

Policy Guideline

Reporting of Internal Management Financial Information

The Accounts, Audits and Annual Report Ordinance 1995

Background

From 31 December 2008, organisations under the Accounts, Audits and Annual Reports Ordinance 1995 (the Ordinance) must submit to the Standing Committee internal management financial information.

Clause 12 of the Ordinance provides:

“Within 6 months after the end of a Financial Year, each Organisation which is not referred to in the Second Schedule must submit to the Standing Committee a report containing internal management financial information produced for the Organisation which includes –

- (a) income and expenditure, balance sheet and cash flow data showing actual and budget year-to-date;
- (b) a brief explanation of any significant variances between actual and budget, and any remedial action being taken; and
- (c) key borrowing covenants or ratios with an explanation of trends over time together with any other information in relation to the borrowings of the Organisation as determined by the Standing Committee from time to time.”

Clause 13 of the Ordinance provides:

“Within 3 months after the end of a Financial Year, and within 3 months after the end of a Half Year, each Organisation referred to in the Second Schedule must submit to the Standing Committee a report containing internal management financial information produced for the Organisation which includes –

- (a) income and expenditure, balance sheet and cash flow data showing actual and budget year-to-date;
- (b) a brief explanation of any significant variances between actual and budget, and any remedial action being taken;
- (c) key performance ratios with an explanation of significant movements; and
- (d) key borrowing covenants or ratios with an explanation of trends over time together with any other information in relation to the borrowings of the Organisation as determined by the Standing Committee from time to time.”

In response to requests from some organisations, the following guideline has been developed to assist organisations prepare for this new reporting requirement.

This guideline sets out what the Finance Committee expects from organisations in order to meet the internal management financial information reporting requirements under clauses 12 and 13 of the Ordinance. The guideline does not address how organisations should maintain their internal financial management systems, nor does it attempt to identify an organisations key performance ratios for the purpose of clause 13(c).

Interpretation of financial reporting requirement

- (a) The requirement for 'income and expenditure, balance sheet and cash flow data, showing actual and budget year to date', would be satisfied if an organisation submits a summarised report of the major components of each of the prescribed elements. This could be captured in a report of similar format to the attached. However any report in which the prescribed elements can readily be identified would satisfy the requirement.

- (b) The requirement for 'a brief explanation of any significant variances between actual and budget, and any remedial action being taken' would be satisfied by a brief commentary for each significant variation identified in (a). This information could be provided as part of the attached form of report.

- (c) Organisations listed in the Second Schedule of the Ordinance are required to specify their 'key performance ratios with an explanation of significant movements'. This would be satisfied by an organisation selecting from its existing key performance ratios (KPR), those that it considers are the most significant to the organisation achieving its objectives. This information could be provided as part of attached form of report.

- (d) Organisations are required to describe their 'key borrowing covenants or ratios with an explanation of trends over time. The information could be provided as part of the attached form of report. To date the Standing Committee has not determined any other information in relation to the borrowings of an organisation.

Date Issued: 18 December 2008

[Diocesan Organisation]

Financial Report to [date]

Year to date
Actual Budget

	\$	\$
Income and Expenditure Highlights		
Income		
<i>[list major components]</i>		
Total		
Expenses		
<i>[list major components]</i>		
Total		
Net Income/(deficit)		

	\$	\$
Balance Sheet		
Current assets		
<i>[list major components]</i>		
Non Current assets		
<i>[list major components]</i>		
Current Liabilities		
<i>[list major components]</i>		
Non Current Liabilities		
<i>[list major components]</i>		
Net Assets		

	\$	\$
Cash Flow		
Cash flows from ordinary activities		
Cash flows from investing activities		
Cash flows from financing activities		
Net Increase/(decrease) in cash held		

Significant variances between actual and budget

[insert brief commentary including any remedial action being taken to address significant variances]

Key Performance ratios #

[specify organisation's key performance ratios with brief explanation of significant movements]

Key Borrowing Covenants or ratios

[describe organisation's key borrowing covenants and ratios with brief explanation of trends over time.]

This information only needs to be provided by organisations listed in Schedule 2 of the Ordinance