

# 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 (2020 Measures No.1) Rules 2020*

Section 101 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) provides that the Finance Minister may make rules by legislative instrument to prescribe matters giving effect to this Act.

The *Public Governance, Performance and Accountability (Financial Reporting) Amendment (2020 Measures No. 1) Rules 2020* 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 PGPA Act prescribes that annual financial statements must:
  - comply with accounting standards and any other requirements prescribed by the rules; and
  - present fairly the entity's financial position, financial performance and cash flows.
- Subsection 47(1) of the *High Court of Australia Act 1979* prescribes the financial statements reporting requirements of the High Court of Australia;
- Subsections 50B(2) and (4) of the *Defence Service Homes Act 1918* prescribe the financial statements reporting requirements of the Defence Service Homes Corporation; and
- Subsections 43(1) and (3) of the *Natural Heritage Trust of Australia Act 1997* prescribe the financial statements reporting requirements of the Natural Heritage Trust of Australia Account.

Some provisions of the FRR are made for the purpose of Subsection 102(1)(b) of the PGPA Act.

### 2019-20 Amendments

Subsection 3(2) of the FRR has been amended to align with the definition of reporting period defined in Section 8 of the PGPA Act.

The amendments represent changes to financial reporting policy that have arisen from the:

- application of Australian Accounting Standards, AASB 16 *Leases*.
- amendment to the list of entities that are required to prepare full disclosures at Tier 1 level.
- amendments to the list of entities that are required to prepare disclosure notes at the Tier 1 level, and that are required to prepare additional disclosure notes at Tier 1 level for the listed matter.
- minor changes to clarify the exclusion of superannuation additional lump sum amount from the Key Personnel Management Remuneration (KMP) disclosure note.

### **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 historically 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 commencing before 1 July 2019, 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, were consulted on the draft amendments.

### **Attachments**

Details of the amendments to reporting requirements for the reporting periods commencing on or after 1 July 2019 are provided at [Attachment A](#).

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

**Details of the Public Governance, Performance and Accountability (Financial Reporting) Amendment (2020 Measures No. 1) Rules 2020**

This attachment summarises the amendments to the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* that guide the preparation of financial statements for reporting periods commencing on or after 1 July 2019 for Commonwealth entities.

1. *Part 1, Division 1 - Subsection 3(2) Authority*

The reporting period of the FRR has been amended to align with the definition of the reporting period defined in Section 8 of the PGPA Act.

2. *Part 1, Division 1 – Subsection 3(2)(c) Authority*

Subsection 3(2)(c) has been repealed as the Aboriginal and Torres Strait Islander Land Account (Land Account) is no longer in operation, and its successor, the Aboriginal and Torres Strait Islander Land and Sea Future Fund, operates under different arrangements.

3. *Part 3, Section 17 Valuation of non-financial assets (AASB 16 Leases, AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets or AASB 140 Investment Property)*

Changes are made to section 17 and subsection 17(1) to reflect the implementation of AASB 16 *Leases*.

Subsection (2A) has been created to require lessee reporting entities to value right-of-use (ROU) assets recognised under AASB 16 that relate to a class of property, plant and equipment to use the cost model in AASB 16 after initial recognition.

4. *Part 3, Section 18 AASB 1053 Application of Tiers of Australian Accounting Standards*

One entity has been added to the schedule in Subsection (2). This entity will be required to prepare full financial statement disclosures under Tier 1. This amendment will ensure those entities with complex financial instruments to present a full disclosure of these instruments in their financial statements.

One entity has been removed from the table in Subsection (3) as a result of the Administrative Arrangements Order that came into effect on 1 February 2020 abolishing that entity.

Four entities listed in the table in Subsection (3) have been amended to reflect the administrative changes resulting from the Administrative Arrangements Order that came into effect on 1 February 2020. The Listed Matter and Listed Australian Accounting Standards (AAS) for these entities remain unchanged.

5. Part 5, Section 25 Measurement and disclosure of post employment plans

Minor amendment to reflect the accounting disclosure requirement of KMP remuneration that the superannuation additional lump sum payment is not an individual employee benefit and thus should be excluded from the KMP remuneration disclosure note.

## **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 (2020 Measures No. 1) Rules 2020***

#### *Overview of the legislative instrument*

Section 101 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) provides that the Finance Minister may make rules by legislative instrument to prescribe matters giving effect to this Act.

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- Subsections 43(1) and (3) of the *Natural Heritage Trust of Australia Act 1997* prescribe the financial statements reporting requirements of the Natural Heritage Trust of Australia Account.

Some provisions of the FRR are made for the purpose of Subsection 102(1)(b) of the PGPA Act.

#### *Human rights implications*

1. The 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**