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| FRD 21C |  |  | Disclosures of responsible persons and executive officers in the financial report (May 2017) |
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| Purpose |  |  | To prescribe disclosure requirements of remuneration in relation to responsible persons and executive officers in the financial report of all public sector agencies. |
| Application |  |  | Applies to any ‘department’ or ‘public body’ as defined in Section 3 of the *Financial Management Act 1994* (FMA). A public sector entity classified as a public financial corporation or a public non-financial corporation within the latest *Financial Report for the State of Victoria* that does not meet the definition of a ‘public body’ is encouraged to refer to this FRD for guidance. |
| Operative date |  |  | Reporting periods commencing on or after 1 July 2016.FRD 21B *Disclosures of responsible persons, executive officers and other personnel in the financial report* is withdrawn and superseded effective 1 July 2016. |
| Requirements |  |  | Responsible personsThe financial report of a reporting entity (including consolidated financial report in relation to an economic entity) must disclose the following in relation to responsible persons at any time during the reporting period:1. **the number of responsible persons;**
2. **the name of each person holding a position of responsible person; and**
3. **the total remuneration received within a $10 000 range.**
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|  |  |  | MinistersThe names of the relevant Ministers at any time during the reporting period must be disclosed. Ministerial remuneration is only to be disclosed in the financial report of the Department of Parliamentary Services. |
|  |  |  | Executive officersAn entity shall disclose the following in relation to executive officers as defined in paragraph 5.3:1. **the number of executive officers with total remuneration received or receivable in connection to their position as an executive officer over the reporting period. An executive officer’s remuneration should be disclosed within remuneration categories in a table format;**
2. **the total remuneration received or receivable by executive officers identified in paragraph 4.3(a) over the reporting period;**
3. **the total annualised employee equivalent (AEE) of executive officers identified in paragraph 4.3(a) over the reporting period; and**
4. **the reasons for significant variations between the current and previous reporting period.**
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| Definitions |  |  | **Accountable officer** as defined in section 42 of the FMA, is the Department Head of a department, or the Chief Executive Officer (CEO) or equivalent of a public body, unless the Minister determines otherwise.  |
|  |  | 5.2 | **Annualised employee equivalent** (AEE) is calculated as the time fraction that an employee worked over the reporting period. This is calculated by dividing the total number of days that an employee is engaged to work during the week by the total number of full-time working days per week (this is generally five full working days per week). Adjustments may need to be made to take into account flexible working arrangements, for example: for a part-time employee contracted to work two days per week, AEE is calculated as 0.40 (2 days divided by 5 working days); orfor an employee working five full working days in a compressed week over four days under flexible work arrangements, AEE is calculated as 1.00 (5 days divided by 5 working days). |
|  |  | 5.3 | **Executive officer** is a person, other than a statutory office holder or an accountable officer, who: for a department, who is employed as an executive under Part 3 of the Public Administration Act 2004 (PAA); andfor a public body, who is employed as an executive under Part 3 of the PAA, or is a person whom the Victorian Government’s Policy on Executive Remuneration in Public Entities applies. The Victorian Government’s Policy on Executive Remuneration in Public Entities can be found on the Victorian Public Sector Commission’s (VPSC) website at <http://vpsc.vic.gov.au>.  |
|  |  | 5.4 | **Responsible person**is:* + 1. in relation to a department, the Accountable Officer and the relevant Minister or Ministers (in relation to the individual Minister’s portfolio);
		2. in relation to a public body other than a department, the relevant Minister, the accountable officer and members of the governing boards, trustees or boards of management; and
		3. any other person occupying or acting in the position of Minister, accountable officer or Board member in relation to a reporting entity. Responsible persons of the reporting entity comprise, in relation to the financial report of a reporting entity, the responsible persons of the entity, and, in relation to the consolidated financial report of an economic entity, the responsible persons of the economic entity, which in normal circumstances, comprise the responsible persons of the parent entity in the economic entity.
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|  |  | 5.5 | **Remuneration** includes all employee benefits (as defined in AASB 119 *Employee Benefits*) which are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for service rendered. It also includes amounts paid on behalf of a parent of the entity in respect of the entity.  |
|  |  | 5.6 | **Remuneration categories** include the following five categories as prescribed by AASB 124 *Related Party Disclosures*:salaries and other short-term benefits;post-employment benefits:other long-term benefits;termination benefits; and share-based payments.  |
| Guidance |  | 6.1 | This section provides guidance on the disclosure requirements of this FRD in relation to responsible persons and executive officers. |
|  |  | 6.2 | Responsible personsThe following should be disclosed in regard to **responsible persons**:* + 1. the name of each person holding a position that meets the definition of a responsible person of the reporting entity, at any time during the reporting period;
		2. where there is more than one responsible person during any reporting period, the total remuneration of all responsible persons received or receivable in connection to their position as responsible person; and
		3. the remuneration of each responsible person in an income range of $10 000.
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|  |  | 6.3 | Executive officersThe following should be disclosed in regard to **executive officers**:* + 1. total remuneration of all executive officers received or receivable in connection to their position as an executive officer (including the remuneration of executive officers acting in the position of an accountable officer at any time during the reporting period), and details of the components of that remuneration. Details on remuneration components are required to mitigate against erroneous conclusions, for example where remuneration is high due to the payout of residual entitlements (e.g. annual leave) on termination of contracts;
		2. the disclosure of the annualised employee equivalent (AEE) applies to all executive officers; and
		3. accrual principles apply to all amounts received or receivable in connection to the position as an executive officer over the reporting period are disclosed.
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|  |  | 6.4 | For the purpose of this FRD, holding financial and/or human resource management delegation is not a pre-requisite for undertaking significant management responsibilities. |
| Relevant pronouncements |  | 7.1 | AASB 119 *Employee Benefits*AASB 124 *Related Party Disclosures* FRD 15D *Executive officer disclosures in the Report of Operations by departments* |
| Background |  | 8.1 | * FRD 21A *Responsible person and executive officer disclosures in the financial report* was issued in 2005 to prescribe disclosure requirements on remuneration and related party transactions in relation to responsible persons and executive officers over the reporting period.
* FRD 21B *Disclosures of responsible persons, executive officers and other personnel (contractors with significant management responsibilities) in the financial report* was issued with key amendments including: (1) introducing a new measure, in the form of ‘annualised employee equivalent’ in addition to the headcount disclosure for executive officers; and (2) extending the scope of FRD 21A to contractors charged with significant management responsibilities in an entity. The amendments are expected to increase the usefulness of information for the financial report users.
* This FRD was updated in May 2017 to align the definition of ‘remuneration’ with the requirements of AASB 124 *Related Party Disclosures,* and to clarify the definition of accountable officer and executive officer for departments and public bodies. The disclosure table was amended to: (i) remove the $100 000 threshold on remuneration reporting for executive officers; (ii) remove the $10 000 banding; and; (iii) incorporate the remuneration disclosure categories prescribed by AASB 124. Separate disclosure of other personnel was removed as these are contractors with significant management responsibilities who are captured in the related parties disclosure as key management personnel under AASB 124. The term ‘responsible Minister’ was also updated to ‘relevant Minister’ to align with the terminology used in the FMA and to clarify the respective definitions in the FRD and 2016 Standing Directions. In addition, related party transaction disclosures for responsible persons were deleted as they will be reported in the related party disclosure note to the financial statements in accordance with AASB 124.
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| Appendices |  |  | Appendix A – Example disclosure for the financial report. |

# Appendix A – Example disclosure for the financial report

## Note XX Ministers and accountable officers

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act* 1994 (FMA), the following disclosures are made regarding responsible persons for the reporting period.

Names

The persons who held the positions of Ministers and Accountable Officers in the Department are as follows:

Minister for Technology The Hon. John Bristol MP 1 July 201Y to 30 June 201X

Minister for Biotechnology The Hon. Laura Toddington MP 1 July 201Y to 30 June 201X

Secretary Ms Jane Smith 1 July 201Y to 30 June 201X

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Department during the reporting period was in the range:

$460 000 – $469 000 ($460 000– $469 000 in 201X-1W)

## Note XX Remuneration of executive officers (including executives defined as Key Management Personnel (KMP))

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| Remuneration | 201Y | 201X1 |
| Short-term benefits | $5 609 300 | $4 967 250 |
| Post-employment benefits | $1 260 070 | $1 365 708 |
| Other long-term benefits | $1 726 701 | $451 006 |
| Termination benefits | $319 780 | $520 000 |
| Share-based payments | n/a | n/a |
| **Total remuneration2** | **$8 915 851** | **$7 303 964** |
| **Total number of executive officers** | **55** | **56** |
| **Total annualised employee equivalent (AEE) 3** | **54.2** | **51.8** |

1 Note that for the first year of implementation (2016-17), no comparatives will be required.

2 The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) under AASB 124 *Related Party Disclosures* and are also reported within the related parties note disclosure.

3Annualised employee equivalent is based on the time fraction worked during the reporting period.

**Note:**

* If a person becomes an executive of a reporting entity during the reporting period, no disclosure is required for any remuneration paid to that person prior to that person’s appointment as an executive.
* If a person ceases to be an executive during the reporting period, the entity is required to disclose that person’s compensation for the period up until the end of their term of employment.