



Accrual Budget & Financial Management

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A Note from the Director, Budget Management Branch

Welcome to the new year and the tenth edition of the ABFM Email Bulletin.

Looking back to 2001, I'm pleased to report that the Accrual Budget and Financial Management (ABFM) Project is progressing as scheduled.

Some of the key milestones and highlights of last year include:

- the production of the first accrual Budget for the General Government Sector, which was published in Budget Paper No 1, representing the achievement of Phase 1 of the ABFM Project;
- the approval by the Treasurer, in September 2001, of the Conceptual Accrual Budgeting Framework for the 2003-04 Budget; and
- the development and roll-out of the Accrual Budgeting Workbook to agencies, which was used to prepare accrual information for inclusion in 2002-03 pre-Budget reports.

One of the key events towards the end of 2001 was the delivery of an education and training course to agencies and Treasury Budget Analysts regarding principles of accrual budgeting and accrual financial management.

The development of the course was coordinated by a working group comprised of Treasury and agency representatives.

Participation by agencies in the course exceeded expectations, with approximately 90 officers attending overall.

Further details of the course are provided in this edition of the Bulletin, including the results of evaluation forms returned by participants.

The results indicate the need for sustained education and training during the accrual budgeting reform process and the need for targeted education programs to meet specific requirements of individual stakeholder groups.

Education and training will form a significant part of the accrual budgeting reform process this year and in 2003.

Development of the detailed accrual budgeting framework has commenced with the establishment of a number of working groups, including those examining revisions to the Budget Papers, the Budget process, business support systems and appropriations.

Essential to the development of the framework is agency involvement and a number of agency officers are already participating on working groups.

Information on some of the key issues being considered by each working group is provided in this edition of the Bulletin.

The detailed accrual budgeting framework will be submitted to the Treasurer for approval in March 2002.

Subject to the Treasurer's approval, work will proceed on implementing the framework in readiness for the 2003-04 Budget cycle, which commences in October 2002.

Stephen Gregory
Director, Budget Management Branch

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 Budgeting framework for the Tasmanian General Government Sector.



Education and Training Program – November 2001

An inter-agency working group was established in May 2001 to develop an appropriate education and training course for the implementation of accrual budget and financial management reforms.

Course Content

The following content was proposed for inclusion in the course:

- ✓ an overview of the conceptual accrual budgeting framework;
- ✓ trends in other jurisdictions;
- ✓ understanding the difference between cash and accrual budgeting;
- ✓ analysis of accrual budget statements;
- ✓ a hypothetical, to demonstrate the application of accrual budget information in decision making processes; and
- ✓ how to manage an organisation’s budget.

Course Attendance

Expressions of interest were sought from agencies in October 2001 to gauge the demand and likely attendance for the course.

The response from agencies was positive. In all, approximately 90 officers indicated their interest in attending the course, ranging from Finance Managers and Budget Analysts to Business Unit Managers and Corporate Planning Officers.

The popular response to the course suggested the need for three, one day sessions, which were held late November 2001.

Course Evaluation

At the completion of the course, participants were asked to complete an evaluation form, which rated the course in terms of:

1. course content;
2. overall presentation and delivery;
3. case study (the hypothetical component of the course); and
4. handouts.

Participants also outlined their awareness of the ABFM Project and level of financial management knowledge before attending the course.

Figure 1: Summary of Course Evaluation

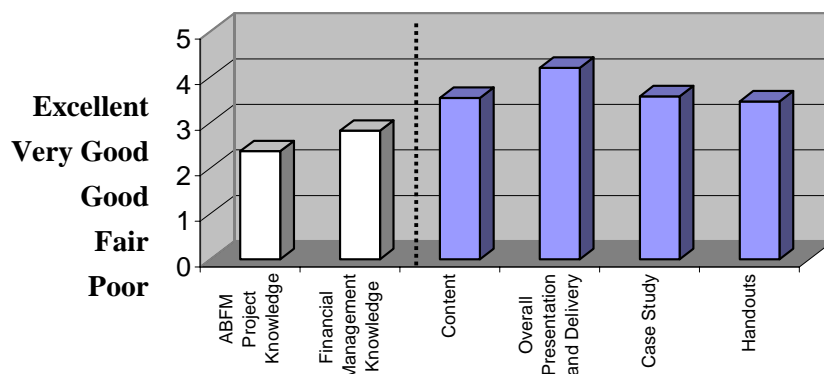


Figure 1 provides a summary of participant responses to the above criteria.

The results indicate an overall positive rating of the course by participants.

The course was facilitated by Mr Tony Poynter, from KPMG, who has significant experience in accrual budgeting reform processes across Australia. Participants indicated that they were particularly pleased with Mr Poynter’s style of presentation and knowledge of the subject matter.

On average, participants rated their level of financial management knowledge to be either fair or good. This result is reflective of the diverse range of participants (eg Finance Managers to Corporate Planning Officers) and indicates the need for further education and training in order to ensure successful utilisation of the accrual budgeting framework.

Participant’s overall awareness of the ABFM Project and the accrual

budgeting reform process prior to attending the course was generally fair to good. This result indicates the benefit that ongoing education will provide in increasing the level awareness and understanding of the reform process by stakeholders.

Future Considerations

Based on the course evaluation results and further feedback from agencies, the following points will be noted in the development of programs for 2002 and beyond:

- specific programs be developed for each particular target audience;

- programs to incorporate specific agency related issues;

- course content to include specific information and examples for managing in an accrual environment such as depreciation and employee entitlements; and

- Treasury policies and guidelines to be linked to the course content and explained in detail with specific examples.

The next phase of education and training is planned for June/July 2002, following the tabling of the 2002-03 Budget.

Accrual Information for the 2002-03 Budget Papers – Agency Requirements

For the 2001-02 Budget, agencies prepared accrual information solely for the purpose of preparing a consolidated accrual Budget for the General Government Sector, which was presented in Chapter 12 of Budget Paper No 1.

For the 2002-03 Budget process, agencies need to prepare accrual Budget information for two purposes:

1. to include in pre-Budget reports to Budget Committee; and
2. to enable the preparation of a consolidated accrual Budget for inclusion in the Budget Papers.

For item 1, agencies were issued with the Accrual Budgeting Workbook 2001 (ABW2001) and most agencies have now completed their accrual information for pre-Budget reports.

For item 2, agencies will be issued with the Accrual Budgeting Workbook 2002 (ABW2002), which incorporates the expanded information required from agencies to enable the preparation of the consolidated accrual Budget for the 2002-03 Budget Papers.

The expanded requirements incorporate three additional years of data: 2003-04, 2004-05 and 2005-06. Three out-years of data is prescribed by the Uniform Presentation Framework, which will form the basis of accrual Budget presentation in Budget Paper No 1 for the 2002-03 Budget (although the focus of the 2002-03 Budget will remain on the Consolidated Fund Surplus).

Agencies will be provided with the ABW2002 and associated training in March 2002.

Further information on agency accrual Budget requirements for the 2002-03 Budget Papers, including the date for the release of the ABW2002, will be provided in February 2002.

Progress on Developing the Accrual Budgeting Framework



In previous editions of the Bulletin, it was noted that a number of working groups were to be established to develop the details of the accrual budgeting framework, in accordance with the broad concepts approved by the Treasurer in September 2001.

A number of working groups have now been established and are addressing a range of issues.

Some of the key issues being considered by each working group are noted below.

Accrual Appropriations

The Accrual Appropriations Working Group is in the process of assessing:

- the accrual items to be included in an accrual appropriation (eg depreciation, long service leave etc);
- how the items are to be managed. For example, should funds be provided to agencies or should they be held and managed centrally by Treasury;
- revenue recognition processes for accrual appropriations – how will agencies recognise the full accrual appropriation as revenue, regardless of when they receive it in cash; and
- rules and processes for the provision of cash to agencies.

Budget Management Systems

The Budget Management Systems Working Group is currently considering the following issues:

- variation process for accrual items;
- development of a base accrual Budget;

- process for managing the 2002-03 Budget on a cash basis and developing the 2003-04 Budget on an accrual basis; and
- enhancements to enable the development of new accrual Budget reports.

Agency Budget Paper Presentation

This Working Group will recommend proposals for:

- the presentation of agency accrual Budget statements;
- the presentation of administered information;
- the presentation of Output Group information; and
- transitional presentation.

Whole of Government Budget Presentation

This Working Group will recommend proposals for:

- the development of chapters which focus on new accrual measures of Budget performance; and
- transitional presentation arrangements, in particular, presentation of Consolidated Fund information.

Chart of Accounts

This Working Group is reviewing the chart of accounts to:

- determine changes required to enable the preparation of the consolidated General Government Sector accrual Budget; and
- identify issues regarding the development of a common chart of accounts.

Administered and Controlled Classifications

This Working Group is examining issues concerned with achieving consistency in administered and controlled classifications for budgeting and reporting purposes.

Budget Management and Monitoring

This Working Group is developing revised Budget management and monitoring processes based on the outcomes of other working groups and

the proposed new measures of Budget performance. Key issues include:

- management of the accrual appropriation; and
- management of total resource based measures.

Outcomes/Outputs Methodology

In addition to the working groups established to develop the details of the accrual budgeting framework, a working group has been established to review the Outcomes/Outputs Methodology.

Key issues to be addressed by the review include:

- the impact of Tasmania *Together* goals and benchmarks on the Budget process and the identification of the Government’s strategic direction; and
- the impact of accrual budgeting on the Outcomes/ Outputs Methodology.

Agency Involvement

Agency involvement on working groups remains essential and agency officers are currently represented on the Appropriations Working Group and the Agency Budget Paper Presentation Working Group.

As other working groups progress, agency officers who have expressed an interest will be invited to participate.

Those who are interested in participating on a working group should contact the Project Manager, (Jeff Reeve). Ph: (03) 6233 3857

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