

TREASURER'S DIRECTIONS
FRAMEWORK – *WORKING FOR OUTCOMES*
Section F2.2 : Central Holding Authority

STATEMENT OF INTENT

The Central Holding Authority is a key component of Working for Outcomes and records whole of Government income, expenses, assets, liabilities, and equity. This Section provides an overview of the Central Holding Authority and Agency responsibilities in the management of whole of Government financial resources.

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.

Central Holding Authority

- The Central Holding Authority is a representation of the Northern Territory Government.
- Territory items are income, expenses, assets and liabilities controlled by Government and managed by Agencies on behalf of the Government.
- The Central Holding Authority is to recognise and record Territory items.

Management of Territory Items

- Agencies are accountable for Territory items and are to efficiently and effectively manage Territory items on behalf of the Government.

Recording of Territory Items

- Agencies are to record Territory items according to the specific classes provided by the Standard Classifications.

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.

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AUTHORITIES

Section 5 *Financial Management Act*

REFERENCES

Related Treasurer's Directions:

F2.1	Framework – <i>Working for Outcomes</i> : Overview
A1.3	Accounting – Introduction : Standard Classification Codes
A5.2	Accounting – Income : Territory Income
A5.3	Accounting – Income : Agency Income

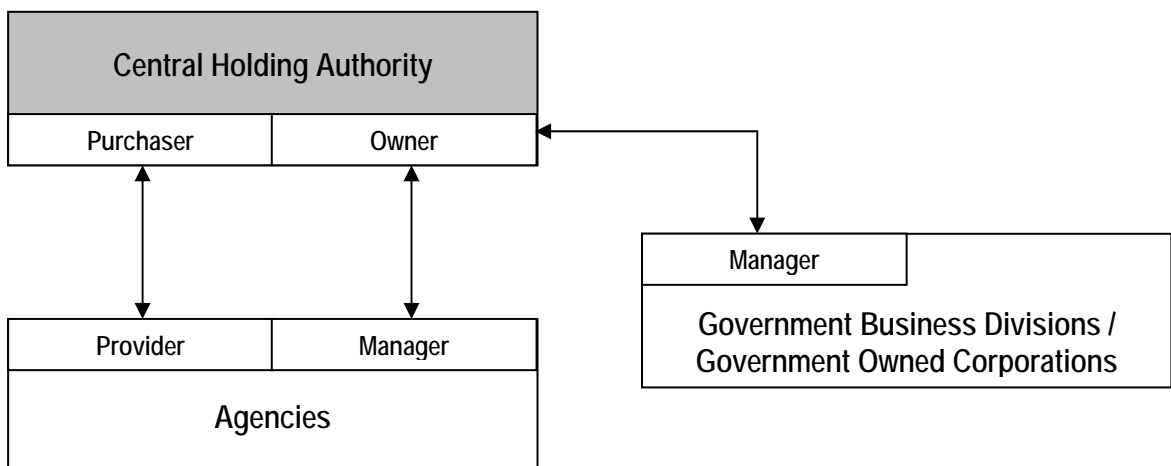
WHAT IS THE CENTRAL HOLDING AUTHORITY ?

F2.2.1

The Central Holding Authority is a representation of the Northern Territory Government.

- (i) The Central Holding Authority is created under section 5 of the *Financial Management Act* and may be viewed as the 'parent body'. The Central Holding Authority represents the Government's ownership interest in Government controlled entities, such as Agencies, Government Business Divisions and Government Owned Corporations, and reflects the Government's overall financial position.
- (ii) The Central Holding Authority records the cost of purchasing outputs from Agencies and thus reflects the Government's purchaser role. Figure 1 provides a diagrammatic representation of the relationships between the Central Holding Authority and Agencies, Government Business Divisions and Government Owned Corporations. Treasurer's Directions Section F2.1 provides further instruction and guidance in relation to the owner/manager and purchaser/provider roles.
- (iii) The Central Holding Authority is not an Agency under the *Financial Management Act*. However, the Act establishes appropriate control and accountability mechanisms over the operation of the Central Holding Authority, including the determination of an Accountable Officer.

Figure 1 – Central Holding Authority Relationships



F2.2.2 Territory items are income, expenses, assets and liabilities controlled by Government and managed by Agencies on behalf of the Government.

F2.2.3 The Central Holding Authority is to recognise and record Territory items.

(i) Territory items are controlled by the Government rather than Agencies and are also referred to as administered or whole of Government transactions and balances. Further instruction and guidance in relation to Territory income is provided in Treasurer's Directions Section A5.2.

(ii) The Central Holding Authority:

- receives Territory income;
- pays for outputs and other Territory expenses;
- holds Territory assets; and
- records Territory liabilities.

(iii) The Central Holding Authority receives all Territory income, including income earned from:

- Territory taxation and royalties (for example, pay-roll tax, stamp duties and mining royalties);
- Australian Government general purpose funding, such as GST income distributed to the Territory and Budget Balancing Assistance grants;
- fines and penalties (for example, traffic infringement fines and court imposed penalties); and
- certain statutory fees and charges (for example, licence fees and permits levied under Territory legislation).

(iv) The main expense for the Central Holding Authority relates to the purchase of outputs from Agencies. Payments for outputs are essentially treated in the same way as the purchase of services and goods. Other significant expenses of the Central Holding Authority include:

- interest on Territory borrowings;
- interest on Government Business Division and Government Owned Corporation cash balances;
- superannuation and long service leave expenses;
- bad and doubtful debts expenses associated with Territory income; and
- management fees for investment services provided by Northern Territory Treasury Corporation.

- (v) The Central Holding Authority holds certain Territory assets that are not controlled by an Agency, but rather belong to Government as a whole. However, the Central Holding Authority does not hold physical assets such as land and buildings. Generally, physical assets are used in the production of outputs and are controlled by the Agencies deploying those assets rather than the Central Holding Authority.
- (vi) Assets of the Central Holding Authority include investments of surplus Government cash balances, amounts receivable from people/entities that are due to pay Territory income and cash in the Government's main bank account. However, as the parent body, the most significant asset for the Central Holding Authority is the Government's ownership interest in the entities that it controls (also referred to as equity). This ownership interest is the Government's investments in Agencies, Government Business Divisions, Government Owned Corporations and other Government controlled entities (for example, the Territory Insurance Office).
- (vii) The Central Holding Authority also records liabilities that relate to the Government as a whole including:
- Territory borrowings (General Government debt);
 - superannuation liabilities;
 - long service leave liabilities for employees of Agencies and Government Business Divisions; and
 - unearned income (from Territory income such as licence fees paid in advance).

MANAGEMENT OF TERRITORY ITEMS

F2.2.4

Agencies are accountable for Territory items and are to efficiently and effectively manage Territory items on behalf of the Government.

- (i) The Government establishes Agencies to undertake a variety of functions and, as part of these functions, Agencies may be required to manage Territory items on behalf of the Government. Agencies are responsible for the management of Territory items. For example, the levying and collection of Territory income, including the management of amounts that are due but not yet paid.
- (ii) The management of Territory items requires Agencies to undertake similar tasks to those performed for Agency items. For example, Agencies are required to forecast future Territory income and Territory expenses, raise Territory income, collect cash, manage outstanding amounts as well as make payments on behalf of the Government. In addition, Agencies are accountable for the Territory items they manage and the processes and procedures they adopt in undertaking that management role.

- (iii) Where an Agency's responsibilities in managing Territory items represents a significant part of its functions, this role is recognised in the Agency's outputs and is therefore funded through output funding. Similar to other outputs, the Agency is required to specify performance measures and report against those measures.

RECORDING OF TERRITORY ITEMS

F2.2.5

Agencies are to record Territory items according to the specific classes provided by the Standard Classifications.

- (i) Agencies manage Territory items on behalf of the Government (for example, issuing fines or tax assessments, receiving and/or making cash payments) and are required to keep complete and accurate records to enable them to account for the transactions that they undertake.
- (ii) Rather than use separate accounting processes, Territory items are recorded using Agencies' ledgers in the Government Accounting System. Specific classes for Territory items have been established in the Standard Classification Codes to facilitate Agency recording of Territory items and ensure that Agency and Territory items are accounted for separately. Treasurer's Directions Section A1.3 provides further instruction and guidance in relation to the standard classification codes.
- (iii) Territory items managed by an Agency are not reported on the face of the Agency's financial statements, rather, Territory items are reported by the Central Holding Authority. However, it is important that Agencies appropriately disclose information in relation to the Territory items managed during the reporting period and, for this reason, Agencies provide information on Territory items in a note to their financial statements. The Reporting Series of Treasurer's Directions provides further instruction and guidance in relation to Agency reporting requirements.