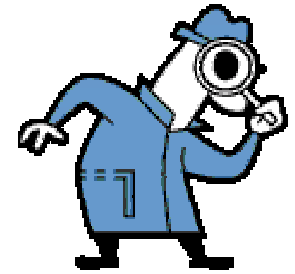


# FINANCIAL MANAGEMENT BASICS FOR FINANCE STAFF

November 2004  
Accounting Branch  
Dept of Treasury





# SESSION OVERVIEW

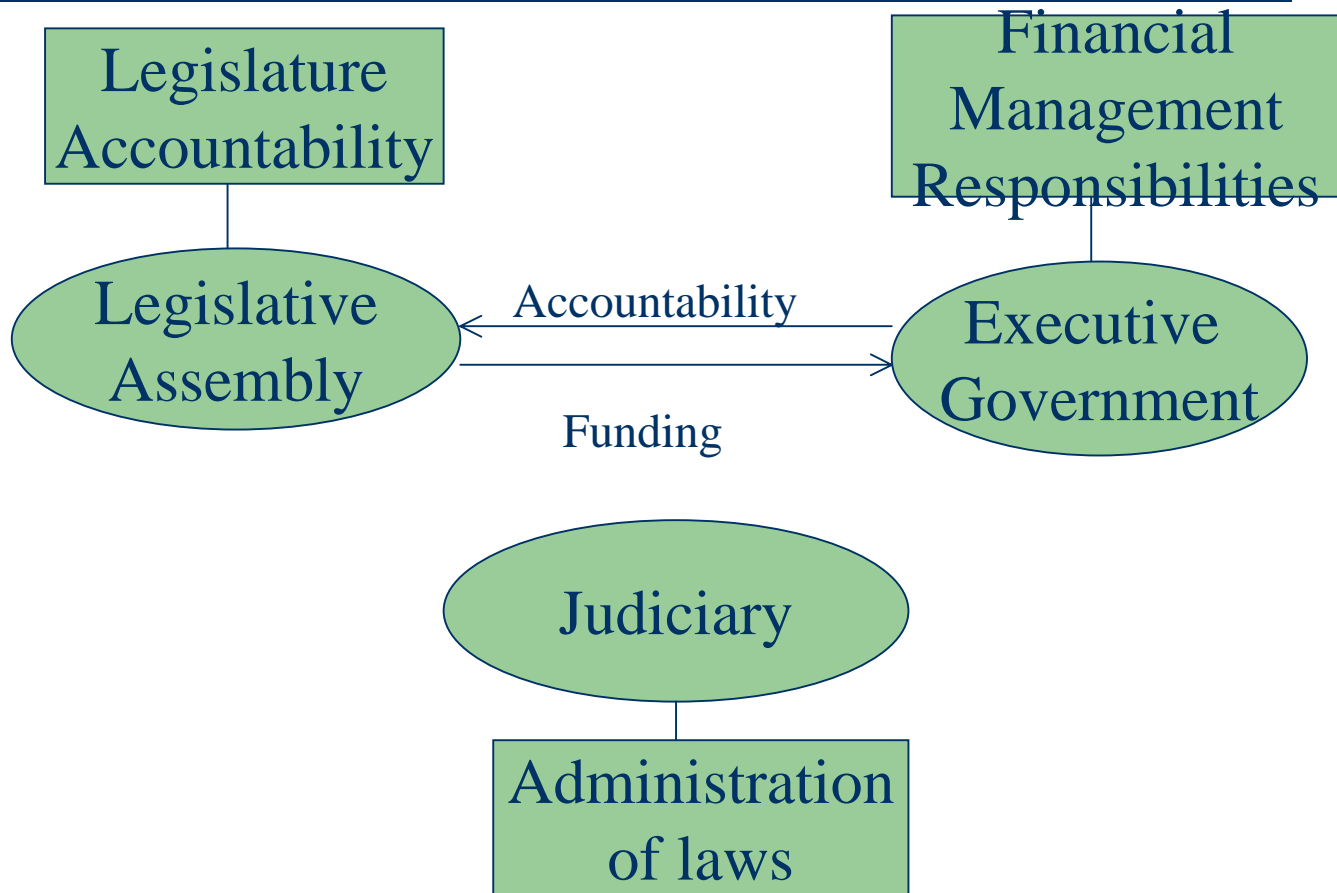
- Legislative Framework
- Theoretical Framework
- Budgeting Cycle
- Budget Development
- Budget Papers
- Using Appropriations
- Reporting
- Accounting Branch



# LEGISLATIVE FRAMEWORK

- ACT (Self Government) Act 1988
- Legislation Act 2001
- Financial Management Act 1996
- Appropriation Acts
- Auditor-General Act 1996

# ACT (Self-Government Act) 1988



# ACT (Self-Government Act) 1988 – Cont'd

- Legislative Assembly
  - Constitution & powers
  - Procedures
- Executive
  - Powers – governing the Territory
  - Executive matters
- Judiciary
- Elections

# ACT (Self-Government Act) 1988 – Cont'd

- Part VII specifically applies to Finance
- Section 58 states:
  - (1) No public money of the Territory shall be issued or spent except as authorised by enactment
  - (2) The public money of the Territory may be invested as provided by enactment

# Legislation Act 2001

- Legislation Website (registrable instrument)
  - [www.legislation.act.gov.au](http://www.legislation.act.gov.au)
- Definitions for basic legal instruments and how they operate
  - Disallowable & notifiable instruments
- Definitions
- Appointments
- Executive: function exercised by any 2 Ministers
- Delegations

# Legislation Act 2001 – Registrable Instruments

- A registrable instrument is not enforceable unless it is notified in the register (web site) or Gazette
- Disallowable Instrument
  - Must be presented to the Assembly within 6 sitting days after its notification day
  - Taken to be repealed if Assembly passes a resolution to disallow the instrument
- Notifiable Instrument

# Financial Management Act 1996

- Commonly referred to as the FMA
- It is the cornerstone of financial management of the ACT
- It sets the legislative framework within which the Government can operate in governing the Territory

# Financial Management Act 1996 – Who does it apply to?

- Applies to the Territory
  - Eg Territory budgets, investments
- Applies to departments
  - Eg departments budgets, reporting
- Some parts apply to Territory authorities
  - Part 8 Authority financial provisions
  - Part 6 Borrowings and guarantees
- Only applies to Public Trading Enterprises in relation to budget papers and Territory reporting

# Financial Management Act 1996 – Who does it apply to? Cont'd

- Section 3B allows certain authorities to be deemed not authorities for the purpose of the FMA
  - Some authorities are fully exempted
  - Some authorities are partially exempted from Territory financial reporting
  - Some authorities are exempted so that they can instead report as a department
  - Notifiable instrument

# Financial Management Act 1996 – Who does it apply to? Cont'd

- FMA defines department is an administrative unit
  - Administrative units are defined under the Public Sector Management Act
- Some parts of administrative units are prescribed as separate departments for the purposes of the FMA:
  - Prescribed in the Financial Management Guidelines s24
  - E.g. Central Financing Unit, Superannuation Unit

# Financial Management Act 1996 – Part 2 Budget Management

- Appropriation and Budgets
  - What is appropriation
  - What's included in budget papers
  - Principles for budget preparation
  - Amendment of appropriation
  - Amendment of control mechanisms
    - ✓ performance criteria
    - ✓ Financial targets
    - ✓ budgets

# Financial Management Act 1996 – Part 2 Budget Management Cont'd

- Budget Review
  - Must present to the Assembly by 15 February
  - Purpose is to give updated information on the government's financial performance
- Pre-election budget update
  - Must be prepared at least 30 days before polling day of ordinary election
  - Purpose is to allow assessment of government's financial performance & Territory's financial position

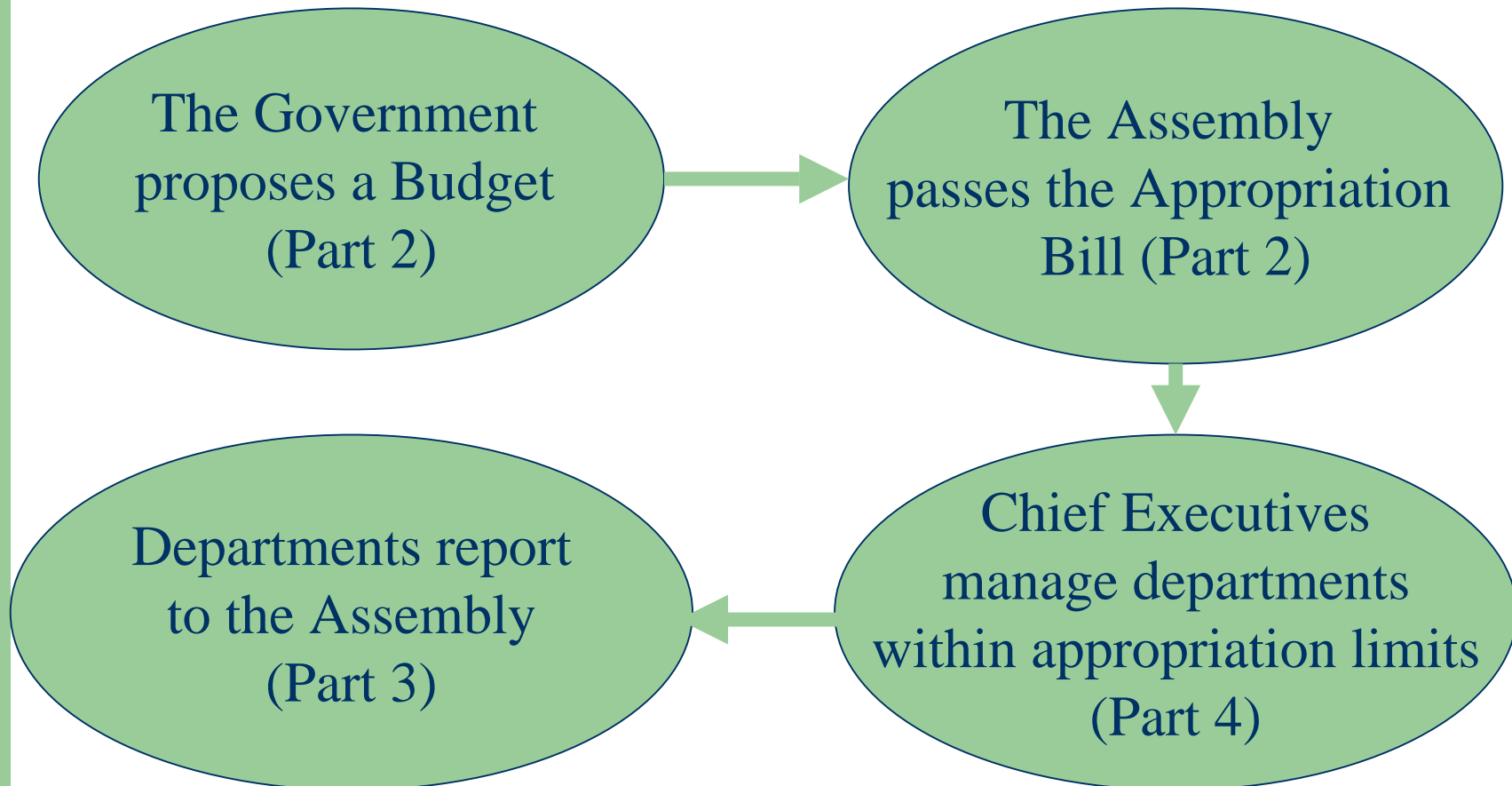
# Financial Management Act 1996 – Part 3 Financial Reports

- Territory and department annual financial reports
  - Format and content
  - Statement of responsibility from Chief Executive
  - Timing for auditing
  - Must be tabled in the Assembly
- Quarterly Territory financial statements
- Quarterly departmental performance reports

# Financial Management Act 1996 – Part 4 CE Responsibilities

- Responsibilities of department chief executives
  - Accountable to the Minister for the efficient and effective financial management (s31(1))
  - Responsible for ensuring (s31(2)):
    - ✓ Money spent in accordance with appropriations
    - ✓ Meeting the financial targets specified in budget papers
    - ✓ Adequate control over assets
    - ✓ Adequate control over liabilities

# Financial Management Act 1996 – Budget and Reporting Process



# Financial Management Act 1996 – Part 5 Banking and Investment

- Specifies requirements for the operation of bank accounts
- Enables unspent moneys at the end of a financial year to be used in the next year for the same purposes as the funds were originally appropriated (s34(B))
- Addresses how the Territory can invest funds held in the Territory Banking Account (s38)

# Financial Management Act 1996 – Part 6 Borrowing and Guarantees

- Borrowings are to be in accordance with an act eg FMA (s39)
- Authorities restricted to only being able to borrow in accordance with the FMA, with enabling legislation not providing sufficient authority (s41)
- Borrowings by Territory authorities to be approved in writing by the Treasurer (s42)
- Treasurer must approve guarantees (s47)

# Financial Management Act 1996 – Part 7 Trust Money

- Requires trust money to be accounted for separately from public money (s49).
- Enables the investment of trust funds under the same restrictions applying to the Trustee Act 1925 (s53).
- Specifies how unclaimed trust moneys are to be administered (s53A).

# Financial Management Act 1996 – Part 8 Territory Authorities

- Specifies the responsibilities of chief executives (s54)
- Specifies how surplus cash can be invested (s56)
- Treasurer may borrow on behalf of an authority or lend public money (s57)
- Required to prepare Statements of Intent (s58)
- Required to prepare annual financial statements (s59)

# Financial Management Act 1996 – Part 9 Miscellaneous

- Treasurer may authorise act of grace payments in special circumstances (s64)
- Treasurer may waive or postpone the payment of debts owed to the Territory (s65)
  - Legally waives the right to receive a debt
  - Different from writing-off an uncollectable debt
- Allows for Guidelines under the Act
  - Financial Management Guidelines

# Financial Management Act 1996 – Financial Management Guidelines

- Guidelines are a disallowable instrument
- Guidelines are subordinate legislation
  - Have the force of law
  - Must be followed
- Guidelines are not consolidated
  - Need all the issued guidelines

# Appropriation Acts

- At least one Appropriation Act per year
- Specifies appropriation amount for a financial year to a department

# Auditor-General Act 1996

- Promotes public accountability
- To ensure independence the Auditor-General is not subject to direction by the Executive or any Minister in the exercise of her functions
- Audits annual financial statements of the Territory, departments and authorities
- Conducts performance audits of departments or Territory entities
- Power to attain information



# THEORETICAL FRAMEWORK - DEPARTMENTS

- Outcomes / output classes
- Output funding
- Ownership agreements
- Departmental / Territorial (Administered)
- Controls and accountabilities for departments
  - Financial Targets
  - Performance Measures
  - Chief Executive Financial Instructions

# Financial Management Model

- Government has two key roles of ‘funder’ and ‘owner’.
- ‘Funder’ role means that Government is the main source of funding.
- ‘Owner’ role means that Government is the owner of net assets and plays a key role in major decisions impacting the net assets position eg major assets purchases or disposals.

# What are Outcomes?

- The Government decides what it wants to achieve – what outcomes.
- The Government provides funding to ultimately achieve its outcomes
- Outcomes are the intended social and political consequences of Government decisions.
- Outcomes provide a focus for service delivery

# Examples of Outcomes

- From the Canberra Social Plan:
  - Meet the health needs of an aging population
  - Support an active lifestyle at all stages of people's lives

# What are Outputs?

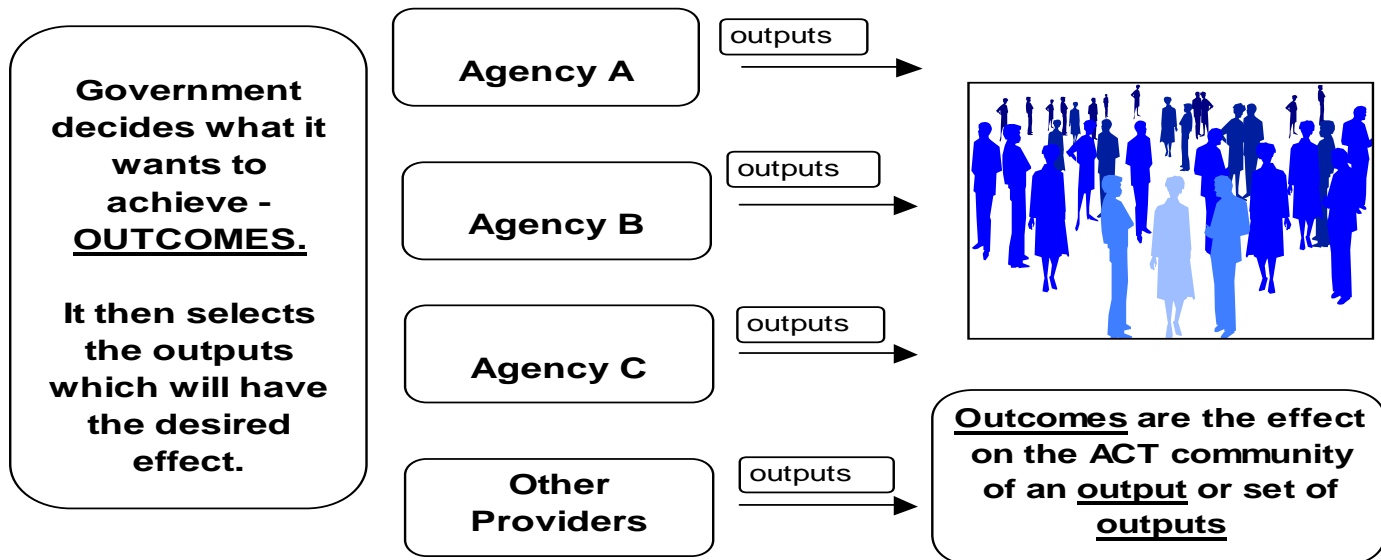
- Outputs are goods and services funded by Government to achieve Government Outcomes
- Outputs are what an agency produces
  - this may be a tangible product or a service
  - an output is an end product

# Examples of Outputs

- Acute services
- Municipal services
- Office of Child Care
- Public service management

# The model is represented by the diagram below.

Government funds outputs in order to achieve its aims or outcomes



Outputs are the goods and services produced by Agencies and other providers.

# Funding / Output Classes

- Government provides funding for outputs
  - Government Payment for Outputs (GPO)
- Appropriation Act (schedule 2) specifies the output classes for a department
- Output class is a group of similar outputs

# Example of an Output Class

- Dept of Education, Youth and Family Services
  - Output Class 1: Government School Education
    - ✓ Government Primary School Education
    - ✓ Government High School Education
    - ✓ Government Secondary College Education
    - ✓ Government Special Education

# Ownership Agreements

- Government is the owner of net assets of departments
- Government's ownership interests are specified through Ownership Agreements (OA)
  - Requirement for OAs not in FMA
- Investment decisions eg capital works, are at the discretion of the owner
- Owner injections, or withdrawals, are accounted for as direct adjustments to equity

# Departmental / Territorial

- A department has 2 types of transactions
- Departmental – those transactions that the department ‘controls’
  - GPO funding for expenses
- Territorial – those moneys that the department receives or pays on behalf of the government
  - Revenues: rates, statutory fees and fines
  - Expenses: First Home Owners Grant
  - Expenses on behalf of the Territory (EBT) funding for Territorial expenses

# Controls and Accountabilities – An Overview

- Government / Minister Performance
  - Election
- Agency Performance?

# Controls and Accountabilities – decentralised model

- Agencies receive funding to provide goods and services
  - Wide discretion in how they spend the funding
- Chief Executives held accountable for:
  - Financial management
  - Delivery of goods and services
- Quarterly and annual reporting to the Assembly
- Review by Legislative Committee

# Controls and Accountabilities – Financial Targets

- Chief executives are held accountable for the effective and efficient financial management of their agency (s31 FMA)
  - Responsible for ensuring financial targets are met
  - Examples of financial targets:
    - ✓ Operating Result
    - ✓ Current Ratio
    - ✓ Total Assets
    - ✓ Total Liabilities

# Controls and Accountabilities – Performance Measures

- Chief executives are accountable for delivery of goods and services
- Performance measures:
  - Facilitates accountability
  - Inform decision making and resource allocation
- Currently called Statement of Performance
  - Set at output level
  - Targets for quantity, quality, timeliness and cost
  - All measures are audited

# Controls and Accountabilities – Performance Measures Cont'd

- Proposed improvements to performance measurement
  - Reduce level lower level measures
  - More meaningful measures at outcome level
  - Link measures to key government policy specified in the 3 Canberra Plans
  - Agencies might not be solely responsible for achieving outcomes
  - Performance measures not in financial statements
  - Some measures audited as a special audit

# Controls and Accountabilities – Performance Measures Cont'd

- Why limit the audit of measures:
  - Outcome measures can cross agencies
  - The measurement of outcomes is often a subjective and politically sensitive process
  - They are hard to measure frequently as they are generally achieved over long time periods and are subject to significant factors beyond the control of any particular agency.
  - Requiring measures to be auditable often results in less meaningful measures

# Controls and Accountabilities – CE Financial Instructions

- Control mechanism for chief executives to ensure compliance with their responsibilities under the FMA (s31)
- Issued by the chief executive of an agency
- Supports the agency's internal financial management framework
- Provides delegation of authority to agency staff

# THEORETICAL FRAMEWORK - TERRITORY AUTHORITIES



- Funding
- Control and Accountability

# Funding

- Govt has a dual role as ‘funder’ and owner
- Authorities do not receive appropriations directly
- Authorities receive funding via a department
  - Sometimes there is a purchaser / provider agreement in place
  - Department has policy responsibilities
- Funding called a ‘User Charge – ACT Govt’
- Possible change to directly appropriate

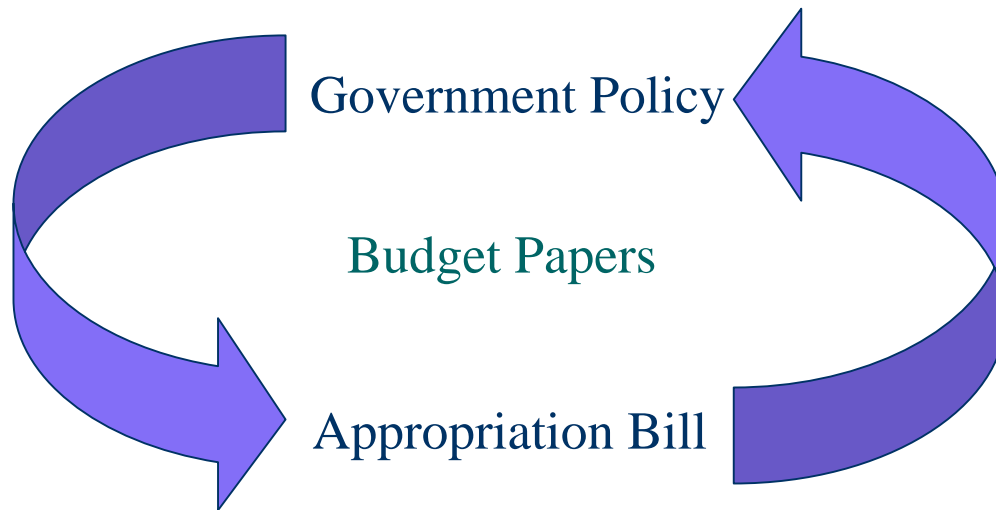
# Statement of Intent

- Government is the owner of net assets of authorities
- Government's ownership interests are specified through Statements of Intent (SI)
  - Requirement of the FMA s58
- SI includes:
  - Financial estimates
  - Objectives and associated performance criteria
  - Nature and scope of activities

# Control and Accountability

- Chief executives are responsible for the authority's financial result being in accordance with the estimates in the Statement of Intent (SI)
- Annual financial statements must include a statement of the performance in meeting the objectives set out in the SI
- Must assess performance by reference to the performance criteria specified in the SI
- Review by Legislative Committee

# ACT BUDGET CYCLE



# ACT Budget Cycle – Process

- Who has responsibility for running of the Territory?
  - Section 37 of the ACT Self-Government Act 1988 advises that the Executive has responsibility for governing of the Territory.
  - The Executive is comprised of the Chief Minister and Ministers appointed by the Chief Minister.
- Government has certain policies they wish to have implemented to achieve desired outcomes
  - Require funding to implement their policies

# ACT Budget Cycle – Process Cont'd

- Section 58 of the ACT Self-Government Act:
  - no public money of the Territory shall be issued or spent except as authorised by enactment
- Section 22 of the ACT Self-Government Act:
  - advises that the Legislative Assembly has the power to make laws.
- End result of the Budget process is an appropriation bill which the Legislative Assembly needs to review, debate and vote on.

# ACT Budget Cycle – Process Cont'd

- Treasurer presents the appropriation bill to the Legislative Assembly.
- What is difference between a bill and an act?
- Legislative Assembly does not vote on the budget, but rather an appropriation bill.
- Budget Papers exist to support the annual Appropriation Bill.

# ACT Budget Cycle – What is Appropriation

- Appropriations are about the provision of cash.
- Appropriations are for a single year.
- Appropriations are only made to departments. Funding to an authority flows through a department.
- Appropriations can be made for (s8 of FMA):
  - Provision of outputs by departments
  - Capital injection
  - Payments made by a dept on behalf of the Territory

# ACT Budget Cycle – What is a Budget

- A Budget reflects the full accrual financial picture of the Territory and agencies:
  - the financial resources available (revenue) and how resources will be used (expenses)
  - The assets and liabilities
  - Cashflows
- Budget specified for next financial year and three out years

# ACT Budget Cycle – Budget Timing

- Section 5 of FMA requires that first Appropriation Bill be introduced to the Assembly no later than 30 September.
- An early May budget provides time for the appropriation bill to be reviewed debated and voted on before the end of June. This enables agencies to have certainty on budget levels from the beginning of the financial year.

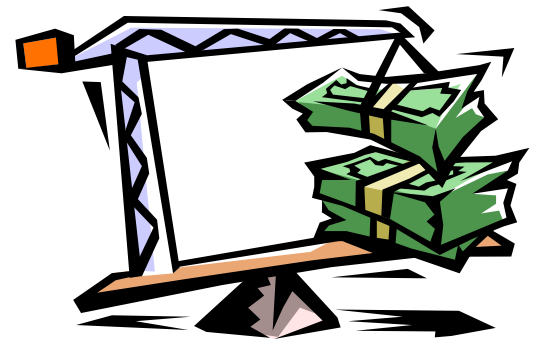
# ACT Budget Cycle – Budget Timing Cont'd

- Prior to debate of the appropriation bill, the Legislative Assembly will refer the bill to the Estimates Committee for review.
- Estimates Committee provides a report back to the Legislative Assembly.
- What happens if an Appropriation Act has not been passed before the end of a financial year? Where does Government get funding to operate in the next financial year?

# ACT Budget Cycle – Budget Timing Cont'd

- ‘Supply Period’ provisions commence.
- Section 7 of FMA enables automatic access to funds for next financial year.
  - Cannot exceed half of previous year appropriations and
  - must be for same purpose as previous year appropriations.
  - Cannot commence new initiatives.

# Budget Development



- Principles
- Roles
- Building a budget

# Budget Development - Principles

- Section 11 (4) of the FMA requires the Budget to be prepared taking into account:
  - The principles of responsible fiscal management
  - Object of providing a basis for sustainable social and economic services and infrastructure fairly to all Territory residents
  - Object of ecologically sustainable development

# Budget Development - Principles Cont'd

- Principles of responsible fiscal management
  - Total Territory liabilities at prudent levels
  - On average over a reasonable period of time total Territory operating expenses do not exceed operating revenue levels
  - Manage prudently the fiscal risks of the Territory
  - Pursue spending and taxing policies that are consistent with a reasonable degree of stability and predictability in the level of tax burden
  - Full accurate and timely disclosure of financial information about the activities of the government

# Budget Development - Principles Cont'd

- Ecologically sustainable development:
  - The effective integration of economic and environmental considerations in decision-making processes achievable through implementation of the following principles:
    - ✓ The precautionary principle
    - ✓ The inter-generational equity principle
    - ✓ Conservation of biological diversity and ecological integrity
    - ✓ Improved valuation and pricing of environmental resources

# Budget Development – Roles

- Cabinet has the same composition as the Executive and makes key budget decisions
  - Sets parameters for the budget at the start of the process
  - Makes decisions at various key stages of the budget development process based on updated budget numbers
    - ✓ New initiatives
    - ✓ Capital works program

# Budget Development – Roles Cont'd

- Treasury has role of coordination of the budget process and budget papers' preparation, and monitoring of information to be included in budget.
- Agencies have role of developing budgets to reflect Government policy intent and which are consistent with any overall budget parameters set by Government.

# Budget Development – Building a Budget

- Budget development commences late October
- Budgets are developed incrementally
- Starting point for a budget in the budget in the prior year budget papers
  - E.g. Budget for 05-06:
    - ✓ Budget as specified in prior year budget papers
    - ✓ Budget amended for new information
- Budget development occurs in stages

# Budget Development – Building a Budget Cont'd

- Budget is developed in a software application called the 'BDA'
  - Adjustments are entered as journals
- Amendments to the budget in the BDA occurs in stages specified by FABD
- Stage 1: technical adjustments
- Other stages: policy / funding adjustments
  - Data also used for the budget review

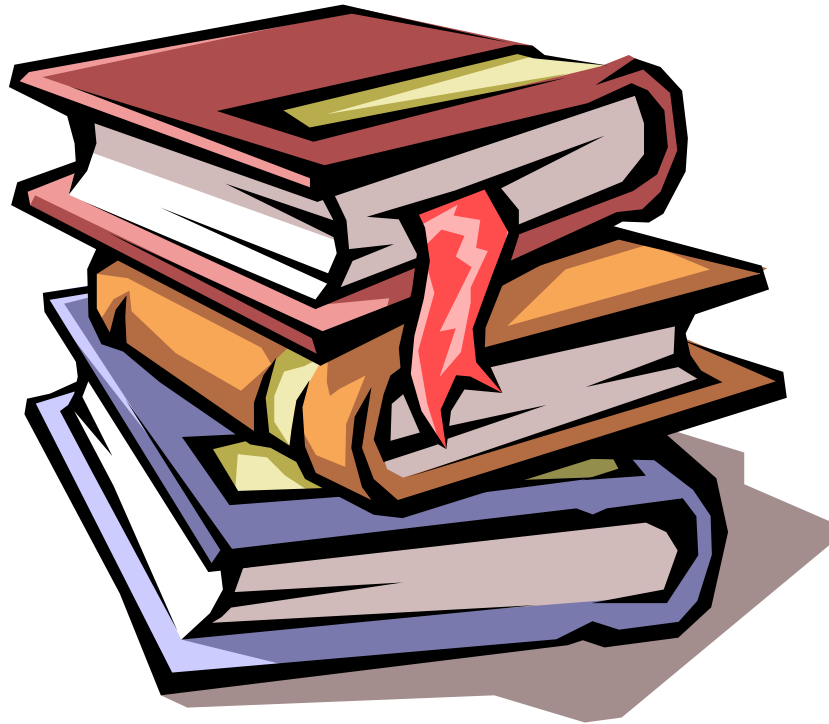
# Budget Development – Building a Budget Cont'd

- Budget amendments Stage 1:
  - Audited outcomes
  - Corrections
  - Removal of funding initiatives
  - Indexing

# Budget Development – Building a Budget Cont'd

- Budget amendments Other stages:
  - AAOs
  - Commonwealth grant variations
  - EBA increases (if funded)
  - Rollovers
  - Identified savings
  - New initiatives
  - Approved capital works

# BUDGET PAPERS



# Budget Papers

- The ACT Budget is usually presented in 4 Budget Papers:
  - Budget Paper 1 – Speech
  - Budget Paper 2 – Budget at a Glance
  - Budget Paper 3 – Budget Overview
  - Budget Paper 4 – Budget Estimates

[www.treasury.act.gov.au/budget](http://www.treasury.act.gov.au/budget)

# Budget Paper 1 - Speech

- Treasurer's speech to the Legislative Assembly
- Highlights the Government's Budget strategies
- Highlights key features of the Budget
- Political speech

# Budget Paper 2 – Budget at a Glance

- Aims to give community / media an overview
- Summary of overall budgetary position:
  - What the aggregate position is over 4 years
  - Where Government revenue comes from
  - Taxes, fees and fines
  - What the money delivers to the ACT community

# Budget Paper 3 – Budget Overview

- Summary of the Budget
  - Budget Strategy and Overview
  - Economic Assumptions
- The Canberra Plan
- Estimated Outcome
- Economic Overview
  - Economic Conditions
  - Developments in Commonwealth-State Financial Relations

# Budget Paper 3 – Budget Overview Cont'd

- Budget and Forward Estimates
  - Summary budget and forward estimates
  - Revenue for budget and forward estimates
  - Expenses for budget and forward estimates
  - Financial position for budget and forward estimates
  - Budget financial statements (GGS, PTE, TT)

# Budget Paper 3 – Budget Overview Cont'd

- General Government Sector (GGS)
  - Services are non-market in nature and are for collective consumption of community
  - Services free of charge or for prices significantly below production cost
- Public Trading Enterprises (PTEs)
  - Produces goods and services for sale at commercial prices

# Budget Paper 3 – Budget Overview Cont'd

- Budget Initiatives and Capital Infrastructure
  - Summary of initiatives
  - Initiatives explained
  - Capital works
- Management of Territory's Financial Position
  - ACT Government borrowings and gross debt
  - Investments
  - Superannuation
  - Risk management

# Budget Paper 3 – Budget Overview Cont'd

- Budget Consultation
- Women's Statement
- The Environment
- Appendices
  - Basis of budget and forward estimates
  - Classification of ACT entities
  - Appropriation Bill
  - Government finance statistics
  - Glossary and abbreviations

# Budget Paper 4 – Budget Estimates (Proposed Format)

Provides detailed information on each agency:

- Objectives

- Describe what the agency does
- Link to the Government agenda

- Budget year highlights

- Lists the strategic and operational issues to be pursued in the budget year

# Budget Paper 4 – Budget Estimates Cont'd

- Key performance indicators and financial targets
  - Key performance indicators in accordance with new performance management framework
  - Financial targets required for departments only (s31 of FMA) e.g operating result

# Budget Paper 4 – Budget Estimates Cont'd

- Capital works table
  - Table provided by Treasury
- Changes to appropriation table
  - Applies to departments
  - Appropriation table provided by Treasury
- Commonwealth grants
  - Identifies major grants received from the Commonwealth

# Budget Paper 4 – Budget Estimates Cont'd

- Budgeted financial statements
  - Financial information is uploaded from agencies' final Budget Development Applications (BDAs)
  - Departmental financial statements
  - Territorial (administered) statement
- Notes to the budgeted financial statements
  - Concise explanations are required for major changes in operating result or net asset position
  - Variances > 5% or \$100,000 to be explained

# Budget Paper 4 – Budget Estimates Cont'd

- Appendices
  - Basis of budget and forward estimates
  - Summary of transfers
  - Summary of terms of debt capital injection
  - Summary of outputs
  - Estimated outcomes for discontinued agencies
  - Glossary and abbreviations

# USING APPROPRIATIONS



# Using Appropriations

- When can a payment by a department be made without an appropriation?
- Answer: Never! No payment of public money can occur without an appropriation (S6 of FMA).
- Note that the FMA excludes from the definition of 'public money' any funds of a Territory authority or corporation.

# Using Appropriations – Cont'd

- Under an Appropriation Act appropriations can be either gross or net.
- Under net appropriation provisions in the FMA (s9), other sources of revenue can be used to fund payments for outputs or liabilities.
- Typically capital injections and payments to be made on behalf of the Territory are gross appropriations.

# Using Appropriations – Standing Appropriations

- Standing appropriations exist where the FMA enables certain payments to be made without there needing to be a specific appropriation eg repayments of borrowings, act of grace payments.

# Using Appropriations – Cont'd

- How long do appropriations last?
  - Appropriation Acts are for a financial year only. At end of that period all appropriations lapse (s7 of the FMA).
- Section 34B of the FMA allows unspent funds in departmental bank accounts to be used in subsequent financial years for the same purpose as the funds were originally appropriated.

# Using Appropriations – Mechanisms for budget flexibility

- Increases to appropriations – s13, s17, s19B, s18
- Variations to appropriations – s14, s15, s16, s15A
- Amendments to budget information – s19C, s19D, s19E, s19F

# Using Appropriations – Increases to Appropriations

- Supplementary appropriations – s13
- Commonwealth Grants - s17, s19B
- Treasurer's Advance - s18

# Using Appropriations – Increases to Appropriations – s13 & s13A

- S13 - Supplementary budget papers
  - Supplementary Appropriation Bill
  - Bill must be accompanied by Supplementary Budget Papers – for each affected department
- S13A – Amendment of budget
  - Should include all appropriation variations to date

# Using Appropriations – Increases to Appropriations – s17

- S17 - Variation of appropriations for Commonwealth grants
  - (2) If—
    - ✓ (a) an appropriation to which this section applies is to be funded in whole or in part by a payment made to the Territory by the Commonwealth for a nominated purpose; and
    - ✓ (b) an estimate of the level of the funding to be provided ... for that purpose is contained in the budget papers....; and
    - ✓ (c) the level of funding provided ... for the financial year for which the appropriation was made is greater than the level of funding specified in those budget papers;

# Using Appropriations – Increases to Appropriations – s17 (cont)

- S17 (cont)

- ✓ the Treasurer may, in writing, direct that the appropriation be increased by an amount not exceeding the difference between the level of funding specified in the budget papers and the level of funding provided by the Commonwealth.

- (3) If the Treasurer gives a direction under subsection (2), the Treasurer must present a copy of the direction to the Legislative Assembly within 3 sitting days after it is given.

# Using Appropriations – Increases to Appropriations – s19B

- S19B - Authorisation of expenditure of certain Commonwealth grants
  - “(1) Notwithstanding section 6, if—
    - ✓ (a) funds have been provided to the Territory by the Commonwealth under an agreement that specifies how the funds may be applied; and
    - ✓ (b) no appropriation has been made in relation to the funds;the Treasurer may, in writing, authorise the expenditure of the funds in accordance with the agreement.”

# Using Appropriations – Increases to Appropriations – s19B (cont)

- S19B (cont)
  - “(2) If the Treasurer gives an authorisation under subsection (1), the Treasurer must present a copy of the authorisation to the Legislative Assembly within 3 sitting days after it is given.”

# Using Appropriations – Increases to Appropriations – s18

- S18 – Treasurer's advance

- (1) This section applies to expenditure that is—
  - ✓ (a) in excess of the amount specifically appropriated for expenditure of that kind; or
  - ✓ (b) not provided for by any appropriation;
- (2) The Treasurer may in writing authorise the appropriation if:
  - ✓ (a) the Treasurer is satisfied that –
    - (i) there is an urgent need for the expenditure; AND
    - (ii) the expenditure is not provided for, or is insufficiently provided for, because of a prescribed circumstance.

# Using Appropriations – Increases to Appropriations – s18 (cont)

- Urgent need for expenditure is defined in the Financial Management Guidelines (2004 No 2)
  - Expenditure is needed because available funding, for the financial year in which the expenditure is to be authorised, will be, or is close to being, exhausted
- 2 prescribed circumstances:
  - There was an erroneous omission or understatement in an appropriation; or
  - Expenditure was unforeseen at the time of preparing the first Appropriation bill for the year

# Using Appropriations – Increases to Appropriations – s18 (cont)

- Treasurer's advance is for 'expenditure'
- Expenditure is defined as:
  - A payment for, or entering into a contract to make a payment for, an output delivery, including a payment for goods, services or grants
  - As above but for EBT
  - A payment from, or entering into a contract to make a payment for a capital injections

# Using Appropriations – Increases to Appropriations – s18 (cont)

- If a Treasurer's Advance is authorised, s18A requires the following to be presented within 3 sitting days after the authorisation:
  - A copy of the authorisation
  - A statement of the reasons
  - A summary of the total expenditure authorised under s18 for the financial year to date

# Using Appropriations – Variations to Appropriations

- Transfer of funds between appropriations – s14
- Transfer of funds within appropriations – s15
- Reclassification between appropriations – s15A
- Transfer of functions – s16

# Using Appropriations – Variations to Appropriations – s14

- S14 - Transfer of funds between appropriations
  - (1) ..the Executive may, in writing, direct that appropriations made by an Appropriation Act be varied by transfers of funds between the appropriations.
  - (3) A transfer of funds between appropriations under this section shall not cause an appropriation from which funds are transferred to be reduced by more than 3%.

# Using Appropriations – Variations to Appropriations – s14 (cont)

- S14 (cont)

- (4) .. the Treasurer must present the following to the Legislative Assembly within 3 sitting days after the direction is given:
  - ✓ (a) a copy of the direction;
  - ✓ (b) a statement of the reasons for giving it.
- (5) ... does not apply to a superannuation appropriation.

# Using Appropriations – Variations to Appropriations – s15

- S15 - Transfer of funds within appropriations
  - (1) The Executive may, in writing, direct that funds within the same appropriation that are allocated for the provision of different classes of outputs be reallocated in relation to those classes of outputs.
  - (2) If a reallocation of funds .... involves an amount larger than 3% of the appropriation within which the reallocation is made or \$150 000 (whichever is the larger), the Treasurer must present the following to the Legislative Assembly within 3 sitting days after a direction is given:
    - ✓ (a) a copy of the direction;
    - ✓ (b) a statement of the reasons for the reallocation.

# Using Appropriations – Variations to Appropriations - s15A

- S15A – Reclassification of certain appropriation
  - (1) If an appropriation has been classified ... for payments to be made by a department on behalf of the Territory, the Treasurer may, if satisfied that the appropriation should be classified as an appropriation for the provision of outputs by the department, in writing, direct that the classification of the appropriation be changed accordingly.

# Using Appropriations – Variations to Appropriations – s15A (cont)

- S15A (cont)

- (2) If an appropriation has been classified ... as an appropriation for the provision of outputs by a department, the Treasurer may, if satisfied that the appropriation should be classified as an appropriation for payments to be made by the department on behalf of the Territory, in writing, direct that the classification of the appropriation be changed accordingly.

# Using Appropriations – Variations to Appropriations – s15A (cont)

- S15A (cont)
  - (3) If the Treasurer gives a direction under subsection (1) or (2), the Treasurer must present a copy of the direction to the Legislative Assembly within 3 sitting days after the direction is given.

# Using Appropriations – Variations to Appropriations – s16

- S16 - Transfer of functions between departments
  - (1) If, after the passing of an Appropriation Act for a financial year, the responsibility for a service or function for which an appropriation is made..is transferred from the department for which the appropriation was made to another department, the Treasurer may, in writing, direct that the appropriation shall not lapse but may be issued to, or applied by, that other department, in accordance with the direction, for that service or function.

# Using Appropriations – Variations to Appropriations – s16 (cont)

- S16 (cont)

- (2) If the Treasurer gives a direction under subsection (1), the Treasurer must present a copy of the direction to the Legislative Assembly within 3 sitting days after it is given.
- (3) This section does not apply to a superannuation appropriation.

# Using Appropriations – Variations to Appropriations – s16

- Associated transfers services
  - Transfers of cash (s36)
  - Transfers of bank account (s34A)



# REPORTING

- Amending budgets / targets / performance criteria
- Periodic Reporting
- Annual Financial Statements
- Management discussion and analysis (MD&A)
- Annual Reports

# Amending Budgets / Targets / Performance Criteria

- Framework requires comparison between budgets etc and actuals
- Departments must report against original information contained in budget papers unless the information has been formally amended
- Variation of an appropriation (s14 to s19) will no amend budgets etc
- These amendments require a separate instrument / documentation

# Amending Budgets / Targets / Performance Criteria – s13A

- Supplementary budget papers will amend budgets etc so long as they are included in the paperwork (s13A)
- Supplementary budget papers can amend budgets etc for any approved appropriation variation that has occurred

# Amending Budgets / Targets / Performance Criteria – Cont'd

- Treasurer discretion to amend (notifiable):
  - Amendment of conditions of repayable capital injection (s19C)
  - Amendment of financial targets (s19E)
- Minister discretion to amend (notifiable):
  - Amendment of performance criteria (s19D)
- Treasurer must amend (must table):
  - Amendment of budgets (s19F)

# Amending Budgets / Targets / Performance Criteria – s19C

- S19C - Amendment of conditions of capital injection
  - (1) If a capital injection is given under conditions set out under section 12 (1) (c) (ii) (Department budgets) ... the Treasurer may, in writing, amend the conditions.
  - (2) An amendment of the conditions of the capital injection must state the Treasurer's reasons for the amendment.
  - (3) An amendment of conditions of a capital injection is a notifiable instrument.

# Amending Budgets / Targets / Performance Criteria – s19D

- S19D - Amendment of performance criteria
  - (1) The responsible Minister of a department may, in writing, amend the performance criteria set out under section 12 (1) (b) (Department budgets)...
  - (2) Without limiting subsection (1), the responsible minister may amend the performance criteria if—
    - ✓ (a) to (e) appropriation is increased / varied
    - ✓ (f) changes happen in the priorities of the department;or

# Amending Budgets / Targets / Performance Criteria – s19D Cont'd

- S19D (cont)

- ✓ (g) the Minister is satisfied that performance criteria (other than those stated in the budget) should be adopted for the provision of outputs by the department.
- (3) An amendment of performance criteria must be made in such a way that the department's budget as amended will comply with section 12 (3).
- (4) An amendment of performance criteria is a notifiable instrument.

# Amending Budgets / Targets / Performance Criteria – s19E

- S19E - Amendment of financial targets
  - (1) The Treasurer may, in writing, amend the financial targets set out in a statement under section 12 (1) (d) (Departmental budgets) ...
  - (2) An amendment of the financial targets must state the Treasurer's reasons for making the amendment.
  - (3) An amendment of financial targets is a notifiable instrument.

# Amending Budgets / Targets / Performance Criteria – s19F

- S19F - Amendment of budgets
  - (1) If a variation is made in relation to an appropriation for a department for a financial year under section 14 (1), 15 (1), 15A (1) or (2), 16, 17 (2) or 17A (2), the Treasurer **must**, in writing, amend the budget for the department ...
  - (2) If funds are provided to a department for a financial year under section 18 (1) or section 19B, the Treasurer **must**, in writing, amend the budget for the department ...

# Amending Budgets / Targets / Performance Criteria – s19F Cont'd

- S19F (cont)

- (3) The budget for a department for a financial year may be amended under this section—
  - ✓ (a) at the time of the variation in relation to the appropriation or the provision of funds; or
  - ✓ (b) at a later time.
- (4) If the Treasurer amends the budget for a department ... the Treasurer must, within 3 sitting days after the day on which the amendment is made, present to the Legislative Assembly a statement of the amendments made.

# Amending Budgets / Targets / Performance Criteria – s19F Cont'd

- S19F (cont)
  - (5) The financial management guidelines may prescribe the way in which a budget for a department may be amended under this section.
- Financial Management Guidelines 2004 No 1:
  - Totals for revenue, expenses, operating result
  - Totals for assets, liabilities, net assets
  - Total for increase / decrease cash
  - Totals for output classes rev, exp, operating result

# Periodic Reporting

- The Territory must prepare quarterly financial statements for the Assembly
  - Financials for the quarter (GGS, PTE & WOG)
  - Financials year to date (GGS, PTE & WOG)
  - Completed within 45 days after quarter end
- Departments must prepare quarterly performance reports for the Assembly
  - Progress report on delivery of outputs
  - Variance explanations
  - Completed within 30 days after quarter end

# Periodic Reporting - Budget Review s20A

- Purpose is provide updated information on the government's financial performance
- Review must include:
  - Financial statements for the GGS sector
  - Financial statements cover prior year, 30 June estimates and next 3 financial years
  - Review of financial policy objectives and strategies statement
  - State the date of the review

# Annual Financial Statements

- The Territory and all agencies must prepare annual financial statements
  - Territory, departments and authority required by the FMA
- Include statements required under Financial Management Guidelines (FMG 2000)
- Prepared in accordance with generally accepted accounting practice
- Model Financial Statements provides guidance

# Annual Financial Statements - Territory s22

- FMG requires the following:
  - Statement of Financial Performance
  - Statement of Financial Position
  - Statement of Cash Flows
  - Statement of Appropriation
- Statement of accounting policies
- Accounting standards also require 'sector' information
  - ACT uses GFS sectors ie GGS, PTE

# Annual Financial Statement - Territory Cont'd

- Must be given to Auditor by 30 Sept
- Auditor must provide an audit opinion within 30 days of receiving the statements
- Accelerated timetable in election year
- Audited financial statements must be tabled
  - In an election year, audit opinion must be available by 30 Sept – 1 month earlier
  - Audit financial statements must be tabled within 3 sitting days of receiving the audit opinion in ordinary year or if election year provided to each member within 7 days.

# Annual Financial Statements - Departments s27

- FMG requires:
  - Statement of Financial Performance
  - Statement of Financial Position
  - Statement of Cashflows
  - Statement of Appropriation
- Statement of Performance
  - Must compare to budget
  - Variance explanations

# Annual Financial Statements - Departments Cont'd

- Any changes in capital injection conditions
- Statement of Accounting Policies
- Accounting Standards also require:
  - sector information ie output class revenues / exp
  - Administered information
- In a form comparable to budget

# Annual Financial Statements - Departments Cont'd

- Must be given to the Auditor-General as soon as practical
- Auditor-General must provide an audit opinion as soon as practical
- Audited financial statements must be tabled within 6 sitting days of receiving the audit opinion

# Management Discussion and Analysis

- High level overview of the financial results and health of an agency
- It gives the reader the ability to look at the agency through the eyes of management
- Assist users of agencies financial statements (Legislative Assembly and interested community members) to better understand the financial performance and position of agencies.

# Management Discussion and Analysis – Framework

- General Overview
  - Objectives, AAO, Risk Management
- Financial Performance
  - Operating Result, Total Revenue, Total Expenditure
- Financial Position
  - Sustained Asset Base, Liquidity, Long Term Liabilities
- Other Disclosures
  - Audit opinion, if qualified / matter of emphasis

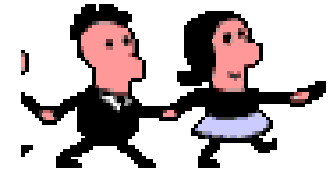
# Annual Reports

- Annual Reports (Government Agencies) Act 2004 sets the framework for annual reporting in the Territory
- Directions achieve consistent public accountability and statutory reporting requirements in the Territory
- CMD issues annual report directions in accordance with the Act

# Annual Reports - Contents

- Annual report required to include:
  - Management Discussion and Analysis
  - Audited Financial Statements
  - Capital works management
  - Asset management strategy
  - Service purchasing arrangements / community grants / assistance / sponsorship
- Annual report directions specify timing for tabling of agency annual reports

# ACCOUNTING BRANCH



- Our role
- Resources on website

# Role of the Accounting Branch

- Financial Management Framework
  - Guidance on the framework
  - Better practice guidelines
- FMA
  - Amendments to the Act
  - Guidance on applying the Act

# Role of the Accounting Branch – Cont'd

- Accounting Policy
  - Implication of new standards
  - Guidance on applying accounting standards
  - Model Financial Statements
- Liaising with Audit Office
- Taxation
  - Administer the Territory's tax framework
  - Provide mechanisms for guidance

# Accounting Branch Website

[WWW.treasury.act.gov.au/accounting](http://WWW.treasury.act.gov.au/accounting)

- Resources:

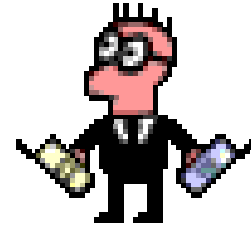
- Links to Legislation
- FMA Explained
- Model Financial Statements
- Accounting Policy
- Taxation Information
- Better Practice Guidelines
  - ✓ Model Chief Executive Financial Instructions
  - ✓ Delegations

# QUESTIONS?

---



# CONTACTS



- **Lisa Holmes**  
Manager, Accounting Branch  
Ext. 70207
- **Kate Nesor**  
Manager, Accounting Branch  
Ext. 70299
- **Anita Hargreaves**  
Assistant Manager, Accounting Branch  
Ext. 70330