



Accrual Budget & Financial Management

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A Note from the Director, Budget Management Branch

Welcome to the seventh edition of the ABFM Email Bulletin.

Phase 1 of accrual Budget and financial management reform is complete with publication of an Accrual Budget Chapter in Budget Paper No 1 in the May 2001 Budget. Chapter 12 reports consolidated accrual estimates for 2001-02 for the General Government Sector, which were developed from agency accrual estimates. This represents the achievement of a significant milestone in the reform process, and will increase awareness of accrual budgeting and issues that need to be addressed as the reform process continues.

A review of Phase 1 is planned shortly to evaluate the process for preparing and compiling accrual Budget information and to determine the suitability of the Accrual Budgeting Workbook for Phase 2. Input to the review will be sought from agencies.

An inter-agency working group has been convened to develop a general education program to increase the awareness of accrual budgeting and financial management issues. The program will run from September to November this year. Agencies are encouraged to support the program, which is designed for corporate planning officers as well as budget and finance officers.

Stephen Gregory
Director, Budget Management Branch

Accrual Budget Chapter

A consolidated accrual Budget for the General Government Sector was presented in the 2001-02 Budget Papers in a new Chapter entitled *Accrual Estimates*.

This represents the first step in the accrual budget reform process and demonstrates the Government's commitment to the introduction of accrual budgeting, in line with budgeting reforms in other jurisdictions.

The Budget statements incorporated in the new Chapter are a consolidation of agency accrual estimates, which have been prepared in accordance with generally accepted accounting principles.

The accrual Budget estimates for 2001-02 report a strong Budget position for the General Government Sector with:

- an estimated Operating Surplus of \$29.9 million; and
- an estimated net asset position as at 30 June 2002 of \$3 026 million.

Accrual budget information will continue to be presented in Budget Paper No 1 in future Budgets. For the 2002-03 Budget, agency accrual Budget estimates will also be presented to Budget Committee as part of Pre-Budget Reports.

Accrual Uniform Presentation Framework

In 1991, Australian jurisdictions agreed to the introduction of a Uniform Presentation Framework (UPF). The

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.

primary objective of the UPF is to ensure that Commonwealth, State and Territory governments provide a common core of financial information in their Budget Papers. The format of the UPF is based on the reporting standards of the Australian Bureau of Statistics' (ABS) Government Finance Statistics (GFS).

Tasmania reports whole of government Budget information in accordance with the UPF in the Budget Papers in Chapter 11 of Budget Paper No 1 *Budget Overview*. Currently, this information is cash based.

In December 1999, all jurisdictions agreed to adopt an accrual-based UPF by no later than the 2002-03 Budget. The revised UPF was agreed as a result of the increased focus on accrual reporting in the public sector and the adoption of an accrual based GFS reporting framework by the Australian Bureau of Statistics (ABS).

Tasmania will present whole of government Budget estimates in Budget Paper No 1 on an accruals basis, in accordance with the UPF, in 2002-03.

Information presented under the accrual UPF is in a format consistent with generally accepted accounting principles in that there is:

- an Operating Statement;
- a Balance Sheet; and
- a Cash Flow Statement.

However, there are some distinct differences in the treatment and presentation of information under the accrual UPF.

As part of the development of the accrual budgeting framework, one of the key decisions will be whether to adopt accrual UPF or Australian Accounting Standards as a basis for Budget presentation.

The Commonwealth has produced a document entitled *Accrual Uniform Presentation Framework* which provides a detailed overview of the accrual UPF and the differences to Australian Accounting Standards (in particular AAS31 *Financial Reporting by Governments*).

A link to this document is available on the ABFM Internet site.

Beyond Bean Counting 2000

There is a link on the ABFM Internet site to the document released by the Public Sector Centre of Excellence entitled *Beyond Bean Counting 2000 – A Benchmark of Effective Financial Management in the Australian Public Sector*. The document examines the progress of public sector agencies across three tiers of government in their work to achieve better practice in financial management since the release of the original 1997 *Beyond Bean Counting* report.

Since the 1997 report, the survey indicates that much of the Australian Public Sector has implemented substantial changes, particularly in relation to budget and accounting methodology, with the adoption of accrual financial management and outcome/output based accrual budgeting.

The survey conducted for the report found a number of significant trends occurring in organisational behaviour, including:

- a widespread acceptance of the value of accrual information by Chief Executive Officers;
- Chief Executive and Chief Financial Officers are taking a more dominant role and accountability for financial results;
- continuing strong demands for qualified accounting and finance professionals;
- the emergence of revenue and operating surplus/deficit targets in the annual Budget in place of a focus only on expenditure; and
- a significant change in the budgetary control function.

The report also found considerable room for improvement, specifically:

- many organisations are yet to move away from cash-based data as their source of information for internal decision making;
- many organisations continue to operate systems in a dual cash and accrual format; and

- financial management skill levels of line managers are perceived as lower today than they were in 1997.

The report identified a number of issues that need to be addressed in the future of financial management reform in the Australian public sector. Some of those identified include:

- E-business, E-commerce and E-procurement;
- corporate governance; and
- the changing structure of the public sector.

Many issues addressed in the report, including financial management, education and legislation, are being considered in Phases 2 and 3 of Tasmania's accrual budgeting and financial management reform process.

Phase 2 – ABFM Project

Phase 2 of the Accrual Budget and Financial Management (ABFM) Project (the 2002-03 Budget) will again include the publication of General Government Sector accrual Budget statements in the Budget Papers.

In addition, Phase 2 will involve the development of the accrual budgeting framework, to be considered for the 2003-04 Budget, and the inclusion of agency accrual Budgets in 2002-03 Pre-Budget Reports.

The accrual budgeting framework will include:

- a recommendation for an accrual based key Budget measure based on total funds (not just the Consolidated Fund);
- development of accrual appropriation concepts and revised Budget management and monitoring processes; and
- revised presentation of the Budget to account for a new focus on accrual Budget information.

To support the framework, business support systems will need to be amended, financial management legislation revised and an education program commenced to raise the level

of skills in the new budgeting environment.

Agency Involvement

Treasury will seek agency nominations for technical working groups over the coming months.

Discussion of agency involvement in the reform process and information on nominating for working groups will be provided at an Agency Reference Group meeting planned for July 2001.

Education and Training Program

In 1999, a stocktake and evaluation was undertaken of the Financial Management Reform Strategy. A recommendation arising from the evaluation was that Treasury and agencies should develop a whole of government financial management training strategy.

An inter-agency working group has now been established to develop a financial management education program for 2001 and 2002. The working group is chaired by Debbie Sadler, Department of Treasury and Finance, and contains representatives from the Departments of:

- Justice and Industrial Relations;
- Health and Human Services;
- Police and Public Safety;
- Infrastructure, Energy and Resources; and
- Primary Industries, Water and Environment.

The first stage of the program is due to commence in September 2001 and will be completed by the end of the year. This will be a general education program aimed at increasing the knowledge and awareness of accrual financial management.

The program will be aimed at specific stakeholder groups, such as senior executives, corporate planners, finance managers and budget officers.

Further information on the program will be provided in the coming months. Debbie Salder can be contacted to discuss the program on 6233 3729, or by e-mail: debbie.sadler@treasury.tas.gov.au.

Education Programs in Other Jurisdictions

Queensland

The Queensland Government introduced accrual budgeting in the 1999-00 Budget. An accrual budgeting education process was developed involving three stages:

- seminars;
- Executive briefings; and
- skill development modules.

The following table summarises the purpose and target audience for each stage of the Queensland education program.

	Purpose	Target Audience
Seminars	To provide information on key policy aspects	Appropriate agency staff depending on the seminar topic
Executive Briefings	To provide key strategies for the planning and implementing of new policies	CEOs, Deputy CEOs and Directors (Finance and Non-finance)
Skill Development Modules	Develop necessary skills for implementing new policies	Directors (Finance and Non-finance), Managers (Finance and Non-finance), Budget Officers and Finance Officers

Commonwealth

The Commonwealth introduced accrual budgeting in the 1999-00 Budget and provided training addressing:

- understanding financial Reports and Budgets;
- Outcome and Output specification and management;
- transition accrual budgeting; and
- financial management tools and techniques.

Courses were aimed at different levels of management ranging from Senior Executives to clerical and administrative employees.

ABFM Internet Site

The ABFM Project Outcome Realisation Plan and Communications Strategy are now available on the Project Internet site.

Outcome Realisation Plan

The [Outcome Realisation Plan](#) (ORP) contains the key outcome or desired attainment for the Project. The ORP is used as a project management tool to ensure the Project is managed in accordance with the key outcome. The ORP includes:

- an overview of key elements of budgeting reform;
- a discussion on the current financial management environment;
- the desired position at the end of the reform process; and
- an overview of the transition plan required by Treasury and agencies to move to an accrual budgeting environment.

The ORP provides the reasons for budgeting reform and the scope of reform under the Project.

Communications Strategy

The [Communications Strategy](#) identifies ways in which planned, positive and targeted communications can assist with the implementation of accrual budgeting and associated financial management reforms.

The Communications Strategy contains:

- the current Project communications environment;
- risks to communication;
- key messages;
- the target audiences;
- communication tools; and
- timing issues associated with the communication of key messages.