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# **Accrual Budget and Financial Management Project**

## **Phase 4**

### **Outcome Realisation Plan**

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DEPARTMENT OF TREASURY  
AND FINANCE

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## Acknowledgments

This document has been derived from a template prepared by the Department of Premier and Cabinet, Tasmania. The structure is based on a number of methodologies including the Tasmanian Government's *Project Management Guidelines 2000*, Rob Thomsett's project management methodologies as described in *Third Wave Project Management: a handbook for managing the complex information systems of the 1990's*. Rob Thomsett. Prentice-Hall, Inc. 1993 and John Smyrk's ITO methodology as outlined in his *Business Case Development and Project Management* workshops.

For further details, refer to <http://www.go.tas.gov.au/projman/projmanmenu.htm>

## DOCUMENT ACCEPTANCE and RELEASE NOTICE

This is Version 3.0 of the Accrual Budget and Financial Management (ABFM) Project Outcome Realisation Plan.

The Outcome Realisation Plan is a managed document. For identification of amendments, each page contains a release number and a page number. Changes will only be issued as a complete replacement. Recipients should remove superseded versions from circulation. This document is authorised for release once all signatures have been obtained.

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4	3.0	November 2003	Mr Mario Abela, Director, Budget Management Branch, Department of Treasury and Finance
5	3.0	November 2003	Mr Craig Jeffery, Director, Government Finance and Accounting Branch, Department of Treasury and Finance
6	3.0	November 2003	Ms Dianne Smith, Deputy Director Corporate Services - Finance, Department of Health and Human Services
7	3.0	November 2003	Mr Brian Smith, Director, Corporate Services, Department of Justice and Industrial Relations
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10	3.0	November 2003	Ms Debbie Sadler, Assistant Director, Government Finance and Accounting Branch, Department of Treasury and Finance
11	3.0	November 2003	Mr Tony Wells, Project Manager, BMFRS Unit, Government Finance and Accounting Branch, Department of Treasury and Finance
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# Contents

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- 1. Introduction ..... 6**
  - 1.1. Document Purpose ..... 6
  - 1.2. Intended audience..... 6
- 2. Outcome ..... 7**
- 3. Management Plan..... 8**
  - 3.1. Assumptions and constraints ..... 8
  - 3.2. Business Plan..... 8
  - 3.3. Communication Strategy ..... 8
  - 3.4. Stakeholder Groups ..... 9
- 4. Transition Plan ..... 11**
  - 4.1. Background ..... 11
  - 4.2. Accrual Budgeting Implementation ..... 12
- 5. Training Plan ..... 17**
  - 5.1. BMFRS Training..... 17
  - 5.2. Financial Management Education and Training ..... 17
- 6. Maintenance Plan ..... 19**
- 7. Performance Measurement Plan ..... 20**
  - 7.1. Defined Measures ..... 20
- 8. Project Closure ..... 29**
- 9. Appendices ..... 32**

# **1. Introduction**

## **1.1. Document Purpose**

This document, which has been updated to reflect the completion of Phase 3 and the commencement of Phase 4, outlines the key Outcome of the Accrual Budgeting and Financial Management Project. The key Outcome is supported by a discussion of the current environment and the desired or new position in the context of the accrual budgeting framework. The key Outcome statement is provided in Section 2 of this document.

The purpose of an Outcome Realisation Plan is to ensure:

- the project is managed in accordance with a stated Outcome;
- stakeholder utilisation of the Outputs are linked to the Outcome;
- that the success of a project's Outputs are assessed and corrective action undertaken if required; and
- the planned project Outcome is achieved prior to formal project closure.

This document is the responsibility of the Business Owners and will be reviewed and amended during the Project's life span.

The document incorporates data from the Post Implementation Review of Phase 3 that was conducted in October/November 2003, particularly in relation to the achievement of Outcomes detailed in section 7, Performance Measurement Plan, on page 20.

## **1.2. Intended audience**

The intended audience of this document includes the:

- Business Owners;
- Corporate client; and
- Steering Committee.

## 2. Outcome

The Outcome for the Project remains unchanged for Phase 4 as a more effective Budget and financial management framework for managing public finances through:

- improved management of the Budget by including accrual Budget targets in the Government’s Fiscal Strategy;
- improved consistency of Budget information presented with other jurisdictions, the focus of rating agencies and other financial commentators;
- increased management of all sources of funds in the Budget;
- increased focus on accrual information;
- an improved link between agency Budget information and agency financial statements (on an accrual basis) and the Government’s accrual Budget presentation; and
- an increased understanding of the accrual Budget.

Phase 4 is a consolidation phase that will focus on bedding-down the Outputs identified in the Business Plan and detailed in Table 2 on page 10. The Outcome performance measures have been assessed following a Post Implementation Review of Phase 3. A number of performance measures, especially those that are essentially subjective such as “an increased understanding of the Budget” and “an increased focus on accrual information” and those measures dealing with ongoing budget management, will be reassessed in June 2004.

**Table 1: Outcome ownership**

Outcome	Accountable
<p>A more effective Budget and financial management framework for managing public finances through:</p> <ul style="list-style-type: none"> <li>• improved management of the Budget by including accrual Budget targets in the Government’s Fiscal Strategy;</li> <li>• improved consistency of Budget information presented with other jurisdictions, the focus of rating agencies and other financial commentators;</li> <li>• increased management of all sources of funds in the Budget;</li> <li>• increased focus on accrual information;</li> <li>• an improved link between agency Budget information and agency financial statements (on an accrual basis) and the Government’s accrual Budget presentation; and</li> <li>• an increased understanding of the accrual Budget.</li> </ul>	<p>Business Owners</p>

### **3. Management Plan**

Although the Business Owners are accountable for Outcome realisation, they are usually not in a position to execute the Outcome Realisation Plan directly, or manage its execution. Performing these tasks may require separate resources and can be regarded as a project in its own right. Appropriate governance within the business units ensures Output utilisation will be managed once the Outputs have been accepted for implementation by the Business Owners.

In Phase 2 of the Project, an accrual budgeting framework was developed and approved for implementation in Phase 3. Phase 3 was implemented with the presentation of the 2003-04 Budget on an accrual UPF basis. The Management Plan outlines the implementation approach for Phase 4 of the project.

A detailed Management Plan is included at Appendix 1.

#### **3.1. Assumptions and Constraints**

The accrual budgeting framework under Phase 3 was developed on the assumption that there will be minimal legislative change. The implementation of the framework will continue on the basis of this assumption, although a review of the Tasmanian financial management legislation will be undertaken as a related project to Phase 4 of the Project.

#### **3.2. Business Plan**

A Business Plan for Phase 2 was first approved by the Steering Committee on 16 October 2000 and was amended in January 2001 to reflect the Outcomes of Phase 2 planning. A Business Plan for Phase 3 was approved by the Steering Committee on 7 October 2002. A Business Plan for Phase 4 was approved by the Steering Committee on 14 October 2003, and outlines the Project Outputs, Scope and Management Plan.

An ABFM Project Risk Management Plan is presented in the approved Project Business Plan (Version 6.0), together with strategies for addressing high and medium risk areas.

Where areas of overlap exist between the Outcome Realisation Plan and the Business Plan, the reader is referred to the Business Plan.

#### **3.3. Communication Strategy**

Accrual budgeting represents a significant change to the budgeting functions of the Government, which include revised Headline Budget Measures, Budget development and management processes and Budget presentation. Communication to stakeholder groups will be in the form of presentations, bulletins, reference groups and other forums at key points during the Phase 4.

A separate Communication Strategy for Phase 4 has been developed which outlines the communication risks, key messages, target audience, communication tools and timing issues associated with the delivery of Project Outputs. The Communication Strategy for Phase 4 was approved by the Steering Committee on 14 October 2003.

### **3.4. Stakeholder Groups**

This Project has a number of key stakeholder groups that will utilise the Project's Outputs. Each stakeholder group may utilise Project Outputs in a different manner, however outcome realisation will be measured on behalf of all stakeholder groups. Consequently, this Outcome Realisation Plan, whilst prepared on behalf of the Business Owners, also represents the following stakeholder groups:

- Treasurer, Budget Committee, Cabinet Ministers and Parliamentarians;
- Department of Treasury and Finance; and
- Government agencies (including Treasury Corporate and Finance-General).

**Table 2: Output Utilisers**

	Stakeholders who will utilise Outputs		
	Government	Treasury	Agencies
Outputs			
1. Revised and fully documented UPF Budget consolidation methodology and processes.		✓	
2. Revised and fully documented business process for the development of the Budget.		✓	✓
3. Implementation of the revised reporting regime as a result of legislative changes to the <i>Financial Management and Audit Act 1990</i> .	✓	✓	✓
4. An independent external post implementation review of Phase 3.		✓	✓
5. A report on best practice budgeting and financial reporting	✓	✓	✓
6. Report on the Review of the Outputs Methodology finalised and an implementation plan developed.	✓	✓	✓
7. Training provided to agencies and budget analysts in the use of Transaction Types in coding BMS and PARS data.		✓	✓
8. Training package developed for new users and administrators of BMFRS in both Treasury and agencies, including UPF and AAS concepts		✓	✓

## 4. Transition Plan

The previous version of the Transition Plan described how the changes to the business units' environment will be implemented in terms of the current position, the new or desired position, and the change process required to move from the current to the new position. Following completion of Phase 3 and the move to Phase 4, this version of the Transition Plan describes the post Phase 3 position and Phase 4 activities.

### 4.1. Background

In 1996, Treasury published a Financial Management Reform Strategy, which, amongst other things, set the path for a significant refocus on the way public resources are managed. Three stages of financial management reform were introduced:

- accrual reporting;
- accrual accounting; and
- accrual financial management.

To further enhance the move towards improved accountability and the provision of better value for money in the delivery of services, the Financial Management Reform Strategy included the adoption in 1996 of the Outcomes/Outputs methodology, which aimed to focus on the delivery of services rather than the cost of inputs. Budget presentation is now based on Outputs designed to achieve the Government's Outcomes. Accrual reporting and accounting was also implemented in 1996.

Accrual budgeting builds on these existing earlier financial management reforms in establishing a basis for continuous improvement in financial management in the General Government Sector.

In February 2000, Treasury established the Accrual Budget and Financial Management (ABFM) Project to implement accrual budgeting in the General Government Sector and to review the Outcomes/Outputs methodology. The Phase 3 Project Business Plan (Version 5) identified the elements of accrual budgeting to be progressed to achieve the desired outcome for Phase 3 of "*a more effective budget and financial management framework*". Version 6 of the Project Business Plan sets out the Outputs being progressed in Phase 4 of the Project. The overall Outcome for the Project remains – *a more effective Budget and financial management framework for managing public finances*.

## 4.2. Accrual Budgeting Implementation

### 4.2.1. Development of the Accrual Budgeting Framework

In developing an accrual budgeting framework for the Tasmanian financial management environment, research was conducted into the types of frameworks adopted by other jurisdictions.

Other jurisdictions implemented accrual budgeting as a management tool to assist in achieving a financial management environment:

- where structures were in place to achieve a more competitive, efficient and effective public sector;
- where agencies were held accountable for the cost of the delivery of goods and services in accrual terms, ie accountable to an accrual budget based on all resources;
- where an integrated budgeting and reporting framework was desired;
- where there was a focus on performance;
- where there was a move towards achieving a more “business-like” culture;
- where it was possible to systematically plan, monitor and report the full cost of Outcomes/Outputs; and
- where decisions could be made taking into account considerations such as lease or buy, cost recovery and outsourcing.

Accrual budgeting frameworks adopted by the Australian Capital Territory, Commonwealth Government, Victoria, Western Australia and New Zealand provide examples of a comprehensive accrual budgeting framework. The concepts underlying these frameworks are based on the following characteristics:

- the Government acts as an arms length purchaser of services from agencies or external providers. The Government’s role as a “purchaser of services” is separated from its obligations as an “owner” of public sector agencies;
- agencies operate sub-bank accounts within a single central bank account structure;
- funds are appropriated on an accrual basis, not equal to the cash flow requirements for the Budget period. The appropriation represents an amount paid by the Government for the delivery of defined Outputs, which includes depreciation and other non-cash items:
- the Output is fully funded (ie the full cost of service delivery is funded, not just the annual cash cost);
- capital works are funded initially from an agency’s internal funding capability, then from alternative funding sources such as approved debt or capital injection;
- the headline Budget measure is an accrual measure and includes all sources of funds within the Public Account;

- Budget statements are presented in accordance with a recognised standard eg Australian Accounting Standards, or Uniform Presentation Framework; and
- accountabilities are established to ensure the accrual appropriation is not used to fund other expenses.

In those jurisdictions where a framework was implemented based on the above characteristics, significant changes to the financial management legislative basis were required.

#### **4.2.2. The current Tasmanian Accrual Budgeting Environment**

As a result of the implementation of Phase 3, the Tasmanian Budget, from the 2003-04 Budget, is presented on an accrual Uniform Presentation Framework (UPF) basis.

The accrual budgeting framework adopted by Tasmania for the 2003-04 Budget has the following characteristics:

- management of the whole-of-Government Budget on an accrual UPF basis;
- concurrent management of the Consolidated Fund in accordance with current financial management legislation;
- monitoring of the Government's Fiscal Strategy which consists of predominantly accrual Budget targets, including the UPF Fiscal Surplus and Net Debt;
- funding of agencies through the Consolidated Fund Appropriation Act on the basis of cash requirements for delivery of goods and services;
- agency budget financial data being presented on an accrual basis in accordance with AAS 29, *Financial Reporting by Government Departments*;
- a separate capital investment program for funding asset refurbishment and replacement;
- accrual accounting and reporting by agencies; and
- maintenance of an Output Based Budgeting Methodology.

The Accrual Budgeting Framework implemented under this Project was achieved with minimal change to the existing financial management framework, financial management legislation or the Outcomes/Outputs methodology with regard to the purchaser/provider relationship.

The Accrual Budgeting Framework is principally concerned with:

- Budget measurement;
- Budget presentation; and
- Budget management.

#### **4.2.3. Budget Measurement**

A credible and achievable medium-term Fiscal Strategy is an essential component of prudent contemporary public financial management practice. It represents not only an effective planning tool for the Government, but also signals to financial markets, the business sector and the community the intended course of the Government's financial management. A Fiscal

Strategy also provides a framework for the Government to demonstrate to rating agencies and other external commentators the financial focus of the Government, any issues or problems and how they will be addressed.

Under the Accrual Budgeting Framework implemented under Phase 3, Headline Budget Measures included in the Government's Fiscal Strategy are based on accrual UPF financial statement measures such as the Fiscal Surplus and Net Debt. The Headline Budget measure is the Fiscal Surplus.

#### **4.2.4. Budget Presentation**

Following the implementation of Phase 3 with the 2003-04 Budget, the financial information in Budget Paper No 1 is presented on an accrual UPF basis and agency financial information (including Output information) is presented in accordance with Australian Accounting Standards.

Adoption of a recognised standard for agency budget presentation and Headline Budget Measures will provide increased comparability with agency financial reporting and with the Budget presentation of other jurisdictions.

Under Phase 4 of the Project, best practice budgeting and reporting guidelines will be developed (Business Plan Output 5) and the comparability between agency budgeted financial data and financial outcome reporting will be enhanced through a review of the classification of administered transactions (Business Plan Output 6).

##### **4.2.4.1. Modifications to Business Support Systems**

Substantial modifications to business support systems were completed in Phase 3 of the ABFM Project to collect and manage agency accrual Budget information and to produce the revised Budget Paper presentation.

In Phase 4 of the Project, modifications to Business Support Systems will consist of consolidating and enhancing the operation of modifications done under Phase 3 and will be managed as a Related Project.

##### **4.2.4.2. Changes to TFRS Mandatory Data Requirements**

The TFRS Mandatory Data Requirements govern the financial data that agencies are required to submit to Treasury. Minor changes to the TFRS Mandatory Data Requirements were implemented during Phase 3. Further changes will be implemented as a Phase 4 Related Project.

##### **4.2.4.3. Review of the Budget Classifications of Administered and Controlled Items**

The approved Accrual Budgeting Framework requires the presentation of agency Budgets in accordance with the principles of Australian Accounting Standards (AAS). AAS includes separate identification and presentation of administered and controlled items.

Currently, agencies adopt different classifications of administered and controlled items for Budget presentation and financial reporting purposes, which significantly restricts any comparison between agency budgeting and reporting.

A review of the Budget classifications of administered and controlled items will be undertaken as part of Phase 4 of the Project (Business Plan Output 6).

#### **4.2.5. Budget Management**

The 2003-04 Budget is being managed in accordance with new Headline Budget Measures with the State of the Budget Report being prepared on an accrual UPF basis.

Requests for additional funding will be assessed against the impact on the Headline Budget Measure and other major Budget measures.

Management of the Budget by the Government on an accrual basis will facilitate the further development of accrual financial management in agencies.

The transition to the new Budget management focus has been supported by:

- the release of revised Budget Management Guidelines in September 2003;
- a revised reporting framework supported by amendments to the *Financial Management and Audit Act 1990* enacted in July 2003; and
- the implementation of a structured financial management Education and Training Program during 2003-04.

##### **4.2.5.1. New Budget Management Guidelines**

Budget Management Guidelines govern the Budget development and management processes. The Accrual Budgeting Framework requires a greater emphasis on the management of the Special Deposits and Trust Fund (SDTF), as well as accrual items.

Budget Management Guidelines approved by Cabinet in September 2003 have been expanded to include the management of the SDTF and accrual information.

##### **4.2.5.2. Budget Development Processes**

Budget development processes, including consolidation processes, are to be fully documented under Phase 4 (Business Plan Outputs 1 and 2).

##### **4.2.5.3. Revised Reporting Framework**

Division 7 of the *Financial Management and Audit Act*, as amended by the legislative amendments developed under Phase 3 and given Royal Assent in July 2003, describes the State's revised annual and interim external financial reporting framework which is being implemented under Phase 4 (Business Plan Output 3).

Half yearly reports will be produced as at 31 December and 30 June each year. They will report on the General Government Sector (GGS) Budget position and the Consolidated Fund. The December half yearly report will incorporate the Loan Council Mid-Year Report.

The Treasurer's Annual Report will include the Budget results, audited Public Account information and the Loan Council Outcomes Report. It also will include additional

information relating to the previous year's outcomes, including progress toward achieving Fiscal Strategy targets and provide commentary on changes in forecasts and other assumptions underlying the Budget. The Annual Report is to be tabled in both Houses of Parliament by 31 October.

The annual Budget Papers will report on the actual financial performance of the GGS as at 31 March for the current Budget year.

## 5. Training Plan

Training in relation to BMFRS is an Output of Phase 4. However, the Education and Training Program described in section 5.2 below is being managed as related project for Phase 4.

### 5.1. BMFRS Training

The following BMFRS training will be addressed in Phase 4:

- training for agencies and budget analysts in BMB on the use of transaction types and how these transaction types link through to the AAS reports and UPF reports, to assist in improving data quality (Business Plan Output 7). This training will be delivered in individual agency meetings in relation to coding issues with the in November and December 2003; and
- training for new users and new system administrators of BMFRS in Treasury and agencies, including AAS and UPF concepts (Business Plan Output 8). A Training Needs Analysis will be undertaken in 2004 to identify the direction for this training.

### 5.2. Financial Management Education and Training

Treasury engaged KPMG in August 2002 to undertake an independent survey of all inner Budget heads of agency, finance managers and human resource managers and a representative sample of business unit managers, and individual finance officers, to determine:

- the current level of financial management skills within agencies;
- information relating to the classification of budget, accounting and finance positions, turnover, vacancies, the recruitment of graduates and practices on the payment of professional and related fees;
- how Chief Executive Officers, and finance managers, perceive their roles and responsibilities in relation to financial management and the issues of highest priority for their agencies; and
- agency financial management education and training needs.

The survey highlighted that financial management training should concentrate upon senior and line managers, administrative staff attached to line management units and central finance area staff. The areas of greatest training need are agency and whole-of-government budget development and management processes, business and strategic planning, agency and whole-of-government compliance requirements and various aspects of accounting operations.

In June 2003, Treasury appointed Major Training Services Pty Ltd to draw on the survey findings to develop a detailed Education and Training Program for inner Budget agencies covering the period 2002-03 to 2006-07. The Program will take into consideration the education requirements for each stakeholder group, options for delivery and the content outline for each training program. Options for linkage to existing training programs within agencies will also be considered.

The Program will be developed and managed through an interdepartmental Working Group. The successful achievement of Project deliverables will be measured for each of the stakeholder groups that include agencies, Treasury, the Treasurer and Cabinet. Outcome

measures will be identified in the Strategy and will include a quantifiable improvement in financial management skills within agencies. This will be measured by a further survey in 2005-06 against the benchmark survey that was completed in February 2003.

The detailed Financial Management Education and Training Program is described in the report, Financial Management Education and Training Program for Tasmanian Government Agencies, which can be found on [www.treasury.tas.gov.au](http://www.treasury.tas.gov.au) at “Financial Management and Reform”. This Program is being managed as a Related Project to Phase 4.

The first five program modules 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 agency customisation 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.

## 6. Maintenance Plan

The Maintenance Plan describes the processes that will be in place to maintain the Project Outputs and Outcomes post project closure.

Process/Procedure	Action
Business Support Systems	<p>A review of the Strategic Direction of the BMFRS is to be carried out in 2004 to establish future system direction.</p> <p>Additionally, system requirements will be assessed at least annually to identify improvements and additional requirements as a result of changes in business processes.</p>
Documentation of Business Processes	<p>Documentation of Budget development processes is an Output of the Phase 4 Business Plan.</p> <p>Ongoing changes to business processes will be documented as they occur.</p>
Budget Management Guidelines	<p>The Budget Management Guidelines were reviewed and endorsed by Cabinet in September 2003. The Budget Management Guidelines will be reviewed annually by BMB to ensure they reflect current Budget development requirements.</p>
Education and Training	<p>BMFRS training will be developed for system changes as they occur.</p> <p>Ongoing training for new users will be developed in 2004 with at least annual review to maintain currency.</p> <p>The Financial Management Education and Training Program will continue to be developed and implemented over the next three years. Annual reviews of requirements will be made thereafter by the Working Group.</p>
Accrual Budgeting Framework	<p>The Accrual Budgeting Framework will be reviewed annually by BMB to ensure that best practice elements are incorporated where relevant.</p>
Best Practice Reporting	<p>Budget and outcome reporting requirements will be reviewed regularly to ensure that best practice is maintained when compared to other jurisdictions and to take account of stakeholder requirements.</p>

## 7. Performance Measurement Plan

The Performance Measurement Plan provides the Project's management and stakeholders with a description of what the Project is to be measured against, how and when the measuring will occur, and what actions are to be taken.

### 7.1. Defined Measures

The following measures are the performance measures to be used in evaluating the achievement of the Project's Outcome. Version 2 of the ORP indicated that a review of the Project was planned for June 2003, at which time the performance measures would be assessed. The Table below includes an assessment of progress towards achieving the performance measures at November 2003.

Outcome	Performance Measure	Baseline	Review date	Status November 2003	Comments
<p><b>A more effective Budget and financial management framework for managing public finances through:</b></p> <ul style="list-style-type: none"> <li>improved management of the Budget by including accrual Budget targets in the Government's Fiscal Strategy.</li> </ul>	<ul style="list-style-type: none"> <li>The Government presents the Budget in terms of new accrual based Headline Budget Measures.</li> </ul>	<ul style="list-style-type: none"> <li>Headline Budget Measure (Consolidated Fund Surplus) is not an accrual based measure and does not include all sources of funds.</li> </ul>	June 2003	✓	Achieved. The 2003-04 Budget was presented in accordance with the Accrual UPF with the Fiscal Surplus as the Headline Measure.

Outcome	Performance Measure	Baseline	Review date	Status November 2003	Comments
<ul style="list-style-type: none"> <li>improved consistency of Budget information presented with other jurisdictions, the focus of rating agencies and other financial commentators;</li> </ul>	<ul style="list-style-type: none"> <li>Whole-of-government Budget presentation focuses on the Uniform Presentation Framework.</li> </ul>	<ul style="list-style-type: none"> <li>Consistency with other jurisdictions' Budget presentation is achieved through supplementary UPF presentation only.</li> </ul>	June 2003	✓	Achieved. The 2003-04 Budget was presented in accordance with the Accrual UPF.
<ul style="list-style-type: none"> <li>increased management of all sources of funds in the Budget;</li> </ul>	<ul style="list-style-type: none"> <li>management of the total Budget position, rather than the Consolidated Fund, by Treasury Budget Strategy Committee.</li> <li>Treasury Budget Analysts monitoring other sources of funds as well as the Consolidated Fund in accordance with the revised Budget Management Guidelines in the within year Budget management process;</li> </ul>	<ul style="list-style-type: none"> <li>management of the Budget by Treasury Budget Strategy Committee is primarily concerned with Budget initiatives affecting the Consolidated Fund;</li> <li>Treasury Budget Analysts are primarily concerned with managing Budget initiatives affecting the Consolidated Fund</li> </ul>	March 2003 and March 2004  September 2003 and <del>March 2004</del> June 2004	✓  <b>Ongoing</b>	Achieved. The State of the Budget Report (SOB) is presented in Accrual UPF format and the Treasury Budget Strategy Committee considers the total UPF Budget position.  The Phase 3 Post Implementation Review found that it was too early in the Budget Cycle to assess but stated that Budget Analyst knowledge and skills to analyse accrual data had been identified as a an area of concern.  Monitoring of actual revenue and expenditure on a total sources basis was not occurring as at September 2003.

Outcome	Performance Measure	Baseline	Review date	Status November 2003	Comments
	<ul style="list-style-type: none"> <li>• Treasury Budget Analysts utilise reports from BMFRS that include other sources of funds to develop and manage the Budget;</li> <li>• agencies provide more frequent and timely information on variations to Budget estimates for other sources of funds;</li> <li>• Budget decisions by Government (including Budget Committee) are based on all sources of funds, not just the Consolidated Fund;</li> </ul>	<ul style="list-style-type: none"> <li>• agencies provide frequent and timely information on Budget estimates affecting the Consolidated Fund but Budget information on other sources of funds is generally updated only twice a year</li> <li>• Budget decisions by Government (including Budget Committee) are based primarily on Consolidated Fund initiatives</li> </ul>	<p>September 2003 and <del>March 2004</del> June 2004</p> <p>September 2003 and March 2004</p> <p>June 2003 and June 2004</p>	<p><b>Ongoing</b></p> <p>✓</p> <p>✓</p>	<p>The Phase 3 Post Implementation Review found that it was too early in the Budget Cycle to assess but stated that Budget Analyst knowledge and skills to analyse accrual data had been identified as an area of concern</p> <p>Achieved. Under the revised reporting regime introduced for 2003-04 and future years, agencies must provide revised Budget estimates and accrual files for reporting in the mid-year report and Budget Papers. In addition, variations relating to all sources are required for the SOB Report.</p> <p>Achieved. Budget decisions, including Consolidated Fund appropriation decisions, are made having regard to the UPF Budget impact.</p>

Outcome	Performance Measure	Baseline	Review date	Status November 2003	Comments
	<ul style="list-style-type: none"> <li>• the Treasurer utilises reports that include all sources of funds to manage and monitor the Budget; and</li> <li>• Parliament through Budget Estimates Committees utilises reports that include all sources of funds to manage and monitor the Budget.</li> </ul>	<ul style="list-style-type: none"> <li>• the Treasurer and Parliament through Budget Estimates Committees manage and monitor the Budget on the basis of Consolidated Fund reports</li> <li>• the Treasurer and Parliament through Budget Estimates Committees manage and monitor the Budget on the basis of Consolidated Fund reports</li> </ul>	<p>September 2003 and March 2004</p> <p>September 2003 and March 2004</p>	<p>✓</p> <p>✓</p>	<p>Achieved. Budget flexibility reports and the monthly SOB Report are presented in accrual UPF format.</p> <p>Achieved. During the 2003-04 Estimates Committees consideration of the Budget was on the basis of the UPF reports in the Budget Papers. However, understanding of the UPF reports by Parliamentarians needs to be addressed.</p>
<ul style="list-style-type: none"> <li>• an increased focus on accrual information</li> </ul>	<ul style="list-style-type: none"> <li>• consideration of accrual Budget information by Treasury Budget Strategy Committee in developing and managing the Budget;</li> </ul>	<ul style="list-style-type: none"> <li>• focus of the Treasury Budget Strategy Committee is primarily cash based, with management of assets and liabilities to manage debt targets</li> </ul>	<p>March 2003 and March 2004</p>	<p>✓</p>	<p>Achieved. The SOB Report is presented in Accrual UPF format and the Budget Strategy Committee considers the total UPF Budget position.</p>

Outcome	Performance Measure	Baseline	Review date	Status November 2003	Comments
	<ul style="list-style-type: none"> <li>• Treasury Budget Analysts monitoring agency accrual budget information as well as cash in accordance with the revised Budget Management Guidelines;</li> <li>• Treasury Budget Analysts using reports from BMFRS that include accrual information to develop and monitor agency budgets;</li> <li>• Treasurer utilises reports that include accrual information to manage and monitor the Budget;</li> </ul>	<ul style="list-style-type: none"> <li>• Treasury Budget Analysts monitor agency cash information only</li> <li>• Treasury Budget Analysts use cash based reports from BMFRS to develop and monitor agency Budgets</li> <li>• Treasurer and Parliament through Budget Estimates Committees use cash based reports to manage and monitor the Budget</li> </ul>	<p>September 2003 and <del>March 2004</del> June 2004</p> <p>September 2003 and <del>March 2004</del> June 2004</p> <p>September 2003 and March 2004</p>	<p><b>Ongoing</b></p> <p><b>Ongoing</b></p> <p>✓</p>	<p>The Phase 3 Post Implementation Review found that it was too early in the Budget Cycle to assess but stated that Budget Analyst knowledge and skills to analyse accrual data had been identified as a an area of concern.</p> <p>Monitoring of actual revenue and expenditure on a total sources basis was not occurring as at September 2003.</p> <p>The Phase 3 Post Implementation Review found that it was too early in the Budget Cycle to assess but stated that Budget Analyst knowledge and skills to analyse accrual data had been identified as a an area of concern</p> <p>Achieved. Budget flexibility reports and the monthly SOB Report are presented in accrual UPF format.</p>

Outcome	Performance Measure	Baseline	Review date	Status November 2003	Comments
	<ul style="list-style-type: none"> <li>• Parliament through Budget Estimates Committees utilises reports that include accrual information to manage and monitor the Budget; and</li>   <li>• agencies provide up to date accrual as well as cash Budget estimates through BMFRS during the year;</li>   <li>• increase in use of accrual information in financial management demonstrated by increased use of accrual financial reports in the internal management of agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Treasurer and Parliament through Budget Estimates Committees use cash based reports to manage and monitor the Budget</li>   <li>• agencies provide cash based Budget estimates only throughout the year</li> </ul>	<p>September 2003 &amp; March 2004</p> <p>September 2003 &amp; March 2004</p> <p>June 2004</p>	<p>✓</p> <p><b>Ongoing</b></p> <p><b>Ongoing</b></p>	<p>Achieved. During the 2003-04 Estimates Committee consideration of the Budget, the Opposition utilised the accrual UPF and agency reports presented in the Budget Papers.</p> <p>The Phase 3 Post Implementation Review found that it was too early in the Budget Cycle to assess but rated achievement as being likely.</p> <p>Under the revised reporting regime introduced for 2003-04 and future years, agencies must provide revised budget estimates and accrual files for reporting in the mid-year report and Budget Papers. In addition, variations relating to all sources are required for the SOB Report.</p> <p>To be established by survey as part of the Project's pre-closure review.</p>

Outcome	Performance Measure	Baseline	Review date	Status November 2003	Comments
<ul style="list-style-type: none"> <li>an improved link between agency Budget information and agency financial statements (on an accrual basis) and the Government's accrual Budget presentation; and</li> </ul>	<ul style="list-style-type: none"> <li>presentation of agency budgets in the 2003-04 Budget in accordance with a recognised accounting standard;</li> <li>improved consistency of the classification of administered and controlled items between budgeting and reporting;</li> <li>improved classification of items for budgeting and reporting eg budget presentation and reporting categories; and</li> <li>presentation of the whole-of government Budget in accordance with a recognised Budget presentation framework.</li> </ul>	<ul style="list-style-type: none"> <li>agency budgets are not presented in accordance with a recognised accounting standard</li> <li>a different definition of administered and controlled items exists between Budget presentation and financial reporting</li> <li>the whole-of-government Budget is not presented in accordance with a recognised Budget presentation framework</li> </ul>	<p>June 2003</p> <p>June 2003 and June 2004</p> <p>June 2003 and June 2004</p> <p>June 2003</p>	<p>✓</p> <p><b>Ongoing</b></p> <p>✓</p> <p>✓</p>	<p>Achieved. Agency Financial data was presented in 2003-04 Budget Paper No 2 in accordance with AAS 29</p> <p>Proposed to amend Administered/Controlled classifications for the 2004-05 Budget that will result in consistency in the 2004-05 financial reports.</p> <p>The Phase 3 Post Implementation Review considered that based on discussions with stakeholders, this Outcome had been achieved.</p> <p>Achieved. The 2003-04 Budget was presented in accordance with the Accrual UPF with the Fiscal Surplus as the Headline Measure.</p>

Outcome	Performance Measure	Baseline	Review date	Status November 2003	Comments
<ul style="list-style-type: none"> <li>an increased stakeholder understanding of the accrual Budget.</li> </ul>	<ul style="list-style-type: none"> <li>increase in stakeholder awareness and ability to understand and interpret the accrual Budget</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder awareness and understanding of the accrual Budget is minimal</li> </ul>	June 2003 and June 2004	<b>Ongoing</b>	<p>The Phase 3 Post Implementation Review Stakeholder classified this as "Achieved" as it found awareness varies extremely widely between limited understanding and very knowledgeable. However, for each broad category of stakeholder, awareness and understanding of the accrual Budget is likely to be above "minimal" (the Baseline Performance Measure). Stakeholder awareness and ability to understand and interpret the accrual Budget appears to be equivalent to the level achieved in other jurisdictions.</p> <p>However it is apparent that further education of major stakeholders is required.</p>



## **8. Lessons Learnt from Phase 3**

### **8.1. Communication**

The Phase 3 Post Implementation Review reported that the communication of the Government's reform strategy seemed to have been well received and understood by agency staff.

However the Review also revealed that agencies considered that due to the rapid development of enhancements to BMFRS and business processes, daily communication via emails explaining changed procedures should have been implemented.

### **8.2. Planning**

Whilst acknowledging that the late approval by the Treasurer of the Accrual Budgeting Framework resulted in a constrained timeframe for development of specifications for, and implementation of, the accrual budgeting enhancements, one of the main lessons from the Phase 3 implementation was the need for a higher level and more detailed planning of the processes and the identification and recruitment of adequate resources for each of the specifications, reporting and testing phases of the project.

As indicated in the Phase 3 Post Implementation Review, greater involvement of agencies could have been sought in the specification and testing of BMFRS enhancements.

### **8.3. Knowledge/Skill Transfer**

The lack of knowledge and skill transfer from the ABFM Team to Budget Branch Budget Analysts was a result of the compressed timeframe, planning and resource allocation deficiencies. Knowledge/skill transfer needs to be included in any project planning from inception.

## 9. Project Closure

Based on the performance indicators detailed above, the Project Outcome has largely been achieved. The indicators which have not been fully satisfied are:

- increase in stakeholder awareness and ability to understand and interpret the accrual Budget. This may need to be measured by a survey and monitoring of the use of accrual financial data in Estimates Committee hearings and in Parliamentary debate and Questions;
- improved consistency of the classification of administered and controlled items between budgeting and reporting. This issue is being addressed for the 2004-05 Budget and will be achieved with the publication of the 2004-05 financial statements;
- Treasury Budget Analysts monitoring other sources of funds as well as the Consolidated Fund in accordance with the revised Budget Management Guidelines in the within year Budget management process. The monitoring of all sources of funds is required not only for pure Budget management purposes but also for the new reporting regime where revised UPF Budget information will be published as at 31 December in the mid year report and as at 31 March in the Budget Outcome Chapter in Budget Paper No 1. The effectiveness of the monitoring regime will need to be assessed in June 2004;
- Treasury Budget Analysts using reports from BMFRS that include accrual information to develop and monitor agency budgets. As agencies are required, in accordance with the revised Budget Management Guidelines, to manage to the Budget financial statements published in Budget Paper No 2, Budget Analysts must use accrual reports from BMS to monitor agency Budgets. The effectiveness on the monitoring regime will need to be assessed in June 2004;

Formal closure of the Project will be considered by the Steering Committee following an assessment of the Project Outcomes in June 2004 on completion of the first full year of operating under an accrual budgeting framework.

To assist the Steering Committee to assess the Project Outcomes, a pre-closure review covering all relevant stakeholders will be performed prior to commencing formal project closure procedures to:

- review the quality of the Project's Outputs;
- review the achievement of the Project's Outcome;
- assess completion of the Project's deliverables; and
- examine the processes used within the Project to consider what worked well, what could be improved and what should be avoided in the future.

Information gathered by the review will be made available for the planning and management of future projects.

The ABFM Project Team will be responsible for facilitating the review. An external consultant is to be engaged to assist with the review. A report will be provided to the ABFM Steering Committee and to the Treasury Quality Assurance Committee.

Prior to closure, the completion of Phase 4 Projects such as the Review of the implementation of the recommendations of the Review of the Output Budgeting Methodology and the Review of Best Practice

Reporting, which may require implementation over a number of years, will need to be considered by the Steering Committee.

A Report will be provided to the Steering Committee in September 2004 presenting an assessment of the achievement of the Project Outcome and recommending a formal project closure timetable and procedures and post project responsibilities.

## 10. Appendices

**Table 4: Appendices**

<b>Appendix</b>	<b>Description</b>
Appendix 1: Management Plan	A detailed description of the management structure, roles and responsibilities required for Output realisation.

# Appendix 1: Management Plan

The Management Plan is used to describe how the final stages of the Project, e.g. Output utilisation and Outcome realisation, will be managed. In large and/or complex projects, these final stages can be regarded as a project in their own right. Appropriate governance therefore ensures Output utilisation and transformation of business processes is managed.

The Management Plan does not describe the Project Governance Structure, but rather the organisational structures, policies and procedures which will ensure the Project Outputs are transferred into the normal business operations of Treasury and agencies, post formal project closure. The Project Governance Structure is set out in the Business Plan Version 6.

## 1.1 Governance

The purpose of this section is to outline appropriate Project Governance within the business areas to ensure:

- the utilisation of the accepted Project Outputs; and
- the Project's Outcomes are realised as a result of Output utilisation.

The implementation of the Accrual Budgeting Framework, the presentation of the 2003-04 Budget on an Accrual UPF basis, the presentation of Agency Budget data in accordance with AAS 29, financial management Education and Training and the enhancements to the Business Support Systems in Phase 3 of the Project have been moved to the business operations of the Budget Management Branch (BMB) and the Government Finance and Accounting Branch (GFAB).

Implementation of the development and management of the State Budget on an accrual UPF basis has been subsumed into the operations of BMB and the operations of the Treasury Budget Strategy Committee. The operations of this Committee have been formalised and the revised BMB procedures will be documented. The Budget Management Guidelines have been revised and will continue to be updated, as required, as the main Budget development and management policy document.

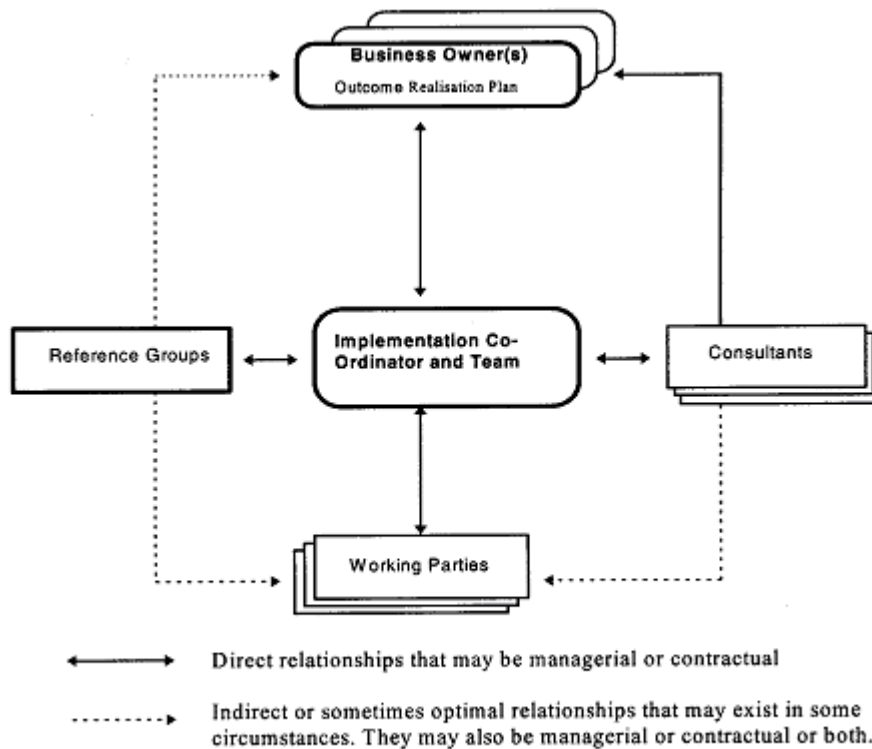
The continued enhancement of Business Support Systems for budgeting and reporting requirements will be managed through the internal Treasury BMFRS Management Committee, the membership of which consists of the ABFM Project Sponsor, Business Owners, the BMFRS Project Manager, Business Unit sub-project managers and the ABFM Project Manager.

The Financial Management Education and Training Program implementation will continue to be managed by an interagency Working Group, with administrative support from GFAB.

The initial implementation of the revised reporting framework resulting from the amendments to the Financial Management legislation under Phase 3 is currently being managed as a Phase 4 project with responsible officers from BMB and GFAB managing the respective Branch requirements and agency liaison required for implementation. On completion of the Phase 4 project, the revised reporting requirements will be included in the operational procedures of both BMB and GFAB.

Following formal closure of the Project, the Governance structure will revert to the substantive Budget and Finance Division structure recognising the closer working relationship requirement that the accrual budgeting and reporting framework has imposed on the Budget Management and Government Finance and Accounting Branches of Treasury.

**A diagram to illustrate the post ABFM governance structure is shown on the next page in Figure 1.**



**Figure 1: Post ABFM Project Governance Structure**

## 1.2 Business Owners

The Business Owners are responsible for utilising the Project Outputs and realising the agreed Project Outcome. Business Owners are accountable to the Steering Committee for the realisation of the Project Outcome. The Business Owners for the ABFM Project are also responsible for implementation of the Project Outputs. Business Owners are:

- Mario Abelo Director, Budget Management; and
- Craig Jeffery Director, Government Finance and Accounting

## 1.3 Project Manager and Team

The role and responsibilities of the Project Manager and Team during Output implementation and utilisation will be to provide advice to the responsible officers, to communicate reforms to stakeholders and to monitor progress.

## 1.4 Responsible Officers

The role and responsibilities of the responsible officers during Output implementation and utilisation will be to co-ordinate the implementation of the Outputs.

Responsible officers are responsible directly to the Business Owners for the implementation of the Outputs into the business environment and for organising and managing the day-to-day aspects of the Project's implementation activities, resolving planning and implementation issues. Responsible officers will:

- assist the Business Owners in maintaining the Outcome Realisation Plan;
- manage and monitor Output activity through quality management, detailed plans and schedules, and report to the Business Owners at regular intervals; and
- manage business and stakeholder requirements during implementation through formal planning and agreement of resources.

Responsible officers are detailed in the Business Plan.

## 1.5 Reference Groups

Reference Groups provide forums to achieve consensus among groups of stakeholders. An Agency Reference Group has been established for the ABFM Project. This Group will be utilised as required during implementation phases and post Project.

### **Working Groups**

Working Groups consist of small specialist groups, each dedicated to producing a well defined Output within a specified time frame. A Working Group has no life beyond the delivery of that Output. It is expected that Working Groups will be established to:

- assist in specifying enhancements to and resolve issues with financial management; and
- implement the financial management Education and Training Program.

## 1.6 Status Reporting

Status reporting in relation to implementation and post Project tasks will consist of Responsible Officers providing weekly status reports to relevant Business Owners.

Progress reports need to:

- outline the status of the major tasks or projects;
- outline progress against pre-determined milestones;

- identify any new or outstanding issues (including areas of concern, specific problems, and any action that needs to be taken); and
- identify risks and the strategies to manage them.

## 1.7 Facilities and Resources Required

Resources for ongoing implementation will be provided from within existing resource allocations in the Budget Management Branch and the Government Finance and Accounting Branch and by agency representatives on Working Groups.

### **Change Control**

Change control processes are used specifically for changes to business support systems in the implementation and post Project stages. The change control processes will:

- facilitate the introduction of specific business system changes;
- allow the impact of the change to be assessed;
- providing a method of authorising change; and
- providing an audit trail of change.

Approval of changes is required by the Business Owners.

## 1.8 Issues Management

An issue is a point that requires noting and management, but is not a problem or change. It may, however, generate a change or problem report.

It is anticipated that most issues raised in implementation and post Project stages will be solved by the Responsible Officers. However, issues may arise which must be resolved between the Business Owner and Responsible Officers and/or the Project Manager.