Accounting policy update – newsletter

Edition No. 46 JUly 2024

This biannual newsletter highlights areas of importance in public sector financial reporting. Please distribute to both budget and financial reporting areas of Victorian public sector entities.

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# Overview

In this newsletter, we highlight a range of recent financial reporting developments that are relevant to Victorian public sector entities and provide several important reminders.

Key developments covered in this newsletter include:

* Implementation of tiered financial reporting across the Victorian public sector
* The release of the 2023-24 *Model Report for Victorian Government Departments*
* AASB 13 *Fair Value Measurement* Amendments education update
* Back-to-basics technical training
* An update on the sustainability reporting project.

Key reminders for year-end include:

* Related party ministerial declarations
* Year-end valuation assessments
* Annual attestations required under the Standing Directions
* Key financial publication dates for the whole of State.

We would also like to take the opportunity to introduce a couple of new members in the Accounting Policy team.

# Key developments

## Implementation of tiered financial reporting

Earlier this year, DTF consulted with the sector on a proposal to simplify Victorian public sector (VPS) entity financial reports by embracing a two-tiered approach to entity financial reporting. Having considered the stakeholder feedback, the Assistant Treasurer recently approved FRD 101 [*Application of Tiers of Australian Accounting Standards*](https://www.dtf.vic.gov.au/sites/default/files/document/FRD%20101%20Application%20of%20Tiers%20of%20Australian%20Accounting%20Standards.docx), giving effect to the rollout of tiered financial reporting within the VPS.

This is an important financial reporting reform aimed at significantly simplifying Victorian public sector entity financial reports, increasing the utility of financial reporting across the sector. The reform introduces a differential reporting framework consisting of two-tiers of financial reports, with eligibility for each tier determined based on entity size, complexity and risk profile.

Under the new framework, 85 per cent of VPS entities will produce shorter and more simpler Tier 2 financial reports, utilising the Simplified Disclosures regime available under the Australian Accounting Standards (AAS). The remaining 15 per cent of VPS entities will continue preparing the full Tier 1 financial reports in accordance with AAS.

Tier 1 and Tier 2 financial reports are both legitimate forms of general purpose financial reports that comply with Australian Accounting Standards. Tier 1 financial reports comply with all AAS recognition, measurement and disclosure requirements. Tier 2 financial reports are identical to Tier 1, except that they benefit from significantly reduced disclosure requirements.

The new framework is effective for annual reporting periods beginning on or after 1 July 2024. This means entities will apply the new framework for the first time to annual reporting periods ending 30 June 2025. Early adoption is permitted for annual reporting periods ending 31 December 2024.

DTF plans to release a new Tier 2 Model Report and run sector education session(s) later this year to help facilitate the sector transitioning to tiered financial reporting.

For more information, please refer to FRD 101 [*Application of Tiers of Australian Accounting Standards*](https://www.dtf.vic.gov.au/sites/default/files/document/FRD%20101%20Application%20of%20Tiers%20of%20Australian%20Accounting%20Standards.docx)and the [guidance](https://www.dtf.vic.gov.au/sites/default/files/document/Guidance%20on%20the%20application%20of%20FRD%20101%20Application%20of%20Tiers%20of%20Australian%20Accounting%20Standards.docx) accompanying FRD 101. If you have any questions about this reform, please reach out to the Accounting Policy team at [accpol@dtf.vic.gov.au](mailto:accpol@dtf.vic.gov.au)

## Release of the 2023–24 *Model Report for Victorian Government Departments*

The 2023-24 *Model Report for Victorian Government Departments* (the Model Report) was released in May 2024.

The Model Report can be found at the following link.

<https://www.dtf.vic.gov.au/model-report/2023-24-model-report>

Key changes to the Model Report primarily relate to the Report of Operations which now incorporates:

* updated disclosures on performance against output performance measures
* updated government advertising expense disclosures
* new disclosures on review and study expenses incurred by public sector entities.

For further information on the changes made, please refer to the [*Summary of Changes to the Model Report*](https://www.dtf.vic.gov.au/sites/default/files/document/2023-24%20Summary%20of%20Changes.pdf) document.

## AASB 13 *Fair Value Measurement* Amendments education update

In December 2022, the Australian Accounting Standards Board (AASB) issued an amendment to AASB 13 *Fair Value Measurement* through AASB 2022-10 [*Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*](https://aasb.gov.au/admin/file/content105/c9/AASB2022-10_12-22.pdf)*.* The purpose of this amendment was to provide further clarification, guidance and illustrative examples for measuring fair value of non-financial assets within the public sector. This amendment applies to annual periods beginning on or after 1 January 2024.

In March 2024, DTF, the Victorian Auditor-General’s Office and Valuer-General Victoria jointly hosted an education session to help Victorian public sector entities understand the key changes to AASB 13 arising from AASB 2022-10. A recording of this education session is available to Victorian public sector entities. If you would like access to the recorded session, please contact the Accounting Policy team at [accpol@dtf.vic.gov.au](mailto:accpol@dtf.vic.gov.au).

## A group of people sitting in chairs in front of a screen Description automatically generatedBack-to-basics technical training

DTF held two days of ‘Back-to-basics’ technical training in June 2024 to help build and further strengthen the financial reporting capabilities within the Victorian public sector. A wide range of key Australian Accounting Standard topics were covered. The training was run in-person and virtually in a hybrid format, with over 400 attendees joining on both days. A copy of the presentation slides and recordings have been distributed to all attendees via email.

## Sustainability reporting

The Australian Accounting Standard Board (AASB) has commenced redeliberation of the proposals in Exposure Draft ED SR1 [*Australian Reporting Standards – Disclosure of Climate-related Financial Information*](https://www.aasb.gov.au/admin/file/content105/c9/AASBED_SR1_10-23.pdf) in light of the stakeholder feedback.

The AASB has set an aspirational deadline to finalise its Australian Sustainability Reporting Standards on climate-related financial disclosures by the end of August this year, subject to the passage of the [Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024](https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r7176) (the Bill) through the Australian Parliament and completion of the analysis of the stakeholder feedback from the consultation process.

DTF will continue to monitor developments in this area and keep the sector informed of any significant changes.

# Reminders for 30 June 2024

## AASB 124 *Related Party Disclosures*

### Ministerial declarations for the 30 June 2024 reporting period

To support the preparation of public sector financial reports, information consistent with the requirements of AASB 124 *Related Party Disclosures* is collected twice each financial year from cabinet ministers, as we have 30 June, as well as 31 December year-end reporters.

The first submission of the declarations covering the period from 1 July 2023 to 31 December 2023 was completed in January 2024. Due to the Machinery of Government changes, declarations from outgoing and new incoming ministers were also sought.

The second submission covering the period from 1 January 2024 to 30 June 2024 is expected to be completed by July 2024.

Consistent with previous reporting periods, where any transactions are reported, DTF will provide the relevant information extracted from ministerial declarations to the relevant portfolio departments to share with their relevant agencies to assess whether the related party transactions warrants disclosure in the entities’ annual financial report.

Entities are reminded that under the agreed protocols, consultation is required with the relevant minister(s) and DTF where disclosures are proposed, before they can be finalised in your annual financial report.

### Movements in key management personnel for departments and agencies

Entities will need to include in their related party note to the financial report, information relevant to movements of all key management personnel during the financial year ended 30 June 2024, including disclosing any relevant executive appointments and departures.

### Remuneration of key management personnel

Ministers’ remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968*. Similar to the prior financial year, this ministerial remuneration disclosure will be reported within the State’s Annual Financial Report. When preparing annual financial reports, please ensure references to the information on ministers’ remuneration is referenced to the State’s Annual Financial Report.

### Guidance information

A declaration certificate, checklist and comprehensive guidance are included on DTF’s website to assist entities to comply with AASB 124. Please refer to the following link to access this information.

[www.dtf.vic.gov.au/financial-reporting-policy/aasb-124-related-party-disclosures](http://www.dtf.vic.gov.au/financial-reporting-policy/aasb-124-related-party-disclosures)

## Valuation assessments

Entities are reminded to ensure they have conducted their year-end valuation assessments for the end of the financial year.

Entities would have already conducted their 2023-24 interim valuation assessments using the 31 December 2023 indices, which were released in November 2023 as a preliminary indicator to assess how the fair values have moved for the period. For **30 June 2024**, entities will need to finalise their valuation assessments using the indices released in early June 2024.

In instances where the cumulative year-end fair value movement is greater than 40 per cent, entities should liaise with the Valuer-General Victoria and Victorian Auditor-General’s Office as soon as practical.

The Valuer-General’s land indices can be found at the following link.

[www.dtf.vic.gov.au/financial-reporting-policy/valuer-general-land-indices](http://www.dtf.vic.gov.au/financial-reporting-policy/valuer-general-land-indices)

Victorian Government agencies should contact their portfolio department in the first instance for the login details to access the land indices.

## Standing Directions – annual report attestation

The Standing Directions 2018 under the *Financial Management Act 1994* (2018 Standing Directions) require a formal financial management compliance attestation statement in an agency’s annual report. Agencies with a **30 June** reporting date must complete an attestation statement for the period **1 July 2023** to **30 June 2024** covering all applicable Standing Directions and Instructions as required and prescribed by Instruction 5.1, clause 2.2.

The 2018 Standing Directions are available on the DTF website. Please refer to the following link

[www.dtf.vic.gov.au/financial-management-government/standing-directions-2018-under-financial-management-act-1994](http://www.dtf.vic.gov.au/financial-management-government/standing-directions-2018-under-financial-management-act-1994)

If you have any further queries on the Standing Directions, please direct your queries to the DTF Financial Frameworks team mailbox: [standing.directions@dtf.vic.gov.au](mailto:standing.directions@dtf.vic.gov.au).

## Wage inflation and discount rates

DTF publishes the wage inflation and discount rates quarterly for the September, December and March quarters. Rates are then released monthly for the months of April, May and June. The most recently published rates should be used to remeasure an agencies employee provision balance for the current year.

Wage inflation rates reflect current economic assumptions made in the preparation of the Victorian state budget. The discount rates are representative of the yields earned on Commonwealth Treasury bonds.

The annual discount rate decreased slightly from 4.52 per cent in September 2023 to 4.01 per cent in March 2024, before increasing to 4.35 per cent in June 2024. Overall, the annual discount rate has remained relatively stable during the 2023-24 reporting period.

Based on the estimates published in the *2023-24 Victorian State Budget*, the wage inflation rate is currently at 4.45 per cent. There have been minimal movements noted in the wage inflation rate during the 2023-24 reporting period. Current and historical data for the wage inflation and discount rates are available on the DTF website at the following address.

[www.dtf.vic.gov.au/financial-reporting-policy/wage-inflation-and-discount-rates](http://www.dtf.vic.gov.au/financial-reporting-policy/wage-inflation-and-discount-rates)

If agencies wish to use an alternative discount or wage inflation rate, they are required to seek approval from the Assistant Treasurer beforehand and consult with the Victorian Auditor-General’s Office (VAGO). This is in accordance with FRD 17 *Wage Inflation and Discount Rates for Employee Benefits*.

## Resource Management Framework

The Resource Management Framework (RMF) assists Victorian government departments in understanding and implementing the legislative and administrative policies for the State’s financial management framework. The RMF aims to help entities understand the financial management framework to use when goal setting, planning, budgeting and delivering services.

Effective from 1 July 2024, an updated version of the RMF has been in use. This version contains amendments made in June 2024. The current RMF can be found at the following link.

<https://www.dtf.vic.gov.au/planning-budgeting-and-financial-reporting-frameworks/resource-management-framework>

## Key financial publication dates for the State of Victoria

The State’s Annual Financial Report (AFR) is required to be tabled in Parliament by no later than 15 October 2024 for the 2023-24 reporting period. Here are some important key dates:

| Date | Event | Further Information |
| --- | --- | --- |
| Thursday 1 August 2024 | Draft accounts that have been provided to VAGO are to be submitted to your DTF relationship manager. | *For material entities only* |
| Thursday 5 September 2024 | The following items are to be submitted to your DTF relationship manager:   * Confirmed audit opinions, signed by VAGO * Any subsequent events that will be published in an entity’s annual financial report * Departmental Financial Statements (final or most updated draft). | *For material entities only* |

Department and material entity financial reports will need to be completed ahead of these dates to allow the State’s AFR to be prepared, audited, and transmitted to Parliament by its legislated date of 15 October 2024.

To aid in achieving this, departments and material entities should follow the financial reporting timelines specified in the 2024 DTF Information Request released in December 2023, to ensure that relevant information is provided to audit teams by 1 August 2024.

As with every reporting cycle, entities should take steps to ensure that the information provided to auditors and for consolidation into the State’s Annual Financial Report is comprehensive, complete, and has been subject to robust quality assurance procedures.

The legislative due dates for other publications are included in the *Financial Management Act 1994* (FMA). The FMA is available to view at the following address.

<https://www.legislation.vic.gov.au/in-force/acts/financial-management-act-1994/067>

# Australian Accounting Standards update

## New standards issued since 1 January 2024

**AASB 18 *Presentation and Disclosure in Financial Statements***

On 14 June 2024, the AASB issued AASB 18 [*Presentation and Disclosure in Financial Statements*](https://aasb.gov.au/admin/file/content105/c9/AASB18_06-24.pdf)to improve how entities communicate in their financial statements, with a particular focus on information about financial performance in the statement of profit or loss. AASB 18 will replace AASB 101 *Presentation of Financial Statements.*

For for-profit entities preparing Tier 1 general purpose financial statements, AASB 18 applies to annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.

For not-for-profit public sector entities, AASB 18 applies to annual reporting periods beginning on or after 1 January 2028. Earlier application is also permitted. The delayed application date for not-for-profit public sector entities of one year will allow the AASB to consult with stakeholders and consider potential modifications needed to implement this Standard in the not-for-profit public sector.

# Team member profiles

We would like to introduce two new team members who have recently joined the Accounting Policy team.

|  |  |
| --- | --- |
| A person in a suit  Description automatically generated | Name:  Steven Nguyen  Role:  Graduate  Favourite Food:  Green tea ice cream. The earthy taste with just the right amount of sweetness makes it my favourite flavour. It’s the perfect treat for a sunny day!  Favourite Holiday Destination:  Osaka, Japan. Whether it’s exploring the street markets, eating the local food, or visiting historic landmarks, there’s always something new to experience in Osaka.  Why you enjoy working at AccPol:  I have recently joined AccPol as part of my second rotation in the VPS Graduate Program. I am excited to experience a different side of accounting and finance in the public sector where there is a focus on the intricacies on accounting standards. So far, I have been given the opportunity to meaningfully contribute to the tiered reporting framework project. The team has been very supportive which has made navigating complex concepts, such as tiered reporting, both efficient and very enjoyable. |
| A person with long black hair smiling  Description automatically generated | Name:  Constance Yuan  Role:  Senior Analyst  Favourite Food:  Cheesecake. Though not the healthiest, it is creamy and delicious.  Favourite Holiday Destination:  Ito, Japan. A beautiful place to experience the traditional Japanese lifestyle.  Why you enjoy working at AccPol:  I enjoy interpreting accounting standards; deepening my understanding of its specific application to the Victorian public sector; and most importantly, working in a team environment where we all collaborate together and share ideas with one another. |

# How to contact us

## AccPol mailbox

When directing accounting policy enquiries to DTF at [accpol@dtf.vic.gov.au](mailto:accpol@dtf.vic.gov.au), **departments** are requested to support their questions with the facts and with clear referencing to Accounting Standards, FRDs and other authoritative pronouncements related to their queries.

**Other entities** are requested to contact their portfolio department in the first instance to resolve any accounting policy issues.

## Useful websites

**AASB** – [www.aasb.com.au](http://www.aasb.com.au) for information on AASB pronouncements, discussion papers and ED publications.

**International Public Sector Accounting Standards Board (IPSASB)** – [www.ipsasb.org](http://www.ipsasb.org) for information on IPSASB and IPSAS pronouncements.

## DTF website

**The DTF website (for all internet users)** – [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au) covers FRDs and guidance, the Model Report, accounting policy updates, long service leave models and related data input, including wage inflation and discount rates. From the menu on the top of the home page, users should select Financial Management of Government, then Financial Reporting Policy.

**VPS users** should contact their portfolio department in the first instance for the login details to access the information relating to the 2008 Long Service Leave Model and/or, the Valuer General building and land indices.

For assistance with technical difficulties using the DTF website, e.g., broken links, please contact the DTF web team via email at [dtfweb@dtf.vic.gov.au](mailto:dtfweb@dtf.vic.gov.au)

## About the Accounting Policy Update

Accounting Policy Update is published by the Accounting Policy team of DTF twice a year. The aim of the newsletter is to highlight changes in financial reporting requirements affecting public sector entities, outlining any financial reporting related policy decisions reached by DTF and to inform readers of other developments that are under consideration by the AASB.

Disclaimer: No responsibility is taken for any action(s) taken based on information contained in this Newsletter nor for any errors or omissions in that information.

Accounting Policy Update   
ISSN 2205‑4014

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