

This Issue..

The accrual Budget and financial management implementation strategy:

- An overview of the strategy.
- Aims of the strategy.
- Agency participation for the 2001-02 Budget.
- The next Agency Reference Group meeting.

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<<http://www.tres.tas.gov.au>>
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A Note from the Director Budget Management

Welcome to the third edition of the Accrual Budget and Financial Management (ABFM) Email Bulletin.

Since the previous edition of the Bulletin, substantial effort has been applied to finalising the program for the 2001-02 Budget and to planning the implementation of accrual Budget and financial management reforms. The implementation strategy for these reforms represents a phased approach over three years. However, the progression of reforms will be subject to the endorsement of the Treasurer at the end of each phase.

This edition of the ABFM Email Bulletin provides an overview of the strategy and the reforms to be progressed.

The strategy has been developed following an evaluation of the approaches adopted in other Australian jurisdictions and discussions held with the Treasurer and agency representatives. The strategy has been developed to reflect the progress with financial management reforms to date and the attributes of the present financial management framework.

Between now and the tabling of the 2001-02 Budget, which will incorporate Phase 1 accrual Budget and financial management reforms, participation will be sought from agencies to prepare accrual budget information and to raise awareness of accrual financial management.

It is acknowledged that this is a development process for both Treasury and agencies.

Treasury will be assisting agencies with the reform process and will draw on the knowledge and expertise of agency officers to develop guidelines and education material.

I look forward to participating with all agencies in implementing the Accrual Budget and Financial Management Project.

Stephen Gregory
Director, Budget Management

Project Manager

Mr Jeff Reeve has been seconded from the Department of Justice and Industrial Relations to fill the position of Project Manager for the ABFM Project. Jeff has been involved in Tasmania's financial management reform process since its initial stages and was responsible for implementing the reforms in the Department of Justice and Industrial Relations.

Jeff has previously worked as a Senior Auditor in the Tasmanian Audit Office and spent 12 months working with the New Zealand Audit Department shortly after the New Zealand Government introduced full accrual based financial management, including accrual appropriations. Jeff has also had considerable experience in private sector accounting.

Please feel free to contact Jeff regarding the Project and any associated issues. Jeff's contact details are shown on this page of the Bulletin.



The ABFM Email Bulletin is a publication designed to provide agency budget and finance officers, and those involved with corporate and strategic government planning, with information on the implementation of an accrual Budget framework for the Tasmanian General Government sector.

Aims of the Implementation Strategy

The Accrual Budget and Financial Management Implementation Strategy has been developed to achieve the following outcomes:

- An improved budgetary framework that provides a greater focus on the full cost of Government service delivery.
- Clear transparency between the budgeting, reporting and cash flow components of financial management.
- Enhancement of financial management reforms introduced in the Tasmanian Public Sector over the last five years.
- Improved comparability of Tasmania's Budget information with other Australian jurisdictions.
- Increased awareness and understanding of accrual accounting, reporting and financial management principles.

These outcomes will be progressively achieved throughout the duration of the implementation and significant benefit will be gained in working towards these outcomes.

Although initially agency accrual Budgets will not be published, agencies will receive the following benefits:

- identifying issues associated with Budget preparation and management of accrual data;
- identifying enhancements to Budget systems and processes;
- greater familiarity with accrual Budget and financial management concepts; and
- greater availability of accrual financial management information.

The Implementation Strategy

Scope

An accrual budgeting framework involves more than just preparing agency and whole-of-government Budgets. The implementation of an accrual Budget will involve significant changes to Budget and financial management. In particular, accrual Budget reform will include:

- enhancements to Budget development and business support systems;
- a review and enhancement of the Output methodology and Output performance measures;
- increasing the knowledge and skills in accrual financial management; and
- shifting attention from year to year cash management to managing service delivery over the longer term.

With recognition of the broad scope of accrual Budget reform, the Accrual Budget Implementation Project has been renamed the Accrual Budget and Financial Management Project.

Many of the financial management reforms that are associated with accrual budgeting have been progressed as part of Tasmania's Financial Management Reform Strategy and the introduction of accrual budgeting will provide an opportunity to further develop and enhance these reforms.

A Phased Approach

Given the complexity associated with the introduction of accrual budgeting and associated financial management reforms, the implementation strategy will be undertaken over three phases:

- **Phase 1: (2001-02 Budget)**
- **Phase 2: (2002-03 Budget)**
- **Phase 3: (2003-04 Budget)**

The phased introduction of accrual budgeting will ensure adequate time to allow procedures and systems to be designed and introduced in full consultation with agencies.

The phased approach will also allow for:

- further development of associated financial reforms such as accrual financial management, the Output methodology and financial management competencies;
- the development of a comprehensive training and education program; and
- enhancements to business support systems.

A phased approach will also provide agencies with a better opportunity to manage the move to accrual financial management.

Phase 1: (2001-02 Budget)

For the 2001-02 Budget cycle:

- a consolidated Whole-of-government (General Government sector) accrual Budget will be presented in accordance with the concepts of Australian Accounting Standard AAS 31 – *Financial Reporting by Governments*;
- agency accrual Budget information will be prepared in accordance with the concepts of Australian Accounting Standard AAS 29 – *Financial reporting by Government Departments* and will be used specifically to prepare the consolidated accrual Budget;
- existing cash Budget information will be retained in the Budget Papers;
- agency appropriations will continue to be provided on a cash basis;
- business support systems will be reviewed in regard to accommodating and managing accrual Budget information;
- training and education needs for agencies and users of the Budget Papers will be identified; and
- Treasury will consult with agencies and the Treasurer in regard to progressing and developing accrual Budget and financial management reforms to be implemented after the 2001-02 Budget.

Phase 2 (2002-03 Budget):

It is envisaged that the 2002-03 Budget Papers will not incorporate any additional accrual Budget reforms than those implemented in the 2001-02 Budget.

Reforms to be developed and progressed in Phase 2 are subject to a review of the implementation strategy by Treasury and agencies and approval by the Treasurer. Further reforms may include:

- training and education on managing in an accrual environment to increase competency levels in accrual financial management;
- the enhancement of business support systems to accommodate accrual budgeting;
- a review of the Output methodology and the financial management legislation; and
- a review of the Fiscal Strategy in regard to establishing accrual financial performance measures.

Phase 3 (2003-04 Budget):

Reforms to be developed and progressed in Phase 3 will be subject to a review of the implementation strategy and approval by the Treasurer after the 2002-03 Budget and may include:

- the presentation of agency accrual Budgets in the Budget Papers;
- the development of an accrual budgeting and financial management manual;
- the enhancement of the Output methodology;
- the development of accrual appropriation processes; and
- the establishment of formal revenue recognition and Output aquital processes.

Agency Involvement

One of the key reasons for developing a phased implementation strategy is to enable sufficient time to increase awareness and understanding of accrual budgeting issues and concepts.

For the 2001-02 Budget, agencies, with training and assistance, will be asked to prepare accrual Budget information for the following two purposes:

- to develop a consolidated Budget for the General Government sector; and
- to provide input into the development of an education package for agencies which will aim at increasing the level of knowledge in preparing agency accrual Budget information and managing in an accrual environment.

Agencies will be asked to nominate officers to be involved in the development of accrual Budget preparation guidelines, participate on specific Project working groups, assist in undertaking training and education programs and provide feedback on the implementation strategy and its progress.

Accrual Budget Development

The timetable for developing the 2001-02 Budget is currently being finalised and will include tasks and activities for the development of accrual Budget information.

The following milestones and key dates for agency training and the development and collection of accrual Budget information have been proposed:

30 November 2000

- Accrual Budget preparation guidelines will be developed by Treasury in conjunction with agencies.
- Training and assistance to agencies in preparing accrual Budgets will commence.

28 February 2001

- Completion of training and assistance to agencies in preparing accrual Budgets.

31 March 2001

- Agency accrual Budget information due to Treasury.

Treasury has established a working group to determine the most appropriate method for collecting accrual Budget data from agencies. At this stage, Budget Management System (BMS) is the preferred option and investigation is underway to identify required enhancements to BMS.

Agency Reference Group Meeting

An Agency Reference Group was established to ensure agencies are involved with the accrual Budget implementation process and to provide agencies with an opportunity to express their thoughts and ideas on the ABFM Project.

The Agency Reference Group consists of nominated budget, finance and corporate planning officers from each agency. Those officers involved in Government strategic planning activities are also encouraged to attend the meetings.

The next meeting of the Agency Reference Group will be held on Thursday 28 September 2000 from 10.00am to 11.30am. The meeting will be held at Hadleys Hotel in the Bowen Room.

The Agenda for this meeting will be provided shortly. The meeting will provide a detailed overview of the Accrual Budget and Financial Management Implementation Strategy and will outline key tasks and milestones for agencies.

ABFM Internet Site

The following documents are now available on the ABFM Internet site:

- outcomes of ABFM Steering Committee meetings; and
- this edition of the ABFM Email Bulletin.

The following information will soon be available on the site:

- Agenda for the Agency Reference Group meeting to be held on 28 September 2000;

- a summary of the ABFM Business Plan; and
- the ABFM implementation strategy, including key tasks and milestones.

You are encouraged to visit the ABFM Internet site on a regular basis. If there is any additional information you would like available on this site or if you have any suggestions for improving the site, please contact a member of the ABFM Project Team.

Email Bulletin Distribution

The ABFM Email Bulletin is produced on a regular basis and distributed widely throughout agencies.

Please contact Ben Daley for updates to the Bulletin distribution list (see front page for contact details).