

TREASURER'S DIRECTIONS

REPORTING – GOVERNMENT BUSINESS DIVISION REPORTING

Section R3.1 : Government Business Division Financial Statements

STATEMENT OF INTENT

This Section provides the framework and minimum control requirements regarding the format, preparation, reporting and audit of Government Business Division (GBD) financial statements.

MAIN FEATURES

Section 38 of the *Financial Management Act* requires every Accountable Officer and every employee of an Agency to comply with the Treasurer's Directions.

GBD Financial Statements

- The form of Government Business Division (GBD) financial statements has been determined by the Treasurer, and unless determined otherwise consists of:
 - a Certification of the Financial Statements signed by the Chief Executive Officer (or Chairperson) and the Chief Finance Officer (or equivalent);
 - an Operating Statement;
 - a Balance Sheet;
 - a Statement of Changes in Equity;
 - a Cash Flow Statement; and
 - applicable explanatory notes to the financial statements.

Preparation of GBD Financial Statements

- Unless determined otherwise by the Treasurer, a GBD is to prepare, within two months of the end of the financial year, financial statements for the financial year ended 30 June in the form approved by the Treasurer and in compliance with Australian Accounting Standards.

Reporting of GBD Financial Statements

- GBD financial statements prepared under these Treasurer's Directions and the report of the Auditor-General on those financial statements are to be included in the Annual Report required to be prepared under the *Public Sector Employment and Management Act* and/or GBD specific legislation.

For authoritative instruction and guidance, reference should be made to related Treasurer's Directions and associated commentary, relevant Australian accounting standards and other authoritative interpretations.

CONTENTS

GBD Financial Statements	R3.1.1
Preparation of GBD Financial Statements	R3.1.2
Reporting of GBD Financial Statements	R3.1.7
Contributions by and Distributions to Government	R3.1.9

AUTHORITIES

Financial Management Act

Fiscal Integrity and Transparency Act

Public Sector Employment and Management Act

GBD specific legislation (where applicable)

REFERENCES

AASB 101 Preparation and Presentation of Financial Statements

AASB 107 Cash Flow Statements

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

Framework for the Presentation and Preparation of Financial Statements

Related Treasurer's Directions:

A1.1 Accounting – Introduction : Accrual Accounting

A2.1 Accounting – Assets : Overview

A3.1 Accounting – Liabilities : Overview

A4.1 Accounting – Equity : Overview

A4.2 Accounting – Equity : Owner Actions

A5.1 Accounting – Income : Overview

A6.1 Accounting – Expenses : Overview

R2.1 Reporting – Agency Reporting : Agency Financial Statements

Part 3, Section 8 : Tax Equivalents Regimes

Provision for Dividends (Policy Brief)

GBD FINANCIAL STATEMENTS

R3.1.1

The form of GBD financial statements has been determined by the Treasurer, and unless determined otherwise consists of:

- (a) a Certification of the Financial Statements signed by the Chief Executive Officer (or Chairperson) and the Chief Finance Officer (or equivalent);
- (b) an Operating Statement;
- (c) a Balance Sheet;
- (d) a Statement of Changes in Equity;
- (e) a Cash Flow Statement; and
- (f) applicable explanatory notes to the financial statements.

- (i) The Treasurer has the power to establish Government Business Divisions (GBDs) under section 3 of the *Financial Management Act*. An Agency or part of an Agency that recovers a significant proportion of its operating costs through user charges, may be established as a GBD.
- (ii) GBD financial statements report on the financial performance of the GBD for the year ended 30 June, the financial position as at that date, cash flows, and movements in equity during the financial year. Information in relation to any dividends and tax equivalents paid or payable is also presented.
- (iii) Section 10 of the *Financial Management Act* provides for the Treasurer to determine the financial reporting requirements of GBDs. The Treasurer may direct the form of GBD financial statements and timeframe for their preparation. In addition, GBD financial statements are required to be prepared based on commercial accounting principles, and are to be subject to audit by the Auditor-General. For the purposes of this sub-section, the term "commercial accounting principles" means adherence to accounting standards that may be issued from time to time by the Australian Accounting Standards Board.
- (iv) According to Section 3 of the *Financial Management Act* a GBD is expected to recover a significant proportion of its operating costs through user charges. This does not imply that a GBD should be considered a for-profit entity for reporting purposes.
- (v) The Certification of the Financial Statements is a declaration by the Chief Executive Officer (or Chairperson) and the Chief Finance Officer (or equivalent), that the financials statements have been prepared in accordance with legislative requirements and fairly present the GBDs financial performance, financial position and cash flows for that year.
- (vi) GBD financial information is required to be presented in four main statements (Operating Statement, Balance Sheet, Statement of Changes in Equity, and Cash Flow Statement) and explanatory notes to the accounts. GBD Operating Statements may disclose expenses by function or nature.

- (vii) Treasurer's Directions Section A1.1 and each of the Overview Sections of the Accounting Series of Treasurer's Directions provide additional instruction and guidance in relation to the basis of accounting and the elements of the financial statements.

PREPARATION OF GBD FINANCIAL STATEMENTS

R3.1.2 GBDs are to ensure that appropriate management, accountability and control arrangements are in place to enable the accurate and timely preparation of the GBD financial statements.

- (i) GBDs are to ensure that appropriate procedures and controls exist in relation to the preparation of financial statements, to enable the correct, reliable and timely representation of GBD financial information.
- (ii) Examples of appropriate procedures and controls include:
- complete and accurate accounting records are maintained and retained;
 - financial statements are prepared accurately, completely and in an efficient and timely manner;
 - financial statements are prepared in compliance with applicable legislation (for example, the *Financial Management Act*) and associated Treasurer's Directions;
 - management are provided with adequate timely and accurate information to enable them to discharge their authority; and
 - confidentiality of financial information is maintained (where applicable).

R3.1.3 Unless determined otherwise by the Treasurer, a GBD is to prepare financial statements in respect of the operations of the GBD:

- for the financial year ended 30 June;
- in accordance with the form of GBD financial statements determined by the Treasurer (refer Treasurer's Direction R3.1.1);
- in compliance with Australian Accounting Standards; and
- within two months immediately after the end of the financial year, unless an alternative preparation period has been approved by the Treasurer.

R3.1.4 GBD financial statements are to be forwarded to the Auditor-General for audit once preparation is complete.

- (i) GBD financial statements are to be prepared in accordance with the high level form determined by the Treasurer. In a majority of cases, GBD financial statements and associated note disclosures are expected, on the whole, to be consistent with those required by general Government Agencies. Instruction and guidance in relation to Agency financial reporting requirements is provided in Treasurer's Directions Section R2.1, specifically Appendix A.
- (ii) The Treasurer has determined that GBD financial statements are to be prepared within two months immediately after the end of the financial year. In order to meet this requirement, GBDs are required to ensure that their financial statements are

prepared (subject to final audit adjustments) on or before two months after 30 June. GBD financial statements will be considered to be prepared when the financial statements and applicable notes are fully complete and available for audit review.

- (iii) GBDs may, within the two months allowed for the preparation of financial statements, apply to the Treasurer (through Northern Territory Treasury) for an extension of preparation time where factors outside the GBD's control have delayed the financial statement preparation process.
- (iv) In accordance with section 10(3) of the *Financial Management Act*, GBD financial statements will be forwarded to the Auditor-General for audit once preparation of the financial statements is complete.

R3.1.5

When preparing a financial statement in accordance with these Treasurer's Directions a GBD is to apply the materiality concept and may:

- utilise the Agency financial reporting format contained in Treasurer's Directions Section R2.1 Appendix A;
- include additional line items and note disclosures to those required by Agencies where to do so would provide further useful information to the users of the financial statements; and
- remove line items and note disclosures that do not apply to that GBD, unless the Agency financial reporting format specifically requires their disclosure.

- (i) Although GBDs may utilise the Agency financial reporting format contained in Treasurer's Directions Section R2.1 Appendix A, preparers of GBD financial statements are reminded that GBD's may be required to make different or additional disclosures. Examples of GBD specific disclosures may include:
 - the inclusion of taxation and dividend financial statement line items and associated note disclosures;
 - additional financial statement line items and/or note disclosures in relation to costs of goods sold and/or community service obligation (CSO) funding;
 - disclosure of expenses by function where considered more appropriate than disclosure by nature; and
 - additional GBD specific financial statement line items and associated note disclosures.
- (ii) Where to do so would provide additional useful information to the users of GBD financial statements, or the Treasurer's Directions or Australian Accounting Standards requires it, a GBD may include additional financial statement line items and/or note disclosures to those shown in the Agency financial reporting format. Additional line items and note disclosures would generally only be made for material items.

- (iii) In addition, GBDs may remove line items and or note disclosures that do not apply to the GBD and line items with no current or comparative year data. GBDs may consult with Northern Territory Treasury where uncertain about the inclusion/omission of note disclosures.
- (iv) When disclosing information in the notes, GBDs should have regard to the concept of materiality. Information is material if its omission, misstatement or non-disclosure would adversely affect decisions made by the users of the financial statements.

R3.1.6

GBDs are to recognise as income and expenses the estimated value of:

- on-costs that the GBD is not required to pay; and
- services received free of charge.

- (i) GBDs are required to recognise as income and a corresponding expense the estimated value of:
 - on-costs, where the GBD is not required to pay particular on-costs in relation to its operations (for example, on-costs related to property management costs and employer superannuation contributions); and
 - services received free-of-charge by the GBD (for example, any audit costs, corporate support and information technology services).
- (ii) Estimates for on-costs or services provided free-of-charge should reflect the cost of these items if the GBD was required to pay for them. The basis for these estimates should be consistent between financial years, with changes in the assumptions used in estimating these amounts being dealt with as a change in accounting policy as explained in Treasurer's Directions Section A1.1. Information in relation to the basis for these estimates and assumptions used should also be disclosed in the financial report as part of the summary of significant accounting policies.

REPORTING OF GBD FINANCIAL STATEMENTS

R3.1.7

GBD financial statements prepared under these Treasurer's Directions and the report of the Auditor-General on those financial statements are to be included in the Annual Report required to be prepared under the *Public Sector Employment and Management Act* and/or GBD specific legislation.

- (i) In accordance with section 28 of the *Public Sector Employment and Management Act*, a Chief Executive Officer is required to present a report to their Minister on the operations of his or her Agency (including any GBD operations) during a financial year. Annual reporting requirements for certain GBDs may also be included in GBD specific legislation.

- (ii) GBDs should remain aware that financial information and any management commentary included in the Annual Report should be consistent with that shown in GBD financial statements and associated notes to the accounts.
- (iii) In addition, information provided in the financial statements, and included in Annual Reports is to be consistent with that provided to Treasury for inclusion in the Treasurer's Annual Financial Statement. If variances exist, note disclosures explaining the difference should be included in GBD financial statements published in the Annual Report, and Treasury notified.

R3.1.8

Consistent with the requirements of the *Fiscal Integrity and Transparency Act* and to assist in whole of Government reporting, a GBD is to provide information to Northern Territory Treasury when requested to do so.

- (i) Whole of Government financial reports (budget and actual) are prepared by Northern Territory Treasury at various times throughout the financial year. Section 22 of the *Fiscal Integrity and Transparency Act* gives Northern Territory Treasury the authority to request financial information from all Territory public sector bodies, including GBDs, and requires that the requested information be provided in the format and time frame specified.
- (ii) Requests for information may be made in writing (for example, by way of letter or Treasury Circular) or may be made by e-mail or verbally where information is urgently requested.

CONTRIBUTIONS BY AND DISTRIBUTIONS TO GOVERNMENT

R3.1.9

GBDs are to account for contributions by and distributions to Government in accordance with the requirements of Treasurer's Directions Section A4.2.

- (i) In certain situations, GBDs will receive non-reciprocal transfers from Government (acting as owner). Treasurer's Directions Section A4.2 formally designates certain types of non-reciprocal transfers as contributions by and distributions to Government. Where so designated, these transactions will be accounted for as equity adjustments.
- (ii) Where a GBD believes a future transfer from the Government should be classified as a contribution by or distribution to Government and this transfer is not covered by the formal designations included in Treasurer's Directions Section A4.2, Treasury should be approached to seek a formal designation of the transfer from the Treasurer, prior to the transfer occurring.
- (iii) Reference should be made to Treasurer's Directions Section A4.2 for detailed instruction and guidance in relation to owner actions.