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| Treasurer’s Direction (mandatory) |
| Purpose | To provide minimum requirements relating to the approval, recognition and management of loans and advances issued by the Northern Territory (NT) Government |
| Last reviewed | Not applicable |
| Operative date | 27 June 2019 |
| References | * Treasurer’s Direction – Part 5 Section 6 Advances
* Treasurer’s Direction – A2.7 – Receivables
* Treasurer’s Direction – R2.1 – Agency Financial Statements
* Treasurer’s Direction – R3.1 – GBD Financial Statements
* Treasurer’s instruments of delegations
* Australian Accounting Standards:
	+ AASB 7 – Financial Instruments: Disclosures
	+ AASB 9 – Financial Instruments
	+ AASB 13 – Fair Value Measurement
	+ AASB 132 – Financial Instruments: Presentation
* *Financial Management Act 1995* (FMA)
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# Scope

1. Loans and advances:
	1. involve the temporary transfer of funds from an agency or government business division (GBD) to another party (the borrower), in exchange for future repayment of the loan value amount, which may or may not include interest
	2. must be categorised in accordance with paragraphs 3 and 4 as either:
		1. a loan
		2. or an advance receivable.
2. The following are excluded from the scope of this Treasurer’s Direction:
	1. short-term cash advances that do not ordinarily attract interest, such as petty cash and advances issued through an advance bank account (see Treasurer’s Direction – Part 5 Section 6 Advances)
	2. salary overpayments
	3. loans and advances issued by the NT Treasury Corporation.

# Loans

## Definition

1. Loans:
	1. include investments in financial assets for liquidity management purposes with the aim of earning a commercial rate of return
	2. can only be issued by the Northern Territory Treasury Corporation, unless approved otherwise by the Treasurer.

# Advances

## Definitions

1. Advances:
	1. are aimed at funding a particular enterprise, household or government activity for NT Government policy purposes or to achieve a public benefit
	2. can be issued on concessional or non-concessional terms.

### Concessional advances

1. Advances are considered concessional when the NT Government lends funds to another party on more favourable terms than what the borrower could obtain in the market place.

# Risk management

## Risk assessment

1. An accountable officer must conduct and document a risk assessment prior to following the approval process outlined in paragraphs 9 and 10 to determine if the risks assumed for an advance:
	1. are commensurate with the objectives, scope, and benefits of providing the advance
	2. do not present unacceptable risk exposure to the NT Government.

## Monitoring and evaluation

1. An accountable officer must monitor risks relating to advances issued by his or her agency at least once every financial year or when required.
2. Monitoring and evaluation activities must include at a minimum:
	1. checking repayments are received when due
	2. assessing if advances are impaired and, if applicable, recognising a loss allowance (see paragraph 13)
	3. where possible, taking action to mitigate or minimise identified risks within a reasonable timeframe, including recovery of overdue balances.

# Approval process

1. A contractual agreement to provide an advance on behalf of the NT Government can only be approved and signed in accordance with section 31 of the FMA, by either:
	1. the Treasurer
	2. or a delegate authorised by section 39(1) of the FMA.
2. Pursuant to paragraph 9.b, an accountable officer must not approve and sign a contractual agreement unless:
	1. the risks assumed for the advance are considered appropriate per the requirements in paragraph 6
	2. the advance:
		1. is of a type or part of an established NT Government initiative approved by Cabinet
		2. is within the budget approved by Cabinet in accordance with paragraph 10.b.i
		3. is within the accountable officer’s area of responsibility.

# Recognition and measurement

1. An accountable officer must recognise and measure an advance in accordance with the Australian accounting standards.
2. Where the fair value of a concessional advance is being calculated by discounting the present value of future cash receipts, and the agency or GBD is unable to determine the market rate of interest, the following interest rate must be used:

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| The Territory Bond yearly interest rate plus an average risk margin of 2% |

## Impairment

1. An accountable officer must ensure at each reporting date:
	1. the credit risk for advances are assessed for impairment and the outcome documented
	2. a loss allowance is measured and recognised (if applicable).

## Disclosures

1. An accountable officer must classify and present advances in accordance with the Treasurer’s Direction on agency (or government business division) financial statements.

# Recordkeeping

1. An accountable officer is responsible for keeping records relating to advances issued by his or her agency and, at a minimum, must:
	1. ensure records are maintained in a register of advances
	2. establish processes to collect and manage records, including documenting assumptions and calculations used for the valuation and impairment of advances.
2. A register of advances is not required where an agency has never issued or provided another party with an advance.
3. Pursuant to paragraph 15, an accountable officer must retain records for the specified minimum period, in accordance with the agency’s records disposal schedule.

# Reporting

1. Upon request, an accountable officer must provide Department of Treasury and Finance a copy of the advances register (if applicable) and any other relevant information as necessary.

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| Change history |
| **Version** | **Date** | **Author** | **Change details** |
| 1.0 | June 2019 | DTF Financial Policy | Initial version |