

# OVERVIEW

## TASMANIA'S FINANCIAL MANAGEMENT FRAMEWORK







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## Introduction

The introduction of the *Financial Management Act 2016*, effective from 1 July 2019, is a significant reform that modernises the financial management of Tasmania's General Government Sector. The Financial Management Act replaces existing legislation, introduces a new structure for the Public Account and a new series of Treasurer's Instructions, and clarifies responsibilities for managing the State's finances.

In light of this significant legislative reform, it is timely to provide an updated overview of the State's financial management framework, including the key legislation underpinning the framework.

While this document focuses on those aspects of the framework that relate to the financial management of the State's General Government Sector, particularly the Financial Management Act, it does so within the broader context of the financial management framework for the Tasmanian Public Sector.

This document also provides an outline of the budgeting and financial reporting processes that support the financial management of the State.

# Tasmanian Public Sector

The Tasmanian Public Sector comprises entities over which the Tasmanian Government exercises control under its legislative or policy framework. The Australian Bureau of Statistics classifies Public Sector entities into three sectors according to the nature of the activities they undertake. These Sectors are the General Government Sector, the Public Non-Financial Corporations Sector and the Public Financial Corporations Sector.

## General Government Sector

The principal function of General Government Sector entities is to provide non-market goods and services (for example: roads, hospitals and libraries) primarily financed by taxes, to regulate and influence economic activity, to maintain law and order, and to redistribute income by means of transfer payments. General Government Sector entities include government departments, legislative agencies, statutory offices and some State authorities.

General Government Sector entities are scheduled in the Financial Management Act as agencies, which are subject to the Act. The receipts and expenditure of agencies are recorded in the Public Account. All agencies, with the exception of some State authorities, receive an appropriation from the Public Account in order to provide outputs (goods and services) on behalf of the Government, to achieve outcomes in areas such as health, education, law, public safety, the environment and community infrastructure.

State authorities are established under specific legislation, which defines the purpose of the authority and the general functions for which it is responsible. Some State authorities are not directly funded through appropriations, but may receive funding from a Government department or raise revenue through their own activities.

A list of General Government Sector agencies is provided at Appendix A.

## Public Non-Financial Corporations Sector

The main function of Public Non-Financial Corporations is to provide goods and services that are predominately market, non-regulatory and non-financial in nature and are primarily funded through revenue from sales to consumers of these goods and services.

The Public Non-Financial Corporations Sector comprises entities that are Government owned and includes the majority of Tasmania's Government Business Enterprises and State-owned Companies. The Sector is a diverse portfolio of entities, ranging in size and operating in a variety of commercial markets including the energy sector, port operations, transport and forestry.

Government Business Enterprises are established under their own Portfolio Act and operate within the framework of the *Government Business Enterprises Act 1995*. The Governor, based on a joint recommendation of the Treasurer and Portfolio Minister, appoints directors of the Board of Government Business Enterprises.

State-owned Companies are established under their own Portfolio Act and are incorporated under the *Corporations Act 2001* (Australian Government). The Treasurer and the Portfolio Minister collectively hold the shares of the companies in trust for the Crown. As shareholder members, they appoint the directors of the Board of State-owned Companies.

Government Business Enterprises and State-owned Companies are not subject to the Financial Management Act and operate outside of the Public Account. Government businesses may provide returns to the Public Account in the form of dividends, taxation equivalents and guarantee fees. Further, government businesses may deliver services for the Government through Community Service Obligations or under contract with the Government.

A list of the entities classified in the Public Non-Financial Corporations Sector is provided at Appendix B.

## Public Financial Corporations Sector

The Public Financial Corporations Sector comprises those entities that are Government owned which provide financial services, including central borrowing authorities and insurance companies. Two of the State's Government Business Enterprises are classified as Public Financial Corporations Sector entities.

A list of the entities classified in the Public Financial Corporations Sector is provided at Appendix B.

# Tasmania's Financial Management Framework

The financial management framework of the Tasmanian Public Sector is underpinned by legislation and policies that support robust financial management practices and processes for the State. A sound financial management framework promotes economical, efficient and effective resource allocation and management, and assists the Government to deliver goods and services to the community that provide value for money.

Tasmania's financial management framework has undergone significant reform since the early 1990's. The key reforms include:

- implementation of whole-of-government accrual budgeting and reporting;
- improving the efficiency and accountability of government businesses, including the introduction of guidelines to support good corporate governance practices;
- introduction of the *Charter of Budget Responsibility Act 2007* to provide a framework to improve fiscal policy outcomes by requiring a fiscal strategy statement based on principles of sound fiscal management and regular reports of the Government's fiscal performance;
- introduction of the *Audit Act 2008* to strengthen and modernise the role of Tasmania's Auditor-General;
- introduction of quarterly reporting through the *Financial Management and Audit Amendment Act 2012*; and
- introduction of the *Charter of Budget Responsibility Amendment Act 2015*, to strengthen the principles of sound fiscal management.

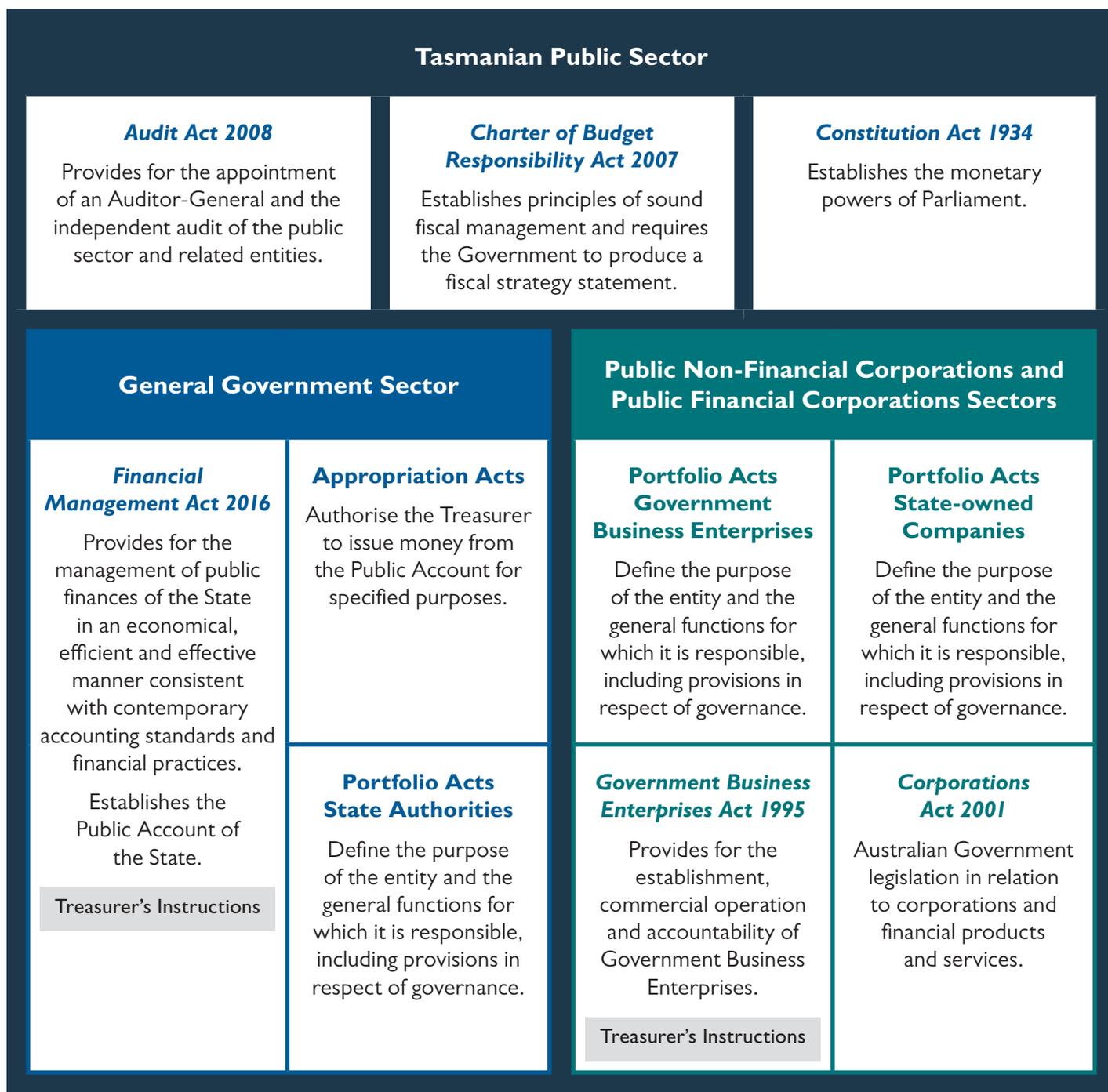
More recently, Parliament passed the Financial Management Act, effective from 1 July 2019. The Act is a significant reform that modernises and streamlines the financial management of the State's General Government Sector. The Act replaces the *Public Account Act 1986* and the remaining provisions of the *Financial Management and Audit Act 1990*.

The key legislation underpinning financial management of the Tasmanian Public Sector includes:

- Tasmanian legislation – the *Constitution Act 1934*, the *Charter of Budget Responsibility Act*, the *Audit Act*, the *Financial Management Act*, *Appropriation Acts*, enabling legislation of State authorities, the *Government Business Enterprises Act* and portfolio Acts of *Government Business Enterprises* and *State-owned Companies*;
- Treasurer's Instructions – issued under the authority of the *Financial Management Act* and the *Government Business Enterprises Act*; and
- Australian Government legislation – the *Corporations Act*.

Figure 1 provides a diagrammatic overview of the legislative framework for financial management of the State's Public Sector.

**Figure 1: Tasmania’s Financial Management Legislative Framework**



# General Government Sector Financial Management Legislation

The key legislation underpinning the financial management of the Tasmanian General Government Sector, includes:

- the Financial Management Act;
- the Charter of Budget Responsibility Act;
- the Constitution Act;
- Appropriation Acts; and
- the Audit Act.

## Financial Management Act

The key features of the Financial Management Act are, to:

- provide for the management of the public finances of the State in an economical, efficient and effective manner consistent with contemporary accounting standards and financial practices;
- establish minimum requirements for the supporting statements required in respect of Bills for Appropriation Acts;
- provide authority for the Treasurer to manage appropriations under certain circumstances and to report supplementary estimates to Parliament;
- provide authority for an Accountable Authority to draw money from the Public Account;
- establish the responsibilities of the Accountable Authority of an Agency with regard to the financial management of the Agency;
- require the Treasurer to provide quarterly and annual financial reports to Parliament in relation to the General Government Sector and the Public Account;
- require the Accountable Authority of an Agency to provide annual audited financial statements to Parliament for the relevant Agency; and
- provide for the Treasurer to issue instructions in respect of the principles, practices and procedures to be observed in the financial management of all agencies.

## Application of the Act

The Financial Management Act applies to all General Government Sector agencies scheduled in the Act. This includes government departments and offices, State authorities and legislative agencies. The Financial Management Act does not apply to entities that are Government Business Enterprises or State-owned Companies.

The Financial Management Act allows the Treasurer to determine that the Act, or a specific provision of the Act, does not apply to an Agency. Similarly, the Treasurer may determine that the Act is to apply to an entity that is not scheduled in the Act.

While the Financial Management Act suspends the financial management provisions contained in the enabling legislation of an Agency scheduled in the Act, the Treasurer may vary the effect of this by stipulating that specific provisions will not be suspended. Through these mechanisms, the Treasurer has determined that the financial management provisions in the enabling legislation of some State authorities scheduled in the Act have been preserved and the governance, oversight and accountability roles of the governing bodies of these authorities remain unchanged. These State authorities are subject to some provisions of the Financial Management Act, including the requirement to undertake the financial management of an Agency in a manner that is consistent with the principles of sound fiscal management defined in the Charter of Budget Responsibility.

## The Public Account

Under the Financial Management Act, the Public Account of the State comprises:

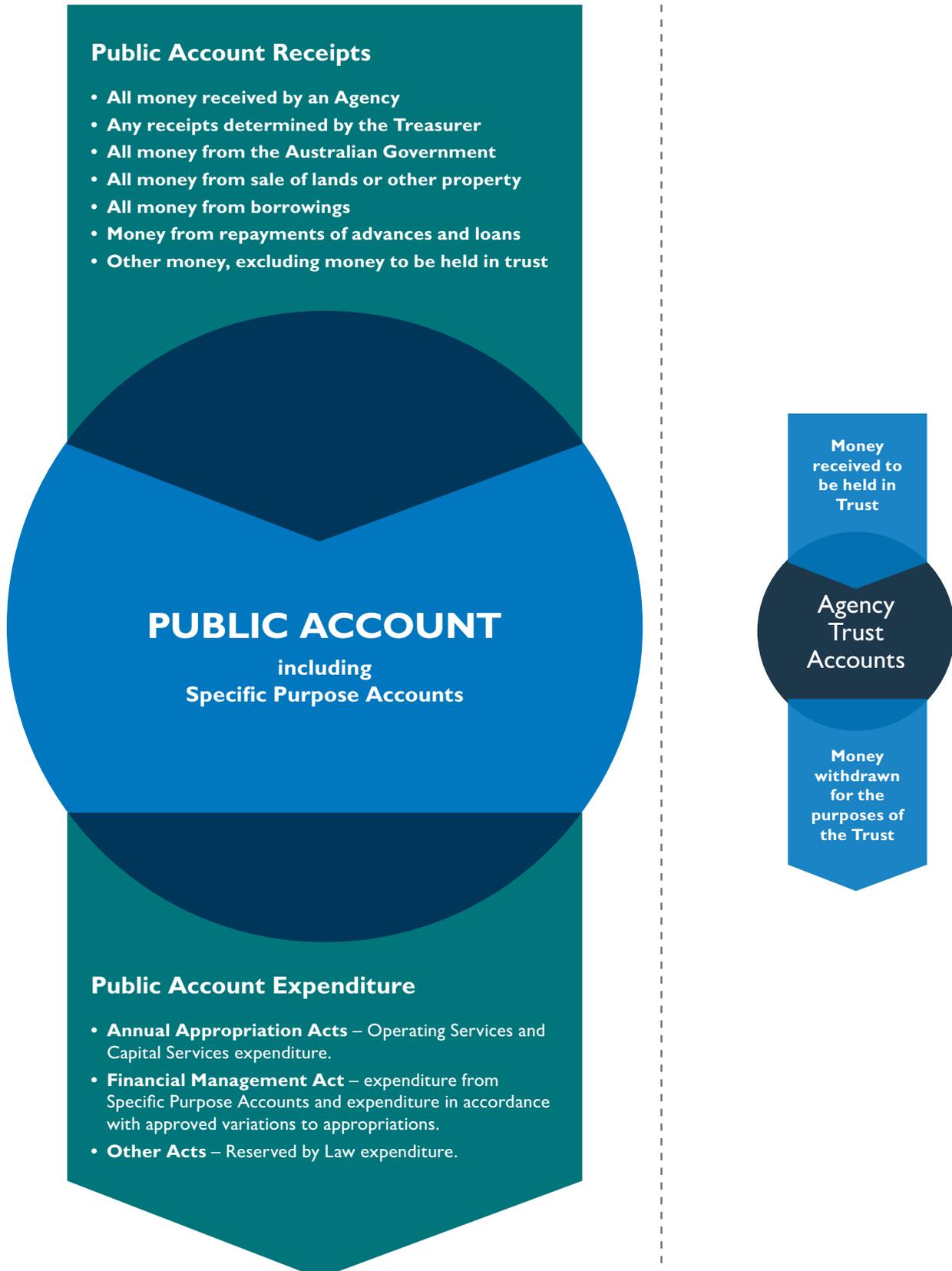
- receipts and expenditure of the General Government Sector, that do not form part of a Specific Purpose Account or an Agency Trust Account; and
- any Specific Purpose Accounts established under the Act.

Specific Purpose Accounts established by the Treasurer in accordance with the Financial Management Act are held within the Public Account. These accounts set aside funds to be applied for specific purposes approved by the Treasurer and are administered by the Agency that is nominated by the Treasurer.

The Financial Management Act also enables the Treasurer to establish Agency Trust Accounts for the receipt of money that is to be held in trust by the Government. The money standing to the credit of an Agency Trust Account can only be applied for the purposes of the trust to which the money relates. Agency Trust Accounts are held outside of the Public Account, which recognises the nature of the monies and the limited, if any, discretion for expenditure of the funds.

Figure 2 provides a diagrammatic overview of the receipts into, and expenditure from, the Public Account.

**Figure 2: Public Account Receipts and Expenditure**



## Public Account Receipts

The Financial Management Act requires that all receipts of the State are to be credited to the Public Account.

This includes:

- all money received by the Treasurer in repayment of advances or loans made, or money borrowed, for the public purposes of the State under an Act;
- all money borrowed for the purposes of an Appropriation Act;
- all money received from the Australian Government, such as Goods and Services Tax Revenue, Specific Purpose Payments and National Partnership Payments;
- all money received by the Treasurer from the sale of lands or other property belonging to the State;
- all money received by an Agency, such as receipts from the sale of goods and services, or collection of fees, fines and royalties; and
- any other receipts determined by the Treasurer, including State taxation and returns from government businesses.

Other money held by the State or an Agency for a person other than the State or an Agency, must also be paid into the Public Account. This excludes money receipted to an Agency Trust Account.

## Public Account Expenditure

The Financial Management Act supports the fundamental constitutional principle that only Parliament can authorise the appropriation of public money. The majority of expenditure from the Public Account is authorised by annual Appropriation Acts, such as the Acts that support the annual State Budget, and Supplementary Appropriation Acts.

In addition to annual Appropriation Acts, standing appropriations contained in other Acts authorise expenditure from the Public Account. Expenditure authorised in this way is generally referred to as Reserved by Law expenditure.

The Financial Management Act provides authority for the Treasurer to manage appropriations from the Public Account during a financial year under certain circumstances, including:

- transferring appropriations to make good a deficiency in a purpose of appropriation from savings effected in another purpose of appropriation;
- providing amounts to meet unforeseen and necessary expenditure;

- adjusting appropriations for variations in Australian Government grants;
- providing amounts for necessary expenditure in cases of an emergency, with authority from the Governor; and
- providing for unexpended appropriations to be rolled over and issued and applied from the Public Account in the following financial year.

The Financial Management Act also provides for the Treasurer to approve the expenditure of monies from Specific Purpose Accounts as part of the development of the annual Appropriation Act. The Treasurer must report the estimated receipts to, and expenditure from, Specific Purpose Accounts to Parliament in the Budget Papers. After an Appropriation Act is given Royal Assent, the Financial Management Act authorises the Treasurer to vary the estimated receipts and expenditure in relation to each Specific Purpose Account.

Under the Financial Management Act, the Accountable Authority of an Agency can only draw money from the Public Account in accordance with a Treasurer's Expenditure Control Authority, the estimated expenditure approved by the Treasurer from Specific Purpose Accounts or any other written law.

## Accountable Authority Responsibilities

Under the Financial Management Act, the Accountable Authority of an Agency is the person responsible for the efficient, effective and economical financial management of the Agency. The Accountable Authority is scheduled in the Act alongside each Agency.

The Financial Management Act requires the Accountable Authority to undertake the financial management of an Agency in a manner consistent with the principles of sound fiscal management as defined in the Charter of Budget Responsibility Act.

The Financial Management Act also sets out particular financial management responsibilities of Accountable Authorities, including:

- ensuring that expenditure by the Agency is in accordance with the law;
- ensuring the effective and efficient use of resources in achieving the Government's objectives;
- ensuring appropriate stewardship is maintained over the assets of the Agency and the incurring of liabilities of the Agency;
- ensuring that the Agency's financial management processes, records, procedures, controls and internal management structures are appropriate;

- ensuring the custody, control and management of, and accounting for, all public property, public money, other property and other money in possession of, or under the control of, the Agency;
- ensuring the proper collection of all money payable to, or collectable under, any law administered by the Agency;
- conducting reviews, at times determined by the Treasurer, of fees and charges collected by or payable to the Agency; and
- ensuring compliance by the Agency with this Act or any other written law.

## Treasurer's Instructions

The Financial Management Act provides that the Treasurer may issue instructions in respect of the principles, practices and procedures to be observed in the financial management of all agencies. The Treasurer's Instructions issued under the Financial Management Act are included within the meaning of written law.

An Accountable Authority, with the exception of the Accountable Authority of a Legislative Agency, is required to comply with the Treasurer's Instructions. Treasurer's Instructions do not apply to a Legislative Agency, but the Accountable Authority of a Legislative Agency may comply with the Treasurer's Instructions at their discretion.

*Financial Management Better Practice Guidelines* have been developed to assist Accountable Authorities and responsible officers with their financial management responsibilities, including compliance with the Treasurer's Instructions.

## Delegations

The Financial Management Act enables the Treasurer to delegate, to a Minister or the Secretary of the Department of Treasury and Finance, any of the Treasurer's functions and powers under the Act. The delegation must be made by instrument in writing, specifying the functions and powers delegated.

The framework for the delegation of the Treasurer's powers and functions to the Secretary aims to maximise administrative and operational efficiency and minimise the delegation of matters that are considered to be of a policy nature.

Despite any delegation made by the Treasurer under the Financial Management Act, the Treasurer may continue to perform or exercise all or any of the functions or powers delegated.

The Financial Management Act also authorises an Accountable Authority to delegate any of their functions or powers under the Act, other than the power of delegation.

## Charter of Budget Responsibility Act

The Charter of Budget Responsibility Act establishes a Charter of Budget Responsibility that provides a framework to improve fiscal policy outcomes. A key element of the framework is the requirement for a fiscal strategy statement. The purpose of a fiscal strategy statement is to establish a benchmark for evaluating the Government's fiscal performance and to increase public awareness of the fiscal policies of the Government and Opposition parties.

A fiscal strategy statement is, to:

- specify the long-term objectives within which budgets will be framed;
- specify the key fiscal measures against which fiscal policy will be set and assessed;
- specify the fiscal objectives and targets for the Budget year and the following three financial years; and
- identify how the fiscal objectives and strategic priorities relate to the principles of sound fiscal management.

A fiscal strategy statement is to be based on the principles of sound fiscal management.

The principles of sound fiscal management are, to:

- manage the State's finances responsibly for the wellbeing of all Tasmanians;
- provide for the future for the next generation of Tasmanians;
- prepare for unexpected events by building a robust financial position;
- improve services to Tasmanians by building a strong economy and efficiently allocating public resources to gain the maximum community benefit;
- formulate spending and taxation policies that ensure a reasonable degree of equity, stability and predictability; and
- ensure transparency and accountability in developing, implementing and reporting on fiscal objectives.

The Charter of Budget Responsibility also requires:

- regular reports to provide for the assessment of the Government's fiscal performance;
- the publication of a Pre-Election Financial Outlook Report under certain circumstances; and
- a process for costing the election policies of parties represented in the House of Assembly.

## Constitution Act

The Constitution Act determines many of the fundamentals of Tasmania's parliamentary democracy, including the monetary powers of Parliament. In relation to financial matters, the Constitution Act:

- defines Appropriation Act as an Act that authorises the issue and application of any money from the Public Account to meet:
  - the cost of the ordinary annual services of the Government;
  - expenditure on public works or any property required for public purposes; or
  - the making of a loan authorised by law;
- provides that Appropriation Acts shall not authorise the appropriation of money for a period longer than one year;
- requires that a Bill for the appropriation of any money, or for the imposition of a tax, rate, duty, or impost, shall originate in the House of Assembly;
- provides that the House of Assembly shall not appropriate any money unless the purpose of the appropriation is recommended to the House of Assembly by the Governor;
- provides that the Legislative Council may not amend a provision of a Bill for an Appropriation Act related to the ordinary annual services of the Government or an Income Tax Rating Act or a Land Tax Rating Act;
- provides that the Legislative Council may not amend a Bill to insert any appropriation of moneys, or impose or increase any burden on the people; and
- provides that the Legislative Council may return a Money Bill to the House of Assembly requesting amendment of the Bill.

## Appropriation Acts

The Constitution Act and the Financial Management Act provide the legal framework to support the State's appropriation process.

Through an Appropriation Act, Parliament authorises the Treasurer, in respect of a financial year, to issue a sum of money from the Public Account and apply that sum for the purposes specified in the Schedule to the Act.

The purposes of appropriation are classified by Agency, Appropriate Minister and Services. Services are further classified as:

- Operating Services, which means the ordinary annual services of the Government; and
- Capital Services, which means:
  - public works or property required for public purposes; or
  - a loan authorised by law.

The Financial Management Act requires a Bill for an Appropriation Act to be accompanied by a statement in the Budget Papers showing, for the Budget year, the total amounts of:

- estimated receipts of the Public Account;
- estimated expenditure from the Public Account; and
- the major General Government Sector financial statements, prepared in accordance with Australian Accounting Standards.

Annually, on Budget day, the Treasurer presents two Bills to Parliament for Appropriation Acts, which are supported by the Budget Papers. The first Bill is for the appropriation for the services of the Government. The second Bill is for the appropriation for the services of the Government in respect of the Parliament and Statutory Offices.

Parliament may also pass Supplementary Appropriation Acts authorising the Treasurer to issue money from the Public Account for expenditure for new purposes not contained in a Budget Appropriation Act. Further, Supply Appropriation Acts may be passed to provide an appropriation for the first two months of the coming Budget year so the normal operations of government can continue until the Budget Appropriation Acts are in place.

## Audit Act

The Audit Act provides for the appointment of an Auditor-General for the State to provide an independent view of the financial and operational performance of State entities. The Act sets out the Auditor-General's functions, mandate and powers. Under the Audit Act, the Auditor-General is required to undertake audits and provide an audit opinion in respect of financial statements of State entities and determine compliance of State entities with relevant legislation and accounting standards.

The Auditor-General is also required to prepare an audit report on the Public Account Statements and the Treasurer's Annual Financial Report. All audits must be completed within specified timeframes.

# State Budget

## State Budget Process

The Government produces a State Budget annually. The date of the tabling of the Budget in Parliament is subject to annual determination by the Government. In recent years, the timing has generally been in late May.

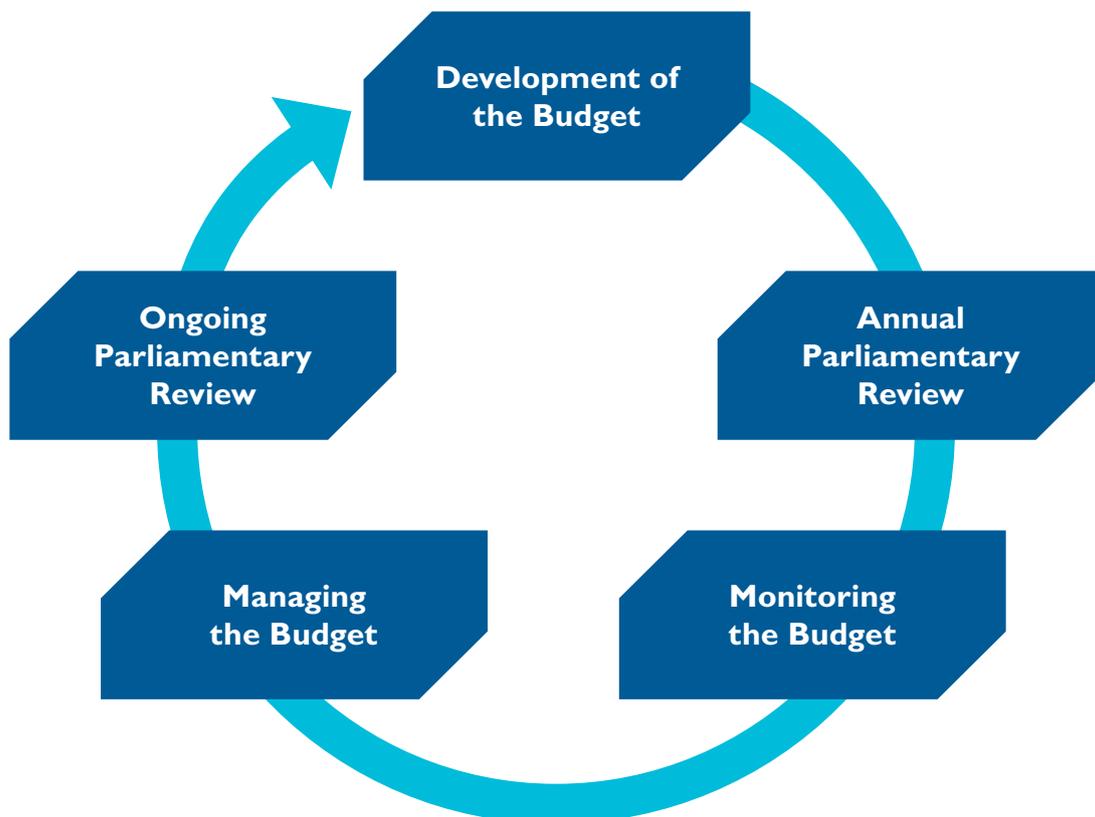
It is through the Budget process that the Government establishes and communicates resource allocations for the Budget year and sets the direction of its finances over the medium term.

The Budget process is continuous and consists of multiple stages. The stages of the process are represented diagrammatically below.

## Development of the Budget

Development of the Budget generally commences with an update to existing revenue and expenditure estimates, for the coming Budget year and the following three years (the Forward Estimates period). The updated estimates, the Government's Fiscal Strategy and policy priorities provide the context for the Government to consider proposed Budget initiatives and other measures.

Agencies, on behalf of the appropriate Minister, prepare a Budget submission, including proposed Budget initiatives, for consideration by Budget Committee (a sub-Committee of Cabinet). Agency Budget submissions are prepared within the context of the Government's Budget position, policy priorities, demand for services, and feedback received from the community as part of the Government's Community Consultation process.



Following Budget Committee consideration, the Budget is finalised by Cabinet and Accountable Authorities are advised of their Agency's Budget allocation for the coming Budget and Forward Estimates period. Accountable Authorities provide relevant agency information to the Department of Treasury and Finance for inclusion in the Budget Papers. Treasury then prepares the Budget Papers and Appropriation Bills for presentation to Parliament by the Treasurer.

## **Annual Parliamentary Review of the Budget**

Following the introduction of the Appropriation Bills into Parliament, the Budget Papers are reviewed through a series of Parliamentary Estimates Committees to examine and report on the expenditures proposed in the Bills. This review process informs general parliamentary debate on the Budget and provides accountability and transparency of the overall Budget process.

The House of Assembly and the Legislative Council each undertake an Estimates Committee process, arranged by Ministerial portfolio, with Committees comprising Government, the Opposition and other members. Each Estimates Committee prepares a report to its respective House of Parliament for further debate.

Once the Appropriation Bills are passed through both Houses of Parliament, they are presented to the Governor for Royal Assent. Following Royal Assent, the Treasurer is authorised to appropriate money from the Public Account for the purposes specified in the Appropriation Acts.

## **Monitoring the Budget**

The Budget monitoring process is ongoing throughout the Budget year. It is particularly focused on the current Budget year but also involves monitoring of the Forward Estimates.

At the General Government Sector level, the Budget is monitored against a range of fiscal measures. The key Income Statement indicators include the Net Operating Balance and the Fiscal Balance. The Net Operating Balance measures the ongoing sustainability of the operations of government and indicates whether the Government is generating enough revenue to cover the cost of its operations. The Fiscal Balance measures whether a sufficient surplus is being generated by the operations of government to fund the Government's capital expenditure needs. A key Balance Sheet indicator is Net Debt, a measure that assists in judging the overall strength of the Government's fiscal position. It is important that all of these measures are considered in assessing the overall Budget position.

The Budget monitoring process also involves assessing the financial performance of agencies against Budget estimates. This includes comparing estimated revenues and expenses with actual information to identify trends and monitor and mitigate risks. It is an ongoing process that is undertaken at the Agency level by Agency management and at a whole-of-government level by Treasury. The Budget monitoring process is particularly focused on monitoring performance against the current year Budget. Agencies advise Treasury of any anticipated adjustments from Budget estimates through Treasury's Budget Information Management System. Further analysis of the adjustments is undertaken by Treasury and reported to the Treasurer for action as required.

The Financial Management Act requires the Treasurer to publish quarterly reports with financial results for the General Government Sector and actual receipts into, and expenditure from, the Public Account. The Act also requires the Treasurer to publish an updated Budget Outcome for the current Budget year and the Forward Estimates period by 15 February of each year.

## **Managing the Budget**

During the course of a Budget year, changes may be required to agency allocations to reflect changing circumstances, new information and emerging priorities. Where additional appropriation is required, the Financial Management Act provides that, in certain circumstances, the Treasurer may authorise the issue of money from the Public Account in addition to amounts appropriated by the Appropriation Acts.

The Financial Management Act allows the Treasurer to consider the provision of additional funding to agencies through the Treasurer's Reserve for unforeseen and necessary expenditure. The Treasurer may also approve expenditure of receipts from the Australian Government in excess of those budgeted.

The Financial Management Act allows the Treasurer to transfer appropriations to make good deficiencies in a purpose of appropriation from any savings effected in another purpose of appropriation. The Act also authorises the Treasurer to "roll over" an amount of unexpended appropriation for an Agency, not exceeding five per cent of the Agency's appropriation, to be issued and applied from the Public Account in the following financial year.

Any adjustments to appropriations approved by the Treasurer after the passing of the Appropriation Acts must be disclosed in supplementary estimates and reported to Parliament. The Financial Management Act requires supplementary estimates to be included in the Preliminary Outcomes Report and the Treasurer's Annual Financial Report.

## Ongoing Parliamentary Review

Parliament, through the establishment of Committees, conducts ongoing analysis of the Government's finances and other issues. The following Committees are of particular importance to the financial management of the Public Sector:

- The Parliamentary Standing Committee of Public Accounts can inquire into, consider and report to Parliament on any matters the Committee considers appropriate in relation to the management, administration or use of public sector finances or the accounts of any public authority or other organisation controlled by the State or in which the State has an interest. Such matters may also be referred to the Committee by either House of Parliament or the Auditor-General;
- The Parliamentary Standing Committee on Public Works reports on proposals for public works estimated to cost in excess of five million dollars. The Committee is provided with plans, specifications and other material relating to works and may summon witnesses if necessary. The Committee reports its findings to Parliament. Public works estimated to cost less than five million dollars may be referred to the Committee by resolution of the House of Assembly; and
- Government Businesses Scrutiny Committees, which inquire into the operations of selected Government Business Enterprises, State-owned Companies and other entities. These Committee hearings are held annually and generally commence in December each year.

## Budget Papers

The annual Appropriation Bills for the appropriation of money from the Public Account are accompanied by the Budget Papers.

The specific format of the Budget Papers may vary from year to year, but generally comprise:

- a Budget Speech outlining the Government's economic and financial strategy and key Budget initiatives for the forthcoming Budget year;
- an overview of the Tasmanian economy and its performance;
- progress made by the Government in implementing its Fiscal Strategy;
- General Government Sector financial statements for the current financial year, the forthcoming Budget year and the Forward Estimates period;
- detailed estimates of General Government Sector revenue and expenditure, assets and liabilities and infrastructure investment;
- estimated receipts into, and expenditure from, the Public Account for the current financial year, the forthcoming Budget year and the Forward Estimates period;
- Total State Sector (including the Public Non-Financial Corporations Sector and the Public Financial Corporations Sector) financial statements for the current financial year, the forthcoming Budget year and the Forward Estimates period; and
- agency information including the outputs delivered by each Agency on behalf of the Government.

# Financial Reporting

Consistent with the Financial Management Act, the Government budgets and reports financial performance under two separate reporting frameworks:

- Australian Accounting Standards, also known as Generally Accepted Accounting Principles; and
- Uniform Presentation Framework, based on Government Finance Statistics established by the Australian Bureau of Statistics.

## Australian Accounting Standards

The Australian Accounting Standards Board oversees the development of Australian Accounting Standards. Generally Accepted Accounting Principles seek to identify, measure, recognise and disclose economic transactions of a reporting entity. They are based on principles that are intended to enable external stakeholders to assess stewardship, performance, financial position, and financing and investing decisions. Such assessment is normally to assist or evaluate the allocation of scarce resources. Financial statements include five basic elements: assets, liabilities, equity, income and expenses.

The Tasmanian Government reports on financial performance in accordance with Australian Accounting Standards AASB 101 *Presentation of Financial Statements* and AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. These Standards require the adoption of a full accrual basis of accounting for General Government Sector agencies and for the State, respectively. This means that transactions are recorded when they have their economic impact rather than when the cash flows associated with the transactions occur.

## Uniform Presentation Framework

The Uniform Presentation Framework is based on the Government Finance Statistics concepts and classifications used by the Australian Bureau of Statistics in the preparation of public finance reports. The Government Finance Statistics framework is based on international standards set out by the International Monetary Fund and the United Nations.

The primary objective of the Uniform Presentation Framework is to ensure Australian, State and Territory governments provide a common “core” of financial information in budget papers. It is recognised that a

uniform approach to the presentation of financial data will facilitate a better understanding of individual government budget papers and provide for comparisons of each government’s financial results and projections.

Following the introduction of AASB 1049, the Uniform Presentation Framework continues to be an important framework for ensuring comparability of financial information across jurisdictions. The Uniform Presentation Framework applies to financial statements produced by government in budgets, mid-year budget updates and final budget outcome reports.

## Treasurer’s Reports

The Financial Management Act requires the Treasurer to publish a range of reports with financial results for the General Government Sector and the Public Account, including quarterly reports. The Act also requires the Treasurer to publish revised estimates for the current Budget year and the Forward Estimates period, a report on preliminary results for the previous financial year (under certain circumstances) and an annual financial report.

This section outlines the reporting requirements of the Treasurer under the Financial Management Act.

### Quarterly Reports

The Treasurer is required to publish September, December and March quarterly reports. Quarterly reports present quarterly financial results for the General Government Sector and the Public Account. The Reports are prepared in accordance with applicable Australian Accounting Standards including AASB 1049. Estimation methods may be used in accordance with the principles of AASB 134 *Interim Financial Reporting*.

### Revised Estimates Report

The Treasurer is to publish the Revised Estimates Report by no later than 15 February in the financial year to which it relates. The Report contains, in respect of the major General Government Sector statements, the original estimates disclosed in the Budget Papers for the current financial year, revised estimates for the current financial year and revised Forward Estimates. In respect of the major Public Account statements, the Report contains original and revised estimates of Public Account receipts and expenditure for the current financial year.

An explanation of material variations between the original estimates and the revised estimates for the current financial year is provided in the Revised Estimates Report. The Report includes an assessment of the Government's performance against its current Fiscal Strategy. The December Quarterly Report is normally included in the Revised Estimates Report.

### **Preliminary Outcomes Report**

The Financial Management Act requires the Treasurer to publish a Preliminary Outcomes Report if the Secretary of the Department of Treasury and Finance determines that the preliminary outcomes result differs materially from the revised estimates published in the Budget Papers.

If required, a Preliminary Outcomes Report is to be published by 15 August following the financial year to which the Report relates. The Report contains, in respect of the major General Government Sector statements, the original estimates disclosed in the Budget Papers for the previous financial year and preliminary results for the previous financial year.

### **Treasurer's Annual Financial Report**

In accordance with the Financial Management Act, the Treasurer prepares an annual financial report for each financial year. The Treasurer's Annual Financial Report is published no later than 31 October following the financial year to which it relates. The Report contains the audited results in respect of the major General Government Sector statements and the major Public Account statements. It also includes the balances of Specific Purpose Accounts at the end of that financial year.

An assessment of the Government's performance against its current Fiscal Strategy is provided and the Auditor-General's report on the statements is also included.

## **Auditor-General's Report to Parliament**

The Audit Act requires the Auditor-General to provide a written report to Parliament on the audit of State entities, including General Government Sector agencies and Government businesses in respect of the preceding financial year. The Act requires the Report to be submitted to Parliament on or before 31 December each year.

## **Annual Reports by Agencies and Government Businesses**

All Tasmanian Public Sector entities, including General Government Sector agencies, Government Business Enterprises and State-owned Companies are required to produce annual reports, which include the audited financial statements of the entity and those of each other organisation over which they exercise control.

The requirements for annual reports is provided for under the Financial Management Act, the *State Service Act 2000*, Portfolio Acts of State authorities and the Government Business Enterprises Act. The Reports are to be tabled in both Houses of Parliament by 31 October each year. The requirements for State-owned Companies to table financial statements in Parliament are specified within Portfolio Acts or the Company Constitutions.

The Auditor-General's report on entity financial statements is included in the entity's annual report.

# Appendices

## Appendix A: General Government Sector Agencies (as at 1 July 2019)

| <b>Government Agencies<sup>1</sup></b>                         | <b>Legislative Agencies<sup>2</sup></b> |
|--|---|
| Department of Communities Tasmania                             | House of Assembly                       |
| Department of Education  | Legislative Council                     |
| Department of Health   | Legislature-General                     |
| Department of Justice  | Office of the Governor                  |
| Department of Police, Fire and Emergency Management            |   |
| Department of Premier and Cabinet                              |   |
| Department of Primary Industries, Parks, Water and Environment |   |
| Department of State Growth                                     |   |
| Department of Treasury and Finance                             |   |
| Finance-General  |   |
| Brand Tasmania   |   |
| Director of Inland Fisheries                                   |   |
| Director of Public Prosecutions                                |   |
| Integrity Commission   |   |
| Marine and Safety Authority                                    |   |
| Office of the Ombudsman  |   |
| Royal Tasmanian Botanical Gardens                              |   |
| State Fire Commission  |   |
| Tasmanian Audit Office   |   |
| TasTAFE  |   |
| Tourism Tasmania   |   |

## Appendix B: Public Non-Financial Corporations Sector and Public Financial Corporations Sector Entities (as at 1 July 2019)

| <b>Public Non-Financial Corporations</b>       |                                     | <b>Public Financial Corporations</b> |
|--|-------------------------------------|--------------------------------------|
| Aurora Energy Pty Ltd                          | Sustainable Timber Tasmania         | Motor Accidents Insurance Board      |
| Hydro Tasmania                                 | Tasmanian Irrigation Pty Ltd        | Tasmanian Public Finance Corporation |
| Macquarie Point Development Corporation        | Tasmanian Networks Pty Ltd          |                                      |
| Metro Tasmania Pty Ltd                         | Tasmanian Ports Corporation Pty Ltd |                                      |
| Port Arthur Historic Site Management Authority | Tasmanian Railway Pty Ltd           |                                      |
| Private Forests Tasmania                       | Tasracing Pty Ltd                   |                                      |
| Public Trustee                                 | TT-Line Company Pty Ltd             |                                      |

<sup>1</sup> Financial Management Act: Schedule 1, Part 1

<sup>2</sup> Financial Management Act: Schedule 1, Part 2



## **Overview - Tasmania's Financial Management Framework**

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