STATE OWNED ENTERPRISE MONITORING DIVISION
Ministry of Finance

GUIDELINES FOR QUARTER REPORTS

The Public Bodies (Performance and Accountability) Act (2001) requires all Public Bodies to submit annual and quarterly reports. The quarterly reports are required to be submitted to the Ministry of Finance no later than one month after the end of each quarter.

QUARTER	DUE DATE
One (July-Sept)	30 October
Two (Oct-Dec)	31 January
Three (Jan-Mar)	30 April
Four (Apr-June)	31 July

The purpose of the guidelines is to assist entities to produce informative and user friendly Quarterly Reports. However, it is also expected that entities ensure that their quarterly reports reflect their unique characteristics.

The quarterly report should contain:

1. CEO's Report
2. Analysis of Key Performance Measures
3. Full Financial Statements

1. Chief Executive's Report

Chief Executive's Report should link the quarterly report to the Statement of Corporate Objectives, the Corporate Plan and budget, and explain whether the targets for the quarter and year to date have been achieved.

1.1 Structure of the CEO Report

It is suggested that the CEO Report be structured into the following sections:

- Highlights.
- Overview of operating performance and results.
- Overview of financial performance and results.
- Progress with the Corporate Plan.
- Capital expenditure and projects.
- Outlook for remainder of the year.
- Future risks and uncertainties.
- CSO implementation (where appropriate).

■ Highlights for the quarter and year to date

- What are the key achievements?
- What are the key issues that have arisen?

■ Overview of operating performance and results for the quarter and year to date

- What has been the level of business activity? (Where possible use KPIs that show the volumes of activity).
- What changes have occurred in the operating performance and business activity and why have these changes occurred?

■ Overview of financial performance results for the quarter and year to date

- What are the major items of revenue and expenses that differ from the budget?

  [Note:
  1: Refer to the statement of financial performance to identify the major items
  2: Only include items where the variance is 10% or more for the quarter and/or 5% or more for the year to date]
- For each major item of revenue and expenses explain what has caused the differences from budget to have occurred? Include comments on whether you expect differences to continue for the remainder of the year.
- Comment on changes in the operating cash inflows and outflows where they differ from budget by at least 10%

- Comment on changes to capital structure – including borrowings and equity injections.

■ Progress with the Corporate Plan for the quarter and year to date

- Overview of progress with implementing the corporate plan.
- Summary of progress with the key objectives, strategies and performance measures included in the corporate plan.
- What changes have occurred in the activities, operations and environment since preparing the corporate plan and how will they impact on achieving the corporate plan, objectives, strategies and performance measures?

■ Capital expenditure and projects for the quarter and year to date

- List the major items of capital expenditure for the quarter and comment on significant variations from budget and unbudget items of capital expenditure.
- Comment on the progress with projects which the Public Body has been undertaking. Include:
    - Comments on any material delays in progress
    - Comment on any significant changes in the expected costs of completing any project.

■ Outlook for remainder of year

- Outline the overall level of business activity expected for the remainder of the year by the Public Body.
- Identify whether this differs from what was expected at the time of preparing the Public Body corporate plan and budget.
- Summarise the reasons for possible changes in future business activity and comment on their importance.

■ Future risks and uncertainties

- What are the major risks and uncertainties that the Public Body is facing over the remainder of the year and the next two years?
- Comment on the possible impact of each major risk and uncertainty that is identified.
- What would be required to reduce the impact of each risk or uncertainty?

■ **CSO implementation (where applicable)**

- Briefly describe each CSO for which the Public Body has funding.
- Identify the revenue and expenses relating to each CSO.
- Outline progress made in achieving the objective / purpose for granting the CSO.

1.2 Length of CEO Report

There is no standard length for the CEO report – it will depend on the size and complexity of the Public Body and the issues it is facing. As the year progresses, it is expected that the CEO report will cover a broader range of issues and include more information.

As an indication only, a typical quarterly CEO report is likely to have the following length.

Suggested Section	Suggested Length
1. Highlights of quarter and year to date	1 or 2 short paragraphs
2. Overview of operating performance and results	½ - 1 page
3. Overview of financial performance and results	½ - 1 page
4. Progress with the Corporate Plan	½ - 1 page
5. Capital expenditure and projects	1 or 2 paragraphs
6. Outlook for remainder of the year	½ - 1 page
7. Future risks and uncertainties	½ - 1 page
8. CSO implementation	(as appropriate)
Total	**3 – 6 pages**

2. Analysis of Key Performance Indicators (KPIs)

This section requires an analysis of key financial and non-financial performance measures agreed to between the Ministry of Finance and the Public Body.

There are two requirements for this section of the quarterly report:

- A table that includes the calculated KPIs for the quarter and year to date – both budget and actual; and
- Comments on each of the KPIs – when the actual result is more than 10% different (from the budget) for the quarter or 5% different for the year to date.

These two requirements are outlined below.

■ Table of Key Performance Measures

Performance Measures	This Quarter		Year to Date	
	Actual	Budget	Actual	Budget
List the key performance measures agreed with the Ministry of Finance				

■ Comments on each Key Performance Measure (KPIs)

It would be useful to provide your comments in a table as outlined below. For each KPI:

- Only include a comment if the actual KPI differs from the budget by at least 5%;
- Limit your comments to two to four sentences for each of those measures.

Performance Measures	**Comments on Differences**
List the performance measures agreed with the Ministry of Finance	- Include comments for key each performance measure. - Focus comments on why has this variance occurred and what action is being taken to eliminate the (negative) differences.

3. Financial Statements (see Annex 1)

Financial Statements should be prepared in accordance with International Accounting Standards and where appropriate, comply with the Companies Act.

Quarterly financial statements are not required to be audited, although it would be useful for the Board's Audit committee (if the Public Body has an audit committee) to review and endorse these statements before they are submitted to the Ministry of Finance.

A set of financial statements:

- Profit and loss statement;
- Balance sheet; and
- Cash flow statement;

are required – as set out in the Guidelines below and Annex 1.

The financial statements should include information on:

- The current quarter (actual and budget); and
- The year to date (actual and budget).

Notes to the financial statements are required as set out in the Guidelines.

To assist the Ministry of Finance with its review of the financial statements, it is expected that the financial statements will provide a reasonable breakdown of information. Examples of the type and level of breakdown expected are provided below:

a) Profit and Loss Statement

- **Revenue** – a breakdown of revenue into major sources of revenue (including Government, trading and CSOs) or into the revenue from different types of business and other activity undertaken by the Public Body.
- **Expenses** – a breakdown of expenses into major categories of expenses. These may include:
  - Purchases (for resale) or cost of sales
  - Salaries and wages
  - Communications (including telephone, fax, courier etc)
  - Utilities (including electricity and water)
  - Depreciation
  - Directors fees and expenses
  - Motor vehicle and IT operating expenses (e.g. repairs and maintenance, rental and lease, service contracts)
  - Occupancy expenses (i.e. expenses relating to building occupancy)

- Marketing and sales (including advertising, selling, marketing and promotion)
- Financial expenses
- Audit
- Other expenses

However, the most appropriate breakdown of expenses will reflect the business activity and operation of each Public Body. IAS provides guidance about classifying expenses into the functions of the expenses or the nature of the expenses.

b) Balance Sheet

- **Current Assets** – a breakdown into the major types of current assets. These are likely to include:
  - Cash on hand
  - Cash deposits
  - Debtors / accounts receivable
  - Stock / inventory
  - VAGST receivable
- **Non Current Assets** – a breakdown into the major types of non current assets. These are likely to include:
  - Land
  - Buildings
  - Plant, machinery, and equipment
  - Office and computer equipment
  - Furniture and fittings
  - Motor vehicles
  - Investments (a breakdown into the major types of investments).
- **Current Liabilities** – a breakdown into the major types of current liabilities. These are likely to include:
  - Accounts payable
  - Short term borrowings
  - Unearned revenue
  - Provisions.
- **Non Current Liabilities** – a breakdown into the major types of non current liabilities.
- **Equity** – a breakdown into the major types of equity. These are likely to include:
  - Reserves (including asset revaluation)

- Retained earnings (accumulated profit / loss)
- Capital (and equity instruments).

c) Cash Flow Statement

The cash flow statement should provide for cash flows relating to operating, investing and financing activities.

d) Notes to the Financial Statements

These should comply with International Accounting Standards and be complete so as to assist in the interpretation of the financial statements.

Annex 2 should be followed with respect to the application of specific accounting policies and the appropriate wording of the accounting policies note.

[Note: It is expected that these notes to the financial statements are unlikely to change from quarter to quarter and hence most Public Bodies will be able to attach a standard set of "notes to the accounts". However, should significant changes occur, these must be identified to assist in the interpretation of financial statements.]

ANNEX 1: FINANCIAL STATEMENTS
(Illustration of required layout)

Balance Sheet

	Notes	Quarter		Year-to-date	
		Actual	Budget	Actual	Budget
ASSETS					
Current Assets					
Cash on hand					
Cash deposits					
Debtors / accounts receivable					
Stock / inventory					
VSGST receivable					
Non Current Assets					
Land					
Buildings					
Plant and equipment					
Office and computer equipment					
Motor vehicles					
Furniture and fittings					
Investments					
Total Assets					
LIABILITIES					
Current Liabilities					
Accounts payable					
Short term borrowings					
Unearned revenue					
Provisions					
Non-Current Liabilities					
Total Liabilities					
EQUITY					
Reserves					
Retained earnings					
Capital and other equity					

Profit and Loss Statement – Illustration only

	Notes	Quarter		Year-to-date	
		Actual	Budget	Actual	Budget
Revenue:					
Government contribution					
Community service obligations					
Revenues from major business activities					
Expenses:					
Purchases / cost of sales					
Salaries and wages					
Communications					
Utilities					
Depreciation					
Directors fees and expenses					
Motor vehicle & IT operating expenses					
Occupancy expenses					
Marketing and sales					
Financial expenses					
Audit					
Other expenses					
Net Profit Before Tax [1]					
Income Tax Expense [1]					
Net Profit After Tax [1]					
Transfer to Accumulated Funds					

[1] **Note:** For Public Bodies that are beneficial or mutual the net profit will be replaced with surplus and income tax expense will not be applicable.

Cash Flow Statement – Illustration only

	Quarter		Year-to-Date	
	Actual	Budget	Actual	Budget
Operating Activities:				
Cash received from customers				
Cash received from government (grant or CSO)				
Cash paid to suppliers and employees				
Net operating cash inflow (outflow)				
Investing Activities:				
Proceeds from sale of fixed assets				
Fixed asset purchased				
Other				
Net financing cash inflow (outflow)				
Financing Activities:				
Proceeds from term loan				
Loan repayment & interest				
Finance lease repayments				
Net financing cash inflow (outflow)				
Net increase/(decrease) in cash				
Opening Balance (cash and cash equivalents)				
Balance at end of Quarter				
Represented by:				
Overdraft at Bank				
Petty Cash				
Balance				

ANNEX 2: Appropriate Accounting Policy Note for Public Bodies

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are stated to assist in a general understanding of these financial statements. These policies have been consistently applied except as otherwise indicated.

(a) Basis of accounting

These financial statements have been prepared on the basis of historical costs using generally accepted accounting principles consistently applied.

These financial statements comply with International Accounting Standards.

Revenue is recognised in the period in which the sale transaction occurred and accrual accounting is used to match revenue and expenses in the same reporting period.

The financial statements are prepared on the going concern basis in the belief that the company will continue trading in its current business activity for the foreseeable future and will not dispose of or realise any material part of its assets or operations.

(b) Current assets

Stocks are valued at the lower of cost and estimated net realisable value after accounting for any provision due to obsolescence.

Debtors are stated net of any provision for any doubtful debts after writing off all bad debts identified during the period.

(c) Property, plant and equipment

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives using the following rates:

Buildings and (e.g. wharves etc)	2.5% - 5%
Plant & Machinery	10% - 20%
Office furniture and fixtures	10% - 20%
Office Equipment	25%
Motor Vehicles	25%

Profits and losses on disposals of property, plant and equipment are taken into account in determining the results for the period.

Property, plant and equipment are included in the financial statements at cost unless otherwise stated. It is not the policy of ***"Public Body"*** to revalue property, plant and equipment. Any decision to calculate and include revalued property costs in the financial statements is fully documented in note ***xxx*** and has only been made after full consultation with experts and shareholders.

(d) Foreign currency

All amounts are expressed in Tala.

Transactions in foreign currencies have been converted to Tala at rates approximating those ruling at the date the transaction was incurred. Assets and liabilities in foreign currency have been converted to Tala at rates approximating those ruling at the balance sheet date. Exchange gains and losses are brought to account in determining the profit for the year.

(e) Leased assets

Assets acquired under finance leases are capitalised. The initial amount of the leased asset and corresponding lease liability are recorded at the present value of minimum lease payments. Leased assets are amortised over the life of the relevant lease or, where it is likely the company will obtain ownership of the asset on expiration of the lease, the expected useful life of the asset. Lease liabilities are reduced by the principal component of lease payments. The interest component is charged against operating profit.

Operating leases are not capitalised and rental payments are charged against operating profit in the period in which they are incurred.

(f) Taxation

Income tax has been brought to account using the liability method of tax effect accounting.

Income tax on profit comprises current and deferred tax and is recognised in the profit statement.
Provision for current tax is the expected tax payable on the earnings for the current year, using tax rates enacted at the balance sheet date, plus any adjustment to tax payable in respect of prior years.

Deferred tax provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

(g) Provision for employee benefits

Provision has been made in the financial statements for benefits accruing to employees in relation to such matters as annual leave and long service leave.

(h) Borrowing costs

All borrowing costs and interest payable are calculated to apply to the respective loans in the period of account and are charged as an expense item against profits for the period.

(i) Grants, aid and donations

Monies received by way of grants, aid or donations are disclosed separately in the accounts from monies received as loan or equity finance. By definition grants, aid or donations are gratuitous receipts and not subject to repayment. Any caveats associated with the grants, aid or donations governing the use of the money are disclosed in note xxx.

Grants aid or donations are treated as revenue in the period in which they are received.

(j) Comparative figures

Where necessary, comparative figures have been adjusted to conform with presentations adopted in the current year.