

VICTORIA

First Report

of the

AUDITOR-GENERAL

for the year ended 30 June 1984

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PART 1

BACKGROUND INFORMATION

1.1 **FORMAT OF REPORTS TO PARLIAMENT**

- 1.1.1 I intend to present to Parliament 4 reports in respect of 1983-84, as indicated below, together with special reports on other matters as the occasion demands.
- 1.1.2 This First Report, which accompanies the Treasurer's Statement for the year ended 30 June 1984, contains my report on that Statement, as required by Section 47 of the Audit Act 1958.
- 1.1.3 The Second Report, which will be presented to Parliament in October 1984, will contain audit observations and recommendations arising out of the audit of departments during 1983-84.
- 1.1.4 The Third Report, which will be presented to Parliament towards the end of 1984, will cover the operations of certain statutory bodies which I am required by law to audit, as well as reports on any departments whose financial statements were not received by the date specified under the Annual Reporting Act 1983.
- 1.1.5 The Fourth Report, which will be presented later this financial year, will cover those statutory bodies not included in my Third Report because of:
- . delays in the preparation of financial statements,
 - . balance dates other than 30 June, or
 - . incomplete audits.
- 1.1.6 A separate report on the operations and audited financial statements of the Office of the Auditor-General will be presented to Parliament by the Premier this year in accordance with the Annual Reporting Act 1983.

1.2 **ROLE AND FUNCTIONS OF THE AUDITOR-GENERAL**

General

- 1.2.1 The method of appointment, tenure, duties, responsibilities and powers of the Auditor-General are provided for mainly in the Audit Act 1958, with other provisions affecting his role and functions being contained in the Constitution Act 1975, the Public Account Act 1958 and the various enabling Acts establishing statutory authorities.
- 1.2.2 In Victoria, as in other places operating under the Westminster system of government, the Auditor-General is responsible for the external audit of the financial affairs and activities of the Executive and reports annually to the Legislative Assembly.

- 1.2.3 The primary objective of the Office of the Auditor-General is therefore the provision to Parliament of the information which it requires to exercise oversight of the financial operations of government departments and statutory bodies. Thus it plays an important role in the accountability of the Executive to Parliament.
- 1.2.4 Broadly speaking, the Auditor-General has all the responsibilities of external auditors of commercial organisations in relation to the conduct of a financial audit. In addition, there are the special responsibilities which are associated with government auditing to ensure that the decisions of Parliament in relation to financial matters are properly observed and to draw attention to departures from statutory provisions covering these matters. The Auditor-General is able to report freely and as he thinks fit on such matters.
- 1.2.5 By tradition and practice the duties of the Auditor-General have extended beyond financial auditing and reporting breaches of statutory requirements by organisations which are subject to his audit. In the past, attention has been drawn to instances of waste or extravagance in the expenditure of public moneys, either by a department or by a statutory authority.
- 1.2.6 The Auditor-General is an office holder under the Crown, subject to removal only by resolution of both Houses of Parliament. Like members of the judiciary, the Auditor-General is not subject to control either by Parliament or by the Executive in the exercise of his functions and his independence is assured by very wide powers granted by statute. Although undertaking duties on behalf of the Parliament, the Auditor-General is not a servant of the Parliament. The staff of the Office of the Auditor-General are employed under the provisions of the Public Service Act 1974.
- 1.2.7 The Auditor-General has no executive power to enforce improvements in financial management and procedures. The power is one of scrutiny and reporting. It is the responsibility of Parliament and of the Government to act on reports made by the Auditor-General as they think fit.

Audit Responsibility and Reporting Requirements

- 1.2.8 The Auditor-General is responsible for the audit of the financial operations of all State government departments and most major authorities.
- 1.2.9 In Victoria, public sector activities are divided into 2 main areas of operation, generally referred to as the inner budget and outer budget sectors.
- 1.2.10 The inner budget sector includes all those government departments which are financed by annual parliamentary appropriations and the financial operations of which are processed through or come under the control of the central accounting system operated by the Department of Management and Budget. Because Parliament appropriates authority to spend cash within the ensuing year, the cash basis system is largely used to record departmental financial transactions.

- 1.2.11 In the inner budget area, the Auditor-General is required to make a report to Parliament explaining the Statement prepared by the Treasurer on the transactions of all government departments. He also reports on the financial statements prepared by each department under the provisions of the Annual Reporting Act 1983.
- 1.2.12 The outer budget sector comprises a large number of public bodies, many of which are established by separate legislation. These bodies enjoy greater financial autonomy than government departments. Their financial transactions are not reported in the Budget Documents or in the Treasurer's Statement except to the extent of cash appropriated to them by way of special grants and the extent to which they make contributions to the Consolidated Fund.
- 1.2.13 The legislative provisions concerning the form and content of public bodies' financial statements vary substantially, but generally financial statements are prepared on an accrual basis. The Auditor-General reports individually on the financial statements of each public body and in doing so takes due cognisance of accepted accounting and auditing standards as promulgated by the Australian professional accounting bodies and the relevant regulations under the Annual Reporting Act 1983.
- 1.2.14 Many large public bodies are required to include financial statements, along with the Auditor-General's report on those statements, in their annual reports to Parliament.

1.3 **ACKNOWLEDGMENT**

- 1.3.1 I wish to record my appreciation of the assistance of the Government Printer in the preparation of this report.

PART 2

REVIEW OF TREASURER'S STATEMENT

2.1 INTRODUCTION

Statutory Reporting Requirements

- 2.1.1 Section 47 of the Audit Act 1958 requires that I make and sign a report explaining the Treasurer's Statement in full and showing particulars of the several matters referred to in sub-sections (1) and (2) of that section.
- 2.1.2 In practice, the requirement placed on me to explain the Statement in full is met by my presenting a general review of the main features of the State finances including the receipts and payments of the Consolidated Fund, the Public Debt, the Works and Services Account and the Trust Fund.
- 2.1.3 This Part also contains information on general matters which are required to be reported to Parliament under specific provisions of the Audit Act 1958, or which otherwise warrant inclusion.
- 2.1.4 As required by Section 46 of the Audit Act 1958, the Treasurer has included and distinguished in his statement of the payments from the Consolidated Fund for the year such amounts as had been expended but in respect of which no appropriation had been made on or before 30 June 1984. The relevant figures are included on the basis that parliamentary appropriation of the amounts is made in due course.
- 2.1.5 In the Treasurer's Statement, the workers compensation insurance premium paid by the Department of Management and Budget on behalf of most departments and the payments by the Public Works Department for rent, telephone, electricity, maintenance etc. have not been apportioned to departments.
- 2.1.6 The Treasurer's Statement has been examined by my officers and is in agreement with the accounts of the Treasurer.
- 2.1.7 Rounding of figures within this report may, in some instances, result in minor differences when those figures are compared with those shown in the Treasurer's Statement.

Content of Treasurer's Statement

- 2.1.8 The Treasurer's Statement contains details of the amounts credited to the Consolidated Fund from taxation, various other State sources and Commonwealth payments to the State for both recurrent and capital purposes. As such it covers the financial operations of the inner budget sector which includes all government departments which are financed by Annual or Special Parliamentary appropriations, the financial operations of which are processed through or come under the control of the central accounting system operated by the Department of Management and Budget. The Treasurer's Statement does not cover the financial operations of the outer budget sector which comprises a large number of public bodies, except to the extent that the Treasurer's Statement records the receipts from and payments to the authorities from the Consolidated Fund or Trust Funds.

2.1.9 The statement also details:

- (1) payments from the Consolidated Fund made under appropriations by Parliament pursuant to the Appropriation (1983-84, No. 1) Act 1983;
- (2) Special Appropriations including the transfer to the Works and Services Account in the Trust Fund in accordance with Section 5 of the Public Account Act 1958;
- (3) details of the 165 accounts comprising the Trust Fund during 1983-84, together with the payments made therefrom; and
- (4) the balances of the State of Victoria.

2.1.10 In addition, appendices provide details at 30 June 1984 of the public debt of the State, advances from the public account and the contingent liability of the State in respect of guarantees issued by the Treasurer and government guarantees in respect of borrowings by State instrumentalities and other bodies.

The Public Account

2.1.11 The Public Account Act 1958 defines the funds and accounts to be maintained by the State for the recording of its financial transactions. The funds and accounts to be maintained are the Consolidated Fund, the Works and Services Account and the Trust Fund. The Act also makes provision for Special Applications and Temporary Advances to be made from the Public Account which, although not defined, is considered to be the collective bank accounts of the State.

Legislative Changes During the Year Affecting the Content of the Treasurer's Statement

Transport Act 1983

2.1.12 Prior to the repeal of the Railways Act 1958 by the Transport Act 1983 on 1 July 1983:

- (1) all moneys payable to the Victorian Railways Board under the Railways Act were received for and on account of the Consolidated Fund; and
- (2) all moneys expended by the Victorian Railways Board were appropriated by Parliament.

2.1.13 The effect of the change in the legislation on the operations of the Public Account is that revenue of the State for 1983-84 does not include railway revenue (\$242 million in 1982-83) and Vote payments do not include the full operating costs of transport authorities.

2.1.14 There was, however, a new appropriation item included under the Ministry of Transport - "Transport Authorities - Contribution to the operating costs of Public Transport Authorities". An amount of \$338.7 million was made available under this item to the Metropolitan Transit Authority and the State Transport Authority to cover the difference between their operating costs and the revenues collected by the Authorities in 1983-84. The amount was fully expended during the year (refer para. 2.3.16).

- 2.1.15 Section 17 of the Public Account Act 1958 previously provided for the issue of temporary advances from the Public Account to the Victorian Railways Board. The Transport Act 1983 repealed this provision.

Summary of 1983-84 Financial Transactions

- 2.1.16 In the Budget for 1983-84, the Treasurer estimated that the total receipts of the Consolidated Fund would be \$7 859 million and that this amount would be fully expended. The actual receipts of the Consolidated Fund in 1983-84 totalled \$7 781 million, i.e. \$78 million less than estimated.
- 2.1.17 Payments from the Consolidated Fund totalled \$7 753 million for the year, leaving a balance in the Fund at 30 June 1984 of \$28 million.
- 2.1.18 The payments included a transfer of \$1 299 million pursuant to subsection (2) of Section 5 of the Public Account Act 1958 to the Works and Services Account in the Trust Fund. This account is available for expenditure on works and services authorised by the enabling Works and Services Act. The transfer was \$116 million less than that provided for in the estimates for the year and \$322 million more than the amount transferred in 1982-83. At 30 June 1984, the balance in the Works and Services Account was \$90.4 million (1983, \$43.6 million).
- 2.1.19 The statement at paragraph 2.1.31 gives details of the overall operations of the Consolidated Fund for the year.
- 2.1.20 In addition to the receipts required to be credited to the Consolidated Fund, receipts totalling \$24 940 million (1982-83, \$14 481 million) were credited to accounts within the Trust Fund. Payments from the Fund during the year totalled \$24 852 million (1982-83, \$14 450 million). The balance of the Fund at 30 June 1984 totalled \$322.9 million (30 June 1983, \$245.6 million).

The Consolidated Fund

- 2.1.21 The Consolidated Fund was established in Victoria by the Public Account Act 1970, with effect from 1 July 1970. It is a consolidation of what was formerly the Consolidated Revenue and the Loan Fund.
- 2.1.22 The legislation provides that the total of the sums issued out of the Consolidated Fund in a financial year shall not exceed the amounts to the credit of the Fund. In this sense, a cash deficit cannot arise. For a number of years it was the practice to appropriate all moneys in the Consolidated Fund in excess of those required to meet payments pursuant to other parliamentary appropriations to the Works and Services Account in the Trust Fund. However, the Treasurer decided to retain \$28.1 million in the Consolidated Fund.
- 2.1.23 The main reason for the retention of this amount in the Consolidated Fund was that \$28 million represented a payment from the Commonwealth to partially recompense Victoria for its liability to repay the pipeline licence fee. The payment was not due until 1984-85. The matter is further referred to in para. 2.2.11 of this report.

2.1.24 However, it should be noted that the requirement not to incur a cash deficit, i.e. not to spend more than the receipts, does not limit the source of receipts and thus does not preclude borrowing. In fact, borrowings from the following sources formed part of the receipts for the past 2 years:

	1982-83	1983-84
	\$000	\$000
Loan raisings - Financial agreement	154 959	201 548
State Development Account	129 550	162 423
Other Housing Funds	81 816	121 899
States (Works and Housing) Assistance Act 1982	75 000	44 488

2.1.25 To obtain a total picture of the inner budget sector it is, of course, necessary to take into account the transactions of the Trust Fund as well as the Consolidated Fund. Details of the operations of the Trust Fund were discussed previously in para. 2.1.20 and further in section 2.6 of this report.

Summary of Significant Factors which Contributed to the Result in 1983-84

2.1.26 Significant factors which are further dealt with later in this report were:

- (1) an increase of \$32.8 million to \$162.4 million in borrowings from the State Development Account (refer para. 2.2.37);
- (2) an increase of \$136.3 million to \$372.2 million in contributions by certain statutory authorities in the form of dividends and turnover tax (refer paras. 2.2.28 - 2.2.30);
- (3) an increase of \$132.2 million to \$293.5 million in the proceeds of sale of transport assets. The leasing arrangements entered into as a consequence of the sales have further added to the future financial commitment of the State (refer para. 2.2.37);
- (4) an increase of \$82.9 million in Other Stamp Duty due mainly to a 52.2 per cent increase in receipts of duty on transfers of land (refer para. 2.2.11);
- (5) a 75 per cent increase in revenue from Tobacco Licence Fees to \$83.8 million (refer para. 2.2.11);
- (6) a 30 per cent increase from \$176.5 million to \$229.1 million in funds available to the State from the Commonwealth for roads. The increase was mainly related to the Bicentennial Roads Program (refer para. 2.2.34);
- (7) an increase of \$41.3 million in duty received under the Financial Institutions Duty Act 1982 (refer para. 2.2.11);
- (8) a reduction of \$10.2 million in premiums paid for workers compensation to the State Insurance Office (refer para. 2.3.16);
- (9) a reduction from 1982-83 of some \$66.6 million in Pipelines Licence fees consequent upon the decision of the High Court which ruled the fee invalid (refer para. 2.2.11);

- (10) a shortfall of \$47.9 million or 25 per cent in receipts from land tax compared with the amount provided for in the Budget (refer para. 2.2.11);
- (11) a 25 per cent increase in debt charges of the State met from Special Appropriations (refer para. 2.3.10);
- (12) an increase of \$46.8 million in the balance of the Works and Services Account at 30 June 1984 over that of the previous year reflecting the increased flow of moneys from the Consolidated Fund (refer para. 2.2.37); and
- (13) the repayment of an amount of \$10 million to the State Development Account (refer para. 2.3.10).

Balances of the State of Victoria

2.1.27 The transactions and corresponding balances of the State of Victoria for the past 2 years are shown in the following statement:

	1982-83 \$000	1983-84 \$000
Balances 1 July	186 293	215 713
Receipts		
Consolidated Fund	7 203 141	7 780 985
Trust Fund*	15 491 691	24 940 119
	22 881 125	32 936 817
Payments		
Consolidated Fund	7 209 261	7 752 858
Trust Fund*	15 460 538	24 852 725
(Decrease) in Advances	(4 387)	(799)
	22 665 412	32 604 784
Balances 30 June	215 713	332 033

* The increases in the receipts and payments of the Trust Fund were due largely to the operations of the Cash Management Account, an account which was established to pool the liquid assets of the public sector for investment and lending purposes. The account recorded receipts and payments of \$17 933 million in 1983-84 (1982-83, \$7903 million).

It is important to emphasise that the above balances cover only the inner budget sector and do not include any balances held by statutory authorities. In addition, the receipts of both the Consolidated Fund and the Trust Fund include various borrowings (see para. 2.1.24 concerning the Consolidated Fund) and the balances are therefore arrived at after such borrowings.

2.1.28 The net effect of the year's transactions was an increase in the total balances of the State of \$116.3 million, brought about by an increase in the credit balance of the Trust Fund of \$87.4 million, a reduction in advances from the Public Account of \$0.8 million, together with an increase of \$28.1 million in the amount retained in the Public Account.

2.1.29 State balances as at 30 June 1983 and 1984 were as follows:

	30.6.83	30.6.84
	\$000	\$000
Trust Fund Balance	245 553	332 947
Balance retained in the Public Account	..	28 127
	<hr/>	<hr/>
	245 553	361 074
	<hr/>	<hr/>
Less Advances from Public Account		
For Consolidated Revenue Deficits (prior to 1970)	21 782	21 782
For Departments and Other Purposes	8 058	7 259
	<hr/>	<hr/>
	29 840	29 041
	<hr/>	<hr/>
	215 713	332 033
	<hr/>	<hr/>

2.1.30 The balances were represented by:

	30.6.83	30.6.84
	\$000	\$000
Cash at Bank	67 784	16 688
Fixed Deposit Account	63 563	57 520
Victorian Public Authorities Finance Agency*	..	130 000
	<hr/>	<hr/>
	131 347	204 208
Investments - Trust Fund	84 366	127 825
	<hr/>	<hr/>
	215 713	332 033
	<hr/>	<hr/>

*Agency established on 26 June 1984 under the Victorian Public Authorities Finance Agency Act 1984.

2.1.31 Details of the operations of the Consolidated Fund for the past 2 years are contained in the following table:

CONSOLIDATED FUND

CURRENT ACCOUNT SECTOR

	1982-83	1983-84	1982-83	1983-84
RECEIPTS	\$000	\$000	\$000	\$000
State Taxation	2 286 065	2 492 811	1 126 859	1 214 015
Other State Sources	1 259 132	1 421 408	4 534 099	5 240 122
Railways Operating Income	242 377	..	572 003	..
Cash Management Account	97 700	..		
			6 232 961	6 454 137
Commonwealth Payments -			Nil	28 126

Balance Carried Forward to 1984-85

Financial Agreement	4 254	4 254		
Health Grant	300 549	323 248		
Tax Sharing Grant	1 743 372	1 926 238		
Special Temporary Revenue Assistance	..	34 800		
Other Commonwealth Payments accounted for through the Consolidated Fund	249 757	279 504		
Balance Brought Forward	6 183 206	6 482 263		
	6 120	..		
Total Current Account Sector	6 189 326	6 482 263	6 232 961	6 482 263

WORKS AND SERVICES SECTOR

Proceeds of Loan Raisings States (Works and Housing) Assistance Act 1982	154 959	201 548	976 299	1 298 722
Loan Repayments	75 000	44 488		
Revenue Previously Paid Directly to the Trust Fund	15 683	24 946		
Sesquicentenary Grants	40 164	27 012		
Sale of Transport Assets	100	2 400		
State Development Account	161 242	293 469		
	129 550	162 423		
Commonwealth Payments -				
Works Grant	114 979	123 019		
Housing	81 816	121 899		
School Buildings Grants	69 905	68 391		
Transport	176 536	229 127		
Total Works and Services Sector	1 019 934	1 298 722		
TOTAL	7 209 260	7 780 985	7 209 260	7 780 985

Status Report

2.1.32 The following information relates to the status of observations and recommendations contained in my previous reports on the Treasurer's Statement.

<u>REPORT</u>	<u>PAGE</u>	<u>SUBJECT</u>	<u>STATUS AT DATE OF PREPARATION OF THIS REPORT</u>
1978-79 1979-80	7 9	Balance of Consolidated Revenue Deficits at 30 June 1970 still unfunded and temporarily financed from Public Account.	Position unchanged.
1981-82	35	Salary costs should not be charged to the Treasurer's Advance until the total amount authorised under the Appropriation Act is fully expended.	No salary costs were charged to the Treasurer's Advance in 1983-84 before the amount authorised under the Appropriation Act had been expended.
1982-83	21	No legislative authority for the Treasurer to determine administrative expenses of the Victorian Development Fund in Advance.	Item not present in 1983-84.
1982-83	37	Action should be taken to include in the Treasurer's Statement information showing the total public debt of the State.	Further comment in paras. 2.4.5-2.4.8 of this report.
1982-83	40	The Treasurer's Statement should disclose the extent to which the general revenues of the State are required to meet debt charges.	No statement has been prepared by the Treasurer but details are disclosed in paragraph 2.4.20 of this report.
1982-83	42	Loan raisings by the State Rivers and Water Supply Commission paid into the Works and Services Account were not specifically appropriated as required by Section 61A of the Water Act 1958.	Position unchanged.
1982-83	49	Need for disclosure in the Treasurer's Statement of unspent Commonwealth moneys previously held in Trust Accounts.	Position unchanged.

2.2 CONSOLIDATED FUND RECEIPTS - OVERVIEW

2.2.1 In the Budget for 1983-84 the Treasurer estimated that the total receipts of the Consolidated Fund would be \$7 859 million. The actual receipts of the Consolidated Fund in 1983-84 totalled \$7 781 million, \$78 million less than estimated.

2.2.2 The following statement compares the receipts for 1983-84, as detailed in the Treasurer's Statement, with those for 1982-83 and with the Budget estimates for 1983-84:

HEADS OF RECEIPT	Actual 1982-83 \$000	Actual 1983-84 \$000	Budget Estimate 1983-84 \$000	Variation from Budget + Estimate - \$000
Taxation	2 286 065	2 492 811	2 496 630	- 3 819
Recoveries of debt charges	207 526	224 052	241 226	- 17 174
Land revenue	174 499	193 990	189 480	+ 4 510
Harbor revenue	10 463	9 850	9 440	+ 410
Fees and charges for departmental services	176 081	200 465	202 605	- 2 140
Conservation, Forests and Lands - Forests Division	25 104	31 721	29 800	+ 1 921
State Rivers and Water Supply Commission	75 162	81 674	81 360	+ 314
Public Authorities	235 959	372 227	372 227	..
Miscellaneous receipts	105 867	111 320	111 730	- 410
Cash Management Account*	97 700	..	..	..
Railways**	242 377	..	..	..
Revenue previously paid directly to the Trust Fund (Recurrent)	248 471	196 108	202 692	- 6 584
Commonwealth payments	2 297 932	2 568 045	2 509 924	+ 58 121
Proceeds of loan raisings***	229 959	246 036	246 036	..
Loan repayments	15 683	24 946	66 697	- 41 751
Works grant	114 979	123 019	123 018	+ 1
School building grants	69 905	68 391	76 570	- 8 179
Transport	176 536	229 127	258 223	- 29 096
Housing	81 816	121 899	123 432	- 1 533
Sesquicentenary grants	100	2 400	2 400	..
Revenue previously paid directly to the Trust Fund (Capital)	40 164	27 012	29 273	- 2 261
Sale of transport assets	161 242	293 469	311 600	- 18 131
State Development Account	129 550	162 423	175 000	- 12 577
Total Receipts	7 203 140	7 780 985	7 859 363	- 78 378

* Cash Management Account (refer para. 2.3.10)
 Advances to the Consolidated Fund - 1982-83 \$97.7 million
 Less repayments this year 57.1 million
 Net borrowing 1983-84 \$40.6 million

** Railway Revenue in 1983-84 was retained by the State Transport Authority (refer para. 2.1.13).

*** Includes \$44.5 million (1982-83, \$75 million) made available under the States (Works and Housing) Assistance Act 1982.

Comparison with Budget

2.2.3 The net shortfall of \$78.4 million was made up as follows:

	\$000	\$000
Shortfalls from Budget estimate		
Loan Repayments	41 751	
Transport	29 096	
Sale of transport assets	18 131	
Recoveries of debt charges	17 174	
State Development Account	12 577	
School Buildings Grants	8 179	
Revenue previously paid directly to the Trust Fund (Recurrent)	6 584	
Other	10 163	
	<hr/>	143 655
Offset by items in excess of Budget estimate		
Commonwealth payments	58 121	
Land revenue	4 510	
Other	2 646	
	<hr/>	65 277
		<hr/>
Net shortfall in receipts		78 378
		<hr/>

2.2.4 In broad terms, the receipts of the Consolidated Fund were derived from the following sources and compare with Budget estimates and with those of the previous year as shown:

	Actual 1982-83 \$000	Budget 1983-84 \$000	Actual 1983-84 \$000
<u>State sources</u>			
State taxation	2 286 065	2 496 630	2 492 811
Revenue previously paid directly to the Trust Fund	288 635	231 965	223 120
State Development Account	129 550	175 000	162 423
Sale of transport assets	161 242	311 600	293 469
Cash Management Account	97 700	..	..
Other State sources excluding Railways	1 010 662	1 237 868	1 225 299
Railway income	242 377	..	..
	<hr/>	<hr/>	<hr/>
	4 216 231	4 453 063	4 397 122
<u>Commonwealth sources</u> excluding loan raisings	2 743 212	3 093 568	*3 113 770
<u>Loan raisings and repayments</u>	243 698	312 732	270 093
	<hr/>	<hr/>	<hr/>
	7 203 141	7 859 363	7 780 985
	<hr/>	<hr/>	<hr/>

* Includes Commonwealth contributions in 1983-84 of \$889 049 (1982-83, \$1.9 million) towards the cost of projects and services met from the Works and Services Account and credited to the Consolidated Fund under the head of loan repayments.

Comparison with Actual Receipts for 1982-83

- 2.2.5 The actual receipts of the Consolidated Fund exceeded those of the previous year, \$7 203 million, by \$578 million. Details of the variations between the 2 years are given in para. 2.2.8 of this report.
- 2.2.6 Receipts from State sources increased by \$181 million and constituted 56.51 per cent of the total compared with 58.54 per cent in the previous year. Receipts from Commonwealth sources were \$371 million more than in the previous year and represented 40.02 per cent as against 38.08 per cent for 1982-83. Loan raisings and repayments yielded \$26 million more than the 1982-83 total of \$243.7 million and comprised 3.47 per cent of the total receipts compared with 3.38 per cent in 1982-83.

RECEIPTS - STATE SOURCES

- 2.2.7 The major items causing the overall increase of \$181 million in actual receipts from State sources were:

	\$000
Public authority payments	136 268
Sale of transport assets	132 227
Other stamp duty	82 901
Petroleum licences	42 191
Financial institutions duty	41 372
Tobacco licences	35 955
State Development Account	32 873
Payroll tax	32 094
Fees and Charges - departmental services	24 384

- 2.2.8 However, it should be noted that the following major items present in 1982-83 which were not present in 1983-84, namely:

	\$000
Railway revenue	242 377
Cash Management Account	97 700
Pipelines licence	66 600

- 2.2.9 Comments on a number of items of revenue from State sources follow.

Taxation

- 2.2.10 Taxation receipts in 1983-84 increased by \$206.7 million over those of the previous year. However, there was a shortfall of \$3.8 million from the amount provided for in the estimates. Details of the variations are:

	Actual 1982-83 \$000	Actual 1983-84 \$000	Budget Estimate 1983-84 \$000	Variation from Budget + Estimate
Payroll tax	931 453	963 546	968 800	- 5 254
Probate duty	42 602	30 061	20 000	+ 10 061
Land tax	139 347	143 118	191 100	- 47 982
Motor car third party insurance surcharge	18 880	19 024	19 500	- 476
Totalizator commission	65 042	72 907	69 200	+ 3 707

	Actual 1982-83 \$000	Actual 1983-84 \$000	Budget Estimate 1983-84 \$000	Variation from Budget + Estimate
Tattersalls duty	192 203	202 698	224 900	- 22 202
Gift duty	412	175	300	- 125
Motor Car Act 1958				
Section 7A fees	48 548	48 674	51 000	- 2 326
Health levy	36 444	21 630	23 000	- 1 370
Betting and bookmakers'				
turnover tax	11 886	12 824	12 300	+ 524
Duty on insurance business	101 072	114 699	116 200	- 1 501
Other stamp duty	353 814	436 715	386 380	+ 50 335
Financial institutions duty	39 498	80 869	87 000	- 6 131
Licencing fund payment	55 558	70 203	68 000	+ 2 203
Licences				
Tobacco	47 847	83 802	67 400	+ 16 402
Petroleum	109 457	151 648	144 000	+ 7 648
Pipelines	66 600	..	..	..
Motor Drivers	20 039	33 743	33 000	+ 743
Other	5 363	6 475	14 550	- 8 075
	2 286 065	2 492 811	2 496 630	- 3 819

2.2.11 The major variations are discussed below:

Other Stamp Duty

Other Stamp Duty increased by \$82.9 million, from \$353.8 million in 1982-83 to \$436.7 million in 1983-84. The duties which were mainly responsible for the large increase were:

(1) Land Transfers

Receipts from this source increased by 52.2 per cent from \$138.6 million to \$211 million due to 2 factors introduced from 1 January 1984 under the Stamps (Further Amendment) Act 1983. These factors were:

- (i) increases in the rates of duty on properties selling in excess of \$100 000; and
- (ii) the imposition of a duty on the total value of the overall consideration on the sale of a property. Previously, the value of personal property (i.e. chattels) was exempt from duty and there was a tendency to include the value of the chattels at an inflated value, thereby reducing the amount of duty payable on the transfer of a property.

(2) Share Transactions

Duty on share transactions increased by \$12.7 million over the 1982-83 total of \$22.3 million, an increase of 57.1 per cent for the year. The general improvement in the share market coupled with a number of company takeovers were the main reasons for the increase.

(3) Motor Vehicles

Duty on the sale and resale of motor vehicles increased by \$21 million to \$101.9 million in 1983-84. The increase was due largely to the introduction from 1 January 1984, under the provisions of the Stamps (Further Amendment) Act 1983, of the requirement for motor car dealers to become liable for the duty payable on sales of used cars. The duty is collected from the dealer through a monthly return to the Stamps Office rather than the individual payment of the duty by the purchaser to the Road Traffic Authority.

Financial Institutions Duty

Duty imposed under the Financial Institutions Duty Act 1982 increased from \$39.5 million in 1982-83 to \$80.9 million in 1983-84. The main reason for the 105 per cent increase was the operation of the legislation for a full year.

As a result of the introduction, from 1 January 1983, of the Financial Institutions Duty Act 1982, there were a number of decreases in the revenue from Other Stamp Duty. These decreases were mainly in the areas of duty on cheques, \$14.1 million and Credit and Rental, \$9.3 million.

Petroleum Products Licences

Revenue from petroleum licences increased from \$109.5 million in 1982-83 to \$151.6 million in 1983-84 and exceeded the amount provided for in the estimates by \$7.6 million.

The increase for the year was due to increases in the petroleum franchise fee from 5.4 per cent to 7.8 per cent for motor spirit and from 8.6 per cent to 11 per cent for diesel fuel. These increases were imposed under the Business Franchise Acts (Further Amendment) Act 1983 and were effective from 1 December 1983.

Tobacco Licences

Revenue collected from this source in 1983-84 totalled \$83.8 million (1982-83, \$47.8 million), which represents an increase of 75 per cent.

The increased licence fees which were imposed under the Business Franchise Acts (Further Amendment) Act 1983 increased the rate of duty payable on tobacco products from 12 per cent to 25 per cent from 1 December 1983. Subsequent legislation, namely the Business Franchise (Tobacco) (Amendment) Act 1983 reduced the licence fee by 10 per cent in towns and cities in Victoria which are within 15 kilometres of the border with New South Wales.

Licensing Fund Payment

An amount of \$70.2 million was received from the Licensing Fund in 1983-84. The amount represented a 26 per cent increase in the amount of \$55.6 million received in 1982-83.

The increased payment was due to:

- (1) increases in licence fees, other than licences of vigneron and ships provedores, from 9 to 15 per cent of the value of purchases in the previous financial year, together with a charge of 5 cents per litre of the volume of purchases in the same year. The increases were imposed under the Liquor Control (Fees) Act 1983; and
- (2) increases in fees imposed under the Liquor Control (Fees No. 2) Regulations 1983.

Payroll Tax

Payroll tax receipts in 1983-84 increased by \$32.1 million to \$963.5 million, but were \$5.2 million short of the estimated receipts.

The receipts for the year comprised \$820.7 million of normal payroll tax and \$142.8 million on account of a 1 per cent surcharge on payrolls exceeding \$1 million in 1983-84.

The increase for the year was substantially less than the increase in 1982-83 (\$136.4 million) and was due to lower increases in salaries and wages being granted during the year than those of the previous year. The raising of the basic payroll tax exemption from \$140 000 to \$200 000 further added to the reduction.

Probate Duty

Collections from probate duty, \$30 million (1982-83, \$42.6 million) continued to fall. The decrease is in keeping with the abolition of probate duty on estates of persons who died after 1 January 1984.

Land Tax

Receipts from land tax totalled \$143.1 million and exceeded the amount collected in 1982-83 by \$3.8 million. However, the collections were \$47.9 million less than the amount provided for in the estimates. This shortfall is significant and represents 25 per cent of the estimated receipts from this source.

An internal review by the Taxation Office established that there were a number of reasons for the shortfall, many of which have been raised in my previous reports to Parliament. The following is a summary of the main issues:

- (1) Since 1978 the operations of the Taxation Office have been severely and continuously hampered by the amount of corrupt data which was loaded on to the data base. This mainly resulted from the failure to edit the information that was loaded on to the data base.
- (2) The retrospective legislation introduced in December 1978 (effective from 1 January 1978) which significantly increased the principal residence concession, delayed the issue of the 1978 assessments and further led to the cancellation of thousands of assessments issued prior to the enactment of the legislation.

- (3) By late 1979 the issue of assessments had fallen almost 12 months into arrears due to the difficulties experienced in 1978.
- (4) In late 1981, the previous government decided that assessments for each year back to 1978 were to be prepared and issued to a potential 200 000 apparent new taxpayers. During 1982, some 125 000 taxpayers were identified as being liable to tax for the first time in 1982 and assessments were required to be issued to them. However, due to corrupt information on the data base, considerable backlogs of amendments resulted.
- (5) High priority was given to the progressive eradication of the corrupt data and it has only been very recently that any real headway has been made in this regard, and "non-existent tax" identified and confirmed as such.
- (6) On the rationalisation of the data base it was evident that there had been significant sales of land by developers, who attracted the maximum rate of tax, to persons who used the land as their principal place of residence, in which case the land was not taxable. The raising of the exemption level to \$49 770 (as indexed) from the previous \$9 000 further impacted on the tax collectable.
- (7) The collections in 1983-84 were seriously affected by:
 - (a) the inability to update the data base while a major update program was re-written;
 - (b) fewer assessments being issued than anticipated;
 - (c) more than 1 year's assessments being issued to taxpayers in quick succession, which was met with resistance by the taxpayers;
 - (d) some 1983-84 assessments being issued later than expected, leaving insufficient time to take effective action to recover the tax;
 - (e) an allowance of \$25.1 million made in the estimates for apparent tax of \$13.2 million on stockpiled assessments awaiting amendment, for the 1982 and 1983 years and \$11.9 million for assessments which had not been raised at the time of the budget. None of this \$25.1 million tax really existed; and
 - (f) the non-collection of \$22.4 million which represented deferred collections due mainly to the inability of the Taxation Office to update the data base while the major update program was re-written.

Totalizator Commission

Receipts from this source increased from \$65 million in 1982-83 to \$72.9 million in 1983-84. The increase of 12 per cent was due to the record increase in betting turnover to \$1 172 million during the year.

Tattersalls Duty

The Tattersall Consultations Act 1983 increased from 1 January 1984 the amount of duty payable by Tattersalls from consultations. The legislation provided, inter alia, for the Government's share of subscriptions to be increased to:

- (1) 35 per cent (previously 32.5 per cent) of subscriptions up to \$200 million and thereafter at a level up to 36 per cent, depending on turnover; and
- (2) a 25 per cent share of the profits of Tattersalls from its operations as a licensee.

During the year Tattersalls turnover exceeded the minimum level which attracted the 35 per cent duty and duty above this base rate totalling \$267 704 was received. As Tattersalls financial year ends on 30 June, the results for 1983-84 have yet to be determined. Any share of the profits for 1983-84 will be received in 1984-85.

The table below details the variations in the duty collected on the various Tattersalls consultations conducted during the last 2 financial years:

	<u>Receipts</u> <u>1982-83</u> \$000	<u>Receipts</u> <u>1983-84</u> \$000
Tattslotto (Saturday)	152 965	148 571
Tattslotto (Mid Week)	..	12 880
Instant Lottery	24 940	26 220
Super 66	9 242	10 303
Ordinary Consultations	2 604	2 613
Soccer Football Pools	2 452	2 077
Tatts 2 - Daily Game	..	34
	<hr/>	<hr/>
	192 203	202 698
	<hr/>	<hr/>

A total of \$237.6 million would have been paid to the Consolidated Fund in 1983-84 had it not been for the amendment (from 1 January 1984) of the Tattersall Consultations Act 1958.

Prior to this amendment the States other than Victoria participating in Australian Lotto Bloc, namely Queensland, South Australia and Western Australia were required to pay the duty on subscriptions derived from those States to the Consolidated Fund. Under agreements the States were refunded the full amount of duty on the same day.

Section 6B of the amending legislation allowed the Treasurer to permit the participating States, by agreement, to retain the duty on subscriptions in the State in origin. The changed procedures therefore account for the apparent decrease in duty from Tattslotto. Duty of \$34.9 million was retained by the 3 participating States.

Insurance Business

Duty on insurance business totalling \$114.7 million increased by \$13.6 million over the receipts of 1982-83. The increase was due largely to higher premiums being charged by insurance companies.

Health Levy

Receipts from the health levy fell from \$36.4 million in 1982-83 to \$21.6 million in 1983-84. The main reason for this reduction was the abolition of the duty, with effect from 1 April 1984, under the provisions of the Hospitals Benefits (Levy) (Amendment) Act 1983.

Motor Drivers Licences

Licence fees collected in 1983-84 totalled \$33.7 million, compared with \$20 million in 1982-83, an increase of 68 per cent. The increase in fees was due mainly to the effect in a full year of the introduction of 6 year licences from 1 April 1983.

Pipeline Licence Fee

No revenue was derived from this source in 1983-84 (\$66.6 million in 1982-83). The reason for this was the judgment handed down by the High Court which ruled the licence fee to be invalid. On 10 October 1983 judgment in the sum of \$64.3 million was awarded against the State in favour of Esso/BHP.

Subsequent to the decision it was agreed that:

- (1) Victoria would not impose a charge on Esso/BHP to make up for the loss of revenue in 1983-84 caused by the Pipeline Licence Fee decision;
- (2) Esso/BHP would not require the State Government to repay amounts collected from the Pipeline Licence Fee in 1983-84, and would only require the Government to repay half of the outstanding amount in 1984-85 and the remaining half in 1985-86; and
- (3) the Commonwealth Government would pay to Victoria in 1984-85 46 per cent of payments due in regard to past payments of the Pipeline Licence Fee; this had regard to the company tax entitlement of the Commonwealth Government on these payments.

Although the Commonwealth Government agreed to pay 46 per cent of the tax to the State in 1984-85, a sum of \$28 million was received in 1983-84, being part of the amount due and credited to the Consolidated Fund under the heading of Commonwealth Payments - Other.

Taxation Assessed and Not Collected

Details of taxation assessed but uncollected at 30 June 1984 compared with 30 June 1983 are as follows:

	30.6.83	30.6.84
	\$000	\$000
Land Tax	47 867	43 500
Probate Duty	11 276	7 487
Gift duty	293	246
	<hr/>	<hr/>
	59 436	51 233*
	<hr/>	<hr/>

*Subject to audit verification at date of preparation of this report.

Recoveries of Debt Charges

Transactions for the Year

2.2.12 The following statement sets out the variations in the recoupment of debt charges over the past 2 years:

	Actual	Actual	Budget	Variation
	1982-83	1983-84	Estimate	from Budget
	\$000	\$000	1983-84	+ Estimate
			\$000	- \$000
Housing	68 052	76 005	74 391	+ 1 614
Melbourne and Metropolitan Board of Works	31 323	24 909	25 542	- 633
Rural Finance and Settlement Commission	13 439	12 986	12 000	+ 986
State Development Program	..	12 886	19 329	- 6 443
State Electricity Commission	68 953	69 231	63 440	+ 5 791
Water and sewerage authorities	5 308	6 461	5 200	+ 1 261
Other	20 451	21 574	41 324	- 19 750
	<hr/>	<hr/>	<hr/>	<hr/>
	207 526	224 052	241 226	- 17 174
	<hr/>	<hr/>	<hr/>	<hr/>

2.2.13 The main reasons for the shortfall of \$17.2 million over the amount provided for in the Budget were:

- (1) the non-recalling of advances totalling \$20 million; and
- (2) a shortfall of \$6.4 million in interest and principal recoveries under the State Development Program.

These shortfalls were partially offset by increased recoveries of \$5.8 million from the State Electricity Commission.

Changed Procedures

2.2.14 The Treasurer's Statement for 1983-84 does not disclose recoveries from authorities of contributions to the Sinking Fund (further reference to the Sinking Fund is made in section 2.4 of this report). Details of the reasons for the changed arrangements are contained in paragraphs 2.2.15 to 2.2.19 of this section.

- 2.2.15 During the year, pursuant to sub-section 5 of Section 5 of the Public Account Act 1958, the Treasurer varied the terms and conditions of loans made prior to 1970 to statutory authorities.
- 2.2.16 Previously, the terms and conditions of loans to statutory authorities were designed to recoup from the borrowers the State's liability to the Commonwealth under the Sinking Fund arrangements. However, the terms and conditions of the loans represented an under-recovery of charges incurred by the State. As an example, interest rates recovered by the State on the loans ranged from 6.6 per cent to 7.8 per cent in 1982-83, whereas the average interest rate payable on the State's liability to the Commonwealth was much higher at 30 June 1983.
- 2.2.17 The changes made during the year consolidated the pre 1970 debt outstanding by the authorities at 30 June 1983 into repayable loans over a maximum of 20 years and bearing interest equal to the "pool" or average rate payable on Victoria's debt to the Commonwealth.
- 2.2.18 To immediately increase the rate of interest to the pool rate would have placed undue financial strain on a number of authorities and it was agreed to increase the rate in half-yearly steps of 0.5 percentage points from the 1982-83 level until the pool rate is reached.
- 2.2.19 The effect of the changed arrangements was that approximately \$9 million additional repayments and interest were received in 1983-84. The State fully met the contribution to the Sinking Fund of \$45.7 million.

Land Revenue

- 2.2.20 Variations in land revenue over the past 2 years were:

	Actual 1982-83 \$000	Actual 1983-84 \$000	Budget Estimate 1983-84 \$000	Variation from Budget + Estimate - \$000
Lands	9 200	12 527	21 530	- 9 003
Mining	767	877	850	+ 27
Royalties - submerged lands	159 759	173 692	160 100	+ 13 592
other	4 773	6 894	7 000	- 106
	<hr/>	<hr/>	<hr/>	<hr/>
	174 499	193 990	189 480	+ 4 510
	<hr/>	<hr/>	<hr/>	<hr/>

- 2.2.21 Land revenue totalled \$193.9 million in 1983-84, an increase of \$19.5 million over the receipts of the previous year, and exceeded the Budget estimated by \$4.5 million. However, on examination the following matters are noted:

- (1) lands revenue from sale, lease and licence increased by \$3.3 million but fell short of the Budget estimate by \$9 million due to estimated land sales not being achieved; and
- (2) royalties received from submerged lands increased from \$120 million to \$173.7 million as follows:

	1982-83	1983-84
	\$000	\$000
Royalty Receipts (refer para. 2.2.20)	159 759	173 692
Less payment to the Commonwealth	39 671	..
	<hr/>	<hr/>
Net receipts	120 088	173 692
	<hr/>	<hr/>

2.2.22 The substantial increase in royalties for the year of approximately 44.6 per cent was brought about predominantly by the production from the Fortescue field which was brought on stream in June 1983. Production from this field, classified as oil free of excise by the Commonwealth, has increased the base upon which royalty is calculated and therefore the royalty revenue to the State. In addition, there has been an increase in overall petroleum production from Bass Strait.

Fees and Charges for Departmental Services

2.2.23 Fees and charges for departmental services amounted to \$200.46 million for 1983-84. This was \$24.38 million higher than the figure in 1982-83 but fell short of the Budget estimate by \$2.1 million.

2.2.24 The major increases over 1982-83 were:

- . \$9.6 million in fees collected by the Titles Office due to an increase in fees payable from 1 January 1984 together with an increase in the number of land transactions resulting from buoyant property sales in 1983-84.
- . \$5.3 million in fees collected by the Corporate Affairs Office due to increased fees imposed from 1 October 1983, together with an increase in the number of registrations of companies and business names.
- . \$2.9 million in fees collected by the State Chemistry Laboratories. The fees were generated from vote allocations of the departments whose laboratories were amalgamated in 1983 to form the the State Chemistry Laboratories.
- . \$1.8 million in fees collected by the Government Statist due to increases in fees from 18 November 1983 and an increase in the number of birth certificates issued.
- . \$1.7 million in fees charged by the Government Computing Service due to increases in fees from 1 September 1983 and an increase in use of E.D.P. services.
- . \$1.3 million increase by the Public Works Department in the recoupment of the cost of design, supervision and administration in connection with works met from the Works and Services Account. The increase in the works program of the State led to the increased recoupment.

Conservation, Forests and Lands - Forests Division

- 2.2.25 Revenue from the Division increased from \$25.1 million in 1982-83 to \$31.7 million in 1983-84 and exceeded the estimated revenue by \$1.9 million.
- 2.2.26 The increase was due mainly to royalty receipts increasing by \$6.2 million over those of the previous year due to:
- (1) a 9.5 per cent increase in royalty rates effective from 1 January 1984;
 - (2) \$0.96 million penalty royalty imposed on a contractor for failure to remove the annual allocation of timber; and
 - (3) increased volumes of timber extracted during the year.

State Rivers and Water Supply Commission

- 2.2.27 Receipts of the Commission for the year of \$81.7 million increased by \$6.5 million over those of 1982-83 and exceeded the Budget estimate by \$0.31 million. The increase in receipts was due mainly to:
- (1) higher rates and charges imposed in all districts;
 - (2) a reduction in the interest free period in irrigation districts which resulted in 80 per cent of water charges being collected during the financial year; and
 - (3) increased recoups for Oncoast, Salaries and Workshop expenses.

Public Authorities

- 2.2.28 Revenue under this item has 3 component parts namely:
- (1) dividends payable by certain authorities under the Public Authorities (Dividends) Act 1983;
 - (2) a contribution by the Gas and Fuel Corporation payable under the Public Authorities (Contributions) Act 1966; and
 - (3) a payment by the State Bank under the State Bank Act 1958.
- 2.2.29 Public authority payments totalling \$372.2 million were collected during the year. The amount was an increase of \$136.3 million over the previous year. The increase in the amount received during the year was due to:
- (1) Public Authorities (Dividends) Act 1983

The stated objective of the legislation is to ensure that the people of Victoria receive a reasonable rate of return on their equity in certain commercial public authorities of the State.

The public authorities designated in the Act are:

Gas and Fuel Corporation of Victoria
Melbourne and Metropolitan Board of Works
Port of Melbourne Authority
State Electricity Commission
Grain Elevators Board

Section 5 of the Act provides that each public authority shall transfer a dividend of a percentage (not exceeding 5 per cent) of the public equity of the authority to the Consolidated Fund in 1983-84 and subsequent financial years. The percentage is to be determined by the Treasurer after consultation with the Minister responsible for the public authority.

The section specifically provided the amounts to be paid as dividends to the Consolidated Fund for the 1983-84 financial year. Details are:

	\$000
State Electricity Commission	103 900
Melbourne and Metropolitan Board of Works	55 000
Gas and Fuel Corporation	25 000
Port of Melbourne Authority	6 000
Grain Elevators Board	4 000

(2) Gas and Fuel Corporation

Under the Public Authorities (Contributions) Act 1966 the Corporation is required to pay 33 per cent of its total revenue to the Consolidated Fund on a monthly basis. Due to increased turnover of the Corporation the contribution increased from \$90.8 million in 1982-83 to \$142.8 million in 1983-84.

(3) State Bank (Amendment) Act 1983

Section 49A of the State Bank Act 1958 provides for the payment to the Consolidated Fund of a share of the profit of the bank. Prior to the amendment by the State Bank (Amendment) Act 1983 the bank was required to pay one-half of its profit to the Consolidated Fund. Previously the amount of profit from the bank was included under miscellaneous receipts in the Treasurer's Statement.

Section 8 of the amending legislation, which came into operation on 1 July 1983, provides for the payment to the Consolidated Fund of:

- "(a) an amount equivalent to the total amount of income tax that would have been payable by the Commissioners by or under any Act of the Commonwealth of Australia if the Commissioners of the State Bank of Victoria were not a State-owned commercial enterprise; and
- (b) such amount by way of dividend out of profits or accumulated profits as is determined by the Treasurer after consultation with the Commissioners".

However, for 1983-84, sub-section (2) of Section 49A deemed that the Commissioners shall be liable to pay the amount of \$35 527 000 into the Consolidated Fund during the year ending 30 June 1984. The Act did not specify the component parts of the amount.

- 2.2.30 For comparative purposes the following table shows the amounts paid by the various authorities, by way of dividends or contributions, during the past 2 years and the increase/decrease in 1983-84:

	1982-83	1983-84	+ Increase
	\$000	\$000	- Decrease
State Electricity Commission	82 570	103 900	+ 21 330
Gas and Fuel Corporation	90 805	167 800	+ 76 995
Melbourne and Metropolitan Board of Works	30 000	55 000	+ 25 000
State Bank	26 466	35 527	+ 9 061
Port of Melbourne Authority	6 119	6 000	- 119
Grain Elevators Board	..	4 000	+ 4 000
	<hr/>	<hr/>	<hr/>
	235 960	372 227	136 267
	<hr/>	<hr/>	<hr/>

Miscellaneous Receipts

- 2.2.31 Miscellaneous receipts of \$111.3 million for 1983-84 exceeded those of the previous year by \$5.5 million but only fell short of the Budget estimate of \$111.7 million by \$0.4 million. Due allowance has to be made in the comparative figures for contributions by public authorities, which were previously included in this item but in 1983-84 are shown under Public Authority Payments.

Revenue Previously Paid Directly to Trust Fund (Recurrent)

- 2.2.32 Receipts totalling \$196.1 million were credited to the Consolidated Fund under this item in 1983-84. The amount was \$52.4 million less than the amount credited in 1982-83 and fell short of the Budget estimate by \$6.6 million. The reduction in receipts compared with the previous year related mainly to moneys retained by the Transport Authorities under the Transport Act 1983 effective from 1 July 1983.

COMMONWEALTH PAYMENTS TO THE STATE

- 2.2.33 Details of the variations making up the overall increase of \$370.6 million in the actual receipts to the Consolidated Fund from Commonwealth sources are:

	1982-83	1983-84	+ Increase
	\$000	\$000	- Decrease
			\$000
Tax sharing grant	1 743 372	1 926 238	+ 182 866
Health grant	300 549	323 248	+ 22 699
Education-capital and recurrent purposes etc.	196 821	203 799	+ 6 978
Commonwealth Roads Act	147 671	156 523	+ 8 852
Works grant	114 979	123 019	+ 8 040
Housing	81 816	121 899	+ 40 083
Medicare	..	80 045	+ 80 045

	1982-83	1983-84	+Increase -Decrease
	\$000	\$000	\$000
Bicentennial Roads Program	20 467	72 604	+ 52 137
Special Temporary Revenue Assistance	..	34 800	+ 34 800
Pipeline grant	..	28 000	+ 28 000*
Home care	6 053	10 087	+ 4 034
Pre-school child education and care	9 015	9 015	..
Drought assistance fodder	41 663	6 274	- 35 389
Repatriation Hospital - Bundoora	6 040	6 250	+ 210
Interest-financial agreement	4 254	4 254	..
Sesquicentenary grants	100	2 400	+ 2 300
Water resources	2 500	870	- 1 630
Victorian transport system	35 000	..	- 35 000
General purpose assistance for bushfires	19 500	..	- 19 500
National railway network	8 398	..	- 8 398
Other	5 014	4 445	- 569
	<hr/>	<hr/>	<hr/>
	2 743 212	3 113 770	+ 370 558
	<hr/>	<hr/>	<hr/>

*Refer to comments in paragraph 2.2.11 of this report.

2.2.34 The major variations are discussed below:

(1) Tax Sharing Grant

The amount received under this entitlement during the year totalled \$1 926.2 million. This was a rise of \$182.9 million over that of the previous year.

The Tax Sharing Grant of the State is determined under the provisions of the States (Tax Sharing and Health Grants) Act 1981. It is necessary in terms of the Act for the relevant Commonwealth authorities to determine the net amount received by the Commonwealth for the previous year of the taxes included in the agreement. For 1983-84 the determinations included the proceeds of 2 new taxes, namely the Bank Accounts Debit Tax and Unpaid Company Tax.

The amount determined by the relevant authorities as the total taxation receipts for 1982-83 was \$40 345 million. Of this sum, 20.323 per cent (\$8 199.4 million) was distributed as basic grants to the States in 1983-84 in accordance with Section 11B of the Act.

As the amount distributed to the States was \$329.2 million less than the guaranteed minimum tax sharing amount determined in accordance with Section 11A(1) of the Act, this additional amount was made available and distributed between the States (except Queensland). Victoria's share of this additional amount was \$77.9 million.

In summary, Victoria's share of the distribution was as follows:

	\$million
Basic tax sharing grant	1 848
Additional grant	78

	1 926

The main factors leading to the increase of \$182.9 million over the receipts for 1982-83 were:

- . higher taxation receipts by the Commonwealth; and
- . the inclusion of the 2 new taxes in the total taxes available for distribution.

(2) Special Temporary Revenue Assistance

A special once-off revenue assistance grant was made available to the States in recognition of their budgetary difficulties. Victoria's share of the grant was \$34.8 million.

(3) Bicentennial Roads Program

The Bicentennial Roads Program was introduced with the aim of developing the Australian road system to a certain standard by 1988, the bicentennial year. Receipts for the year totalled \$72.6 million. The increase of \$52.1 million represents the first full year of the operation of the surcharge on excise on motor spirit and distillate which form the basis of the program funding.

(4) Housing

The increase of \$40.1 million is due mainly to the Commonwealth substantially increasing funding for public housing.

(5) Medicare

Receipts totalling \$80 million represented moneys received from the Commonwealth which were designed to ensure that the State was not financially disadvantaged by the introduction of Medicare into the public hospital system by compensating the State for revenue losses and additional costs directly related to the Medicare program.

(6) Victorian Transport Grant

This grant was only provided for the years 1981-82 and 1982-83.

(7) Drought Assistance Fodder

The scheme ceased to exist from 30 June 1983; however, primary producers were allowed up to 6 months to lodge claims for subsidy in respect of fodder purchased during 1982-83. The amount of the grant, \$6.3 million, represents an amount equal to the claims lodged in the year.

LOAN RAISINGS, WORKS GRANT ETC.

2.2.35 The receipts derived from the items contained under this heading in the Treasurer's Statement comprise:

- . Proceeds of loan raisings
- . Loan repayments
- . Works grant
- . School building grants
- . Transport
- . Housing
- . Sesquicentenary grants
- . Revenue previously paid directly to the Trust Fund (Capital)
- . Sale of transport assets
- . State Development Account

2.2.36 The actual receipts from these items for 1983-84 totalled \$1 298.7 million and exceeded those of the previous year by \$278.8 million, but still fell short of the Budget estimate by \$113.5 million.

2.2.37 Comments on certain of these items follow:

(1) Loan Raisings and Loan Repayments

Net receipts to the Consolidated Fund from loan raisings and loan repayments of \$226.5 million, exclusive of Commonwealth contributions, were \$55.8 million more than the comparable figure for 1982-83. The receipts consisted of \$201.5 million, the net proceeds of loans raised under Victoria's share of the works program approved by the Loan Council, and repayments totalling \$24.9 million in respect of advances made to various organisations by the State in this and prior years.

(2) State Development Account

The State Development Account was established under the Public Account (State Development Account) Act 1982. Deposits lodged in the Account can be advanced to the Consolidated Fund, as the Treasurer from time to time determines, for periods in excess of 12 months.

The amount provided to the Consolidated Fund from the State Development Account during 1983-84 totalled \$162.4 million compared with \$129.6 million in 1982-83. Comments on the Account follow.

The borrowing of moneys from the State Development Account, which is at the discretion of the Treasurer, appears to be in excess of requirements for 1983-84.

Whilst it is noted that \$28.1 million has been retained in the Consolidated Fund, some \$90.4 million has been retained in the Works and Services Account. Of the \$28.1 million held in the Consolidated Fund, \$28 million represented an advance payment from the Commonwealth in relation to the Pipeline Licence Fee. The Treasurer's Statement identifies the \$90.4 million as being held for works purposes, \$75.4 million, and Commonwealth funds, \$15 million.

As the legislation requires advances from the State Development Account to the Consolidated Fund to be for periods in excess of 12 months, additional interest costs are being incurred by the State due to the borrowing of moneys apparently in excess of requirements for the year.

(3) Sale of Transport Assets

Receipts from this item comprised the proceeds of the sale of several assets. The amount received in 1983-84 totalled \$293.4 million (1982-83, \$161.2 million). The amount was paid to the Consolidated Fund instead of to the Works and Services Account. This was in accordance with the approval of the Treasurer under Section 66 of the Transport Act 1983.

Receipts for the year were derived from the following sources:

	\$000
State Transport Authority	169 204
Metropolitan Transit Authority	115 311
Road Construction Authority	8 954
	<hr/>
	293 469
	<hr/>

With the exception of moneys raised from the sale of land by the Road Construction Authority, the sale of other assets and their subsequent lease back will add to the future financial commitment of the State.

2.3 CONSOLIDATED FUND PAYMENTS - OVERVIEW

2.3.1 Legislative authority for payments from the Consolidated Fund is contained in:

- (1) many Acts of Parliament which specifically authorise such expenses as debt charges, pensions, etc. on a continuing basis (Special Appropriation);
- (2) the Public Account Act 1958 which allows the Treasurer to determine the amount to be transferred to the Works and Services Account for expenditure on capital projects; and
- (3) the relevant Appropriation Acts which provide annual authorities for the operating expenditures of departments (Annual Appropriation).

2.3.2 Section 5 of the Public Account Act 1958 provides that the total of appropriations by Parliament from the Consolidated Fund and the amount specially appropriated to the Works and Services Account shall not exceed the amount to the credit of the Consolidated Fund. Credits to the Consolidated Fund totalled \$7 781 million, of which \$7 753 was applied during the year. The balance of \$28 million was retained in the Consolidated Fund. The 1983-84 figure exceeded that of the previous year, \$7 209 million, by \$543.6 million. Details of the amounts applied compared with budget estimates and with those of the previous year are as follows:

	Actual 1982-83 \$000	Budget 1983-84 \$000	Actual 1983-84 \$000
Special Appropriation			
Debt charges, pensions etc.	1 167 024	1 227 422	1 214 014
Works and services	976 299	1 415 208	1 298 722
Annual appropriation			
Departmental etc. services	5 065 937	5 216 733	5 240 122
	7 209 260	7 859 363	7 752 858

2.3.3 Payments made by the State from the Consolidated Fund (including those made through the Works and Services Account) in 1983-84 and the balances retained at 30 June 1984 compared with those of the previous year are as follows:

Nature of Payments	1982-83		1983-84	
	Amount	Percentage of Funds Available	Amount	Percentage of Funds Available
	\$000	%	\$000	%
SOCIAL				
Education, Health and the Environment, Housing, Welfare, payments to Hospitals and Charities Fund etc.	3 760 083	51.61	4 160 991	52.18

Nature of Payments	1982-83		1983-84	
	Amount	Percentage of Funds Available	Amount	Percentage of Funds Available
	\$000	%	\$000	%
DEBT CHARGES				
Interest, sinking fund repayments, including housing and soldier settlement	544 577	7.47	676 702	8.49
TRANSPORT				
Public Transport Authorities Contributions to the operating costs of the Authorities and payments from the Works and Services Account	1 337 071	18.35	1 362 714	17.09
Pensions	40 088	0.55	45 862	0.57
PRIMARY PRODUCTION				
Agriculture, lands, soldier settlement, forests, country water supply etc.	413 951	5.68	350 963	4.40
LAW AND ORDER				
Law, police, prisons etc.	423 388	5.81	462 264	5.80
OTHER PUBLIC WORKS AND SERVICES				
Works and advances	563 824	7.74	606 753	7.61
SUPERANNUATION				
Contributions to State Employees Retirement Benefits Board and pensions paid to retired officers, officers' widows etc. excluding State Transport Authority	159 686	2.19	190 145	2.38
FUNDS RETAINED IN THE WORKS AND SERVICES ACCOUNT - 30 JUNE	43 598	0.60	90 416	1.13
FUNDS RETAINED IN THE CONSOLIDATED FUND - 30 JUNE	..	..	28 127	0.35
	<u>7 286 266</u>	<u>100.00</u>	<u>7 974 937</u>	<u>100.00</u>

2.3.4 The biggest proportion of the payments made by the State were of a social nature and related to education, health and welfare services and housing. The amount expended on these services was \$4 161 million and represented 52.18 per cent of the total amount available in the Consolidated Fund. The items included in the payments of \$4 161 million were education \$2 114 million, health and welfare, \$1 620 million and housing and other social items, \$427 million. These amounts exceeded those of the previous year by \$146 million in education, \$184 million in health and welfare and \$71 million in housing and other social items.

2.3.5 Debt charges at \$677 million which were met from Special Appropriations, \$646 million, and the Department of Management and Budget Vote 401, \$31 million, represented 8.49 per cent of the total payments from the Consolidated Fund. Debt charges on the public debt accounted for \$484.2 million of this amount, \$100 million represented repayments of advances and interest to the Cash Management Account and the State Development Account and the balance represented interest and principal payments in respect of advances and loans made to the State for housing, soldier settlement and other purposes under Commonwealth-State agreements and arrangements. Further comment on the Public Debt is contained in section 2.4 of this report.

2.3.6 Part of the outlay for debt charges was offset by recoups of interest, and principal from bodies which have received advances from loan moneys, and by interest received from various sources and credited to the Consolidated Fund. Details of the year's receipts and payments on account of debt charges are given in para. 2.4.20 of this report.

DETAILED ANALYSIS OF PAYMENTS

2.3.7 A detailed review of payments under specific headings of expenditure appropriation follows.

Special Appropriations

2.3.8 Special appropriations for the payment of debt charges, certain salaries and general expenses, pensions and other services are provided for on a continuing basis in many Acts of Parliament. These appropriations are not required to be authorised annually by Parliament.

2.3.9 A comparison of the special appropriations for the 2 years is given in the following statement:

	1982-83	1983-84		+ Increase
	\$000	\$000		- Decrease
				\$000
Interest including exchange	458 161	518 073	+	59 912
National Debt Sinking Fund	44 335	45 706	+	1 371
Repayment of advances - Cash Management Account and State Development Account	..	67 100	+	67 100
Repayment of advances- Commonwealth-State housing and soldier settlement	11 982	12 627	+	645
Loan management, flotation expenses etc.	3 553	2 489	-	1 064
Hospitals and Charities Fund (Totalizator)	65 042	72 907	+	7 865
Pensions (other than State Transport Authority Hospitals and Charities and Mental Hospitals Funds (Tattersalls)	156 902	182 111	+	25 209
Hospitals and Charities Fund (Hospital Benefits Levy)	36 444	21 630	-	14 814
Drought assistance fodder subsidy	41 663	..	-	41 663

	1982-83 \$000	1983-84 \$000	+ Increase - Decrease \$000
Payment to Commonwealth of share of royalties - submerged lands	39 671	.. -	39 671
Melbourne Underground Rail Loop Authority	36 598	.. -	36 598
Racing Act 1958	17 049	16 407 -	6 642
Salaries and allowances	10 884	11 341 +	457
General expenses	1 954	1 924 -	30
Criminal injuries compensation	3 601	4 232 +	631
Insurers Guarantee and Compensation Supplementation Fund	4 965	7 000 +	2 035
Other	3 488	3 293 -	195
	<hr/>	<hr/>	<hr/>
	1 126 860	1 168 153	+ 41 293
	<hr/>	<hr/>	<hr/>
State Transport Authority Pensions	40 088	45 861 +	5 773
Other	77	.. -	77
	<hr/>	<hr/>	<hr/>
	40 165	45 861	+ 5 696
	<hr/>	<hr/>	<hr/>
Works and Services Account	976 299	1 298 722	+ 322 423
	<hr/>	<hr/>	<hr/>
Total Special Appropriations	2 143 324	2 512 736	+ 369 412
	<hr/>	<hr/>	<hr/>

2.3.10 Comments on major variations for the year follow:

(1) Public Debt Charges

Debt charges on the public debt in 1983-84 totalled \$646 million compared with \$518 million in 1982-83. The 25 per cent increase was due to higher interest rates being payable and the increase in the public debt of the State.

Included in the sum of \$646 million are:

Debt Charges - Financial Agreement	\$000 484 212
Other Debt - Commonwealth - State Housing and Soldier Settlement	61 808

	\$000
Cash Management Account - Interest and Repayment of Advances	69 933#
State Development Account - Interest and Repayment of Advances	30 041*
	645 994

The amount of \$69 933 million includes \$57.1 million, the net repayment of advances to the Cash Management Account. Section 7A of the Public Account Act 1958 provides for advances from the Cash Management Account to the Consolidated Fund for periods not exceeding 12 months. To comply with the legislation, the Consolidated Fund, during the year, repaid \$97.7 million which was outstanding at 30 June 1983 and borrowed a further \$40.6 million.

* The amount of \$30 041 million includes the repayment on 27 June 1984 of an advance of \$10 million made to the Consolidated Fund on 3 May 1984. The payment was made contrary to the provisions of sub-section (3) of Section 7E of the Public Account Act 1958 which requires advances from the State Development Account to the Consolidated Fund to be made for periods in excess of 12 months.

(2) Pensions

Pension payments during the year totalled \$227.9 million (1982-83, \$196.9 million) and included a 16 per cent increase in pensions paid to former employees of the Public Service other than the State Transport Authority and a 14 per cent increase in pensions paid to former employees of the Authority. The increase was due largely to the continuing indexation of pensions during the year and an increase in the number of pensioners.

(3) Works and Services Account

The transfer to the Works and Services Account for 1983-84 under the Public Account Act 1958 totalled \$1 299 million, an increase of \$322 million over the previous year. However, the transfer was \$116 million less than the amount provided for in the Budget.

The main reasons for the increase compared with the previous year were additional amounts available from the following sources:

- (i) \$132.2 million from the sale of transport assets under lease-back arrangements;
- (ii) roads and housing funds totalling \$60.9 million and \$9.5 million respectively; and
- (iii) loans totalling \$32.8 million from the State Development Account.

Further comments on the Works and Services Account are contained in section 2.5 of this report.

(4) Other Services

Payments for other services fell by \$112.3 million to \$326.8 million, a 26 per cent decrease over those of the previous year.

The main reason for the decrease was the absence of 3 non-recurring items under this heading namely:

	\$000
(i) Drought Assistance Fodder Subsidy	41 663
(ii) Petroleum (Submerged Lands) Act	39 671
(iii) Melbourne Underground Rail Loop Authority	36 598

In 1983-84:

- item (i) was included in the Department of Management and Budget Vote expenditure: \$6 274 000
- item (ii) was not present due to the changed accounting procedures for the payment of royalties; and
- item (iii) was included in the Ministry of Transport vote expenditure, \$40 million.

Annual Appropriations

2.3.11 Annual appropriations comprised the following:

(1) Appropriation (1983-84, No. 1) Act 1983

Departmental vote payments for the year were authorised by this Act.

(2) Section 2 of the Appropriation (1983-84, No. 1) Act 1983

Section 2 of the Act authorised the Treasurer in 1983-84 to issue out of the Consolidated Fund such additional amounts as were necessary to meet increases in salaries and associated expenditure resulting from any Act or determination to the extent that the amounts provided in the Appropriation Act were insufficient. In 1983-84, \$121.2 million was authorised by the Treasurer, of which \$111.9 million was issued out of the Consolidated Fund to meet increases in salary costs.

(3) Treasurer's Advance

The Public Account Act 1958 authorises the temporary issue and application from the Public Account of any sums not exceeding in all \$30 million for advances to the Treasurer to enable him to meet urgent claims that may arise before parliamentary sanction is obtained. In addition, a further sum of \$119 million was available to the Treasurer in 1983-84, under the authority of the Appropriation (1983-84, No. 1) Act 1983 (Division 403). In 1983-84, \$111 million was expended from the Treasurer's Advance pending parliamentary sanction.

(4) Transfers under Section 25 of the Audit Act 1958

Section 25 of the Audit Act 1958 permits the appropriated amount of any item to be increased by the amount of an offsetting reduction in another item in the same sub-division.

Such transfers between items are authorised by the Governor-in-Council. During the year 10 transfers totalling \$6.9 million were effected under Section 25 of the Audit Act 1958. In compliance with this directive a statement containing the relevant information is submitted in the Appendix to this report.

(5) Block Funding

Payments within the following sub-items may be transferred with the approval of the Department of Management and Budget:

- . travelling and subsistence;
- . office requisites and equipment, printing and stationery;
- . books and publications;
- . postal and telephone expenses;
- . motor vehicles - purchase and running expenses;
- . fuel, light, power and water; and
- . incidental expenses.

During the year a number of such transfers were approved by the Department of Management and Budget.

(6) Administrative Arrangements Act 1983

Order No. 13 of 13 June 1984 issued under Section 4 of the Act authorised the transfer of \$993 720 from the Department of Labour and Industry to the Ministry of Industrial Affairs consequent upon the transfer of the administration of a number of Acts to the Ministry.

2.3.12 A comparison of the annual appropriations for the 2 years is given in the following statement:

	1982-83	1983-84	+ -	Increase Decrease
	\$000	\$000		\$000
Education	1 797 882	1 930 449	+	132 567
Health	955 045	1 124 114	+	169 069
Transport	386 353	694 859	+	308 506
Police and Emergency Services	312 405	325 976	+	13 571
Treasurer	231 977	249 511	+	17 534
Community Welfare Services	139 061	155 041	+	15 980
Conservation, Forests and Lands*	101 840	107 221	+	5 381
Water Resources	88 185	93 580	+	5 395
Public Works	91 165	82 679	-	8 484
Attorney-General	72 730	82 421	+	9 691
Agriculture	82 117	81 989	-	128
Industry, Commerce and Technology**	49 127	55 871	+	6 743
Arts	39 430	46 007	+	6 577

	1982-83	1983-84		+ Increase
	\$000	\$000	-	Decrease
				\$000
Office of Corrections***	33 561	42 880	+	9 319
Premier and Cabinet	26 411	27 792	+	1 381
Planning and Environment****	17 413	20 839	+	3 426
Property and Services	17 915	19 769	+	1 854
Employment and Training	17 671	19 306	+	1 635
Minerals and Energy	14 903	16 117	+	1 214
Youth, Sport and Recreation	12 795	13 821	+	1 026
Tourism	9 325	11 225	+	1 900
Parliament	9 209	10 350	+	1 141
Labour and Industry	9 419	9 224	-	195
Local Government	7 848	8 370	+	522
Consumer Affairs	2 352	2 933	+	581
Industrial Affairs	441	2 743	+	2 302
Ethnic Affairs	2 078	2 522	+	444
Housing	5 440	2 512	-	2 928
Railways*****	531 838	..	-	531 838
Total Annual Appropriations	5 065 936	5 240 121		#174 186

\$1 variance due to rounding

* Department was established 2 November 1983 and replaced Department of Crown Lands and Survey, Ministry for Conservation and State Forests Department.

** Department was established 2 November 1983 and replaced the Ministry for Economic Development.

*** Office of Corrections established on 16 August 1983 as a department. Prior to that date the correctional services of the State were administered by the Department of Community Welfare Services.

**** Department was established 1 September 1983. The Department took over certain responsibilities previously administered by the Department of Conservation, the Department of Crown Lands and Survey and the Department of Planning.

***** Railways (Victorian Railways Board) abolished from 1 July 1983 under the Transport Act 1983. Contribution to the operating costs of Public Transport Authorities is included under Transport.

2.3.13 In the summary shown at the end of this section, the actual payments for the year are compared with the amounts appropriated for the various departments and services.

2.3.14 Of the total increase of \$174 million in the payments made under annual appropriations for the year, payments made in the nature of salaries increased from approximately \$1 993 million in 1982-83 to \$2 100 million in 1983-84, i.e. an increase of \$107 million or approximately 5 per cent. The item includes salaries and allowances, overtime and penalty rates and payments for long service leave and retiring allowances charged against the annual appropriations of the various departments (other than Railways) shown in paragraph 2.3.12.

2.3.15 The increase in the cost of salaries and payments in the nature of salary for the year was approximately 5 per cent compared with an increase of approximately 21 per cent in the previous year. The salaries of the former Victorian Railways Board have been excluded for comparative purposes. The approximate rise of 5 per cent can be attributed to increases of 4.3 per cent and 4.1 per cent granted by the appropriate tribunals effective from 16 October 1983 and 15 April 1984 respectively, together with the effect in a full year of rises granted by the tribunals in 1982-83.

2.3.16 Comments on the major variations for the year follow:

Education

Payments in 1983-84 increased by \$132.6 million, 7 per cent, to a total of \$1 930 million. The major increases were:

- (1) additional salary costs of \$53 million;
- (2) increased grants for technical and further education of \$19.2 million;
- (3) increased grants to non-government schools of \$19.1 million; and
- (4) increased grants to State primary, secondary and technical schools of \$12.9 million.

Health Commission

Payments made by the Health Commission in 1983-84 totalled \$1 124 million, which was an increase of \$169 million, 18 per cent, over the previous year and exceeded the amount provided for in the Budget by \$48 million. The main reasons for the increase were:

- (1) the transfer of an additional \$124.6 million to the Hospitals and Charities Fund to meet maintenance payments to hospitals;
- (2) additional salary costs of \$21.9 million, of which \$12.9 million were incurred in the Mental Health Division;
- (3) additional subsidies to municipalities of \$3.5 million towards home help schemes; and
- (4) additional subsidies totalling \$3 million provided to kindergartens and pre-school centres.

Transport

The following table sets out the variations in the payments of the Ministry for the last 2 years. The re-organisation of the various transport authorities pursuant to the Transport Act 1983, effective 1 July 1983, was the main reason for the variations.

	1982-83 \$000	1983-84 \$000
Contribution to operating costs of Metropolitan Transit and State Transport Authorities	57 649	338 700
Road Construction Authority	240 466	233 400
Road Traffic Authority	47 901	17 100
Metropolitan Transit Authority - Debt charges on Melbourne Underground Rail Loop	..	#40 000
Private bus subsidies	31 300	37 200
Ports and Harbors	..	*14 379
Other	9 037	14 080
	<hr/>	<hr/>
Total Payments	386 353	694 859
	<hr/>	<hr/>

\$36.6 million provided in 1982-83 as a Special Appropriation under the Melbourne Underground Rail Loop Authority Act 1970.

* Payments in 1982-83 totalling \$16.6 million were included under the Public Works Department.

The difference in the payments in 1982-83 and 1983-84 in the above table arises from the changed method of accounting in the Consolidated Fund for the operations of the transport authorities in 1983-84. The following table sets out the comparative figures of the contributions to the operating costs of the authorities for the past 2 years:

	1982-83 \$000	1983-84 \$000
Railways Operating Costs (Railways Vote)	531 838	..
Less - Railways Revenue (Consolidated Fund)	242 377	..
	<hr/>	<hr/>
Melbourne and Metropolitan Tramways Board	289 461	..
	57 649	..
	<hr/>	<hr/>
	347 110	..
	<hr/>	<hr/>
Contribution to the operating costs of Public Transport Authorities	347 110	338 700
	<hr/>	<hr/>

It can be seen from the above and on reference to paragraph 2.1.14 of this report that the Consolidated Fund in 1983-84 is only showing the net operations of Public Transport Authorities rather than the gross figures as in the previous year. This has led to the apparent increase in the payments from the Consolidated Fund, whereas the above statement indicates a decrease of \$8.4 million.

Treasurer

Payments made by the Department of Management and Budget in 1983-84 increased by \$17.5 million (\$17 million after allowance for the transfer of function of the Workers Compensation Board) to a total of \$249.5 million. The increase was due largely to:

- (1) \$38.6 million being paid to the State Electricity Commission of Victoria in respect of the net cost of the deferment of the Alcoa Portland project. The amount was charged to the Treasurer's Advance;
- (2) payments totalling \$8.7 million under the motor vehicles purchase incentive scheme introduced in the Budget;
- (3) drought assistance payments to primary producers totalling \$6.3 million. The payments were made available from funds provided by the Commonwealth under the Drought Assistance (Primary Producers) Act 1982. In 1982-83 the payments were made by Special Appropriation under the Public Account Act 1958;
- (4) an increased contribution to the Natural Disasters Relief Account of \$6.2 million;
- (5) payments to the Commonwealth on account of loans and advances increasing by \$4.2 million; and
- (6) increased refunds of Stamp Duty to first Home Buyers of \$3.7 million.

There were, however, several payments which were less than those made in 1982-83. These were:

- (1) Tattersalls Duty

Due mainly to changed financial arrangements referred to in paragraph 2.2.11 of this report, payments to States participating in Australian Lotto-Bloc decreased by \$16.1 million.

- (2) Workers Compensation Insurance

Premiums paid to the State Insurance Office were \$10.2 million less than the previous year. This fall resulted from the Government's decision to change the basis for meeting workers compensation claims on behalf of employees to a "pay-as-you-go" basis as distinct from the "cost plus" method previously adopted.

The incurred claims and administrative expenses, which was the basis used by the Insurance Commissioner in arriving at the total premium, amounted to \$39.95 million for the 1983-84 year. The Department of Management and Budget paid an amount of \$21.8 million to the Insurance Commissioner based on the estimated amount payable under the new arrangements.

Advice received by the Department from the Crown Solicitor indicated that the "pay-as-you-go" principle was not in accordance with the provisions of Section 72 of the Workers Compensation Act 1958. Following this advice the Treasurer has advised the Commissioner that the Government is further considering the matter in particular within the context of the wider issues raised in the recent Report of the Committee of Inquiry into the Victorian Workers Compensation System.

(3) Melbourne and Metropolitan Board of Works

The amount paid to the Board from the Departmental Vote fell from \$21.9 million in 1982-83 to nil in 1983-84; however, an amount of \$25.2 million was provided to the Board in appropriations made under the Works and Services Appropriation Act 1983.

(4) Ex-Gratia Payments

As there were no ex-gratia payments of salaries and payments in the nature of salary granted during the year, payments decreased from \$10.4 in 1982-83 million to nil in 1983-84.

Other Departments

Other departments whose payments increased in 1983-84 by more than \$10 million and the percentage increase over 1982-83 payments are as follows:

<u>Department</u>	<u>Increase</u> \$000	<u>Increase</u> %
Community Welfare Services	15.9	11
Police and Emergency Services	13.6	4
Office of Corrections	9.3	28

The largest increases in these departments were in the following areas:

Community Welfare Services

- (1) \$6.3 million increase in rate concessions to pensioners;
- (2) \$2.5 million increase in fare concessions to pensioners and other approved groups; and
- (3) grants and other expenses relating to State Wards, children in homes and non-government institutions increasing by \$2.1 million.

Police and Emergency Services - Police

- (1) \$8.9 million increase in salaries and payments in the nature of salary; and
- (2) \$3.7 million increase in general expenses.

Office of Corrections

- (1) Salaries and payments in the nature of salary increased by \$6.5 million. Of this sum, \$5.2 million represented increases in salaries and allowances due to increased staff and \$1.4 million was in relation to increased payments for overtime and penalty rates; and
- (2) general expenses increased by \$2.2 million or 36 per cent. The increases were in the cost of stores, material for manufacture and allowances to working prisoners.

	Appropriation	Expended under Parliamentary Authority	Unexpended	Expended from Treasurer's Advance—Division 403	Payments 1983-84
	\$000	\$000	\$000	\$000	\$000
Annual Appropriation					
Parliament	9 543	9 496	47	853	10 349
Premier and Cabinet	27 587	27 149	438	643	27 792
Industry, Commerce and Technology	55 817	55 014	803	856	55 870
Tourism	11 372	11 145	227	80	11 225
Police and Emergency Services	324 593	323 307	1,286	2 670	325 977
Community Welfare Services	154 996	152 308	2 688	2 734	155 042
Office of Corrections	39 516	39 290	226	3 590	42 880
Youth, Sport and Recreation	13 643	13 311	332	510	13 821
Labour and Industry	8 425	8 379	46	845	9 224
Industrial Affairs	2 534	2 521	13	222	2 743
Consumer Affairs	2 803	2 803	..	130	2 933
Employment and Training	19 998	19 086	912	219	19 305
Education	1 917 211	1 903 670	13 541	26 778	1 930 448
Attorney-General	83 206	81 165	2 041	1 257	82 422
Treasurer	*354 926	201 738	*153 188	47 773	249 511
Conservation, Forests and Lands	105 460	104 194	1 266	3 028	107 222
Planning and Environment	20 551	20 091	460	749	20 840
Public Works	84 505	82 595	1 910	84	82 679
Property and Services	19 365	19 342	23	427	19 769
Local Government	8 551	8 334	217	36	8 370
Minerals and Energy	15 873	15 381	492	736	16 117
Agriculture	84 184	81 416	2 768	572	81 988
Health	1 113 900	1 109 246	4 654	14 867	1 124 113
Arts	45 324	45 212	112	796	46 008
Ethnic Affairs	2 504	2 462	42	60	2 522
Housing	4 042	2 511	1 531	..	2 511
Transport	699 281	694 805	4 476	54	694 859
Water Resources	98 876	93 063	5 813	518	93 581
Total Annual Appropriation	5 328 586	5 129 034	199 552	111 087	5 240 121

* Includes \$119 million Div. 403, Advance to Treasurer

Note: Due to rounding of amounts, the figures above may vary from those in the Treasurer's Statement

2.4 PUBLIC DEBT

2.4.1 The public debt of the State as shown in the Treasurer's Statement arises from loans raised on behalf of the State by the Commonwealth under the Financial Agreement.

2.4.2 The following table gives details of the Public Debt for the past 5 years:

<u>Year</u>	<u>Liability to Commonwealth</u>	<u>Interest On</u>	<u>Average</u>
	<u>Under the Financial</u>	<u>Public Debt</u>	<u>Rate</u>
	<u>Agreement</u>	<u>\$000</u>	<u>%</u>
	\$000	\$000	%
1979-80	3 584 874	274 653	7.66
1980-81	3 758 134	318 572	8.48
1981-82	3 932 414	359 232	9.14
1982-83	4 045 328	401 873	9.93
1983-84	4 204 126	436 017	10.37

2.4.3 State borrowings as disclosed in the Treasurer's Statement under the heading "Public Debt" do not include direct borrowings of statutory authorities. In addition, there are large public borrowings by local government, water, sewerage and other authorities, which are also not published in the Treasurer's Statement.

2.4.4 There is additional liability totalling \$1 185 million to the Commonwealth in respect of advances for housing purposes under Commonwealth-State housing agreements and also in respect of advances made to the State for a variety of purposes pursuant to Commonwealth-State agreements and arrangements.

2.4.5 In my 1982-83 report on the Treasurer's Statement I pointed out that State borrowings as disclosed in the Statement did not include direct borrowings of statutory authorities and that I was therefore unable to determine the total public debt of the State. I expressed the view that action should be taken to include information on the total public debt of the State in the Treasurer's Statement. No action has been taken on this suggestion, although information on major statutory authorities' works programs and associated borrowings is now provided in the Budget Papers (1983-84 Budget Paper No. 3).

2.4.6 It is therefore not possible to readily determine from any comprehensive or consolidated report:

- the total public debt of the State covering both the inner and outer Budget sectors
- the total annual debt servicing charges of the State comprising both interest and loan redemption
- the extent to which each year various State revenues are applied to debt servicing, both interest and loan redemption.

2.4.7 In my view, Parliament should be provided with this information each year.

2.4.8 Further, the increasing use of financing arrangements such as leveraged leasing and deferred payments, which create future liabilities for the State in a similar way to borrowing makes it important that they also be included in any information provided on the public debt.

Capital Liability to the Commonwealth

- 2.4.9 In accordance with the Commonwealth and States Financial Agreement, the loans raised by the Commonwealth for the State are approved by the Loan Council and consist of Commonwealth securities.
- 2.4.10 The agreement placed the States' sinking funds under the control of the National Debt Commission which administers the National Debt Sinking Fund. The fund receives contributions from the Commonwealth and the States which are applied towards the redemption of the public debt.
- 2.4.11 The total liability on account of these loans at 30 June 1984 was \$4 204 million. Of this amount, \$4 203 million represented Australian and \$1 million overseas borrowing. After allowing for cash at credit of the National Debt Sinking Fund, the State's capital liability to the Commonwealth under the Financial Agreement was \$4 204 million at 30 June 1984, compared with \$4 045 million at 30 June 1983.
- 2.4.12 Details of the transactions with the Commonwealth during the year and the liability of the State at 30 June 1984 in terms of the Financial Agreement, together with comparative figures for the previous year, were as follows:

	1982-83	1983-84
	\$000	\$000
Liability to Commonwealth at 1 July	3 932 414	4 045 328
Loans raised for works	158 071	207 628
Loans raised for redemptions	864 017	430 875
	<hr/>	<hr/>
	4 954 502	4 683 831
Less		
Loans repurchased or redeemed		
By redemption loans	852 543	421 951
By National Debt Sinking Fund	56 751	57 760
	<hr/>	<hr/>
	4 045 208	4 204 120
Increase in public debt during the year due to variations in exchange rates for conversion of face value of overseas securities to Australian currency	120	6
	<hr/>	<hr/>
Liability to Commonwealth at 30 June	4 045 328	4 204 126
Less cash at credit of National Debt Sinking Fund	648	114
	<hr/>	<hr/>
Net liability to Commonwealth at 30 June	4 044 680	4 204 012
	<hr/>	<hr/>

Loan Receipts of the Consolidated Fund

2.4.13 Loan receipts for 1983-84 comprised moneys received from the proceeds of loans raised and the repayment of advances, and are summarised as follows:

	\$000	\$000
Australian loans*	207 628	
Less discounts on issues (net)	6 080	
	201 548	
Repayments of Advances		24 946
		226 494
Receipts to the Consolidated Fund - raising and repayments		226 494

* Details of the loans raised for works during the year are shown in the Treasurer's Statement.

2.4.14 In addition to the \$201.5 million raised above, \$44.5 million was made available to the State by the Commonwealth for expenditure on welfare housing under Section 5 of the State (Works and Housing) Assistance Act 1982. The money formed part of the total sum of \$246 million allocated by the Loan Council and received by the State as loans during the year. However, the \$44.5 million is not considered to be part of the public debt in terms of the Financial Agreement. The amount is repayable to the Commonwealth in similar terms to loans under the Housing Assistance Act 1981.

2.4.15 Redemptions and repurchases of loans under the Financial Agreement totalling \$479 million were met from the following sources during the year:

	\$000	\$000
Australian loans*	430 875	
Less discounts on issue (net)	8 924	
	421 951	
National Debt Sinking Fund		57 760
		479 711
Total redemptions and repurchases		479 711

* Details of loans raised for redemptions and repurchases during the year are shown in the Treasurer's Statement.

National Debt Sinking Fund

2.4.16 A summary of the transactions on the National Debt Sinking Fund in relation to Victoria for 1983-84 is as follows:

Balance 1 July	\$000
Contributions	648
Commonwealth	11 398
State	45 706
Interest-fixed deposit investment	58
	57 810

	\$000
Securities repurchased and redeemed, \$57 760 225, at a cost of \$57 696 268	57 696
	<hr/>
Balance of cash in Sinking Fund 30 June	114
	<hr/>

Debt Charges

- 2.4.17 In addition to the debt charges included under special appropriations in the Treasurer's Statement, certain payments are made to the Commonwealth on account of other loans and advances and these payments are included in the Treasurer's Statement as an appropriation.
- 2.4.18 The payment of debt charges by the State is to some extent offset by recoveries of certain amounts in respect of sums advanced to statutory authorities from both State and Commonwealth funds.
- 2.4.19 In addition, the amount of interest received on the Public Account less the interest allowed on certain deposits reduces the total net outgoings on debt charges.
- 2.4.20 The following statement details the extent to which the general revenues of the State were required to meet debt charges in the past 2 years:

	1982-83 \$000	1983-84 \$000
Payments		
Special Appropriations	518 032	645 994
Annual Appropriations	26 545	30 707
	<hr/>	<hr/>
	544 577	676 701
	<hr/>	<hr/>
Recoveries		
Recovery of debt charges	207 526	224 052
Interest - Consolidated Fund	13 894	8 913
Less		
Interest paid on deposits	(46)	(17)
	<hr/>	<hr/>
	221 374	232 948
	<hr/>	<hr/>
Amount met from general State revenues	323 203	443 753
	<hr/>	<hr/>

2.5 WORKS AND SERVICES

Introduction

- 2.5.1 The Works and Services Account is an account established in the Trust Fund pursuant to sub-section (1) of Section 5 of the Public Account Act 1958. Payments from the account are met only under appropriations made by Parliament, the specific and enabling Acts being detailed in the Treasurer's Statement.

Legislation

- 2.5.2 The Works and Services Appropriation Act 1983 made provision for total payments on government programs of \$1 586 million.
- 2.5.3 Section 4 of the Act provided for the Governor-in-Council to vary allocations made in the Works and Services Appropriation Act 1983. The section further provided for a copy of all Orders made to be delivered to the Auditor-General. During the year several Orders were issued totalling \$25.6 million.

Summary of Transactions

- 2.5.4 The balance of the account at 1 July 1983 was \$43.6 million. This amount, together with receipts for the year totalling \$1 449.1 million, made a total available in the account of \$1 492.7 million. Payments made under the enabling Acts, including an amount of \$28.7 million disbursed from the Treasurer's Advance pending parliamentary sanction, amounted to \$1 402.3 million, leaving a balance in the account at 30 June 1984 of \$90.4 million.

FUNDING

- 2.5.5 Details of the receipts to the Works and Services Account for the past 2 years are as follows:

	1982-83 \$000	1983-84 \$000
Special Appropriation from the Consolidated Fund	976 299	1 298 722
Loan Raisings by:		
Transport Act 1983	..	113 124
State Rivers and Water Supply Commission	27 100	37 230
Victorian Railways Board	21 350	..
Country Roads Board	8 500	..
Road Safety and Traffic Authority	1 500	..
Temporary Finance - Country Roads Board	6 800	..
Total Receipts	1 041 549	1 449 076

2.5.6 Comment on the funding is made in the following paragraphs.

Appropriations from Consolidated Fund

2.5.7 The increase in the funds transferred from the Consolidated Fund in 1983-84 of \$322.4 million arose mainly from increases in amounts available from the following sources:

- (1) \$132.2 million from the sale of transport assets under lease-back arrangements;
- (2) roads and housing funds totalling \$60.9 million and \$9.5 million respectively; and
- (3) loans totalling \$32.8 million from the State Development Account.

TREASURER'S DETERMINATION

2.5.8 Sub-section (2) of Section 5 of the Public Account Act 1958, requires the Treasurer to determine the amount to be transferred from the Consolidated Fund to the Works and Services Account. The total amount determined by the Treasurer, together with all other appropriations by Parliament shall not exceed the amounts to the credit of the Consolidated Fund.

2.5.9 Whilst not specifically stated in the Act, the amounts so transferred have generally been closely related to the loan receipts, works grant etc. of the State.

2.5.10 Details of the loan receipts, works grant etc. paid into the Consolidated Fund and the transfer to the Works and Services Account over the past 5 years are as follows:

<u>Year</u>	<u>Loan Receipts, etc.</u> \$ Million	<u>Transfer to Works and Services Account</u> \$ Million
1979-80	390.4	419.4
1980-81	417.2	417.2
1981-82	401.5	419.5
1982-83	979.8	976.3
1983-84	1 271.6	1 298.7

2.5.11 Details of the loan receipts, works grant etc. for the past 2 years are set out below:

	1982-83 \$ Million	1983-84 \$ Million
State Sources		
State Development Account	129.6	162.4
Sale of transport assets	161.2	293.5
Loan repayments	15.7	24.9

	1982-83 \$ Million	1983-84 \$ Million
Commonwealth Sources		
Loan raisings	154.9	201.5
Commonwealth Roads Act	147.7	156.5
Works grant	115.0	123.0
Housing - Commonwealth-State Agreements	81.8	121.9
States (Works and Housing) Assistance Act 1982	75.0	44.5
School building grants	69.9	68.4
Bicentennial roads program	20.5	72.6
National railway network	8.4	..
Sesquicentenary grants	0.1	2.4
	<hr/>	<hr/>
Total receipts	979.8	1 271.6
	<hr/>	<hr/>

PAYMENTS FROM THE WORKS AND SERVICES ACCOUNT

2.5.12 Payments made in 1983-84 under the works and services program, together with comparative figures for the previous year, are as follows:

	1982-83 \$000	1983-84 \$000
State Transport Authority	188 105	245 548
Road Construction Authority	187 280	208 918
Public transport authorities - other	..	171 331
School buildings, equipment etc.	127 511	161 744
Rental assistance programs	117 151	129 331
Country water and sewerage works	64 201	61 448
T.A.F.E.	41 923	44 992
Hospitals and charitable institutions	31 248	36 257
Melbourne and Metropolitan Board of Works	23 340	31 100
Various housing schemes	28 636	29 549
Road Traffic Authority	1 500	27 730
Forests	25 007	25 548
Thomson/Cardinia Dam	..	25 186
Community welfare	13 874	22 141
Home Purchase Assistance Account	20 000	20 000
Police buildings and equipment	14 399	19 610
Mental institutions	11 690	16 922
Victorian Arts Centre	15 000	15 000
Public buildings	10 326	11 351
Rural finance	8 329	8 744
Other public works and services	80 187	89 808
	<hr/>	<hr/>
	1 009 707	1 402 258
	<hr/>	<hr/>

2.5.13 It can be seen from the above that there were significant increases in allocations to:

	\$ Million
Public Transport Authorities	276.6
Education	34.2
Thomson/Cardinia Dam	25.2*
Housing Assistance	13.1
Community welfare	8.3

* In 1982-83, \$21.9 million was paid to the Melbourne and Metropolitan Board of Works from the Department of Management and Budget Vote allocation.

EQUITY CAPITAL HELD BY THE STATE

2.5.14 The following are details of equity capital held by the State at 30 June 1984:

(1) Gas and Fuel Corporation - Share Capital

	\$
4 000 000 Ordinary Shares @ \$2	8 000 000
3 897 626 Preference shares @ \$2	7 795 252
	<hr/>
	15 795 252
	<hr/>

The State's holding of Preference Shares increased by 10 618 during the year.

(2) Victorian Economic Development Corporation

On 29 June 1984 the Treasurer approved the transfer of loans outstanding from the Works and Services Account by the Corporation totalling \$17.8 million to Equity Capital.

2.6 THE TRUST FUND

Legislative Requirements

- 2.6.1 Section 8 of the Public Account Act 1958 authorises the Treasurer to establish trust accounts and provides that all moneys standing to the credit of trust accounts shall be deemed to be moneys standing to the credit of the Trust Fund.
- 2.6.2 The Audit Act 1958 requires that certain moneys be credited to an account kept in the Department of Management and Budget called "The Trust Fund". In practice, this statutory reference has been interpreted as the Treasury Trust Fund maintained as a separate component of the overall Trust Fund designated under the Public Account Act 1958.
- 2.6.3 A substantial number of trust accounts have been created within the Trust Fund by individual legislative directions. In many instances, these accounts record transactions which arise from revenue and expenditure decisions of government.
- 2.6.4 In broad terms, the Trust Fund may be described as the collective title accorded to a segment of the Public Account and comprising the 3 elements identified in the preceding paragraphs.

REVIEW OF THE TRUST FUND

- 2.6.5 Summaries of the transactions and balances of the various trust accounts comprising the Trust Fund are given in the Treasurer's Statement. The statement lists 165 accounts under 4 principal categories, namely:

State Government Funds
Joint Commonwealth and State Funds
Commonwealth Government Funds
Prizes, Scholarships, Research and Private Donations

- 2.6.6 Because of interfund and interaccount transfers, the same transfers may appear a number of times in the Treasurer's Statement. As an illustration, substantial amounts are specially or annually appropriated from the Consolidated Fund and are treated as receipts to the Trust Fund (e.g. the Hospitals and Charities Fund \$999 million and the Works and Services Account \$1 299 million) and thus are recorded in both the Consolidated Fund as payments and the Trust Fund as receipts. The movement of funds from suspense and clearing accounts often has a similar effect.
- 2.6.7 Although this accounting treatment leads to higher receipts and payments being recorded in the Treasurer's Statement, it does provide full disclosure of all transactions.
- 2.6.8 A summary of transactions within the Trust Fund during 1983-84, together with comparative figures for the previous year, is set out below:

	Balances at 1 July \$million	Receipts \$million	Payments \$million	Balances at 30 June \$million
State Government Funds				
1982-83	167.9	14 481.0	14 450.5	198.4
1983-84	198.4	23 847.1	23 753.2	292.3
Joint Commonwealth and State Funds				
1982-83	3.0	85.7	78.0	10.7
1983-84	10.7	110.2	92.1	*28.7
Commonwealth Government Funds				
1982-83	11.7	924.4	900.3	35.8
1983-84	35.8	981.7	1 006.4	11.1
Prizes, Scholarships, Research and Private Donations				
1982-83	0.8	0.6	0.7	0.7
1983-84	0.7	1.1	1.0	0.8
Accounts Closed				
1982-83	31.0	..	31.0	..
1983-84	..	..	..	..
<hr/>				
Total 1982-83	214.4	15 491.7	15 460.5	245.6
<hr/>				
Total 1983-84	245.6	24 940.1	24 852.7	*332.9
<hr/>				

* 0.1 variance due to rounding

2.6.9 Included in the balance of \$332.9 million at 30 June 1984 were investments held on account of specific trust accounts totalling \$118.6 million compared with \$74.3 million at the beginning of the year. The increase was due mainly to the investment of the Salaries and Wages in Suspense Account, \$44.1 million (1982-83, nil).

State Government Funds

2.6.10 There was a substantial increase in the number and magnitude of financial transactions of State government funds during the year, due largely to:

- (1) the operations for a full year of the Cash Management Account which recorded receipts and payments of \$17 933 million (1982-83, \$7 903 million);
- (2) an increase of \$140.2 million in accounts established to receive moneys provided for in the annual budget, the largest increase being \$122.2 million in the receipts of the Hospitals and Charities Fund;
- (3) an increase of \$407.5 million in receipts credited to the Works and Services Account comprising increases in the transfer from the Consolidated Fund of \$322.4 million and loan raisings of \$85.1 million;
- (4) an increase in receipts to accounts established to receive levies of \$35 million imposed by Parliament. The largest increases were the Workers Supplementation Fund \$18.3 million and the Licencing Fund \$15 million; and

(5) an increase of \$78.5 million in the receipts and payments of the State Development Account.

2.6.11 There were, however, significant decreases in moneys paid to State Government Trust Accounts. The main decreases were:

	\$Million
Country Roads Board Fund	583.3*
Temporary Advances Account	468.0
Railway Salaries and Wages in Suspense Account 1982-83	426.4*
Railways Stores Suspense Account	106.8*

*The operations of these accounts ceased with the coming into operation of the separate transport authorities.

2.6.12 The balance of State Government Funds at 30 June 1983 totalled \$292.3 million (30 June 1983, \$198.4 million). The largest balances held were the Works and Services Account \$90.4 million, Payroll Deductions Suspense Account \$61.1 million and Salaries and Wages in Suspense Account, \$44.9 million.

Joint Commonwealth and State Funds

2.6.13 The major movements in transactions recorded within this group of accounts in 1983-84 were:

(1) the receipt of \$64 million under the Community Employment Program. Payments during the year totalled \$46.2 million and the balance of the account at 30 June 1984 was \$17.8 million; and

(2) decreases of \$18.9 million and \$20.8 million in receipts credited to the State Disaster Appeal Bushfires 1983 Account and the Victorian Natural Disasters Relief Account respectively.

2.6.14 The balance of Joint Commonwealth and State Funds at 30 June 1984 totalled \$28.7 million (30 June 1983, \$10.5 million). The \$17.8 million balance held in the Community Employment Program Account was the largest balance held at 30 June 1984.

Commonwealth Government Funds

2.6.15 The Public Account Act 1958 empowers the Treasurer to credit suitable accounts in the Trust Fund with special grants made under any Commonwealth Act and to authorise payments therefrom for the purposes prescribed in the Commonwealth legislation. Most specific purpose payments by the Commonwealth to the State are included under this classification.

2.6.16 Commonwealth grants transacted through the Trust Fund increased by \$57.3 million during 1983-84. The main increases were local government \$8.9 million, education \$69.1 million and the Wages Pause Employment Program \$15.4 million; however, receipts to the Home Purchase Assistance Account fell by \$34.3 million consequent upon the enactment of the Housing Act 1983 under which the Director of Housing assumed responsibility for the Account.

2.6.17 The balance of Commonwealth Government Funds at 30 June 1984 totalled \$11.2 million (30 June 1983, \$35.8 million).

Prizes, Scholarships, Research and Private Donations

2.6.18 Receipts and payments for 1983-84 totalled \$1.1 million and \$1 million respectively. The balance of the accounts at 30 June 1984 totalled \$772 442 (30 June 1983, \$700 409).

NEW TRUST ACCOUNTS

2.6.19 A number of new trust accounts were opened within the Trust Fund during the year. Details of the purposes for which they were established are set out below:

<u>Account or Fund</u>	<u>Purpose for which Established</u>
Prescribed Payments Deductions Suspense Account	To record the receipt of deductions made by departments from certain contractors' payments and the subsequent disbursement of those amounts to the Commonwealth
Education Relocatable Buildings Suspense Account	To record the purchases of relocatable classrooms for the Education Department
Community Employment Program Account	To record the receipt and disbursement of moneys under the Community Employment Program
Jack Gilmore Farm Water Supply Memorial Trust	To record the receipt and disbursement of funds donated in memory of Mr. Gilmore
Temporarily Out-of-Trade Apprentices Account	Recording transactions in relation to the employment of apprentices who are temporarily out of work during their apprenticeships
State Grants (Schools Assistance) 1983 - Government Programs - Non-Government Programs - Joint Programs	To record the receipt and disbursement of funds received from the Commonwealth in relation to schools under the States Grants (Schools Assistance) Act 1983
Drugs Rehabilitation and Research Fund	To record transactions in relation to drug rehabilitation and research programs
Interest on Public Debt Suspense Account	To record the payment of interest to the Commonwealth in 1984-85

ACCOUNTS CLOSED

2.6.20 The Country Roads Board Fund and the Railways Stores Suspense Account were closed during the year with the coming into operation of the Transport Act 1983, effective from 1 July 1983. The Victorian Sports Aid Foundation Trust Account was closed under Section 8 of the Public Account Act 1958.

2.7 GUARANTEES

Introduction

- 2.7.1 In certain instances, authorities for guarantees have been provided by specific legislation such as that relating to co-operative housing societies. On other occasions, the State has been committed in respect of guaranteed bank overdrafts by the Executive without the specific authority of Parliament.

Guarantees included in Treasurer's Statement

- 2.7.2 Particulars are given in the Treasurer's Statement of the contingent liability of the State in respect of guarantees issued by the Treasurer and authorised by statute, and of the contingent liability for government guarantees in respect of borrowings by State instrumentalities. The amounts involved were: guarantees issued, \$487.4 million; contingent liability 30 June 1984, \$267.9 million (does not include Housing and Co-operative Societies figures not yet available at the date of preparation of this report).
- 2.7.3 The contingent liability for government guarantees in respect of borrowing by State instrumentalities was in excess of \$1 500 million. No figure is available for policies, contracts or arrangements of insurance made by the Insurance Commissioner of the State Insurance Office which are guaranteed by the Government of Victoria.
- 2.7.4 Other guarantees listed in the Treasurer's Statement totalling \$2.98 million are not authorised by statute.
- 2.7.5 As indicated in the Treasurer's Statement, the contents have been prepared from information provided by the instrumentalities and certain of the figures will be subject to audit verification at the time of audit of the organisations concerned.

2.8 DISALLOWANCES AND SURCHARGES

- 2.8.1 There were no unsatisfied disallowances or surcharges at 30 June 1984.

2.9 TREASURER'S ACQUITTANCE

- 2.9.1 Sub-sections (1) and (2) of Section 34 of the Audit Act 1958 require me to acquit the Treasurer, in the form of the eleventh schedule to the Act, for the amount of the public moneys spent which has been ascertained by me to have been duly and properly expended. Sub-section (3) of the said section excludes from the acquittance expenditure which is "the subject of query or observation or of show cause action or of disallowance or surcharge".

2.9.2 All moneys disbursed from the Public Account in 1983-84 were acquitted by me to the Treasurer except for \$5 639 814 which represented:

- (1) \$5 628 515, the value of advances to departments on hand at 30 June 1984, of which \$164 184 represented a special advance to the Department of Community Welfare Services which was not approved by the Treasurer pursuant to Regulation 45 of the Department of Management and Budget Regulations 1981. This amount was not repaid prior to 30 June 1984, and as such could not be acquitted. The amount has since been repaid;
- (2) \$8 899 being part of 2 advances to the Police Division of the Department of Police and Emergency Services for which insufficient vouchers were presented to support the payments; and
- (3) \$2 400 being an advance made to the Department of Community Welfare Services in relation to payments arising from the 1983 bushfires. The vouchers had not been certified by departmental officers.

2.9.3 In addition, an amount of \$2 100 118 in respect of emergency grants paid by the Department of Community Welfare Services to the victims of the 1983 bushfires in Victoria, and which are awaiting certification by the Department in accordance with the Department of Management and Budget Regulations 1981, remains unacquitted from 1982-83.

2.10 DEFALCATIONS AND IRREGULARITIES

2.10.1 In the past it has been my practice to summarise in my first annual report particulars of cases in which default has been made and of relevant proceedings taken against any person pursuant to the provisions of the Audit Act 1958.

2.10.2 The Department of Management and Budget Regulations 1981 require departments and authorities to notify the Treasurer and the Auditor-General of all cases of suspected or actual theft, wilful damage, arson, irregularity or fraud in connection with the receipt or disposal of money, stores or other property under the control of the State.

2.10.3 Commencing in 1983-84 I have changed the format of presenting such information. Details of defalcations and irregularities as notified to me will be provided separately in all of my annual reports under each individual department and statutory authority as applicable.

APPENDIX

Statement setting out briefly the effect of the Orders in Council issued under the provisions of sub-section (1) of Section 25 of the Audit Act 1958.

Particulars	Vote Div.	Sub-Div.	Item	Parliamentary Appropriation	Appropriation after Variation by Governor in + Council -	Increase Decrease
				\$	\$	\$
Youth, Sport & Recreation	270	3	8 10	6 886 000 1 910 000	6 716 000 - 2 080 000 +	170 000 170 000
						+ 170 000
Employment & Training	290	3	2 16	2 250 000 3 000 000	2 650 000 + 2 600 000 -	400 000 400 000
						+ 400 000
Education	302	3	1 2	42 800 000 9 200 000	43 846 000 + 8 154 000 -	1 046 000 1 046 000
						+ 1 046 000
Attorney- General	350	3	6 10	4 465 000 875 000	4 352 700 - 987 300 +	112 300 112 300
						+ 112 300
Treasurer	400	3	4 5 7 9 10 19 32	54 200 000 11 350 000 1 600 000 14 000 000 13 400 000 7 500 000 950 000	53 603 835 - 11 859 661 + 1 686 504 + 16 000 000 + 11 400 000 - 5 932 785 - 1 117 215 +	596 165 509 661 86 504 2 000 000 2 000 000 1 567 215 167 215

Particulars	Vote			Parliamentary Appropriation	Appropriation after Variation by Governor in +		Increase Council - Decrease
	Div.	Sub-Div.	Item				
				\$	\$	\$	
Treasurer	400	3	42	7 000 000	8 400 000 +	1 400 000	
	401	3	4	1 600 000	1 290 000 -	310 000	
			6	6 450 000	6 760 000 +	310 000	
							<u>+ 4 473 380</u>
Agriculture	585	3	9	1 785 000	1 886 200 +	101 200	
			24	4 330 000	4 228 800 -	101 200	
							<u>+ 101 200</u>
Health	625	3	4	11 614 000	11 121 655 -	492 345	
			8	185 000	230 300 +	45 300	
			9	475 000	586 600 +	111 600	
			16	46 630 000	46 860 000 +	230 000	
			19	84 100	89 545 +	5 445	
			20	710 000	810 000 +	100 000	
							<u>+ 492 345</u>
Water Resources	740	2	22	1 600 000	1 473 400 -	126 600	
			25	600 000	630 000 +	30 000	
			30	3 400 000	3 496 600 +	96 600	
							<u>+ 126 600</u>