

TREASURER'S DIRECTIONS
REPORTING – AGENCY REPORTING
Section R2.1 : Agency Financial Statements

STATEMENT OF INTENT

This Section provides the framework and minimum control requirements regarding the format, preparation and reporting of Agency financial statements.

MAIN FEATURES

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

Agency Financial Statements

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

Preparation of Agency Financial Statements

- Unless determined otherwise by the Treasurer, an Agency is to prepare within two months of the end of the financial year, financial statements for the financial year ended 30 June in accordance with the prescribed format at Appendix A.

Reporting of Agency Financial Statements

- Agency financial statements prepared under these Treasurer's Directions are to be included in Agency Annual Reports prepared under the *Public Sector Employment and Management Act* or Agency specific legislative requirements.

Administrative Rearrangements

- Where an administrative rearrangement occurs during a financial year, financial statements are to be prepared for the new Agency, combining information extracted/transferred from the old Agency or Agencies.

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

CONTENTS

Agency Financial Statements	R2.1.1
Preparation of Agency Financial Statements	R2.1.2
Reporting of Agency Financial Statements	R2.1.5
Administrative Rearrangements	R2.1.8
<u>Appendix A</u> Agency Financial Statements – Prescribed Format	
<u>Appendix B</u> Representation Letter – Pro Forma	

AUTHORITIES

Financial Management Act

Fiscal Integrity and Transparency Act

Public Sector Employment and Management Act

Agency specific legislation (where applicable)

REFERENCES

- AAS 29 Financial Reporting by Government Departments
- AASB 101 Presentation of Financial Statements
- AASB 107 Cash Flow Statements
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
 Framework for the Presentation and Preparation of Financial
 Statements

Related Treasurer's Directions:

- A1.1 Accounting – Introduction : Accrual Accounting
- A2.1 Accounting – Assets : Overview
- A3.1 Accounting – Liabilities : Overview
- A4.1 Accounting – Equity : Overview
- A4.2 Accounting – Equity : Owners Actions
- A5.1 Accounting – Income : Overview
- A6.1 Accounting – Expenses : Overview

AGENCY FINANCIAL STATEMENTS

R2.1.1

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

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

- (i) Agency financial statements report on the financial performance of the Agency for the financial year ended 30 June, the financial position as at that date, cash flows and movements in equity during the financial year.
- (ii) Agency financial statements should be prepared in such a manner that they demonstrate accountability and transparency in the use of government monies and for the provision of services to the community.
- (iii) Section 11 of the *Financial Management Act* provides for the Treasurer to determine the financial reporting requirements of Agencies. The Treasurer may direct the form of the financial statements, timeframe for preparation and any audit requirements for such financial statements prior to inclusion in, and tabling as a part of, an Agency's Annual Report.
- (iv) The form of Agency financial statements has been approved by the Treasurer and is consistent with the accrual budget format and complies where possible with the requirements of Australian Accounting Standards, including AASB 101, AASB 107, and AAS 29. The format also requires additional disclosures specific to Territory Government entities.
- (v) The Certification of the Financial Statements is a declaration by the Accountable Officer and the Chief Finance Officer that the financials statements have been prepared in accordance with legislative requirements and fairly present the Agency's financial performance, financial position and cash flows for that year.
- (vi) Agency financial information is required to be presented in four main statements (Operating Statement, Balance Sheet, Statement of Changes in Equity, and Cash Flow Statement) and explanatory notes to the accounts. Appendix A provides additional information in relation to Agency financial statements.
- (vii) Reference should be made to Treasurer's Directions Section A1.1, and each of the Overview Sections of the Accounting Series of Treasurer's Directions for additional instruction and guidance in relation to the basis of accounting, and the elements of the financial statements.

PREPARATION OF AGENCY FINANCIAL STATEMENTS

R2.1.2 **Agencies are to ensure that appropriate management, accountability and control arrangements are in place to enable the accurate and timely preparation of Agency financial statements.**

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

R2.1.3 **Unless determined otherwise by the Treasurer, an Agency is to prepare financial statements in respect of the operations of, or specified functions of, the Agency:**

- for the financial year ended 30 June;
- in accordance with the prescribed format at Appendix A; and
- within two months immediately after the end of the financial year, unless an alternative preparation period has been approved by the Treasurer.

- (i) The prescribed format, shown at Appendix A, is consistent with the form of the Agency financial statements determined by the Treasurer, and includes explanatory notes which are to be included in the Agency financial statements (where applicable or where mandated). Agency financial statements will be prepared for the financial year ended 30 June.
- (ii) The Treasurer has determined that Agency financial statements are to be prepared within two months immediately after the end of the financial year. In order to meet this requirement, Agencies should ensure that their financial statements are prepared and certified by the Accountable Officer and Chief Finance Officer on or before two months after the end of the financial year.
- (iii) Agencies may, within the two months allowed for the preparation of Agency financial statements, apply to the Treasurer (through Northern Territory Treasury) for an extension of preparation time where factors outside an Agency's control have delayed the financial statement preparation process.

R2.1.4

When preparing Agency financial statements in accordance with these Treasurer's Directions and Appendix A, an Agency is to apply the materiality concept and may:

- include additional line items and note disclosures where to do so would provide further useful information to the users of the financial statements; and
- remove line items and note disclosures that do not apply to that Agency, unless the prescribed format at Appendix A requires their disclosure.

- (i) Where to do so would provide additional useful information to the users of Agency financial statements, or the Treasurer's Directions or Australian Accounting Standards requires it, an Agency may include additional financial statement line items and/or note disclosures to those included in the prescribed format at Appendix A. Additional line items and note disclosures would generally only be made for material items.
- (ii) In certain instances the prescribed format allows for notes to be omitted if there is no current year or comparative year data. However, certain other note disclosures are noted as mandatory. Agencies may consult with Northern Territory Treasury where uncertain about the inclusion/omission of note disclosures.
- (iii) When disclosing information in the notes, Agencies should have regard to the concept of materiality. Information is material if its omission, misstatement or non-disclosure would adversely affect decisions made by the users of the financial statements.

REPORTING OF AGENCY FINANCIAL STATEMENTS

R2.1.5

Agency financial statements prepared under these Treasurer's Directions are to be included in Agency Annual Reports prepared under the *Public Sector Employment and Management Act* or Agency specific legislative requirements.

R2.1.6

As a part of the Agency's Annual Report, the Accountable Officer of an Agency is to provide a written representation to the relevant Minister, consistent with that shown at Appendix B.

- (i) In accordance with section 28 of the *Public Sector Employment and Management Act*, the Chief Executive Officer (Accountable Officer) is required present a report to their Minister on the operations of his or her Agency during a financial year. This report is to be prepared within 3 months of the end of the financial year. The Minister is subsequently required to table the Agency's Annual Report in the Legislative Assembly.
- (ii) Annual reporting requirements for certain Agencies may also be included in Agency specific legislation.

- (iii) As part of the presentation of the Annual Report to the Minister, the Accountable Officer of the Agency is also required to provide a written representation to the Minister consistent with that shown at Appendix B. In certain circumstances, different representations may be required, and as such, Agencies have the flexibility to add or amend the letter to suit their individual Agency circumstances.
- (iv) Agencies should remain aware that financial information and any management commentary included in the Annual Report should be consistent with that shown in Agency financial statements and associated notes to the accounts. In addition, information provided in the financial statements, and included in Agency Annual Reports is to be consistent with that provided to Treasury for inclusion in the Treasurer's Annual Financial Statement. If variances exist, note disclosures explaining the difference should be included in Agency financial statements published in the Agency's Annual Report, and Treasury notified.

R2.1.7

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

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

ADMINISTRATIVE REARRANGEMENTS

R2.1.8

Where an administrative rearrangement occurs during a financial year, financial statements are to be prepared for the new Agency, combining information extracted/transferred from the old Agency or Agencies.

- (i) Where an administrative rearrangement occurs during a financial year, the new Agency (or Agencies) is required to prepare financial statements for that financial year incorporating information on the transferred functions from the previous Agency or Agencies. Where the Agency is new, as opposed to ongoing, comparative financial information will not be required. Presentation of actual financial information should be consistent with the outputs and output groups transferred to the new Agency.
- (ii) Disclosures are to be made in the notes to Agency financial statements, stating that a rearrangement has occurred, and where the data provided in the financial statements has been drawn from. Such disclosures will be required for both the new and old Agencies.