



Australian Government

**REPORT ON ADVANCES PROVIDED
UNDER THE ANNUAL
APPROPRIATION ACTS FOR THE
YEAR ENDED 30 JUNE 2019**

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Table of Abbreviations & Acronyms

Abbreviation/Acronym	Definition
AFM	Advance to the Finance Minister
ANAO	Australian National Audit Office
Infrastructure	*Department of Infrastructure, Regional Development and Cities
Infrastructure	*Department of Infrastructure, Transport, Cities and Regional Development
Finance	Department of Finance

*Please note: The Department of Infrastructure, Transport, Cities and Regional Development was previously known as the Department of Infrastructure, Regional Development and Cities before the Administrative Arrangements Order of 29 May 2019 (<https://www.pmc.gov.au/resource-centre/government/aao-29-may-2019>).

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Introduction

Advances under the annual Appropriation Acts enable urgently required allocations to be issued to entities during the year. They are issued by a Determination made by the Minister for Finance (Finance Minister) (or, for a Parliamentary Department, the responsible Presiding Officer) up to a statutory limit in the annual Appropriation Acts.

This Report discloses details of the three Advances provided during the 2018-19 financial year.

There was one Advance issued from *Appropriation Act (No. 1) 2018-2019* which allows the Finance Minister to issue up to \$295 million.

There were two Advances issued from *Appropriation Act (No. 2) 2018-2019* which allows the Finance Minister to issue up to \$380 million.

The Australian National Audit Office (ANAO) provided an Independent Review Report to the Finance Minister on the process of issuing Advances in 2018-19. A copy of the ANAO's Report is attached to this Report at [Attachment A](#).

Overview for 2018-19

There were three Advances provided to entities in 2018-19. The Advances, together with the expenditure and the amounts underspent, can be summarised as follows:

AFM No.	Entity	Advance Provided (\$'000)	Expenditure (\$'000)	Underspend (\$'000)
1	*Department of Infrastructure, Regional Development and Cities	75,379	44,832	30,547
2	Department of Home Affairs	52,560	10,501	42,059
3	*Department of Infrastructure, Transport, Cities and Regional Development	40,000	40,000	0
Total		167,939	95,333	72,606

*Please note: The Department of Infrastructure, Transport, Cities and Regional Development was previously known as the Department of Infrastructure, Regional Development and Cities, before the Administrative Arrangements Order of 29 May 2019.

This Report provides an explanation of the relevant underspends.

Authority

The sections of the Appropriation Acts which enable the use of Advances are specific to the relevant Act for the relevant year. In 2018-19 the relevant sections, and the amounts available under them, were:

- Section 10 of *Appropriation Act (No. 1) 2018-2019*, which allowed for \$295 million; and
- Section 12 of *Appropriation Act (No. 2) 2018-2019*, which allowed for \$380 million; and
- Section 11 of *Appropriation (Parliamentary Departments) Act (No. 1) 2018-2019*, which allowed for \$1 million for the Department of Parliamentary Services and \$300,000 each for the Department of the Senate, the Department of the House of Representatives and the Parliamentary Budget Office.

Eligibility requirements and transparency

An Advance may only be issued if the Finance Minister (or the responsible Presiding Officer for a Parliamentary Department) is satisfied that:

- 1) there is an urgent need for expenditure that is not, or is insufficiently, provided for in the relevant Appropriation Act; and
- 2) the additional expenditure is required due to:
 - a) an erroneous omission or understatement in that Act; or
 - b) the additional expenditure was unforeseen until after the last day on which it was practicable to provide for it in the relevant Bill for that Act (before the relevant Bill was introduced into the House of Representatives).

An Advance made by the Finance Minister, or the responsible Presiding Officer, has effect on the Appropriation Act concerned as if the Schedule to the Act was amended in accordance with the Determination. Accordingly, these Determinations are legislative instruments under the *Legislation Act 2003*, registered on the Federal Register of Legislation and tabled in the Parliament. They are each accessible at <https://www.legislation.gov.au> under the heading "Legislative Instruments".

A copy of this report is available through the Department of Finance (Finance) website at <http://www.finance.gov.au/publications/advance-to-the-finance-minister>

Guidelines on Advances are available under Part 7 – Provisions for appropriation advances, in the *Guide to Appropriations (RMG 100)*, through the Finance website, at <https://www.finance.gov.au/publications/resource-management-guides/guide-appropriations-rmg-100#-part-7-provisions-for-appropriation-advances->

Advance available in 2018-19

Relevant Advance amounts are restored to the original amount available upon commencement of new Acts.

Prior to the commencement of *Appropriation Act (No. 3) 2018-2019*, on 4 April 2019, no Advances had been provided under *Appropriation Act (No. 1) 2018-2019*.

Section 10 of *Appropriation Act (No. 3) 2018-2019* provides that irrespective of any Advances provided before the commencement of that Act, the amount available under section 10 of *Appropriation Act (No. 1) 2018-2019* is restored to the original amount of \$295 million.

Accordingly, the total amount that could have been issued by the Finance Minister during 2018-19, under *Appropriation Act (No. 1) 2018-2019*, was \$295 million.

Prior to the commencement of *Appropriation Act (No. 4) 2018-2019*, on 4 April 2019, one Advance had been provided under *Appropriation Act (No. 2) 2018-2019*, being \$75.379 million in December 2018 to Infrastructure.

Section 12 of *Appropriation Act (No. 4) 2018-2019* provides that irrespective of any Advances provided before the commencement of that Act, the amount available under section 12 of *Appropriation Act (No. 2) 2018-2019* is restored to the original amount of \$380 million.

Accordingly, the total amount that could have been issued by the Finance Minister during 2018-19, under *Appropriation Act (No. 2) 2018-2019*, was \$455.379 million (this represents \$75.379 million issued plus a further \$380 million available).

Advances made in 2018-19

AFM NO. 1

Legislative Instrument	F2018L01816 – Advance to the Finance Minister Determination (No. 1 of 2018-2019)
Enabled by	Section 12 of <i>Appropriation Act (No. 2) 2018-2019</i>
Sequence	No. 1 of 2018-2019, 18 December 2018
Portfolio	Infrastructure, Regional Development and Cities*
Entity	Department of Infrastructure, Regional Development and Cities (Infrastructure)*
Appropriation item	State, ACT, NT and local government item
Outcome	Outcome 3 – Strengthening the sustainability, capacity and diversity of our cities and regional economies including through facilitating local partnerships between all levels of government and local communities; through reforms that stimulate economic growth; and providing grants and financial assistance
Program	Regional Development

Legislative Requirement	Amount Issued	Expenditure	Underspend
Unforeseen	\$75,379,000.00	\$44,831,704.66	\$30,547,295.34

Explanation of Requirement

On 19 August 2018 and again at the National Drought Summit held on 26 October 2018, the Government announced the extensions of the Drought Communities Program in 2018-19, in order to provide immediate financial assistance to drought affected communities.

The program extensions were announced as part of the 2018-19 Mid-Year Economic and Fiscal Outlook measure *Assistance for Farmers and Farm Communities in Drought*. These government decisions were not made until after *Appropriation Bill (No. 2) 2018-2019* was introduced into the House of Representatives on 8 May 2018. This was an urgent requirement with funding necessary before the Additional Estimates Bills.

On 18 December 2018, Infrastructure was provided with an AFM for \$75.379 million to meet these costs. On 16 July 2019, access to the unspent AFM amount as at 30 June 2019 of \$30.547 million was formally withheld, through Section 51 of the *Public Governance Performance and Accountability Act 2013*.

Explanation of Underspend

The AFM provided funding to 81 Local Government Areas (LGAs) to facilitate short-term economic stimulus to drought-affected communities. While the majority of projects were delivered within the short timeframe, a number of LGAs eligible for program funding experienced project delays due to extenuating circumstances, including as a result of floods and difficulties securing qualified local tradespeople. The true nature of the project delays was not realised until late in the financial year.

Based on information available at the time, the full amount was accrued as at 30 June 2019. The Department of Infrastructure, Regional Development and Cities met these accrued expenses from other appropriation sources during 2019-2020. The Department will receive offsetting supplementation through the 2019-2020 Additional Estimates process.

AFM NO. 2

Legislative Instrument	F2019L00577 – Advance to the Finance Minister Determination (No. 2 of 2018-2019)
Enabled by	Section 10 of <i>Appropriation Act (No. 1) 2018-2019</i>
Sequence	No. 2 of 2018-2019, 5 April 2019
Portfolio	Home Affairs
Entity	Department of Home Affairs
Appropriation item	Departmental item
Outcome	Outcome 1 – Protect Australia’s sovereignty, security and safety through its national security, emergency management system, law enforcement, and managing its border, including managing the stay and departure of all non-citizens
Program	Border Enforcement – Departmental Onshore Compliance and Detention – Departmental

Legislative Requirement	Amount Issued	Expenditure	Underspend
Unforeseen	\$52,560,000.00	\$10,500,719.00	\$42,059,281.00

Explanation of Requirement

On 28 March 2018, the *Home Affairs Legislation Amendment (Miscellaneous Measures) Bill 2018* (the Bill) was introduced into the House of Representatives and subsequently passed both houses on 13 February 2019, making it not possible for an amount to be included in *Appropriation Bill (No. 3) 2018-2019* which had already been finalised and printed prior to introduction into the House of Representatives on 14 February 2019.

The *Home Affairs Legislation Amendment (Miscellaneous Measures) Act 2019* received Royal Assent on 1 March 2019 and commenced the following day. The Government subsequently announced the re-opening of the Christmas Island Immigration Detention Centre.

On 29 March 2019, the Minister for Home Affairs wrote to the Finance Minister requesting an Advance to the Finance Minister of \$52.560 million for the Department of Home Affairs, to allow Home Affairs to meet costs associated with medical transfers to Christmas Island in 2018-2019. The Minister for Finance approved this request on 5 April 2019.

On 16 July 2019, access to the unspent AFM amount as at 30 June 2019 of \$42.059 million was formally withheld, through Section 51 of the *Public Governance Performance and Accountability Act 2013*. An underspend is not inconsistent with the purpose of a measure that is both a deterrent and a treatment initiative.

Explanation of Underspend

The \$52.560 million AFM for departmental operating costs, provided to the Department of Home Affairs, was based on an estimated 250 transitory persons being transferred under the *Home Affairs Legislation Amendment (Miscellaneous Measures) Act 2019*. As only 30 persons were transferred as at 30 June 2019, the cash drawdown for the 2018-19 financial year was \$10.501 million.

AFM NO. 3

Legislative Instrument	F2019L00852 – Advance to the Finance Minister Determination (No. 3 of 2018-2019)
Enabled by	Section 12 of <i>Appropriation Act (No. 2) 2018-2019</i>
Sequence	No. 3 of 2018-2019, 18 June 2019
Portfolio	Infrastructure, Transport, Cities and Regional Development
Entity	Department of Infrastructure, Transport, Cities and Regional Development (Infrastructure)
Appropriation item	State, ACT, NT and local government item
Outcome	Outcome 3 – Strengthening the sustainability, capacity and diversity of our cities and regional economies including through facilitating local partnerships between all levels of government and local communities; through reforms that stimulate economic growth; and providing grants and financial assistance
Program	Local Government

Legislative Requirement	Amount Issued	Expenditure	Underspend
Unforeseen	\$40,000,000.00	\$40,000,000.00	\$0

Explanation of Requirement

On 13 October 2018, the Government announced \$1 billion of additional funding for the Roads of Strategic Importance initiative. Subsequently, as part of the 2019-20 Budget measure *Infrastructure Investment Program – South Australian infrastructure investment*, it was announced the South Australian Government would receive a \$40.000 million payment in 2018-2019 to assist local councils to upgrade and maintain their local road network. This measure was announced after *Appropriation Bill (No. 4) 2018-2019* was introduced into Parliament on 14 February 2019.

On 11 June 2019, the Minister for Infrastructure, Transport, Cities and Regional Development wrote to the Finance Minister requesting an Advance to the Finance Minister of \$40.000 million for the Department, which had insufficient funding to make the payment in 2018-19. The Minister for Finance approved this request on 18 June 2019.

Explanation of Underspend

There was no underspend.

ATTACHMENT A: Independent Review Report – ANAO



INDEPENDENT LIMITED ASSURANCE REPORT

To the Minister for Finance

Conclusion

Based upon the procedures performed and the evidence I have obtained, nothing has come to my attention that causes me to believe that, in all material respects:

- (a) the Department of Finance's *Report on Advances Provided under the Annual Appropriations Acts for the year ended 30 June 2019* (Report on AFM) does not present fairly the Overview for 2018-19 and Advances made in 2018-19 for the year ended 30 June 2019 based on the criteria outlined in this report;
- (b) the controls related to the Department of Finance's administration of Advances to the Finance Minister were not suitably designed to achieve appropriate approval, recording and reporting of Advances to the Finance Minister during the year ended 30 June 2019; and
- (c) the controls did not operate effectively as designed during the year ended 30 June 2019.

My limited assurance conclusion has been formed on the basis of the matters outlined in this report.

Scope and criteria

I have conducted a limited assurance engagement on the Department of Finance's Report on AFM, in order to express a conclusion on the Overview for 2018-19 and Advances made in 2018-19 presented in the Report on AFM, based on the following criteria:

- has the Department of Finance reported 'Advance Provided' balance and the 'Amount Issued' balance, presented in the Report on AFM, in agreement with the following legislative instruments:
 - Advance to the Finance Minister Determination (No. 1 of 2018-19);
 - Advance to the Finance Minister Determination (No. 2 of 2018-19); and
 - Advance to the Finance Minister Determination (No. 3 of 2018-19)
- has the records retained by the Department of Finance supported the results of 'Expenditure' and 'Underspend' balances presented in the Report on AFM.

The limited assurance engagement also addresses the design and operating effectiveness of control within the Department of Finance system throughout the year ended 30 June 2019 relevant to the following control objectives:

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- applications for the AFM are only approved where the applying Commonwealth entity provides sufficient information to support compliance with the criteria set out in the *Appropriation Act (No.1) 2018–19* and *Appropriation Act (No.2) 2018–19*;
- accounts and records, particularly in respect of the applications for the AFM made are adequately maintained; and
- accounts and records are appropriately reflected in the preparation of the Report on AFM in accordance with the relevant legislative instruments and supporting documents for the expenditure.

Basis for conclusion

I have conducted a limited assurance review in accordance with the ANAO Auditing Standards, which include the relevant Standards on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagements on Controls*.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

The responsibilities of the Secretary of the Department of Finance

The Secretary of the Department of Finance is responsible for the preparation and fair presentation of the Report on AFM in accordance with *Appropriation Act (No.1) 2018–19* and *Appropriation Act (No.2) 2018–19*, the above-mentioned Advance to the Finance Minister Determinations and supporting accounts and records relevant to the Report on AFM. The Secretary is also responsible for such control procedures as the Secretary determines necessary to enable the preparation of the Report on AFM that are free from material misstatement, whether due to fraud or error.

The Secretary is also responsible for:

- (a) the Department of Finance's administration of AFM;
- (b) identifying control objectives;
- (c) identifying the risks that threaten achievement of the control objectives related to controls identified above;
- (d) designing of the system, comprising controls to mitigate those risks, so that those risks will not prevent achievement of the identified control objectives; and
- (e) implementation and operating effectiveness of the controls as designed throughout the period.

Independence and Quality Control

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and applied Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* in undertaking this assurance review.

Responsibilities of the Auditor-General

My responsibility is to express a limited assurance conclusion on the Overview for 2018-19 and Advances made in 2018-19 presented in the Report on AFM and the design and operating effectiveness of the Department of Finance's controls related to AFM, based on my procedures.

ASAE 3000 and ASAE 3150 require that I comply with ethical requirements applicable to assurance engagements and plan and perform procedures to obtain limited assurance about whether anything has come to our attention that, in all material respects, the Overview for 2018-19 and Advances made in 2018-19 presented in the Report on AFM was not fairly presented as at 30 June 2019 in accordance with the criteria outlined in this report and that the controls were not suitably designed and operated effectively to achieve identified control objectives.

An assurance engagement to report on the design and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls throughout the period.

In a limited assurance engagement on controls, the assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and examination of design specifications or documentation, and evaluates the evidence obtained. The procedures selected depend on my judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively.

The procedures performed in a limited assurance review vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance review is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, I do not express a reasonable assurance opinion on the presentation of the AFM or on the controls.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the controls that we have assured are designed to operate, has not been assured and no opinion is expressed as to its design or operating effectiveness.

An assurance engagement on operating effectiveness of controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Australian National Audit Office



Bola Oyetunji

Senior Executive Director

Delegate of the Auditor-General

Canberra

19 December 2019