



Public Governance, Performance and Accountability (Financial Reporting) Amendment (Miscellaneous) Rule 2016

I, MATHIAS HUBERT PAUL CORMANN, Minister for Finance, make the following rule.

Dated 20 April 2016

MATHIAS HUBERT PAUL CORMANN
Minister for Finance

1 Name

This is the *Public Governance, Performance and Accountability (Financial Reporting) Amendment (Miscellaneous) Rule 2016*.

2 Commencement

(1) Each provision of this instrument specified in column 1 of the table commences, or is taken to have commenced, in accordance with column 2 of the table. Any other statement in column 2 has effect according to its terms.

Commencement information		
Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
1. The whole of this instrument	1 July 2015	1 July 2015

Note: This table relates only to the provisions of this instrument as originally made. It will not be amended to deal with any later amendments of this instrument.

(2) Any information in column 3 of the table is not part of this instrument. Information may be inserted in this column, or information in it may be edited, in any published version of this instrument.

3 Authority

This instrument is made under the *Public Governance, Performance and Accountability Act 2013*.

4 Schedules

Each instrument that is specified in a Schedule to this instrument is amended or repealed as set out in the applicable items in the Schedule concerned, and other item in a Schedule to this instrument has effect according to its terms.

Schedule 1 - Amendments

Public Governance, Performance and Accountability (Financial Reporting) Rule 2015

[1] Subsection 3(2)

Omit “2014”, substitute “2015”.

[2] Section 4

Omit “Commonwealth Financial Statements Preparation Guide”, substitute “Commonwealth Entities Financial Statements Guide”.

[3] Section 5 (Guide to this section)

Omit “signpost”, substitute “reference”.

[4] Section 5 (Guide to this section)

Omit “maintained and updated”, substitute “issued”.

[5] Section 5 (definition of *commitments*)

Repeal the definition.

[6] At the end of paragraph 6(1)(a)

Add “and”.

[7] Paragraph 6 (1)(c)

Repeal the paragraph.

[8] Part 2 (Guide to this Part)

Repeal the Guide, substitute:

Guide to this Part

The purpose of this Part is to mandate the principles of financial reporting requirements for reporting entities. Subsection 42(2) of the PGPA Act states that “the annual financial statements [of Commonwealth entities] must comply with the accounting standards [i.e. AAS] and any other requirements prescribed by the rules, and present fairly the entity’s financial position, financial performance and cash flows”.

[9] Section 10

Repeal the section, substitute:

10 Certificates and assurance

Guide to this section

The purpose of this section is to set out what official signed assurances must be submitted or attached with a reporting entity’s financial statements.

These assurances include a signed audit report and a signed statement by the accountable authority and the Chief Financial/Finance Officer (CFO) (or equivalent, whomever is responsible for the preparation of the financial statements) of the entity.

For corporate Commonwealth entities, a member of the accountable authority may sign on behalf of the accountable authority (if the accountable authority is a board then not all board members are required to sign off on the statement, an authorised single board member can sign on behalf of the board).

Each reporting entity must present a statement signed by a member of the accountable authority (as per subsection 42(3) of the PGPA Act) and the entity CFO, stating:

- (a) whether the financial statements, in their opinion, comply with subsection 42(2) of the PGPA Act;
- (b) whether the financial statements, in their opinion, have been prepared based on properly maintained financial records as per subsection 41(2) of the PGPA Act;
- (c) for reporting entities other than the Reserve Bank of Australia, whether, in their opinion, there are, when the statement is made, reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due;
- (d) when additional information is included in the notes to comply with subsection 42(2) of the PGPA Act, the reasons for including this additional information and the location of the additional notes in the financial statements;

- (e) the particulars of any exemptions of this rule applied by the reporting entity in the financial statements;
- (f) for corporate Commonwealth entities, that the statement has been made in accordance with a resolution of the members of the accountable authority; and
- (g) the date on which the statement is made.

[10] Subsection 17(2)

Omit “type”, substitute “class”.

[11] Paragraph 17(2)(e)

Omit “other than defence weapons platforms”.

[12] Subsection 17(6)

Repeal the subsection.

[13] Section 18

Before “When”, insert “(1)”.

[14] At the end of subsection 18(1)

Add:

- (2) Information not reported in an entity’s financial statements but required as part of the Australian Government consolidated financial statements must be made available to the Department of Finance at the time and in the format requested.

[15] Subsection 19(1)

Repeal the subsection, substitute:

- (1) A reporting entity must have approval from the accountable authority of the Department of Finance if they wish to adopt an AAS or AASB Interpretation earlier than its effective date of application other than as permitted or required by this rule.

[16] Subsection 19(2)

Repeal the subsection, substitute:

(2) The accountable authority of the Department of Finance may instruct one or more entities to early adopt an AAS or AASB interpretation.

[17] Paragraphs 24(1)(a) and (b)

Omit “Commonwealth Financial Statements Preparation Guide”, substitute “Commonwealth Entities Financial Statements Guide”.

[18] Subsection 25(2)

Repeal the subsection.

[19] Paragraph 26(1)(a)

Omit “as per the PRIMA Forms”.

[20] Section 28

Repeal the section.

[21] Section 29 (Guide to this section)

Omit “, significant remote contingencies”.

[22] Subsection 29(1)

Omit “in accordance with the classes specified in the PRIMA Forms. New Classes can be added where applicable”, substitute “by class”.

[23] Subsection 29(4)

Repeal the subsection.

[24] Section 32 (Guide to this section)

Omit “associate joint arrangement or entity”, substitute “associate or joint arrangement”.

[25] Paragraph 32(3)(d)

Before “must”, insert “in respect of subsidiaries,”.

[26] After Section 34

Insert:

34A Regulatory charging

Guide to this section

The purpose of this section is to set out the reporting requirements for regulatory charging activities. Regulatory charging activities are those activities where the government has agreed that a regulatory function is to be charged for on a full or partial cost recovery basis. The note provides industry, the Parliament and the public with assurance that these activities are being managed in a way that aligns expenses and revenues over time.

- (1) Where a reporting entity undertakes a regulatory charging activity (consistent with the Australian Government Charging Framework), the financial statements of the entity must include a note providing financial information for those regulatory activities at an aggregate level.
- (2) The note must include:
 - (a) appropriations drawn down and applied to the regulatory activities;
 - (b) external revenue raised for the regulatory activities; and
 - (c) expenses related to the regulatory activities.

[27] Division 1 of Part 6 (Guide to this Part, paragraph relating to actual appropriations)

Repeal the paragraph, substitute:

Guide to this Part

Actual appropriations received, available and applied also need to be disclosed in the appropriations disclosure note. Appropriations disclosures must include the following:

- total amounts appropriated (this includes any adjustments to the appropriated amounts), the appropriation applied (how much appropriation was spent) and the variance between these amounts;
- a list of all unspent annual appropriations for the reporting entity;
- a list of appropriations applied for special appropriations; and
- appropriations disclosures in relation to agents of the reporting entity.

[28] Subsection 35(2)

Omit “Tables A to E”, substitute “disclosures”.

[29] Section 36

Repeal the section, substitute:

36 Withholding and quarantining of appropriations

Guide to this section

The purpose of this section is to set out the requirements around control and recognition of appropriations withheld or quarantined.

Under section 51 of the PGPA Act, the Finance Minister has the ability and power to withhold available appropriations to Commonwealth entities.

- (1) Amounts withheld under section 51 of the PGPA Act represent a loss of control event by the entity (as outlined in subsection 40(2) of this rule) and should be adjusted against the appropriation receivable balance.
- (2) Amounts quarantined by the Department of Finance are administrative in nature and do not result in the loss of control of the appropriation by the entity. Consequently, there is no impact on recognition or disclosure of the appropriation for financial reporting purposes.

[30] Section 37

Repeal the section, substitute:

37 Adjustments to appropriations

Guide to this section

The purpose of this section is to set out the different ways a legally appropriated amount to a reporting entity (e.g., through the Appropriation Acts or an Advance to the Finance Minister (AFM)) can be adjusted in the reporting period to result in the total appropriation available to the entity.

The adjustments below must be disclosed in the relevant appropriation disclosure note as well as being correctly accounted for in the primary financial statements.

The following are adjustments to appropriation receivable under the PGPA Act and must not be recognised as appropriation revenue:

- (a) PGPA Act section 74 (receipts of amounts by non-corporate Commonwealth entities);
- (b) PGPA Act section 75 (transfer of functions between non-corporate Commonwealth entities) prior year appropriation only; and
- (c) PGPA Act section 74A (appropriations to take account of recoverable GST).

[31] Paragraph 38(2)(c)

Repeal the paragraph, substitute:

- (c) for special accounts – when the entity receives cash from an external partner or transfers amounts from a departmental appropriation (but should not be recognised twice);

[32] Paragraph 38(2)(d)

Repeal the paragraph, substitute:

- (d) for Advance to the Finance Minister (AFM) or, for Parliamentary Departments, Advance to the responsible Presiding Officer - the commencement date of the determination;

[33] Subparagraph 38(2)(f)(i)

Repeal the subparagraph, substitute:

- (i) the commencement date of the Appropriation Act; and

[34] Section 40

Repeal the section, substitute:

40 Formal additions and reductions

Guide to this section

The purpose of this section is to establish what qualifies as a formal addition or reduction to appropriation revenue. This is determined by an entity losing or gaining control of an appropriation during the reporting period.

Reporting entities have to report all appropriations recognised in the reporting period in their primary financial statements.

Reporting entities also have to disclose actual appropriations received and applied in the reporting period in the appropriation disclosure notes.

It may arise when there is a formal reduction or addition to an appropriation so that the appropriation revenue recognised in the primary statements is affected, but where there is no legal instrument to change the actual amount appropriated so that the amount disclosed in the appropriation note is not affected.

This would arise in the situation where an appropriation is withheld under Section 51 of the PGPA Act. In this example, the appropriation revenue recognised is reduced but the actual available appropriation in the disclosure note is not reduced and still includes the amount withheld.

- (1) Formal additions or reductions necessitate adjustments to the recognition and disclosure of appropriations to the extent they have not already resulted in adjustments in previous years.
- (2) To be a formal addition or reduction, the gain or loss of control event, as outlined below, must be evidenced in writing from the appropriate authority. Formal additions and reductions are as follows:
 - (a) transfers of current year appropriation under section 75 of the PGPA Act;
 - (b) departmental supplementation;
 - (c) adjustments as stipulated by any agreement that provides for additional funding for over-delivery or a reduction of funding for under-delivery (such as purchasing, workload or other agreements), as well as funding arrangements that are specifically designed to not financially advantage or disadvantage an entity (appropriation on a no-win/no-loss basis). The agreements, at a minimum, must:
 - (i) set out one or more quantifiable deliverable(s) and/or a specific amount of appropriation relating to each; and
 - (ii) be approved by, or arise from, Ministerial or Cabinet decisions prior to the funding being given;
 - (d) amounts determined by the Finance Minister under any legislation that allows for additions or reductions to appropriations;
 - (e) an Advance to the Finance Minister or Advance to the responsible Presiding Officer as per the Appropriation Acts;
 - (f) amounts withheld under section 51 of the PGPA Act; and

- (g) all other adjustments made as a consequence of a decision of the Cabinet or the Prime Minister about the amount of appropriation or other funding available to a reporting entity.
- (3) Unless there is a Government approved legal instrument that formally reduces or increases the appropriation for one of the gain or loss of control events in subsection (2), then the reporting entity must still include that amount in their appropriation disclosure note as a legally available appropriation.

[35] Section 42 (Guide to this section)

Repeal the Guide, substitute:

Guide to this section

The purpose of this section is to set out the reporting and disclosure requirements for appropriations where they are received by non-corporate Commonwealth entities on behalf of, and to be paid to, corporate Commonwealth entities.

Generally, corporate Commonwealth entities are not able to directly access the Consolidated Revenue Fund (CRF) and any appropriations are paid to the non-corporate Commonwealth entity (i.e., portfolio department) of the corporate Commonwealth entity and then paid across to the corporate Commonwealth entity.

As the receiving non-corporate Commonwealth entity has no control over the appropriation it receives on behalf of the corporate Commonwealth entity, the appropriation is classified as an administered appropriation and reported as such.

[36] Paragraphs 42(2)(b) and 42(2)(c)

Repeal the paragraphs, substitute:

- (b) loans to corporate Commonwealth entities must be accounted for as loans receivable by the relevant non-corporate Commonwealth entity regardless of whether the loan is made directly by the OPA or through the non-corporate Commonwealth entity;
- (c) interest repayments must be recorded as revenue in the non-corporate Commonwealth entity's administered accounts, regardless of whether the interest is paid directly to the OPA or through the non-corporate Commonwealth entity; and

[37] Division 5 of Part 6 (Guide to this Division)

Omit “tables A through E”, substitute “note”:

[38] Section 43

Repeal the section, substitute:

43 Annual appropriations

(1) The amounts shown for Annual Appropriations must be the same as those set out in the relevant Appropriation Acts.

(2) The amounts disclosed must include the following adjustments under the relevant legislative provisions:

- (a) AFM – appropriated in the current reporting period;
- (b) PGPA Act section 74 – receipts that have been recorded in the accounts and records of the responsible entity during the reporting period; and
- (c) PGPA Act section 75 – only current year appropriation increased or decreased by section 75 determinations.

(3) Appropriation applied must include:

- (a) cash payments made from appropriations; and
- (b) appropriations credited to special accounts for the reporting period.

This is to include amounts from both current and prior year appropriations.

(4) The following information must be disclosed as footnotes:

- (a) an explanation for all appropriations that have been:
 - (i) withheld under section 51 of the PGPA Act; and
 - (ii) quarantined for administrative reasons;
- (b) an explanation of all material variances between:
 - (i) the appropriation applied in the reporting period; and
 - (ii) the amount appropriated (or otherwise authorised) for the current period; and
- (c) any entities that spent money from the CRF on behalf of the reporting entity.

- (5) All reporting entities that receive a Departmental Capital Budget and/or an Administered Capital Budget must disclose separately the total of these amounts as shown in the Portfolio Budget Statements and Portfolio Additional Estimates Statements.

[39] Section 44

Repeal the section.

[40] Section 45 (heading)

Repeal the section heading, substitute:

45 Unspent annual appropriations

[41] Section 46

Repeal the section, substitute:

46 Special appropriations

- (1) Reporting entities must disclose the following for each special appropriation:

- (a) authority, including:
- (i) for all special appropriations – the title of the legislation;
 - (ii) for special appropriations (limited amount) – limit for reporting period and appropriation lapsed; and
 - (iii) for special appropriations (PGPA Act section 58) – total of prior year investments redeemed in current year and redemptions of current year investments (gross); and
- (b) appropriation applied, including:
- (i) the total of cash payments, amounts credited to special accounts less repayments under subsection 74(1) of the PGPA Act; and
 - (ii) the total investments made during the year under section 58 of the PGPA Act.

- (2) Reporting entities must disclose all relevant money invested in authorised investments under section 58 of the PGPA Act.

- (3) Where investments are made under an Act of Parliament other than section 58 of the PGPA Act, the name of the relevant Act and section under which the investments were made must be disclosed.

[42] Section 47 (heading)

Repeal section heading, substitute:

47 Disclosures by agent in relation to annual and special appropriations

[43] Paragraph 47(a)(ii)

Repeal the paragraph, substitute:

- (ii) total receipts and total payments (include annual departmental and administered items, as well as special appropriations); and

[44] Division 6 (Guide to this Division)

Repeal the paragraph, substitute:

Guide to this Division

The purpose of this Division is to set out the reporting and disclosure requirements for special accounts.

A special account is an appropriation mechanism that notionally sets aside an amount within the CRF to be expended for specific purposes. The type of appropriation provided by a special account is a special appropriation. The appropriation mechanism remains available until the special account is abolished. The amount of appropriation that may be drawn from the CRF, via a special account, is limited to the balance of the particular special account.

The balance of a special account should not be a negative amount as this may indicate that the entity has expended more than the legal appropriation. Entity accounts and records that show a negative balance for a special account should be checked for accuracy.

[45] Subsection 48(4)

Omit “adjacent to the special account disclosure.”

[46] At the end of section 48

Add:

- (5) Entities must disclose the opening balance, increases, decreases (classified as either departmental or administered) and the closing balance for each special account.