

Queensland



Subordinate Legislation 1997 No. 141

Financial Administration and Audit Act 1977

FINANCIAL MANAGEMENT STANDARD 1997

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PART 1—INTRODUCTORY

Division 1—Preliminary

Short title

1. This standard may be cited as the *Financial Management Standard 1997*.

Commencement

2.(1) Section 97(1) and schedule 3 commence on 6 June 1997.¹

(2) The remaining provisions commence on 1 July 1997.

Dictionary

3. The dictionary in schedule 6 defines particular words used in this standard.²

¹ Section 97 (Requirements for annual financial statements of departments) and schedule 3 (Prescribed Accounting Standards)

² In some subordinate legislation, definitions are contained in a dictionary that appears as the last schedule and forms part of the subordinate legislation—*Acts Interpretation Act 1954*, section 14(4) and *Statutory Instruments Act 1992*, section 14.

Words defined elsewhere in the subordinate legislation are generally signposted in the dictionary. However, if a section has a definition that only applies to the section, or a part of the section, it is generally not signposted. If this type of definition is set out in a separate subsection, the subsection is generally the last subsection of the section.

The signpost definitions in the dictionary alert the reader to the terms defined elsewhere in the subordinate legislation and tell the reader where these definitions can be found. For example, the definition ‘“audit report” see section 79(3)’, tells the reader there is a definition of the term “audit report” in section 79(3).

Division 2—Purposes of standard and commentaries

Purpose of standard

4.(1) The purpose of this standard is to provide for the following—

- (a) the policies and principles to be observed in financial management, including planning, performance management, internal control and corporate management;
- (b) the content of financial statements and annual reports;
- (c) the matters to be included in manuals.³

(2) The purpose is achieved by stating the functions of each accountable officer and statutory body about matters for which this standard may be made.⁴

Purposes of commentaries

5.(1) This standard also includes commentary provisions.⁵

(2) The commentary provisions—

- (a) provide extra guidance, by including examples and referring to other policies and guidelines, about provisions identified in the commentary; and
- (b) may state the best way for complying with this standard; and
- (c) may include a provision about related topics (“**associated topics**”).

³ The purpose reflects the matters about which the Treasurer may make standards under section 46L(1) (Financial management standards) of the Act.

⁴ Section 46L(3) of the Act provides that ‘Each accountable officer and statutory body must comply with relevant provisions of a standard.’

⁵ Section 46LB (Financial management standard may include commentary about its operation) of the Act provides that the Treasurer may include in a standard a commentary if ‘the Treasurer considers it desirable’. However, the commentary is not part of the standard.

Division 3—Application of standard**Application generally**

6. This standard applies to each accountable officer or statutory body unless—

- (a) this standard provides otherwise; or
- (b) the accountable officer or statutory body is exempted from compliance under section 46LC of the Act.⁶

Special application provisions for pt 2

7.(1) Part 2 does not apply to—

- (a) a government owned corporation; or
- (b) a business undertaking of a department, if the undertaking has entered into an annual performance contract under the document called ‘Commercialisation of Government Service Functions in Queensland’.⁷

(2) Sections 19, 20 and 26 do not apply to the auditor-general.⁸

(3) However, the auditor-general must consult with the Treasurer and the parliamentary committee about the resource implications of strategic plans for the Audit Office.

Special application provisions for pt 3

8.(1) Part 3, division 3, and sections 41, 43, 47, 48(3) and 56(2), do not

⁶ Section 46LC (Exemption from financial management standards) of the Act

⁷ Part 2 (Planning). Also, see schedule 1 (Documents made by the Treasurer or published by the Treasury Department and to which section 46L(2) of the Act applies) for details about this document.

⁸ Sections 19 (Consultation about strategic plans), 20 (Strategic plan to be submitted) and 26 (Consultation about physical assets strategic plan)

apply to a government owned corporation.⁹

(2) Also, section 48(3) does not apply to a business undertaking of a department, if the undertaking has entered into an annual performance contract under the document called ‘Commercialisation of Government Service Functions in Queensland’.

Special application provision for pt 4

9. Sections 63 and 64 do not apply to government owned corporations or the auditor-general.¹⁰

Special application provision for pt 5

10. Part 5, divisions 3 and 7, and section 87, do not apply to a government owned corporation.¹¹

Commentary—Application of standard

In complying with division 3, the following comments should be considered—

1. *Statutory GOCs must comply with this standard because, under the Government Owned Corporations Act 1993, section 127(1), the Financial Administration and Audit Act 1977 applies to a statutory GOC unless modifications are prescribed under a regulation under the Government Owned Corporations Act 1993.*
2. *Although government owned corporations, and business undertakings of departments, are exempted from part 2, the statement of corporate intent of a government owned corporation, and the annual performance contract of a departmental business undertaking, reflect provisions similar to the requirements of this standard.*

⁹ Part 3 (Management of resources), division 3 (User charging)
 Section 41 (Register of special payments)
 Section 43 (Register of material losses)
 Section 47 (Evaluations of physical asset investments)
 Section 48 (Maintenance of assets)
 Section 56 (Elements of systems for financial information management)

¹⁰ Sections 63 (Elements of systems for evaluating achievement of agency’s goals) and 64 (Report about achieving agency goals)

¹¹ Part 5 (Corporate management), divisions 3 (Appraisal of systems of agencies) and 7 (Reportable gifts) and section 87 (Contract performance guarantee)

Division 4—Overview of relationship of standard, the Act and other documents

Other financial management legislation and this standard

11.(1) The financial management of an agency is governed by the Act, this standard and other legislation that applies to the agency.

(2) The Act—

- (a) authorises the Treasurer to make standards as subordinate legislation; and
- (b) requires each accountable officer and statutory body to prepare a manual for the agency, stating the particulars of the agency's financial systems and the practices and controls necessary to give effect to matters about the agency's financial management;¹² and
- (c) requires each officer engaged on duties in connection with the financial management of an agency to comply with the agency's manual.

(3) This standard provides a framework for an accountable officer or statutory body to develop and implement systems, practices and controls for inclusion in the agency's manual.

Responsibilities of accountable officers and statutory bodies

12.(1) Under the Act, each accountable officer and statutory body is assigned various functions.¹³

(2) As part of the functions, every accountable officer and statutory body must manage the agency efficiently, effectively and economically, including, for example, by developing and implementing systems to ensure the appropriate use of, accountability for and safeguarding of, public resources.

(3) Accountable officers and statutory bodies must not be limited by this

¹² See sections 36(1)(g) (Functions and duties of accountable officers), 46C(h) (Functions and duties) and 46M(2) (Financial Management Practice Manuals) of the Act.

¹³ See sections 36 (Functions and duties of accountable officer) of the Act and 46C (Functions and duties) of the Act.

standard but adopt a pro-active approach in monitoring the appropriateness of the agency's systems, operations and overall financial position.

Example of subsection (3)—

An accountable officer or statutory body may include matters in a system other than matters mentioned in this standard as elements of the system.

Relationship between this standard and certification of financial statements

13. Compliance with the provisions of this standard about the establishment and keeping of accounts forms part of the audit certificate for the financial statements of an agency.¹⁴

Relationship of this standard with other documents

14.(1) This standard states the status and relationship of other documents to it.

(2) If this standard provides that an accountable officer or statutory body must have regard to another document, the officer or body complies with the provision by considering the contents of the document and deciding if the contents apply to the agency's circumstances.

(3) Schedule 1 states the documents made by the Treasurer, or published by the Treasury Department, that are mentioned in this standard together with details about the particular time the document is in force.¹⁵

(4) Other documents mentioned in a provision of this standard are the documents as in force from time to time, unless the provision otherwise provides.¹⁶

(5) Documents mentioned in a commentary are included for guidance only.

¹⁴ See sections 40(5) (General purpose financial statements) and 46G (Certificate of auditor-general) of the Act.

¹⁵ See section 46L(2) (Financial management standards) of the Act.

¹⁶ See section 38(2)(b) (Responsibility for expense management) for an example of an exception.

PART 2—PLANNING

Division 1—Purpose of part and relationship of plans

Purpose

15.(1) The purpose of this part is to state the functions of each accountable officer and statutory body for ensuring—

- (a) the agency plans its operations to focus on achieving results; and
- (b) the agency's information systems support its operations; and
- (c) the agency effectively plans for its physical assets; and
- (d) the agency's operations are reviewed to assess whether an operation is suitable for commercialisation.

(2) Each accountable officer and statutory body is responsible for the development of plans under this part and for the on-going implementation of the plans.

Relationship of strategic plan to other plans

16.(1) Divisions 2, 3 and 4 state the functions of each accountable officer and statutory body for an agency's—

- (a) strategic plans and operational plans; and
- (b) information systems strategic plans; and
- (c) physical assets strategic plans.¹⁷

(2) Each accountable officer and statutory body must ensure the agency's operational plans, information systems strategic plan and physical assets strategic plan are consistent with, and support, the agency's strategic plan covering the timeframes of the operational plans, information systems strategic plan and physical assets strategic plan.

(3) Subject to section 25(2), the agency's information systems strategic

¹⁷ Division 2 (Strategic and operational planning for agencies)
Division 3 (Strategic planning for information systems)
Division 4 (Strategic planning for physical assets)

plan and physical assets strategic plan may be included in the agency's strategic plan.¹⁸

Division 2—Strategic and operational planning for agencies

Responsibility for strategic plan and operational plan

17.(1) During every financial year, each accountable officer and statutory body must develop—

- (a) a strategic plan for the agency; and
- (b) operational plans at levels of the agency that the accountable officer or statutory body considers appropriate, or an operational plan for the whole of the agency.

(2) A strategic plan must cover a period of at least 3 years.¹⁹

(3) An operational plan must cover a period of not more than 1 year.

Elements of strategic plan

18.(1) Each strategic plan for an agency must provide for—

- (a) stating the timeframe to be covered by the plan; and
- (b) identifying the agency's purpose and role; and
- (c) identifying the future position the agency wants to achieve by the end of the timeframe; and
- (d) identifying and analysing the impact of key issues on the agency's operations; and
- (e) identifying the goals the agency must achieve to attain the future position it wants to achieve; and
- (f) deciding the strategies to achieve each goal; and
- (g) deciding how to implement each strategy; and

¹⁸ Section 25 (Elements of physical assets strategic plan)

¹⁹ Even though a strategic plan must cover a period of at least 3 years, the plan must be developed every financial year.

- (h) setting performance indicators for reviewing the progress towards achieving each goal.

(2) An accountable officer or statutory body must ensure the agency's strategic plan is prepared, and available for distribution, before the start of the first financial year to which the plan relates.

Consultation about strategic plans

19.(1) In developing an agency's strategic plan,²⁰ the accountable officer or statutory body must consult with—

- (a) the appropriate Minister and, if the agency is a department, the Treasurer; and
- (b) other relevant persons.

(2) For subsection (1)(a), the accountable officer must give to the appropriate Minister and the Treasurer a statement of resource implications, and major policy changes, resulting from the proposed strategic plan.

Strategic plan to be submitted

20.(1) After a department's strategic plan has been prepared and consultations under section 19 are complete, the accountable officer must submit the strategic plan to the Premier, Treasurer and the appropriate Minister.

(2) If the appropriate Minister directs a statutory body to submit the body's proposed strategic plan to the Premier and Treasurer, the body must comply with the direction.

(3) A submission under subsection (1) or (2) must include a statement of resource implications, and major policy changes, resulting from the proposed strategic plan.

²⁰ This section does not apply to the auditor-general—see section 7 (Special application provisions for pt 2).

Operational plans

21.(1) An agency's operational plan must provide for the outputs the agency intends to supply during the plan's timeframe.

(2) The plan must include reasonable details about the agency's outputs for the accountable officer or statutory body to assess the agency's performance in delivering the outputs.

(3) An operational plan must be available for distribution before the start of the timeframe to which it relates.

Commentary—Strategic and operational planning for agencies

In complying with division 2, the following comments should be considered—

1. *Each accountable officer and statutory body is required to structure the agency's operations to facilitate the achievement of the agency's goals. They are also required to assess their performance in achieving the goals.*
2. *The resource implications of an agency's operations should be assessed against a department's approved forward estimates or a statutory body's available levels of resources.*
3. *Performance indicators should be consistent with standards developed under the document called 'Client Service Standards Policy and Guidelines' and focus more on outputs than inputs.*
4. *Associated topics include—*
part 4—Performance management.

Division 3—Strategic planning for information systems**Responsibility for strategic planning for information systems**

22.(1) During every financial year, each accountable officer and statutory body must develop a strategic plan for the agency's information systems.

(2) In developing an agency's plan, the accountable officer or statutory body must have regard to the information standards.

(3) The plan must cover a period of at least 3 years.

Elements of information systems strategic plan

23.(1) Each information systems strategic plan for an agency must provide for—

- (a) stating the timeframe to be covered by the plan; and
- (b) analysing the needs of the agency's clients and the effect of relevant environmental factors, including, for example, technological changes; and
- (c) evaluating information needs and system developments required during the timeframe; and
- (d) deciding the projects to be undertaken to meet the agency's information needs and the development of information systems; and
- (e) evaluating the projects.

(2) The accountable officer or statutory body must ensure the plan is developed, and available for distribution, before the start of the first financial year to which the plan relates.

Commentary—Strategic planning for information systems

In complying with division 3, the following comments should be considered—

1. *An agency's information systems strategic plan is dependent on the agency's direction under its strategic plan. The information systems strategic plan may be affected by other areas of the agency's operations, including human resources, assets and finance plans. The dependencies should be identified and the appropriate processes documented.*
2. *Associated topics include—*
part 3—Management of resources, division 8—Financial information management.

Division 4—Strategic planning for physical assets**Responsibility for strategic planning for physical assets**

24.(1) During every financial year, each accountable officer and statutory

body must develop for the agency a strategic plan for physical assets.

(2) The plan must cover a period of at least 3 years.

Elements of physical assets strategic plan

25.(1) Each physical assets strategic plan for an agency must provide for—

- (a) analysing the key issues that may influence the agency's requirements for physical assets in the medium to long term; and
- (b) analysing the appropriateness of existing physical assets in relation to the agency's strategic plan and needs of its clients; and
- (c) identifying the need for new physical assets and developing strategies to meet the needs; and
- (d) developing strategies for maintaining the appropriate level of service potential of existing assets; and
- (e) developing strategies for disposing of physical assets that are surplus to the agency's requirements.²¹

(2) If the agency's investment in physical assets is expected to be more than \$30 000 000 over any 3 consecutive financial years during the plan's timeframe, the plan must be developed, and available for distribution, as a separate document.²²

(3) The accountable officer or statutory body must ensure the plan is developed, and available for distribution, before the start of the first financial year to which the plan relates.

Consultation about physical assets strategic plan

26. In developing an agency's physical assets strategic plan, the accountable officer or statutory body must consult with—

- (a) the appropriate Minister and, if the agency is a department, the

²¹ See section 49 (Disposal of assets).

²² Section 16(3) (Relationship of strategic plan to other plans) provides—
'Subject to section 25(2), the agency's information systems strategic plan and physical assets strategic plan may be included in the agency's strategic plan.'

Treasurer; and

- (b) other departments and statutory bodies with whom the accountable officer or statutory body considers it is necessary or appropriate to consult to ensure coordination of capital investment.

Commentary—Strategic planning for physical assets

In complying with division 4, the following comments should be considered—

1. *An agency's physical assets strategic plan complements the agency's strategic plan because it focuses on the strategic plans of the agency in relation to its management of physical assets. The plan should be linked with other aspects of strategic planning elements including, for example, goals, finance, human resource and information systems.*
2. *A best practice analysis of the physical asset needs of an agency would involve analysing the following—*
 - (a) *the service environment, including, for example, the impact of population and distribution trends;*
 - (b) *whether the current level and configuration of physical assets are appropriate for the agency's strategic plan and client needs, including an assessment of utilisation, valuation, functionality, location, whole-of-life costs and relationship with the strategies of other relevant departments and statutory bodies;*
 - (c) *appropriate actions to be carried out, including options for dealing with inadequately maintained assets and disposal action for surplus assets;*
 - (d) *the investment needed to maintain the service potential of current physical assets including investment needed to replace and upgrade existing physical assets to maintain the service potential of the asset;*
 - (e) *apparent gaps between forecasted needs and current physical asset infrastructure and a broad assessment of options to fill the gaps, including, for example, the disposal of surplus assets, project funding from existing forward estimates, private funding and other non-budget financing.*
3. *Consultation with other accountable officers and statutory bodies prevents duplication of service delivery and enables a whole of government perspective to be taken in considering the physical asset needs of the State.*
4. *Guidance about the best practice for strategic planning for physical assets may be found in the document called 'Physical Asset Strategic Planning Guidelines' as published by the Treasury Department.*

Division 5—Commercialisation

Responsibility for commercialisation

27.(1) An accountable officer must regularly review the department's operations to assess whether an operation may be commercialised.

(2) In conducting a review, the accountable officer must have regard to the document called 'Commercialisation of Government Service Functions in Queensland'.²³

(3) Before commercialising an operation, an accountable officer must consult with the Treasurer.

PART 3—MANAGEMENT OF RESOURCES

Division 1—Purpose of part and separation of duties

Purpose of part

28. The purpose of this part is to state the functions of each accountable officer and statutory body for ensuring the efficient and effective management of the agency's resources, namely—

- (a) the agency's revenue (including charging for goods and services), expenses, assets (including cash) and liabilities; and
- (b) the agency's information, including, for example, the storage, retention, reproduction and destruction of financial information.

²³ See schedule 1 (Documents made by the Treasurer or published by the Treasury Department and to which section 46L(2) of the Act applies) for details about this document.

Separation of duties

29.(1) To the extent practicable, an accountable officer or statutory body must assign responsibility for each element of the management of the agency's resources to different officers of the agency.

(2) Also, each accountable officer and statutory body must have regard to part 5, division 2 and ensure there are cost-effective controls for the management of the agency's resources.²⁴

Commentary—Separation of duties

In complying with section 29, the following comments should be considered—

- 1. Specific officers should be assigned responsibility to perform the different elements. All elements should be assigned. Responsibility ensures an officer is held accountable for performing the element.*

Division 2—Revenue management**Responsibility for revenue management**

30. Each accountable officer and statutory body must manage the agency's revenue efficiently and effectively, including, for example, by developing and implementing systems for managing the agency's revenue.

Elements of systems for revenue management

31.(1) An agency's systems for revenue management must provide for promptly identifying, collecting and writing-off revenue, and recording information about revenue.

(2) Identifying revenue includes reviewing—

- (a) the agency's operations to identify the existing sources of revenue; and
- (b) the environment in which the agency operates to identify potential sources of revenue; and

²⁴ Part 5 (Corporate management), division 2 (Internal control structure)

- (c) the size of each source of revenue, and difficulties, limitations or problems associated with each source.

(3) Collecting revenue includes—

- (a) calculating amounts receivable and giving notice requiring payment of the amounts; and
- (b) providing credit to a person; and
- (c) collecting revenue; and
- (d) following-up outstanding revenue.

(4) Writing-off revenue includes requiring appropriate authority before revenue is forgone, remitted, waived or otherwise written-off.

(5) Recording information about revenue includes—

- (a) identifying and recording all transactions about revenue; and
- (b) identifying and managing amounts received for goods and services the agency has not yet provided; and
- (c) maintaining an adequate audit trail; and
- (d) obtaining information about revenue to allow the timely provision of relevant and reliable information for the agency's managers and its external reports.

(6) The systems may include arrangements for using a credit card facility, electronic funds transfer facility and any other facility for receipting amounts.

(7) However, the systems may not allow the use of credit cards for paying taxation payable to the consolidated fund.

Commentary—Revenue management

In complying with division 2, the following comments should be considered—

1. *Each accountable officer and statutory body should examine the agency's operations to identify sources or potential sources of revenue, including, for example, fees, fines, grants, levies, subsidies and charging. Guidance about revenue may be found in the document called 'Accounting policy guideline No. 5—Definition and recognition of revenue', as published by the Treasury Department. It would be preferable if an agency's review of revenue sources was carried out by managers who are familiar with the operation of the agency and*

aware of proposed initiatives. Because the budget processes involve consideration of resources and requirements, the review may be undertaken at the same time.

2. *Each accountable officer and statutory body should also identify the limits on the revenue base. Examples of possible limits on revenue are government policies, pricing tribunals, limitations on taxation increases and funding restrictions.*
3. *Most amounts are not payable by a person until a claim is made. It is beneficial to issue an invoice and request payment as early as possible to facilitate the cash flow of the agency. This notifies the debtor of the requirement to pay. A control should be established over the issue of invoices, for example, sequentially numbered invoices.*
4. *Each accountable officer and statutory body should also establish an appropriate accounting policy to establish the recognition of a debt if revenue is raised without issuing an invoice.*
5. *Each accountable officer and statutory body should decide and approve an appropriate credit policy that, amongst other things, identifies the required terms of payment for revenue raised (for example, 30 days credit). The policy should also include, if applicable, details of credit reference requirements and discount policies.*
6. *Procedures should be implemented to ensure the accuracy of the information, including, for example, the establishment and maintenance of control accounts (for recording total revenues less total amounts received) and the performance of regular and independent checks to ensure the total of the individual account balances agree with the control account total.*
7. *An agency's internal controls should apply to the policies and procedures about the operations of the payment facility, including, obtaining authorisations, authorised floor limits and detecting unauthorised and forged signatures.*
8. *An assessment of long outstanding debtors should be performed on a regular basis, by an independent officer, to determine whether the amounts should be written-off after considering the follow-up action taken. The actions taken and reasons should be documented with reference to supporting records.*
9. *Each accountable officer and statutory body should clearly identify and monitor the amounts received by the agency for which neither goods nor services have been provided, for example, payments in advance. The amounts represent the unfulfilled obligation of the agency.*
10. *Records for revenue management need to identify when money is owed. Once recorded, the status of a debt can be monitored and, if necessary, followed-up until satisfied. The information in the record should include the date of the debt, payments, the outstanding balance and any particular circumstances concerning the debtor and the debt, to enable management to assess whether the debt is likely to be, and should be, collected.*

11. *Associated topics include—*

part 5—Corporate management, division 2—Internal control structure.

Division 3—User charging

Definitions for division

32. In this division—

“charge”, for goods or services, includes a fee but does not include a fine, levy or tax.

“full cost”, of goods or services, means all costs attributable to the goods or services, including, for example—

- (a) direct and indirect labour and management costs, including accruing staff entitlements and workers’ compensation; and
- (b) materials, including on-costs to cover handling and holding costs; and
- (c) the opportunity cost of non-current physical assets used in producing the goods or services; and
- (d) costs of non-current physical assets consumed; and
- (e) costs of debt financing; and
- (f) taxes and tax equivalent costs, other than income tax.

“goods” includes products and items.

“opportunity cost”, of a non-current physical asset, means the return available from a similar investment.

“services” includes professional services.

“user”, of goods or services, means an entity that uses the goods or services supplied by a department or statutory body.

Responsibility to charge for goods and services

33. Each accountable officer and statutory body must develop and implement systems for charging for goods and services supplied by the agency.

Elements of systems for charging for goods and services

34. An agency's systems for charging for goods and services must provide for—

- (a) identifying the goods and services for which users must be charged; and
- (b) regularly examining the level of charges for the goods and services; and
- (c) ensuring the charges comply with Information Standard No. 25;²⁵ and
- (d) recording information to collect accurate and reliable data about the goods and services.

Considerations as to whether charge is to be applied

35. In identifying an agency's goods and services for which users must be charged, the accountable officer or statutory body must consider whether—

- (a) the users have the capacity to pay for the goods or services; and
- (b) the users have a choice to accept the goods or services; and
- (c) the goods or services are available from a supplier other than a department or statutory body; and
- (d) the goods or services are required or permitted by legislation; and
- (e) the goods or services are supplied for the benefit of the general public or exclusively for the benefit of users who do not have the capacity to pay; and
- (f) the administrative costs of charging and collecting the charges are more than, or may be more than, the revenue collected and resulting long term gains in efficiency; and
- (g) an agreement exists about charging for the goods or services; and
- (h) charging for the goods or services improves, or may improve, resource allocation through the more economical use of the goods

²⁵ Information Standard No. 25 is called 'Management of Intellectual Property'.

or services by users; and

- (i) other factors exist that the accountable officer or statutory body considers relevant.

Level of charges

36.(1) Each accountable officer and statutory body must decide the charges for goods and services supplied by the agency.

(2) In deciding charges, the accountable officer or statutory body must have regard to the full cost of providing the goods or services.

(3) However, the accountable officer or statutory body may decide a charge for a particular good or service that is less than the full cost of the good or service (the “**lower charge**”) if the officer or body is satisfied the lower charge is appropriate for another reason, including, for example—

- (a) the lower charge reflects the commercial market rates that apply to comparable goods or services in the market in which the agency is operating; and
- (b) the lower charge may encourage a rational choice by users; and
- (c) the impact of the lower charge on achieving the social objectives implicit in delivering the goods or services; and
- (d) if the goods or services involve information held by a department or statutory body—Information Standard No. 25; and
- (e) other factors exist that the accountable officer or statutory body considers relevant.

(4) This section is subject to section 37.

Level of charges for certain entities

37.(1) This section applies to the accountable officer of a department if an operation of the department—

- (a) has been commercialised; or
- (b) is about to be commercialised by the accountable officer; or
- (c) is declared, under an Act, to be a significant business activity.

(2) The accountable officer must decide the charges for goods or services provided by a commercialised operation, or an operation about to be commercialised, under the document called ‘Commercialisation of Government Service Functions in Queensland’.²⁶

(3) The accountable officer must decide the charges for goods or services provided by a significant business activity under the document called ‘Full Cost Pricing Policy’, unless the charge must be decided under subsection (2).²⁷

Commentary—User charging

In complying with division 3, the following comments should be considered—

- 1. Users of an agency’s goods or services should be charged for the consumption of the goods or services. However, charging for goods and services may not occur in every situation. Section 35 lists a number of factors the accountable officer or statutory body should consider before deciding whether a charge should be applied to the provision of a particular good or service. The factors are not exhaustive and consideration may be given to other factors considered relevant.*
- 2. Goods and services provided by a department or statutory body may be provided as a social benefit, free of charge. However if the recipient of the goods or services has the capacity to pay for the goods or services, charging may be appropriate.*
- 3. The discretion of the user as to the amount of the goods or services received, and the choice of alternative suppliers indicates a market situation that allows the supplier to charge for goods or services.*

Division 4—Expense management

Responsibility for expense management

38.(1) Each accountable officer and statutory body must develop and implement systems for managing the agency’s expenses efficiently and

²⁶ See schedule 1 (Documents made by the Treasurer or published by the Treasury Department and to which section 46L(2) of the Act applies) for details about this document.

²⁷ See schedule 1 (Documents made by the Treasurer or published by the Treasury Department and to which section 46L(2) of the Act applies) for details about this document.

effectively, to achieve reasonable value for money.

(2) To the extent the following documents apply to the agency, the accountable officer and statutory body must comply with them when developing the agency's systems for expense management—

- (a) the State Purchasing Policy, as published by the Department of Public Works and Housing;
- (b) Guidelines for the Financial Management of the Office of the Minister, as issued by the Treasury Department in February 1995;²⁸
- (c) General Guidelines for Personal Expenses and the Use of Credit Cards by Public Service Employees, as issued by the Office of the Public Service.

Elements of systems for expense management

39.(1) An agency's systems for expense management must deal with the issues of identifying, approving, paying and recording expenses.

(2) Identifying expenses includes reviewing the agency's operations to identify the sources of, and reasons for, incurring expenses.

(3) Approving expenses includes—

- (a) requiring appropriate approval before incurring the commitment for an expense; and
- (b) incurring an expense only for authorised purposes; and
- (c) ensuring an expense represents reasonable value for money for the agency.

(4) Paying expenses includes—

- (a) obtaining reasonable assurances that the amount of an expense is correct and the goods or services the subject of the expense have been provided as requested by the agency; and
- (b) paying, under the agency's systems for cash management, an

²⁸ On 1 April 1997, these guidelines became the administrative responsibility of the Department of Premier and Cabinet. However, the reference in section 38(2)(b) is to the document as issued in February 1995.

expense when it is due; and

- (c) issuing payments in a secure way; and
- (d) ensuring an officer, with appropriate authority, authorises a payment before it is made.

(5) Recording expenses includes—

- (a) identifying and recording all transactions in which an expense is incurred; and
- (b) maintaining an adequate audit trail; and
- (c) obtaining information about expenses to allow the timely provision of relevant and reliable information for the agency's managers and its external reports.

(6) An agency's systems for expense management must also provide for—

- (a) fair and competitive procurement; and
- (b) delegations supporting the efficient operation of the agency.

Commentary—Elements of systems for expense management

In complying with section 39, the following comments should be considered—

1. *In identifying the sources of expenses, and when they occur, each accountable officer and statutory body should consider the information needed to manage the agency's operations efficiently, effectively and economically. This information should be used when developing the agency's budget as well as monitoring the agency's operations.*
2. *To prepare relevant and reliable information for an agency's managers and its external reports, all transactions for expenses should be recorded accurately, completely and promptly. This requires a process to ensure an obligation is identified and immediately recorded in the accounting system. Once recorded, management can monitor the amount of the expense and approve payment at the appropriate time.*
3. *All payments should be properly approved by an officer who has the appropriate delegated authority. The approval of the payment assigns responsibility for the amount spent and ensures the money is expended in accordance with the agency's objectives.*
4. *The cost of internal controls, and the benefits and functions it provides, should be regularly evaluated. In addition to managing the resources of the agency*

effectively, the agency is required to be accountable for its use of the resources. The use of cost-effective internal controls helps in this process by confirming transactions are performed accurately, completely, on a timely basis and with appropriate approval.

5. *In developing an agency's systems for expense management, the accountable officer or statutory body should have regard to the following documents published by the Treasury Department—*
 - (a) *Accounting Policy Guideline No. 12—Treatment of Research & Development;*
 - (b) *Accounting Policy Note No. 2—Losses and Special Payments.*

Credit card facilities

40.(1) For an agency's systems for expense management, the accountable officer or statutory body may enter into arrangements for the following credit card facilities—

- (a) general credit card facilities, including, for example, a purchase card facility established by the Treasurer;
- (b) special purpose credit cards facilities, including, for example, a fuel card facility.

(2) The arrangement for a credit card facility must—

- (a) state the charges that may be imposed by the provider of the facility; and
- (b) provide for the accountable officer or statutory body to be given frequent and regular information, including, at least, a monthly statement or record of transactions and balances; and
- (c) provide for individual card limits and security against unauthorised use; and
- (d) state the agency and the State are not liable for unauthorised use of individual cards by the authorised user or anyone else.

(3) Each accountable officer and statutory body must implement systems for credit card facilities that ensure—

- (a) credit cards are used only for authorised purposes; and
- (b) misuse is promptly detected, through the operation of internal controls, and reported to the accountable officer or statutory body;

and

- (c) use of an official credit card facility is restricted to appropriate officers; and
- (d) if practicable, only one account in the name of the department or statutory body is opened with the provider of the facility; and
- (e) reasonable documentation about the transactions is kept; and
- (f) for a department—the systems are consistent with the document called ‘Treasurer’s Guidelines for the Use of the Queensland Corporate Card’.²⁹

Commentary—Credit card facilities

In complying with section 40, the following comments should be considered—

1. *When an officer uses a credit card facility, the officer responsible for the card should keep the relevant documents, including supporting invoices and dockets. This documentation can be used to substantiate the use of the card and form the basis of supporting documentation for payment of the account within the settlement period. In addition, the provision of relevant and reliable information helps the agency in monitoring the usage and transactions of the facility.*

Register of special payments

41.(1) Each accountable officer and statutory body must keep a register of special payments, including the following details about the agency’s special payments³⁰—

- (a) its date;
- (b) the recipient;
- (c) the reason for the payment;
- (d) the approval given.

²⁹ See schedule 1 (Documents made by the Treasurer or published by the Treasury Department and to which section 46L(2) of the Act applies) for details about this document.

³⁰ Section 5 of the Act provides as follows—
‘**“special payments”** includes ex gratia and extra-contractual expenditure.’.

(2) An agency's register of special payments may include other details the accountable officer or statutory body considers relevant.

Action to be taken when losses are identified

42.(1) After an accountable officer or statutory body becomes aware of a loss, the officer or body must promptly—

- (a) investigate the circumstances of the loss; and
- (b) prepare a report about it; and
- (c) recommend action to prevent the loss recurring.

(2) If the accountable officer or statutory body suspects the loss to be a result of an offence under the Criminal Code or another Act, the accountable officer or body must also give written notice about the loss to—

- (a) a police officer; and
- (b) if official misconduct of an officer of a department or statutory body is suspected—the Criminal Justice Commission; and
- (c) the auditor-general.

Register of material losses

43.(1) Each accountable officer and statutory body must keep a register of material losses of property, including money.

(2) An agency's register must include the following details about each material loss—

- (a) a description of the property, including its value;
- (b) the reason for the loss;
- (c) action taken about the loss, including, for example, action taken to obtain reimbursement;
- (d) provision established in anticipation of the type of loss;
- (e) details about approval for writing-off the loss.

(3) In the section—

“material loss”, for property (including money) of an agency, means a loss the accountable officer or statutory body considers to be material.

Commentary—Register of material losses

In complying with section 43, the following comments should be considered—

1. *Guidance on the qualitative and quantitative aspects of materiality can be found in AAS 5 ‘Materiality’.*
2. *Losses may result from a broad range of transactions including writing-off debts, stolen money, property fires and natural disasters. The agency’s report must recommend an action required to minimise the resulting loss and prevent its recurrence. The losses must be written off under the approved delegations.*
3. *Associated topics include—*
part 5—Corporate management, division 6—Delegations.

Division 5—Asset management

Responsibility for asset management

44.(1) Each accountable officer and statutory body must manage the agency’s assets efficiently and effectively, including, for example developing and implementing systems for asset management.

(2) Also, each accountable officer and statutory body must review the agency’s operations for the following—

- (a) the need for existing or additional assets;
- (b) the amounts set as the thresholds for recognising assets and for revaluing non-current physical assets;
- (c) the appropriateness of the depreciation methods used;
- (d) the agency’s physical assets maintenance strategy.

Elements of systems for asset management

45.(1) An agency’s systems for asset management must provide for identifying, acquiring, maintaining, disposing of, valuing, recording and writing-off assets.

(2) Identifying assets includes—

- (a) identifying cost-effective options for acquiring, maintaining and disposing of assets; and
- (b) promptly identifying assets; and
- (c) setting an amount (not more than \$5 000) as the threshold for the agency's assets, and recognising an asset costing more than the threshold; and
- (d) verifying the existence of assets on a regular basis.

(3) Acquiring assets includes obtaining appropriate authority before acquiring the assets.

(4) Maintaining assets includes—

- (a) using assets for authorised purposes only; and
- (b) maximising the benefits from using assets; and
- (c) protecting assets from loss; and
- (d) storing assets securely.

(5) Disposing of assets includes developing and implementing systems for disposing of the assets, as required under section 49.³¹

(6) Valuing assets includes—

- (a) valuing and revaluing non-current physical assets under the deprival value principle and prescribed accounting standards; and
- (b) valuing assets, other than non-current physical assets, under the prescribed accounting standards; and
- (c) accurately calculating depreciation of assets.

(7) In revaluing an agency's non-current physical assets, the accountable officer or statutory body must—

- (a) set an amount (not more than \$1 000 000) as the threshold for each class of non-current physical assets (the **“revaluation threshold amount”**); and
- (b) comprehensively revalue (at least once every 5 years) and

³¹ Section 49 (Disposal of assets)

otherwise revalue (at least annually between comprehensive revaluations) the assets in each class that—

- (i) are more than the revaluation threshold amount for the class; and
- (ii) have a useful life of more than 3 years.

(8) Recording assets includes—

- (a) accurately calculating depreciation; and
- (b) maintaining an adequate audit trail; and
- (c) identifying and recording transactions for assets; and
- (d) obtaining information about assets to allow the timely provision of relevant and reliable information for the agency's managers and its external reports.

(9) Writing-off assets includes obtaining appropriate authority for writing-off the assets.

(10) The systems must also require assets held in trust to be dealt with separately from other assets.

Commentary—Elements of systems for asset management

In complying with section 45, the following comments should be considered—

1. *Most agencies hold significant assets. It is important for the assets to be used for their intended purpose and put to their optimal use. During asset verification procedures, agencies should be able to identify surplus assets and assets that are not used to their full capacity.*
2. *Before purchasing an asset, an agency should consider other alternatives. The evaluation process should also involve an assessment of the efficiency and effectiveness of the asset, the benefits expected from the asset, its suitability for the purpose and alternative methods of achieving the expected benefits. In choosing the most appropriate option for asset investment, opportunities for improved design and functional efficiency (having regard to whole-of-life costs and quality of service delivery outcomes) should be considered.*
3. *If an asset is identified and recognised as soon as it exists, an agency can promptly record, monitor and manage the benefits flowing from the asset and the associated expenses.*
4. *Assets should be appropriately maintained to maximise their benefit to the agency. There are further requirements about the development of a strategy for the*

maintenance of physical assets in section 48.

5. *Guidance on the recording and valuation of assets may be found in the document called 'Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector', as published by the Treasury Department.*
6. *The frequency of asset verification procedures should be decided after considering the risk profile and materiality of each class of asset. If practicable, all assets should be valued at least once in each financial year, particularly portable items.*
7. *To prepare and produce relevant and reliable information for an agency's managers and its external reports, it is essential that all transactions about assets are recorded accurately, completely and promptly. Therefore, a system should be established for identifying when an asset exists or is acquired and recording the details in the accounting systems. These details would include the acquisition date, acquisition cost, location, useful life and other identifiable details, including a serial number. Once recorded, management can make decisions regarding the asset's use. This should help management in planning and managing the agency's resources.*
8. *In addition to managing the resources of the agency efficiently and effectively, the accountable officer or statutory body is required to be accountable for its use of the resources. The use of internal controls helps in this process by confirming transactions are performed accurately, completely, on a timely basis and with appropriate approval. The internal controls required under part 5 division 2 are some of the internal controls to be implemented by agencies.*

Other documents to which accountable officers and statutory bodies must have regard

46. Each accountable officer and statutory body must, in managing the agency's assets efficiently and effectively, comply with the following documents, to the extent the documents apply to the agency—

- (a) State Purchasing Policy, as published by the Department of Public Works and Housing;
- (b) Government Land Management System Procedural Manual, as published by the Department of Natural Resources.

Evaluations of physical asset investments

47.(1) This section applies if an accountable officer or statutory body estimates the cost of an investment in a physical asset is \$1 000 000 or

more.

(2) Before making the investment, the accountable officer or statutory body must prepare a written evaluation about the investment.

(3) When evaluating the investment, the accountable officer or statutory body must—

- (a) prepare an appraisal of all reasonable investment options that would meet the needs of the agency; and
- (b) ensure the most appropriate and best value for money option is chosen; and
- (c) reassess the priority of the investment in relation to other investments in physical assets that are \$1 000 000 or more, as stated in the agency's physical assets strategic plan; and
- (d) provide for a review of completed assets to ensure the agency's needs were met, and compare actual performance with original objectives of the assets.

(4) Within 6 months after the end of a department's financial year, the accountable officer must give to the Treasurer—

- (a) a list of the evaluations, and relevant amounts, performed in the financial year; and
- (b) a document describing the processes and results of evaluations under this section if—
 - (i) the Treasurer has asked for the document; or
 - (ii) the investment is estimated to be more than \$5 000 000.

Maintenance of assets

48.(1) Each accountable officer and statutory body must develop and implement a system for the maintenance of the agency's physical assets.

(2) An agency's system must ensure the agency's physical assets remain appropriate and productive at the lowest possible long term cost.

(3) Each accountable officer and statutory body must ensure the agency's system is consistent with, and supports, the agency's physical asset strategic plan.

Commentary—Other documents to which accountable officers and statutory bodies must have regard—Evaluations of physical asset investments—Maintenance of assets

In complying with sections 46 to 48, the following comments should be considered—

1. *Guidance about managing an agency's assets may be found in the following documents published by the Treasury Department—*
 - (a) *Project Evaluation Guidelines;*
 - (b) *Accounting Policy Note No. 1—Proceeds on Disposal of Departmental Non-Current Physical Assets;*
 - (c) *Accounting Policy Note No. 2—Losses and Special Payments;*
 - (d) *Accounting Policy Guideline No. 8—Standardised Non-Current Physical Asset Categories;*
 - (e) *Accounting Policy Guideline No. 9—Accounting for Work in Progress;*
 - (f) *Accounting Policy Guideline No. 10—Heritage Assets;*
 - (g) *Accounting Policy Guideline No. 11—Depreciation/Amortisation Expense and Accumulated Depreciation/ Amortisation;*
 - (h) *Accounting Policy Guideline No. 13—Definition and Treatment of Reserves.*
2. *The physical assets maintenance system of a department or statutory body may include an analysis of the following—*
 - (a) *the most cost-effective ways of maintaining the agency's physical assets;*
 - (b) *the appropriateness of the current level and cost of maintenance, in the context of the service potential and need for the agency's physical assets.*
3. *An agency's physical asset maintenance system may—*
 - (a) *evaluate and list maintenance projects according to appropriate maintenance criteria; and*
 - (b) *identify assets for which the maintenance requirements warrant consideration of retirement or disposal of the asset and link to the agency's system for the disposal of its assets.*

Disposal of assets

49.(1) Each accountable officer and statutory body must develop and implement systems for disposing of the agency's assets that are surplus to the agency's requirements.

(2) An agency's systems for disposing of assets must provide for—

- (a) the way of disposing of the assets, including disposing of the

- assets to another agency; and
 - (b) the amounts that are to be the thresholds for each way of disposing of the assets; and
 - (c) the assignment of authority to stated officers to authorise disposal of assets; and
 - (d) the assignment of responsibility to stated officers for disposing of assets.
- (3) The concurrent aims of each agency's systems must be—
- (a) reasonable value for money; and
 - (b) best overall use of public property.

Commentary—Disposal of assets

In complying with the section 49, the following comments may be considered—

1. *Best overall use of public property should include consideration of whether the asset may be used by another area of the agency, or another agency, and the processes for the appropriate transfer.*

Suspense accounts

50.(1) Each accountable officer and statutory body must develop and implement systems for accounts (“**suspense accounts**”) for holding money until the way in which the money is to be accounted for is decided.

- (2) An agency's systems for suspense accounts must ensure—
- (a) the sources of items in the accounts are readily identified; and
 - (b) amounts included in the accounts are promptly cleared; and
 - (c) reconciliations are performed to confirm the balance of each account; and
 - (d) reports are provided to the accountable officer or statutory body about items that have been in the agency's suspense accounts for more than 6 months.
- (3) A report must state—
- (a) the action taken to identify the source of each item; and

- (b) a recommendation about the proposed action for the item; and
- (c) a record of the consideration and decisions of the accountable officer or statutory body about the item.

Division 6—Cash management

Responsibility for cash management

51. Each accountable officer and statutory body must manage the agency's cash resources efficiently and effectively, including, for example, by developing and implementing systems for managing the agency's cash and the agency's involvement in cash transactions.

Elements of systems for cash management

52.(1) An agency's systems for cash management must provide for identifying, collecting, paying and investing cash, and recording transactions involving cash.

(2) Identifying cash includes identifying when transactions in cash are made and when cash is received.

(3) Collecting cash includes—

- (a) receipting and banking receipts promptly; and
- (b) storing cash securely.

(4) Paying cash includes making payments at a time that maximises returns on cash and satisfies payment terms.

(5) Investing cash includes—

- (a) promptly identifying cash surpluses or deficiencies to maximise the return on cash held; and
- (b) for a statutory body—investing cash under the prescribed requirements.

(6) Recording transactions involving cash includes—

- (a) recording details about the receipt of cash promptly; and
- (b) accounting for interest earned on money held in trust under a trust

deed or an Act; and

- (c) identifying, recording and reconciling cash transactions; and
- (d) maintaining an adequate audit trail; and
- (e) recording information about transactions to allow the timely provision of relevant and reliable information for the agency's managers and its external reports.

(7) Also, a department's systems for cash management must provide for transmitting timely and reliable cash flow forecasts to the Treasurer.

Commentary—Cash management

In complying with division 6, the following comments should be considered—

1. *The Treasurer invests cash on behalf of accountable officers through the power conferred on the Treasurer under the Financial Administration and Audit Act 1977, section 41. Statutory bodies may be authorised to invest cash, on their own behalf, under the Statutory Bodies Financial Arrangements Act 1982 or another Act.*
2. *An agency needs to be able to identify the sources of cash transactions, to anticipate the timing of the transactions and resultant impact on the agency's cash balance. This analysis enables adequate planning to be performed to manage the various increments and decrements of the cash balance and to maximise the investment of funds surplus to immediate requirements. Agencies should also conduct reviews to assess the accuracy of their cash flow forecasts.*
3. *Interest earned should be compared with the amount the agency expected to earn.*

Division 7—Liability management

Responsibility for systems for liability management

53. Each accountable officer and statutory body must manage the agency's liabilities efficiently and effectively, including, for example, by developing and implementing systems for managing the agency's liabilities.

Elements of systems for liability management

54.(1) An agency's systems for liability management must deal with the issues of identifying, incurring, measuring, satisfying and recording

liabilities.

(2) Identifying liabilities includes providing for—

- (a) identifying the options for incurring a liability; and
- (b) promptly identifying the existence of a liability, including, for example, employee entitlements, loans, repayable advances, leasing liabilities and revenue received for goods or services that have not yet been provided.

(3) Incurring liabilities includes—

- (a) incurring liabilities for authorised purposes; and
- (b) requiring appropriate authority before incurring liabilities.

(4) Measuring liabilities includes assessing the amount of the liabilities.

(5) Satisfying liabilities includes settling the liabilities when they become due.

(6) Recording liabilities includes—

- (a) recording the liabilities in the name of the agency; and
- (b) recording the details of the liabilities, including, for example, the date it is incurred, the settlement date, payment terms and interest rate; and
- (c) maintaining an adequate audit trail; and
- (d) identifying and recording transactions about liabilities; and
- (e) providing information about liabilities to allow the timely provision of relevant and reliable information for the agency's managers and its external reports.

(7) Also, the systems for liability management must include—

- (a) complying with the prescribed requirements; and
- (b) promptly identifying, monitoring and recording contingent liabilities or commitments for capital expenditure.

Commentary—Liability management

In complying with division 7, the following comments should be considered—

1. *It is essential a liability is identified as soon as it exists. Management needs to be*

aware of the liability so as to consider its effect when arranging agency activities. The agency should confirm the liability is legally binding. Guidance on liabilities may be found in the following documents published by the Treasury Department—

- (a) Accounting Policy Guideline No. 6—Definition and Recognition of Liabilities;
 - (b) Accounting Policy Guideline No. 7—Accounting for Employee Entitlements.
2. An agency should forecast its cash flows to ensure it is able to satisfy its liabilities as they fall due. Reasonable details about liabilities should be kept to ensure the correct amount is calculated and settled.
 3. In some instances it may be necessary to estimate, on reasonable grounds, the amount of a liability, for example, employee entitlements.

Division 8—Financial information management

Responsibility for financial information management

55. Each accountable officer and statutory body must manage the agency's financial information efficiently and effectively, including, for example, developing and implementing systems for information management.

Elements of systems for financial information management

56.(1) An agency's systems for financial information management must deal with the issues of recording, storing, keeping, retrieving and destroying financial information.

(2) In developing and implementing the systems, each accountable officer and statutory body must—

- (a) have regard to the information standards; and
- (b) ensure the *Libraries and Archives Act 1988* is complied with; and
- (c) for information about a person other than a department or statutory body—ensure information about the person is secure.

(3) Also, the agency's systems must provide for—

- (a) responding to reasonable requests for information within a reasonable period; and

- (b) providing information on a cost-effective basis; and
- (c) providing relevant and reliable information; and
- (d) providing safe custody for documents the accountable officer or statutory body—
 - (i) must, under an Act, keep in safe custody; or
 - (ii) considers it appropriate to keep in safe custody.

(4) Before introducing a computerised financial information system or significantly changing a financial information system, the accountable officer or statutory body must consult with—

- (a) the person immediately responsible for the agency's internal audit function, if relevant; and
- (b) the authorised auditor or, if the auditor-general has been exempted from the audit, the other auditor appointed under section 74 of the Act, on matters regarding audit and internal control.³²

Commentary—Elements of systems for financial information management

In complying with section 56, the following comments should be considered—

1. *To prepare and produce relevant, reliable and timely information for an agency's managers and its external reports, it is essential all necessary information about transactions is recorded accurately, completely and promptly.*
2. *The information management systems should be coordinated around the needs of management. The systems established should be cost-effective, for example, the cost of obtaining and retrieving the information should be, in most cases, less than the benefit obtained by having this information available. This analysis should consider the risks of not having the information available when making a decision.*
3. *The privacy of sensitive information is important and needs to be safeguarded. An agency should ensure access to information is restricted to authorised officers and any possibility of unauthorised disclosure of information is minimised.*
4. *When developing computerised financial information systems, liaison with internal and external auditors ensures appropriate processes and controls are included in the system to ensure the accountability of public funds and the safeguarding of public property. Also, liaison with the State archivist ensures appropriate processes and controls are included in the systems to ensure*

³² Section 74 (Exemption of certain public sector entities from audit by auditor-general) of the Act

information is able to be kept in an appropriate form for the necessary retention period and suitable strategies are developed for migrating information of continuing value through successive systems.

5. *Each accountable officer and statutory body should keep registers for certain type of documents including, for example, legal documents, cheques and other documents to be accounted for. The register for each type of document should include details about—*
 - (a) *the existence of the document; and*
 - (b) *its nature; and*
 - (c) *the destruction, cancellation, transfer or issue of the documents.*
6. *Associated topics include—*

part 4—Performance management.

Availability of financial information

57.(1) Each accountable officer and statutory body must keep financial information, in its original form, for—

- (a) if the information relates to 1 financial year—1 year after the date of the audit certificate for the financial year; or
- (b) if the information relates to more than 1 financial year—1 year after the date of the audit certificate for the last of the financial years to which the information relates.

(2) After the period for which financial information must be kept under subsection (1), the information may be kept in another form that—

- (a) ensures the integrity and reliability of data; and
- (b) enables it to be reproduced with or without the aid of another article or device.

(3) The financial information stated in schedule 2 must be kept, in its original form, for the period stated in the schedule for the information.³³

(4) Each accountable officer and statutory body must ensure financial information that may be required in evidence in proceedings or otherwise, or for an audit purpose, is kept until no longer required even if—

³³ Schedule 2 (System of information management)

- (a) for information stated in schedule 2—the period stated in the schedule for the information has ended; or
- (b) for other information—the period mentioned in subsection (1)(a) or (b) has ended.

(5) This section applies even if the State archivist has authorised the disposal of the financial information.³⁴

Commentary—Availability of financial information

In complying with section 57, the following comments should be considered—

1. *Each accountable officer and statutory body should consider keeping a register of information kept in another form under section 57(2). If financial information is destroyed on purpose, a register of destroyed information should be kept with information about each destruction. The registers should contain details to ensure an adequate audit trail is maintained about the information.*

PART 4—PERFORMANCE MANAGEMENT

Purpose of part

58.(1) The purpose of this part is to ensure departments and statutory bodies are operating efficiently, effectively and economically.

(2) The purpose is achieved by requiring each accountable officer and statutory body—

- (a) to obtain information about the agency's operations and decide if the agency's operations are achieving the goals identified in its plans; and

³⁴ However, this section does not authorise the disposal of financial information. The *Libraries and Archives Act 1988*, part 5 (Public records) provides for disposing of public records with the State archives and creates an offence of disposing of public records other than under that Act.

- (b) to report to the appropriate Minister about the achievement of the agency's goals and whether they continue to be appropriate.³⁵

Responsibility for information about performance

59. Each accountable officer and statutory body must obtain information about the way the agency performs its operations, including, for example, by developing and implementing systems—

- (a) to monitor the agency's financial and operational performance; and
- (b) to evaluate the achievement of its goals.

Elements of systems for information about financial performance

60. An agency's systems for obtaining information about financial performance must ensure the accountable officer or statutory body decides if the agency is—

- (a) maximising the yield of revenue from its available revenue base; and
- (b) operating within its budget and achieving reasonable value for money; and
- (c) maximising the benefits arising from its investments, including long and short term investments; and
- (d) maximising the use of, and the benefits available from, its assets, including, for example, debtors, inventories and non-current physical assets; and
- (e) minimising its costs and risks in relation to its liabilities and contingent liabilities; and
- (f) monitoring events or transactions that may have a material impact on the agency's operations.

³⁵ Section 18 (Elements of strategic plan) sets out the elements for which an agency's strategic plan must provide.

Commentary—Elements of systems for information about financial performance

In complying with section 60, the following comments should be considered—

1. *Accountable officers and statutory bodies are dependent on quality information to facilitate effective decision making. Information should be collected, compiled and available in an appropriate format to give a timely indication of the agency's performance.*
2. *Associated topics include the following divisions in part 3—Management of resources—*
 - division 2—Revenue management*
 - division 4—Expenses management*
 - division 5—Asset management*
 - division 6—Cash management*
 - division 7—Liability management.*

Elements of systems for information about operational performance

61. An agency's systems for obtaining information about operational performance must ensure the accountable officer or statutory body decides if the agency is—

- (a) achieving its goals efficiently, effectively and economically; and
- (b) allocating its resources to produce best value for money; and
- (c) providing its outputs at the standards stated in the agency's operational plan.

Commentary—Elements of systems for information about operational performance

In complying with section 61 the following comments should be considered—

1. *The information captured should be consistent with the intent of the goals and reflect the purpose of the performance indicators. The information may be quantitative in monetary terms or statistical or qualitative information.*
2. *The systems should also enable a comparison to be made between the progress of the agency's performance (actual results to date) and the set goals. This comparison must be available on a timely basis to ensure reasonable time is available for appropriate action to be identified, assessed and implemented. Also, the information should be accurate, reliable and appropriate as the agency's officers should use the information for important decisions and making recommendations about the agency's operations and direction.*

Reporting about performance

62. The systems mentioned in sections 60 and 61 must provide for the information to be given to the accountable officer or statutory body at least once every 3 months.

Elements of systems for evaluating achievement of agency's goals

63. An agency's systems for evaluating the achievement of its goals includes assessing the following—

- (a) the appropriateness of the goals and strategies to achieve each goal, as identified in the agency's strategic plan;
- (b) whether the agency's performance indicators are suitable to measure or evaluate the degree to which the goals have been achieved;
- (c) the options to improve the efficiency, effectiveness and economy of the agency's operations.

Report about achieving agency goals

64.(1) As soon as possible after the end of every financial year, each accountable officer and statutory body must prepare and deliver a report to the appropriate Minister about the results of the agency's evaluations during the year.

(2) The report must include—

- (a) information about the assessments required under section 63; and
- (b) progress about implementing actions proposed in the report for the preceding financial year; and
- (c) other matters in relation to the goals about which the accountable officer or statutory body considers it necessary or useful to advise the appropriate Minister.

(3) If the Treasurer asks the accountable officer of a department for a copy of the report, the officer must promptly give a copy to the Treasurer.

Commentary—Report about achieving agency goals

In complying with section 64, the following comments should be considered—

1. *The information in a report should be used by the agency during subsequent strategic and operational planning exercises. The exercises should also take into account associated comments given by the Minister.*
2. *The reporting, timing and process can be structured to align with other reporting processes of the agency, for example, annual reporting and corporate planning.*

PART 5—CORPORATE MANAGEMENT

Division 1—Introduction

What is corporate management

65.(1) Corporate management is the way the management of a department or statutory body controls the agency's functions and operations, and includes corporate governance.

(2) Corporate management incorporates the cultural and operational aspects of an agency that are influenced by management's actions and decisions.

(3) Also, corporate management includes the concepts of—

- (a) due care; and
- (b) public defensibility; and
- (c) the ethical principles under the *Public Sector Ethics Act 1994*, section 4.³⁶

³⁶ The *Public Sector Ethics Act 1994*, section 4(2) provides that—
'**“ethical principles”** for public officials are—

- respect for the law and system of government
- respect for persons
- integrity
- diligence
- economy and efficiency.'

(4) Corporate management also includes performance management, see part 4.³⁷

Purpose of part

66. The purpose of this part is to state the responsibilities of accountable officers and statutory bodies for the following aspects of corporate management—

- (a) internal control structure;
- (b) systems appraisals;
- (c) internal audit function;
- (d) risk management;
- (e) delegations;
- (f) reportable gifts.

Division 2—Internal control structure

Responsibility for internal control structure

67.(1) Each accountable officer and statutory body must establish a cost-effective internal control structure for the agency.³⁸

(2) The internal control structure must be included in the agency's manual.

Elements of structure for internal control

68. An agency's internal control structure must provide for—

- (a) the agency's control environment; and

³⁷ Part 4 (Performance management)

³⁸ "Internal control" is defined in section 5 of the Act as follows—
'**"internal control"** means the methods adopted within an entity—
(a) to safeguard its assets; and
(b) to check the accuracy and reliability of its accounting information; and
(c) to secure compliance with any prescribed requirements.'

- (b) the agency's information systems; and
- (c) the agency's control procedures.

Control environment

69. Each accountable officer and statutory body must develop and implement a control environment within the agency, including—

- (a) a strong emphasis on accountability, best practice management of the agency's resources and internal control; and
- (b) an organisational structure and delegations, supportive of the agency's goals and operations; and
- (c) efficient, effective and economic operation of the agency's internal audit function and, if an audit committee is established for the agency, the committee; and
- (d) employment of qualified and competent officers, training of the officers and assessment of their performance; and
- (e) if the agency controls another entity—the efficient, effective and economic operation of the entity and the maintenance of accountability for it.

Information systems

70.(1) Each accountable officer and statutory body must develop and implement information systems³⁹ within the agency for ensuring all transactions in which the agency is involved are recorded—

- (a) accurately, completely and promptly, including, for example, with details about the authority for the transactions; and
- (b) during the correct accounting period adopted by the agency; and
- (c) in a way that allows for the preparation of financial reports under the prescribed accounting standards.

³⁹ Section 56(4) (Elements of systems for financial information management) requires each accountable officer and statutory body to consult with certain persons before introducing a computerised financial information system or significantly changing a financial information system.

(2) Each information system must provide for—

- (a) controlling access to the system, including, for example, physical controls on access to computers and use of passwords to restrict access for authorised purposes only; and
- (b) maintaining an adequate audit trail; and
- (c) obtaining approval before developing or changing the agency's software applications; and
- (d) implementing, operating, maintaining and securing the information system; and
- (e) specifying, developing, modifying or purchasing information systems for the agency's business needs; and
- (f) recovering the information system if there is a breakdown of the system.

Control procedures

71.(1) Each accountable officer and statutory body must develop and implement internal controls within the agency for—

- (a) ensuring the effective, efficient and economical management of the agency's resources; and
- (b) accomplishing the agency's strategic goals.

(2) Without limiting subsection (1), the internal controls must include—

- (a) assigning responsibility to appropriate officers; and
- (b) separating the function of record-keeping from any other function to the extent practicable; and
- (c) establishing physical controls over access to and use of assets and records; and
- (d) internally checking and independently verifying data; and
- (e) preparing reconciliations and other administrative controls; and
- (f) properly authorising transactions and activities; and
- (g) preparing reasonable documentation and records on a timely basis; and

- (h) maintaining a well organised chart of accounts; and
- (i) preparing and maintaining comprehensive and current manuals; and
- (j) verifying transaction balances; and
- (k) providing regular assurance to the accountable officer or statutory body as to whether the agency's systems are cost-effective; and
- (l) regularly verifying the existence of assets against recorded information about the assets, and follow-up on the results of the comparison; and
- (m) complying with the prescribed requirements; and
- (n) preserving the accuracy, integrity and reliability of information systems; and
- (o) promptly detecting irregularities or errors.

(3) In developing and implementing an agency's internal controls, the accountable officer or statutory body must consider—

- (a) the inherent limitations of internal controls; and
- (b) the availability of alternative controls; and
- (c) the cost-effectiveness of particular controls.

Commentary—Internal control structure

In complying with division 2, the following comments should be considered—

1. *An agency's internal control structure plays an integral part in ensuring accountability. It is crucial the structure is cost-effective and appropriate for the transactions involved and gives reasonable assurance to the accountable officer or statutory body about the efficient, effective and economical operation of the agency.*
2. *The internal control structure includes—*
 - *management's philosophy and operating style—as well as the competence and integrity of management, style includes effective delegation, supervision, fiscal discipline and regular review of the internal control structure.*
 - *organisational structure—this includes the assigning of responsibility to appropriate officers, direct lines of communication and reporting and an efficient structure that is aligned with the goals and operations of the agency to facilitate the planning, coordination and monitoring of the agency's activities.*

- *human resources policies—the development and operation of various human resource policies covering recruitment and selection, training, qualifications, job rotation and performance assessment.*

Division 3—Appraisal of systems of agencies

Responsibility for appraisal of systems and follow-up actions

72.(1) Each accountable officer and statutory body must ensure the agency's systems remain cost-effective and appropriate for the operations of the agency, including, for example, by developing and implementing a framework to ensure the systems required under part 3 are regularly appraised (at least once every 3 years).⁴⁰

(2) Action required as a result of an appraisal of an agency's systems must be carried out by the accountable officer or statutory body.

Elements of framework for systems appraisal

73.(1) An agency's framework for appraising each of its systems must provide for deciding if each system is—

- (a) adequately documented in the agency's manual; and
- (b) functioning as documented; and
- (c) appropriate for its objectives; and
- (d) operating efficiently, effectively and economically; and
- (e) the best practice alternative for the agency's operations; and
- (f) providing for cost-effective controls to minimise the risks associated with the agency's operations.

(2) Each appraisal must be documented, including, for example—

- (a) the results of the appraisal; and
- (b) recommendations for follow-up action; and
- (c) the decision by the accountable officer or statutory body about the

⁴⁰ Part 3 (Management of resources)

action required as a result of the appraisal.

(3) Each appraisal of a system of an agency must also include an evaluation about the actions taken by the accountable officer or statutory body as a result of the preceding appraisal of the agency's system.

Conduct of appraisals

74.(1) Each appraisal of an agency's systems must be conducted by the accountable officer or statutory body in a way the officer or body considers appropriate.

(2) However, an appraisal must not be devolved to the internal audit function.

Commentary—Appraisal of systems of agencies

In complying with division 3, the following comments should be considered—

- 1. Systems appraisals give each accountable officer and statutory body a continuous improvement mechanism to help ensure the agency's systems remain the most appropriate, cost-effective and relevant for the agency's operations.*
- 2. One of the main benefits of a systems appraisal is the increased awareness for line managers of their responsibilities for the review and maintenance of adequate and cost-effective systems.*
- 3. The internal audit function may perform an independent review of the systems as part of the function's approved work program, as distinct from the manager's performance of the systems appraisal.*
- 4. The agency's manual should contain the broad principles and objectives of the appraisals, who is responsible for performing them, whether there are timing considerations and the mechanisms to be employed in reporting the results.*

Division 4—Internal audit and audit committees

Application of division

75. This division applies to each accountable officer and statutory body that has established an internal audit function within the agency.⁴¹

Responsibility for internal audit function

76. Each accountable officer and statutory body must develop and implement systems for ensuring the agency's internal audit function operates efficiently, effectively and economically.

Charter of internal audit function

77.(1) An agency's internal audit function must operate under an internal audit charter.

(2) Each agency's internal audit charter must—

- (a) be consistent with standards of the Australian Society of Certified Practising Accountants, the Institute of Internal Auditors and The Institute of Chartered Accountants in Australia; and
- (b) be approved by the accountable officer or statutory body; and
- (c) be readily available to the agency's officers.

(3) An agency's internal audit charter must include provisions about—

- (a) the scope of the internal audit function; and
- (b) organisational relationships, including the relationship with each controlled entity; and
- (c) the independence of the function; and
- (d) ancillary roles of the function; and
- (e) competence and standards; and

⁴¹ "Internal audit" is defined in section 5 of the Act as follows—

‘ “**internal audit**” means an independent appraisal activity established and maintained for the purposes of this Act’.

- (f) conduct of audit work; and
- (g) audit planning; and
- (h) reporting directly to the accountable officer or statutory body; and
- (i) shared internal audit staff and contracting for internal auditing by persons other than officers of the agency; and
- (j) confidentiality.

Planning by internal audit function

78.(1) An agency's internal audit function must prepare—

- (a) a strategic audit plan that provides an overall strategy for the internal audit function over a period of more than 1 year; and
- (b) an annual audit plan, having regard to the risk assessment for each area of the agency's operations; and
- (c) a plan for each audit to be performed under the annual audit plan.

(2) During the preparation of the agency's audit plans, the internal audit function must consult with—

- (a) the accountable officer or statutory body; and
- (b) the agency's officers in charge of the areas to be audited under the plan; and
- (c) the authorised auditor.

(3) An agency's strategic and annual audit plans must be approved by the accountable officer or statutory body.

Reports by internal audit function

79.(1) An agency's internal audit function must give to the accountable officer or statutory body and audit committee—

- (a) each audit report; and
- (b) a report about the performance of the annual audit plan and progressive results to date; and
- (c) other reports as the accountable officer or statutory body or

internal audit function considers necessary or useful.

(2) However, the manager or officer in charge of an audited area must be given a copy of the proposed audit report for the area and any comments of the person about the proposed report must be included in the final report.

(3) In this section—

“**audit report**” means a report by an agency’s internal audit function about the results of an audit it has conducted within the agency.

Consideration of reports

80. An agency’s accountable officer or statutory body must—

- (a) consider the contents of all reports under section 79, including actions required because of a report; and
- (b) ensure follow-up action is performed by reviewing the outcome of directions or recommendations made.

Relationship with authorised auditors

81. The internal audit function must consult with the authorised auditor—

- (a) during the planning phases of the audit plans; and
- (b) at other times the manager of the internal audit function considers appropriate.

Audit committees

82.(1) Each accountable officer and statutory body may establish and maintain an audit committee for the agency.

(2) If an audit committee is established, the accountable officer or statutory body must prepare terms of reference, including provisions about—

- (a) the role of the audit committee; and
- (b) its responsibilities; and
- (c) the membership of the committee; and

- (d) the relationship of the committee with the accountable officer or statutory body, the internal audit function and the authorised auditors.

(3) The audit committee of a statutory body must include members of the body.

Commentary—Internal audit and audit committees

In complying with division 4, the following comments should be considered—

1. *The existence of an internal audit unit in an agency strengthens the agency's internal control structure by giving an independent and objective review of the agency's operations.*
2. *For an agency's internal audit function to be effective, it should be independent of influence or direction about its operations. However, the internal audit function is part of the accountable officer's or statutory body's accountability mechanisms and should be under the direct control of the officer or body. The direct line of reporting ensures the accountable officer or statutory body is kept informed of progress and results of audits.*
3. *For a statutory body, the internal audit function should report directly to the body or to an audit committee of the body, rather than to the chief executive officer, to ensure the members of the statutory body receive advice on significant audit issues.*
4. *The following should be considered before deciding to include an activity (other than an internal audit function) in the scope of the function—*
 - (a) *limitations on the internal audit function's ability to give independent advice on the agency's operations;*
 - (b) *the impact on the core internal audit function;*
 - (c) *the availability of skills and knowledge required to effectively perform the activities.*
5. *To facilitate the audit process and promote acceptance of audit findings, managers should generally be kept informed of the audit's progress by regular briefings throughout the course of the audit.*
6. *The relationship between the internal audit function and authorised auditors should include regular consultation.*
7. *Guidance on the role, responsibilities and membership of audit committees may be found in the document called 'Guidelines on Audit Committees' made by the Treasurer.*

Division 5—Risk management

Responsibility for policies and systems for risk management

83. Each accountable officer and statutory body must protect the agency from unacceptable costs or losses associated with its operations, including, for example, by developing and implementing systems for effectively managing the risks that may affect the agency's operations.

Elements of systems for risk management

84. An agency's systems for risk management must provide for—

- (a) assessing the nature and extent of the risks associated with the agency's operations; and
- (b) deciding an acceptable level of loss; and
- (c) deciding the way to treat the risk; and
- (d) monitoring and reporting the level of risk exposure; and
- (e) evaluating the need for insurance.⁴²

Commentary—Elements of systems for risk management

In complying with section 84, the following comments should be considered—

1. *The nature and extent of the risks associated with an agency's operations should be identified and assessed to establish the level of threat the risk poses to the agency's operations. The assessment of the risks would involve 2 aspects—the probability the risk will eventuate and the potential adverse consequences. Risk management can be applied to almost every type of activity, including policy making, business decisions, purchasing methods, fraud control and contingency planning as well as to specialist areas, including, for example, foreign exchange.*
2. *Each agency needs to review existing and alternative control mechanisms. The mechanisms could include doing nothing, insurance, additional training, reorganising work methods and security measures. The use of insurance is only one aspect of risk management and should be considered in light of other ways to minimise the agency's risk exposure.*

⁴² Section 86 (Insurance contracts)

3. *The operations of an agency are subject to change. Change may introduce new risks or eliminate others. The areas prone to greater risks should be reviewed more frequently. Also, the accountable officer or statutory body should be regularly advised about the progress and status of the agency's risk management processes.*
4. *In developing and implementing an agency's systems for risk management, the accountable officer and statutory body should consider the following documents—*
 - (a) *the Australia and New Zealand Standard on Risk Management;*
 - (b) *Guidelines on Insurance, as published by the Treasury Department;*
 - (c) *Guidelines on Risk Management and Insurance, as published by the Treasury Department;*
 - (d) *Guidelines for Managing Risk in the Australian Public Service.*

Risk management committee

85.(1) Each accountable officer and statutory body may establish and maintain a risk management committee for the agency.

(2) If a risk management committee is established, the accountable officer or statutory body must prepare terms of reference, including provisions about—

- (a) the role of the committee; and
- (b) the responsibilities of the committee; and
- (c) the membership of the committee.

Insurance contracts

86. An accountable officer may enter into a contract of insurance with an insurer only if—

- (a) for insurance for the department other than for a departmental business undertaking—the accountable officer obtains the Treasurer's approval for taking out the insurance and entering into the contract; or
- (b) for insurance for a departmental business undertaking—the

contract complies with the document called ‘Guidelines on Insurance’.⁴³

Commentary—Insurance contracts

In complying with section 86, the following comments should be considered—

1. *Insurance is an integral part of the risk management process and can provide protection against large and unexpected losses, but insurance is of limited value for large organisations, and real financial benefits come only from the reduction or control of the risks themselves.*
2. *Within a department, a simple self-insurance scheme can provide the necessary financial protection in a cost-effective way and conditions of competitive neutrality for departmental business undertakings.*

Contract performance guarantee

87.(1) This section applies if—

- (a) an accountable officer or statutory body enters into a contract with a person (the “**contractor**”); and
- (b) the contractor agrees to give security as a guarantee for the performance of one or more of the contractor’s obligations under the contract (a “**contract performance guarantee**”).

(2) A contract performance guarantee must be one or more of the following types of security from an approved security provider—

- (a) a banker’s undertaking;
- (b) cash;
- (c) government bonds and inscribed stock;
- (d) insurance bonds or guarantee policies;
- (e) interest bearing deposits.

(3) However, if a contract performance guarantee is given by a person as an approved security provider and the person is no longer an approved

⁴³ See schedule 1 (Documents made by the Treasurer or published by the Treasury Department and to which section 46L(2) of the Act applies) for details about this document.

security provider, the accountable officer or statutory body must—

- (a) ask the contractor, by written notice, to provide acceptable security within 30 days after the date of the notice; and
- (b) take reasonable steps to ensure the contractor provides the acceptable security within the time.

(4) In this section—

“approved security provider” means a financial institution—

- (a) rated by Standard and Poor’s (Australia) Pty Ltd—
 - (i) with a long term rating not less than A-; or
 - (ii) with a short term rating not less than A-2; or
- (b) rated by Moody’s Investors Service—
 - (i) with a long term rating not less than A3; or
 - (ii) with a short term rating not less than Prime-2; or
- (c) rated by IBCA Limited—
 - (i) with a long term rating not less than A-; or
 - (ii) with a short term rating not less than A2; or
- (d) that is subject to a national supervisory scheme (including, for example, the Financial Institutions Scheme), complies with all requirements under the scheme and is approved by the Treasurer.

Division 6—Delegations

Responsibility for delegations

88. Each accountable officer and statutory body must develop and implement systems for delegations within the agency.

Elements of systems for delegations

89.(1) An agency’s systems for delegations must ensure the effective delegation of authority within the agency.

(2) Before delegating a power, the accountable officer or statutory body

must consider—

- (a) the agency's internal control structure; and
- (b) the control procedures operating for the transactions that are covered by the delegated power; and
- (c) the significance of the transactions.

(3) The agency's systems for delegations must also provide for documenting, communicating and regularly reviewing, the delegations.

(4) An agency's manual must include—

- (a) the delegations for the agency; or
- (b) a reference to where the delegations may be found.

Commentary—Delegations

In complying with division 6, the following comments should be considered—

1. *The government may set various policies for transactions, goods or services and decide the upper limit on expenditure for transactions, including entering into of contracts. The policies should be incorporated into the delegations to ensure consistency with the policies. The requirements should be clearly identified and communicated to the appropriate officers.*
2. *Delegations also help in ensuring the agency operates effectively and efficiently by empowering the officers with appropriate delegations. For this reason, it is essential the delegation is assigned to ensure officers can perform their duties effectively.*
3. *The delegations should be communicated to the officers of the agency to ensure they are aware of the necessary procedures for various transactions, including, for example, information about monetary limits to which a delegation may be subject. Recording and documenting the delegations ensures the delegations are firmly established and recorded for the reference of the agency's officers.*
4. *Associated topics include the following divisions in part 3—Management of resources—*
 - division 2—Revenue management*
 - division 4—Expense management*
 - division 5—Asset management.*

Division 7—Reportable gifts

Definitions for division

90. In this division—

“code of conduct”, of a department or statutory body, means the approved code of conduct of the department or body under the *Public Sector Ethics Act 1994*.

“current market value”, of a gift, means the market value of the gift on the day it is received.

“gift” includes—

- (a) a gift of entertainment, hospitality, travel or other benefit; and
- (b) a gift of a valuable item of property, whether of a personal nature or otherwise, including, for example, ornate and precision display items, clocks, furniture, figurines, works of art, jewellery, personal items containing precious metals or stones and fine art work.

Meaning of “reportable gift”

91.(1) “Reportable gift” is a gift received by an officer of a department, or a member or officer of a statutory body, other than a gift made by a personal friend or a family member, in a purely personal capacity.

(2) A gift is not a reportable gift if its current market value does not exceed \$100.00.

(3) However, if the officer or member, within 1 year before the date of the gift, has received another gift from the giver, and the current market value of all gifts exceeds \$100.00, all gifts are reportable gifts.

Reportable gift declaration

92.(1) This section applies if—

- (a) a department or statutory body does not have a code of conduct;
or
- (b) the code of conduct of a department or statutory body does not

provide for making declarations about the receipt of a reportable gift (however described in the code of conduct).

(2) Within 14 days of the receipt of a reportable gift, an officer of a department or a member or officer of a statutory body must complete a reportable gift declaration.

(3) The reportable gift becomes the property of the department or statutory body upon receipt and must be dealt with as an agency's asset.

Register about gifts made and received

93.(1) This section applies if—

- (a) a department or statutory body does not have a code of conduct; or
- (b) the code of conduct of a department or statutory body does not provide for keeping registers about making or receiving reportable gifts (however described in the code of conduct).

(2) Each accountable officer of the department, or statutory body, must keep—

- (a) a register of gifts made by the agency; and
- (b) a register of reportable gifts received by members or officers of the agency.

(3) Each register must include—

- (a) the date the reportable gift was made or received; and
- (b) the persons involved in making or receiving the gift; and
- (c) the description of the reportable gift; and
- (d) the approval given for making the gift, if relevant; and
- (e) the present location of the gift or the application of the proceeds from its disposal.

Commentary—Reportable gifts

In complying with division 7, the following comments should be considered—

1. *An agency's manual should outline situations officers should avoid and actions to*

be taken if a situation does arise, including, for example, monetary gifts should not be accepted in any circumstance.

2. *In developing systems, an agency should consider other relevant matters, including, for example, the Criminal Code, Public Sector Ethics Act 1994 and the State Purchasing Policy, as published by the Department of Public Works and Housing.*
3. *Because of the nature of the reportable gifts, the details and circumstances of the gift should be recorded and documented to form an official record of the gift. This should discourage officers from acting unethically.*

PART 6—REPORTING BY DEPARTMENTS AND STATUTORY BODIES

Division 1—Purpose of part

Purpose

94. The purpose of this part is to state—

- (a) the requirements for annual reports and annual financial statements; and
- (b) the application of the prescribed accounting standards in preparing the annual financial statements.

Division 2—Annual reporting

Content of annual report

95.(1) The following information about an agency must be included in the agency's annual report—

- (a) the constitution, goals and functions of the agency, including, for example—
 - (i) the Act under which the agency is established and the date it was established; and

- (ii) the agency's statutory objectives, functions and powers; and
 - (iii) the agency's financial or social goals identified in its strategic plan;
- (b) the location of the agency's principal place of business and regional offices;
- (c) its structure, including, for example—
 - (i) a summary of the agency's organisational structure; and
 - (ii) for a statutory body—the names, appointment criteria in terms of statutory requirements and basis or term of appointment of members of the body; and
 - (iii) for a controlled, associated or trustee body of the agency—the authority for its establishment and the way it is to be audited for the Act;
- (d) if the annual report was prepared or given after the times allowed by section 37B(1) or 46J(1) of the Act—the reason for not preparing or giving the report within the period stated in the relevant section;⁴⁴
- (e) a review of the progress in achieving the agency's statutory obligations, including the effectiveness and efficiency of the agency's operations during the financial year;
- (f) information about the agency's operations, including, for example—
 - (i) an outline of the nature and range of the agency's operations and a summary of significant operations; and
 - (ii) changes in the law, the economic climate or other factors that have affected, or may affect, the agency; and
 - (iii) human resourcing issues, including, for example, an organisation chart, staffing policies and establishment, management development, industrial relations and safety; and
 - (iv) overseas travel undertaken by the agency's officers and, for a

⁴⁴ Sections 37B (Annual report by department) and 46J (Annual report) of the Act

- statutory body, members of the body; and
- (v) matters of interest to special interest groups served or regulated by the agency; and
 - (vi) expenditure on each category of consultancies under the State Purchasing Policy, as published by the Department of Public Works and Housing; and
 - (vii) for a statutory body—the number of meetings of the body;
- (g) a review of financial and social goals to be achieved by continuing the present functions and proposed functions;
- (h) a review of the proposed forward operations of the agency, including—
- (i) its forward plans, proposed changes to operations and the need to continue current operations; and
 - (ii) the goals identified in the agency's strategic plan for the next financial year;
- (i) details of the public availability of the annual report.

(2) However, the annual report of a government owned corporation need not include the information required under subsection (1)(a)(iii), (e), (f)(iv) and (vi), (g) and (h).

Additional requirements for other entities in annual report of agency

96.(1) An agency's annual report must also include—

- (a) a list of entities controlled by the agency, together with—
 - (i) a statement of the functions of each entity; and
 - (ii) details of financial reporting arrangements for each entity; and
 - (iii) if an entity has been exempted, under a regulation, from audit by the auditor-general, the way in which the regulation provides for the entity's audit; and
- (b) a list of other bodies that—
 - (i) have been formed or acquired by the agency to carry out

functions in relation to the agency's functions (excluding normal contractual arrangements); and

- (ii) receive funds from the agency to carry out the agency's functions.

(2) A department's annual report must also include a schedule of statutory authorities or instrumentalities that are part of the department, together with details of—

- (a) legislation under which the authorities or instrumentalities are established; and
- (b) whether the transactions of the authorities or instrumentalities are accounted for in the department's financial statements.

(3) This section is in addition to sections 37B and 46J of the Act and section 95.⁴⁵

Commentary—Annual reporting

In complying with division 2, the following comments should be considered—

1. *An agency's annual report is a mechanism to enable the accountable officer or statutory body to discharge the officer's or body's duties. The detail included in an annual report is, to some extent, influenced by the social and economic significance of the agency, its size and whether or not it is a subordinate unit within a group of departments or statutory bodies. However, a comprehensive report would be expected from the more significant agencies.*
2. *Further guidance about annual reports may be found in the document called 'Guidelines for Annual Reports' issued by the Department of the Premier and Cabinet.*

Division 3—Annual financial statements

Requirements for annual financial statements of departments

97.(1) Each accountable officer must prepare the department's annual financial statements for each financial year under—

⁴⁵ Section 37B (Annual report by department) of the Act, section 46J (Annual report) of the Act and section 95 (Content of annual report).

- (a) the accounting standards stated in schedule 3⁴⁶ to the extent the standards apply to the department; and
- (b) the document called ‘Minimum Reporting Requirements for the Preparation of General Purpose Financial Statements of Government Departments’.⁴⁷

(2) If there is a departmental reporting entity within a department, the accountable officer of the department must prepare financial statements for the entity—

- (a) under the accounting standards stated in schedule 3 to the extent the standards apply to the departmental reporting entity; and
- (b) in the form of schedule 4,⁴⁸ including—
 - (i) a profit and loss statement; and
 - (ii) a balance sheet; and
 - (iii) a statement of cash flows; and
 - (iv) notes about the documents mentioned in subparagraphs (i) to (iii).

(3) A departmental reporting entity’s financial statements must be consolidated with the department’s financial statements for the annual report.

(4) The accountable officer must ensure—

- (a) the financial statements for each departmental reporting entity is included in the department’s annual report; or
- (b) if the statements are not included in the report, a note is included stating, if a person wants a copy of a departmental reporting entity’s financial statements, the person must contact the department.

(5) The accountable officer must ensure copies of the departmental

⁴⁶ Schedule 3 (Prescribed Accounting Standards)

⁴⁷ See schedule 1 (Documents made by the Treasurer or published by the Treasury Department and to which section 46L(2) of the Act applies) for details about this document.

⁴⁸ Schedule 4 (Annual Financial Statements for Business Undertakings)

reporting entity's financial statements are available from the department if subsection (4)(b) applies.

Requirements for annual financial statements of statutory bodies

98.(1) If a statutory body is a business undertaking, the body must prepare its annual financial statements—

- (a) under the accounting standards stated in schedule 3⁴⁹ to the extent the standards apply to the body; and
- (b) in the form of schedule 4,⁵⁰ including—
 - (i) a profit and loss statement; and
 - (ii) a balance sheet; and
 - (iii) a statement of cash flows; and
 - (iv) notes about the documents mentioned in subparagraphs (i) to (iii).

(2) If a statutory body is not a business undertaking, the body must prepare its annual financial statements—

- (a) under the accounting standards stated in schedule 3 to the extent the standards apply to the body; and
- (b) in the form of schedule 5,⁵¹ including—
 - (i) an operating statement; and
 - (ii) a statement of financial position; and
 - (iii) a statement of cash flows; and
 - (iv) notes about the documents mentioned in subparagraphs (i) to (iii).

⁴⁹ Schedule 3 (Prescribed Accounting Standards)

⁵⁰ Schedule 4 (Annual Financial Statements for Business Undertakings)

⁵¹ Schedule 5 (Annual Financial Statements for Non-Business Undertakings)

Use of forms in schedules 4 and 5 and statements in forms

99.(1) An accountable officer or statutory body may change the form of a document or note in schedule 4 or 5 to the extent the officer or body considers it necessary to more appropriately provide a true and fair view of the agency's operations.

(2) However, each document in schedules 4 and 5 must—

- (a) state the name of the agency or departmental reporting entity; and
- (b) state the period to which it relates; and
- (c) include comparative amounts for the previous financial year but, if the amounts are not available, the reasons why they are unavailable; and
- (d) for an economic entity—include information about the economic entity and the parent entity in adjacent columns; and
- (e) be prepared in the English language and Australian dollars.

Commentary—Annual financial statements

In complying with division 3, the following comments should be considered—

1. *The content of annual financial statements required under division 3 is the minimum considered relevant to users of general purpose financial statements.*
2. *To ensure the information provided is relevant to users for making and evaluating decisions about the allocation of scarce resources, disclosures relating to performance, financial position, financing and investing and compliance should be made in a way that helps in discharging accountability.*
3. *Schedule 3 sets the prescribed accounting standards. However in each standard, there is an application provision. Accountable officers and statutory bodies need to decide if the agency is one to which a particular standard applies by considering the application provision of each prescribed accounting standard—see, for example, clauses 4 and 5 of SAC 4 Definition and Recognition of the Elements of Financial Statements.*
4. *More information on the characteristics of information is contained in 'SAC 3—Qualitative Characteristics of Financial Information'.*

PART 7—TRANSITIONAL AND REPEAL PROVISIONS

Definition for part

100. In this part—

“**continuing standards**” means the standards as in force immediately before the day of the commencement of the *Financial Administration and Audit Amendment Act 1996*,⁵² sections 4(5) and (6), 30, 31 and 37.

Financial information

101.(1) This section applies to each record that, immediately before the commencement of this section, was required to be kept under the continuing standards.

(2) The record is financial information and section 57 applies to it.

(3) The period for which the financial information was kept under the continuing standards⁵³ must be taken into account when calculating the periods under section 57 and schedule 2.

Planning by agency

102.(1) This section applies to an accountable officer or statutory body that was required to prepare the following plans under the continuing standards for a period commencing on 1 July 1997—

- (a) strategic plan;
- (b) operational plan;

⁵² The *Public Finance Standards 1990* continue to have effect as if they had been made under the Act after the commencement of the *Financial Administration Amendment Act 1996*, sections 4(5) and (6), 30, 31 and 37, because of the *Statutory Instruments Act 1992*, section 20C.

⁵³ The relevant provision of the continuing standards was the *Public Finance Standards 1990*, section 401 (Retention of records). Section 57 (Availability of financial information) and schedule 2 (System of information management)

- (c) physical assets strategic plan;
- (d) information systems strategic plan.

(2) If the accountable officer or statutory body complied with the requirement, each plan is a plan for the same or similar purpose under this standard for a period commencing on 1 July 1997.

(3) However, if the accountable officer or statutory body did not comply with the requirement for a plan mentioned in subsection (1), the accountable officer or statutory body must, by 30 September 1997, prepare the plan under this standard.

(4) Subsection (3) applies even though the relevant provision of this standard requires the plan to be prepared before the period to which it relates.

(5) This section expires on 30 June 1998.

Existing systems

103.(1) If an accountable officer or statutory body is required under this standard to develop systems for a matter and, at the commencement of this section, there are existing systems within the agency for the matter, the existing systems may form the basis of the systems required under this standard.

(2) This section expires on 30 June 1998.

Repeal

104. The continuing standards are repealed.⁵⁴

⁵⁴ See section 100 (Definition for part).

SCHEDULE 1**DOCUMENTS MADE BY THE TREASURER OR
PUBLISHED BY THE TREASURY DEPARTMENT
AND TO WHICH SECTION 46L(2) OF THE ACT
APPLIES**

section 14(3)

1. 'Client Service Standards Policy and Guidelines', as published by the Treasury Department in December 1995.
2. 'Commercialisation of Government Service Functions in Queensland', as tabled in the Legislative Assembly on 23 November 1994.
3. 'Full Cost Pricing Policy', as published by the Treasurer in May 1997.
4. 'Guidelines on Audit Committees', as published in June 1993.
5. 'Guidelines on Insurance', as published by the Treasury Department in February 1993.
6. 'Minimum Reporting Requirements for the Preparation of General Purpose Financial Statements of Government Departments for 1996/1997', as made by the Treasurer in May 1997.
7. 'Physical Asset Strategic Planning Guidelines', as published by the Treasury Department in October 1995—Departments only.
8. 'Project Evaluation Guidelines', as published by the Treasury Department in March 1997.
9. 'Treasurer's Guidelines for the use of the Queensland Corporate Card', as made by the Treasurer on 15 August 1996.

SCHEDULE 2**SYSTEM OF INFORMATION MANAGEMENT**

section 57

1. 20 years after the financial year to which the following financial information relates—
 - the central accounting record, including, for example, the general ledger or, if cash accounting only is used, the summary cash book or similar document
2. 10 years after the financial year to which the following financial information relates—
 - main transaction summary records, including, for example, general journals and transaction summaries
 - internal audit reports
 - system appraisals
3. 5 years after the financial year to which the following financial information relates—
 - primary evidentiary records, including, for example, copies of forms issued for value, vouchers to support payments made including pay sheets and acquittances for cash payments and cheques (if returned), cheque journals, invoice (sales) journals, abstracts and similar records associated with the receipt or payment of money
 - subsidiary ledgers, including, for example, inventory cards, accounts payable, accounts receivable and records relating to assets no longer held or liabilities that have been discharged
4. 3 years after the financial year to which the following financial information relates—

SCHEDULE 2 (continued)

- supplementary or partial type accounting records, including, for example, cash register strips, bank statements and time sheets
5. 2 years after the financial year to which the following financial information relates—
- general and incidental source documents not included in items 1 to 4, including, for example, stock issue and receivable notes, copies of official orders (other than the copies used to substantiate payments or for unperformed contracts), bank deposit books, bank statements and cash by post book.

SCHEDULE 3**PRESCRIBED ACCOUNTING STANDARDS**

sections 97, 98 and 99

**PART 1—STATEMENTS OF ACCOUNTING
CONCEPTS**

- SAC 1 Definition of the Reporting Entity
- SAC 2 Objectives of General Purpose Financial Reporting
- SAC 3 Qualitative Characteristics of Financial Information
- SAC 4 Definition and Recognition of the Elements of Financial Statements

PART 2—AUSTRALIAN ACCOUNTING STANDARDS

- AAS 1 Profit and Loss or other Operating Statements
- AAS 2 Measurement and Presentation of Inventories in the Context of the Historical Cost System
- AAS 3 Accounting for Income Tax (Tax-effect Accounting)
- AAS 4 Depreciation of Non-Current Assets
- AAS 5 Materiality
- AAS 6 Accounting Policies
- AAS 7 Accounting for the Extractive Industries
- AAS 8 Events Occurring After Balance Date
- AAS 10 Accounting for the Revaluation of Non-Current Assets
- AAS 11 Accounting for Construction Contracts

SCHEDULE 3 (continued)

- AAS 13 Accounting for Research and Development Costs
- AAS 15 Disclosure of Operating Revenue
- AAS 16 Financial Reporting by Segments
- AAS 17 Accounting for Leases
- AAS 18 Accounting for Goodwill
- AAS 19 Accounting for Interests in Joint Ventures
- AAS 20 Foreign Currency Translation
- AAS 21 Accounting for the Acquisition of Assets (including Business Entities)
- AAS 23 Set-off and Extinguishment of Debt
- AAS 24 Consolidated Financial Reports
- AAS 25 Financial Reporting by Superannuation Plans
- AAS 26 Financial Reporting of General Insurance Activities
- AAS 28 Statement of Cash Flows
- AAS 29 Financial Reporting by Government Departments
- AAS 30 Accounting for Employee Entitlements
- AAS 31 Financial Reporting by Governments
- AAS 32 Specific Disclosures by Financial Institutions
- AAS 33 Presentation and Disclosure of Financial Instruments

PART 3—URGENT ISSUES GROUP ABSTRACTS

- Abstract 1 Lessee Accounting for Surplus Leased Space Under a Non-cancellable Operating Lease
- Abstract 2 Accounting for Non-Vesting Sick Leave
- Abstract 3 Lessee Accounting for Lease Incentives under a Non-Cancellable Operating Lease

SCHEDULE 3 (continued)

- Abstract 4 Disclosure of Accounting Policies for Restoration Obligations in the Extractive Industries
- Abstract 6 Accounting for Acquisitions—Deferred Settlement of Cash Consideration
- Abstract 7 Accounting for Non-current Assets—Derecognition of Intangible Assets and Change in the Basis of Measurement of a Class of Assets
- Abstract 8 Accounting for Acquisitions—Recognition of Restructuring Costs as Liabilities
- Abstract 9 Accounting for Acquisitions—Recognition of Acquired Tax Losses
- Abstract 11 Accounting for Contributions for the Acquisition of Non-Current Assets
- Abstract 12 Accounting for the Costs of Modifying Computer Software for the Year 2000

SCHEDULE 4

ANNUAL FINANCIAL STATEMENTS FOR BUSINESS UNDERTAKINGS

sections 97(2)(b) and 98(1)(b)

PART 1—PROFIT AND LOSS STATEMENT

(Name of business undertaking)

PROFIT AND LOSS STATEMENT

For the year ended 19..

	(Current year)	(Previous Year)
	19..	19..
Operating revenues		
Each material class of operating revenue	x	x
Total operating revenues	x	x
Operating expenses		
Each material class of operating expenses	x	x
Total operating expenses	x	x
Operating profit or loss	x	x
Income tax (equivalent) attributable to operating profit or loss	x	x
Operating profit or loss after income tax (equivalent)	x	x
Profit or loss on extraordinary items	x	x
Income tax (equivalent) attributable to extraordinary items	x	x
Profit or loss on extraordinary items after income tax (equivalent)	x	x
Operating profit or loss after extraordinary items and income tax (equivalent)	x	x

SCHEDULE 4 (continued)

Notes relating to the profit and loss statement

In addition to the disclosure requirements of applicable Australian Accounting Standards, other disclosures, if material, must be given by way of a note or otherwise for—

Revenue

- abnormal items
- dividends
- extraordinary items
- increments arising from valuation adjustments to a class of assets (if required by AAS 10 to be included as revenue)
- interest
- profit on disposal of non-current assets
- write back of provisions
- other significant classes of revenue

Expenses

- abnormal items
- auditor's remuneration
- bad and doubtful debts
- decrements arising from valuation adjustments to a class of assets (if AAS 10 requires the decrements to be included as an expense)
- extraordinary items
- interest
- lease rental expenses for operating leases and finance charges for finance leases
- loss on disposal of non-current assets
- provisions expense required to recognise the amortisation, depreciation, future maintenance or other diminution in the value of a class of assets
- provisions expense for doubtful debts and employee entitlements
- other significant classes of expense.

SCHEDULE 4 (continued)

PART 2—BALANCE SHEET

(Name of business undertaking)

BALANCE SHEET**As at 19..**

	(Current year) 19..	(Previous year) 19..
CURRENT ASSETS		
Cash	x	x
Receivables	x	x
Investments	x	x
Inventories	x	x
Other	x	x
Total current assets	x	x
NON-CURRENT ASSETS		
Receivables	x	x
Investments	x	x
Inventories	x	x
Property, plant and equipment	x	x
Intangibles	x	x
Other	x	x
Total non-current assets	x	x
Total assets	x	x
CURRENT LIABILITIES		
Creditors	x	x
Borrowings	x	x
Provisions	x	x
Other	x	x
Total current liabilities	x	x
NON-CURRENT LIABILITIES		
Creditors	x	x
Borrowings	x	x
Provisions	x	x
Other	x	x
Total non-current liabilities	x	x
Total liabilities	x	x
Net assets	x	x
EQUITY		
Parent entity interest		
Capital	x	x
Reserves	x	x
Accumulated profits or losses	x	x
Total parent equity interest	x	x
Outside equity interest		
Capital	x	x
Reserves	x	x
Accumulated profits or losses	x	x
Total outside equity interest	x	x
Total equity	x	x

 SCHEDULE 4 (continued)
Notes relating to the balance sheet

1. In addition to the disclosure requirements of applicable Australian Accounting Standards, other disclosures, if material, must be given by way of a note or otherwise for—

- **Current assets**

Receivables	debtors loans and advances rights to indemnity for liabilities incurred for a trust
Investments	government and semi-government stocks and bonds debentures description and market value of investments quoted on the relevant stock exchange
Inventories	raw materials and stores work in progress finished goods property held for resale construction work in progress, including, for example, accounting for construction contracts under AAS 11
Other	prepayments

- **Non-current assets**

Receivables)	as for current assets, but showing the amounts not expected to be realised within 1 year
Investments)	
Inventories)	
Property, plant and equipment	land buildings plant and equipment capital work in progress
Intangibles	goodwill identifiable intangible assets, including, for example, patents, trademarks, licences and brand names

 SCHEDULE 4 (continued)

- **Current liabilities**

Creditors	creditors leases
Borrowings	bank overdrafts bank loans debentures other loans
Provisions	dividends taxation or taxation equivalents employee entitlements guarantees for loans, interest payments or overdrafts
Other	unearned revenue

- **Non-current liabilities**

Creditors)	
Borrowings)	as for current liabilities, but showing the
Provisions)	amounts not to be settled within 1 year
Other)	

- **Equity**

Capital	movements in capital dividends declared dividends paid
Reserves	transfers to or from reserves movement in reserves.

2. Other asset, liability and equity disclosures, if material, must be given by way of a note or otherwise for—

- **Provisions for assets**

A provision for amortisation, depreciation, future maintenance or other diminution in value of a class of assets must be disclosed separately as a deduction from the amount of the class of assets concerned.

SCHEDULE 4 (continued)

- **Amounts held by trustees for redemption of borrowings**

Amounts held by trustees for redemption or borrowings must be shown as a deduction from the amount of the class of borrowing and the arrangement for the audit of the trustee accounts must be disclosed.

- **Property held for resale**

If property is held for resale, the cost of acquisition, capitalised development costs and other capitalised holding costs must be separately disclosed.

- **Secured liabilities**

If a liability is secured by a charge, the nature of the security given and the amount secured must be disclosed.

- **Standby facilities**

If financing arrangements include credit facilities or loan rollover facilities, the nature of the facility, the amount of finance not drawn down at the reporting date and restrictions on use must be disclosed.

- **Borrowing restrictions**

If an undertaking has been given to a lender to restrict further borrowing or other borrowing restrictions apply, the details of the undertaking must be disclosed.

- **Classification of amounts payable and amount receivable**

If a reporting entity has a liability to repay amounts received in response to an invitation to the public to subscribe to debentures or other securities offered by the entity or has guaranteed an invitation by another person or entity, debts payable and debts receivable must be disclosed so as to indicate the liabilities due within the following times after the financial period to which the financial report relates—

- (a) not later than 1 year;
- (b) later than 1 year and not later than 2 years;
- (c) later than 2 years but not later than 5 years;
- (d) later than 5 years.

SCHEDULE 4 (continued)

• Commitments for capital expenditure

The annual financial statements must disclose particulars of material capital expenditure contracted for at the balance date if the liabilities under the contract have not been recognised in the balance sheet. The note must disclose the commitments according to whether they are payable within the following times after the financial period to which the financial report relates—

- (a) not later than 1 year;
- (b) later than 1 year and not later than 2 years;
- (c) later than 2 years and not later than 5 years;
- (d) later than 5 years.

• Contingencies

Assets and liabilities that are not recognised in the balance sheet because of uncertainty about future events must be disclosed by way of note in the annual financial statements, if knowledge of the assets and liabilities is considered relevant to the users of the financial statements.

A note must be included disclosing, so far as is practical, the amount or estimated amount of the contingent asset or liability that is material, indicating whether it is for—

- (a) the reporting entity or, if the accounts are consolidated accounts, the parent entity; or
- (b) a controlled entity; or
- (c) an associated body; or
- (d) another body or person; or
- (e) superannuation schemes.

• Guarantees and undertakings

Particulars must be given of guarantees or undertakings given by the entity, including, for example, guarantees or undertakings for loans, interest payments and overdrafts.

SCHEDULE 4 (continued)

- **Money held in trust**

The notes must include details of money held on trust for external parties.

- **Operating Leases**

The notes must separately disclose the estimated net present value for operating leases, whether cancellable or non-cancellable, with individual estimated net present values of \$5 million or more.

SCHEDULE 4 (continued)

PART 3—STATEMENT OF CASH FLOWS

(Name of business undertaking)

STATEMENT OF CASH FLOWS**For year ended 19..**

	(Current year) 19..	(Previous year) 19..
CASH FLOWS FROM OPERATING ACTIVITIES		
Inflows:		
Each material class of inflows	x	x
Outflows:		
Each material class of outflows	x	x
Net cash provided by (used in) operating activities	x	x
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows:		
Each material class of inflows	x	x
Outflows:		
Each material class of outflows	x	x
Net cash provided by (used in) investing activities	x	x
CASH FLOWS FROM GOVERNMENT ACTIVITIES		
Inflows:		
Each material class of inflows	x	x
Outflows:		
Each material class of outflows	x	x
Net cash provided by government activities	x	x
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows:		
Each material class of inflows	x	x
Outflows:		
Each material class of outflows	x	x
Net cash provided by (used in) financing activities	x	x
Net increase (decrease) in cash held	x	x
Cash at beginning of reporting period	x	x
Cash at end of reporting period	x	x

SCHEDULE 4 (continued)

Notes relating to the statement of cash flows

Reconciliation of operating profit or loss after tax (equivalent) with net cash provided by (used in) operating activities

[Cash flows to or from government are to be identified as separate classes.]

SCHEDULE 5

ANNUAL FINANCIAL STATEMENTS FOR NON-BUSINESS UNDERTAKINGS

section 98(2)(b)

PART 1—OPERATING STATEMENT

(Name of non-business undertaking)

OPERATING STATEMENT

For year ended 19..

	(Current year) 19..	(Previous year) 19..
COST OF SERVICES		
Operating expenses		
Each material class of operating expenses	x	x
Total operating expenses	x	x
 Operating revenue from independent sources		
Each material class of operating revenue from customer sales and user charges	x	x
Each other material class of operating revenue from independent sources	x	x
Total operating revenue from independent sources	x	x
Net cost of services	x	x
REVENUE FROM GOVERNMENT		
Parliamentary appropriations received (other than equity contributions)	x	x
Liabilities assumed by government	x	x
Total Revenue from government	x	x
Change in net assets resulting from operations	x	x
Gain or loss on extraordinary items	x	x
Change in net assets resulting from operations and extraordinary items	x	x

SCHEDULE 5 (continued)

Notes relating to the operating statement

In addition to the disclosure requirements of applicable Australian Accounting Standards, other disclosures, if material, must be given by way of a note or otherwise for—

Revenue

- abnormal items
- dividends
- extraordinary items
- increments arising from valuation adjustments to a class of assets (if AAS 10 requires the increments to be included as revenue)
- interest
- profit on disposal of non-current assets
- write back of provisions
- grants and subsidies
- other significant classes of revenue

Expenses

- abnormal items
- auditor's remuneration
- bad and doubtful debts
- decrements arising from valuation adjustments to a class of assets (if AAS 10 requires the decrements to be included as an expense)
- extraordinary items
- interest
- lease rental expenses for operating leases and finance charges for finance leases
- loss on disposal of non-current assets
- provisions expense required to recognise the amortisation, depreciation, future maintenance or other diminution in the value of a class of assets
- provisions expense for doubtful debts and employee entitlements
- other significant classes of expenses.

SCHEDULE 5 (continued)

PART 2—STATEMENT OF FINANCIAL POSITION

(Name of non-business undertaking)

STATEMENT OF FINANCIAL POSITION**As at 19..**

	(Current year) 19..	(Previous year) 19..
CURRENT ASSETS		
Cash	x	x
Receivables	x	x
Investments	x	x
Inventories	x	x
Other	x	x
Total current assets	x	x
NON-CURRENT ASSETS		
Receivables	x	x
Investments	x	x
Inventories	x	x
Property, plant and equipment	x	x
Intangibles	x	x
Other	x	x
Total non-current assets	x	x
Total assets	x	x
CURRENT LIABILITIES		
Creditors	x	x
Borrowings	x	x
Provisions	x	x
Other	x	x
Total current liabilities	x	x
NON-CURRENT LIABILITIES		
Creditors	x	x
Borrowings	x	x
Provisions	x	x
Other	x	x
Total non-current liabilities	x	x
Total liabilities	x	x
Net assets	x	x
EQUITY		
Capital	x	x
Reserves	x	x
Accumulated results from operations	x	x
Total equity	x	x

 SCHEDULE 5 (continued)
Notes relating to the Statement of Financial Position

1. In addition to the disclosure requirements of applicable Australian Accounting Standards, other disclosures, if material, must be given by way of a note or otherwise for—

- **Current assets**

Receivables	debtors loans and advances rights to indemnity for liabilities incurred for a trust
Investments	government and semi-government stocks and bonds debentures description and market value of investments quoted on the relevant stock exchange
Inventories	raw materials and stores work in progress finished goods property held for resale construction work in progress, including, for example, accounting for construction contracts under AAS 11
Other	prepayments

- **Non-current assets**

Receivables) as for current assets, but showing the amounts not
Investment) expected to be realised within 1 year
Inventories)
Property, plant and equipment	land buildings plant and equipment capital work in progress
Intangibles	goodwill identifiable intangible assets, including, for example, patents, trademarks, licences and brand names

 SCHEDULE 5 (continued)

- **Current liabilities**

Creditors	creditors leases
Borrowings	bank overdrafts bank loans debentures other loans
Provisions	dividends taxation or taxation equivalents employee entitlements guarantees for loans, interest payments or overdrafts
Other	unearned revenue

- **Non-current liabilities**

Creditors)	
Borrowings)	as for current liabilities, but showing the amounts
Provisions)	not to be settled within 1 year
Other)	

- **Equity**

Capital	movements in capital dividends declared dividends paid
Reserves	transfers to or from reserves movement in reserves.

2. Other asset, liability and equity disclosures, if material, must be given by way of a note or otherwise for—

- **Provisions for assets**

A provision for amortisation, depreciation, future maintenance or other diminution in value of a class of assets must be disclosed separately as a deduction from the amount of the class of assets concerned.

SCHEDULE 5 (continued)

- **Amounts held by trustees for redemption of borrowings**

Amounts held by trustees for redemption of borrowings must be shown as a deduction from the amount of the class of borrowing and the arrangement for the audit of the trustee accounts must be disclosed.

- **Property held for resale**

If property is held for resale, the cost of acquisition, capitalised development costs and other capitalised holding costs must be separately disclosed.

- **Secured Liabilities**

If a liability is secured by a charge, the nature of the security given and the amount secured must be disclosed.

- **Standby facilities**

If financing arrangements include credit facilities or loan rollover facilities, the nature of the facility, the amount of finance not drawn down at the reporting date and restrictions on use must be disclosed.

- **Borrowing restrictions**

If an undertaking has been given to a lender to restrict further borrowing or other borrowing restrictions apply, the details of the undertaking must be disclosed.

- **Classification of amounts payable and amount receivable**

If a reporting entity has a liability to repay amounts received in response to an invitation to the public to subscribe to debentures or other securities offered by the entity or has guaranteed an invitation by another person or entity, debts payable and debts receivable must be disclosed so as to indicate the liabilities due within the following times after the financial period to which the financial report relates—

- (a) not later than 1 year;
- (b) later than 1 year and not later than 2 years;
- (c) later than 2 years but not later than 5 years;
- (d) later than 5 years.

SCHEDULE 5 (continued)

• Commitments for capital expenditure

The annual financial statements must disclose particulars of material capital expenditure contracted for at the balance date if the liabilities under the contract have not been recognised in the statement of financial position. The note must disclose the commitments according to whether they are payable within the following times after the financial period to which the financial report relates—

- (a) not later than 1 year;
- (b) later than 1 year and not later than 2 years;
- (c) later than 2 years and not later than 5 years;
- (d) later than 5 years.

• Contingencies

Assets and liabilities that are not recognised in the statement of financial position because of uncertainty about future events must be disclosed by way of note in the annual financial statements, if knowledge of the assets and liabilities is considered relevant to the users of the financial statements.

A note must be included disclosing, so far as is practical, the amount or estimated amount of the contingent asset or liability that is material, indicating whether it is for—

- (a) the reporting entity or, if the accounts are consolidated accounts, the parent entity; or
- (b) a controlled entity; or
- (c) an associated body; or
- (d) another body or person; or
- (e) superannuation schemes.

• Guarantees and undertakings

Particulars must be given of guarantees or undertakings given by the entity, including, for example, guarantees or undertakings for loans, interest payments and overdrafts.

SCHEDULE 5 (continued)

- **Money held in trust**

The notes must include details of money held on trust for external parties.

- **Operating Leases**

The notes must separately disclose the estimated net present value for operating leases, whether cancellable or non-cancellable, with individual estimated net present values of \$5 million or more.

SCHEDULE 5 (continued)

PART 3—STATEMENT OF CASH FLOWS

(Name of non-business undertaking)

STATEMENT OF CASH FLOWS**For year ended 19..**

	(Current year) 19..	(Previous year) 19..
CASH FLOWS FROM OPERATING ACTIVITIES		
Inflows:		
Each material class of inflows	x	x
Outflows:		
Each material class of outflows	x	x
Net cash provided by (used in) operating activities	x	x
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows:		
Each material class of inflows	x	x
Outflows:		
Each material class of outflows	x	x
Net cash provided by (used in) investing activities	x	x
CASH FLOWS FROM GOVERNMENT		
Inflows:		
Each material class of inflows	x	x
Outflows:		
Each material class of outflows	x	x
Net cash provided by government		
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows:		
Each material class of inflows	x	x
Outflows:		
Each material class of outflows	x	x
Net cash provided by (used in) financing activities	x	x
Net increase (decrease) in cash held	x	x
Cash at beginning of reporting period	x	x
Cash at end of reporting period	x	x

SCHEDULE 5 (continued)

Notes relating to the statement of cash flows

Reconciliation of change in net assets resulting from operations with net cash provided by (used in) operating activities

[Cash flows to or from government are to be identified as separate classes.]

SCHEDULE 6**DICTIONARY**

section 3

“agency” in relation to—

- (a) an accountable officer—means the department for which the officer is the accountable officer; or
- (b) a statutory body—means the body.

“annual financial statements” means—

- (a) for a department—the general purpose financial statements for each financial year that the accountable officer of the department must prepare and give to the auditor-general, under section 40 of the Act; or
- (b) for a statutory body—the annual financial statements for each financial year that the statutory body must prepare and give to the auditor-general, under section 46F of the Act.⁵⁵

“annual report”, of a department or statutory body, means the written report the accountable officer or statutory body must, under section 37B or 46J of the Act, prepare and give to the agency’s appropriate Minister about the agency’s operations during the preceding financial year.⁵⁶

“audit certificate” means a certificate from the auditor-general under section 40(5) or 46G of the Act.⁵⁷

“audit committee” means an audit committee established under section 82.

⁵⁵ Sections 40 (General purpose financial statements) and 46F (Statutory body to prepare annual financial statements) of the Act

⁵⁶ Sections 37B (Annual report by department) and 46J (Annual report) of the Act

⁵⁷ Section 40(5) (General purpose financial statements) or 46G (Certificate of auditor-general) of the Act

SCHEDULE 6 (continued)

“audit plans”, of an agency, means the plans mentioned in section 78(1).

“audit report” see section 79(3).

“Australian Accounting Standards” or **“AAS”** means the Australian Accounting Standards issued jointly by or for the National Councils of the Australian Society of Certified Practising Accountants and The Institute of Chartered Accountants in Australia.⁵⁸

“authorised purpose”, in relation to agency, means a purpose that is consistent with the agency’s goals, as identified in its strategic plan.

“business undertaking” means—

- (a) part of a department that has been commercialised; or
- (b) a statutory body or a part of a department whose principal activities include providing goods or services at a charge (other than as taxes or rates) with the objective of recovering a substantial portion of the cost of the principal activities.

“charge”, in part 3, division 3, see section 32.

“code of conduct”, in part 5, division 7, see section 90.

“commercialisation” means the process by which a department charges for the goods or services it produces and adopts, in varying degrees, other features of the commercial environment, including adopting the principles of competitive neutrality, clear and non-conflicting objectives, an appropriate level of management responsibility, authority and autonomy and accountability for performance.

“current market value”, in part 5, division 7, see section 90.

“departmental reporting entity” means a business undertaking within a department that is a reporting entity under ‘SAC 1—Definition of the Reporting Entity’, but does not include the whole of the department.

“deprival value principle” means the principle of valuing assets at an amount representing the entire loss that may be expected to be incurred if a department or statutory body were deprived of the future economic

⁵⁸ AAS may appear with a number and a title, for example, AAS 1—Profit and Loss or other Operating Statements.

SCHEDULE 6 (continued)

benefits of the assets at the reporting date.

“disposal”, of an asset, includes its sale.

“external reports”, of an agency, means—

- (a) the agency’s annual report; or
- (b) the agency’s annual financial statements.

“financial information”, of a department or a statutory body, means a document that is part of, or used for, the agency’s financial records.

“full cost”, in part 3, division 3, see section 32.

“gift”, in part 5, division 7, see section 90.

“goods”, in part 3, division 3, see section 32.

“information standards” means the standards issued by—

- (a) the Information and Planning Board of the Department of the Premier, Economic and Trade Development before 1 March 1996; or
- (b) the Information Planning Branch of the Department of the Premier and Cabinet.⁵⁹

“information systems”, of an agency, means the methods, mechanisms and records established within the agency to identify, assemble, analyse, classify, record and report transactions and other events affecting the agency.

“information systems strategic plan”, of an agency, means the plan developed and implemented under section 22.

“internal control structure”, of an agency, means the structure within the agency to provide for its internal controls.

“losses”, for an asset of an agency, means a decrease in economic benefit to the agency because of an unauthorised act or omission in relation to the asset.

⁵⁹ An information standard may appear with a number, for example, Information Standard No. 25.

SCHEDULE 6 (continued)

“**manual**” see section 46M of the Act.⁶⁰

“**non-current physical assets**” means the assets that an agency may reasonably expect will provide it with economic benefits for more than 1 year, including, for example, buildings, land and plant and equipment.

“**opportunity cost**”, in part 3, division 3, see section 32.

“**physical assets maintenance system**” means a system developed and implemented under section 48.

“**physical assets strategic plan**” means a plan developed under section 24.

“**plans**”, of an agency, means the plans required under part 2, namely—

- (a) the agency’s strategic plan and operational plan or plans; and
- (b) its information systems strategic plan; and
- (c) its physical assets strategic plan.

“**reportable gift**”, in part 5, division 7, see section 91.

“**resources**”, of an agency, means the agency’s revenue (including revenue from charging for goods and services), expenses, assets (including cash), liabilities and information.

“**risk management**”, for an agency, means managing the risks associated with the agency’s operations by using proactive management techniques to protect the agency from unacceptable costs or losses.

“**services**”, in part 3, division 3, see section 32.

“**State archivist**” see *Libraries and Archives Act 1988*, section 51.

“**Statements of Accounting Concepts**” or “**SAC**” means the Statement of Accounting Concepts issued jointly by or for the National Councils of the Australian Society of Certified Practising Accountants and The Institute of Chartered Accountants in Australia.⁶¹

⁶⁰ Section 46M (Financial Management Practice Manuals) of the Act

⁶¹ SAC may appear with a number and a title, for example, SAC 1 Definition of Reporting Entity.

SCHEDULE 6 (continued)

“**strategic plan**”, of a department or statutory body, means the agency’s strategic plan developed under section 17.

“**strategic planning**”, by an agency, means the cyclical process by which the agency decides a future position it intends to achieve, in the light of relevant environmental factors, and identifies the means by which the position is to be achieved.

“**system**” means a set of associated policies, procedures, controls and information systems that combine to record and manage certain financial tasks and transactions of a department or statutory body.

“**timeframe**”, of a plan, means the period stated in the plan as the period for the plan.

“**useful life**”, for an asset of an agency, means—

- (a) the estimated period of time over which the future economic benefits embodied in a depreciable asset are expected to be consumed by the agency; or
- (b) the estimated total service, expressed in terms of production or similar units, that is expected to be obtained from the asset by the agency.

“**user**”, in part 3, division 3, see section 32.

ENDNOTES

1. Made by the Treasurer on 3 June 1997.
2. Notified in the gazette on 6 June 1997.
3. Laid before the Legislative Assembly on . . .
4. The administering agency is the Treasury Department.