. These funds were fully offset from elsewhere in the portfolio.

The additional funds sought were to cover the costs of printing, office requisites, repairs and maintenance associated with the additional workload generated as a result of the decision to reduce the backlog of claims under the Export Market Development Grants Scheme.

At the end of the financial year outstanding commitments totalled \$4,009. However, although purchase orders had been placed, delays in receipt of invoices meant that commitments were not finalised resulting in an underspend of \$2,363.

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DEPARTMENT : TRADE

DIVISION : 644 Export Development Grants Board

SUB-DIVISION : 2 Administrative Expenses

ITEM : 03 Incidental and other expenditure

PURPOSE OF ITEM

This Item covers incidental expenditure relating to the operation of the Export Development Grants Board.

FUNDS AVAILABLE

Source	1982-83	1983-84	1984-85
	\$	\$	\$
Appropriation Act No. 1	70,500	34,000	54,000
Appropriation Act No. 3	-	20,000	4,000
AMF	-	-	6,000
Total Funds Available	70,500	54,000	64,000.00
Total Expenditure	57,933	53,670	63,386.33
Unspent Funds	12,567	330	613.67

Explanation of requirements for additional funds in 1984-85

Appropriation Act No. 3

A sum of \$4,000 was provided under this Item. These funds were fully offset from elsewhere in the portfolio.

Due to the unexpected relocation of the Board's Sydney Office, services which had previously been supplied by the

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Department had to be provided on a "stand alone" basis e.g. postage, freight, courier service and petty cash advance.

Additional funds were also obtained to provide for increased and unavoidable legal costs in connection with external review hearings. These additional hearings could not have been anticipated at the time the original estimates were being prepared. (Committee members will be aware that for this reason legal and compensation payments have, for 1985/86, been transferred to Sub-division 3 "Other Services").

Advance to the Minister for Finance

A sum of \$6,000 was provided under this Item. These funds were fully offset from elsewhere in the portfolio.

The additional funds were required for general administrative expenses e.g. postage, freight and petty cash as a result of the decision to reduce the backlog of claims under the Export Market Development Grants Scheme.

2 September 1985

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE

1984-85 EXPLANATORY STATEMENT

DEPARTMENT OF TRANSPORT

DIVISION : 664: Administrative
SUB-DIVISION : 4: Other Services
ITEM : 03: Tasmanian Freight Equalisation Scheme

PURPOSE OF ITEM : This item provides for the payment of a subsidy on freight costs for Tasmanian-produced goods shipped to interstate markets (Northbound scheme) and for producer materials and equipment shipped from the mainland for use by certain Tasmanian industries (Southbound scheme).

<u>FUNDS AVAILABLE</u>	1982-83	1983-84	1984-85
	\$	\$	\$
Appropriation Act No 1	32,000,000	23,000,000	29,300,000
Appropriation Act No 3	-	8,000,000	-
Advance to the Minister for Finance	-	-	755,000
 TOTAL FUNDS AVAILABLE	 32,000,000	 31,000,000	 30,055,000
TOTAL EXPENDITURE	27,252,560	29,327,604	30,054,308
 UNSPENT FUNDS	 4,747,440	 1,672,396	 692

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EXPLANATION OF REQUIREMENTS FOR ADDITIONAL FUNDS IN 1984-85

The information provided below is in addition to the information provided in the Department's request for funds from the Advance to the Minister for Finance (see Attachment).

BACKGROUND

The Tasmanian Freight Equalisation Scheme (TFES) was introduced on 1 July 1976 to alleviate the interstate freight cost disadvantage suffered by the shippers of certain non-bulk goods to and from Tasmania by sea. The rates of assistance were determined by comparing the door-to-door costs of shipping goods between places in Tasmania and places on the mainland with the door-to-door costs of moving similar goods on comparable interstate routes on the mainland.

In 1983 the Government directed the Inter-State Commission (ISC) to undertake a comprehensive review of the Scheme. The ISC's Report on the Scheme was tabled in Parliament on 18 April 1985. Following consideration of the ISC Report, the Government decided to implement a number of changes to the Scheme from 1 September 1985, including new rates of assistance and a revised administrative framework.

ADVANCE TO THE MINISTER FOR FINANCE REQUIREMENTS

At the time the additional estimates for 1984/85 were finalised (end February 1985) expenditure and claims on hand totalled \$20,122,000. This represented 68.7% of the Budget allocation.

These figures were comparable with the 1983/84 position at the corresponding time (\$20,396,000 or 69.5% of final expenditure outcome). There was therefore no indication that additional funds would be required.

In the March to June 1985 period, however, a total of \$10,109,000 in claims was received; some 13.8% more than in the comparable period of the 1983/84 financial year (\$8,881,000). This led to the requirement for additional funds and the need to seek recourse to the Minister for Finance's Advance. The reason for the increased level of claims in this period is not readily apparent.

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE
1984-85

EXPLANATORY STATEMENT

DEPARTMENT: TREASURY

DIVISION: 670 ADMINISTRATIVE EXPENDITURES

SUB-DIVISION: 3 OTHER SERVICES

ITEM: 01 INTEREST ON TRUSTEE MONEY'S LODGED AT CALL.

PURPOSE OF ITEM

This item provided for the payment of interest from CRF to the National Debt Sinking Fund at the rate of 1 per cent per annum on the daily uninvested cash balance of the Fund.

FUNDS AVAILABLE

SOURCE	1982-83	1983-84	1984-85
	\$	\$	\$
Appropriation Act No 1	1,500,000	1,400,000	1,400,000
Appropriation Act No 3	-	-	-
Advance to the Minister of Finance	-	-	198,227
Total Funds Available	1,500,000	1,400,000	1,598,227
Total Expenditure	<u>1,390,440</u>	<u>1,194,184</u>	<u>1,598,227</u>
Unspent Funds	109,560	205,816	Nil

Explanation of requirements for additional funds in 1984-85

ADVANCE TO THE MINISTER FOR FINANCE

198 227

The cash balance of the National Debt Sinking Fund (NDSF) is on deposit with the Reserve Bank of Australia. The Reserve Bank pays interest on the balance into the Consolidated Revenue Fund with payment subsequently being made to the NDSF. The interest rate was 1 per cent per annum over 1984-85.

The interest payable on the uninvested cash balances of the National Debt Sinking Fund for the financial year is accounted for over the period 1 April to 31 March. Expenditure for this purpose was estimated at \$1,400,000 for 1984-85.

3 JUL 1985

EX MESSAGE TELEGRAM

The actual cash balances of the National Debt Sinking Fund during the period 1 January 1985 to 31 March 1985 were higher than anticipated at the time of the January Revised/Additional Estimates exercise.

The higher balance reflected restraint in expenditure given the uncertainty as to requirements to meet the \$A value of remaining overseas commitments. Discretionary expenditure against future commitments was also curtailed temporarily for the same reasons. In addition, restraint was exercised on the use of Sinking Fund monies for domestic repurchases on behalf of the Commonwealth until the exchange rate position stabilised. Subsequently, limited opportunities remained to apply funds to domestic redemptions on account of the Commonwealth.

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE
1984-85

EXPLANATORY STATEMENT

DEPARTMENT: TREASURY

DIVISION : 670 ADMINISTRATIVE EXPENDITURES

SUB-DIVISION: 3 OTHER SERVICES

ITEM: 02 LOAN MANAGEMENT EXPENSES

PURPOSE OF ITEM

This item provides for the costs incurred by the Reserve Bank of Australia in conducting its registries for Commonwealth securities in Australia and London, and of payment to fiscal agents and sinking fund agents for services rendered by them in respect of Commonwealth securities issued in overseas currencies.

FUNDS AVAILABLE

SOURCE	1982-83	1983-84	1984-85
	\$	\$	\$
Appropriation Act No 1	12,000,000	13,119,000	15,905,000
Appropriation Act No 3	-	486,000	-
Advance to the Minister of Finance	-	-	257,936
Total Funds Available	12,000,000	13,605,000	16,162,936
Total Expenditure	<u>11,955,678</u>	<u>13,584,191</u>	<u>16,162,936</u>
Unspent Funds	44,322	20,809	Nil

Explanation of requirements for additional funds in 1984-85.

ADVANCE TO THE MINISTER FOR FINANCE \$
257,936

The reason for the increase in expenditure for Loan Management Expenses in 1984-85 above the Budget appropriation and Additional Estimate of \$15,905,000 is that the estimate for the overseas component (\$1,600,000) of the item was calculated using average November 1984 exchange rates, which were still appropriate at the time of lodgement of the January revised estimates with the Department of Finance. The subsequent devaluation of the Australian dollar against major currencies during February/March 1985 led to increased expenditure, in Australian dollar terms, for the overseas component of loan management expenses. In the period

between lodgement of the estimates with the Department of Finance (23 January, 1985) and the cut-off for changes to figuring in the additional Appropriation Bills (25 March) there were major fluctuations in the value of the Australian dollar against the major currencies the net result of which was a 13.4 per cent fall in the trade-weighted exchange rate over the period. A further 6.3 per cent fall in the trade-weighted exchange rate occurred between the cut-off date and 28 June. The estimate for overseas outlays on loan management included in the Appropriation Bill was not updated from the January revised estimate and an amount of \$257,936 was therefore required in 1984-85 from the Advance to the Minister for Finance.

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE
1984-85

EXPLANATORY STATEMENT

DEPARTMENT: TREASURY

DIVISION: 670 ADMINISTRATIVE

SUB-DIVISION: 02 ADMINISTRATIVE EXPENSES

NOTIONAL ITEMS:

- : 02 Office requisites and equipment, stationery and printing.
- : 03 Postage, telegrams and telephone services.
- : 05 Incidental and other expenditure.

PURPOSE OF ITEMS

These items, inter alia, provided for the cost of printing, cost of postage, and freight charges in relation to the Draft White Paper on Reform of the Australian Taxation System and associated Booklet titled 'A Guide to Tax Reform'.

FUNDS AVAILABLE

SOURCE	1982-83	1983-84	1984-85
	\$	\$	\$
Appropriation Act No 1	3,512,100	3,361,000	3,443,000
Appropriation Act No 3		112,900	88,000
Advance to the Minister of Finance			350,285
Total Funds Available	3,512,100	3,473,900	3,881,285
Total Expenditure	3,218,682	3,192,904	3,870,165
Unspent Funds	294,418	280,996	11,120

APPROPRIATION ACT NO 3 \$
88,000

During the January Revised/Additional Estimate exercise, an amount of \$88,000 was estimated and included in Bill No 3 to cover costs associated with the Taxation Task Force (\$62,000) and payments for compensation to officers of the Department (\$26,000). Of the \$62,000 provided for the Taxation Task Force, \$10,700 was provided for printing costs associated with the Draft White Paper 'Reform of the Australian Tax System'.

ADVANCE TO THE MINISTER FOR FINANCE

\$	350,285
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Subsequent to the finalisation of the Additional Estimates, the Government agreed, in addition to the preparation and release of a Draft White Paper 'Reform of the Australian Tax System', that there would be an associated free booklet titled 'A Guide to Tax Reform' which would be disseminated as widely as possible to inform the public as fully as possible before the Summit on Taxation Reform.

Additionally the actual printing cost of the Draft White Paper increased from the \$10,700 in the Additional Estimates to \$44,961 and it was also decided by the Government that the sale price of \$17, put on the publication by AGPS, should be reduced to \$12 and that the shortfall should be paid as a subsidy by the Treasury to AGPS. The subsidy, totalling \$72,500 was initially set at \$5 per copy for 6,500 copies but was then reduced to \$4 on the subsequent reprinting. The increase on the cost estimate for the White Paper was due in the main to the style, context and number of copies of the White Paper not being known at the time the estimate was prepared. The initial estimate provided to the Treasury by AGPS, for the printing of the Paper could, then, only be a very rough approximation. The printing cost of the Guide amounted to \$116,097 and distribution costs aggregated \$106,027 including \$81,511 for postage, distribution and handling charges by Australia Post and \$24,516 for handling charges for other distributions.

Expenditure amounting to \$339,165 was met in 1984-85 from the Advance to the Minister for Finance.

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE
1984-85

EXPLANATORY STATEMENT

DEPARTMENT:	TREASURY
DIVISION: 977	PAYMENTS TO OR FOR THE STATES AND THE NORTHERN TERRITORY
ITEM: 09	SOUTH AUSTRALIA - CAPITAL GRANT FOR WATER TREATMENT PROJECTS

PURPOSE OF ITEM

This item provided a special assistance grant to South Australia in 1984-85 for capital works to improve water quality.

FUNDS AVAILABLE

SOURCE	1982-83	1983-84	1984-85
	\$	\$	\$
Appropriation Act No 2	-	-	7,000,000
Appropriation Act No 4	-	-	1,250,000
Advance to the Minister of Finance	-	-	12,000,000
Total Funds Available	-	-	20,250,000
Total Expenditure	—	—	20,250,000
Unspent Funds	—	—	Nil

Explanation of requirements for additional funds in 1984-85.

APPROPRIATION ACT NO 4	\$
	1,250,000

In January 1985, the Commonwealth agreed to a request from the South Australian Government for an addition of \$1.25 million to supplement the \$7 million appropriation in the 1984-85 Budget for special assistance for capital works for water quality improvement.

ADVANCE TO THE MINISTER FOR FINANCE	\$
	12,000,000

The Premier of South Australia wrote to the Treasurer on 3 June, 1985 indicating the State's urgent continuing problems in providing for an adequate program of water quality improvement for public health purposes. The Government subsequently agreed to provide additional assistance of \$12.0 million by way of a specific purpose capital grant for water quality projects in 1984-85. The Treasurer advised the Premier of this additional assistance and payment was made on 28 June, 1985.