Accounting policy update

Newsletter – Edition No. 36, July 2019

#### Scope: This bi‑annual newsletter outlines areas of particular importance in public sector financial reporting. Please distribute to both budget and financial reporting areas of Victorian public sector entities.

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| Inside this edition  [Overview 1](#_Toc13823037)  [2018‑19 reporting year 2](#_Toc13823038)  [2018‑19 financial reporting legislation 5](#_Toc13823039)  [AASB update 7](#_Toc13823040)  [How to contact us 11](#_Toc13823041) |

# Overview

As most of our controlled public sector entities and all departments prepare for their 30 June 2019 financial year end reporting requirements, we provide an update of the key changes that are relevant for the reporting period.

The 2018-19 *Model Report for Victorian Government Departments* was released at the end of May 2019 and is available from the DTF website.

There were changes made to the Report of Operations relating to the reporting requirements of the Major Skills Guarantee policy reflecting changes to the Local Jobs First Policy. Revisions were also made to the financial statements to reflect the changes relating to AASB 9 *Financial Instruments* and minor enhancements made to the disclosure of public private partnership (PPP) commitments.

Preparers are reminded to ensure they provide commentary in their respective annual financial reports of the expected financial impacts arising from the application from the suite of accounting standards (AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 1059 *Service Concession Arrangements: Grantor*) that become operative from the 2019-20 financial reporting period.

There has also been a number of updates made to the financial reporting directions (FRDs) since the last newsletter. An outline of the changes to those FRDs have been included in this newsletter.

As a reminder, valuation assessments for 2018-19 need to be finalised using the April indices provided by the Valuer-General Victoria.

Entities are reminded they are required to complete an attestation statement for the 2018-19 financial reporting period, in relation to all applicable 2018 Standing Directions and Instructions.

A table of key financial publications due in the coming year, along with their anticipated publication dates, is included in this newsletter.

Finally, preparers of financial reports should note that while the wage inflation rate is expected to be relatively flat over the horizon, the discount rate for the financial reporting period have decreased by 132 basis points. This is expected to increase the present value of annual and long service liabilities, all else being equal.

# 2018‑19 reporting year

## Major updates/reminders

### 2018‑19 *Model Report for Victorian Government Departments*

The Department of Treasury and Finance (DTF) has released the 2018‑19 *Model Report for Victorian Government Departments* (Model Report). Copies are available from the DTF website – [www.dtf.vic.gov.au/model-report/2018-19-model-report](https://www.dtf.vic.gov.au/model-report/2018-19-model-report), including a list of the key changes from the previous year’s publication.

The key changes include:

* updated specific reporting requirements on the Major Skills Guarantee policy, reflecting changes to the Local Jobs First Policy and the introduction of the *Local Jobs First Act 2003* in August 2018;
* first‑time adoption of AASB *9 Financial Instruments*, which includes transitional disclosures in the financial statements and the associated notes;
* revisions have been made to the financial statements and accompany notes relating to AASB 9 *Financial Instruments*:
  + the classification, measurement and disclosure of financial instruments; and
  + changes to the impairment model moving from the ‘incurred losses’ approach to the ‘expected credit loss’ approach.

Note: This is to clarify that statutory receivables are recognised on an amortised cost basis and the impairment assessment will be done on the same basis as for other financial instruments. It should be noted that the disclosure requirements of AASB 7 *Financial instruments: Disclosures* do not apply to statutory receivables.

* an additional column has been included in the commitments table to disclose state capital contributions for uncommissioned PPP projects for enhanced transparency (Refer to Note 7.5.2 *PPP commitments* in the 2018-19 Model Report); and
* Australian Accounting Standards issued that are not yet effective for 30 June 2019. Refer to Note 9.14 which has been expanded to include example commentary template wording to help preparers with their disclosure of the potential impacts of these standards in their Department’s Annual Financial Reports.

### AASB 124 *Related Party Disclosures*

#### Ministerial declarations for the 2018‑19 reporting period

To support the compliance and preparation of financial reports by not‑for‑profit public sector entities this financial year, two declarations were sought from all ministers in office for the period 1 July to 31 October 2018 (up to the start of ‘caretaker’) and for the period 1 November to 31 December 2018, acknowledging the change in composition of Cabinet and ministerial positions following the State election held on 24 November 2018.

The third submission of declarations in relation to related party transactions by Ministers for 2018‑19 covers the period 1 January 2019 to 30 June 2019and is expected to be completed by mid-July 2019.

Consistent with previous reporting periods, where there are any transactions reported, DTF will provide the relevant information extracted from ministerial declarations to the relevant portfolio entities for review and assessment to determine whether disclosure will be required in the entities’ annual financial reports.

#### Movements in key management personnel (KMP) for departments and agencies

Disclosure for the 2018-19 reporting period will need to include information relevant to all KMP appointed during the period, including any recent executive appointments and departures during the relevant financial reporting period.

#### Guidance information

A declaration certificate, checklist and summary guidance are included in Appendices 9 and 10 of the 2018‑19 Model Report to assist entities with the implementation of AASB 124. Further comprehensive guidance information is also available in the ‘Financial Reporting Policy’ section of DTF’s website at: [www.dtf.vic.gov.au/financial-reporting-policy/aasb-124-related-party-disclosures](https://www.dtf.vic.gov.au/financial-reporting-policy/aasb-124-related-party-disclosures)

### Interim valuation assessments

Entities are reminded to ensure they have conducted their interim valuation assessments in preparation for year-end. With the increased granularity in the land indices for selected metropolitan areas provided by the Valuer‑General Victoria (VGV) for each postcode, we have observed this has resulted in the cumulative fair value movements for land exceeding the 40 per cent threshold for some departments, triggering the need to undertake a formal valuation for that class of assets immediately (which may be earlier than the formal fifth valuation year).

You would have already conducted your 2018‑19 interim valuation assessments using the October 2018 indices as a preliminary indicator to assess how the fair values for land have moved for the period, prior to finalising your valuation assessment using the April 2019 indices. In instances where the cumulative fair value movements have moved substantially and movements are greater than 30 per cent but less than 40 per cent, we strongly recommend you alert the VGV in anticipation that the 40 per cent threshold may be triggered before the formal fifth valuation year, requiring a formal valuation for that class of assets for the 30 June 2019 reporting year.

Our December 2016 Newsletter, Edition No. 3,1 contains information on interim valuation assessments including an example of how to assess fair value movements on a cumulative basis. The publication can be found at [www.dtf.vic.gov.au/Accounting-policy-newsletters](http://www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Financial-Reporting-Policy/Accounting-policy-update-newsletters).

Information on interim revaluations can also be found in the ‘Guidance on the application of FRD 103 *Non‑financial physical assets’* publication.

[www.dtf.vic.gov.au/financial-reporting-policy/financial-reporting-directions-and-guidance](https://www.dtf.vic.gov.au/financial-reporting-policy/financial-reporting-directions-and-guidance)

## Financial reporting directions (FRDs) and guidance notes

The following FRDs have been updated and are available on the same web page.

### FRD 25D *Local Jobs First*

In August 2018, the *Local Jobs First Act 2003* amended the former *Victorian Participation Policy Act 2003*. The new Act brings together the Victorian Industry Participation Policy (VIPP) and the Major Project Skills Guarantee (MPSG) requirements in legislation, as these two polices were previously separately administered.

The revisions to FRD 25D reflect the new guidelines being issued under the Local Jobs First Policy.

The key changes are:

* legal/policy references have been updated to reflect the amendment in the Act;
* the Direction has been updated to include transitional arrangements as the Act was amended in August 2018;
* reporting requirements for the report of operations have been updated to include:
  + the number of projects the MPSG applied to from 16 August 2018;
  + the total number of hours completed or to be completed by apprentices, trainees or cadets on these projects, and the total number of opportunities created for apprentices, trainees and cadets on these projects;
  + the total number, across all projects commenced or completed by the department, of small and medium‑sized businesses engaged as either the principal or as part of the supply chain; and
* definitions and guidance section have been updated to reflect the *Local Jobs First Act 2003* and the associated Local Jobs First policy guidelines.

### FRD 103H *Non-financial physical assets*

The amendment to the direction relates to the implementation of the new Government Financial Statistics (GFS) manual, which has resulted in the government purpose classification (GPC) definitions being replaced by ‘Classification of the Functions of Government’ (COFOG) definitions. This change is effective for 2018-19 financial reporting period under AASB 1049 *Whole of Government and General Government Sector Financial Reporting.*

The key change to the Direction are:

* references to GPC have been replaced with COFOG; and
* **clarification that machinery of government changes should not change the entities’ valuation cycle unless their purpose has changed.**

### FRD 114C *Financial Instruments*

FRD 114C reflects the first-time adoption of AASB 9 *Financial Instruments*, which replaces AASB 139 *Financial Instruments – Recognition and Measurement.* This will supersede FRD 114B *Financial Instruments – General Government Entities and Public Non-Financial Corporations* and FRD 116A *Financial Instruments – Public Financial Corporations.*

The key changes to the Direction reflect the following requirements of AASB 9:

* a prescribed transitional approach for the first-time application of AASB 9;
* changes in the classification and measurement of financial assets and liabilities; and
* a new method for the recognition of impairment losses.

### FRD 119A *Transfers through Contributed Capital*

There were no changes made to the requirements of this FRD. Only minor updates were made to clarify the accounting treatment of reassignments of responsibility for a portfolio entity made from one department to another.

### FRD 120M *Accounting and reporting pronouncements applicable to the 2018-19 reporting period*

FRD 120M prescribes the accounting and reporting pronouncements that are applicable to departments and public bodies for the 2018-19 reporting period. The revisions to this FRD reflect the following key changes:

* Australian Accounting Standards that became effective for the 2018-19 reporting period;
* FRDs that have been revised and reissued for the 2018-19 reporting period; and
* Australian Accounting Standards that have been issued but are not yet effective in the current reporting period, to assist entities in reporting the potential impacts arising from these upcoming standards. It is important to note all entities will be required to include commentary relating to the expected financial impact of the application of the upcoming accounting standards, namely AASB 15, AASB 16, AASB 1058 and AASB 1059 that become operative the 2019-20 financial year. Please refer to the example commentary templates contained in Note 9.14 in the 2018-19 Model Report for illustrative disclosure requirements.

# 2018‑19 financial reporting legislation

## Standing Directions – annual report attestation

The Standing Directions 2018 under the *Financial Management Act 1994* (2018 Standing Directions) require a formal attestation statement in your annual reports. Agencies must complete an attestation statement for the period 1 July 2018 to 30 June 2019, in relation to all applicable Standing Directions and Instructions as required in the form prescribed by Instruction 5.1, clause 2.2.

New Ministerial directions under Part 4 of the *Project Development and Construction Management Act 1994* (PDCM Act) relating to public construction procurement came into operation on 1 July 2018. The 2018 Standing Directions (Direction 4.2.4) require relevant departments and agencies to apply those Ministerial directions under the PDCM Act. Instruction 5.1, clause 2.5 requires specific attestation of compliance with Direction 4.2.4 in the annual report.

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).

## Superannuation Guarantee Levy

There has been no change to the Superannuation Guarantee Levy (SGL) schedule since the last update on the SGL in the December 2017 newsletter edition. Consistent with the *Minerals Resource Rent Tax Repeal and Other Measures Act 2014* passed in September 2014, the future SGL rates will remain at 9.5 per cent until 2021, before increasing by 0.5 per cent annually between 2021 and 2025.

The next SGL rate change for departments and agencies will be effective from 1 July 2021 when the rate will increase to 10 per cent.

## Wage inflation and discount rates

DTF publishes the wage inflation and discount rates quarterly for the September, December and March quarters. Rates are released monthly for the June quarter of each financial year. The current rates should be used by entities to remeasure their employee benefit provisions in the 2018‑19 reporting period.

The wage inflation and discount rates are published for both 2004 and 2008 Long Service Leave Models. Wage inflation rates reflect current economic assumptions made in the preparation of the State Budget. The discount rates are representative of the yield of Commonwealth Treasury bonds, published by the Reserve Bank of Australia.

Notwithstanding that wage inflation is expected to be relatively flat over the horizon, with the annual discount rate continuing a downward trend through 2018-19, this will increase the present value of annual and long service leave liabilities, all else being equal.

## Key financial publication dates for the State of Victoria in 2018‑19

The following table shows the indicative key publication tabling dates for some of the State’s upcoming financial publications.

|  |  |  |
| --- | --- | --- |
| Reporting year | Publication | Anticipated release dates – actual dates to be confirmed |
| 2018‑19 | Financial Report for the State of Victoria | Legislated due date: 15 October 2019. |
| 2018‑19 | Department and entity reporting (a) | Legislated due date: 31 October 2019. |
| 2019-20 | September Quarterly Financial Report | Legislative due date: 15 November 2019 |
| 2019-20 | Budget Update | Legislative due date: 15 December 2019 |
| 2019-20 | Mid-Year Financial Report | Legislative due date: 15 March 2020 |
| 2020-21 | Budget Papers | Anticipated date: 5 May 2020 |
| 2019-20 | Financial Report for the State of Victoria | Legislative due date:15 October 2020 |
| 2019-20 | Department and entity reporting | Legislated due date: 31 October 2020. Entities are encouraged to table their annual reports prior to the legislated due date. |

Note:

(a) At this point, the last scheduled parliamentary sitting date for the Legislative Assembly is 28 November 2019. The last siting date for the Legislative Council is 29 November 2019.

## Resource Management Framework

The Resource Management Framework (RMF) serves to assist Victorian Government departments in understanding the legislative and policy framework for government and public sector planning, budgeting, service delivery, accountability and review, and is effective from 1 July 2019. The new RMF replaces the Budget Operations Framework (BOF) and the Performance Management Framework (PMF), merging the policies and procedures of these documents into a single framework document.

The new RMF also includes the financial reporting requirements (monthly reporting) and cash management sections, which have been moved from the Financial Reporting Operations Framework (FROF). The FROF has also been reissued to incorporate this change.

The RMF is being issued to communicate a single funding and accountability framework for Victorian Government departments. As part of a broader financial capability uplift strategy, the RMF reinforces the financial management legislative framework as an integrated set of instruments, which links the concepts of funding and service delivery through output performance management. It includes mandatory requirements and guidance for departments on a range of topics including matters relating to the Department Funding Model, objectives and outputs, appropriation funding, trust accounts, carryovers, reporting and other topics. Departments can provide further feedback on the RMF via email at [financial.frameworks@dtf.vic.gov.au](mailto:financial.frameworks@dtf.vic.gov.au).

## Machinery of government manual

The *Victorian public sector operating manual on machinery of government changes* (MOG Manual) was released in October 2016. The MOG Manual was developed to identify key processes, principles, actions, helpful templates and approximate timing for implementation of Government requirements following the announcement of a MOG. This was developed in response to the challenges experienced by the public sector following the machinery of government changes of early 2014.

In November 2018, the Government announced large post-election machinery of government changes, allowing the guidance included in the MOG Manual to be implemented.

Feedback received from the recent MOG has provided DTF the opportunity to begin an update to the MOG Manual to reflect any updated information, processes and documents that were used in this MOG, and enhance the document to include any new useful information and guidance.

The revised MOG Manual is targeted for a release date of 21 August 2019.

# AASB update

## Accounting standards implementation phase 2

The ‘new accounting standards’ implementation phase 2 is now underway for the 30 June 2020 year‑end reporting period. Following from the inclusion of impacts of the new accounting standards in the 2019-20 Budget, the next phase focuses on additional requirements for ‘Actuals’. In addition, and to be used as required, a new incremental borrowing rate calculator (TCV Calculator) for 30 June 2019 has been distributed to Departmental Chief Financial Officers and going forward will be updated monthly and accessible on the new accounting standards page on SRIMS. There will be a ‘one stop shop’ page created in SRIMS to make it easy to access information for the accounting standards implementation phase 2.

The first reporting period and publication under the suite of new accounting standards is the Quarterly Financial Report No. 1 released in September 2019. In preparation for this publication, it will be necessary for you to familiarise yourselves with the additional information content located on SRIMS to support your financial reporting obligations. DTF’s Consolidated Reporting and Analysis (CRA) team are currently running departmental workshops to ensure opening balances are appropriately booked for 1 July 2019 transition. Please request a slide pack if you are unable to attend and/or speak to CRA for assistance. DTF will also be issuing an information request to clarify timelines to assist you with your planning. Moving from the old accounting standards to the new ones, there will be transitional disclosures required, so it will be important to understand what they are and what information you need to collect.

It is anticipated that the disclosure requirements will be significantly more detailed for 30 June 2020 reporting therefore, DTF’s Accounting Policy team will be preparing the updated disclosure templates and illustrative examples for inclusion in the Model Report 2019-20 to assist you in understanding these changes. Additionally, existing Financial Reporting Directions are to be updated and new ones will be written to support the changes to the accounting standards and the new disclosure requirements in the Model Report. Where there are nuances between the guidance documents that were provided at Budget, these will be communicated to ensure consistency in application across the Actuals implementation.

Information relating to the accommodation leases that are managed by the Shared Services Provider (SSP), will be provided to their client Departments that have accommodation leases directly or whose portfolio entities have accommodation leases. SSP have adopted certain assumptions into its lease liability calculations, hence it will be necessary to understand these and clarify with SSP should you require additional information. SSP recently held a CFO outreach session with JLL presenting the assumptions to Departments. If you were unable to attend, you may request a copy of the slide pack to assist you from SSP. Noting that it is the Departments and entities CFO’s responsibility to sign off on all leasing journals including the accommodation leasing journals.

## Key AASB Standards issued but not effective for 2018-19

For information on AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not‑for‑Profit Entities*), AASB 16 *Leases* and AASB 1059 *Service Concession Arrangements: Grantors*, please refer to our previous newsletters.

### New Accounting Standards checklist

Supporting information about the new accounting standards have been published on the DTF website: [www.dtf.vic.gov.au/financial-reporting-policy/accounting-standards-checklists](https://www.dtf.vic.gov.au/financial-reporting-policy/accounting-standards-checklists).

These incorporate checklists previously included in the 2017-18 Model Report appendices and new checklists based on the New Accounting Standards Instruction pack, issued in December 2018.

### New Conceptual Framework for Financial Reporting

A new Conceptual Framework has been issued for for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards. In addition, other for-profit entities may voluntarily elect to apply the new Conceptual Framework, which applies to annual reporting periods beginning on or after 1 January 2020.

The new Conceptual Framework incorporates the International Accounting Standards Board’s (IASB) meaning of ‘reporting entity’, which differs significantly from the reporting entity concept in current Australian pronouncements, and also has revised definitions and recognition criteria for assets and liabilities and a new chapter on measurement. Having the new Conceptual Framework in place is important so entities that currently claim compliance with International Financial Reporting Standards (IFRS Standards) can continue to do so.

Consequential amendments to Standards and Interpretations through AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* support the issue of the new Conceptual Framework. The amendments also retain the Australian reporting entity concept for all entities not applying the new Conceptual Framework.

The AASB is continuing to develop phase 2 of the financial reporting framework project, which will extend the Conceptual Framework to additional for-profit private sector entities.

### Other new Standards issued since December 2018

#### AASB 2018-8 Amendments to Australian Accounting Standards – Right of Use Assets of Not-for-Profit Entities

AASB 1058 made amendments to AASB 16 to require not-for-profit entities to measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives.

However, the AASB has decided to provide a temporary option for not-for-profit entities to not measure a class or classes of such right-to-use assets at initial recognition at fair value, since further guidance is expected to be developed to assist not-for-profit entities in measuring right-for-use assets at fair value.

#### AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

These amendments arise from the issuance of the *Conceptual Framework for Financial Reporting* and the International Financial Reporting Standard Amendments to *References to the Conceptual Framework* in IFRS Standards by the IASB.

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the *Conceptual Framework for Financial Reporting* (*Conceptual Framework)* by the AASB.

The application of the *Conceptual Framework* is at present limited to:

1. for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards; and
2. other for-profit entities that voluntarily elect to apply the *Conceptual Framework*, which would permit compliance with Australian Accounting Standards (Tier 1) and IFRS Standards.

This Standard makes amendments to Australian Accounting Standards, Interpretations and other pronouncements to permit other entities to continue using the *Framework for the Preparation and Presentation of Financial Statements* adopted by the AASB in 2004 (Framework) and *Statement of Accounting Concepts* SAC 1 Definition of the Reporting Entity to determine whether they are a reporting entity that needs to prepare general purpose financial statements that comply with Australian Accounting Standards.

## Exposure drafts issued for comment by the AASB

### ED 290 Reference to the Conceptual Framework

ED 290 proposes narrow-scope amendments to AASB 3 *Business Combinations* to update the reference to the Conceptual Framework for Financial Reporting, without changing the accounting requirements for business combinations.

Updating the reference without making any other changes to AASB 3 could change the accounting requirements for business combinations because the liability definition in the new Conceptual Framework is broader than that in previous versions. Entities would need to record provisions and contingent liabilities when they acquire a business they would not record in other circumstances. To avoid this, the ED also proposes that for provisions and contingent liabilities, entities refer to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* instead of the Conceptual Framework to determine what constitutes a liability. Submission of comments to the AASB is due by 20 August 2019.

### ED 291 Not-for-profit entity definition and guidance

ED 291 proposes to replace the existing definition of a not-for-profit (NFP) entity with a substantive definition. The proposed definition has two interdependent parts: (1) the primary objective to provide goods or services for community or social benefit, and (2) the provision of any equity is to support that objective rather than for a financial return to equity holders.

The new definition is proposed to be added to AASB 1057 *Application of Australian Accounting Standards*, with the old definition removed from the three Standards in which it currently appears. Implementation guidance to help entities determine whether they are a NFP entity or a for-profit entity would also be added to AASB 1057. Submission of comments the AASB is due by 9 September 2019.

## Other developments

### Social Procurement Framework

The Social Procurement Framework (SPF) came into effect on 1 September 2018 and sets the clear expectation that social procurement is standard practice for the Victorian Government.

Social procurement is when organisations use their buying power to generate social value above and beyond the value of the goods, services or construction being procured. Value for money is the key driver underpinning all Victorian Government procurement decisions. The SPF aims to ensure that value-for-money considerations are not solely focused on price but encompass opportunities to deliver social and sustainable outcomes that benefit the Victorian community.

The SPF, including its measurement and reporting requirements, applies to all procurement activities undertaken by, or on behalf of, departments and agencies subject to the Standing Directions. By streamlining and embedding social procurement within everyday procurement processes, the Government seeks to increase the value of procuring goods, services and construction.

DTF’s Social Procurement Measurement and Reporting Team has developed a SPF measurement and reporting framework and explored various compliance mechanisms to embed these requirements. The metrics included in the measurement and reporting framework were developed in consultation with subject matter experts across Government. These metrics have been approved by the Assistant Treasurer, in consultation with other portfolio Ministers. In addition, the Social Procurement Stream Subcommittee (a subcommittee of the Victorian Government Purchasing Board, which is overseeing implementation of the SPF) endorsed three compliance mechanisms this purpose: the Guidance to the Standing Directions (Guidance); the General Government Information Request (Information Request) and a Financial Reporting Direction (FRD).

DTF’s Social Procurement Measurement and Reporting Team has completed its work on the Guidance and the Information Request. Having completed a consultation process with departmental Chief Procurement Officers, the DTF Social Procurement Measurement and Reporting Team is now drafting an FRD to mandate the SPF measurement and reporting requirements. In July 2019, the DTF Social Procurement Measurement and Reporting Team anticipates that a refined version of the proposed FRD and illustrations will be distributed to the Chief Financial Officers and procurement managers of all agencies subject to the Standing Directions for feedback. If the FRD is approved, it will take effect on 1 July 2020.

If you need further information about the SPF measurement and reporting framework and the proposed SPF FRD, please contact Marc Bradley (Manager, SPF Measurement and Reporting Team) on 03 9651 2507 or email [marc.bradley@dtf.vic.gov.au](mailto:marc.bradley@dtf.vic.gov.au).

### Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB/IASB Practice Statement 2

There is growing momentum of interest in climate change, how our economy adjusts to these emerging risks, and the role of investment behaviour, corporate behaviour, and more particularly corporate disclosure has in dealing with these emerging risks.

Climate-related risks and other emerging risks are currently predominantly discussed outside the financial statements. However, as set out in AASB/IASB Practice Statement 2, qualitative external factors such as the industry in which the entity operates, and investor expectations may make such risks ‘material;’ and warrant disclosures when preparing financial statements, regardless of their numerical impact. Given investor statements on the importance of climate-related risks to their decision‑making, the impact of the materiality definition and APS/PS 2 is that entities can no longer treat climate-related risks as a matter of corporate social responsibility and may need to consider them also in the context of their financial statements.

It should be noted that this guidance is not mandatory and represents the IASB’s best practice interpretation of materiality. Please note that this continues to be monitored going forward.

# How to contact us

## AccPol mail box

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/Government-Financial-Management/Financial-reporting-policy), 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 Government Financial Management, 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 on the basis of information contained in this Newsletter nor for any errors or omissions in that information.

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