

TREASURER'S DIRECTIONS

PART 1 - INTRODUCTION AND PRELIMINARY

Section 2 - Definitions

Authorities: *Financial Management Act*

Section

3. Interpretation
13. Duties of Accountable Officers

OVERVIEW

This Section provides a central source of definitions used in the Directions and is intended to overcome past problems of repetition and inconsistency. Each Section contains a listing of the relevant definitions recorded under the heading "Defined Terms" to provide a simpler means of cross-reference enabling easier reading.

STATEMENT OF INTENT

1.2.1 This Section provides a framework of definitions to ensure consistency in interpretation of commonly used terms across all Sections of these Directions.

REQUIREMENTS FOR ACCOUNTING AND PROPERTY MANUALS - *refer to part 3 section 1*

1.2.2 Accountable Officers are responsible for incorporating in their Agency's accounting and property manual, a glossary of definitions to provide an explanation of relevant terms.

DEFINITIONS

1.2.3 In these Directions, unless the contrary is stated, the following definitions apply:

Accountable Officer in relation to an Agency or an Activity, means:

- (a) the chief executive (however described) of the Agency or of the Agency to which the Activity is allotted by or under an Administrative Arrangements Order or an Act; or
- (b) the person who the Treasurer declares in writing to be the Accountable Officer for the purposes of this Act. (*Refer Instrument appointing Accountable Officers*)

Accountable Officer's Trust Account is an account opened by the Treasurer under section 7(1) of the Act for the purpose of holding money in trust. (*Refer Instrument establishing Accountable Officer's Trust Accounts*)

Accruals refer to the value of goods or services received in the current financial year for which an invoice or claim for payment has not been received or is dated after year end. It includes estimates for the consumption of services such as electricity costs.

Accrual accounting is the method of recording transactions by which revenues and expenses are reflected in the accounts in the period in which they have been earned or incurred, respectively, whether or not such transactions have been finally settled by the receipt or payment of cash or its equivalent.

Acquit in relation to an advance means acknowledgment of receipt and use of an advance and, where appropriate, provides evidence of use of an advance for the purpose for which the advance was approved.

Activity means an Activity of Government specified in an Appropriation Act, and includes an Activity specified in a direction, determination or approval under sections 18, 20 or 21 of the *Financial Management Act* (whether or not the Activity is specified in, or in a schedule to, an *Appropriation Act*) or created since the previous annual *Appropriation Act*.

Advance is an amount of money paid prior to receipt of goods or services and may include petty cash, cheque or cash advances and travelling allowance advances. (*See also standing advance*)

Advance bank account is an official bank account opened for the purpose of holding major Agency standing advances.

Agency means a unit of government administration, or office or statutory, nominated in an *Administrative Arrangements Order*, as an Agency for the purposes of the *Financial Management Act* and includes, where the case requires, a part or division (by whatever name called) of an Agency.

Agent is a person/entity authorised to act on behalf of another person/entity.

Allocation means the amount specified in an *Appropriation Act* as available for expenditure on an Activity, and includes any variation in that amount authorised in accordance with the *Financial Management Act* or any other Act, or an amount required by any other Act to be provided from the public money of the Territory for expenditure on a particular Activity or for a particular purpose. (Allocation is the authority to incur expenditure.)

Annual report is a report required, under the *Public Sector Employment and Management Act* or other Territory legislation, on the operations of an Agency.

Asset is a right to utilise economic resources in the future.

Audit committee is an advisory body to senior management on issues relating to internal and external audit, and other financial and accountability matters.

Bank is any organisation providing financial services and includes banks, credit unions, building societies and similar organisations.

Budget refers to the Northern Territory Government's estimates of its receipts and expenditure. Budget details are those provided in the Budget Papers or as formally revised during the year.

Capital works means construction or works involving the creation, upgrade or alteration of a fixed asset.

Cash accounting is the method of recording financial transactions in two categories, receipts and payments, whereby each transaction is recognised when cash is received or paid out.

Category of cost is a major grouping of expenditure standardised for all Agencies, and shall be consistent with the requirements of Part 2 Section 7 of these Directions, eg Personnel, Operational, Capital Expenditure, Grants and Subsidies, Interest, and Advances.

Chart of accounts is a structure of ledger account codes for the recording of receipts, expenditure, assets and liabilities of an Agency or Government Business Division.

Cheque signatory is a person authorised in writing, by the Accountable Officer, to sign cheques drawn on an official bank account.

Claimant is the person/entity making a call or demand on an Agency.

Clearing money is public money in transit which does not contribute to the operations of the agent Agency and is received from or payable to another Agency.

Commitment is an undertaking by an Agency to incur expenditure for a particular purpose at some future point in time.

Consolidated Revenue Account is the Account established by section 4 of the Act for the collection of general government revenue.

Contingent liability is a potential financial obligation arising out of a condition, situation, guarantee or indemnity, the ultimate effect of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate Credit Card is a Northern Territory Government credit card which may be used to pay for particular goods and/or services, without the need to raise purchase orders or cheques.

Creditors refer to the value of unpaid invoices or claims for payments dated prior to year end for goods and services received before year end. For example, an outstanding invoice dated 25 June for goods received prior to 30 June will be classified as a creditor.

Deed of Assignment is a formal document by which a claimant transfers to a creditor a right to receive payment.

Debtors are moneys owing to the Northern Territory government for providing goods or services and shall comprise of outstanding debit notes and invoices.

Design list is a schedule of capital works proposed for construction one year hence.

Electronic funds transfer is the direct transfer of money between bank accounts.

Employee in relation to an Agency, means a person employed by or in the business of the Agency, and includes the Accountable Officer.

Entity includes companies, corporations, joint ventures and trusts.

Ex gratia payment means the gratuitous payment of an amount of money where no legal obligation exists.

Expenditure is the payment of public money, and includes an advance, transfer, set off or deduction for either actual or accrued expenses made from an Operating Account.

Expenditure recouped means money received in repayment of expenditure.

Expense is an accrual accounting concept which refers to the costs incurred and reported by an Agency or Government Business Division in its Operating Statement (Profit and Loss Statement).

External body means any entity or person external to the Northern Territory Government.

Fixed asset is a physical asset or product of value which enables services to be provided, and has an estimated economic life of greater than one year.

Forward estimates means the estimates of expenditure in forward years as published by the Treasurer.

Forward works means capital works considered to be priorities for the Territory's construction program in two to three years time.

Government Accounting System (GAS) is the system, operated by Northern Territory Treasury on behalf of Agencies, for the recording and processing of financial transactions and includes the General Ledger, Accounts Payable, Purchase Order, Commitment Control, Cheque Control, Accounts Receivable and Fixed Assets modules.

Government Business Division means an Activity or group of Activities, a significant proportion of the operating costs of which is recovered through charges on users and which is determined by the Treasurer to be a Government Business Division. (*Refer Instrument establishing Government Business Divisions*)

Government Finance Statistics constitutes the summation of individual financial transactions of government into categories (specified by the Australian Bureau of Statistics) for analysis, planning and policy determination.

Guarantee is an undertaking to answer for the debt or obligations of another person or entity.

Indemnity is a written undertaking to compensate, protect or insure another person or entity against future financial loss, damage or liability.

Internal audit is an independent appraisal or review of the operations or activities of an organisation.

Internal control means the methods and procedures adopted within an Agency to:

- (a) promote operational efficiency, effectiveness and economy;
- (b) safeguard its assets and manage its liabilities and contingent liabilities;
- (c) deter and protect against fraud;
- (d) maintain the accuracy and reliability of its accounting information; and
- (e) ensure compliance with legislative provisions.

Intrasector receipt is money transferred between Agencies which contributes to the operations of the receiving Agency.

Ledger means an Agency's or Government Business Division's general ledger maintained on the Government Accounting System and reflecting the Agency's or Government Business Division's chart of accounts.

Ledger account code means a series of unique characters identifying receipt, expenditure, asset or liability in a ledger.

Liability is an obligation to forgo economic resources in the future.

Loss includes:

- (a) a loss of or deficiencies in money or property held by or for the Territory or an Agency;
- (b) a loss arising out of the destruction, condemnation, obsolescence, abandonment, deterioration of or damage to property;
- (c) an irrecoverable overpayment and debts;
- (d) expenditure made without lawful authority; and
- (e) a loss of money due to failure to assess and levy revenue and other amounts receivable.

Main Northern Territory Government Bank Account is the official bank account operated by Northern Territory Treasury, from which general expenditure and salaries payments are made, and into which all public money is banked.

Material/materiality is a concept applied in the preparation of financial statements to determine the need to disclose a particular item. An item is material where its omission, non-disclosure or mis-statement would cause the financial statement to be misleading.

Negotiable instrument means a transferable instrument conferring the right to receive money.

New works are works approved for commencement in the current financial year, but exclude works approved in previous financial years not yet commenced, as well as works continued from a previous financial year.

Official bank is the approved bank at which the Main Northern Territory Government Bank Account is domiciled.

Official bank account means the Main Northern Territory Government Bank Account or another bank account opened by the Treasurer in pursuance of section 27 of the *Financial Management Act* and includes Agency advance bank accounts.

Official receipt is a formal statement of receipt of money issued by the Territory or an Agency.

Operating Account means:

- (a) a Government Business Division Operating Account; or
- (b) an Agency Operating Account,

established under section 6(1) of the *Financial Management Act*.

Payee means the person or entity to whom payment is made.

Personnel Information/Payroll System (PIPS) is the system, operated by Northern Territory Treasury on behalf of Agencies, for the recording, processing and reporting of personnel and payroll transactions.

Physical asset means public property and includes all property held by a person or entity for or on behalf of the Territory or an Agency.

Public Financial Enterprise means a resident public enterprise primarily operating in the financial market, but excludes the central borrowing authorities of governments which are classified as part of general government.

Public money means money collected, received, held by or due to the Territory or an Agency.

Public property means all property held for or on behalf of the Territory or an Agency, but does not include money.

Public Trading Enterprise means a resident public enterprise mainly engaged in the production of goods and services of a non-financial nature, for sale in the market place, at prices which aim to recover most of the costs involved.

Repairs and maintenance means action undertaken to maintain or restore a fixed asset to a pre-determined condition for the purpose of sustaining a given level of service delivery.

Revenue is an accrual accounting concept which refers to the receivables due to and reported by an Agency or Government Business Division in its Operating Statement.

Risk management is the application of judgement in combination with experience and competence, in determining the appropriate levels of assurance in a given situation.

Standing advance is an advance of a continuing nature, subject to periodical reimbursement (eg petty cash) and includes an advance bank account.

Treasurer's Advance means an Allocation of that name (as specified in an *Appropriation Act*).

Trust is an arrangement, developed and enforceable in equity, for the holding and management of money or property by one party for the benefit of another party who has the equitable or beneficial ownership of the money or property.

Trustee is a person or entity who holds money or property in trust.

Trust instrument is any legislation, document or agreement that creates a trust relationship between the Territory or an Agency and a third party.

Trust money means money held in trust for another person or entity.

Uniform Reporting Standards are the reporting standards agreed to by all States and Territories at the 1991 Premiers Conference, consistent with the Government Finance Statistics.

Waive means to forgo the right to collect money owing to the Territory, extinguishing the debt and renouncing the right of the Territory to any future claim on that money.

Works programs are programs which create, upgrade, alter, maintain or repair fixed assets, and include capital works, design list, forward works, minor new works, and repairs and maintenance programs.

Write off means the removal from accounting records of a debt owing to, or loss sustained by, the Territory or an Agency, but does not waive the right of recovery.