PARTMENT OF THE SENATE



Expenditure from the Advance to the Minister for Finance (Appropriation Acts 1985-86)

285

Joint Committee of Public Accounts

THE SENATE

1.0 DEC 1987

TABLED PAPER

## THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA JOINT COMMITTEE OF PUBLIC ACCOUNTS

## **REPORT 285**

EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE (APPROPRIATION ACTS 1985/86) Commonwealth of Australia 1987 ISBN 0 642 12325 X

## JOINT COMMITTEE OF PUBLIC ACCOUNTS

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#### PREFACE

The Advance to the Minister for Finance 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 1985/86 amounts of \$39 million and \$101 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 submission of Additional Estimates in 1985/86 was 12 March 1986. 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 1985/86 was confined to urgent and unforeseeable requirements. Nevertheless, the Committee is concerned that some departments still appear to possess inacquate control mechanisms.

For and on behalf of the Committee.

R E Tickner, MP Chairman

M J Talberg Secretary

19 November 1987

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present services

#### CHAPTER 1

#### BACKGROUND AND GENERAL CONCLUSIONS

Background to Advance to the Minister for Finance Facility

- 1.1 The Advance to the Minister for Finance is a provision authorised by the annual Appropriation Acts and made available to the Minister for Finance 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) 1985/86 totalled \$39 079 276 and under Appropriation Act (No 2) 1985/86 totalled \$101 131 265.
- 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' refers to either amount or timing, eg arising from a price 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 money which will be recovered during the financial year. Recoveries may be made from any source including 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 may 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 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	Appropriatio	n Act No. 1	Appropria	atio	Act No. 2
	ş.	·····		Ş	
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	
1979-80	26 249	449	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)		338	
1983-84	141 785			952	
1984-85	116 502	639		218	
1985-86	39 079	276		131	

(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 procedures governing the Advance to the Minister for Finance 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 Advance 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 134 items of expenditure remaining a final charge to the Advance in 1985/86 (see Appendix 1 for a summary). Supplementary material was obtained concerning four items, details of which can be found in Appendix 2. The items from relevant departments are listed below:
  - Department of Local Government and Administrative Services:
    - Item 400-7-0 Furniture removals and storage - \$1 300 000
    - Item 921-1-10 Acquisition of Port Augusta Site - \$77 870
  - Department of Veterans' Affairs:
    - Item 692-0-02 Pharmaceutical services - \$4 728 723 and
  - . Department of Resources and Energy:
    - Item 943-1-02 Construction of the Burdekin Dam ~ \$1 000 000.
- 1.9 Comments on the use of the Advance by particular departments are provided in Chapter 2.

#### General Conclusions

- 1.10 The procedures introduced in 1982/83 require departments whose applications, if accepted, remain a charge on the Advance at the end of the financial year, to provide sufficient supporting material to satisify the committee's requirements. The Committee is pleased to note this requirement has been followed in all but one case.
- 1.11 Various departments made multiple applications under one item number for funds from the Advance to the Minster for Finance which remained a final charge at the end of the financial year. In most of these cases departments seemed unable to approximate requirements for their programs. The Committee believes the mechanisms for estimating funding requirements should be reviewed to avoid administrative oversights which necessitate several applications being made for funds from the Advance.
- 1.12 The Committee is otherwise 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 was confined to urgent and unforeseeable requirements, for which provision could not have been made in Appropriation Acts.

#### 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 1985/86, the requirements were urgent. However, it is not convinced that all were unforeseeable.
- 2.2 The Committee notes that there were comparatively few large value requirements in 1985/86. These requirements were:

Department of Industry, Technology and Commerce: Item 912-0-10 - Australian Industry Development Corporation - capital instalment	12 500 000
Department of Trade: Item 643-1-00 - Australian Trade Commission - Export Market Development Grants Scheme	10 000 000
Department of the Treasury: Item 976-2-02 - Savings Banks deposit interest subsidy	58 077 600
Department of the Treasury: Item 977-0-07 - Transport improvement grant to Western Australia	9 700 000

- 2.3 The requirements for the Department of Trade, Department of Industry, Technology and Commerce and the Treasury resulted from Government decisions taken after the cut-off date for changes to Additional Estimates (12 March 1986). These decisions were taken in the last two months of the financial year and, since departments could not absorb extra costs, no offsetting savings were offered by the Departments.
- 2.4 In these cases the Committee was satisfied that the criteria for the use of the Advance were met and did not seek supplementary information.
- 2.5 In several cases the requirement for additional funds should have been foreseen before the end of the Additional Estimates process. These applications for funds from the Advance were as a result of administrative omissions in the area of salaries and payments in the nature of salary. Examples include

salaries of paid inoperatives, a pension scheme for locally-engaged overseas staff and payments for public servants who retired during the year.

- 2.6 The Committee suggests that the Australian Development Assistance Bureau, Department of Trade, Australian Bureau of Statistics and Department of Veterans' Affairs review procedures to minimise such shortfalls.
- 2.7 The Committee stated in its Report 191 that:

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

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

2.8 The Committee believes there is a need for more effective monitoring procedures in this area.

Department of Veterans' Affairs Item 692-0-02 - Pharmaceutical services

- 2.9 The Department of Veterans' Affairs stated that it needed funds from the Advance for several reasons. These included difficulties with the Department of Health's PHARMPAY System, unexpected increases in the prices of drugs and increased demand for drugs over the year.
- 2.10 PHARMPAY is the system used by the Department of Health to process claims for payment of prescriptions. Pharmaceutical claims from the Department of Veterans' Affairs are also processed through this system.
- 2.11 The Committee has noted that pharmaceutical services has been raised as an area of concern in all Auditor-General's reports in the last three years. These audits were conducted in the Department of Veterans' Affairs and the Department of Health. Aspects of concern raised in these reports included:

- PHARMPAY
- overprescribing and overservicing
- . lack of Central Office overview and supervision
- lack of internal audit involvement in system design
- ADP procedures generally
- accountability for supplies at Repatriation General Hospitals
- 2.12 The Committee is greatly disturbed at the frequency with which pharmaceutical services attract unfavourable comment from the sources of scrutiny of government administration.

Department of Education

Item 270-4-09 - Living allowances for English as a Second Language courses at Technical and Further Education institutions.

- 2.13 This item provides for allowances which are paid to students at Technical and Further Education (TAFE) institutions. Advice from TAFE authorities is used to estimate the number of 'student weeks' involved and therefore the extent of the Commonwealth's liability. This information is difficult to obtain in advance of enrolment.
- 2.14 The Committee notes the Department made four applications for funds from the Advance under this item in a two month period. The Department notified the Department of Finance subsequent to the passing of Appropriation Bill No. 3 that it would require further funds, although at that time, the exact shortfall was unknown. However, the extent of the funds required was known when the Department made the first of these four applications for funds from the Advance on 9 May 1986. The Committee notes that it is Department of Finance policy for departments to make applications in this manner.
- 2.15 The Committee suggests this procedure is unnecessarily cumbersome and recommends a review by the Department of Finance of the need for multiple applications where the exact requirements for funds is known.

Department of Local Government and Administrative Services Item 400-7-00 - Furniture removals and storage

- 2.16 This item provides for the costs of furniture removals and associated storage for officers of the Public Service and members of the Defence Force within Australia.
- 2.17 The Department stated that it sought funds from the Advance due to the National Wage Case and Consumer Price Index rises, increases in average costs for claims associated with damages/losses and an unexpected increase in the number of Department of Defence removals. Further details can be found in the DOLGAS submission at Appendix 2.

2.18 Removals arranged after 1 July 1987 will no longer be funded in this way. DOLGAS has advised that costs will be recovered from departments and has set up a Transport and Storage Trust Account for this purpose. It will endeavour to fund new equipment for removals through this account.

## APPENDIX 1

Summary of Approvals for Funds to remain as a Final Charge to the AMF 1985-86

## APPENDIX 1

## ADVANCE TO THE MINISTER FOR FINANCE (AMF) 1985-86

## Approvals for funds to remain as a final charge to the AMF

## SUMMARY

NOTES:

The Committee sought fuller explanations for some applications; these are set out at Appendix 2. Expenditure under 'Compensation and legal expenses' item is difficult to accurately predict.

ITEM/ DESCRIPTION	REASON	AMO	UNT		OFFSETS
Department of Abori	qinal Affairs				
120-1-00 Salaries	various unforeseen increases	183	843	(from	84 000 60 000 40 000 184 000 806-0-01
Total		183	843	-	120-3-08)
Department of Arts	Heritage and Environ	ment			
131-1-00 National Film and Sound Archives - Salaries	overuse of staffing allocation	23	500		-
Total		23	500		
Attorney-General's	Department				
165-3-01 Constitutional Convention - contribution	convention costs	62	364		-
165-3-02 International bodies - membership	exchange rate fluctuations	11	506		-
165-3-05 Criminal injuries compensation	compensation payments	115	826	(from	55 321 17 826 25 423 <u>17 256</u> 115 826 818-1-01)

ITEM/ DESCRIPTION	REASON	A	MO	UNT		OFFSETS
178-1-00 Trade Practices - Salaries	unforeseen resignation and prepayment of salary	1	.4	719		-
180-1-00 Institute of Family Studies - Salaries	later than anticipated resignation of staff and unexpected higher duties payments		7	500	(from	7 500 180-2-00)
190-2-00 Office of Parliamentary Counsel - compensation	damages to former employee	•	10	000	(from	40 000 818-1-01)
Total		2	51	915		
Department of Avia	ntion					
193-3-08 Compensation and legal expenses	unforeseen lump sum payments	2	30	000		-
193-3-09 Search and rescue	unforeseen payment to contractors for aircraft crash		27	000		-
826-1-01 Plant and equipment	cost increases and currency fluctuations in relation to capital works program	•	02	000		-
Total		6 8	359	000		
Department of Com	munications					
200-1-00 Salaries	higher than forecast separation payments	1	143	400	)	-
Total		:	143	3. 400	)	
Department of Com	munity Services					
220-1-00 Salaries	separation of support services between the Departments of Health, Social Security and Community Services	,	80	000	)	-

ITEM/ DESCRIPTION	REASON	AMO	OUNT		OFFSETS
220-3-03 Grants under Aqed or Disabled Persons Hostels Act 1972	new payment procedures and payment of contract for projects ahead of schedule		600	(from	219 600 840-0-01)
220-3-09 Grants - publications of materials for print handicapped	guidelines amended after Additional Estima (AE) finalised -increas production of materials unexpected increase in costs	eď		(from	79 000 165 658 244 658 841-0-01 220-3-01)
220-3-13 Compensation and legal expenses	unforeseen payments	130	599	(from	10 730 8 169 220-3-01)
Total	1	047	857		
Department of Defe	nce				
232-0-00 Civil personnel - Salaries	miscellaneous variations including increased leave payments	650 8	000	(from	650 000 23 <b>4-2-</b> 05)
233-2-03 Payments - section 34A (1) Audit Act	act of grace payments	2	484	(from	2 484 234-2-05)
Total		652	484		
Department of Educ	ation				
270-4-09 Student living allowance for ESL courses at TAFE	increase in living allowances in May and additional persons qualifying	229	725		-
271-1-00 ACT - TAFE - Salaries	additional overtime payments due to unavailability of part time teachers	441	000		-
271-4-01 Signadou College	supplementation for running expenses		000		_

ITEM/ DESCRIPTION	REASON	AMO	UNT	OFFSETS
278-1-00 Canberra College of Advanced Education	supplementation for running expenses	156	200	29 900 126 300 156 200
279-1-00 Australian National University	supplementation for running expenses	716	200	-
282-1-00 Australian Maritime College	supplementation for running expenses	37	100	
284-3-04 Tertiary Education Commission - superannuation	lump sum payment for superannuation	100	000	<del>-</del>
Total	. 1	686	225	
Department of Emp]	loyment and Industrial Re	lati	ons	
287-1-00 Salaries	increase in paid inoperatives	808	000	-
287-3-04 Compensation and legal expenses	unexpected increase in compensation payments and unforeseen legal expenses	152	478	_
Total		960	478	
Department of Fina	ance			
305-3-01 Retirement Benefits Office - compensation	unexpected lump sum payment	12	000	۶ <del>۶</del>
and legal expenses	V.			
Total	•	12	000	

ITEM/ DESCRIPTION	REASON	
Department of	Foreign Affairs	AMOUNT OFFSETS
315-3-05 Diplomatic and consular missions - compensation		tic 3 948 tons (from 316-1-01)
315-3-08 Compensation and legal expenses	unforeseen compens and legal expenses	2 200 2 200 ation (from 315-3-02)
315-4-06 International Atomic Energy Agency - grants and contributions	exchange rate variations	7 300 7 300 (from 875-0-05)
315-4-10 Organisation for Economic Co-operation and Development	advice on 1986 assessment not available for AE	501 995  69 950 4 100 20 950 91 700 180 000 366 700 (from 315-4-13 315-4-15 875-0-05 315-4-16
316-1-00 Salaries	exchange rate variations	875-0-02) 675 000 -
318-1-00 Australian Development Assistance Bureau - Salaries	unexpected increase in expenditure by overseas posts	361 000 261 000 100 000 361 000 (from 318-4-01
318-4-03 Bilateral Aid Projects - development import grants	equipment for Fiji and Western Samoa	457 000 457 000 (from 318-4-01)
318-4-04 ASEAN Economic Co-operation Program	cash grant to Philippines	75 000 75 000 (from 318-4-01)

	REASON	********	
318-4-05		AMOUNT	OFFSET.
Development	•	469 000	
Twoone no	payment under DIFF		469 000
Import Finance	program	(f)	om 318-4-01;
Facility	•		
318-5-04			
Bilateral	Ovelud-d c	272 000	272 000
training -	excluded from AE du	le (fr	om 318-5-01)
private	to lateness of agre	ement	ow 210-2-01)
students	between Ministers offsetting savings	n	
318-9-01	and the second priviles		
Humanitarian	••	1 500 000	
emergency	disaster relief -	- 500 000	
assistance	Solomon Islands		1 100 000
and disaster	cyclone		400 000
relief			1 500 000
retter .		(III	om 318-4-07
Total		ar	d 318-5-01)
		4 324 443	
Department of He	alth	113	
325-1-00	<del></del>		
Salaries		2 045 000	
pararres.	various unforeseen payments	2 045 000	-
	payments		
Total		2 045 000	
Department of Hou	sing and Construction	- 4.5 000	
252 2 00	and Construction		
352-3-02		224 000	
352-3-02 Compensation	unforeseen compensati	334 000	-
352-3-02 Compensation and legal	unforeseen compensati	334 000 ion	~
352-3-02 Compensation		334 000 fon	-
352-3-02 Compensation and legal	unforeseen compensati	334 000 fon	-
352-3-02 Compensation and legal expenses 896-1-03 Building	unforeseen compensat: payments and legal expenses	334 000 ton 53 000	-
352-3-02 Compensation and legal expenses 896-1-03	unforeseen compensati	ion	-
352-3-02 Compensation and legal expenses 896-1-03 Building and works	unforeseen compensat: payments and legal expenses	53 000	-
352-3-02 Compensation and legal expenses 896-1-03 Building audiding 696-1-12 Building	unforeseen compensat: payments and legal expenses early completion of building	53 000	- 142 000
352-3-02 Compensation and legal expenses 896-1-03 Building and works	unforeseen compensat: payments and legal expenses early completion of building	53 000	- 142 000 896-1-16)
352-3-02 Compensation and legal expenses 896-1-03 Building and works 896-1-12 Building and works	unforeseen compensat: payments and legal expenses early completion of building	53 000	142 000 896-1-16)
352-3-02 Compensation and legal expenses 896-1-03 Building and works 896-1-12 Building and works	unforeseen compensat: payments and legal expenses early completion of building early completion of building	53 000 142 000 (from	896-1-16)
352-3-02 Compensation and legal expenses 896-1-03 Building and works 696-1-12 Building and works 397-0-03	unforeseen compensat: payments and legal expenses  early completion of building  early completion of building	53 000 142 000 (from	896-1-16)
352-3-02 Compensation and legal expenses 896-1-03 Building and works 896-1-12 Building and works 397-0-03 Payments to	unforeseen compensat: payments and legal expenses early completion of building early completion of building inability to make payments to States	53 000 142 000 (from	896-1-16) 121 500
352-3-02 Compensation and legal expenses 896-1-03 Building and works 896-1-12 Building and works 397-0-03 292yments to states - international fear of Sheltor	unforeseen compensat: payments and legal expenses  early completion of building  early completion of building	53 000 142 000 (from	896-1-16)  121 500 352-3-07)  Digation
352-3-02 Compensation and legal expenses 896-1-03 Building and works 896-1-12 Building and works 397-0-03 292yments to states - international fear of Sheltor	unforeseen compensat: payments and legal expenses early completion of building early completion of building inability to make payments to States	53 000 142 000 (from	121 500 352-3-07) Digation 229 450
352-3-02 Compensation and legal expenses 896-1-03 Building and works 896-1-12 Building and works 397-0-03 Sayments to States - International	unforeseen compensat: payments and legal expenses early completion of building early completion of building inability to make payments to States	53 000 142 000 (from	896-1-16)  121 500 352-3-07)  Digation 229 450 160 000
352-3-02 Compensation and legal expenses 896-1-03 Building and works 896-1-12 Building and works 397-0-03 292yments to states - international fear of Sheltor	unforeseen compensat: payments and legal expenses early completion of building early completion of building inability to make payments to States	53 000 142 000 (from 121 500 (forward ol	121 500 352-3-07) Digation 229 450 160 000 389 450
352-3-02 Compensation and legal expenses 896-1-03 Building and works 896-1-12 Building and works 397-0-03 292yments to states - international fear of Sheltor	unforeseen compensat: payments and legal expenses early completion of building early completion of building inability to make payments to States	53 000  142 000 (from  121 500 (forward ol	896-1-16)  121 500 352-3-07)  Digation 229 450 160 000

ITEM/ DESCRIPTION	REASON	AMC	UNT	OFFSETS
Department of Immic	ration and Ethnic Affair	cs.		•
360-3-01 Detection custody and removal expenses	removal of illegal immigrants	376	800	<del>-</del> :
360-3-17 Compensation and legal expenses	unforeseen compensation payments		242	
Total		383	250	
Department of Indus	stry, Technology and Com	merce	9	
380-3-05 Assistance to inventors	finalisation of assistance scheme	546	652	560 000 (from 380-3-10)
380-3-11 Payments section 34A (1) Audit Act 1901	act of grace payment	78	665	-
381-1-00 Customs Service - Salaries	shortfall	295	000	-
381-3-01 Compensation and legal expenses	unforeseen compensation payments and legal expenses		000	. •
381-3-04 Sale of petroleum products (nt) - financial assistance	unforeseen increase in payments due to changes in authorisatio procedures		000	-
912-0-10 AIDC - capital instalment	Cabinet decision :	500	000	-
Total	13	893	317	

ITEM/ DESCRIPTION	REASON	AMC	UNT	OFFSETS
	Government and Admini	strati	ve S	ervices
400-7-00 Furniture removals and storage	•	1 300		1 300 000 (from 240-0-00 Department of Defence)
921-1-10 Acquisition of sites and buildings	compulsory acquisition of house/land and administrative oversight		000	-
Total		1 378	000	
Department of Prim	ary Industry			
490-3-01 Agricultural co-operation agreements	various unforeseen incidental costs	12	000	12 000 (from 490-3-15)
490-3-11 Wool Promotion - contribution	shortfall and change in accounting procedure		000	750 000 (from 495-3-02)
490-3-21 Major publicity campaigns	Cabinet decision	100		-
497-1-00 Bureau of Agricultural Economics - Salaries	various unforeseen increases	70	000	87 000 (from 497-2-00)
930-1-01 Bureau of Agricultural Economics - computer equipment	exchange rate variations	10	065	12 000 (from 490-3-15)
932-0-03 Payments to States and NT - eradication fowl plague - Victoria	final costs not known until after AE		751	<del>-</del>
Total		943	2 816	<b>5</b>

ITEM/ DESCRIPTION	REASON	AMO	UNT	OFFSETS
Department of Prime	Minister and Cabinet			,
500-1-00 Salaries	various unforeseen increases	144.	000	<del></del>
500-3-04 State occasions and official hospitality	unforeseen visits to Australia	715	000	-
500-3-08 Compensation and legal expenses	unforeseen compensation payments	70	000	-
516-3-04 Public Service Board - compensation and legal expenses	unforeseen legal expenses	32	000	
Total	,	961	000	
Department of Reso	erces and Energy			
520-3-08 CSR Limited purchase of Cooper Basin interests	currency exchange variations	2	673	
522-1-00 Bureau of Mineral Resources, Geology and Geophysics - Salaries	various unforeseen increases	250	000	50 000 33 000 83 000 (from 942-1-01 and 521-1-01)
943-1-02 Payments to States and NT - Grant to Queensland for Burdekin Dam	unforeseen payments to contractor	000	000	-
943-2-00 Assistance to NT - Federal Water Resources Assistance Program	Cabinet decision	48	243	-
Total	1	300	916	

ITEM/ DESCRIPTION	REASON	AMC	UNT_		OFFSETS
Department of Scie	nce				
542-3-02 Analytical Services - compensation and legal expenses	back payments and unforceseen medical expenses	8	000	(from	8 000 542-1-00)
543-1-00 Antarctic Division - Salaries	unforeseen additional payments	19	000		-
547-1-00 Patent,Trade Marks and Design Office - Salaries	unforeseen increase in separation payments for temporary staff	103	000		-
Total		130	000		
Department of Soci	al Security				
560-1-00 Salaries	various unforeseen increases	925	000		-
560-3-01 Pensioners postal and telephone concessions	increases in charges and costs	51	000		-
560-3-06 Grant - Greek-Australian Welfare Workers Association NSW	salaries	10	000		10 000 560-2-03)
Total	į	986	000		
Department of the	Special Minister of Stat	<u>te</u>			
577-3-03 Australian Federal Police - International Police Commission - membership	exchange rate variation	ns	605		-

ITEM/ DESCRIPTION	REASON	AMO	UNT		OFFSETS
577-3-06 Compensation and legal expenses	unforeseen increases in back payments medical expenses	57	990	(from	58 000 577-1-02)
582-2-07 Royal Commissions and Inquiries - ASIO	unforeseen expenses	3	585	(from	3 585 575-1-00)
583-2-00 National Crime Authority - administration	electricity payments and witness protection	125	000	(from	248 000 583-1-00)
Total		187	180		
Department of Spor	t, Recreation and Touris	<u>m</u>			
590-3-03 Compensation and legal expenses	additional payments	28	200	(from	3 200 950-0-03)
590-6-02 Expo '85 Tsukuba	exchange rate fluctuations	43	000	(from	43 000 958-0-03)
958-0-05 Special information campaign	Prime Minister's address to the nation	50	000		50 000 958-0-03)
958-0-06 Expo '88 Brisbane	preliminary proposals for Expo '88	15	000		15 000 590-6-04)
Total		136	200		
Department of Terr	ritories				
620-3-20 Bushfire prevention and control	extension of bushfire season	155	000		-
624-1-00 Christmas Island - Salaries	early retirement of employees	147	700		-
624-2-00 Administration	early retirement of employees	226	300		-

ITEM/	REASON		AMO	UNT		OFFSETS	
DESCRIPTION 959-5-00 Parliament House Construction Authority	shortfall in construction account	8	000			-	
Total		8	529	000			
Department of Trad	<u>e</u>						
640-1-00 Salaries	staff retirements and overtime payments following restructuri of the Department		•	000		193 000 372 000 565 000 640-3-02 640-2-00)	*
640-3-03 Trade Promotion	continued participati in Eastern European T Fairs			055	(from	39 055 640-2-00	
642-1-00 Trade Commissioner Service - Salaries	shortfall		193	500		* -	
642-2-00 Administration	shortfall		265	000		* -	
642-3-01 Locally engaged staff - pension scheme	shortfall		18	265	(from	1 265 640-3÷06	, *
643-1-00 Australian Trade Commission	Cabinet decision	10	000	000		_	
644-3-02 Export Development Grants Board- Export Expansion Grants Act 1978	unexpected export development grants		12	840		12 840 640-3-06	•
644-3-03 Compensation and legal expenses	compensation and legal expenses		16	270		16 270 644-3-01	
Total		10	0 634	930	ŀ		
* Offsetting sa	vings are for items 64	0-3	1-00,	642	-1-00,	642-2-00	

Offsetting savings are for items 640-1-00, 642-1-00, 642-2-00 and 642-3-01.

ITEM/ DESCRIPTION	REASON	AMOUNT	OFFSETS
Department of Trans	sport		
664-1-00 Salaries	contract staff not included in AE and increases in separation payments	245 000	· <del>.</del>
664-4-01 Concessional fares and freights	increase in use of pensioner concessions	182. 000	-
973-0-01 Payments for States and NT -second Hobart bridge grant	payments to contractors for work completed ahead of schedule	423 000	-
Total		850 000	
Department of the	Treasury		
670-3-03 Overseas bond issues	lapsed interest coupon payments	60	-
676-1-00 Australian Bureau of Statistics - Salaries	unforeseen payments	205 000	205 000 (from 676-3-01)
676-3-02 Compensation and legal expenses	compensation and legal expenses	148 186	-
678-2-00 Australian Taxation Office - administration	RSI test case and administrative costs relating to tax reform	850 000	-
976-2-02 Capital works and services - Savings Banks Deposit Interest Subsidy	subsidy payments to banks not known for AE	077 600	-

ITEM/ DESCRIPTION	REASON		AMO	UNT	OFFSETS
977-0-01 Payments to States and NT - general revenue grant - NT	rise in CPI factor, statisticians determination on population not available	2 9	16 (	607 <sup>-</sup>	-
977-0-04 Assistance to local government general revenue grant - NT	increase in CPI estimate		4	713	-
977-0-07 Payments to States and NT - transport improvement grant - WA	Cabinet decision	9 7	700	000	-
977-0-08 Payments to States and NT - Commonwealth contribution NT Debt sinking fund	new policy decision	1 :	345	482	-
977-0-09 Payments to States and NT - payment of interest on NT debt sinking fund balances	interest payment		65	000	-
Total		73	312	648	
Department of Vet	erans' Affairs				
690-1-00 Salaries	increased payments	2	158	048	2 102 048
692-0-02 Pharmaceutical services	increase in demand and average price for script items	5	100	000	
Total		7	258	048	

## LIST OF ADDITIONAL SUBMISSIONS

DEPARTMENT	ITEM	PAGE
Local Government and Administrative Services	Furniture Removals and Storage 400-7-00	26
	Port Augusta Land Acquisition 921-1-10	29
Resources and Energy	Construction of Burdekin Dam 943-1-02	30
Veterans' Affairs	Pharmaceutical Services 692-0-02	35

Inquiry Into Additional Amount of \$1.35 Million Drawn for 1985-86 From Advance to The Advance: To The Minister For Finance For Division 400/7 - Furniture Removals and Storage

Submission by the Department of Local Government and Administrative Services

#### PURPOSE OF ITEM:

- This appropriation provides for the costs of furniture removals and associated storage arranged for officers of departments and members of the Defence Force in accordance with the Public Service Board Personnel Management Manual and Defence Service Orders.
- 2. Furniture removal contracts are arranged under an individual tender system with private contractors being used for most removals within Australia. Removals to overseas are usually carried out directly by the Department which also arranges customs and quarantine clearances and later delivery to residence of incoming consignments of personal effects from overseas.
- 3. The Department also meets under this item the costs of compensation and/or repair costs for loss and/or damage to members' furniture and effects for removals and associated storage within Australia. (Recoveries are made from contractors where losses and/or damages loss caused by them exceed \$140 and are paid to Consolidated Revenue.)
- About 10 percent of the appropriation is for administration costs including the costs of handling loss and damage claims.

Funds Available	1983/84 \$	1984/85 S	1985/86 \$
Appropriation Act No.1	35,210,000	42,017,000	53,444,000
Appropriation Act No. 3 Advance to the Minister	4,554,000	9,000,000	8,136,000
for Finance			1,350,000
TOTAL FUNDS AVAILABLE	39,764,000	\$1,017,000	62,930,000
TOTAL EXPENDITURE	39,763,907	51,016,999	62,930,000
UNEXPENDED FUNDS AVAILABLE	93	1	· -

5. Explanation of requirements for additional funds in 1985/86.

Appropriation Act No. 3

(a) Increase in Removals Numbers

After the preparation of the budget estimate of removals numbers, the Department of Defence advised that an additional 260 removals were required for Army and an additional 900 removals for Air. Expenditure for the additional removals was estimated at \$2,459,000.

(b) Costs of Removals

Average costs of removals July 1985 to January 1986 were up 9% compared to average costs July 1984 to January 1985.

The main component of the increase was a 7% increase in volume per consignment.

- 2 -

Storage costs for the same periods increased by 5% .

c) Costs of Loss and/or Damage

There was a rise of 6% in average claim settlement costs for the period July 1985 to January 1986 compared with July 1984 to January 1985.

(d) Carryover from 1984/85

As a result of Department of Defence increases in removal numbers in the latter part of 1984/85, an additional \$1,000,000 expenditure was incurred in early 1985/86.

(e) Administration

The increase in Administration costs resulted from applying the 2.2% National Wage Case for 3 months (\$15000) and the 7.4% CPI for a period of 6 months to materials and expenses (\$30.000).

#### Advance to the Minister for Finance

- 6. On 11 June 1986 the Minister for Local Government and Administrative Services made application for up to \$2m commitment and the subsequent issue of warrant up to that amount from the Advance to the Minister for Finance. This was for expenditure associated with an increase in the number of removals arranged in 1985/86 as compared with those estimated at the time of the 1985/86 Additional Estimates.
- 7. At that time, it appeared that the number of removals arranged by the Department would exceed the number that it had estimated at the time of the Additional Estimates, which was 26,135. When the Ministerial letter was prepared, the latest figures available showed that 23,274 removals had been arranged to the end of April 1986. While the actual May 1986 figures had not been compiled, there seemed to have been no abatement in the number of removals arranged during May 1986. It was therefore considered likely that the number of removals would exceed the estimate for 1985/86 by 1000 removals and hence additional funds would be required.
- 8. The outcome for 1985/86 was that 27,229 removals were carried out. Removals for the Department of Defence were 21,730 against an estimate it had provided to this Department of 20,135 removals at the time of preparation of the Additional Estimates.

.../3

- 9. The Department of Defence has advised that it can reasonably accurately estimate removals associated with posting changes. However, where removals are not posting related (e.g. removals on discharge, removals from temporary accommodation to married quarters, or forced change in temporary accommodation) it is very difficult to estimate accurately, particularly in a situation where discharges are increasing.
- 10. Another difficulty advised by the Department of Defence is the estimation of increasing single members taking up removal entitlements. Between January-June 1986 some 36% of the 3801 army removals analysed were single member removals. The Department of Defence considers this trend will increase as pressure increases for equal removal entitlements for single members as are accorded to married members.
- 11. The Department of Defence statistics show the 1985-86 over-run as approximately 925 removals. While this over-run is somewhat less than this Department's measurement, there are differences in the statistical bases used which could explain this. The movement to an ADP system for removals by DOLGAS in 1986/87 will considerably assist in resolving differences in the two sets of figures.

18 August 1986



## DEPARTMENT OF LOCAL GOVERNMENT AND ADMINISTRATIVE SERVICES

Property Directorate

P78/665

GPO Box 1920 CANBERRA, ACT 2601

24 June 1987



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

REF 1986/30 - PORT AUGUSTA LAND ACQUISITION - AMF AS A FINAL CHARGE 1985-86

I refer to your letter of 12 June seeking information relating to this Department's application for funds, for land acquisition at Port Augusta in June 1986, from the Advance to the Minister for Finance (AMF) as a final charge.

The land acquisition, which resulted in AMF supplementation of \$20,000 to Division 921-i-10 Department of Local Government and Administrative Services, was required for the extension of the Commonwealth's offices in Port Augusta. The requirement for the additional funds was identified in November 1985 at which time the Department of Finance (DoF) reduced funds in Division 400.4.01 Rent as offsetting savings against the expected supplementation. It was anticipated at that time that funds totalling \$21,000 would be issued from AMF pending additional appropriations. In the event, however, funds were not forthcoming from DoF as - at that time, and indeed up until Additional Estimates - Division 921.1.10 had uspent funds which more than adequately covered the additional requirement.

The initial application to Department of Finance for funds from AMF as a final charge, on 16 May 1986, was rejected because funds still remained unspent in the subject Division. Those funds - totalling \$58,000 - were for another lands acquisition project and had been sought from the Advance to the Minister for Finance as a final charge; these funds had not been spent due to a delay in legal proceedings. When those funds were spent a second application, on 28 May, was made to the Department of Finance. This application was successful and \$20,000 was issued from AMF as a final charge, with offsetting savings from 400.4.01 Rent.

MEnani

for Secretary

#### 2.

# JOINT COMMITTEE OF PUBLIC ACCOUNTS INQUIRY INTO EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE - JUNE 1986

## Submission by the Department of Resources and Energy

Explanatory Statement - Expenditure from the Advance to the Minister for Finance (AMF) for the Construction of Burdekin Dam

Department:

Resources and Energy

Division:

943 Payments to or for the States and

the Northern Territory

Sub-Division:

1 For the purposes 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	1983-84	1984-85	1985-86
Appropriation Act No. 2	13 000 000	19 000 000	25 000 000
Appropriation Act No. 4	-	-	_
Advance to the Minister			
for Finance		1 000 000	1 000 000
TOTAL FUNDS AVAILABLE	13 000 000	20 000 000	26 000 000
TOTAL EXPENDITURE	12 999 999	20 000 000	26 000 000
INSPENT FINDS	1	-	-

## EXPLANATION OF REQUIREMENTS FOR ADDITIONAL FUNDS IN 1985-86

## Background

- 1. 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 \$128.9 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.
- 2. As a result of the successful operation of new construction techniques and favourable weather conditions in north Queensland, the contractors for the main dam and the associated saddle dams had been able to accelerate work over that originally envisaged in the \$25 million allocation for the project in the 1985-86 Budget. A similar situation arose in 1984-85.

4.

3. On 16 June 1986 Queensland advised that on the basis of progress on the dam, the \$25 million allocated for the project would not be sufficient to meet payment obligations to the main dam contractor or to meet expenditures by the saddle dams contractor, and that if further funds could not be provided there would be a need to defer payment of \$2.5 million from 1985-86 to 1986-87 in respect of a claim by the main dam contractor. Under the main dam contract, any deferred payments are liable for interest charges at a rate of 153 per annum.

## Particular Comments concerning FWRAP Funding

- 4. Progress, and hence expenditures, by the States on FWRAP projects are subject to variation depending on industrial disputes, weather, availability of materials and equipment, etc. In some cases, greater than expected progress is made.
- 5. An important element in efficient program management is the flexibility to transfer allocations from one project to another as and when changes to project implementation schedules occur. Transfers of allocations are a common feature late in the financial year for projects funded under item 943-1-01 - Assistance to the States under the Federal Water Resources Assistance Program.
- 6. The assistance for the Burdekin Falls Dam, though part of FWRAP, has been identified as a separate item in Appropriation Act No. 2 for the purposes of public disclosure. As funding for this project is subject to the same variations as occur on other FWRAP projects, it is desirable that unexpended FWRAP funds are able to be transferred to and from the item as urgent and unforeseen expenditures arise.

- 7. By early June 1986 it was apparent that, of the FWRAP allocations, there would be under-expenditure under Item 943-1-03 (Assistance to the steel regions Water quality improvement, New South Wales) and Item 943-1-01 (Assistance to the States under the Federal Water Resources Assistance Program). Under-expenditures in both these items related to delays in capital works programs.
- 8. 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 1986-87; and
  - avoiding interest charges which would accrue on deferred payments.

#### General Comments

9. 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 Joint Committee of Public Accounts 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 5.

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.

- 10. 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.
- 11. The payment of the additional \$1 million to Queensland for the Burdekin Dam in 1985-86 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 exemple of prudent financial and program management.

Department of Resources and Energy 15 August 1986

## EXPENDITURE FROM THE ADVANCE TO THE MINISTER FOR FINANCE 1985-86 Explanatory Statement

Department: Veterans' Affairs

692 - Other Benefits

Division:
Item:

02 - Pharmaceutical Services

### Purpose of Item:

To provide funds to pay chemists for prescriptions dispensed to persons eligible under Veterans' Entitlement legislation.

Funds Available	1983-84	1984-85	1985-86
	<b>\$</b>	\$	\$
Appropriation Act No. 1 Appropriation Act No. 3 Advance to the Minister for	61,808,000	73,713,000	79,203,000
	3,452,000	1,783,000	2,140,000
Finance	1,600,000	2,200,000	5,100,000
TOTAL FUNDS AVAILABLE TOTAL EXPENDITURE	66,860,000	77,696,000	86,443,000
	66,115,986	77,123,762	86,071,723
UNSPENT FUNDS	744,014	572,238	371,277

## Explanation of requirements for additional funds in 1985-86

## Appropriation Act No. 3

(a) The Pharmaceutical Benefits Remuneration Tribunal handed down the decision to increase the cost of script items with effect from 3/12/85.

The determination provided for an increase of:

5 cents per ready-prepared item;
and

7 cents per extemporaneously prepared item.

Calculation was based on the basis of 5 cents per item as ready prepared items constitute the major portion of script items

+246,000

(b) The Department of Finance advised the effects of exchange rate variations since the finalisation of the Budget as + 3.54%.

This effect was calculated on the portion of script items only. \$53.498,000 @ 3.54%

+1,894,000

+2,140,000

## Advance to the Minister for Finance

There was no evidence of real growth available at the time of preparation of Additional Estimates, up-to-date claims data was not available from the Department of Health because of difficulties being experienced with the "Pharmpay" system. This restricted this Department's ability to assess the position accurately and to predict trends of the remainder of the year.

The requirement for an additional \$5.1m as a final charge from the Advance to the Minister for Finance was both urgent and unforeseen. It arose in early June primarily because of increases in the cost of drugs and an unexpected increase in demand. Both these factors are outside the control of this Department.

Prices increased during the latter part of the financial year ie. after lodgement of the additional estimates, by an average of 24.7 cents per prescription item. This means that the average cost of an item increased to \$7.525, an increase of 8.18% over the average cost per item on which the budget estimate was based.

In regard to the increases in demand, the original estimate included a prediction of 11,176,000 items. However, in the light of developments after the additional estimates were lodged, this estimate proved to be inaccurate and the total demand was 11,698,000 items (an increase of 4.59%).

Notwithstanding the need for additional funding from the Advance to the Minister for Finance, the savings referred to in the 14 May 1985 statement were achieved.

+5,100,000

## JOINT COMMITTEE OF PUBLIC ACCOUNTS INQUIRY INTO THE ADVANCE FROM THE MINISTER FOR FINANCE JUNE 1986 - DIVISION 592-00-02 - PHARMACEUTICAL SERVICES

### Submission by the Department of Veterans' Affairs

#### INTRODUCTION

The Veterans' Entitlement Act 1986 provides for the delivery of pharmaceutical services to persons eligible under that legislation. Funding to meet the cost of these benefits is appropriated in the Department's budget under Division 692-00-02, Pharmaceutical Services.

 While funding is appropriated to this Department, processing of claims and payment of accounts for dispensed prescriptions are undertaken by Department of Health under the "Pharmpay" system.

#### BACKGROUND

- 3. Estimates for pharmaceutical services are made on the basis of the number of prescriptions likely to be dispensed during a full year, multiplied by the average cost applicable at that time. Adjustments to these estimates can be made in anticipation of changes in the demand for prescriptions or response to movements in "historical" costs.
- 4. However, adjustment in anticipation of price movements is not permitted. This means that the methodology used in the calculation of the estimates will lead to an underestimate in an environment of accelerating prices.

## REASONS FOR FUNDING FROM THE ADVANCE TO THE MINISTER FOR FINANCE

- 5. The budget estimate of \$79,203,000 was based on 11,176,000 prescription items at an average cost of \$7.087 per item. This estimate recognised a reduction of 1,474,000 prescription items for the Regulation 66 savings initiative included in the May 14 1985 economic statement and the introduction of the assets test. The savings anticipated were estimated at \$10,448,000. (\$9,720,000 for Regulation 65 savings and \$728,000 for assets test savings).
- 6. There was no evidence of real growth available at the time of preparation of Additional Estimates. Up-to-date claims data were not available from the Department of Realth, because of difficulties being experienced with the "Pharmpay" system. This restricted this Department's ability to assess the position accurately and to predict trends for the remainder of the year. The Department was aware of increases in the average cost of items owing to the devaluation of the Australian dollar. Funds of \$2,140,000 were sought to cover the increase in average cost for items to \$7.278 at Additional Estimates.

- 7. The requirement for an additional \$5.1m as a final charge from the Advance to the Minister for Finance was urgent and unforeseen. It arose in early June primarily because of increases in the cost of drugs and an unexpected increase in demand. Both these factors are outside the control of this Department.
- 8. Prices increased during the latter part of the financial year, i.e. after lodgement of the additional estimates, by an average of 24.7 cents per prescription item. This means that the average cost of an item increased to \$7.525, an increase of 6.18% over the average cost per item on which the budget estimate was based.
- 9. In regard to the increases in demand, the original estimate included a prediction of 11,176,000 items. However, in the light of developments after the additional estimates were lodged, this estimate proved to be inaccurate and the total demand was 11,630,000 items (an increase of 4.59%).
- 10. Analysis of claims data from the Department of Health now indicates that there was a seasonal increase in demand at the same time of about 6.5% for prescriptions on the Pensioner Medical Scheme (PMS). On this basis the increase experienced by this Department is not considered excessive. It should also be noted that Department of Health funding for PMS is provided by Special Appropriation thus removing the need to obtain funds from the Advance to the Minister for Finance.

## COST SAVINGS - MAY 14 ECONOMIC STATEMENT

11. Notwithstanding the need for additional funding from the Advance to the Minister for Finance, the savings referred to in the 14 May 1985 statement were achieved.

19 August 1986