



# Accrual Budget & Financial Management

November 2000

## This Issue..

### Phase 1 in full swing:

- Agency accrual Budget tasks for the 2001-02 Budget.
- The release of the Accrual Budget Preparation Guidelines and Workbook.
- The third Agency Reference Group meeting.
- Initial planning for Phase 2.

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### ACCRUAL BUDGET & FINANCIAL MANAGEMENT INTERNET SITE:

<<<http://www.treasury.tas.gov.au>>>  
 and select the 'Accrual Budget Implementation' link.

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## Email Bulletin No 4

### A Note from the Director, Budget Management Branch

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

Over the past month, Treasury has held briefings with agency senior executives and finance officers to raise awareness of accrual budgeting and related financial management issues and to promote the ABFM Project.

The response from agencies has been constructive and positive and agency managers and officers have shown a keen interest to participate in the development of an accrual Budget and financial management framework.

Accrual budgeting reforms are a key feature of Tasmania's Financial Management Reform Strategy (FMRS). The 2000 Progress Report has just been released (open Treasury's Internet site and select the 'Financial Management & Reform' link for a copy of the 2000 Progress Report).

Phase 1 of the ABFM Project is now in full swing with the development of the Accrual Budget Preparation Guidelines and Workbook, which are soon to be released.

These documents have been prepared to assist agencies with the preparation of accrual Budget information for the 2001-02 Budget. Further details of the Guidelines and Workbook document are provided in this edition of the

Bulletin.

An essential element of the Accrual Budget and Financial Management Project is to obtain agency participation in the reform process. The Budget process is a shared responsibility and Treasury is seeking to ensure accrual Budget and financial management reforms are developed and implemented in full consultation with agencies.

The Accrual Budget Preparation Guidelines and Workbook have been developed by an inter-agency working group, chaired by Brian Smith of the Department of Education, and the contribution from the following members of this group is gratefully acknowledged: Stephen Long, Dianne Smith, Eleanor Patterson, Miriam O'Neill, Jeff Reeve, Ben Daley and David Tadd.

The Accrual Budget Preparation Guidelines and Workbook are to be released at an Agency Reference Group meeting to be held on 12 December (further details of this meeting are provided in this edition of the Bulletin).

I am confident that all agencies, with the assistance of the Guidelines and Workbook, will be able to successfully prepare accrual Budget information for 2001-02.

Planning for Phase 2 (2002-03 Budget) of the ABFM Project has already commenced. Phase 2 represents the development of the accrual Budget and financial management framework, in accordance with Tasmania's FMRS, and will involve activities such as a review of the Output methodology and financial management legislation.



*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.*



However, for now the concentration is on the 2001-02 May Budget.

Enjoy a relaxing Christmas break and have a great New Year.

Stephen Gregory  
**Director, Budget Management Branch**

## Agency Accrual Budget tasks for the 2001-02 Budget

Phase 1 of the ABFM Project aims to raise the awareness of accrual budgeting within agencies and Treasury.

One of the key achievements for Phase 1 will be the preparation of agency accrual Budget information and the development of a whole-of-government (General Government Budget Sector) accrual Budget for presentation in Budget Paper No 1.

All agencies should have received a memorandum from Treasury regarding agency accrual Budget preparation for the 2001-02 Budget. In summary, agencies will need to:

- prepare accrual Budgets, in accordance with the principles of Australian Accounting Standard AAS29 - *Financial Reporting by Government Departments*, for the **2000-01 and 2001-02** financial years. This will be in the form of a:
  - Statement of Financial Performance;
  - Statement of Financial Position; and
  - Statement of Cash Flows; and
- provide explanations of any material variations between:
  - cash and accrual budgets; and
  - accrual budgets for 2000-01 and 2001-02.

Agency accrual Budget information needs to be submitted to Treasury by **15 March 2000**.

The Accrual Budget and Financial Management Project Team is available to provide support to agencies in the preparation of accrual Budgets.

Detailed explanations of agency accrual Budget tasks for the 2001-02 Budget will be provided in the Accrual Budget Preparation Guidelines.

### Benefits of Phase 1 Accrual Budget Activities

The benefit of preparing accrual Budgets for consolidation in the 2001-02 Budget will be:

- an increase in the understanding of accrual budgeting and associated issues within Treasury and agencies;
- Treasury and agencies will be able to identify and solve technical issues before accrual budgeting becomes the primary Budget focus;
- Treasury and agencies will be able to more effectively assess the training and education needs;
- Budget Committee will become more familiar with accrual information;
- systems and procedures can be developed and enhanced based on the experiences gained and processes identified during the development of agency accrual Budgets; and
- Treasury and agencies will be more prepared and more familiar with the requirements to develop accrual Budgets in future years.

## The Accrual Budget Preparation Guidelines and Workbook

The Accrual Budget Preparation Guidelines and Workbook have been developed specifically to assist Tasmanian Government agencies in preparing accrual Budgets for the 2001-02 Budget. The Accrual Budget and Financial Management framework for the Tasmanian General Government sector is being developed

and will be finalised prior to the 2003-04 Budget.

This initial release of the Accrual Budget Preparation Guidelines will be updated as systems and procedures are developed during the implementation of the accrual Budget and financial management framework.

### Content of the Guidelines

The Accrual Budget Preparation Guidelines contain the following sections:

- *Introduction*
- *Procedures:* Procedures for preparing agency accrual Budgets using the Accrual Budgeting Workbook;
- *Agency Requirements:* Agency accrual Budget requirements for the 2001-02 Budget;
- *Proforma:* Proforma accrual Budget documents and proforma for recording material variations;
- *Definitions:* Definitions of the line items on the accrual Budget proforma documents;
- *Mapping Rules:* The mapping of the Mandatory Data Codes to the accrual Budget proforma documents; and
- *Project Overview:* Overview of the ABFM Project.

### The Accrual Budgeting Workbook

An MS Access database has been developed to assist agencies in preparing their accrual Budgets for the two years, 2000-01 and 2001-02. The database, entitled *The Accrual Budgeting Workbook*, will be issued with the Guidelines on a Compact Disk and is an automated procedure to produce accrual Budget statements from agency cash Budget information, extracted from the Budget Management System (BMS).

**The Accrual Budget Preparation Guidelines and Workbook will be provided to agencies at the Agency Reference Group meeting to be held on 12 December.** See below for further details.

# Agency Reference Group Meeting

The next meeting of the Agency Reference Group will be held on Tuesday, 12 December 2000 from 9.30-12.30pm. The meeting will be held at the Elizabeth Street Pier Conference Centre in the Sovereign Room.

The meeting is divided into two sessions:

- **Session 1** will be a regular Agency Reference Group meeting.
- **Session 2** will be a practical demonstration of how to prepare an agency accrual Budget using the Accrual Budgeting Workbook. Officers directly responsible for preparing accrual Budget information should attend this session.

The Agenda for the meeting is attached to this edition of the Bulletin. The Accrual Budget Preparation Guidelines and Workbook will be provided to agencies at the meeting.

## Planning for Phase 2

Phase 2 of the ABFM Project represents the development of reforms to be implemented for the 2002-03 Budget.

As part of the ongoing review of the Financial Management Reform Strategy (FMRS), a need was identified to further develop the Output methodology and to adopt an accrual based Budget to provide a full link and clear articulation between budgeting, accounting and reporting.

Activities to be undertaken in Phase 2 of the ABFM Project will assist with

## Email Bulletin Distribution

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

the achievement of the FMRS initiatives and will include:

- evaluation of current Budget management processes regarding the Outcomes/Output methodology;
- development of accrual appropriation concepts and revised cash management procedures;
- the development of processes and procedures for management of agency accrual Budget information;
- review and evaluation of the Fiscal Strategy;
- implementation of a communication strategy and education program to increase awareness and competency in accrual based financial management;
- a review of existing financial management competencies;
- review of the financial management legislation;
- enhancement of BMS/PARS to accommodate agency and whole-of-government accrual Budget information;
- enhancement of the TFRS Mandatory Data Requirements and business rules, including investigation into a standard chart of accounts and a review of administered and controlled items;
- training and assistance to Treasury officers regarding management of accrual Budget information;
- presentation of agency 2002-03 accrual Budgets to Budget Committee; and
- refinement of the accrual Budget and financial management framework.

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

From the above list it is clear that Phase 2 will be challenging and will involved significant input from agencies. The achievement of the above activities will provide a strong foundation for the Tasmanian Government (General Government sector) to move to an accrual Budget and financial management framework in Phase 3 (being the 2003-04 Budget).

## ABFM Internet Site

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

- the Outcomes of the eighth meeting of the ABFM Steering Committee;
- the ABFM Project Business Plan; and
- a PowerPoint presentation regarding the ABFM Project, which is being presented to agency finance officers.

The following documents will soon be available on the ABFM Internet site:

- the Accrual Budget Preparation Guidelines; and
- a report entitled *The Application of Accruals in Australian Public Sector Budgeting and Reporting* prepared by Mr Stephen Bartos, General Manager Budget Group, Australian Department of Finance and Administration

You are encouraged to visit the ABFM Internet site on a regular basis. The address for the site is shown on the front page of the Bulletin. 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.

# Agency Reference Group – Meeting No. 3

pm Tuesday, 12 December 2000

Elizabeth Street Pier, Sovereign Room

## Agenda

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<b>Item</b>	<b>Topic</b>	<b>Time</b>
<b>SESSION 1</b>		
1.	<b>Introductory Comments</b> Mr Stephen Gregory, Chairman, Agency Reference Group	9.30 – 9.35am
2.	<b>Project Status Report</b> <ul style="list-style-type: none"><li>• Progress to Date</li><li>• Implementation and Planning Issues</li></ul>	9.35 – 9.45am
3.	<b>Agency Requirements for the 2001-02 Budget</b> <ul style="list-style-type: none"><li>• Accrual Budget Statements</li><li>• Variation Analysis</li><li>• Reconciliation Note</li><li>• Due Date</li></ul>	9.45 – 10.05am
4.	<b>The Accrual Budget Preparation Guidelines</b> <ul style="list-style-type: none"><li>• Content</li></ul>	10.05 – 10.30am
5.	<b>Morning Tea</b>	10.30 - 10.45am
<b>SESSION 2</b>		
6.	<b>The Accrual Budgeting Workbook</b> <ul style="list-style-type: none"><li>• What is the Accrual Budgeting Workbook?</li><li>• Practical Example of Preparing an Accrual Budget based on the Accrual Budgeting Workbook</li></ul>	10.45 – 12.00pm
7.	<b>Concluding Comments</b> <ul style="list-style-type: none"><li>• Training and Support</li></ul>	12.00 – 12.10pm

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**Note:**

- **Session 2 of the meeting of the Agency Reference Group focuses on the preparation of agency accrual Budget information. Officers directly responsible for preparing agency accrual Budget information should attend this session.**
- **The Accrual Budget Preparation Guidelines and Workbook will be issued at the meeting.**