



AUSTRALIAN GOVERNMENT

**ISSUES FROM THE ADVANCES UNDER THE
ANNUAL APPROPRIATION ACTS**

ANNUAL REPORT 2008-09

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INTRODUCTION

The Advances under the annual Appropriation Acts are provisions that enable urgently required appropriation to be issued to agencies during the year. They are issued by a determination of the Finance Minister.¹

The sections of the annual Appropriation Acts which specify the use of the Advances can change from year to year. In 2008-09 the relevant sections were:

- Section 14 of *Appropriation Act (No. 1) 2008-2009*;
- Section 15 of *Appropriation Act (No. 2) 2008-2009*; and
- Section 14 of *Appropriation (Parliamentary Departments) Act (No. 1) 2008-2009*.

The Finance Minister may issue a determination under the Advance provisions if satisfied that:

- 1) there is an urgent need for expenditure that is not provided for, or is insufficiently provided for, in the Schedules to the Acts; and
- 2) the additional expenditure is not provided for, or is insufficiently provided for, in the Schedules to the Acts:
 - a) because of an erroneous omission or understatement; or
 - b) because the additional expenditure was unforeseen until after the last day on which it was practicable to provide for it in the Bills for these Acts before those Bills were introduced into the House of Representatives.

A determination made by the Finance Minister has effect on the Appropriation Act concerned as if the schedule to the Act was amended in accordance with the determination.

Determinations made under the Advance provisions are legislative instruments under the *Legislative Instruments Act 2003*. Accordingly, all determinations are registered on the Federal Register of Legislative Instruments (FRLI) and tabled in the House of Representatives and the Senate. FRLI is a publicly accessible database, available at: <http://www.frli.gov.au>.

The limits for the Advances under Appropriation Acts (No. 1) and (No. 2) were increased for 2008-09. The following table shows the total amounts of the Advance that the Finance Minister could determine in 2008-09 compared with those in 2007-08:

1 In this document, references to the Advances are references to the Advance to the Finance Minister and the Advance to the responsible Presiding Officer. References to the Finance Minister are also references to the responsible Presiding Officer.

	2007-08	2008-09
Advance to the Finance Minister		
Appropriation Act (No. 1) ¹	\$175 million	\$295 million
Appropriation Act (No. 2) ¹	\$215 million	\$380 million
Advance to the responsible Presiding Officer		
Appropriation (Parliamentary Departments) Act (No. 1)		
- Department of the Senate	\$0.3 million	\$0.3 million
- Department of the House of Representatives	\$0.3 million	\$0.3 million
- Department of Parliamentary Services	\$1 million	\$1 million

1 Prior to 2008-09, Advance provisions were included in Appropriation Acts (No. 3), (No. 4), (No. 5) and (No. 6). Advances issued before the finalisation of each subsequent Appropriation Bill were recovered through the additional appropriation provided in these Acts, thus replenishing the limits under the Advance provisions. Amounts which could not be recovered under these arrangements were said to remain as a 'final charge' against the Advance and were reported in the *Issues from the Advance to the Finance Minister as a Final Charge* report.

Determinations made under the Advance provisions in 2008-09

Usage of the Advance provisions in the annual Appropriation Acts during the 2008-09 financial year are summarised in the following table:

	No. of Issues	Total Value of Issues
Advance to the Finance Minister		
Appropriation Act (No. 1)	7	\$120,837,752
Appropriation Act (No. 2)	2	\$235,516,987
Sub-total	9	\$356,354,739
Advance to the responsible Presiding Officer		
Appropriation (Parliamentary Departments) Act (No. 1)	-	-
Sub-total	-	-
Total	9	\$356,354,739

Replenishment of the Advance provisions in 2008-09

Where the limits for the Advances under Appropriation Acts (No. 1) and (No. 2) are under pressure and look like being exhausted within the financial year, subsequent annual Appropriation Acts will contain clauses to restore the limits of the Advance provisions for that particular year.

Provisions within the Additional Estimates Appropriation Acts (No. 3) and (No. 4) for 2008-09 provided that the limits for Advances under Appropriation Acts (No. 1) and (No. 2) be restored to the original amounts of \$295 million and \$380 million respectively, ignoring all amounts issued under the Advance provisions before the commencement of those Acts.

The Additional Estimates Appropriation Acts received Royal assent on 26 March 2009. Amounts issued under the Advance provisions during the period 1 July 2008 to 25 March 2009 were:

Appropriation Act (No. 1) – \$43,315,044

Appropriation Act (No. 2) – \$206,500,247

The 2008-09 Additional Estimates Appropriation Acts contained clauses which prevented appropriations for the same expenditure from both the Advance and the Acts. Subsection 13(2) of *Appropriation Act (No. 3) 2008-2009* and subsection 15(2) of *Appropriation Act (No. 4) 2008-2009* ensured that if the Acts provided an amount for a particular expenditure and, prior to the commencement of the Acts, the Finance Minister determined an amount from the Advance under Act No. 1 or No. 2 for the same expenditure (the advanced amount), then the appropriation in the Acts is reduced by the amount of the Advance issued.

Guidelines on the Advance provisions are provided for Australian Government agencies on the Finance web site at: <http://www.finance.gov.au/budget/budget-process/advance-to-finance-minister.html>.

This Annual Report lists all amounts determined by the Finance Minister in the 2008-09 financial year under the Advance provisions. Cents have been omitted and each amount in the following section is shown to the nearest dollar. Therefore, due to rounding, amounts may not add to the totals.

APPROPRIATION ACT (No. 1) 2008-2009

TOTAL AMOUNT ISSUED: \$120,837,752

SUMMARY

Page No.	Portfolio	Issues from the Advance to the Finance Minister	Expenditure
		\$	\$
5	Agriculture, Fisheries and Forestry	1,107,000	1,107,000
6	Environment, Water, Heritage and the Arts	20,000,000	19,454,231
7	Foreign Affairs and Trade	22,208,044	22,208,044
8	Foreign Affairs and Trade	50,000,000	40,210,823
9	Innovation, Industry, Science and Research	14,717,045	14,717,045
10	Foreign Affairs and Trade	2,266,200	2,266,200
11	Families, Housing, Community Services and Indigenous Affairs	10,539,463	-
		120,837,752	99,963,343

APPROPRIATION ACT (No. 1) 2008-2009

Legislative Instrument No. and Title	F2008L04299, Advance to the Finance Minister — Section 14 of <i>Appropriation Act (No. 1) 2008-2009</i>
Number	No. 1 of 2008-2009
Portfolio	Agriculture, Fisheries and Forestry
Agency	Wheat Exports Australia
Appropriation Item	Departmental Item

Date Issued	Legislative Requirement	Amount Issued	Expenditure
3 November 2008	Unforeseen	\$1,107,000	\$1,107,000

Explanation of Requirement

Following the commencement of the *Wheat Export Marketing Act 2008*, Wheat Exports Australia (WEA) was established on 1 July 2008, replacing the Export Wheat Commission (EWC), with responsibility for the management of bulk wheat exports and wheat export marketing arrangements. At the time the 2008-09 Appropriation Bills were prepared, the Wheat Export Marketing Bill 2008, which established the WEA, had not been introduced to Parliament. Given the uncertainty over the passage of the Bill through Parliament, no amounts were included in the Appropriation Bills as it was unclear whether WEA would be established.

The advance was provided to ensure the financial viability of WEA in 2008-09, as it dealt with start up costs, transitional functions from the former EWC and reduced revenues as a consequence of limited wheat exports due to the drought.

APPROPRIATION ACT (No. 1) 2008-2009

Legislative Instrument No. and Title	F2008L04452, Advance to the Finance Minister – Section 14 of <i>Appropriation Act (No. 1) 2008-2009</i>
Number	No. 2 of 2008-2009
Portfolio	Environment, Water, Heritage and the Arts
Agency	Bureau of Meteorology
Appropriation Item	Administered Item – Outcome 1
Outcome	Australia benefits from meteorological and related science and services
Program	Modernisation and Extension of Hydrological Monitoring Systems

Date Issued	Legislative Requirement	Amount Issued	Expenditure
24 November 2008	Erroneous Omission	\$20,000,000	\$19,454,231

Explanation of Requirement

Appropriation for the Modernisation and Extension of Hydrological Monitoring Systems program was incorrectly provided in *Appropriation Act (No. 2) 2008-2009* due to the incorrect identification of the intended recipients. The objective of the program, as originally set out in the National Plan for Water Security, is to 'assist water data collecting agencies (public and private)' to modernise and extend their water resource monitoring systems.

Once this error had been identified, funding for this program through the Advance was sought under *Appropriation Act (No. 1) 2008-2009* to enable the payment of grants to eligible recipients. These payments were due before the commencement of *Appropriation Act (No. 3) 2008-2009* (the Act). Accordingly, the amount provided in the Act was reduced by the amount advanced.

Explanation of Underspend

The quantum of grants to assist water data collecting agencies to modernise and extend their water resource monitoring systems did not meet the agreed milestone criteria to ensure grant funding would be made during the 2008-09 financial year.

APPROPRIATION ACT (No. 1) 2008-2009

Legislative Instrument No. and Title	F2009L00486, Advance to the Finance Minister – Section 14 of <i>Appropriation Act (No. 1) 2008-2009</i>
Number	No. 3 of 2008-2009
Portfolio	Foreign Affairs and Trade
Agency	Department of Foreign Affairs and Trade
Appropriation Item	Administered Item – Outcome 3
Outcome	Public understanding in Australia and overseas of Australia's foreign and trade policy and a positive image of Australia internationally
Program	Shanghai World Expo 2010

Date Issued	Legislative Requirement	Amount Issued	Expenditure
9 February 2009	Unforeseen	\$22,208,044	\$22,208,044

Explanation of Requirement

The Department of Foreign Affairs and Trade (DFAT) is responsible for the management of Australia's participation in Shanghai World Expo 2010 (SWE), including delivery of an Australian pavilion and the management of associated programs designed to highlight Australia's business expertise, innovation, creativity, culture and values to the Chinese market and a wider global audience.

Initial funding of \$10 million was provided in *Appropriation Act (No. 1) 2008-2009* with an additional \$28 million being provided in *Appropriation Act (No. 3) 2008-2009*.

At the time that funding for this program was initially provided, the schedule of contract payments over the life of the SWE project were not known as the construction and operational contracts were not yet open to tender. Upon completion of the tender process, a higher percentage of the contract value required payments in 2008-09 than initially anticipated. These payments were due before the commencement of *Appropriation Act (No. 3) 2008-2009* (the Act). Accordingly, the amount provided in the Act was reduced by the amount advanced.

APPROPRIATION ACT (No. 1) 2008-2009

Legislative Instrument No. and Title	F2009L02450, Advance to the Finance Minister – Section 14 of <i>Appropriation Act (No. 1) 2008-2009</i>
Number	No. 5 of 2008-2009
Portfolio	Foreign Affairs and Trade
Agency	Australian Trade Commission
Appropriation Item	Administered Item – Outcome 1
Outcome	Australians succeeding in international business with widespread community support
Program	Export Market Development Grants

Date Issued	Legislative Requirement	Amount Issued	Expenditure
16 June 2009	Unforeseen	\$50,000,000	\$40,210,823

Explanation of Requirement

The Export Market Development Grants (EMDG) scheme provides small and medium-sized Australian businesses with taxable grants to reimburse a proportion of eligible export promotion costs. Recent changes to the EMDG scheme had resulted in increases in the value of EMDG applications, which without additional funding, would have resulted in a reduction in the proportion of assessed grant entitlements being paid to individual applicants.

An advance of \$50 million was required to ensure eligible applicants for financial assistance under the *Export Market Development Grants Act 1997* received their full entitlements.

Explanation of Underspend

The cash underspend of \$9,789,177 resulted from claims lodged that had not been finalised and paid by 30 June 2009. All but \$217,355 of the advance provided was committed to meeting the claims including those not yet finalised.

APPROPRIATION ACT (No. 1) 2008-2009

Legislative Instrument No. and Title	F2009L02491, Advance to the Finance Minister – Section 14 of <i>Appropriation Act (No. 1) 2008-2009</i>
Number	No. 6 of 2008-2009
Portfolio	Innovation, Industry, Science and Research
Agency	Department of Innovation, Industry, Science and Research
Appropriation Item	Administered Item – Outcome 3
Outcome	Maintain a strong science and research capacity required to generate and utilise knowledge within the science and research, higher education and industry sectors through investment in research infrastructure, skill development and promoting collaboration both within Australia and internationally

Date Issued	Legislative Requirement	Amount Issued	Expenditure
18 June 2009	Unforeseen	\$14,717,045	\$14,717,045

Explanation of Requirement

In the 2009-10 Budget, the Government announced its decision to commit \$15 million in 2008-09 funding for the establishment of the Royal Institution of Australia (RiAus).

The funding was allocated from the Budget as a one-off contribution from the Australian Government to RiAus towards its establishment and operation. RiAus would be established in Adelaide and bring together scientists, industry, government and the community to further public knowledge on the use of science and technology in everyday life.

An advance was required to enable the \$15 million payment to be made by 30 June 2009.

APPROPRIATION ACT (No. 1) 2008-2009

Legislative Instrument No. and Title	F2009L02534, Advance to the Finance Minister – Section 14 of <i>Appropriation Act (No. 1) 2008-2009</i>
Number	No. 7 of 2008-2009
Portfolio	Foreign Affairs and Trade
Agency	Department of Foreign Affairs and Trade
Appropriation Item	Administered Item – Outcome 3
Outcome	Public understanding in Australia and overseas of Australia’s foreign and trade policy and a positive image of Australia internationally
Program	Shanghai World Expo 2010

Date Issued	Legislative Requirement	Amount Issued	Expenditure
22 June 2009	Unforeseen	\$2,266,200	\$2,266,200

Explanation of Requirement

The Department of Foreign Affairs and Trade (DFAT) is responsible for the management of Australia’s participation in Shanghai World Expo 2010 (SWE), including delivery of an Australian pavilion and the management of associated programs designed to highlight Australia’s business expertise, innovation, creativity, culture and values to the Chinese market and a wider global audience.

As a consequence of exchange rate movements, appropriations of \$38 million provided for the SWE project were insufficient to meet progress payments due by 30 June 2009. An additional \$2,266,200 was required from the advance to cover this shortfall.

APPROPRIATION ACT (No. 1) 2008-2009

Legislative Instrument No. and Title	F2009L02600, Advance to the Finance Minister – Section 14 of <i>Appropriation Act (No. 1) 2008-2009</i>
Number	No. 8 of 2008-2009
Portfolio	Families, Housing, Community Services and Indigenous Affairs
Agency	Department of Families, Housing, Community Services and Indigenous Affairs
Appropriation Item	Administered Item – Outcome 4
Outcome	Strong and resilient communities – Services and assistance that: help homeless people and low-income households to gain affordable and appropriate housing; promote community partnerships; and encourage participation in the local community by individuals, families, business and government
Program	Homelessness and Housing

Date Issued	Legislative Requirement	Amount Issued	Expenditure
25 June 2009	Unforeseen	\$10,539,463	Nil

Explanation of Requirement

As part of the Australian Government's assistance to victims of the Victorian bushfires and North/North Western Queensland floods which occurred in January and February 2009, the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) was responsible for the delivery of a number of initiatives. These initiatives included the provision of income recovery subsidies for those who lost income as a direct result of the fires as well as funeral/memorial assistance to the families of those killed. These payments were unable to be absorbed in full by FaHCSIA without additional funding being sought through the advance.

Explanation of Underspend

As a result of funding the above measures from previously appropriated funds, an advance was required to allow payments in relation to the Housing Affordability Fund. These payments were expected to be paid by 30 June 2009, however, funding agreements supporting such payments were not received from recipients as expected before the end of the financial year. As a result, the expected payments were not made and are being processed in the 2009-10 financial year once funding agreements are received.

APPROPRIATION ACT (No. 2) 2008-2009

TOTAL AMOUNT ISSUED: \$235,516,987

SUMMARY

Page No.	Portfolio	Issues from the Advance to the Finance Minister	Expenditure
		\$	\$
13	Infrastructure, Transport, Regional Development and Local Government	206,500,247	206,500,247
14	Infrastructure, Transport, Regional Development and Local Government	29,016,740	29,016,740
		235,516,987	235,516,987

APPROPRIATION ACT (No. 2) 2008-2009

Legislative Instrument No. and Title	F2009L00712, Advance to the Finance Minister – Section 15 of <i>Appropriation Act (No. 2) 2008-2009</i>
Number	No. 4 of 2008-2009
Portfolio	Infrastructure, Transport, Regional Development and Local Government
Agency	Department of Infrastructure, Transport, Regional Development and Local Government
Appropriation Item	State, ACT, NT and local government item – Outcome 3
Outcome	Assisting regions and local government to develop and manage their futures
Program	Regional and Local Community Infrastructure Program

Date Issued	Legislative Requirement	Amount Issued	Expenditure
23 February 2009	Unforeseen	\$206,500,247	\$206,500,247

Explanation of Requirement

On 18 November 2008, the Prime Minister announced that the Government would make an immediate provision of \$300 million to local governments through the Regional and Local Community Infrastructure Program to build local infrastructure and help support local economies and jobs during the global financial crisis. This announcement comprised two packages; \$250 million for the Local Government Regional and Local Community Infrastructure fund and \$50 million for the Local Government Strategic Projects Infrastructure fund. Provision for this expenditure was provided in *Appropriation Act (No. 4) 2008-2009* (the Act).

An advance was provided to facilitate the payment of \$210 million under the Local Government Regional and Local Community Infrastructure fund due before the anticipated commencement of the Act. Upon commencement, the appropriation provided for this expenditure was reduced by the amount of the advance.

APPROPRIATION ACT (No. 2) 2008-2009

Legislative Instrument No. and Title	F2009L02601, Advance to the Finance Minister – Section 15 of <i>Appropriation Act (No. 2) 2008-2009</i>
Number	No. 9 of 2008-2009
Portfolio	Infrastructure, Transport, Regional Development and Local Government
Agency	Department of Infrastructure, Transport, Regional Development and Local Government
Appropriation Item	State, ACT, NT and local government item – Outcome 1
Outcome	Assisting the Government to provide, evaluate, plan and invest in infrastructure across industry sectors
Program	Nation Building Program

Date Issued	Legislative Requirement	Amount Issued	Expenditure
25 June 2009	Erroneous Omission	\$29,016,740	\$29,016,740

Explanation of Requirement

The Nation Building Program (NBP) supports employment through small to medium scale infrastructure projects whilst building the nations long term economic capacity. The initiative is aimed to increase the efficiency and safety of Australia’s land transport infrastructure whilst strengthening the Australian economy.

The program included payments to States and Territories, local governments and to commercial entities for land transport infrastructure projects. The mix of grant recipients resulted in payments from both *Appropriation Act (No. 1) 2008-2009* and *Appropriation Act (No. 2) 2008-2009*. The nature of the program made it difficult to accurately determine the final outcome of the program until close to the end of the financial year when final claims from recipients were received and assessed. An advance was required to facilitate additional NBP payments under *Appropriation Act (No. 2) 2008-2009*.



INDEPENDENT AUDITOR'S REVIEW REPORT

To the Minister for Finance and Deregulation

Scope

I have reviewed the Department of Finance and Deregulation's control procedures and documentation in relation to the *Advance to the Finance Minister (AFM)* for the year ended 30 June 2009, in order to express an opinion on the effectiveness of these controls.

The Responsibility of the Secretary for the Internal Control Structure

The Secretary of the Department of Finance and Deregulation is responsible for designing, implementing and maintaining an effective internal control structure including control procedures in relation to the AFM.

Auditor's Responsibility

I have conducted an independent review of the control procedures in order to state whether, on the basis of my examination as described, anything has come to my attention that would indicate that they are not adequately designed and effectively operated, in order to:

- assess if applications for the AFM are only approved where the applying agencies provided sufficient information to support their compliance with the criteria set out in the Appropriation Acts;
- ascertain whether the accounts and records, particularly in respect of the applications and issues of Advances are adequately maintained; and
- assess the completeness and accuracy of the publication titled "Issues from the Advances under the Annual Appropriation Acts Annual Report 2008-09".

My review has been conducted in accordance with Australian National Audit Office Auditing Standards which incorporate the Australian Auditing Standards. A review is limited primarily to enquiries of entity personnel, inspection of evidence and observation of, and enquiry about, the operation of the control procedures for a small number of transactions or events.

Inherent Limitations

Because of the inherent limitations of any internal control structure it is possible that errors or irregularities may occur and not be detected. Further, the internal control structure, within which the control procedures that we have reviewed operate, has not been reviewed and no view is expressed as to its effectiveness.

A review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis. Also, a review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Independence

In conducting the review, I have followed the independence requirements of the Australian National Audit Office, which incorporate the ethical requirements of the Australian accounting profession.

Auditor's Statement

Based on my review, which is not an audit, nothing has come to my attention that causes me to believe that the Department of Finance and Deregulation did not maintain, in all significant respects, effective control procedures in relation to the *Advance to the Finance Minister* for the year ended 30 June 2009 based on the criteria referred to above.

Australian National Audit Office



Carla Jago
Executive Director

Delegate of the Auditor-General

Canberra
31 August 2009