

EXPLANATORY STATEMENT

Issued by the authority of the Minister for Finance

Public Governance, Performance and Accountability Act 2013

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

The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) consolidates into a single piece of legislation the governance, performance and accountability requirements of the Commonwealth, setting out a framework for regulating resource management by the Commonwealth and relevant entities. The PGPA Act replaced the *Financial Management and Accountability Act 1997* (FMA Act) and the *Commonwealth Authorities and Companies Act 1997* (CAC Act).

Section 101 of the PGPA Act provides that the Finance Minister may make rules by legislative instrument to prescribe matters giving effect to the Act.

The *Public Governance, Performance and Accountability (Financial Reporting) Amendment (Miscellaneous) Rule 2016* amends the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR). Both rules are legislative instruments for the purpose of the *Legislative Instruments Act 2003*.

Other Legislative Provisions

The FRR sets out the requirements for preparation of financial statements under the following legislative provisions:

- subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013*;
- subsection 47(1) of the *High Court of Australia Act 1979* in relation to how financial statements must be prepared by the High Court of Australia;
- section 193H of the *Aboriginal and Torres Strait Islander Act 2005* in relation to how the accounts and financial statements must be prepared for the Land Account;
- subsections 50B(2) and (4) of the *Defence Service Homes Act 1918* in relation to how financial statements must be prepared by the Defence Service Homes Corporation; and
- subsections 43(1) and (3) of the *Natural Heritage Trust of Australia Act 1997* in relation to how financial statements must be prepared for the Natural Heritage Trust of Australia Account.

Some provisions of the FRR are also made under subsection 102(1)(b) of the PGPA Act.

The amendments to the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* apply for reporting periods ending on or after 1 July 2015. Details of the amendments are at [Attachment A](#).

2015-16 Amendments

The proposed amendments represent new changes to financial reporting policy and arise from the following main sources:

- simplification and streamlining of financial statements;
- minor changes to improve the understanding of disclosures; and
- changes of an editorial nature, including the removal of provisions that are no longer applicable together with the updating of terminology.

Retrospectivity and Timing

The retrospective commencement date of this legislative instrument does not adversely affect the rights of persons or otherwise impose liabilities, other than onto the Commonwealth or Australian Government entities, and as such, does not contravene subsection 12 (2) of the *Legislative Instruments Act 2003*.

A retrospective commencement date has always been used for financial reporting purposes as this ensures that changes are applicable in the same reporting period in which the amendments are made.

For reporting periods ending before 1 July 2015, these amendments to the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* are not applicable.

Consultation

In accordance with section 17 of the *Legislative Instruments Act 2003*, all Australian Government entities required to apply the amendments to the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*, including the Australian National Audit Office, have been consulted on the exposure draft and provided with the opportunity to submit comments.

Attachments

Details of the amendments to reporting requirements for the reporting periods ending on or after 1 July 2015 are provided in [Attachment A](#).

The Statement of Compatibility with Human Rights as required by the *Human Rights (Parliamentary Scrutiny) Act 2011* is provided in [Attachment B](#).

Explanatory Statement – Attachment A

This attachment summarises the amendments to the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* required in the preparation of financial statements for reporting periods ending on or after 1 July 2015 for Commonwealth entities.

1. Part 1, Division 1 - Section 3 Authority and Section 4 Guide to this rule
The applicable reporting period has been amended to reflect reporting requirements applying on or after 1 July 2015 as well as a minor editorial amendment made to Section 4.
2. Part 1, Division 2 - Section 5 Definitions
The definition of 'Commitments' has been removed due to Section 28 of the FRR being repealed (see below for further information). Minor editorial amendments have also been made.
3. Part 1, Division 3 – Section 6 Applicable entities
Subsection 1(c) has been removed permitting the Therapeutic Goods Administration to be reported under the Department of Health but not separately. Minor editorial amendments have also been made.
4. Part 2 – Guide to this Part
Minor editorial amendments have been made.
5. Part 2 – Section 10 Certificates and Assurance
Minor editorial amendments have been made.
6. Part 3 – Section 17 Valuation of non-financial assets (AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets or AASB 140 Investment Property)
The provision of valuing defence weapons platforms at cost has been repealed to ensure a consistent approach with reporting under Government Finance Statistics. Minor editorial amendments have also been made.
7. Part 3 – Section 18 AASB 1053 Application of Tiers of Australian Accounting Standards
An amendment has been made to request additional information, if required, from Commonwealth entities for the purpose of Consolidated Financial Statements.
8. Part 4 – Section 19 Early adoption of accounting pronouncements
Minor editorial amendments have been made.
9. Part 4 – Section 24 Employee Benefits, Section 25 Measurement and disclosure of post employment plans and Section 26 Restructures of administrative arrangements
Subsection 25(2) relating to the discount rate for employee benefits has been repealed to ensure consistency with AASB 119 *Employee Benefits*. Minor editorial amendments have been made to sections 24 and 26.

10. Part 5 – Section 28 Commitments and Section 29 Contingencies
Section 28 has been repealed as this section duplicates disclosure requirements under AASB 117 *Leases*, AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*. A reference to significant remote contingent liabilities in Section 29 has been removed to ensure consistency with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. Minor editorial amendments have also been made to Section 29.
11. Part 5 – Section 32 Administered investments
Amendments have been made to ensure consistency with AASB 10 *Consolidated Financial Statements*.
12. Part 5 – Section 34A Regulatory charging
A new section has been inserted to set out the reporting requirements for regulatory charging activities.
13. Part 6 – Division 1 – Guide to this Part
Minor editorial amendments have been made.
14. Part 6, Division 2 – Section 35 General requirements, Section 36 Withholding and quarantining of appropriations and Section 37 Adjustments to appropriations
Additional information has been provided to clarify the withholding and quarantining of appropriations in section 36. Minor editorial amendments have been made to sections 35 and 37.
15. Part 6, Division 3 – Section 38 Departmental appropriations
Amendments have been made to reflect revenue recognition principles for special accounts together with minor edits.
16. Part 6, Division 3 – Section 40 Formal additions and reductions
Amendments have been made to streamline and clarify the disclosure of formal additions and reductions to appropriation revenue.
17. Part 6, Division 4 – Section 42 Payments to corporate Commonwealth entities
Minor editorial amendments have been made.
18. Part 6, Division 5 – Section 43 Annual Appropriations, Section 44 Departmental and administered capital budgets, Section 45 Unspent appropriations, Section 46 Special appropriations and Section 47 Disclosures by agent in relation to annual and special appropriations
Section 44 has been repealed due to the disclosure of capital appropriations being combined with annual appropriations (Section 43) rather than as a separate disclosure. Appropriation disclosures in sections 43, 45, 46 and 47 have been streamlined to remove specific formatting requirements.
19. Part 6, Division 6 – Guide to this Division
Minor editorial amendments have been made.
20. Part 6, Division 6 – Section 48 Special Accounts
An amendment has been made to detail the reporting requirements for special accounts. A minor editorial amendment has also been made.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011, section 9

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

1. The proposed amendments do not engage any of the applicable rights or freedoms outlined in the *Human Rights (Parliamentary Scrutiny) Act 2011*, such as encompassed in the *International Covenant on Civil and Political Rights*.
2. The proposed amendments do not limit any human rights, nor propose any offences or penalties.
3. This legislative instrument is therefore compatible with the human rights and freedoms recognised or declared in the international instruments listed in subsection 3(1) of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Senator the Honourable Mathias Cormann, Minister for Finance