



Australian Government

Department of Health and Ageing

DIVISIONS OF GENERAL PRACTICE PROGRAM

**Financial Reporting Framework
2010-11**

User Guide

Document History

This table is to record the document's history as major changes are made. As each version is drafted and submitted, the version number and changes made will be appropriately recorded.

Version No.	Date	Description of Revision
0.1	30 May 2008	User Guide Created
1.1	9 July 2008	<ul style="list-style-type: none">• The removal of the depreciation provision• The removal of 2007-08 actual expenditure requirements• The removal of the financial position requirement
1.2	19 June 2009	Updated for Annual Plan 2009-10
1.3	22 December 2009	<ul style="list-style-type: none">• Clarify reporting requirements for Income Statements v FPRT• Clarify treatment of depreciation.
1.4	13 January 2010	<ul style="list-style-type: none">• Clarify 6 month reporting
1.5	28 April 2010	Revised for 2010-11, including expanded reporting of Governance Costs and Other Contributions

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1 Financial Reporting Framework

1.1 Background

The Commonwealth has developed the Financial Reporting Framework to ensure that Financial Reports prepared and submitted by Divisions of General Practice (Divisions), State Based Organisations (SBOs) and the Australian General Practice Network Ltd (AGPN), (collectively known as the Divisions network) adequately acquit the Funds provided to network members, satisfy the information needs of the Commonwealth, and are compliant with applicable Australian Accounting Standards and Australian Auditing Standards.

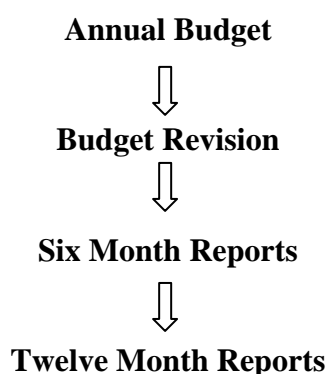
The purpose of the Financial Reporting Framework is to ensure that financial information is presented in such a way that the Department can have confidence that Funds are being spent appropriately. Information will be gathered in the following key areas:

1. The overall financial health of the organisation - to ensure that public funding is being provided to viable organisations; and
2. Whether the Divisions network member is meeting its contractual requirements - to ensure that the right amount of funding is being spent on relevant activities and priorities.

In addition, the Department will take into account the quality of the information provided by the Divisions network member to ensure that the Department can have confidence in the accuracy and appropriateness of the information provided in the financial reports it receives.

1.2 Phases of the Reporting Cycle

The Financial Reporting Framework consists of a four phase cycle as follows:



1.3 Elements of the Framework

The Financial Reporting Framework includes the following elements:

Element	Purpose
Financial Planning and Reporting Template (FPRT)	<p>The FPRT is a document which informs the Department how Divisions have spent or plan to spend the current year's funding. It is a key piece of financial information to provide the Department with detail on how Commonwealth funding is being spent by the Divisions network on achieving the outcomes of the various Commonwealth programs.</p> <p>The FPRT is broken down into Income and Operating Expenses and is completed as part of the Annual Plan, the Six Month Report and the Twelve Month Report. For the Twelve Month Report, the FPRT must be prepared from the audited Income Statement for each Program (allowing for differences with asset purchases/depreciation).</p> <p>The FPRT is different from the Program Income Statement in that the former treats asset purchases as expenditure in the year of purchase and does not record depreciation.</p>
Twelve Month Income Statement for each Program ("Program Income Statement")	The Twelve Month Report must include Program Income Statements showing the income and expenditure for each Program against the Annual Budget. The Program Income Statements for the Twelve Month Reports must be prepared in accordance with Accounting Standards and be audited.
Six Month Income Statement for each Program)	The Six Month Report must include Income Statements showing the income and expenditure for each Program against the Annual Budget. There is no specific requirement that the Six Month Income Statements be prepared in accordance with accounting standards or be audited. For this reason, completion of the Six Month Actual column of the Financial Planning and Reporting Template will serve as the required Income Statement.
Asset Register	The Asset Register has been designed to capture information on Assets purchased with Program Funds and the current value of those Assets.
General Purpose Financial Report	Due to the variability of compliance with contractual requirements relating to Audited Financial Statements from the Divisions network, the Department is requiring all members of the Divisions network to submit General Purpose Financial Reports. This will ensure greater national consistency in the way the financial requirements are met, and will also ensure maximum compliance with contractual requirements. A General Purpose Financial Report must be provided with each Twelve Month Report.
Audit Requirement	The Audit Requirement provides independent assurance from a Qualified Auditor that financial information prepared by the organisations is accurate and in line with Accounting Standards.

Element	Purpose
Long Service Leave Register	The Register records employee details used to project entitlements to Long Service Leave. The Register also identifies the funds to be returned to a program where an employee leaves before they are entitled to Long Service Leave.

2 Preparation and Presentation of Financial Information

2.1 Overview

For the majority of Programs, there are three deliverables required under the Deed for Multi Program Funding for each financial year. Timeframes for submission of the Deliverables are provided in the following Table.

Deliverable	Divisions	SBOs	AGPN
Annual Plan	15 June 2010 and 2011	15 June 2010 and 2011	15 June 2010 and 2011
Six Month Report	15 March 2011 and 2012	15 April 2011 and 2012	15 May 2011 and 2012
Twelve Month Report	30 September 2010, 2011 and 2012	30 October 2010, 2011 and 2012	30 November 2010, 2011 and 2012

However, each Program Schedule may have different financial reporting requirements or timeframes, and these will be addressed in individual Program Schedules.

In addition, organisations funded through the Deed for Multi Program Funding are required to submit a budget variation to the Department for approval whenever there is a “significant alteration” to their approved Annual Budget. A significant alteration is a change to a budget line item that is greater than 10% and \$10,000 for a Program with Funds exceeding \$50,000 (inc GST). Budget revisions less than this threshold (i.e. minor variations) may be submitted any time up until the submission of the Six Month Report. After that time, Division network members should refrain from submitting minor budget variations but instead explain any variation to the Budget when submitting their Twelve Month Report.

2.2 2009-10 Actual Income and Expenditure

The 2009-10 Actual Income and Expenditure column will not be required until submitting the 2010-11 Six Month Report and should comprise the Twelve Month Actual figures from the 2009-10 FPRT.

2.3 Annual Plan

There are two components of the financial reporting framework that must be submitted with the Annual Plan. These are the:

- Annual Budget (submitted on the Financial Planning and Reporting Template); and
- Asset Register.

Annual Budget

The Annual Budget is used to record the proposed spending on activities throughout the financial year. Divisions should complete a separate Annual Budget sheet for each Program funded through the Deed for Multi Program Funding. The Annual Budget for each Program should show the total program expenditure, including expenditure funded from other sources. Where other sources are used to meet some of the cost of the program, these should be disclosed as “Other Contributions”.

Division network members should refer to the Financial Reporting Glossary (Attachment A) when completing individual line items in each Program’s Annual Budget sheet. In addition, the following information should be taken into account when completing the Annual Budget.

2.3.1 Income

The Income section of the template should be completed with the information that the Divisions network member already has available to them. The Annual Budget for 2010-11 is due on 15 June 2010 and for 2011-12 will be due on 15 June 2011.

The specific lines should be completed as follows:

Line Item	Instructions
Program Funds	The total amount of Program Funds being provided by the Commonwealth (e.g. the amount identified in the Program Schedule) should be inserted here.
Approved Carryover	Include the approved carryover, if known. Approximate carryovers should not be included. Once Carryover requests are completed, and approved by the Department, the Participant will be required to submit a Budget Revision to include the carried over Program Funds.
Interest Accumulated	Should only be entered where a reliable estimate can be made.
Other Contributions to Program Expenses	Forecasted contributions from internal or external sources towards the cost of the program. Note that Other Contributions are limited to the amount required to meet unfunded program expenses and should not lead to a surplus for the program.
Administration and Overheads Charged to other Programs	Forecasted charges to other programs for administration and overheads, e.g. where Core Funding applies an overhead charge against other programs.
Other income derived from Program.	Forecasted sale of resources, attendance fees, sponsorship, advertising and other income derived from activities funded from Program Funds.
Total	The total income includes Program Funds, the Approved Carryover, Interest and any Other Income. Note: this number will be automatically calculated by the formula locked into the template.

2.3.2 Operating Expenses

The Operating Expenses section of the template should be completed with an estimate of spending on each particular line item during the financial reporting period. Division network members should refer to the Financial Reporting Glossary to complete each of the line items.

The total of Operating Expenses will be calculated automatically, using the line items of:

- Administration;
- Contracts and Consultancies;
- Salaries and Wages;
- Long Service Leave;
- Redundancy Provisions;
- Program Delivery Expenses; and
- Other Expenses.

2.3.3 Capital Expenditure – Asset Purchase

Division network members should refer to the Financial Reporting Glossary to complete the line item referring to Capital Expenditure – Asset Purchase.

Where an asset purchase is \$5,000 (inc GST) or more, then it should be shown as “Capital Expenditure – Asset Purchase”. Otherwise, the amount of the asset purchase should be included in the relevant expenditure heading.

Depreciation

Divisions may not make provision for Depreciation against program Funds. The FPRT must not account for Depreciation of any assets of any value. Instead, Divisions must purchase Assets out of current financial year Funds.

This treatment of asset purchases and depreciation reflects the purposes of the FPRT i.e. that it is a funding allocation template that provides information to the Department on the expenditure or allocation of Commonwealth funds.

The accounting treatment of assets in the FPRT does not change the way that assets should be treated in the Program Income Statements or General Purpose Financial Reports, which require assets to be depreciated in accordance with Accounting Standards.

2.3.4 Balance

The total Balance of the Annual Budget should equal zero (0) and will be calculated by:

[Total Income – (Capital Expenditure Asset Purchase + Total Operating Expenses)].

2.3.5 *Asset Register*

The Asset Register has been designed to ensure that Assets purchased with Program Funds are appropriately tracked during the life of the Deed. Should Division network members be required to purchase an Asset outside of the normal Annual Budget process, they should seek written approval from the Department before doing so.

Division network members must complete the Asset Register for every Asset as defined in the Deed for Multi Program Funding that is purchased using Program Funds (note that this excludes items with a value of less than \$5,000 inclusive of GST).

In addition, any Assets that have not been fully depreciated from the previous agreement must be included on this Asset Register.

2.4 Six Month Report

With each Six Month Report, Division network members must submit a financial report for each relevant Program on the FPRT which shows expenditure against the Annual Budget. Line Items in the column titled Six Month Actual must be completed showing income and expenditure for the six month period (1 July to 31 December). This information is not required to be audited.

2.4.6 *Income*

The Income section of the template should be completed as per the instructions provided for the Annual Budget. The Divisions network member should only include the income that was received in the six month period. The Approved Carryover line item should also be completed as by this time all Carryovers would have been considered and approved/rejected.

2.4.7 *Operating Expenses*

The Operating Expenses section should be completed to demonstrate the amount of Funds expended up to 31 December. This should be *actual* expenditure rather than what was *expected* to be expensed by the six month mark. The Divisions network member is encouraged to ensure that Operating Expenses are allocated according to the 'Inclusions' and 'Exclusions' in the Financial Reporting Glossary.

2.4.8 *Variance at 6 months*

The Variance columns calculate the variance from the Annual Budget. All calculations for the Variance items will be automatic. However, for any **variances of greater than 10% and \$10,000** you must record the reasons for that variance in the 'Explanation of Variances' section at the bottom of the Six Month Report. If there is insufficient space, a separate worksheet (tab) should be created for further explanations

The following line items do not require an explanation in the Six Month Report:

- Program Funds;
- Approved Carryover; and
- Interest Accumulated.

2.4.9 Variations to Annual Budget

If there are significant variations from the Annual Budget, or there has been a change to the original Budgeted Income and Operating Expenses, Divisions network members must submit a Budget Revision at the time of the Six Month Report for approval by the Department. This can be undertaken on the same template as the Six Month Report, but must be clearly identified as a revision to the originally approved Annual Budget. This should be completed by changing the version number of the FPRT with a short (one sentence) explanation that a revision to the Annual Budget is also being submitted. A brief explanation outlining the reasons for revision should be included in the request.

2.5 Twelve Month Report

With each Twelve Month Report Divisions network members must again submit a FPRT showing line items in the Twelve Month Actual column.

2.5.1 Variance at 12 months

The Variance columns calculate the variance from the Annual Budget. All calculations for the Variance items will be automatic. As per the Six Month Report the organisation must include an explanation for any variance greater than 10% or \$10,000 compared to the Annual Budget. This should be completed in the 'Explanation of Variances' section at the bottom of the Twelve Month Report. If there is insufficient space, a separate worksheet (tab) should be created for further explanations.

2.5.2 Audit

The FPRT for the Twelve Month Report must be prepared from the audited Program Income Statement for the financial year. In other words, the results shown in the Twelve Month Actual column should be readily reconcilable to the audited Program Income Statement, after adjusting for the fact that the FPRT accounts for the purchase of assets, instead of depreciation.

2.5.3 *Other Reports*

In addition to the FPRT, the Twelve Month Report must include the following:

1. ***Audited Income Statements for each Program*** prepared in accordance with Australian Accounting Standards and Australian Auditing Standards. The Program Income Statements must include a statement by the Auditor that testing was undertaken to obtain a reasonable level of assurance that Funds have been expended in accordance with the requirements of the Deed and the Program Agreement.

The Program Income Statements should be presented on an accruals basis as required by Accounting Standard 101;

2. ***Certification from a Board Member*** that the Division has complied with their obligations in respect of the Funds for each Program and that accounts and records have been kept in accordance with Accounting and Auditing Standards;
3. ***Audited General Purpose Financial Report*** for the whole Division prepared and audited in accordance with Accounting Standards and Auditing Standards;
4. ***Auditor's Letter to Management***; and
5. ***Declaration of Auditor's Independence***.

2.6 Long Service Leave Register

Under clause 4.5 of the Deed for Multi Program Funding, Division network members are permitted to set aside Program Funds for the purposes of long service leave. A long service leave register has been developed to assist Divisions, SBOs and AGPN funded through the Deed to record information relating to long service leave. Divisions should collect the information in an appropriate format for their organisation, being conscious of the requirements outlined in the Deed for Multi Program Funding.

The Divisions network member is required to provide copies of their long service leave register to the Commonwealth as and when requested. However, in doing so, the Commonwealth does not require personal information relating to the organisation's employees and only de-identified information should be provided.

When completing the register, Program Funds set aside each financial year must be clearly identifiable according to the Program from which they came and the amount of Funds set aside. In addition, it should be noted that where an employee has worked across a number of Programs, the Division should be able to identify the Programs from which funds have been set aside and the amounts of Funds set aside. The register should also be used to record any long service leave paid to the employee from the Funds set aside, and any long service leave returned to the Program should an employee leave prior to long service leave becoming a statutory requirement. In addition, it should be noted that only Commonwealth Funds set aside for long service leave need to be returned to the Commonwealth and Division network members should make the appropriate arrangements for any other funds from other sources to be used appropriately.

3 Further Information

3.1 Creation of Additional Templates

From time to time, Division network members will be required to create an additional template to complete the financial reporting requirements of other Programs funded through the Deed for Multi Program Funding. Instructions for creating a new FPRT sheet in Microsoft Excel are as follows:

Step 1: Open the 'Edit' menu.

Step 2: Click on 'Move or Copy Sheet.'

Step 3: Tick the 'Create a Copy' box.

Step 4: Click OK

The Division network member should then name the Sheet for the appropriate program, and complete according to the Financial Reporting Glossary, or Program Schedule requirements.

3.2 Submission of Reports

The FPRT must be submitted electronically. All reports must be submitted by the due date or the Divisions network member may be subject to the incursion of a penalty as per clause 6.3 of the Deed for Multi Program Funding.

3.3 Assessment of Reports

The Department has committed to, through the timeframes for payment in the Deed for Multi Program Funding, a fast assessment process to ensure that feedback is provided to the Divisions network on Deliverables in a timely fashion. However, timely assessment of financial reports can only occur if the information provided is complete, accurate and of high quality.

1 Attachment A

FINANCIAL REPORTING GLOSSARY

Income:

Account/ Term	Definition(s)/ Description(s) of activities and items covered under each account heading	
	<i>Description</i>	<i>Excludes</i>
Income	Income is increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.	
Asset	An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.	
Program Funds	Funding offered for a particular program, in accordance with the appropriate Schedule to the Deed for Multi Program Funding.	Funds from other programs, members' funds and sponsorship are not to be included here.
Approved Carryover	Program Funds approved by the Department to be carried over from the previous financial year only.	Approved Carryover should be limited to Commonwealth Funds only.
Other Contributions to Program Expenses	Contributions from internal or external sources towards the cost of the program.	Other Contributions to Program Expenses are limited to the amount used to meet unfunded program expenses and should not form part of any surplus for the program.
Administration and Overheads Charged to other Programs	Charges to other programs for administration and overheads, e.g. where Core Funding applies an overhead charge to other programs.	

FINANCIAL REPORTING GLOSSARY

Account/ Term	Definition(s)/ Description(s) of activities and items covered under each account heading	
	<i>Description</i>	<i>Excludes</i>
Other income derived from Program.	Income from sale of resources, attendance fees, sponsorship, advertising and other income derived from activities funded from Program Funds <i>up to the cost of the activity.</i>	Income earned in excess of cost of activity.
Total	The total income includes Program Funds, the Approved Carryover, Interest and any Other Income. Note: this number will be automatically calculated by the formula locked into the template.	
Interest Accumulated	Interest accumulated from Program Funds only.	Interest Income from the following sources of funding are not included here: <ul style="list-style-type: none"> • funds from other programs • members' funds • other grants (private or government).

Operating Expenses:

Account/ Term	Definition(s)/ Description(s) of activities and items covered under each account heading	
	<i>Description</i>	<i>Excludes</i>
Expenses	Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.	
Liability	A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.	

FINANCIAL REPORTING GLOSSARY

Account/ Term	Definition(s)/ Description(s) of activities and items covered under each account heading	
	<i>Description</i>	<i>Excludes</i>
Administration Expenses	Expenses incurred by the entity to support program delivery.	
Governance Expenses	Includes items described under each subheading and includes the cost of any <u>non-cash benefits</u> that Board members receive for their position on the Board.	Does not include: <ul style="list-style-type: none"> • payments to GPs for their medical-related expertise • expenses already included in the other Administration subcategories Please see also the exclusions listed in Administration - Other.
Administration – Motor Vehicles Expenses	The activities and items covered under the Administration – Motor Vehicle Expenses subcategory only include: <ul style="list-style-type: none"> • leasing expenses of motor vehicles • associated running expenses of motor vehicles • reimbursement for kilometres travelled in private vehicles. 	Does not include: <ul style="list-style-type: none"> • purchasing expenses of motor vehicles • depreciation of motor vehicles • expenses already included in the other Administration subcategories. Please see also the exclusions listed in Administration - Other.
Administration – Rent/ Occupancy	Includes rent, rates and occupancy expenses of the entity’s premises. Where prior approval has been given by the Department, mortgage repayments for the premises may be included. <i>Occupancy</i> expenses may include: <ul style="list-style-type: none"> • cleaning • security • utilities • maintenance. 	Does not include expenses already included in the other Administration subcategories. Please see also the exclusions listed in Administration – Other.

FINANCIAL REPORTING GLOSSARY

Administration - Travel and Accommodation (non Board)	Includes all non Board travel and accommodation expenses, including hire cars, cab charge and travel allowance.	Does not include: <ul style="list-style-type: none"> • travel and accommodation of Board members • leasing expenses of motor vehicles • associated running expenses of motor vehicles • reimbursement for kilometres travelled in private vehicles.
Administration – Other	Includes: <ul style="list-style-type: none"> • IT • insurance • office supplies (that cost below asset threshold) • advertisement of the entity • newsletters • phone, fax, mobile expenses • postage • subscriptions • licensing • bank charges • accreditation fees • audit fees • legal fees • equipment hire • assets less than \$5,000 (incl GST). 	Does not include expenses directly associated with: <ul style="list-style-type: none"> • assets over \$5,000 (incl GST) • depreciation allowances • salaries and wages • payment to GPs and allied health professionals • contractors and consultancies • payment to other service providers • redundancy and termination payments • vehicles and other items through a lease arrangement.
Contracts and Consultancies	Fees paid to <i>external</i> contractors and consultants in relation to the program, such as evaluators’ fees.	Does not include: <ul style="list-style-type: none"> • audit fees • GP payments • advice sought in relation to governance and management of the entity.
Salaries and Wages (non Board)	Salaries and Wages include the salaries and employee entitlements for program employees of the entity only. This includes annual leave, superannuation contributions and workcover.	<ul style="list-style-type: none"> • redundancies and termination payments • directors and board member expenses • long service leave.

FINANCIAL REPORTING GLOSSARY

Long Service Leave	Expenses associated with the long service leave entitlements for program employees. Note: This figure may be a negative if long service leave funds are returned to the program. For example if an employee leaves employment before their entitlement comes into effect.	Other leave expenses, such as sick leave or annual leave.
Redundancy Provisions	Certain and imminent redundancies, i.e. within 12 months.	Uncertain or non-imminent redundancies. Redundancy funds should not be set aside by the entity or reported as being set aside for this purpose.
Program Delivery Expenses	Expenses directly associated with the delivery of the program.	
Program Delivery Expenses – Meetings and Events	Expenses associated with the hosting of meetings, conferences, training and education for members, including catering.	Expenses relating to conference attendance by Division staff or Board members.
Program Delivery Expenses - Program Resource Development	Expenses associated with the development and printing of resources that support program delivery, including resources for meetings, conferences, training and education for members.	Resource development to support governance and management of the entity.
Program Delivery Expenses – Payments to GPs	Expenses of payments made to GPs for their medical-related expertise.	Expenses directly associated with payments made to GPs when undertaking duties as a Director or a Board member (see Governance Expenses). Please see also the exclusions listed in Program Delivery Expenses – Other Program Delivery Expenses .
Program Delivery Expenses – Payment to Allied Health Professionals	Expenses of payments made to Allied Health Professionals for their clinical-related expertise.	Expenses directly associated with payments made to an Allied Health Professional when undertaking duties as a Director or a Board member, or contracted to deliver services.

FINANCIAL REPORTING GLOSSARY

Program Delivery Expenses – Other Program Delivery Expenses	Expenses of all services provided to members/ participants by the entity. They may also include program related publications, e.g. education kits, brochures, etc.	Does not include: <ul style="list-style-type: none"> • administration • contracts and consultancies • asset purchases • salaries and wages for staff members • payments to GPs • payments to Allied Health Professionals • legal fees.
Other Expenses	Items and activities not included by other line items.	Items that are already covered in the other (more specific) accounts.

Totals:

Account/ Term	Definition(s)/ Description(s) of activities and items covered under each account heading	
	<i>Description</i>	<i>Excludes</i>
Total Operating Expenses	The total of all expenses listed under the Operating Expenses section.	Assets purchased from Program Funds or using Funds set aside for Depreciation.
Capital Expenditure – Asset Purchase	All Expenditure on the purchase of Assets during the financial reporting period. This line item only includes Assets purchased with Program Funds.	Any assets under \$5,000 (inc GST).
Balance	Includes the total income minus the Total Operating Expenses and Capital Expenditure for Asset Purchase.	Any amount showing as surplus balance will need to be requested for carryover approval.