

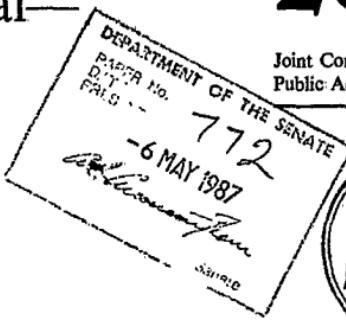


# Response to Report 232 Report of the Auditor-General— May 1983

Report

# 265

Joint Committee of  
Public Accounts



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT 265

RESPONSE TO REPORT 232 - REPORT OF THE  
AUDITOR-GENERAL - MAY 1983

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

FIFTEENTH COMMITTEE

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#### DUTIES OF THE COMMITTEE

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

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

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth including the financial statements transmitted to the Auditor-General under sub-section (4) of section 50 of the Audit Act 1901;
- (aa) to examine the financial affairs of authorities of the Commonwealth to which this Act applies and or intergovernmental bodies to which this Act applies;
- (ab) to examine all reports of the Auditor-General (including reports of the results of efficiency audits) copies of which have been laid before the Houses of the Parliament;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

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

#### PREFACE

Arrangements to ensure that appropriate action is taken in response to comments contained in the Committee's Reports have been in operation since 1952 although reviewed periodically. These were known as Treasury Minute arrangements.

Following the creation of the Department of Finance on 7 December 1976 it was agreed that the arrangements should continue as before and should be known as the Department of Finance Minute.

As they now stand the procedures are:

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

7. The Department of Finance furnishes the Committee with a half-yearly report on outstanding Minutes, indicating the progress made in dealing with the Committee's comments.

In accordance with the procedures outlined above, this Report documents the Department of Finance Minute which was submitted in response to the Committee's 232nd Report.

For and on behalf of the Committee.



R E Tickner, MP  
Chairman



M J Falberg  
Secretary  
Joint Parliamentary Committee of Public Accounts  
Parliament House  
Canberra  
25 March 1987

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CHAPTER 1

SUMMARY OF REPORT 232 AND COMMITTEE COMMENT

1.1 The Committee presented its 232nd Report on the Report of the Auditor-General - May 1983 on 28 May 1985. The Committee sought submissions from 13 Departments and Statutory Authorities.

1.2 Two items raised important questions concerning the functions of the Auditor-General, particularly in relation to commercially trading public enterprises. The Australian Industry Development Corporation's purchase and subsequent delayed sale of a Sydney apartment and Qantas Airways sale of the Wentworth Hotel and the sale of shares in Qantas Wentworth Holdings Limited were the two items in question.

1.3 Both organisations maintained that the transactions in question were appropriate to their commercial charters and were also legal. They questioned the appropriateness or the Auditor-General's comments on such matters. However, the Auditor-General perceived his role as ensuring that Commonwealth enterprises are accountable to Government and to Parliament, by reporting on activities which are considered not ordinary.

1.4 The Committee felt that the differing perception of the role of the Auditor-General and the bounds of his responsibilities needed clarification. However, at the time (1985) the House of Representatives Standing Committee on Expenditure was undertaking an inquiry on the general issue of efficiency reviews in the public sector. The Committee felt that it would decide whether or not to pursue the matter after examination of that Report. This Report has not yet been presented.

1.5 The Committee has been receiving regular advice from the Minister for Social Security outlining the measures aimed at reducing social security overpayments, and the results of their implementation.

1.6 These measures collectively form the National Overpayment Action Plan, which is an integrated approach to the prevention, detection, investigation, calculation, raising and recovery of overpayments. It involves:

- cleaning up as much of the existing debt as possible;
- the prevention of future overpayments;
- improving the means of identifying and investigating fraud and overpayments.

1.7 The Minister has further advised that a number of initiatives which seek to address these matters have now been implemented or are being implemented and the Department's risk related approaches to reviewing entitlements are being enhanced.

1.8 The Committee notes that, comparative figures on overpayments and recoveries over the last three financial years show an overall increase in the level of recoveries as a proportion of overpayments. However, much of this increase is a result of an increase in the percentage of written-off debts. The Committee is concerned that the Department be given an opportunity to demonstrate the improvement the implementation of the new procedures should have on the level of recoveries vis-a-vis overpayments without the relatively high level of write-off evident in 1985/86.

#### Conclusion

1.9 The Committee requests the Department to provide to the Office of the Auditor-General quarterly reports on the effects on recovery of overpayments as a result of the National Overpayment Action Plan.

## CHAPTER 2

### DEPARTMENT OF FINANCE MINUTE

2.1 This Minute has been prepared on the basis of responses received from the Departments of Communications, Education, Industry, Technology and Commerce, Local Government and Administrative Services, Primary Industry, Social Security and Trade.

2.2 In this Chapter each of the Committee's recommendations is reproduced in turn and is followed by the response.

Department of Local Government and Administrative Services  
Special Broadcasting Service (SBS)

#### CONCLUSION (paragraph 1.15)

The Committee agrees with the Auditor-General that notwithstanding the claims made by the SBS, it is a separate legal entity with the power to contract on its own account. As a consequence, the contract should have been seen as having been initiated by the SBS as principal, using the Department of Administrative Services as agent.

#### Response

2.3 The Department of Local Government and Administrative Services has taken internal action to ensure that all offices of the Purchasing and Disposals Division arrange contracts in the name of the "demanding" authority if that authority has power to contract.

#### CONCLUSION (paragraph 1.17)

The Minister for Communications announced in December 1983 the establishment of the Committee of Review of the Special Broadcasting Service to inquire into the general administration and purchasing policies of the Service. That Report was tabled on 25 March 1985 and included amongst its recommendations a proposal to review financial management processes in the light of the principles of the Commonwealth Financial Management Improvement Program. The Committee wishes to be informed of any administrative changes resulting from that review.

#### Response

2.4 The Department of Communications has advised that the Government has decided to establish a special broadcasting corporation with its own charter spelling out its responsibilities and objectives.

A copy of the Minister's announcement is at Appendix A.

Department of Aviation  
Qantas Airways Limited

**CONCLUSION (paragraph 2.7)**

The Committee considers that the cases of Qantas and the AIDC raise important questions concerning the functions of the Auditor-General.

**Response**

2.5 The Department notes the Committee's intention contained in paragraph 2.9.

Department of Defence  
The Minehunter Catamaran  
Repair and Maintenance of Navy Ships

2.6 These matters have been referred for further consideration in the context of the Committee's Inquiry into Project Management within the Department of Defence.

Department of Education  
Secondary Allowances Schemes

**CONCLUSION (paragraph 4.13)**

The Committee is concerned that there still appear to be many problems in the area of administration of student assistance programs. The Committee wishes to draw to the attention of the Minister for Education and to the Department that its report on Income Maintenance Programs recommended that departments operating major programs should ensure that specific legislation is drafted for such programs. It will examine the issue in further detail in its Reports on the Auditor-General's September 1984 and April 1985 Reports.

**Response**

2.7 The administration of Student Assistance Programs has been further examined in the Committee's 241st Report on the Auditor-General's Reports of 1983-84 and September 1984. The Finance Minute on the 241st Report will therefore address this conclusion.

**Overpayment Procedures**

**CONCLUSION (paragraph 4.17)**

The measures outlined by the Department are noted. The Committee is concerned that this issue continues to arise in the Auditor-General's Reports. In March 1984 an audit of the Victorian Office disclosed unsatisfactory procedures for dealing with overpayments.

**Response**

2.8 The Department of Education has advised that the Auditor-General's concern was that applications for benefits were not being checked against the record of overpayments previously written-off and no analysis was being made of the time taken to recover overpayments. The problems proved difficult to remedy in the context of the limited ADP system operating at the time and are being addressed in upgradings of overpayments systems currently in progress. The upgradings will form a part of the new EDVCOMP development to operate from 1987. Records of debts outstanding and written off will be maintained on the data base and will be automatically accessed during the processing of new applications so that decisions on appropriate recovery action can be taken. Also, the full history of debts will be maintained on the computer record enabling analyses to be made of the time taken to recover overpayments.

**CONCLUSION (paragraphs 4.18-20)**

The Committee, in its discussion of the Report of the Auditor-General, September 1983 expressed concern at the continuing problem of overpayments and recommended that the direct credit method of payment be the principal means of payment of all cases with only exceptional cases being paid by other means.

The Committee does not accept arguments put forward by the Department of Education and Youth Affairs on the disadvantages of direct credit for student allowances. The Committee is of the opinion that the Department of Education and Youth Affairs has not addressed itself assiduously to the problem of recovery of overpayments of student allowances and to rely on a returned cheque as the first indication of ceased eligibility is negligent. The Committee is of the belief that the benefit to the payee and the Department of direct credit for student allowances could outweigh any disadvantages. For example, educational institutions, themselves funded by the Commonwealth, should be required to submit a return of all students who have changed status or discontinued courses. This should be done on a regular basis, say twice per term or semester.

The Committee agrees that there would be exceptions to the direct credit mode. Schemes of assistance for Aboriginals and isolated children are examples, and there could also be individuals in other schemes who would not have access to direct or regular banking facilities.

**Response**

2.9 This matter has also been addressed in the 233rd Report of the Committee and will be responded to in the Finance Minute to that Report.

**Adult Secondary Education Assistance Scheme (ASEAS)**

**CONCLUSION (paragraph 4.33)**

The ASEAS Scheme was among those student assistance schemes reviewed in the Auditor-General's March 1984 Report. This disclosed a number of unsatisfactory features relating to eligibility checks and applications processing in the Victorian Office. The Committee remains unconvinced that procedures of this kind are adequate and expects to be advised of the results of current Departmental reviews of such procedures.

**Response**

2.10 The Department of Education has advised that the processing of student assistance applications in Victoria improved significantly for 1985. Two administrative changes which contributed to a reduction in delays were new payment arrangements, known as FASTPAY, and new processing procedures.

2.11 FASTPAY was introduced in 1984 and that system reduced the time between processing an application and making the first payment. The electronic transfer of payment data from State Offices to Central Office now enables a student's first payment for the year to be made on any working day instead of being restricted to fortnightly paydays, as was the case previously.

2.12 The changed processing arrangements for TEAS introduced in 1985 have focussed on a speedy turnaround for straightforward applications which lend themselves to quick assessment. This arrangement is operating in Victoria and Western Australia on a trial basis and consideration of implementing it nationally will be given after the introduction in 1987 of the new EDYCOMP system.

**Curriculum Development Centre**

**CONCLUSION (paragraph 4.39)**

The Committee does not accept that basic accounting and control measures could not have been maintained during a period of rapid growth and lack of suitable staff. Relatively simple mechanisms could have kept the Centre's senior officers informed of the state of its appropriation. The Committee notes that the Centre has substantially rectified its problems in this area.

**Response**

2.13 The Department of Education has advised that the then Curriculum Development Centre had its own accounting arrangements under the provisions of the Centre's legislation. The accounting and administrative arrangements for the Curriculum Development Council and the Curriculum Development Centre Division, which now perform the function of the Curriculum Development Centre, Schools Commission.

**CONCLUSION (paragraph 4.40)**

The Committee notes that there were inordinate delays in the Centre presenting its 1980-81 Annual Report. An interim report was tabled in May 1982 and the final report was not presented until May 1983. The Committee notes that the Centre's performance in this regard has improved, with the 1981-82 Annual Report being tabled in March 1984 and the 1982-83 Report in June 1984. The 1983-84 Report had not been presented at the time of this Report.

**Response**

2.14 The Annual Report of the Curriculum Development Centre for the 1983-84 financial year was tabled in Parliament on 30 May 1985. That is the final report of the operations of the former statutory authority.

**CONCLUSION (paragraph 4.41)**

The Committee stresses the importance of organisations providing annual reports and financial statements in a timely fashion. It notes the Centre's progress in redressing weaknesses in staffing and accounting procedures. It also notes the changes in administrative arrangements under which the Centre was abolished and then re-established as the Curriculum Development Council (although still known as the Curriculum Development Centre) and will expect the management of financial matters by the new organisation to be substantially improved.

**Response**

2.15 The Commonwealth Schools Commission expects that the integration of the Council's accounting and administrative arrangements with its own will rectify deficiencies in the management of financial matters by the Council.

Department of Finance  
Superannuation Fund Investment Trust

2.16 The Department notes the Committee's intention to maintain an ongoing interest in the affairs of the Superannuation Fund Investment Trust.

Department of Foreign Affairs  
Passport Issue and Control

CONCLUSION (paragraph 6.13)

The Committee notes the remedial action taken and will report to assess the impact of current and proposed changes to passport issue and control.

Response

2.17 The Department notes the Committee's continuing interest in this matter.

Department of Industry, Technology and Commerce  
Australian Industry Development Corporation (AIDC)

CONCLUSION (paragraph 7.8)

The Committee is dissatisfied with the Corporation's delay in executing its decision to sell the Sydney unit and has sought further information from the Corporation.

Response

2.18 The Department of Industry, Technology and Commerce advised that in 1983 the actions of certain companies in Sydney depressed the prices for home units in the inner city area of Sydney and also affected buyer confidence for home units, even at the lower prices. That situation prevailed in 1983 and 1984.

2.19 In May 1985 the unit was offered for sale at its written down value of \$325,000. After negotiations with a potential buyer were broken off in late June, the unit was sold for that price in July 1985. The contracts were exchanged on 31 July 1985.

Department of Primary Industry  
Investment of Trust Account Moneys

CONCLUSION (paragraph 8.7)

The Committee endorses the positive actions of the Department in relation to the matters raised by the Auditor-General. The Committee also notes that the revision of ADP support systems should help overcome many of the deficiencies noted in respect of the Department's investment activities.

Response

2.20 Section 72 of the Wool Industry Act 1972, which outlined the investment options available for moneys standing to the credit of the Wool Research Trust Fund, was repealed by the Wool Industry Amendment Act 1984.

2.21 As a consequence, moneys standing to the credit of that Fund became subject to the Audit Act 1901. The Audit Act was later amended to permit investment in bank accepted bills of exchange, allowing for the maximisation of returns on investments by the Department.

2.22 Part VI of the Wool Industry Act 1972, which deals with wool research, has since been repealed and a new Part VI has been substituted by the Wool Industry Amendment Act 1986. Consequently the Department of Primary Industry is no longer involved in the investment of wool research monies, which is now the responsibility of the Australian Wool Corporation.

2.23 The Department believes that the reviews conducted of its computer system and resultant revision of the administration of the system have overcome the deficiencies noted in respect of the Department's investment activities.

Department of Social Security  
Recovery of Overpayments

CONCLUSION (paragraph 9.20)

The Committee is aware that the Department is addressing the problem of recovery of overpayments, particularly since the May 1983 Auditor-General's Report. Nevertheless, the Committee was particularly concerned that the Auditor-General had found that the Department is still facing serious problems in the identification and recovery of overpayments which arise from incomplete or inaccurate information given by its client population.

Response

2.24 The Department of Social Security is concerned about the detection and recovery of overpayments and a national strategy has been drawn up which will significantly reduce social security overpayments and improve the administration of pensions, benefits and allowances. Details of that strategy have been provided to the Committee.

#### CONCLUSION (paragraph 9.21)

The Department did not provide information on the time taken to either identify overpayments or to initiate recovery action. The Committee is concerned that delays in identifying overpayments reduce the likelihood of recovery. The Committee believes that the system for prevention and detection of overpayments is crucial and wishes to be kept informed of developments in this area.

#### Response

2.25 The Department of Social Security has recently increased efforts in the area of benefits control, upgraded the level of management provided to debt recovery in the States, and created a new section in Central Office to coordinate recovery and prosecution action. Also, the strategy mentioned previously includes measures aimed at both prevention and detection of overpayments. The measures include, amongst others:

- \* a new system of advices to clients which set out the information held about them and their obligations under the Social Security Act to notify any changes of circumstances. Also pre-grant interviews and entitlement reviews will be more effectively used in ensuring people clearly understand their rights and obligations;
- \* development of risk-related approaches to the investigation of new claims and the review of existing entitlements;
- \* bringing the cut-off for pension payments processing closer to the actual payday thereby reducing the incidence of incorrect payments and processing savings in benefit outlays;
- \* implementing decision support material and a training program for Social Security staff;
- \* developing a comprehensive Policy and Procedures Manual covering all aspects of the overpayment process;
- \* developing improved management tools to more effectively monitor and control the overpayment process.

#### RECOMMENDATION (paragraph 9.22)

The Committee firmly believes that the adoption of the direct credit method of payment of benefits and allowances positively reduces the opportunity for duplication and fraudulent negotiation of cheques. Further, the Committee would strongly recommend that the direct credit method of payment be the principal means of payment of all benefits with only exceptional cases being paid by other means. The Committee is pleased to note the Department's progress in this direction.

#### Response

2.26 The Department of Social Security has adopted the direct credit method of payment as the prime mode of paying pensions, benefits and allowances.

#### CONCLUSION (paragraph 9.23)

The Committee has discussed the problems associated with appropriate identification of beneficiaries in further detail in its Report 233. As noted there, the Committee is very concerned that beneficiaries are properly identified prior to becoming entitled to, or continuing to receive, benefits.

#### Response

2.27 This matter has been dealt with in the 233rd Report of the Committee and will be responded to in the Finance Minute to that Report.

#### CONCLUSION (paragraph 9.24)

The setting up of the Performance Monitoring Branch appears to have filled a gap in Central Office administration. It will, the Committee expects, give direction to the State offices in their task of the detection and recovery of overpayments. The Committee is aware of some of the problems (needs of clients, turnover of staff, transient nature of many clients and industrial action) but still believes that it is extremely important that this task be treated with considerable urgency.

#### Response

2.28 The Department of Social Security has recently created new section in Central Office to co-ordinate recovery and prosecution action. As part of the national strategy, the Department has devised a Summary National Action Plan-Overpayments Processing and has appointed a full time National Co-ordinator as well as a co-ordinator in each State to ensure that targets are achieved.

**CONCLUSION (paragraph 9.25)**

The Performance Monitoring Branch reported that a series of programs designed to monitor volumes of cases where overpayments have yet to be confirmed is presently being tested in Western Australia. The Committee asks to be provided with six-monthly progress reports.

**Response**

2.29 A stand-alone ADP system was introduced in Western Australia in September 1984 to monitor suspected overpayments. Some changes were made to the system in March 1985 and October 1985 and other States are currently considering whether to introduce the system.

**CONCLUSION (paragraph 9.26)**

The Committee noted that the national implementation of a Quality Assurance Package for regional managers was to occur in April 1985. The Committee asks to be provided with six-monthly progress reports on the introduction of the Package and the impact it makes on overpayments.

**Response**

2.30 The Department of Social Security has advised that the final Quality Assurance Package for Regional Offices was made available for implementation in August 1985. Industrial action has, however, inhibited the implementation of the package in some Regional Offices in some States.

2.31 A formal agreement with the unions, certified under section 28 of the Conciliation and Arbitration Act in October 1985, provides for the trialling of alternative work organisation arrangements in 16 Regional Offices. Four of these trials will include the trialling and evaluation of the quality assurance program.

2.32 The trials commenced in November 1985 and are expected to end late in 1986. The trials are being evaluated by a committee comprising a management consultant and representatives of the two unions, the Department, the Public Service Board and the Combined Pensioners' Association. Also, the Department of Finance has been recently included on the Committee.

2.33 A quality assurance package is also being prepared for State Headquarters.

2.34 The Summary National Action Plan-Overpayments Processing, in regard to the Quality Assurance Package, has aims of providing a review of quality assurance in debt recovery units and the development of further appropriate standards for the raising and recovery of overpayments.

**CONCLUSION (paragraph 9.27)**

The Committee was not satisfied with the Department's statement that it was not considered to be Central Office's responsibility to monitor directly overpayment detection and recovery although it does deal with significant problems. The Committee will also maintain an on-going interest in the progress of the Performance Monitoring Branch.

**Response**

2.35 The Department of Social Security has recently stepped up efforts in the area of benefits control, upgraded the level of management provided to debt recovery in the States, and created a new section in Central Office to co-ordinate recovery and prosecution action.

2.36 The latest development was the holding of intensive workshops, attended by officers from NSW, VIC, QLD, SA and Central Office, held in Canberra in October and November 1985 which were aimed at the development of a national strategy to attack the prosecution, identification, investigation, calculation and recovery of overpayments.

**CONCLUSION (paragraph 9.28)**

The Committee remains concerned that the Auditor-General continued, in his April 1985 Report, to report unsatisfactory findings in relation to the recovery of overpayments. The Committee is also concerned that the recent audit of the Northern Territory Office had not shown any impact from the remedial measures recommended for debt recovery. The Auditor-General stated that the development of a national index of overpayments cases or cross-matching facility should receive some priority in STRATPLAN developments. The Committee strongly endorses the Auditor-General's comments.

**Response**

2.37 STRATPLAN already provides an index of pensions and USB clients and outstanding overpayment cases in each of the States in which it has been implemented. Before the end of 1986 this index will be expanded to include all clients and all States except Western Australia, which is expected to be included from early 1987. Facilities also exist for staff in any one State to check the index in any other States.

2.38 The Department will examine means of simplifying and speeding up the process of checking against interstate indices of overpayments.

2.39 A review will be undertaken to determine possible enhancements to ADP liaison procedures between systems and consideration will also be given to liaison with the Department of Veterans' Affairs.

#### CONCLUSION (paragraph 9.29)

The Committee does not accept that the current level of overpayments identified is satisfactory. The Committee acknowledges that the high level of overpayments raised is partly a result of the Department's success in identifying cases. The Committee will continue to monitor the recovery of overpayments and will expect to receive quarterly reports showing the level of overpayments raised and recovered.

#### Response

2.40 The overall effect that the implementation of the Summary National Action Plan will have on future levels of overpayments is difficult to predict. For example, more timely write-off action, indexation of withholdings and better targeting of debt recovery action in cash cases will reduce outstanding overpayments and, while the improved methods of detection, investigation and calculation of overpayments will increase the number of new debts raised, the preventative measures will work in the opposite direction.

2.41 The Department has provided details of the levels of overpayments raised and recovered as at the end of June, September and December 1985. A copy of the details of those statistics is at Appendix B. 1

#### Issue of Replacement Cheques

#### CONCLUSION (paragraph 9.59)

The Committee is concerned particularly by the widely different patterns of dual negotiations experienced between States. It will continue to monitor this matter and will expect improvements arising from revised procedures. The Committee notes the effort by the Victorian State Administration to reduce dual negotiations from 45 per cent to 23 per cent of all replacement cheques. However the Committee also notes that a greater proportion of requests for replacement cheques are refused in Victoria than in New South Wales. The Committee commends the Department's efforts to reduce overpayments but notes that care should be exercised to ensure that these do not create undue hardship for genuine clients.

1. Appendix B also contains time series data for the years 1983-84, 1984-85 and 1985-86.

#### Response

2.42 Revised national procedures were developed by Central Office and introduced in 1983 with the effect of placing greater control on the issue of replacement cheques and resulting in a fall in the number of replacement cheques issued. Also, the move to the direct credit mode of payment has further reduced the number of replacement cheques issued.

#### RECOMMENDATION (paragraph 9.60)

The Committee recommends that the Central Office of the Department of Social Security takes a more positive role in promulgating and monitoring procedures in the State Administrations. The Committee's conclusions to the previous section on the 'Recovery of Overpayments' are applicable here.

#### Response

2.43 The national strategy on overpayments, which will involve coordination and monitoring of State activities, will include the handling of dual negotiations of original and replacement cheques.

#### Department of Trade Export Finance and Insurance Corporation

#### CONCLUSION (paragraph 10.11)

The Committee recognises the difficulties for the Corporation in determining a satisfactory level of reserves. The Committee notes the Corporation's commitment to review the levels of capital and reserves to ensure that they are appropriate to the risks involved. The Committee considers that the Corporation has responded satisfactorily to the report of the IDC and the Minister's instructions and is aware of the need to maintain appropriate levels of reserves in suitable forms of investment.

#### CONCLUSION (paragraph 10.12)

The Committee expects to be informed of the level and composition of the Corporation's financial assets as at 30 June 1985 in the response to this Report.

Response

2.44 The Department of Trade has advised that the Auditor-General has completed the audit of the financial statements of the EFIC for the year ended 30 June 1985. A copy of the financial statements is provided at Appendix C.

M.S. Keating  
Secretary of the  
Department of Finance

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APPENDIX A

# COMMUNICATIONS

Press Release  
No.26 /86 Date 25/3/86

Minister for Communications  
Michael Duffy MP

NEW CORPORATION TO REPLACE SPECIAL BROADCASTING SERVICE

The Special Broadcasting Service (SBS) is to be replaced by a new Special Broadcasting Corporation (SBC) which will have its own Charter spelling out its responsibilities and objectives, the Minister for Communications, Mr Michael Duffy, announced today.

"These decisions by the Government are in line with recommendations of the Connor Report and underline the Government's commitment to ensuring a viable and progressive ethnic and multicultural broadcasting service," Mr Duffy said.

The Committee of Review of the SBS, headed by the Hon F X Connor, reported to the Government early last year, the report being tabled in the Parliament on 25 March 1985. The Committee's task was to examine the role of the SBS and recommend a blueprint for the future development of ethnic broadcasting.

"The Connor Committee found that there was a need for a considerable strengthening of the SBS administrative structure," Mr Duffy said today.

"The Government has accepted that the best way to achieve this will be by replacing the SBS with a new statutory corporation having more flexibility over staffing matters, programming policies and administrative arrangements than the SBS has enjoyed.

"What we intend to do is take the Corporation outside the normal Public Service structure which we believe could have hampered it in its quest to be a more effective and relevant broadcaster."

In this context it was essential that the SBC have its own Charter enshrined in legislation in similar fashion to the ABC Charter which forms part of the Australian Broadcasting Corporation Act 1983.

"Having a defined Charter of responsibilities and objectives will guide the Corporation in the way it should adapt its services to changes in the structure and composition of the ethnic community and Australian society in coming years," Mr Duffy said.

Full details of the new administrative arrangements for the SBC and its Charter will be announced as soon as possible. The intention is to introduce legislation in the 1987 autumn session, with the SBC beginning operations on 1 July 1987.

Mr Duffy said the Government would still require the SBC to cooperate closely with the ABC in the provision of programs and the sharing of resources.

"This has been the Government's view since we made the threshold decision in November 1985 that the SBS and the ABC should not amalgamate," Mr Duffy said.

The Government wanted to retain the word "Special" in the Corporation's title because it reflected the unique nature of the services provided by the SBS.

"It will also provide an important element of continuity for viewers and listeners already accessing SBS services and give the new Corporation flexibility in its approach to its future operations."

"The Minister said the new Board would consist of three to seven part-time members, as at present, and members would be appointed for terms of up to five years.

The Service's chief executive officer, now known as the Executive Director, will in future be known as the Managing Director and be appointed by the Board rather than the Governor-General.

The term of the Managing Director will be a maximum of five years and he or she will be eligible for reappointment.

25 March 1986

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Michael Clarke (062) 643235 (w)

## APPENDIX B

## OVERPAYMENTS AND RECOVERIES

	FIN/YR 1983/84 \$M	FIN/YR 1984/85 \$M	FIN/YR 1985/86 \$M
Balance at 1 July	75.9	104.3	123.7
New Debits Raised	63.8	60.1	73.7
<b>Total</b>	<b>139.7</b>	<b>164.4</b>	<b>197.4</b>
<b>Less Recoveries and Write-Offs</b>			
Cash Refunds	11.7	13.2	16.4
Recoveries by Limitation of Benefit (withholdings)	21.0	23.7	25.5
Amount written-off as Irrecoverable	2.7	3.8	14.0
<b>Sub-Total</b>	<b>35.4</b>	<b>40.7</b>	<b>55.9</b>
<b>Closing Balance</b>	<b>104.3</b>	<b>123.7</b>	<b>141.5</b>

## OVERPAYMENTS AND RECOVERIES

	FIN/YR 1984/85 \$M	Quarter Sept 85 \$M	Quarter Dec 85 \$M
Balance at 1 July 1984	104.3	123.7 (1/7/85)	131.7 (1/10/85)
New Debts Raised	60.1+	19.5	16.6
<b>Total</b>	<b>164.4</b>	<b>143.2</b>	<b>148.3</b>
<b>Recoveries and Write-Offs</b>			
Cash Refunds	13.2	4.2	3.9
Recoveries by Limitation of Benefit	23.7	6.1	6.2
Amounts written off as irrecoverable	3.8	1.2	1.8
	40.7	11.5	11.9
<b>Balance outstanding</b>	<b>123.7</b>	<b>131.7</b>	<b>136.3*</b>
		<b>(30/9/85)</b>	<b>(31/12/85)</b>

Note: + adjusted to exclude non-overpayment debts which were included in previously reported figures.  
 \* balancing discrepancy due to rounding.

EXPORT FINANCE AND INSURANCE CORPORATION  
INCOME AND EXPENDITURE STATEMENT for year ended 30 June, 1985

APPENDIX C

	1985 \$'000	1984 \$'000	OPERATING INCOME	NOTES	1985 \$'000	1984 \$'000
<u>OPERATING EXPENDITURE</u>						
Salaries, Superannuation and other staff costs	2,157	2,953	Supplier Credit insurance	6	7,550	6,519
Credit reports and publications	171	140	Buyer Credit guarantees		27	64
Rents	402	354	Export Finance loans and guarantees		59	52
Board expenses	1	87	Overseas Investment insurance		242	673
General administration expenses	3	625	Bond insurance		844	267
Depreciation - Office equipment, furniture and motor vehicles	4	102	Reinsurance		238	5
Interest and fees payable on:						
- borrowed funds and						
- advances from the Commonwealth for Export Finance loans	168	220				
	60,967	53,955				
					67,961	59,380
CLAIM PAYMENTS	5	13,399	10,760			
			CLAIM RECOVERIES			
					9,236	11,112
<u>OTHER INTEREST</u>						
Interest on Capital advanced by the Commonwealth			INVESTMENT AND OTHER INCOME			
	1,000	1,000	Net income from secured loans, securities and deposits			
			Rents	1	9,048	6,774
			Less Building operating costs and depreciation	7	1,358	1,300
Surplus transferred to General Reserve	11,795	12,139	Miscellaneous Income	8	7 (1,474) 932	(1,834) 762 C
	87,121	77,754				
					9,924	6,932
					87,121	77,754

	1985 \$'000	1984 \$'000	INCOME	NOTES	1985 \$'000	1984 \$'000
<u>EXPENDITURE</u>						
Interest on Export Finance loans	2,156	2,121	Supplier Credit insurance	20	10,225	5,470
Administration expenses	200	100	Buyer Finance loans and guarantees		2,265	2,197
Claim Payments	-	5,688	Overseas Investment insurance		16	16
Surplus payable to the Commonwealth	13,551	2,274	Claim Recoveries	8	3,188	1,880
			Miscellaneous Income		229	-

EXPORT FINANCE AND INSURANCE CORPORATION  
BUSINESS UNDERWRITTEN UNDER THE NATIONAL INTEREST PROVISIONS OF THE EFTC ACT for year ended 30 June, 1985  
(SEE NOTE 1)

EXPORT FINANCE AND INSURANCE CORPORATION

BALANCE SHEET as at 30 June, 1985

	NOTES	1985 \$'000	1984 \$'000	NOTES	1985 \$'000	1984 \$'000
<b>CAPITAL AND RESERVES</b>						
Capital advanced by the Commonwealth	9	8,000	8,000	Cash at bank and in hand	38	157
General Reserve	10	59,148	47,353	Short term deposits	4,433	3,600
Asset Revaluation Reserve	10	7,118	7,118	Export Finance loans 15s Payment Delays	50,330	34,609
				Investments	10,053	19,656
				Accrued interest on Export Finance loans	4,383	5,416
				Accrued interest on Investments	2,437	1,764
				Sundry Debtors and Prepayments	1,125	1,313
					79,171	61,356
<b>CURRENT LIABILITIES AND PROVISIONS</b>						
Advances from the Commonwealth for Export Finance loans	11	59,255	188	Long term loans and investments		
Borrowed funds for Export Finance loans	12	12,493	34,500	Export Finance loans	14	307,435
Sundry Creditors and Provisions	13	71,748	12,657	Investments	15	63,522
						44,265
						374,410
<b>CURRENT LIABILITIES</b>						
Advances from the Commonwealth for Export Finance loans	11	2,250	2,250	FIXED ASSETS	16	
Borrowed funds for Export Finance loans	12	301,399	327,931	Land and building		10,854
Provisions for Sundry Creditors and Provisions		8,077	6,879	Office equipment, furniture and		
Policyholders' Deposits		297	349	motor vehicles		56
		315,023	337,409			456
						10,908
						11,310
						461,037
						447,725

	NOTES	1985 \$'000	1984 \$'000	NOTES	1985 \$'000	1984 \$'000
<b>CURRENT ASSETS</b>						
Cash at bank and in hand				Cash at bank and in hand	38	
Short term deposits				Short term deposits	4,433	
Export Finance loans 15s Payment Delays				Export Finance loans 15s Payment Delays	50,330	
Investments				Investments	10,053	
Accrued interest on Export Finance loans				Accrued interest on Export Finance loans	4,383	
Accrued interest on Investments				Accrued interest on Investments	2,437	
Sundry Debtors and Prepayments				Sundry Debtors and Prepayments	1,125	
					79,171	
						61,356
<b>LONG TERM LOANS AND INVESTMENTS</b>						
Export Finance loans				Export Finance loans	14	307,435
Investments				Investments	15	63,522
						44,265
						374,410

In our opinion the Balance Sheet, Income and Expenditure Statement, Statement of Business Undertaken Under the National Interest Provisions of the FFIC Act, Statement of Sources and Applications of Funds and Notes to the Accounts have been properly drawn up so as to show fairly the financial operations of the Export Finance and Insurance Corporation for the year ended 30 June 1985, and the State of its affairs as at that date.

*S. Barton*  
S. BARTON  
MANAGING DIRECTOR

*C. H. Hill*  
C. H. HILL

*J. M. Hodge*  
J. M. HODGE

*Manager of Finance*

STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS for year ended 30 June, 1985

		1985 \$'000	1985 \$'000	1984 \$'000	1984 \$'000
<b>SOURCES OF FUNDS</b>					
Surplus transferred to General Reserve				11,795	12,139
Add (subtract) non fund items:					
Depreciation on Fixed Assets				594	401
Loss on sale of Fixed Assets				1	3
Provision for -					
Rebate of premium and fees				129	(29)
Employees' compensation				(1)	9
Long service leave				50	100
Building repairs				232	1,222
				12,800	13,845
Funds borrowed for Export Finance loans					
Premium and fees applicable to future years				22,748	86,816
Proceeds from sale of Fixed Assets				1,198	1,600
Proceeds from matured Investments				14	6
				10,071	8,413
				46,831	110,680
				=====	=====
<b>APPLICATIONS OF FUNDS</b>					
Export Finance loans to overseas borrowers				23,532	85,881
Repaid Advances from the Commonwealth for Export Finance loans				207	938
Purchase of Fixed Assets				29,367	88
Purchase of Investments				52	52
Reduction of Policyholders' deposits				(6,327)	3,948
Increase (Decrease) in Working Capital (see below)					
				46,831	110,680
				=====	=====
<b>Movements in Working Capital</b>					
Increases -					
Short term deposits				834	
Export Finance loans less Payment Delays				20,821	
Accrued interest on Investments				673	
Repaid Advances from the Commonwealth for Export Finance					
Loans				188	
Sundry Creditors and Provisions				574	
					23,090
Decreases -					
Cash at Bank and in hand				129	
Investments				3,793	
Accrued interest on Export Finance loans				552	
Borrowed funds for Export Finance loans				24,755	
Sundry Debtors and Prepayments				188	
					(29,417)
					(6,327)
				=====	=====

## NOTES TO, AND FORMING PART OF, THE ACCOUNTS

### NOTE 1 - STATEMENT OF ACCOUNTING POLICY

- (a) The Corporation, in accordance with Section 72 of the Export Finance and Insurance Corporation Act (EFIC Act), adopts accounting principles generally applied in commercial practice;
- (b) The Statements of Account are presented (in accordance with Section 88 of the EFIC Act) in the form approved by the Minister for Finance;
- (c) The Statements of Account have been prepared in accordance with conventional historical cost principles. Land and building owned by the Corporation, "Export House", is shown at valuation, with all other assets shown at cost;
- (d) Depreciation of fixed assets has been calculated by the straight line method;
- (e) Short term business premiums are recognised as income when invoiced. Premiums on medium and long term facilities are taken into income on a reducing balance method, generally reflecting the diminishing exposure over the term of the respective policies and guarantees;
- (f) Payments made by the Corporation on account of defaulted payments due from borrowers of Export Finance loans are treated as claims except where the delays have been due to minor administrative problems. Subsequent repayments by borrowers are treated as recoveries. The amount shown in Note 14 as Payment Delays represents only unrecouped payments to banks which have been treated as claims;
- (g) Claims are expensed when paid or when the Corporation has admitted liability, whilst recoveries, because of their uncertainty are included as income when received. As the main purpose of the General Reserve is to meet claims in excess of available revenue, no specific provision for claim losses is deemed necessary.
- (h) In situations where proposed business would impose a liability that the Corporation is not authorised to undertake or would not undertake in the ordinary course of business the Minister may direct that the business be undertaken in the National Interest. In such cases all or part of the risk is borne by the Commonwealth. Revenue and expenditure arising out of the business accrue to the Commonwealth, and the amounts are shown in the statement "Business Underwritten Under the National Interest provisions of the EFIC Act". The outstanding loan amounts and contingent liabilities for this business are shown in Notes 14 and 17 under the heading Commonwealth Account. Commonwealth premiums are recognised as income when invoiced;
- (i) For the year to 30 June, 1985, the Corporation has charged itself a notional rent in respect of the area it occupies in its own building, Export House. The rental has been determined on a commercial basis and in the current year amounted to \$345,087 (1984 \$295,000);

2.

### NOTE 2 - SUPERANNUATION

The Corporation contributes to the Commonwealth Superannuation Fund for the benefit of its employees. The accounts do not reflect the possibility that the Corporation may have some additional liability in respect of its contributions to the Fund as the extent of any additional liability cannot be determined until an actuarial review has been completed. The Corporation's contribution to the Fund during the year ended 30 June, 1985 amounted to \$263,743 (1984 \$253,826) which represented a contribution rate of 15%.

### NOTE 3 - DIRECTORS' EMOLUMENTS

		Emoluments	
	Number	1985 \$'000	1984 \$'000
Full-time Directors	2	143	129
Part-time Directors	9	66	46

All Directors are remunerated in accordance with determinations of the Remuneration Tribunal. Full-time Directors do not receive separate remuneration in respect of Board duties and their remuneration is not included in the amount shown as Board expenses. (Refer also Note 15).

Since the end of the previous financial year no Director has received, or become entitled to receive, a material benefit by reason of a contract made by the Corporation with the Director, or with a firm in which he or she is a member, or with a company in which he or she has a substantial financial interest.

### NOTE 4 - GENERAL ADMINISTRATION EXPENSES

General administration expenses include loss on the sale of assets \$3,975 (1984 \$3,533); profit on the sale of assets \$3,098 (1984 \$613); profit on sale of investment \$463 (1984 \$nil) and audit fees paid \$37,300 (1984 \$42,095).

### NOTE 5 - CLAIM PAYMENTS

During the year the Corporation agreed to release a defaulting Indonesian borrower from its obligations to repay \$3,029,290 advanced for the purchase of 6 fishing vessels that were under construction. The release has been treated as a claim as will additional funds of approximately \$890,000 which will be advanced during 1985/86 to permit completion of construction. The Corporation has taken a charge over 4 of the 6 vessels as security for total funds to be eventually advanced and proceeds from the sale of the secured vessels which is expected to realise \$3,600,000 will be treated as a claim recovery.

## NOTE 6 - OPERATING INCOME

	Invoiced 1985 \$'000	Less Future Years* \$'000	Plus Past Years** \$'000	Earned 1985 \$'000	Earned 1984 \$'000
Supplier Credit insurance premiums and guarantee fees	8,222	(941)	269	7,550	6,519
Buyer Credit guarantee fees	-	-	27	27	64
Export Finance loan and guarantee interest and fees	59,737	(2,082)	1,587	59,242	52,152
Overseas Investment insurance premiums	844	-	-	844	673
Bond insurance premiums	356	(107)	49	298	267
Reinsurance premiums	-	-	-	-	5
	<u>69,159</u>	<u>(3,130)</u>	<u>1,932</u>	<u>67,961</u>	<u>59,680</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

Export Finance loan and guarantee income includes an interest subsidy of \$24,960,077 from the Commonwealth (1984 \$22,415,721).

\* Premiums and fees applicable to future years.

\*\* Premiums and fees received in past years earned this year.

## NOTE 7 - ABNORMAL ITEM

Last year major repairs to Export House were identified and an amount of \$1.2 million was included as an abnormal item under the provision for building repairs. During 1984/85 while these repairs were in progress it became necessary to increase the provision in order to cover a revised estimate of these repair costs. Accordingly, in addition to the annual provision of \$23,000 for normal building repairs, a further \$0.6 million has been provided this year.

## NOTE 8 - MISCELLANEOUS INCOME

	Corporation Account 1985 \$'000	Commonwealth Account 1985 \$'000	Corporation Account 1984 \$'000	Commonwealth Account 1984 \$'000
Surplus realised on claim recoveries due to:				
- Interest on such recoveries	740	142	266	-
- Exchange rate fluctuations	52	87	396	-
National Interest administration fee	200	-	100	-
	<u>992</u>	<u>229</u>	<u>762</u>	<u>NIL</u>
	<u>====</u>	<u>====</u>	<u>====</u>	<u>====</u>

## NOTE 9 - CAPITAL

The Corporation pays interest on the capital of Eight Million dollars at a rate determined by the Minister for Finance from time to time. The average rate paid during the year ended 30 June, 1985 was 12.5% per annum (1984 12.5%).

## NOTE 10 - RESERVES

	1985 \$'000	1984 \$'000
General Reserve:		
Balance (30 June)	47,353	35,214
Surplus transferred to Reserve	11,795	12,139
Balance 30 June	<u>59,148</u>	<u>47,353</u>
Asset Revaluation Reserve:		
Balance (30 June)	7,118	-
Adjustment to valuation of Export House	-	7,118
Balance 30 June	<u>7,118</u>	<u>7,118</u>
	<u>66,266</u>	<u>54,471</u>
	<u>=====</u>	<u>=====</u>

## NOTE 11 - ADVANCES FROM THE COMMONWEALTH FOR EXPORT FINANCE LOANS

In 1975 and 1976 the Commonwealth advanced to the Corporation a total of Four Million dollars for the purpose of funding subsidised Export Finance loans. The advance is repayable as these loans are repaid. The Corporation pays interest at the rate of 7.25% per annum on the outstanding balance. At 30 June, 1985, the balance was \$2,250,000 (1984 \$2,437,726) and was due for repayment as follows:

	1985 \$'000	1984 \$'000
Within 1 year	-	188
After 1 year & up to 2 years	-	-
After 2 years & up to 5 years	2,250	2,250
Later than 5 years	-	-
	<u>2,250</u>	<u>2,438</u>
	<u>=====</u>	<u>=====</u>

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**NOTE 12 - BORROWED FUNDS FOR EXPORT FINANCE LOANS**


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Banks have advanced to the Corporation loans for the purpose of funding Export Finance Loans made by the Corporation. These bank loans are repayable in accordance with the following schedule:

	Corporation Account 1985 \$'000	Commonwealth Account 1985 \$'000	Corporation Account 1984 \$'000	Commonwealth Account 1984 \$'000
<b>Repayable -</b>				
Within 1 year	55,249	4,006	33,050	1,450
After 1 year & up to 2 years	50,110	4,006	47,844	3,091
After 2 years & up to 5 years	117,639	7,365	121,469	8,167
Later than 5 years	125,279	-	147,360	-
	<u>348,277</u>	<u>15,377</u>	<u>349,723</u>	<u>12,708</u>
<b>Total Loans</b>	<b>363,654</b>	<b>-----</b>	<b>362,431</b>	<b>-----</b>

Amounts shown under Commonwealth Account represent bank loans advanced to the Corporation for the purpose of making Export Finance loans under the National Interest provisions of the EFIC Act.

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**NOTE 13 - SUNDRY CREDITORS AND PROVISIONS**


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	1985 \$'000	1984 \$'000
Commonwealth - Premium payable on National Interest business	1,306	1,296
Interest accrued on Export Finance loans	8,630	9,070
Rent received in advance	105	162
Other Creditors -	61	148
Provisions - Premium rebates	199	70
- Employees' compensation	56	57
- Building repairs	1,492	1,260
- Long service leave	644	594
<b>Total Sundry Creditors and Provisions</b>	<b>12,493</b>	<b>12,657</b>

Provisions during the year were made in respect of rebate of premium \$199,159, employees' compensation \$9,885, building repairs \$623,000 and long service leave \$82,488 (1984 -\$78,365, \$9,237, \$1,222,000 and \$112,047 respectively).

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**NOTE 14 - EXPORT FINANCE LOANS**


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	Corporation Account 1985 \$'000	Commonwealth Account 1985 \$'000	Corporation Account 1984 \$'000	Commonwealth Account 1984 \$'000
<b>Repayable -</b>				
Within 1 year	51,926	4,006	33,877	1,450
After 1 year & up to 2 years	50,108	4,006	47,844	3,091
After 2 years & up to 5 years	119,884	7,365	123,723	8,166
Later than 5 years	126,073	-	147,360	-
	<u>347,991</u>	<u>15,377</u>	<u>352,804</u>	<u>12,707</u>
<b>Less Payment Delays</b>	<b>(502)</b>	<b>-</b>	<b>(718)</b>	<b>-</b>
<b>Total Export Finance loans</b>	<b>347,489</b>	<b>15,377</b>	<b>352,086</b>	<b>12,707</b>
	<u>362,866</u>	<u>-----</u>	<u>364,793</u>	<u>-----</u>
<b>Export Finance loans contracted but not yet disbursed</b>	<b>85,460</b>	<b>7,870</b>	<b>44,640</b>	<b>3,440</b>
<b>Under offer but not yet accepted by borrower</b>	<b>169,194</b>	<b>2,501</b>	<b>231,867</b>	<b>1,035</b>

- Amounts shown under the Commonwealth Account represent funds lent by the Corporation under the National Interest provisions of the EFIC Act.

NOTE 15 - INVESTMENTS

	1985 \$'000	1984 \$'000
Commonwealth Government Securities at Cost	13,807	16,050
[market value (\$'000): 1985 \$13,236 1984 \$15,620]		
Semi-Government Securities at Cost	47,921	33,532
[market value (\$'000): 1985 \$48,033 1984 \$34,565]		
Bank Bills and Fixed Deposits at Cost	10,343	7,311
[market value (\$'000): 1985 \$10,459 1984 \$7,377]		
Loans Secured by Mortgage	2,304	1,979
Total Investments	74,375	58,872
	=====	=====

Loans secured by mortgage represent loans to officers and include loans to full-time Directors of \$65,454 (1984 \$67,151).

NOTE 16 - FIXED ASSETS

	1985 \$'000	1984 \$'000
Land at valuation, (31 December, 1983) (At cost \$1,750,000)	2,000	2,000
Building at valuation (31 December, 1983) (At cost \$3,031,000)	9,100	9,100
Less provision for depreciation	(738)	(246)
	10,362	10,854
Office equipment, furniture and motor vehicles at cost	1,082	912
Less provision for depreciation	(536)	(456)
	546	456
	10,908	11,310
	=====	=====

Land and Building are stated at Directors' valuation, all other items at cost.

Total Building depreciation charged for the year ended 30 June, 1985, was \$492,424 (1984 \$306,827).

NOTE 17 - CONTINGENT LIABILITIES

The contingent liabilities of the Corporation as at 30 June, 1985 were:

	Corporation Account	Commonwealth Account
	1985 \$'000	1984 \$'000

Supplier Credit Insurance, Indemnity and Guarantees

(i) contracts of insurance and indemnity	1,550,990	1,263,969	993,231	419,734
(ii) guarantees issued in connection with contracts of insurance or indemnity	-	8,670	-	-

Buyer Credit Guarantees

guarantees or indemnities in connection with loans to overseas buyers	1,044	1,806	704	1,141
--	-------	-------	-----	-------

Export Finance Guarantees

guarantees issued to co-lender institutions in connection with Export Finance loans	-	2,270	-	-
--	---	-------	---	---

Overseas Investment Insurance

contracts of insurance for overseas investments	117,889	105,250	-	13,592
--	---------	---------	---	--------

Bond Insurance and Indemnity

contracts of indemnity in relation to tender and performance guarantees	9,431	8,715	-	-
--	-------	-------	---	---

Reinsurance

contracts of reinsurance	594	726	-	-
	=====	=====	=====	=====

**NOTE 18 - UNDERWRITING SURPLUS/DEFICIT**

The Corporation's surplus from underwriting activities was \$1,870,807 (1984 - \$5,196,680) calculated as follows:-

	1985 \$'000	1984 \$'000	1984 \$'000	1984 \$'000
<b>Supplier Credit insurance (premiums and guarantee fees)</b>				
Earned income	7,550	6,519		
Less claim payments	(7,354)	(6,988)		
Plus claim recoveries	<u>6,726</u>	<u>8,121</u>		
	6,922		7,652	
<b>Buyer Credit guarantee (fees)</b>				
Earned income	27	64		
Less claim payments	(109)	-		
Plus claim recoveries	<u>68</u>	<u>53</u>		
	(14)		117	
<b>Export Finance loan and guarantee (interest and fees)</b>				
Earned income (net)	2,819	2,353		
Less claim payments	(5,640)	(3,703)		
Plus claim recoveries	<u>2,442</u>	<u>2,958</u>		
	(379)		1,608	
<b>Overseas Investment insurance (premiums)</b>				
Earned income	844	673		
Less claim payments	(75)	-		
Plus claim recoveries	<u>-</u>	<u>-</u>		
	769		673	
<b>Bond insurance and indemnity (premiums and fees)</b>				
Earned income	298	267		
Less claim payments	(181)	(69)		
Plus claim recoveries	<u>-</u>	<u>-</u>		
	117		198	
<b>Reinsurance (premiums)</b>				
Earned income	-	5		
Less claim payments	-	-		
Plus claim recoveries	<u>-</u>	<u>-</u>		
	-		5	
<b>Gross Underwriting Surplus</b>	7,415	10,253		
Less Operating Expenditure - Administration	(4,544)	(4,056)		
- Interest on Capital	(1,000)	(1,000)		
<b>Net Underwriting Surplus</b>	<u>1,871</u>	<u>5,197</u>		

**NOTE 19 - BLOCKED CURRENCY**

The amount of blocked currency for which exchange transfer claims had been paid and not recovered at 30 June, 1985, was \$4,172,051 (1984 \$5,940,982) on the Corporation account and \$ Nil (1984 \$3,187,874) on the Commonwealth account.

**NOTE 20 - COST TO THE COMMONWEALTH**

The following shows the direct cost to the Commonwealth of the Corporation's facilities, which includes facilities under the National Interest Provisions of the EFIC Act:

	1985 \$'000	1984 \$'000
<b>Loan Interest Subsidy -</b>		
Interest subsidy on Export Finance loans underwritten by the Commonwealth	822	846
Interest subsidy on other Export Finance loans	24,960	22,416
<b>Total Loan Interest Subsidy</b>	25,782	23,262
Plus: Commitment and Establishment fees on borrowed funds for Export Finance loans	392	239
<b>Less:</b>		
Surplus as shown in the Statement of Business Underwritten Under the National Interest provisions of the EFIC Act	(13,551)	(2,274)
<b>Net cost to the Commonwealth of the Corporation's facilities</b>	12,623	21,227
<b>Less:</b>		
Interest payable on capital Interest payable on advances from the Commonwealth (Note 11)	(1,000)	(1,000)
	(168)	(220)
<b>Net cost to the Commonwealth</b>	11,455	20,007