



Accrual Budget & Financial Management

Email Bulletin No 14 October 2003

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Note from the Director Budget Management

Since the last edition of this Bulletin, Phase 4 of the ABFM Project has commenced, with significant progress already being made toward the Project Outputs for 2003-04.

Phase 4 represents the consolidation of the accrual budgeting framework and the continued development of associated financial management reforms.

Emphasis in the coming months will be on:

- Best Practice Reporting;
- completion of enhancements to BMFRS by 9 December 2003;
- planning for the Revised Reporting Framework, in particular the Mid-Year Report;
- progressing the Output Methodology Review Report with specific emphasis on the reclassification of administrative Grants and Subsidies; and
- continued progress toward the Outcomes of the ABFM Project Phase 4 Business Plan and Communication Strategy.

Thank you for the contribution of agencies to the financial management reform process during my time in the position of Director, Budget Management Branch. I will be returning to my substantive position in the Revenue and Gaming Division of Treasury in March 2004 after a period of leave.

Mario Abelo will join Treasury as Director, Budget Management Branch on 20 November 2003.

Mario is currently General Manager in the Student Outcomes Division of the Victorian Department of Education. Previously, Mario was with the Victorian Department of Treasury and Finance for an extended period, and before that with the Australian Accounting Research Foundation.

Andrea Lawrie
Director, Budget Management



Business Plan – Phase 4

The ABFM Project Phase 4 Business Plan was endorsed by the Steering Committee at its meeting on 14 October 2003.

The Outputs for this Phase of the Project are:

- revised and fully documented UPF Budget consolidation methodology and processes;
- revised and fully documented business process for the development of the Budget;
- implementation of the revised reporting regime as a result of legislative changes to the *Financial Management and Audit Act 1990*;
- an independent external post-implementation review of Phase 3;
- a Report on best practice budgeting and financial reporting;

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.

- finalising the Outputs Methodology review and assessing the recommendations from the review to prioritise the implementation of these recommendations;
- training for agencies and budget analysts in the use of Transaction Types in coding BMS and PARS data; and
- identification of training requirements and co-ordination of training for new users and administrators of BMFRS in both Treasury and agencies, including on UPF and AAS concepts.

The Phase 4 Business Plan is available on www.treasury.tas.gov.au at 'Accrual Budget Implementation'.



Communication Strategy – Phase 4

The ABFM Project Phase 4 Communication Strategy was endorsed by the Steering Committee at its meeting on 14 October 2003.

Phase 4 of the Project is concerned with ensuring that all stakeholders are fully informed on the progress of financial management reforms and improving the general level of understanding of accrual financial management principles. To enable a wide target group to be reached, a variety of communication tools will be utilised.

There will be a continued emphasis in Phase 4 on presentations to key stakeholders to increase the comprehension of the accrual budgeting framework, including the Headline Budget Measures. There will also be a focus on the continued and expanded use of established forums in ensuring the widest possible range of stakeholders are reached.

The Phase 4 Communication Strategy is available on www.treasury.tas.gov.au at 'Accrual Budget Implementation'.

New Reporting Framework

As part of the new financial reporting framework, Treasury will be producing the first Half Yearly Report, as at 31 December 2003, by 15 February 2004. The Report will contain:

- December year to date actuals, original Budget and revised Budget estimates for the major GFS statements;
- December year to date actuals, original Budget and revised Budget estimates for the Consolidated Fund statements; and
- explanations of any significant variations between the original and revised Budget estimates.

In order to produce a full set of revised Budget estimates, agencies will be asked to update variations to BMS by 30 November 2003. Treasury will prepare revised estimates based on 30 November information.

PARS accrual files will be required by 8 January 2004 in order to prepare the December year to date actuals. A new Treasurer's Instruction will be distributed in November 2003 to provide guidance on the recognition and management of agency financial data for half yearly reporting.

Treasury will meet with agencies to discuss the new Treasurer's Instruction and other half yearly reporting issues during November 2003.

For further information concerning the new reporting framework, please contact David Tadd on 6233 2515 or by Email: david.tadd@treasury.tas.gov.au.



Post-Implementation Review – Phase 3

The review of Phase 3 of the ABFM Project is nearing completion. During the past month, a number of Agency Finance Managers, external stakeholders and Treasury staff have had discussions with the external consultant, Ken Clarke of Prologic Pty Ltd.

A report by the consultant will be presented to the ABFM Steering Committee at its meeting on 27 November 2003.



Review of Best Practice Budgeting and Reporting

The scope of the review has been finalised and will encompass an examination of content and structural presentation, with a view to establishing best practice reporting principles for the enhancement of financial information and key financial assumptions, presented in:

- Whole-of-Government Annual, Half-yearly, AAS 31 and UPF Reports;
- Agency Annual Reports;
- Budget Paper No 1 *Budget Overview*; and
- Budget Paper No 2 *Operations of Government Departments*.

An Issues Paper is currently being prepared and will be completed by the end of December 2003. It is anticipated that an Options Paper will be completed by February 2004, as the basis for consultation with agencies in March 2004.

Outputs Methodology Review

The Review of the Outputs Methodology has recently been completed and a copy of the final report has been provided to agencies.

A meeting of Finance Managers will be held on 31 October 2003 to provide an opportunity for feedback on the recommendations of the Report and to discuss any issues arising from the Review.

The following issues from the Report are currently being progressed:

➤ Review of the Agency Restructure Process

A Working Group of Treasury and agency representatives has been formed to review the agency restructure process and to develop guidelines for undertaking restructures. The Working Group will also review the distribution of corporate overheads in determining Output costing.

➤ Review of the Classification of Administered Payments

Treasury is working with agencies to review the concept of Administered Payments with a view to reclassifying payments to be consistent with Treasurer's Instruction 704, *Definition of Administered and Controlled*.

New Chart of Accounts

Treasury implemented a new TFRS chart of accounts which took effect from 1 July 2003.

Quality and reliability of data is vital to the Budget and reporting process, in which accrual information is regularly collected, monitored and consolidated. Users require a proper understanding of the Chart to make accurate coding decisions for Budget and actual financial information.

Treasury has prepared a draft Type of Transaction Framework to assist

Financial Management Information System (FMIS) users. The Framework provides a more detailed description of individual chart items. Treasury will meet with agencies in November 2003 to ensure that the Framework is relevant, useful and addresses all coding issues.

For further information concerning the Type of Transaction Framework, please contact David Tadd on 6233 2515 or by Email: david.tadd@treasury.tas.gov.au.



Budget Management Guidelines

In October 2003, the Government approved the Budget Management Guidelines. While broadly consistent with the Guidelines issued in November 1998, the revised Guidelines have been amended to reflect the Government's new Fiscal Strategy and the implementation of the accrual budgeting framework, which is based on the principles of the Uniform Presentation Framework (UPF).

In particular, the revised Guidelines include:

- a focus on the General Government Sector as defined under UPF principles;
- a greater emphasis on the need for agencies to manage resources from both the Consolidated Fund and the Special Deposits and Trust Fund; and
- a requirement for agencies to manage a budgeted Statement of Financial Performance (Operating Statement), a Statement of Financial Position (Balance Sheet) and a Statement of Cash Flows.

Copies of the Guidelines have been distributed to all agencies and are available on Treasury's web site at www.treasury.tas.gov.au/budget.

If you have any queries in regard to the application of the Budget Management Guidelines, please contact your Agency's Treasury Budget Analyst in the first instance.



Education Program

The inter agency Education and Training Working Group is developing a detailed Financial Management Education and Training Program for use by Tasmanian Government Agencies. The Program is described in the report Financial Management Education and Training Program for Tasmanian Government Agencies. The report can be found on www.treasury.tas.gov.au at 'Financial Management and Reform'.

Program Modules 1 to 5 will be developed initially, with the remaining four Modules to be developed in 2004-05. Modules 1 to 5 comprise:

- Introduction to Budgeting and Accountability Framework;
- Developing Your Budget;
- Using Reports to Monitor Your Budget;
- Accounting Concepts; and
- Accounting Processes.

The Modules will be developed in consultation with the various target audience groups as well as the Working Group and appropriate agency representatives.

It is proposed that Modules 1 and 3 will be available for delivery and customization by 2 January 2004. Modules 2, 4 and 5 will be available by 28 February 2004.

A panel of qualified training providers will be appointed through a tender process to deliver the Modules. The Modules will be delivered either in a generic format or in a customised

format, where training providers customise the information to better meet specific agency requirements.

For further information, please contact Debbie Sadler on 6233 3729 or by Email: debbie.sadler@treasury.tas.gov.au

BMFRS Enhancements

Phase 4 enhancements to BMFRS include functions identified in the recently completed BMFRS Post Implementation Review and functions omitted from earlier development phases due to time constraints and other pressures. In particular, Phase 4 enhancements will address:

- increased enquiry functionality;
- increased functionality in entry and maintenance of information;
- issues concerning data integrity, data validation and system controls; and
- refinements of various system and business functions.

It is anticipated that development and testing of these enhancements will be completed by 9 December 2003. Rollout to agencies of the new version of BMS will begin soon after this date.

For further information concerning enhancements to BMFRS or system reports, please contact, for BMS, Brett Hall on 6233 2292 or by Email: brett.hall@treasury.tas.gov.au, or for PARS, Jacqui Wilson on 6233 2430 or by Email: jacqui.wilson@treasury.tas.gov.au.

BMS Unavailability

As mentioned previously, the revised reporting regime as a result of recent amendments to the *Financial Management and Audit Act 1990* requires the preparation of a new Half Yearly report.

In order to develop the revised 2003-04 Budget for inclusion in the Half Yearly Report, BMS will be unavailable to agencies from 1 December 2003 to approximately 15 January 2004.

BMS enquiry functionality will be available during this period. However, data entry will not be possible. Information requests from Treasury will take into account this period of unavailability.

For further information, please contact Brett Hall on 6233 2292 or by Email: brett.hall@treasury.tas.gov.au.