

# FMA

Financial Management Act 2016

# Financial Management - Better Practice Guidelines

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# Background

The *Financial Management Act 2016* provides for the management of the public finances of Tasmania in an economical, efficient and effective manner consistent with contemporary accounting standards and financial practices.

Treasurer's Instructions are issued under section 51 of the Financial Management Act in respect of the principles, practices and procedures to be observed in the financial management of all agencies.

These Better Practice Guidelines are intended to assist Accountable Authorities and responsible officers with their financial management responsibilities, including the areas of financial control, financial reporting and Budget.

These Guidelines should be read in conjunction with the Treasurer's Instructions.

# Internal Audit

## Introduction

Internal audit provides an independent and objective review and advisory service to:

- provide assurance to the Accountable Authority that financial and operational (internal) controls, which are designed to manage risks and achieve outcomes, are operating in an efficient, effective and ethical manner; and
- assist Agency management in improving processes and performance.

The internal audit function should be undertaken in accordance with the standards promulgated by the Institute of Internal Auditors - Australia.

The internal audit function should have the visible and active support of the Accountable Authority, Audit Committee and Agency management.

The Australian National Audit Office has issued a Better Practice Guide in relation to public sector audit committees titled *Public Sector Audit Committees: Independent Assurance and Advice for Accountable Authorities*. This document provides extensive information on the establishment and operation of the internal audit function.

The Accountable Authority should discuss matters of mutual interest, raised through the internal audit process, with the Tasmanian Audit Office, as the Accountable Authority considers appropriate.

## Independence

Independence is essential to the effectiveness of the internal audit function. The Accountable Authority should ensure that those undertaking the internal audit function have an appropriate level of independence from Agency management.

Persons performing internal audit functions should not have direct authority or responsibility for the activities under review, or any responsibility for developing or implementing procedures or systems. Any person performing internal audit functions should not engage in Agency service delivery functions or activities.

Providing that independence requirements are adhered to, an Agency may contract its internal audit function to external providers. However, any such outsourced arrangement does not diminish the Accountable Authority's responsibility to oversee and manage the internal audit function.

Close attention should also be paid to the existence of conflicts of interest in the undertaking of the internal audit process. A conflict of interest may create an appearance of impropriety that can undermine confidence in the internal audit process and could impair a person's ability to perform their duties and responsibilities objectively.

## Audit Committee

The Audit Committee plays a key accountability role in the governance framework of the Agency. The Audit Committee should independently review and assess the effectiveness of Agency operations.

In order to be effective, the Audit Committee should include members that:

- have an appropriate mix of skills and experience relevant to responsibilities of the Agency;
- are independent of management; and
- act objectively and impartially.

The Audit Committee should be constituted to reflect and address the particular internal and external influences impacting on the Agency. The membership and conduct of the Audit Committee may, therefore, vary depending on the Agency's size and other circumstances.

Membership of an Audit Committee should comprise at least three persons that have appropriate qualifications, knowledge, skills or experience to perform its functions. The Audit Committee may include one or more members from outside the Agency.

The specific nature of the tasks to be performed by the internal audit function will be determined by the Audit Committee from time to time, with reference to the Audit Charter and the Internal Audit Plan.

It may be appropriate to allocate specialist functions to a member of the Audit Committee to assist in ensuring that the responsibilities of the Audit Committee are carried out to a satisfactory level. An example of a specialist function would be the appointment of a Fraud Control Officer to manage the Agency's exposure to fraud risk by developing a Fraud Control Plan, which documents the Agency's intended action on implementing and monitoring the Agency's fraud prevention and response initiatives and is integrated with the Agency's overall risk management plan.

In addition to the requirements of the Treasurer's Instruction, the Accountable Authority should consider the independence of Audit Committee members. The Auditor-General's 2018 review of Agency Audit Committees (the *Report of the Auditor-General No 9 of 2017-18, Volume 4* refers), recommended that Audit Committees may consider:

- the appointment of an external Chair;
- the majority of members are independent/external; and
- regular rotation of Audit Committee membership.

To strengthen the Audit Committee's independence, the Accountable Authority should also consider:

- appointing committee members who exhibit an independence of mind in their deliberations and do not act as a representative of a particular area within the Agency or a particular stakeholder interest;

- ensuring the Audit Committee itself has no management responsibilities; and
- having policies in place to facilitate timely identification of changing relationships or circumstances that may affect the independence of Audit Committee members, including potential conflicts of interest.

## Audit Charter

The Internal Audit Charter is a document that specifies the function, purpose, authority and responsibility of those undertaking the internal audit function. The Internal Audit Charter establishes the Audit Committee's authority within the Agency; authorises access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The Internal Audit Charter should:

- identify the function, purpose, authority and responsibility of the Internal Auditor;
- establish the Internal Auditor's independence within the organisational structure;
- define reporting relationships of the Internal Auditor with the Accountable Authority and the Audit Committee;
- define the Internal Auditor's relationship with the Auditor-General; and
- define the scope of the Internal Auditor's activities, including any restrictions, together with the reasons for such restrictions.

The Audit Committee should annually review the Internal Audit Charter to ensure that it remains up-to-date and reflects the current function, purpose, authority and responsibility of those undertaking the internal audit function.

The scope of services provided by the Internal Auditor should include:

- an examination and evaluation of the adequacy and effectiveness of the Agency's systems of internal control, risk management and governance;
- an examination of the Agency's compliance with policies, procedures, plans, legislation and Treasurer's Instructions;
- an assessment of the reliability and integrity of financial management information;
- an assessment of the safeguarding of assets;
- any special investigations as directed by the Accountable Authority;
- any special investigations as directed by the Audit Committee, subject to approval by the Accountable Authority; and
- all activities of the Agency, whether financial or non-financial.

The scope of the Internal Auditor's work may also include the provision of advisory activities, the nature and scope of which are agreed with management and which are intended to add value and improve an Agency's governance, risk management and control processes. As the outcome of an advisory service may become the subject of future internal audits, the Internal Auditor should ensure that its independence is not compromised by undertaking such a role.

The Accountable Authority should consider the establishment of an assurance map to help assist with its management responsibilities. An Agency will typically have a variety of assurance mechanisms and arrangements including the control framework, internal audit and external audit. An Agency-wide perspective of assurance activities can help the Audit Committee identify gaps or duplication. It can also help identify key risks that are not being addressed by any assurance activities.

## Internal Audit Plan

The Internal Auditor should prepare an Internal Audit Plan, spanning a minimum of three financial years, for review and approval by the Audit Committee, showing the proposed areas for audit.

An Internal Audit Plan should, at a minimum, include the following elements:

- a review of the adequacy, reliability and effectiveness of systems of internal controls operating within the key financial systems of the organisation, including:
  - revenue and receivables;
  - purchasing and payments;
  - general ledger;
  - asset management; and
  - payroll and personnel.
- a review of other areas as determined by management and the Audit Committee. For example:
  - a review of management practices in respect to identified significant risk exposures and assessing the adequacy of these practices;
  - a review of the efficiency and effectiveness of operations;
  - an examination of the validity of measures used to assess the achievement of operational objectives;
  - an assessment of the need for controls in new systems or in relation to changes to existing systems and making appropriate recommendations; and
  - a review of other matters as determined from time to time by the Audit Committee.

The Internal Auditor should communicate its findings and recommendations to the Accountable Authority, Audit Committee and management of the areas audited.

On the completion of each internal audit engagement, the Internal Auditor should provide a Report to the Audit Committee and the Accountable Authority, which details the objective and scope of the audit and the findings of the audit.

Internal audit reports should include background information, the audit objectives, scope, approach, observations/findings, conclusions, recommendations and agreed management actions. Internal audit reports should promote better practice options and outline why the recommended changes are necessary and how they add value.

Internal audit reports should include the Internal Auditor's observations regarding significant risk exposures, control issues, corporate governance issues, and other related audit matters. By sharing audit criteria, explaining causes and consequences of audit observations, agencies can gain an understanding of the implications and impacts of the audit findings.

The Accountable Authority and the Audit Committee should systematically review progress against internal audit recommendations and agreed action plans. The effectiveness of the Audit Committee, Internal Auditor and Audit Charter should be reviewed at least every three years.

The Internal Auditor should review the Internal Audit Plan on an annual basis for review and approval by the Audit Committee.

## Financial Reporting Oversight

It is an important role of Audit Committees to review the financial reporting responsibilities of the Accountable Authority and advise the Accountable Authority on the results of the review. The primary financial reporting responsibilities consist of the preparation of annual financial statements and the inclusion of the audited financial statements in the Annual Report.

The Audit Committee should consider the following:

- review the financial statements and provide advice to the Accountable Authority (including recommending their signing by the Accountable Authority);
- ensure compliance with Accounting Standards;
- review the appropriateness of accounting policies and disclosures, including any significant changes to accounting policies;
- review areas of significant judgement and financial statement balances that require estimation;
- review significant or unusual transactions; and
- ensure appropriate management action has been taken in response to any issues raised by external audit, including financial statement adjustments or revised disclosures.

## Internal Control Oversight

The Audit Committee should assist the Accountable Authority in the oversight function to ensure that internal controls are operating effectively.

As part of the internal control environment, the Agency is expected to have well designed business continuity and disaster recovery arrangements and the Audit Committee should satisfy itself that these arrangements are in place and that existing business continuity and disaster recovery plans have been periodically updated and tested.

The Auditor-General's 2018 review of Agency Audit Committees (the *Report of the Auditor-General No 9 of 2017-18, Volume 4* refers) recommended that the Audit Committee's oversight of the system of internal controls may include:

- ensuring the Agency's system of internal control complies with the Treasurer's Instructions;
- review of the Agency's systems for monitoring legislative and policy compliance;
- obtaining an annual report from Internal Audit on the overall controls of the Agency;
- business continuity management; and
- promotion of ethical and lawful conduct.

# Finance Manual

Section 34 of the Financial Management Act outlines the responsibilities of an Accountable Authority. These responsibilities include ensuring that financial management processes, records, procedures, controls and internal management structures are appropriate.

The establishment and ongoing maintenance of an Agency Finance Manual is an essential element of the Accountable Authority's responsibilities.

The Finance Manual should incorporate all accounting and financial management policies and guidelines in place within the Agency.

The Finance Manual will improve the internal control of the Agency by:

- providing a single, authoritative document detailing all accounting and financial management policies and procedures;
- enhancing staff awareness of established procedures;
- providing a formal means by which procedural changes are made and communicated throughout the Agency; and
- enabling Agency management and the Internal Auditor to monitor compliance with Agency procedures.

The Finance Manual may comprise a group of related individual documents or a single comprehensive document.

The Finance Manual should be easily accessible by all staff, as it is the means by which financial policy matters are communicated throughout the Agency.

It is at the discretion of each Accountable Authority to determine the most appropriate form of its Finance Manual and how it is made available (e.g. as a physical reference document, as web based documents accessed by an intranet or other means).

As a general rule, the Finance Manual should describe procedures rather than prescribe how specific processes are performed. The Finance Manual may reference more detailed procedural information that is maintained separately to ensure users have access to all information necessary to undertake the financial management tasks for which they have responsibility. This supporting documentation may describe each key financial management transaction, process and procedure within the Agency.

The Finance Manual should be easily understandable by its wide range of users. It should outline the key roles and responsibilities of staff undertaking financial management related activities within the Agency. The Finance Manual should not merely paraphrase the Treasurer's Instructions, but translate these obligations into the specific activities that are required to be undertaken within the Agency.

The Finance Manual should reference other relevant user manuals, legislation, Treasurer's Instructions, key Agency accounting and finance systems and processes and other authoritative requirements such as the Australian Accounting Standards.

To be a useful document, the Finance Manual should include up-to-date information and reflect current practices and procedures. In this regard, it is important that each Accountable Authority establishes an appropriate review process to ensure the Finance Manual is kept up-to-date.

The table below provides guidance as to the range of topics that may be covered in a Finance Manual. The Accountable Authority should ensure that the range of topics covered by the Agency Finance Manual is comprehensive.

## Contents of Finance Manuals

The appropriate structure and contents of the Agency Finance Manual is a matter for each Accountable Authority. There are, however, a wide range of issues and matters that are expected be addressed in an Agency Finance Manual to ensure that it is a comprehensive document.

Detailed below is a possible Agency Finance Manual structure which highlights key issues:

Introduction	Purpose; Scope and Format of the Finance Manual; Definitions; Control, Maintenance and Update of Manual.
The Agency	Overview; Organisational Structure; Acts; Regulations; By-Laws; Statutory Responsibilities (responsibilities and obligations under relevant legislation including the Financial Management Act); Objectives and Policies.
Financial Management	Objectives; Accounting Policies; Financial Structure; Financial Systems; Financial System Controls; Government Accounting Arrangements; Internal Audit Policy; Exemptions from Treasurer's Instructions relating to ongoing financial management activities (if any).
Budgeting	Overview; Preparation and Collation of Agency Estimates; Treasury Budget Process – updating the Treasury Budget Information Management System; Internal Allocation and Advice of Approved Budgets; Cash Flows; Monitoring of Budget; Requests for Additional Funds; Rollover of Unexpended Balance of an Appropriation; Capital Funding; Exemptions from Treasurer's Instructions relating to budget activities (if any).
Delegations	Authority to Incur Expenditure; List of Certifying Officers; Delegations under the <i>State Service Act 2000</i> ; Other (type and extent) including delegations of the Accountable Authority's power to enter into contracts.
Revenue	Overview; Types of Revenue; Revenue Collection; Key Controls; EFTPOS; Cheques; Preparation of Receipts; Refunds; Security of Moneys Received; Clearing Account.  Accounts Receivable (Definition and recognition; Terms of Credit; Credit Management; Reporting; Debt Management; Inter-Agency Debts; Doubtful Debts; Write-offs).
Purchasing	Overview; Purchasing Principles; Purchase Orders; Purchasing Delegations; Commitments Register; Information Technology; Tenders; Complaints Process.
Inventories	Overview; Receipts of Stores/Inventory Rounding; Stock Control; Reimbursement for Losses or Damages; Disposal of Surplus Equipment or Materials; Write-offs.

Asset Management	Overview; Definition and Recognition of Assets; Valuation Basis; Asset Recognition Threshold; Revaluation; Depreciation; Asset Registers; Purchase of Assets; Maintenance and Security; Disposals/Write-offs; Impairment.
Expenditure	Overview; Types of Expenditure; Key Controls; Treasurer's Expenditure Control Authority; Payment of Accounts (Preparation of Payment Documentation; Examination, Certification and Authorisation of Payment Documentation); Reimbursement of Expenses – Departmental Employees; Duplicate Invoices; Prepaid Expenditure; Entertainment Expenses; Advance Accounts; Petty Cash.
Salaries and Wages	Overview; Payroll Distribution Procedures; Unclaimed Salaries and Wages; Payroll Reconciliation Procedures; Transfer of Leave Entitlements.
Taxation	Overview; Fringe Benefits Tax (Benefits Subject to FBT; Reportable Fringe Benefits; Annual Return); Goods and Services Tax (Tax Invoices; Remittance and Reporting Obligations); Pay As You Go system (PAYG instalment system; PAYG withholding system).
Financial Management Information Systems	Where suitable documentation already exists separately for the Financial Management Information System, the Finance Manual may only include a general description of the system and contain an appropriate reference to the relevant Procedure Manual. In the absence of such documentation, Procedure Manuals should be written and either incorporated in the Finance Manual or appropriately referenced as above. Interfaces between various systems should be noted.
Bank Accounts	Overview; Opening and Closing Accounts; Bank Account Register; Signatories to Accounts; Bank Reconciliation.
Financial Systems	Reconciliation of Ledger/s; Posting to Ledger/s; Posting to Subsidiary Records; End of Day Processes; End of Month Processes; End of Year Processes; Chart of Accounts (Overview; Role in Reporting - Mandatory Data Requirements; Updating the Chart).
Internal Control	Overview; Accounting Systems and Internal Control; Management; Personnel; Audit Committee; Internal Audit.
Fraud Control	Overview (Definition of Fraud; Statement of Attitude to Fraud); Fraud Control Plan (Fraud Risk Register; Fraud Control Officer).
Other	Fees and Charges; Travel Guidelines; Motor Vehicle Guidelines.
Forms	<i>As required.</i>

# Fraud, Corruption and Other Losses

“Fraud” and “corruption” are defined in sections 83 and 253A of the *Criminal Code Act 1924*.

The Accountable Authority should ensure that the Agency maintains a record of all losses that are caused by a criminal act, such as theft, fraud, misappropriation, corruption or any other criminal act.

The Accountable Authority should ensure that, where a loss is referred to the police, that full support and access to information is provided to the investigating authorities and to any resulting legal action.

Where losses have occurred for a reason that is not a criminal act, the Accountable Authority should ensure that the Agency maintains a record of:

- all cash losses where the value exceeds \$500 or, if the Accountable Authority considers it to be appropriate, a lower amount; and
- all other losses where the value is estimated to exceed \$2 000 or, if the Accountable Authority considers it to be appropriate, a lower amount.

As cash may be particularly susceptible to loss, physical controls over cash should be robust and processes should be appropriate to identify cash losses and to detect any pattern of cash losses. In some circumstances, the Accountable Authority may consider it appropriate that a record is maintained of all cash losses.

Depending on the nature of the loss, the record of the loss should include relevant information such as:

- the amount of money or the original value of the item;
- the approximate value (book value) of the item, at the time of loss, and the replacement value;
- the circumstance(s) that led to the loss;
- whether the loss was due to the criminal or negligent act of an employee or contractor;
- the implications of the loss for the Agency;
- the action to be taken in respect of the loss; and
- the action, if any, to be taken to prevent a similar loss in the future.

The Accountable Authority should report any loss in excess of \$50 000 to the Auditor-General.

The Accountable Authority should ensure that staff that are considered to be in positions of trust and responsibility, regularly attend fraud and corruption and internal control awareness training.

There are resources available online to assist with the development of a Fraud and Corruption Control Plan, including the Australian Standard AS 8001:2008 *Fraud and Corruption Control*. Alternatively, an Agency may consider engaging professional assistance to develop a Plan. In addition, a number of organisations publish their Plans on-line.

# Penalty Interest, Bank Accounts and Foreign Currency Exposure

## Penalty Interest

The supplier is not required to issue an invoice to the Agency in relation to penalty interest.

The Agency may pay penalty interest at the same time as the original invoice is paid or make batch payments within 30 calendar days of the end of each quarter.

The applicable small business “overdraft” rate is located in the Indicator Lending Rates (F5) series in the Financial Markets Tables on the Reserve Bank of Australia website.

## Bank Accounts

All correspondence in respect of opening or managing Agency bank accounts should, in the first instance, be directed to the Secretary of the Department of Treasury and Finance.

## Foreign Currency Exposure

Generally, an asset or liability with a future foreign currency exposure arises from rights and obligations (definite, contingent or potential) to pay or receive an amount, in a foreign currency, or in Australian dollars where the amount of Australian dollars is to be determined by reference to a particular exchange rate at a particular time.

Examples of assets or liabilities that may arise from future foreign currency exposure include:

- a tender process, where the tendered price for goods and/or services is in a foreign currency or converted into Australian dollars based on a foreign exchange rate at a particular time that will change up to the date of execution of the contract;
- shares, dividends/return of capital in foreign currencies;
- guarantees/indemnities of obligations in a foreign currency; and
- purchase price for goods or services, or revenue receipts, in a foreign currency.

Advice on the identification and management of foreign currency risks and exposures can be obtained from the Tasmanian Public Finance Corporation.

# Tasmanian Government Card

The Tasmanian Government Card achieves efficiencies and improved management through the rationalisation of ordering, authorisation, reconciliation and payment procedures, particularly for low value purchases.

The Tasmanian Government Card should be used where it is the most cost effective and efficient mode of payment. It is expected that the Tasmanian Government Card will be the preferred method for purchases of goods and services of relatively low value (less than \$1 000) and where goods and services are purchased on a regular basis.

## Applicable payments

The Treasurer's Instructions require that:

- all applicable payments under \$1 000 are to be paid using the Tasmanian Government Card; and
- Accountable Authorities must identify and document appropriate applicable payments for payment by the Tasmanian Government Card within their Agency.

When determining what constitutes an applicable payment, the Accountable Authority should take into consideration internal management and operational needs, as well as any impacts on the overall procurement strategy, the cost of any applicable merchant fees and the impact on payment terms.

Within this context, applicable payments may include:

- office travel, accommodation and certain food services (those not considered entertainment);
- education and training;
- ad hoc repair and maintenance services;
- retail and wholesale purchases (e.g. groceries, hardware, office supplies and consumables); and
- couriers, printing services and information media.

It should be noted that there may be other transactions that are not specifically included on this list that may be "applicable payments".

## Excluded transactions

The Tasmanian Government Card is not to be used to make payments or in the following circumstances:

- for personal transactions, even if it is the Cardholder's intention to immediately reimburse the private expenses;
- to make cash withdrawals;
- for hospitality or entertainment expenses, except where approval of the Secretary of the Department of Treasury and Finance has been received for a Cardholder to use a Tasmanian Government Card to incur entertainment expenses;

- to pay for alcohol, including with a meal or for an official function;
- to purchase personal refreshments (tea, coffee, water etc) while travelling that are not associated with a meal (breakfast, lunch or dinner);
- to purchase personal refreshments (tea, coffee, water etc) while not travelling;
- to purchase gifts of a personal nature;
- to purchase fuel;
- for the payment of fines;
- for the payment of medical expenses associated with work related injuries and illness which are required to be paid through the workers compensation process;
- for the payment of tips and gratuities (except while travelling in countries where it is considered to be an unavoidable expense due to the cultural expectations of such payments);
- for gift vouchers for any purpose;
- where an alternative purchasing method provides greater efficiency;
- for the payment of invoices, correctly rendered by suppliers, after the due date for payment; and
- where payment has already been made or initiated for the transaction.

In instances where there is an operational need for the holder of a Tasmanian Government Card to make payments of the type listed above, the Accountable Authority may request prior written approval from the Secretary of the Department of Treasury and Finance in accordance with Treasurer's Instruction FC-I. The request should specify the name and position of each Cardholder for which the exemption is being sought. Approval, if granted, will be limited to the Cardholder(s) named in the exemption and cannot be delegated to another Cardholder(s).

Where the holder of a Tasmanian Government Card is undertaking duties in a remote area and the contracted government supplier for fuel does not have an outlet within a reasonable distance, a fuel card for an alternative supplier may be requested through the Government fleet manager and used for the purchase of fuel.

Where an Officer hires a vehicle, for official purposes, in Tasmania or interstate, a general use fuel card may be obtained through the Government fleet manager and used for the purchase of fuel.

The Accountable Authority should ensure that a record is kept of instances where the Tasmanian Government Card has been used for purposes that are not allowed under the Treasurer's Instructions. Where a pattern of improper use is identified for a Cardholder, this behaviour could be deemed as deliberate misuse of the Tasmanian Government Card and the Accountable Authority may consider cancellation of the Cardholder's Tasmanian Government Card.

## Entertainment exclusions

The Accountable Authority should write to the Secretary of the Department of Treasury and Finance and formally request written approval for a Cardholder to use a Tasmanian Government Card for entertainment purposes. As authorisation may be granted to an individual Officer in accordance with the office they hold, the request should specify the name and Senior Executive Service level or equivalent of each Officer for which approval is being sought.

The Accountable Authority should ensure that each Officer authorised to use a Tasmanian Government Card for entertainment purposes understands what constitutes entertainment in accordance with the *Australian Fringe Benefits Tax Assessment Act 1986*.

A sample *Entertainment Declaration* template is provided on page 24.

Guidance regarding the definition of entertainment is provided on page 25.

## Alternative payment providers

The Tasmanian Government Card should not be linked to online accounts such as PayPal, unless the alternative payment provider is the only payment option available for a specific transaction.

The Accountable Authority should ensure that there is a specific policy in place, on a case by case basis, covering alternative payment methods and require:

- a separate approval process for the creation of any online account;
- payments made to be subject to the same terms, conditions and policy requirements as payments made using the Tasmanian Government Card; and
- use of the online account to be restricted to the Cardholder.

## Issue of the Tasmanian Government Card

A Tasmanian Government Card should only be issued to officers of the Agency with a continuing need to purchase goods or services or travel. Only one Tasmanian Government Card is to be issued to each Officer approved as a Cardholder.

Only the Cardholder is allowed to use the Tasmanian Government Card issued to them. The Cardholder should not let other officers record or share their Tasmanian Government Card number.

Each Cardholder is to sign an “Agreement and Acknowledgment by Cardholder”. A sample *Agreement and Acknowledgement by Cardholder* template is provided on page 21.

Each Cardholder should be given a copy of the signed acknowledgement, the Treasurer’s Instruction and the Agency’s Tasmanian Government Card Policy with their Tasmanian Government Card. Cardholders are responsible for making themselves familiar with the provisions of each document.

## Policies and procedures in agencies

The Agency’s Tasmanian Government Card Policy should take into consideration Agency risks and objectives. The Policy should be easily accessible and define what Tasmanian Government Cards may and may not be used for, providing clarity of process for both cardholders, accountable officers and those authorising expenditure.

The Accountable Authority should nominate an Accountable Officer for the Tasmanian Government Card who is responsible for:

- ordering, collecting and cancelling cards;
- updating policies and procedures;
- education and training of cardholders; and
- reviewing the operation of the card facility within the Agency, including reporting on its activities and ensuring that the Tasmanian Government Card is cost effective.

Agency internal controls should ensure that:

- Cardholders are briefed on, and acknowledge, their responsibilities in the use of the Tasmanian Government Card;
- new cards are signed immediately by the Cardholder;
- lost or stolen cards are reported immediately;
- Cardholder acknowledgements are reconstituted upon the creation of new agencies;
- all Tasmanian Government Card transactions are accounted for, monthly statements are reconciled and transactions are recorded in the Agency's general ledger on a timely basis;
- transactions are in accordance with the Government's procurement policies;
- disputed transactions are reported immediately, and subsequent action by the service provider is followed up; and
- all Tasmanian Government Cards are retrieved from separating employees before they leave the Agency.

Procedures should also be put in place to review on an annual basis:

- Tasmanian Government Cards issued and usage levels;
- card limits and practices for changing the limits on a Tasmanian Government Card; and
- practices for the issue of new cards, the suspension or cancellation of cards and for managing cards following staff movements.

## Supporting Documentation and Tax Invoice Requirements

Cardholders must retain all docketts and tax invoices/receipts to provide with their monthly statement in accordance with the Agency's Tasmanian Government Card Policy.

For GST purposes, the Cardholder should obtain a valid tax invoice as supporting documentation for each transaction.

For transactions less than \$75 in value (not including GST), cash register docketts or receipts constitute appropriate supporting documentation if a tax invoice is not readily available. This does not apply to EV Charging transactions - see below.

In the absence of a tax invoice or original receipt, the Cardholder should provide a statutory declaration to acquit the purchase and satisfy an authorising officer with appropriate authority. The statutory declaration should contain a record of the purchase including the name and Australian Business Number of the supplier, the date the acquisition was made, a description of the items acquired and the amount paid.

Where purchases are made in connection with official travel, the Cardholder should be aware that transaction procedures and the availability of supporting documentation may vary in other countries.

## Electronic Vehicle Charging

Where there is an operational need for a Tasmanian Government Card to make payments for EV charging, the Cardholder must obtain a valid tax invoice/receipt to provide with their monthly statement.

In accordance with TI FC-9 paragraph 9.17, a Cardholder must not provide their Tasmanian Government Card to any other person to make payments for EV charging.

Refer to the *Tasmanian Motor Vehicle Allocation and Use Policy* for further information.

# Sample Agreement and Acknowledgement by Cardholder

(Agency Name)

## TASMANIAN GOVERNMENT CARD ACKNOWLEDGEMENT BY CARDHOLDER

Cardholder Name:

Position:

Branch:

Division:

I understand and agree that a Tasmanian Government Card is issued to me on the understanding that I will, at all times, comply with the following conditions:

- (1) The Tasmanian Government Card is the property of (specify Agency) and is kept in my possession and under my strict control.
- (2) I will not permit the Tasmanian Government Card to be used by any person other than myself.
- (3) I will only use the Tasmanian Government Card for official Agency use.
- (4) I will protect the security of my PIN by not disclosing it or recording it anywhere. Where choosing a PIN, I will not choose one that could easily be associated with me such as birth date or telephone number.
- (5) I will obtain supporting documentation in relation to each transaction entered into in respect of the Tasmanian Government Card which has been issued in my name.
- (6) I will only use the Tasmanian Government Card to a limit of \$..... in any one transaction up to a monthly limit of \$..... I will not split transactions to avoid my transaction limit.
- (7) I will only use the Tasmanian Government Card in accordance with the Government's procurement policies and the Agency's Tasmanian Government Card Policy for the purchase of .....(insert goods, services, accommodation or other classifications of purchases).

- (8) I will not use the Tasmanian Government Card:
- for personal transactions;
  - to make cash withdrawals;
  - to pay for alcohol, including with a meal or for an official function;
  - to purchase personal refreshments (tea, coffee, water etc) while travelling that are not associated with a meal (breakfast, lunch or dinner);
  - to purchase personal refreshments (tea, coffee water etc) while not travelling;
  - to purchase gifts of a personal nature;
  - to purchase fuel (fuel card should be used);
  - for the payment of fines;
  - for the payment of medical expenses associated with work related injuries and illness which are required to be paid through the workers compensation process;
  - for the payment of tips and gratuities (except while travelling in countries where it is considered to be an unavoidable expense due to the cultural expectations of such payments);
  - for gift vouchers for any purpose;
  - where an alternative purchasing method provides greater efficiency;
  - for the payment of invoices, correctly rendered by suppliers, after the due date for payment; and
  - where payment has already been made or initiated for the transactions.
- (9) I will not use the Tasmanian Government Card for entertainment purposes unless:
- I have received prior written approval from the Secretary of the Department of Treasury and Finance to do so on official business; and
  - I submit details of each transaction for entertainment purposes for the approval of the Deputy Secretary or Accountable Authority.
- (10) If I misuse the Tasmanian Government Card, I understand that the Agency may take disciplinary action and that legal proceedings may be instituted against me.
- (11) I will immediately report any suspected or known unauthorised use of the Tasmanian Government Card to the Accountable Officer in my Agency.
- (12) I will immediately report the loss or theft of the Tasmanian Government Card to the Government banker and to the Accountable Officer in my Agency.
- (13) If I resign, retire, cease employment or transfer to another Agency, I will immediately hand my Tasmanian Government Card to the Accountable Officer in my Agency for cancellation.

## Declaration:

- (14) I confirm that I have access to only one Tasmanian Government Card.
- (15) I acknowledge that I have read and understand the conditions set out in this Agreement and Acknowledgement by Cardholder.
- (16) I have been briefed on all aspects of the operation and use of the Tasmanian Government Card.

Signature of Cardholder

Signature of Accountable Authority

Name:

Name:

Date:

Date:

# Entertainment Declaration

## Description of expense:

(Location, date and what the expense involved e.g. alcohol, meals)

## Purpose

(e.g. business lunch, social function etc.)

**Attendees** (number of attendees)    **Non-Staff:** .....    **Staff:**.....

## (Agency) Staff

(Names of staff attendees)

## Claimant

Print Name:

Signature:

## Deputy Secretary / Accountable Authority Level Endorsement

..... (Signature) ..... (Print Name)

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*The provision of entertainment means the provision of:*

- *business lunches and drinks, cocktail parties and staff social functions;*
- *entertainment to staff or clients by way of access to sporting or theatrical events; and*
- *accommodation and travel to do with providing entertainment by way of food, drink or recreation.*

*The provision of alcohol generally suggests the provision of entertainment. However, meals and accommodation, where an employee is engaged on business travel, is not classified as entertainment.*

*The provision of food and drink for the purposes of light refreshment is not classified as entertainment, for example:*

- *provision of morning and afternoon teas and light meals such as sandwiches, tea, coffee or juice to staff on a business day at the business premises;*
- *provision of a light lunch at a planning day or training session;*
- *provision of food and drink that is incidental to attendance at a seminar, i.e. conference, convention, lecture etc of at least four hours duration.*

## Definition of Entertainment

The Australian Fringe Benefits Tax Assessment Act defines the term “entertainment” according to its meaning in the Australian *Income Tax Assessment Act 1997*, section 32.10.

The provision of entertainment means the provision of:

- entertainment by way of food, drink or recreation, or
- accommodation or travel to do with providing entertainment by way of food, drink or recreation.

### Provision of food or drink entertainment

The mere provision of food and drink does not necessarily constitute entertainment. Objective analysis of all the circumstances surrounding the provision of food and drink is necessary in order to determine whether it constitutes entertainment. The Australian Tax Office sets out its views regarding meal entertainment in *Tax Ruling 97/17* and provides four critical questions. No individual question will determine if the food and drink provided is meal entertainment, however (a) and (b) are considered to incorporate the more important factors:

#### (a) Why is the food or drink being provided?

This is a “purpose test” to determine whether food or drinks are provided for refreshment or entertainment purposes. For example, food or drink provided for the purposes of refreshment does not generally have the character of entertainment, whereas food or drink provided in a social situation where the purpose of the function is for employees to enjoy themselves has the character of entertainment.

#### (b) What food or drink is being provided?

Morning and afternoon teas and light meals are generally considered to be the provision of refreshments, not entertainment. However, as light meals become more elaborate, they can take on the characteristics of entertainment as it becomes more likely that entertainment arises from consuming the meal. It is the nature of the food itself that will determine whether entertainment has been conferred on the recipient.

Morning and afternoon teas include light refreshments such as tea, coffee, fruit drinks, cakes and biscuits, but does not include alcohol.

Light meals include sandwiches and other hand food, salads and juice that are intended to be, and can be, consumed on your premises or worksite in the normal course of business.

### (c) When is the food or drink being provided?

If food and drink is provided during work time, during overtime or while an employee is travelling, it is less likely to have the character of entertainment. This is generally because food or drink is being provided as sustenance for a work-related purpose rather than an entertainment purpose. This, however, depends on whether the expected outcome of the provision of food or drink is entertainment or work related. For example, a staff social function held during work time still has the character of entertainment.

### (d) Where is the food or drink being provided?

Food or drink provided to and consumed by employees at their business premises or work site is less likely to have the character of entertainment. However, food or drink provided in a function room, hotel, restaurant, café, coffee shop or consumed with other forms of entertainment is more likely to have the character of entertainment, as the provision of food or drink is less likely to have a work related purpose.

## Provision of alcohol

The consumption of alcohol is normally associated with social activities, therefore generally suggests the provision of entertainment. However, if it is incidental to a larger event or work related activity of an employee, such as during business travel or at the conclusion of a seminar, it will not be considered entertainment.

## Provision of recreation entertainment

Whilst it is not as common for Government entities to provide recreation entertainment compared to the provision of food and drink entertainment, it is important to be able to recognise what constitutes recreation entertainment expenditure.

Recreation includes participation in sports or pastimes, leisure pursuits such as watching a play in a theatre or movie in a cinema, harbour cruises and hiring of entertainers such as singers and comedians.

## Accommodation and travel in connection with the provision of food, drink or recreational entertainment

Travel and accommodation will only be deemed entertainment if there is some element of entertainment associated with the travel or accommodation. For example, travel and accommodation at a resort where the employer pays for the weekend away would be entertainment. Likewise, the cost of taxi travel by an employee from their place of work to a social function at a restaurant or function centre forms part of the cost of entertainment. However, travel and accommodation in connection with an interstate work trip would not be entertainment.

## Examples

### Activities that are not considered provision of food and drink entertainment:

- Provision of a meal, including alcohol, to an employee engaged in business travel;
- Provision of finger food and drinks, including alcohol, at the end of a continuing professional development session which an employee attended;
- Morning tea or light lunch provided on business premises acknowledging a business milestone, at a planning day or at a Minister's or Secretary's address;
- Morning tea or light lunch provided on business premises, held for a visiting delegation, attended by a number of employees and where business discussions are held;
- Light lunch, without alcohol, provided on business premises, at a planning day, seminar or training session;
- Light breakfast served prior to a seminar, planning day or training session;
- Light lunch, without alcohol, provided on a business premises during a meeting with a third party; and
- Light take away food, without alcohol, ordered in for lunch or dinner while working on a project with a specific deadline.

### Activities that are considered provision of food and drink entertainment:

- Payment of a meal at a restaurant attended by non-travelling employees and third parties;
- Entertaining visiting foreign dignitaries;
- Entity milestone anniversary celebrations; and
- Social functions to announce a major new initiative, whether held on or off business premises.

### Activities that are considered provision of recreation entertainment:

- Payment for attendance by employees at golf days;
- Recreation components of seminars such as a winery tour;
- Leasing of a corporate box or other leisure facilities; and
- Escorting visiting dignitaries to local tourist attractions.

Further guidance can be found on the Australian Tax Office website.

# Taxation

## Taxation Records

The Accountable Authority should ensure that the Agency develops and maintains taxation records, which may form part of the Agency Finance Manual, and include:

- documentation for taxation policies, procedures and obligations;
- a Goods and Services Tax Transaction Register; and
- a Taxation Issues Log to record details of material taxation issues.

## Private Binding Rulings

Private Binding Rulings issued for Fringe Benefits Tax are binding on the Crown, not merely the Agency to which the Ruling was issued. It is important that any Private Binding Rulings issued to an Agency are provided to Treasury for dissemination to all other agencies.

Private Binding Rulings issued for the Goods and Services Tax are binding on the requesting Agency only. In some instances, there may be situations that are duplicated in more than one Agency, or have whole-of-government consequences. In these circumstances, it is important that any Private Binding Rulings are also provided to Treasury for dissemination to all other agencies.

## Other Issues

In some instances, agencies may experience taxation issues of a complex or unique nature that may be common across the General Government Sector. Where such issues are identified, the Accountable Authority should notify the Secretary of the Department of Treasury and Finance to allow the information to be disseminated to all other agencies.

# Indemnities and Guarantees

Risk management strategies, controls and procedures are established to minimise the risk associated with the giving of indemnities and guarantees. This should include procedures for:

- ensuring transparency in the evaluation and decision making process and its review;
- reviewing and understanding the financial position of the person or entity to be provided with the indemnity or guarantee;
- managing and monitoring the ongoing risks associated with the giving of an indemnity or guarantee; and
- maintaining physical security of relevant instruments and associated documents.

The Treasurer's Instructions require a register to be maintained by the Accountable Authority, of indemnities and guarantees entered into by, or on behalf of, the Agency. This register should include and is not limited to:

- the name of the person or organisation to which the indemnity or guarantee was given;
- the nature of the instrument under which the indemnity or guarantee was given;
- the date from which the indemnity or guarantee was given or became operable;
- the expiry date of the indemnity or guarantee;
- where the amount can be measured reliably, the amount of the indemnity or guarantee; and
- the circumstances under which that indemnity or guarantee may be invoked.

# Engagement of Legal Practitioners

Crown Law provides a framework for the provision of legal services to the State of Tasmania. It provides support to the independent statutory officers of the Solicitor-General and the Director of Public Prosecutions, and encompasses the Office of the Crown Solicitor.

*Crown Solicitor* - provides commercial law and conveyancing services to the Government.

*Solicitor-General* - provides legal advice to Ministers, agencies and instrumentalities of the Crown. The Solicitor-General represents the State of Tasmania in any Constitutional litigation.

*Director of Public Prosecutions* - provides criminal and civil law services to the State of Tasmania.

Legal advice should be obtained by the Accountable Authority in a manner that complies with an Agency's legal, administrative and operational requirements.

Legal advice obtained from the Solicitor-General represents the Government's view of the subject matter and is to be followed unless Cabinet directs otherwise or it is held to be incorrect by a court of competent jurisdiction.

The Accountable Authority must ensure that all Agency employees are aware of their responsibilities when requesting and receiving legal advice from Crown Law.

The Accountable Authority must ensure that appropriate approval processes are established for the seeking of legal advice from Crown Law.

Legal advice received by an Agency from Crown Law is not to be circulated to other agencies without approval by the Accountable Authority or approval from Crown Law as considered appropriate.

If Crown Law determines that external advice is required, the matter will be referred to a suitable legal consultant after consultation with the instructing Agency. Having determined that its officers cannot provide the required legal services, Crown Law will use the following process to engage external legal services:

The Solicitor-General, Crown Solicitor, or Director of Public Prosecutions will:

- in consultation with the instructing Agency, develop a brief of the legal services required;
- using professional judgement and understanding of the market place, identify potential service providers with a view to:
  - avoiding any conflict of interest;
  - preserving confidentiality; and
  - securing the best capability for the work at reasonable cost commensurate to the nature of the required services.
- conduct a competitive selection process between the potential service providers identified, by either a quotation, or a selective tender process;
- evaluate submissions, select a preferred service provider, document outcomes and provide a copy of those outcomes to the instructing Agency;

- obtain the instructing Agency's approval to engage the preferred service provider; and
- engage the successful service provider on behalf of the Crown, as represented by the instructing Agency.

An exemption from the requirement to source legal services through a quotation or selective tender process can be requested by Crown Law on behalf of the Agency, or by the Agency with the agreement of Crown Law, and can only be approved by the Secretary of the Department of Treasury and Finance, or other authorised delegate. An exemption will not be provided if the procurement of legal services is to be impacted by a free trade agreement.

Crown Law will charge the instructing Agency at cost for the legal services being provided by external legal consultants.

Further information on the engagement of legal practitioners is contained in the Attorney-General's *Guidelines for Seeking Advice from the Solicitor-General's Office*.

# Agency Restructures

Administrative restructures have been designated as contribution by owners as they are non-discretionary in nature and result from the decisions of the Government as owner. The Government has the right to sell, transfer or redeem the net assets of agencies at any time. Accordingly, it is appropriate to designate such transfers as a contribution by owners and record the transfer directly to accumulated funds within equity in the Statement of Financial Position.

An illustration of the required note disclosure for prior year comparatives is provided in the *Model Departmental Financial Statements*, available on the Treasury website.

The following Restructure Implementation Checklist provides additional guidance for matters to be considered as part of an Agency Restructure:

Financial	Action	Check
Financial Delegations	Obtain approval for required delegations and authorisations, particularly for delegations required to take effect on the day of the move.	
Financial Appropriations	The Accountable Authority to determine the amount of appropriation and unspent cash balances to be recommended to the Treasurer to be transferred.	
Bank Accounts	Arrange for new bank accounts to be established or existing accounts to be renamed and transferred to the new Agency, and for signatories to be established or changed.	
ABNs	Take appropriate action in regard to Australian Business Numbers, if relevant.	
GST Registrations	Take appropriate action in regard to GST Registrations, if relevant.	
Financial Management	Update financial management systems and agree protocols for transfer of information and access to historical records.	
Specific Purpose Accounts	Administratively transfer, establish, abolish or vary Specific Purpose Accounts as required.	
Agency Trust Accounts	Administratively transfer, establish, abolish or vary Agency Trust Accounts as required.	
Manuals	Update accounting manual and fees and charges pricing and costing manual.	
Reporting	Subject to Treasury advice, arrange to report on functions in financial statements for relevant period and include notes to financial statements in regard to the restructure and partial reporting of a function.	
Recovery of Moneys	Recovery of moneys in regard to transition costs to be effected as soon as possible.	
Balance Sheet Transfers	Administratively transfer relevant assets and liabilities as required.	

Outstanding Leave Entitlements	Where an employee is required to transfer as a result of a restructure, funding for outstanding leave entitlements must also be transferred.	
<b>Operational</b>		
Project Team	If changes are substantial, a Project Team should be established to coordinate implementation. (If the human resources and workplace relations issues are likely to be complex it is desirable that any Project Team established include an official experienced in these matters).	
Operational Information	Consider setting up a website page and hotline providing advice on the changes.	
Contracts, Leases, Licences	Review contracts, leases and licences to identify the impact of transferred functions and implement corrective actions or new agreements as required.	
Accommodation	Accommodation issues – will employees move immediately to a new location or remain in the transferor Agency's accommodation for a period of time.  If staff are remaining in the transferor Agency's accommodation for a period of time and the transferor Agency continues to pay for the lease, a Memorandum of Understanding should be developed to include the intention to recover costs in this regard.	
Furniture and Equipment	Identify any furniture and equipment to be moved, if relevant.  Consult with transferee Agency regarding any furniture and equipment to be moved, if relevant.	
Information Technology	Arrange for websites to be updated, including pointers to transferee Agency website, if necessary.  Arrange for databases, e-mails and files to be downloaded (the transferee Agency will need to re-load information).  Arrange for link to the transferee Agency's network for employees remaining in the transferor Agency's accommodation	
Office Services and Information Technology	Arrange for telephone calls and e-mails to be diverted to the transferee Agency, if necessary.	
Information Technology and Business Groups	Update internal distribution lists, contact lists and intranets.	
Files	Arrange for transport of in-house files, including any held off-site, and storage cabinets, if relevant.	
Outstanding Reviews	Identify outstanding legal action, right to information requests, audit reviews, and advise the transferee Agency of details.	
Security	Identify staff requiring temporary access to the transferor Agency's premises and desktop facilities and arrange for this to continue.	

Operational Delegations	Review delegations under legislation or statutory authorisations and take action to amend or seek new delegations as required.	
Security	Arrange for security clearances as required.	
Post Implementation Review/Debrief	Conduct a post-restructure review to ensure all matters have been satisfactorily resolved.	
<b>Employees</b>		
Consult	Consult extensively and transparently with affected employees throughout the process and provide opportunities for them to raise any issues or concerns they may have.	
Communications Strategy	Develop a communications strategy to address staff concerns as they arise and to communicate any changes affecting employees to all relevant unions (if necessary).	
Employee Information	Consider setting up a website page for affected employees providing advice on what the changes mean for them.  Consider setting up a hotline for affected employees.	
Performance Appraisals	Finalise performance appraisals where relevant.	
Outstanding Employee Action	Identify outstanding action relating to employees (breaches of Code of Conduct, disputes, harassment claims, OH&S issues, non-performance assessments, etc.) and contact the State Service Management Office for advice regarding which agency should complete the action.	
Workers' Compensation	Agencies are required to reallocate past claims history and assign responsibility for ongoing management of cases.	
Workplace Relations	Consider any workplace relations implications of the change, and if necessary, seek legal advice.  Brief employees on the likely workplace relations implications of the proposed move in line with any consultation procedures that apply within the affected Agency, e.g., under a certified agreement.	
Transfer	Advise the State Service Management Office of permanent and fixed-term employees to be moved. Advise the State Service Management Office of any employees on leave without pay or on temporary assignment within the Agency, or to other agencies.	
Return of Agency Items	Staff to return Agency items in their possession, such as laptops, mobile phones, security passes, credit cards, library books, vehicles, etc.	
Induction	Induction sessions and information packages to be made available to transferred staff by the transferee Agency.	

# Leases

Australian Accounting Standard AASB 16 *Leases* applies to agencies from 1 July 2019. AASB 16 introduces a single lease accounting arrangement where there is no distinction between finance leases and operating leases.

AASB 16 requires an Agency to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low-value. An Agency is required to recognise a right-of-use asset representing its right to use an underlying leased asset and a lease liability representing its obligations to make lease payments.

An Agency must measure right-of-use assets similarly to other non-financial assets (such as Property, Plant and Equipment) and lease liabilities similarly to other financial liabilities. As a consequence, an Agency will recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present these in the Statement of Cash Flows applying AASB 107 *Statement of Cash Flows*.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional lease extension periods, if the lessee is reasonably certain to exercise an option to extend the lease.

AASB 16 defines a lease as “a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration”. A contract conveys the right to use an asset where there is an identified asset, and the lessee has the right to obtain substantially all of the economic benefits from use of the asset, and the right to direct the use of the asset.

Under AASB 16, lessees are required to recognise on the Statement of Financial Position, a right-of-use asset (for the right to use the leased asset) and a corresponding lease liability (for the obligation to make future lease payments) for all leases except for low-value items and short-term leases.

The effect of any significant amendment to the value of a lease contract must be considered in relation to the application of the Treasurer’s Instruction as the compliance requirements may be altered by such an amendment. The Accountable Authority may be required to exercise a degree of judgement in relation to any such consideration.

## Recognition exemption for low-value leases

AASB 16 provides an exemption for leases of an individual item or group of items which, when new, were individually valued at \$10 000 or less. The Accountable Authority may approve the Agency entering into a lease for low-value assets and must recognise the applicable lease payments as an expense on a straight line or other systematic basis over the term of the lease.

Low-value items may include desktop computers, laptops, tablets, mobile phones and small items of equipment and furniture.

Treasurer's Instruction FC-19 specifies \$10 000 as the "low-value asset" threshold. The low-value test is applied to individual assets and not collectively. For example, if you lease a number of laptops and each laptop is individually valued below the low-value asset limit, the lease does not have to be recognised on the Statement of Financial Position.

AASB 16 provides that an underlying asset can be considered to be of low-value if:

- the lessee can benefit from use of the underlying asset on its own or together with other resources that are readily available to the lessee; and
- the underlying asset is not highly dependent on, or highly interrelated with, other assets.

## Recognition exemption for short-term leases

AASB 16 provides an exemption for short-term leases of 12 months or less. Under AASB 16, a lease that contains a purchase option is not a short-term lease.

In accordance with Treasurer's Instruction FC-19, the Accountable Authority may approve the Agency entering into a short-term lease in certain circumstances and must, in other circumstances seek the prior written approval of the Secretary of the Department of Treasury and Finance before entering into a lease. The Accountable Authority must ensure that the applicable lease payments are recognised as an expense on a straight line or other systematic basis over the term of the lease.

The Accountable Authority must ensure that, where the Treasurer's Instruction requires that an Accountable Authority seeks approval from the Secretary of the Department of Treasury and Finance to enter into a lease, that a request for approval is accompanied by sufficient supporting documentation to enable an assessment of the request, including details of the proposed accounting and reporting treatment of the lease.

The Secretary of the Department of Treasury and Finance will determine whether the lease may be approved and will also determine the appropriate accounting and reporting of that lease, based on its materiality and potential impact on one or more reporting periods.

## Lease term

It is important to correctly assess the lease term as only those lease payments to be made during the lease term are included in the liability measurement. The lease term is the non-cancellable period plus optional lease extension periods that the lessee is reasonably certain to exercise. "Reasonably certain" should reflect a very high probability. Under AASB 16, the lease term can be revised throughout the lease. The effect of any significant amendment to the term of a lease contract must be considered in relation to the application of the Treasurer's Instruction as the compliance requirements may be altered by such an amendment. The Accountable Authority may be required to exercise a degree of judgement in relation to any such consideration.

## Existing contracts

Agencies are not required to re-assess whether existing contracts contain any form of lease commitment. This means that contracts that were treated as leases under AASB 117 and Interpretation 4 will continue to be accounted for as leases under AASB 16 on transition, and contracts that were not treated as leases will continue with that accounting treatment.

An Agency will be required to reassess whether a contract contains a lease commitment if the terms and conditions of the contract are changed.

## Transitional provisions

Treasurer's Instruction FC-19 provides that where, at 1 July 2019, a lease has a remaining life of less than 12 months, the applicable lease payments must be recognised as an expense on a straight line or other systematic basis over the remaining term of the lease.

Treasurer's Instruction FC-19 further provides that a lease with a remaining life of more than 12 months on the day immediately prior to 1 July 2019, where AASB 16 requires a liability and right-of-use asset to be recognised, the Accountable Authority must ensure that the applicable liability and right-of-use asset are recognised on the Agency's Statement of Financial Position.

## Lease recognition - initial measurement

At 1 July 2019, agencies are required to recognise a right-of-use asset and a lease liability for leases. A right-of-use asset will be initially recognised at cost. This will include:

- the initial amount of the associated lease liability;
- any lease payments made to the lessor at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an initial estimate of future make-good costs, e.g. dismantling, removal and restoration.

The right-of-use asset is then depreciated over the lease term or the underlying asset's useful life, where circumstances suggest the lessee will use the asset for its entire useful life. Australian Accounting Standard AASB 136 *Impairment of Assets* also applies to right-of-use assets.

Agencies must measure the lease liability at the present value of the lease payments that are not paid as at 1 July 2019. A discount rate is required to calculate the present value of the lease liability (the remaining lease payments that have not been paid). AASB 16 states that this rate is the interest rate implicit in the lease. Where the implicit rate is not known and cannot be determined, AASB 16 requires that the lessee's incremental borrowing rate will be used. Agencies should use the applicable Tascorp indicative lending rate including the relevant administration margin, as an incremental borrowing rate, which can be obtained by contacting Tascorp's Client Services.

AASB 16 may require the application of the lessee's incremental borrowing rate in other situations. Agencies should use the Tascorp indicative lending rate including the relevant administration margin, as the incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term (where they have not been paid at the commencement date):

- fixed payments including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using that index or rate as at the commencement date. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate or payments that vary to reflect changes in market rental rates;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

## Subsequent measurement of the right-of-use asset and liability

After 1 July 2019, agencies must measure the right-of-use asset by applying a cost model. The right-of-use asset is to be measured at cost:

- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any re-measurement of the lease liability.

Agencies must apply AASB 136 *Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified. Agencies must not apply the revaluation model available under AASB 16 to right-of-use assets and should measure the right-of-use asset at cost.

After the commencement date, a lessee shall measure the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

## Transition - Partial retrospective option

For leases that were classified as operating leases prior to 1 July 2019, agencies must adopt the partial retrospective option in AASB 16.

Under the partial retrospective option, agencies are required to:

- adjust only the current year as though AASB 16 had always applied;
- not restate comparative financial information; and
- restate opening retained earnings at the implementation date for the cumulative effect of applying AASB 16 up to that date ie 1 July 2019 for 30 June year ends.

Interest on the lease liability in each period during the lease term will be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the rate implicit in the lease or, if that cannot be determined, the Tascorp indicative lending rate.

## Transition - Right-of-Use assets

AASB 16 provides two options as to how the right-of-use asset is measured at transition on, 1 July 2019. The options are to measure the right-of-use-asset:

- as if the Standard had always applied; or
- at an amount equal to the lease liability.

### Leases for vehicles and office accommodation

It is important to have a consistent treatment for all leases of vehicles leased outside the whole-of-government fleet management contract, and government office accommodation (not defined as *major office accommodation* in accordance with Treasurer's Instruction C-2 *Contract - Major Office Accommodation Leases*).

To ensure a consistent approach for the leases, it is recommended that Option (b) is adopted and all lease right-of-use assets are valued at 1 July 2019 at an amount equal to the lease liability. This will mean that no adjustment is required for Retained Earnings at 1 July 2019.

### Other Leases:

For other leases, the Accountable Authority may determine which option is applicable on a lease by lease basis.

## Non-lease components

A lease contract may include non-lease components such as maintenance services or supplies of consumables. Agencies should separate out, and account separately for, non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount. This will result in a more accurate lease asset and liability and depreciation expense. In many instances, non-lease components will be identified in the contract, so there will be minimal additional work. In some cases, non-lease components will not be identified and it may prove to be difficult to easily ascertain a value for them. In these cases, estimation or market research may be required. Lessors may or may not be willing to assist by providing detailed costing information.

AASB 16 permits lessees to elect, by class of underlying asset, not to separate non-lease components and instead account for them as a single lease component. Agencies must not adopt this approach as it will result in a higher right-of-use asset and lease liability.

## Rent escalation

Rent escalation clauses that provide for a fixed percentage or dollar increase per year are included in the initial measurement of the lease liability.

Rent escalation clauses that depend on a future index or rate are considered variable lease payments. AASB 16 requires that variable lease payments are to be included in the measurement of the lease liability. However, unlike fixed rent increases, these increases are only included in the liability measurement when there is a change in cash flows. Agencies should not estimate/predict future variable increases, but instead should assume no change until rent escalation occurs.

## Financial Reporting

Transaction Type Codes have been established to assist in budgeting and financial reporting for leases, which are outlined below.

Separate Transaction Types have been established to identify leases for whole-of-government fleet vehicles and government office accommodation, where the lease payments are made to the Department of Treasury and Finance. This will allow for these transactions to be identified and eliminated for General Government Sector financial reporting.

Financial statement disclosure requirements for leases will be set out in the Model Financial Statements.

### Transaction Type Codes for Leases:

<b>Transaction Type Code</b>	<b>Transaction Type Code Description</b>
2280001	Depreciation of Leased Non-Government Land and Buildings
2280002	Depreciation of Leased Non-Government Plant and Equipment
2280003	Depreciation of Leased Government Land and Buildings (eliminated)
2280004	Depreciation on Leaseplan Motor Vehicles (eliminated)
2383001	Non-Finance Costs of Leased Non-Government Land and Buildings
2383002	Non-Finance Costs of Leased Non-Government Plant and Equipment
2383003	Non-Finance Costs of Leased Government Land and Buildings (eliminated)
2383004	Non-Finance Costs of Leaseplan Motor Vehicles (eliminated)
2450001	Interest on Leased Non-Government Land and Buildings
2450002	Interest on Leased Non-Government Plant and Equipment
2450003	Interest on Leased Government Land and Buildings (eliminated)
2450004	Interest on Leaseplan Motor Vehicles (eliminated)
5980001	Lease assets - Non-Government Land and Buildings
5980002	Lease assets - Non-Government Plant and Equipment
5980003	Lease assets - Government Land and Buildings (eliminated)
5980004	Lease assets - Leaseplan Motor Vehicles (eliminated)
6230001	Lease liabilities - Non-Government Land and Buildings
6230002	Lease liabilities - Non-Government Plant and Equipment
6230003	Lease liabilities - Government Land and Buildings (eliminated)
6230004	Lease liabilities - Leaseplan Motor Vehicles (eliminated)

# Specific Purpose Accounts

For a Specific Purpose Account to be established under section 17 of the Financial Management Act, the Account must meet one or more of the following criteria:

- facilitates the efficient management of certain operational activities undertaken by agencies, including the retention of Agency revenue and complying with Agency taxation obligations;
- facilitates the management of Australian Government funding (excluding General Purpose and Specific Purpose Payments) received in accordance with section 17(8) of the Financial Management Act;
- facilitates the separate, transparent management and reporting of a significant Government policy decision;
- is necessary for efficient whole-of-government financial management purposes, such as the Tasmanian Risk Management Fund; or
- facilitates the separate, transparent management and reporting of funding set aside for a future specified purpose, such as major capital investments and future obligations.

Notwithstanding the above, the Treasurer has the discretion to establish Specific Purpose Accounts for any approved purpose. All Specific Purpose Accounts have a defined purpose.

A Specific Purpose Account, nominated as the Agency Financial Management Account has been established for each Agency by the Treasurer. The purpose of the Agency Financial Management Account is the management of defined financial activities of the Agency, including retained revenue and taxation obligations.

Parliamentary oversight is maintained through additional budget and financial reporting requirements that apply to Specific Purpose Accounts.

The Treasurer is to approve the receipt (and associated expenditure) of funds to a Specific Purpose Account. Agencies must ensure that no funding is held within a Specific Purpose Account without approval to retain the funding within that Account for that purpose.

Estimated receipts and expenditure must be updated regularly and approved through established processes.

## Process to establish Specific Purpose Accounts

The Accountable Authority may request that the Treasurer opens a new Specific Purpose Account for a particular purpose or purposes.

In the first instance, the Accountable Authority should forward a request in writing to open a new Specific Purpose Account to the Secretary of the Department of Treasury and Finance. The request should provide sufficient information to enable it to be assessed against the criteria listed above.

# Agency Trust Accounts

Agency Trust Accounts are established, at the discretion of the Treasurer, in accordance with section 18 of the Financial Management Act. Agency Trust Accounts are held outside the Public Account. Agencies are required to disclose Agency Trust Accounts in their Annual Reports.

Agency Trust Accounts will be established in limited circumstances, giving consideration to the purpose and need for the account to be quarantined from the general operations of the Agency.

Where an Agency wishes to establish a new Agency Trust Account, the Accountable Authority is required to make a request to the Secretary of the Department of Treasury and Finance in writing, specifying the purpose of the Account and the reasons why the money should be held in trust. Each request will be considered having regard to the established criteria.

For an Agency Trust Account to be established under section 18, it must meet one or more of the following criteria:

- the Agency cannot act for its own, or the Government's benefit, in relation to the funds held;
- the Treasurer has no discretion to spend or redirect funds;
- the Agency is acting as trustee for, or on behalf of, one or more beneficiaries;
- funds held in trust are significant and part of a long-term arrangement; or
- the purpose of money is clearly defined and explained by legislation or equivalent, and where the purpose cannot be altered without appropriate legislative amendment.

Examples of the purposes for which an Agency Trust Account may be opened include:

- the receipt and disbursement of significant private funds to be held by an Agency and administered in trust. This involves the management of money for a specific purpose, where the amounts involved are materially significant for the Agency. These moneys may include bequests, donations and receipts from community fundraising;
- money deposited with an Agency, pending the completion of a transaction or the determination of a dispute, which may become repayable to the depositor or payable to the State or to another party;
- residential tenancy security deposits held in accordance with any Act, order, instruction or authority;
- money held for mine site rehabilitation purposes;
- money that is paid to Crown Law or into a court for possible repayment to the payee, or for payment to a third party, because of any Act, order, instruction or authority;
- money that belongs to, or is owing to, any person and is collected by an Agency because of an agreement between the State and that person; or
- any other money that is paid to the State in trust, for a purpose determined by the Treasurer.

The Accountable Authority should consider the following when determining whether to request the creation of a new trust account:

- What is the purpose of the intended Agency Trust Account?
- Is there a need to administer the money outside the Public Account?
- Are the moneys being held in trust for a third party on a long-term basis?
- Is there legislation that supports such an arrangement?
- Are there other agreements or arrangements in place that support such money being managed outside the Public Account?
- Could an existing account be used for the required purpose? If there is already an Agency Trust Account established that is similar in nature, a new account may not be required.
- Are existing financial management systems unable to be used to separate the third party transactions from core Agency business to negate the requirement for a separate account? If so, and it is not specifically required through legislation or determination of the Treasurer, an Agency Trust Account is not required to be established.
- Is there a need to quarantine/set aside the money from the rest of the Agency's operations? If this has been specifically required and cannot be managed through the current accounts established in the Public Account, an Agency Trust Account may be required.
- Are the monies being held in trust for a third party? If it is simply an Agency arrangement, and there is no legislative requirement for an Agency Trust Account to be established, the transactions can be recorded as part of the Agency's Financial Management Account.
- Is it likely to be a long-term arrangement? Agency Trust Accounts should not be established for short-term arrangements.
- Is there legislation that requires an account be established? If the legislation specifically refers to the establishment of an Agency Trust Account then an account is likely to be required.
- Is the Trustee arrangement disclosed in the financial statements in accordance with the Model Departmental Financial Statements? If not, the arrangement may not be significant enough to warrant the establishment of an Agency Trust Account.

The Treasurer may determine that an activity associated with a request to create an Agency Trust Account is not appropriate for any reason, including where it is considered that the activity is not qualitatively (by its nature or impact) or quantitatively (by its amount) significant or that such activity is of a type that ordinarily is expected to occur in the delivery of the Agency's public service objectives.

## Process to establish Agency Trust Accounts

The Accountable Authority may request that the Treasurer opens a new Agency Trust Account for a particular purpose or purposes.

In the first instance, the Accountable Authority must forward a request to open a new Agency Trust Account to the Secretary of the Department of Treasury and Finance. The request should provide sufficient information to enable it to be assessed against the criteria listed above.

# Agency Data Requirements

To enable the generation of accurate accrual financial reports, the Accountable Authority must ensure that data in the Agency's Financial Management Information System is updated at least monthly throughout the financial year.

The Accountable Authority should ensure that, where it is not possible or practical to accurately determine an interim accrual measure, the Agency applies robust estimation methods to ensure that financial information is relevant and reliable.

Where estimation has been used for accrual items, the Accountable Authority should ensure that appropriate adjustments are made to estimated balances to align the actual and standardised amount for the year.

## Format of Financial Statements

Agency financial statements are a primary method of providing information for the public, regarding the financial performance and position of an Agency.

Model Departmental Statements are issued annually by Treasury and provide a template for the presentation and structure of Agency general purpose financial statements.

Compliance with the Model Statements ensures consistency of presentation of financial statements across agencies.

The Model Departmental Financial Statements are available on the Treasury website.

## Annual Reports

The requirement to prepare an Annual Report is established by section 36 of the *State Service Act 2000*.

The Financial Management Act provides that, if an Agency is required by the State Service Act to prepare an Annual Report, the financial statements of the Agency together with the Auditor-General's Report on those statements are to be combined to form part of that Annual Report.

The Treasurer's Instructions specify additional information that is to be included in the Annual Report over and above the requirements established under the State Service Act.

### Annual reporting in relation to contracts and procurement

Procurement activities to be included in the Annual Report include selective tendering, selection of consultants in accordance with Treasurer's Instruction PP-2 *Procurement Processes - Market Approaches*, limited tendering (including direct selections), quotation processes, open tendering and contract extensions pursuant to Treasurer's Instruction PP-6 *Procurement Processes - Contract Extensions: Goods and Services*.

All values reported should be exclusive of Goods and Services Tax.

Contracts arising directly with another Agency in accordance with Treasurer's Instruction PP-2, are not required to be included in any of the sections of the Annual Report.

## Contracts entered into by an Agency which contain confidentiality provisions

The Agency is to provide information on contracts that contain confidentiality provisions. For this requirement, "contract" includes all contracts, procurement or otherwise, entered into by an Agency. The information that should be included, for each contract is:

- the names of the parties; and
- the date of approval of inclusion of confidential provisions.

## Support for Tasmanian business and compliance with Treasurer's Instructions

Where no relevant procurement processes were conducted or contracts awarded during the relevant financial year, this should be noted in the statement.

Where there have been any major issues in relation to procurement activity during the review period, information relative to those issues should be included in the statement.

An example narrative is set out below:

*"The Department of ..... ensures procurement is undertaken in accordance with the mandatory requirements of the Treasurer's Instructions relating to procurement, including that Tasmanian businesses are given every opportunity to compete for Agency business. See Table ... for a summary of the level of participation by Tasmanian businesses in procurements and contracts valued at \$50 000 or more (excluding GST).*

*Tables ... and ... provide detailed information on consultancies and other contracts valued at \$50 000 or more (excluding GST). Tables ... and ... provide a summary of contracts awarded as a result of reportable limited tendering or contract extensions awarded as a result of an approval outside of a procurement contract's original term."*

## Level of participation by Tasmanian businesses

The Agency should provide a table summarising the level of participation by local businesses with regard to all contracts and procurement processes valued at \$50 000 or more (excluding GST). The value of contracts awarded should not include the value of options to extend.

An example table is below.

<b>Summary of Participation by Tasmanian Businesses (for contracts and procurement processes valued at \$50 000 or more)</b>	
<i>Total number of contracts awarded</i>	<i>16</i>
<i>Total number of contracts awarded to Tasmanian businesses</i>	<i>10</i>
<i>Value of contracts awarded</i>	<i>\$2 500 213</i>
<i>Value of contracts awarded to Tasmanian businesses</i>	<i>\$1 816 500</i>
<i>Total number of procurement processes run</i>	<i>15</i>
<i>Total number of submissions (bids) received</i>	<i>24</i>
<i>Total number of submissions (bids) received from Tasmanian businesses</i>	<i>16</i>

*The values in this table do not include the value of options to extend nor GST.*

*A Tasmanian business is a business operating in Tasmania that has a permanent office or presence in Tasmania and which employs Tasmanian workers.*

## Information on contracts valued at \$50 000 or more

The Agency should provide tables identifying contracts valued at \$50 000 or more, including details of contracts for consultancies.

The value of potential options to extend should be included in these tables. Options are valued in accordance with the terms of the contract. Where the value of the option cannot be exactly calculated, an estimate will suffice. Provided consistency is maintained, the value of the option as a separate item or as an over-all value may be provided.

Example tables are below.

<b>Contracts valued at \$50 000 or more (excluding consultancy contracts)</b>				
<b>Name of contractor</b>	<b>Location of contractor</b>	<b>Description of contract</b>	<b>Period of contract</b>	<b>Total value of contract \$</b>
Contractor's name	Suburb/State (and country where contract awarded internationally)	Description of contract	Period of contract (e.g. 1 Jul 2018 to 31 Jul 2018)  Plus option to extend (e.g. 1 Aug 2018 to 31 Aug 2018)	Value of the contract (initial period)  Value of option to extend

The values in this table do not include GST.

<b>Contracts valued at \$50 000 or more (consultancy contracts)</b>				
<b>Name of consultant</b>	<b>Location of consultant</b>	<b>Description of consultancy</b>	<b>Period of consultancy</b>	<b>Total value of contract \$</b>
Consultant's name	Suburb/State (and country where contract awarded internationally)	Description of consultancy	Period of consultancy (e.g. 1 Jul 2018 to 1 Sep 2018)  Plus option to extend (e.g. 2 Sep 2018 to 31 Dec 2018)	Value of the contract (initial period)  Value of option to extend

The values in this table do not include GST.

Common use contracts should be reported by the commissioning Agency (i.e. Treasury for whole-of-government arrangements established by Treasury, the Department of Premier and Cabinet for whole-of-government arrangements established by Digital Strategy and Services etc).

## Contracts where a disaggregation exemption applied

Contracts aggregated either following approval of a specific exemption by an Accountable Authority or as a result of a class exemption approved by the Secretary of the Department of Treasury and Finance, should be reported.

The 'value of aggregated contract' should include the value of any potential option to extend.

An example table is below.

<b>Aggregated contracts valued at \$50 000 or more</b>				
<b>Name of contractor</b>	<b>Location of contractor</b>	<b>Description of contract</b>	<b>Period of contract</b>	<b>Total value of contract \$</b>
<i>Contractor's name</i>	<i>Suburb/State (and country where contract awarded internationally)</i>	<i>Description of contract</i>	<i>Period of contract (e.g. 1 Jul 2018 to 31 Jul 2018)</i>  <i>Plus option to extend (e.g. 1 Aug 2018 to 31 Aug 2018)</i>	<i>Value of the contract (initial period)</i>  <i>Value of option to extend</i>

*The values in this table do not include GST.*

## Limited tendering (direct/limited submission sourcing)

Contracts arising from limited tendering should be reported, regardless of value. This includes contracts awarded to businesses that provide employment to persons with disabilities, pursuant to Treasurer's Instruction PP-2. Agencies are not required to report on contracts arising from direct sourcing from another Agency.

The total value should include the value of any potential options to extend.

An example table is below.

<b>Name of supplier</b>	<b>Description of contract</b>	<b>Reasons for approval</b>	<b>Total value of contract \$</b>
<i>Supplier's name</i>	<i>Description of contract (e.g.: Purchase of a maintenance service agreement for an ultrasound unit).</i>	<i>Reasons that approval was granted (e.g. The goods or services could be supplied only by the particular supplier and no reasonable alternative or substitute goods or services existed due to the protection of patents, copyrights, or other exclusive rights, or proprietary information).</i>	<i>Total value of the contract for the period of the contract</i>  <i>Value of option to extend</i>
<i>Supplier's name</i>	<i>Description of contract (e.g.: Cleaning services)</i>	<i>Reasons that approval was granted (e.g. Procurement from business that provides employment to persons with disabilities).</i>	<i>Total value of the contract for the period of the contract</i>  <i>Value of option to extend</i>

*The values in this table do not include GST.*

## Contract extensions

The requirement to report applies only to contract extensions approved in accordance with the requirements of Treasurer's Instruction PP-6. For this requirement, there is no threshold level and information is required for all extensions, regardless of value.

An example table is below.

<b>Name of supplier</b>	<b>Description of contract</b>	<b>Period of extension</b>	<b>Total value of contract \$</b>
<i>Supplier's name</i>	<i>Description of contract</i>	<i>Period of extension (e.g. 1 Jul 2018 to 30 Jun 2019)</i>	<i>Total value of the contract for the period of the extension.</i>

*The values in this table do not include GST.*

# Budget Management

## Agency Appropriations

Accountable Authorities are responsible for managing agency appropriations and must manage Budget pressures within existing Budget allocations. Budget pressures include all above budget costs including those outlined in TI B-1.

This includes the requirements to manage within their agency budget in the current year as per section 1.3 TI B-1 on the basis that supplementary funding will not be provided. Agencies must also take or plan action to manage agency costs within current Forward Estimates allocations on the same basis.

Management within existing Budget allocations can be achieved through undertaking cost mitigation actions as appropriate, identifying alternative sources of funding including through transfers of existing appropriations and using own source receipts.

It is also expected that Accountable Authorities will ensure that timely advice on emerging Budget pressures is provided to Treasury to allow for consideration at Budget Committee. This advice must include mitigation actions taken (or to be taken) to address these pressures.

Advice on emerging Budget pressures will occur through reporting of Budget Risks in the Budget Information Management System and is required to be updated on a monthly basis. Information on Budget Risks will be reported to Budget Committee on a monthly basis.

Information provided by agencies through the Budget Information Management System is treated by Treasury as official advice from the Agency. This assumes that the information has been approved at an appropriate level within the Agency and that relevant Ministers have been consulted where this is considered appropriate by the Agency.

## Requests for Additional Funds

Section 21 of the *Financial Management Act 2016* authorises the Treasurer to consider the provision of additional appropriation funding to agencies through the Treasurer's Reserve for expenditure, which could not, in the opinion of the Treasurer, reasonably have been foreseen and is necessary for efficient financial administration. The Financial Management Act also allows for the Treasurer to approve above Budget receipts received from the Australian Government to be appropriated to relevant agencies under section 22. In both instances, the Agency should submit a Request for Additional Funds through the Budget Information Management System using a Request for Additional Funds adjustment type.

The Treasurer will generally consider a Request for Additional Funds in the lead up to the end of the financial year. It is expected that, prior to submitting a Request for Additional Funds, an Agency will have fully explored all opportunities to manage the cost within its existing funding.

Through the Budget Information Management System, the Accountable Authority must ensure that a Request for Additional Funds is to include details of the amount of the likely above Budget

expenditure (or funding requested), reasons for the additional cost and details of any action that the Agency has implemented in order to manage the additional cost.

When determining if a RAF is for new purpose expenditure, the Appropriation Acts in force at the time and the associated Budget Papers will be considered together.

In regard to managing increases and decreases in specific Administered Items, it is recommended that the Accountable Authority manage within the overall Budget allocation for Administered Items.

## Transfers

Section 20 of the Financial Management Act authorises the Treasurer to make good deficiencies in appropriations out of any surplus arising (or saving effected) across items within the Schedule to an Appropriation Act. Appropriation Bills issued under the Financial Management Act include Ministerial Portfolios and Operating Services and Capital Services as items in the Schedule.

Transfers can be utilised by the Treasurer to offset Budget pressures, where surpluses have arisen or savings are identified within an Agency, and to better reflect the allocation of Budgets during the course of a financial year.

In regard to managing increases and decreases in specific Administered Items, it is recommended that the Accountable Authority manage within the overall Budget allocation for Administered Items through Transfers.

Where an agency is seeking to use Transfers to fund Budget pressures, the nature of the saving or surplus and the additional cost must be clearly defined with an appropriately detailed explanation.

Within Operating Services and Capital Services the approval levels for Transfers are:

- Within a portfolio and Agency - delegation at the Accountable Authority level with a schedule of approvals to be provided to Treasury as part of the End of Year Budget Processes (and entered into the Budget Information Management System as they occur). A pro-forma schedule for this purpose is available in the Budget Information Management System.
- Across agencies or across portfolios - delegation at Secretary of the Department of Treasury and Finance level. Transfers across agencies will only be approved for administrative reasons or to effect the transfer of activities across agencies. Transfers across agencies, but within a single Ministerial portfolio, will require the same approval process.

Within Agency transfers are to be entered through the Budget Information Management System using a Transfer Adjustment Type, with approval forms to be run directly from the Budget Information Management System. All approval forms are to be provided to Treasury's Budget Management Branch for information and to support information that is available for audit purposes. Across Agency transfers will be entered into the Budget Information Management System by Treasury based on advice from relevant agencies.

## Savings

Savings should be declared where funds are no longer required or where a cash flow adjustment is made beyond the following year (if the cash flow change is from current Budget year to the next, rollover adjustments should be used).

Savings declared at the end of the financial year will not automatically be available in future years. To obtain funding previously declared saving, the agency will need to submit a request through appropriate end of year budget processes or Budget Development process.

## Rollover of Unspent Appropriations

If an amount appropriated to an Agency remains unexpended at the end of a financial year, the Treasurer may determine that an amount of that unexpended appropriation is to be issued and applied from the Public Account in the following financial year (section 23). The amount determined by the Treasurer must not exceed five per cent of an Agency's appropriation for that financial year.

Rollover estimates will be sought through three rounds which are generally scheduled as:

- Round 1 - Commencing when the Budget Information Management System opens after 1 July each year and ending at the Budget Development variations round;
- Round 2 - post-Budget End of Year Budget Process; and
- Round 3 - Actual Amount Rolled Over at 30 June.

Amounts from Round 2 cannot be increased as part of round 3 but can be reduced to reflect the actual amount rolled over.

Rollovers can be entered and updated throughout the Budget year. Agencies should not seek rollovers for ongoing programs with committed funding over the Forward Estimates. In this instance, current year savings should be declared as savings or redirected to other Budget pressures.

Savings and Requests for Additional Funds should not be used for cashflow changes from the current Budget year to the upcoming Budget year. This should be done as a rollover in accordance with section 23 of the Financial Management Act.

## Agency Retained Revenue

The Treasurer approves the nature of own source receipts that can be retained in Specific Purpose Accounts and Agency Trust Accounts. Agencies are prohibited from retaining funds within these accounts without the approval of the Treasurer. Agencies should monitor these accounts on an ongoing basis to ensure that no revenue is retained without approval.

If an Agency wishes to treat a new revenue item as Agency Revenue and retain it within a Specific Purpose Account or Agency Trust Account, it must submit a request to the Secretary of the Department of Treasury and Finance, for consideration by the Treasurer.

Estimated receipts and expenditure for Specific Purpose Accounts and Agency Trust Accounts are required from agencies as part of the Budget development process. The Treasurer will approve the estimated receipts and expenditure of each Specific Purpose Account as part of the annual Budget development process.

After the publication of the Budget Specific Purpose Account receipt and expenditure must be updated by agencies on a quarterly basis. The Treasurer is authorised to approve updates to those estimates during the year. This authority has been delegated to the Secretary of the Department of Treasury and Finance who will approve updates. Updated information should be provided to Treasury through the Budget Information Management System.

Agencies must not exceed current approved Specific Purpose Account estimates (see Authority for Expenditure from the Public Account).

## Asset Management

A Strategic Asset Management Plan is an important part of an Agency's overall strategy to ensure that its non-current physical assets are used effectively and efficiently to achieve the objectives of the Government. Each Agency is required to have a current Strategic Asset Management Plan that has been endorsed by the Treasurer.

The Strategic Asset Management Plan should be updated every two years and should be used to guide capital priorities submitted through the Strategic Infrastructure Investment Review Program.

Agencies with an endorsed Strategic Asset Management Plan may request to retain up to 100 per cent of asset sale proceeds. This request is to be made through the appropriate Minister to the Treasurer and include the amount requested and the purposes for which the funds are sought. It is expected that asset sale proceeds will be used to fund projects identified as a priority in the Agency's Strategic Asset Management Plan.

Strategic Asset Management Plans may be collated in one document or presented in separate but associated documents. If separate documents form an overall Strategic Asset Management Plan, the relationship between the documents must be clearly stated within the documents.

# Authority for Expenditure from the Public Account

A Public Account Expenditure Summary will be issued to Accountable Authorities prior to the commencement of each financial year and at the end of each financial year. This Summary will include details of an Agency's appropriation, approved Specific Purpose Account expenditure and estimates of Reserved by Law expenditure for the forthcoming year.

The Summary will provide approved estimates for:

- expenditure of annual appropriations, in accordance with a Treasurer's Expenditure Control Authority and any adjustments to the expenditure estimates approved by the Treasurer (or delegate).;
- expenditure from Specific Purpose Accounts, in accordance with estimates approved by the Treasurer (or delegate); and
- expenditure of Reserved by Law appropriations, in accordance with other written law.

It is expected that agencies will manage to the amounts outlined in the Public Account Expenditure Summary and will regularly update the Budget Information Management System to ensure that Specific Purpose Account receipts and expenditure estimates and Reserve by Law estimates are up to date and accurate.

## Budget End of Year Process Key Terms and Approvals Summary

Term	FMA Section	What are they?	How can they be used?	Who can approve them?
<b>Transfers</b>	Section 20	Transfer of existing appropriations across items in the Appropriation Bills	Transfers are available to offset Budget pressures for existing services within agencies and to better reflect the allocation of funds across the Agency for existing services.	The Accountable Authority for within Agency Transfers  The Secretary of the Department of Treasury and Finance for across agency transfers and within agency but across portfolio transfers
<b>RAFs (to access State funding)</b>	Section 21	Requests for additional funding in addition to approved annual Appropriations that are not funded from additional funding from the Australian Government	Where a Budget pressure or approved Government decision has occurred after the passage of the Appropriation Bills that could not have reasonably been foreseen for which no other funding options are available and where mitigation strategies have not offset the additional cost.	The Treasurer s.21(1) (existing purposes)  The Governor s.21(3) (new purposes)
<b>RAFs (to access Australian Government Funding)</b>	Section 22	Requests for additional funding in addition to approved annual Appropriations that are funded through additional funding from the Australian Government	When the Australian Government provides advice that the State will receive additional funding for an item that is included in an Annual Appropriation for an Agency (i.e. SPP Updates)	The Secretary of the Department of Treasury and Finance

<b>Term</b>	<b>FMA Section</b>	<b>What are they?</b>	<b>How can they be used?</b>	<b>Who can approve them?</b>
<b>Savings</b>		Where funding is no longer required in the current Budget year or upcoming Budget year	Savings are to be declared where funds are no longer required or where a cash flow adjustment is made beyond the following year (if the cash flow change is from current Budget year to the next, rollover adjustments are to be used).	The Secretary of the Department of Treasury and Finance (or delegate)
<b>Rollovers</b>	Section 23	Where an amount appropriated to an Agency remains unexpended at the end of a financial year, the Treasurer may determine that an amount of that unexpended appropriation is to be issued and applied from the Public Account in the following financial year.	Rollovers are limited in total to five per cent of the Agency's total appropriation and will occur through the three round end of year process.	The Treasurer
<b>Updates to SPA receipts and expenditure</b>	Section 17	Updates to anticipated receipts and expenditure for SPAs	After the initial approval of each SPAs receipts and expenditure estimates, agencies must update these estimates to reflect known changes during the year. Agencies cannot draw from the Public Account amounts in excess of that approved or cause a SPA to be overdrawn at any time.	The Secretary of the Department of Treasury and Finance

# Summary of Updates

Page	Description	Date
5	Amended to remove references to CPA Australia and Institute of Chartered Accountants in Australia	October 2020
39	Amended to reflect correct recognition of vehicle and accommodation leases on transition	October 2020
51	Amended to remove restrictions for transfers between operating and capital appropriations	October 2020
54	Amended to remove restrictions for transfers between operating and capital appropriations	October 2020
50	Amended to specify in year Budget management requirements and clarify considerations for RAF for new purpose expenditure	July 2022
51	Amended to clarify management of Transfers	July 2022
52	Amended to clarify management of savings declared at end of financial year	July 2022
53	Amended to clarify that agencies must not exceed current approved SPA estimates	July 2022
19	Amended to clarify that a tax invoice must be provided for all TGC transactions for EV charging purposes.	February 2024
20	Amended to include requirements for use of TGC for EV charging purposes.	February 2024

