Summary of changes applied to the 2016‑17 Model Report

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# Purpose and overview

The purpose of this document is to provide a summary of significant changes to the *2016‑17 Model Report*, since the *2015‑16 Model Report*.

The changes incorporate a combination of revisions, enhancements and government endorsed recommendations from the Public Accounts and Estimates Committee (PAEC).

The main changes include:

* streamlining of the Model;
* updated references and requirements in *Standing Directions of the Minister for Finance 2016;*
* implementation of AASB 124 *Related Party Disclosures*;
* amendments to executive officer data and workforce data tables to reflect the amendments made in FRD 15D *Executive officer disclosures in the report of operations* and FRD 29B *Workforce data disclosures in the report of operations* following the VPSC policy changes for improved transparency in reporting on executive officer and highly paid non-executive staff;
* disclosure on entities that are consolidated into departments’ annual reports under section 53(1)(b) of the *Financial Management Act 1994*;
* implementation of previous PAEC recommendations for departments to:
* include the published budget along with the revised budget with adjustments for machinery of government changes;
* report against the key initiatives listed in the 2017-21 corporate plans from 2017-18; and
* include a public attestation against all Standing Directions from 2017-18.

For a comprehensive list of new or revised requirements, please refer to the source reference column of the Model where New or Revised is noted.

| General changes throughout the *2016‑17 Model Report*  |
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| Subject matter  | Reason | Summary of changes throughout the *2016‑17 Model Report* | Page reference |
| General improvements to the Model | Roll‑over dates | All relevant dates and years within the Model have been updated as part of the roll‑over process from the previous Model. | Whole Model |
| To improve readability | Minor editorial updates/changes to wordings and placements of sentences/paragraphs. | Whole Model |
|  | To update source references  | * Changes to source references resulting from changes in reporting requirements effective since 1 July 2016, as well as an overall update of the relevant AASB/FRD source referencing.
* References to Standing Directions of the Minister for Finance 2003 have been updated to Standing Directions of the Minister for Finance 2016.
* References to Budget and Financial Management Guidances have been replaced by corresponding Financial Reporting Operations Framework, Budget Operations Framework and Performance Management Framework references.
 | Whole Model |
|  | To make existing terminologies used consistent with terminologies used in Standing Directions of the Minister for Finance 2016 | The terminology ‘Public Sector Agency’ has been updated to ‘agencies’. | 1,3 & 65 |
|  | The terminology ‘Accountable Officer’ has been updated to ‘responsible body’ in the attestation and declaration sections in the report of operations. | 12 |
|  | The terminology ‘Chief Finance and Accounting Officer’ has been updated to ‘Chief Finance Officer’.  | 33,72 & 73 |

| Summary of changes – Introduction  |
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| Subject matter  | Reason | Summary of changes applied to the relevant sections in the Introduction | Page reference |
| Revised Standing Directions  | Revised Standing Directions | A note has been included to advise preparers that the revised Standing Directions have been incorporated into the 2016-17 Model Report.  | 2 |
| Diagram 3: Publication coverage and project indicative timelines | Annual update | Annual update on the public coverage and project indicative timelines. | 4 |
| Annual report tabling policy | Revoked Premier’s Circular No.2012/01 | The tabling requirement has been updated to align with the tabling requirement in section 46(1) of the *Financial Management Act 1994*. | 5 |
| [New] Setting the scene | Streamlining | Information on the new streamlined model financial statements and its guidance notes have been added to the introduction section.  | 6-7 |

| Summary of changes – Model Report of Operations |
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| Subject matter | Source of change | Summary of changes applied to the relevant sections in the Model Report of Operations | Page reference |
| [Revised] Specific requirements under Standing Direction 5.2 | SD 5.2 *Annual Reporting* | The section has been amended to reflect the annual reporting requirements in SD 5.2.  | 11 |
| [Revised] Guidance – Responsible Body’s declaration | SD 5.2.3 *Declaration in report of operations* | The section has been amended to reflect the revised reporting requirements in SD 5.2.3 in relation to declaration in report of operations.  | 12 |
| [New] Guidance – Changes to a department during 2016-17 | VPS operating manual on machinery of government changes | A reference to VPS operating manual on machinery of government changes has been added. | 15 |
| [New] Direct costs attributable to machinery of government changes | Recommendation 39, PAEC Report on the 2015-16 Budget Estimates | A disclosure on direct costs attributable to MoG changes has been added in accordance with the Government’s response to the PAEC recommendation. | 16 |
| [New] Reporting progress towards achieving departmental objectives in the report of operations | 2013-14 Budget Paper No.3 Service Delivery (BP3) | Tables 2 and 3 have been updated to include four financial years (i.e. from 2013-14 to 2016-17) as per the objective indicators introduced in the 2013-14 Budget Paper No.3 *Service Delivery*. | 17-18 |
| [New] Guidance – Reporting progress towards achieving departmental objectives in the report of operations | Recommendation 17, PAEC Report on 2013-14 and 2014-15 Financial and Performance Outcomes | A note has been added to advise preparers that departments are required to report against the key initiatives from their 2017-18 corporate plan in their annual report from 2017-18. | 18 |
| [New] Guidance – Performance against output performance measures | General improvements | A note has been added to provide guidance on the requirements in relation to discontinued output performance measures. | 24 |
| [New] Guidance – Budget portfolio outcomes | Recommendation 15, PAEC Report on 2013-14 and 2014-15 Financial and Performance Outcomes | A note has been added to advise preparers that departments need to include published budget and the revised budget including adjustments for the machinery of government changes.  | 26 |
| [Revised] Capital projects/asset investment programs and its guidance | General improvements | In table 1, the header, ‘actual completion date’ has been updated to ‘practical/actual completion date’ and the definition of practical completion date has been added to the guidance for clarification of the requirements.  | 28-29 |
| [Revised] Audit Committee membership and roles | SD 3.2.1.3(f) | The section has been amended to meet the revised requirements in relation to minimum number of independent members in the Audit committee in SD 3.2.1.3(f). | 34 |
| [Revised] Public sector values and employment principles and its guidance | General improvements | The reference to former State Service Authority has been removed and clarification and improvements have been made to the information on the responsibilities of the Victorian Public Sector Commission. | 40 |
| [New & Revised] Comparative workforce data | FRD 29B *Workforce Data Disclosures in the Report of Operations – Public Service Employees* | The tables and information in the guidance section have been amended to reflect the revised disclosure requirements in FRD 29B which have been amended to extend the reporting requirements to include senior non‑executive staff, and to improve reporting of remuneration for senior staff, following recommendations from a Victorian Public Sector Commission (VPSC) review of the Executive Officer Employment and Remuneration Framework. | 41-43 |
| [Revised] Executive officer data | FRD 15D *Executive officer disclosure in the report of operations* | The executive officer data section including its tables were amended to reflect the revised disclosure requirements in FRD 15D to align the reporting requirements with the proposed changes in FRDs 21C and 29B, improve clarity of the definition of accountable officer and executive officer, and to simplify the reporting requirements. | 44-45 |
| [Revised] Section 4: *Other disclosures* | FRD 25C *Local Jobs First – Victorian Industry Participation Policy* | The Victorian Industry Participation Policy (VIPP) section has been amended to reflect the reporting outcomes endorsed by Cabinet in July 2016. | 46-47 |
| [Revised] Details of information and communication technology (ICT) expenditure and its guidance | General improvement | New headers have been added to the table and additional information has been added to the guidance for clarification on the expenditure categories and what they include.  | 50 |
| [Revised] Compliance with the *Building Act 1993* | General improvements | The guidance note in the compliance with the *Building Act 1993* section has been amended to align with the requirements of the *Building Act 1993*. | 53 |
| [Revised] Guidance - National Competition Policy and its guidance | General improvements | Additional information has been added to its guidance for improved understanding and clarification on the purpose and requirements of National Competition Policy.  | 54 |
| [Revised] Office based environmental impacts | General improvements | A totals column has been added to disclosure tables (i.e. energy, waste and transport) to better align the disclosures with the requirements in FRD 24 *Environmental reporting*.  | 57,58 & 60 |
| [Revised] Attestation for compliance with Ministerial Standing Direction 3.7.1 and its guidance | SD 3.7.1 Risk management framework and processes | New SD references have been added to the section.  | 64-65 |
| [New] Guidance – Attestation for compliance with Ministerial Standing Direction 3.7.1 – Victorian Government Risk Management Framework | Recommendation 17, PAEC Report on 2013-14 and 2014-15 Financial and Performance Outcomes | A note has been added to advise preparers that a public attestation against all Standing Directions will be required in each agency’s annual report from 2017-18. | 65 |

| Summary of changes – Model financial statements |
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| Subject matter  | Source of change | Summary of changes applied to the relevant sections in the Model Financial Statements | Page reference |
| [Revised] | Streamlining | The Model Financial Statements have been streamlined by: * presenting relevant information together;
* removing clutter, immaterial and duplicate disclosures;
* improving the readability of financial information by incorporating financial information into different sections; and
* removing technical jargon to the extent possible.

As a result of streamlining process, existing notes have been reordered and grouped into sections that better reflect the key financial measures of departments and focus on the areas of most relevance. For more information on where the existing notes are located in the new streamlined Model financial statements, please refer to the next table, ‘Summary of changes – Notes in the Model financial statements’. | Whole Model Financial Statements |
| [New] Independent auditor’s report | Revised auditor’s report | Sample independent auditor’s report and information on the changes to the auditor’s report have been added. | 74-75 |
| [New] Note 2.1 Summary of income that funds the delivery of our services | General improvement | A new summary table which contains types of income that funds the delivery of departments’ services has been added.  | 88 |
| [Revised] Note 2.3 Guidance – Summary of compliance with annual parliamentary and special appropriations | Recommendation 5, PAEC Report on 2013-14 and 2014-15 Financial and Performance Outcomes | A disclosure requirement has been added in accordance with the government’s response to the PAEC recommendation.  | 90 |
| [New] Note 3.1 Expenses incurred in delivery of services | General improvement | A new summary table which contains types of expenses incurred in delivery of services. | 95 |
| [New] Note 9.5 *Entities consolidated pursuant to section 53(1)(b) of the* *Financial Management Act 1994* | VAGO recommendation | A new disclosure has been added for entities that are consolidated into department’s annual reports pursuant to section 53(1)(b) of the *Financial Management Act 1994*.  | 200 |
| [Revised]Note 9.8 Remuneration of executives | FRD 21C *Disclosure of responsible persons, executive officers and other personnel* | Information and disclosure requirements have been amended to reflect the changes made in FRD 21C which was amended to align the reporting requirements with AASB 124 *Related Party Disclosures* which is effective for all not-for-profit entities from 1 July 2016. | 206-207 |
| [New] Note 9.9 *Related parties* | AASB 124 *Related Party Disclosures* | Information and illustrations on the related party disclosure requirements on related party transactions have been added to reflect the new requirements of AASB 124. | 208-211 |
| [New] Guidance notes | Streamlining | New guidance notes including the “How to” guide on streamlining have been added.  | 218 |

| Summary of changes – Notes in the Model financial statements |
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|  | Existing notes | New notes |
| [Revised] Reordering of notes | 1 | Summary of significant accounting policies | Each of significant accounting policies contained in Note 1 has been included in the relevant notes.  |
|  | 2 | Departmental (controlled) outputs | 4.1 | Departmental outputs – Descriptions and objectives |
|  | 3 | Administered (non-controlled) items | 4.2 | Administered items |
|  | 4  | Income from transactions | 2 | Income from transactions |
|  | 5 | Expenses from transactions | 3 | Expenses incurred in delivery of services |
|  | 6 | Other economic flows included in net result | 9.2 | Other economic flows included in net result |
|  | 7 | Revision of accounting estimates | 9.6 | Correction of a prior period error |
|  | 8 | Correction of a prior period error | 9.6 | Correction of a prior period error |
|  | 9 | Restructuring of administrative arrangements | 4.3 | Restructuring of administrative arrangements |
|  | 10 | Discontinued operations | 9.3 | Discontinued operations and non-current assets held for sale |
|  | 11 | Receivables | 6.1 | Receivables (and guidance on derecognition of financial assets) |
|  | 12 | Investments and other financial assets | 5.6 | Investments and other financial assets |
|  | 13 | Investments accounted for using the equity method | 5.5 | Investments accounted for using the equity method |
|  | 14 | Interests in subsidiary and unconsolidated structured entities | 5.5 Appendix 5  | Investments accounted for using the equity method Interests in subsidiary and unconsolidated structured entities.  |
|  | 15 | Non-financial physical assets classified as held for sale including disposal group and directly associated liabilities | 9.3 | Discontinued operations and non-current assets held for sale |
|  | 16 | Inventories | 6.3 | Inventories |
|  | 17 | Property, plant and equipment | 5.1 | Property, plant and equipment: Carrying amount |
|  | 18 | Biological assets | 5.3 | Biological assets |
|  | 19 | Investment properties | 5.2 | Investment properties |
|  | 20 | Intangible assets | 5.4 | Intangible assets |
|  | 21 | Other non-financial assets | 6.4 | Other non-financial assets |
|  | 22 | Payables | 6.2 | Payables |
|  | 23 | Borrowings | 7.1 | Borrowings |
|  | 24 | Provisions | 6.5 | Other provisions |
|  | 25 | Assets received as collateral | 8.1.3 | Financial risk management objectives and policies |
|  | 26 | Assets pledged as security | 7.6 | Assets pledged as security |
|  | 27 | Derecognition of financial assets | 6.1 | Receivables (and guidance on derecognition of financial assets) |
|  | 28 | Superannuation | 3.1.3 | Superannuation contributions |
|  | 29 | Other asset and liability disclosures | 6 | Other assets and liabilities |
|  | 30 | Leases | 7.2 | Leases |
|  | 31 | Commitments for expenditure | 7.5 | Commitments for expenditure |
|  | 32 | Contingent assets and contingent liabilities | 8.2 | Contingent assets and contingent liabilities |
|  | 33 | Financial instruments | 8.1 | Financial instruments specific disclosures |
|  | 34  | Cash flow information | 7.3 | Cash flow information |
|  | 35 | Reserves | 9.4 | Reserves |
|  | 36 | Summary of compliance with annual Parliamentary and special appropriations | 2.2 | Appropriations |
|  | 37 | Ex-gratia expenses | 9.1 | Ex-gratia expenses |
|  | 38 | Annotated income agreements | 2.5 | Annotated income agreements |
|  | 39 | Trust account balances | 7.4 | Trust account balance |
|  | 40 | Responsible persons | 9.7 | Responsible persons |
|  | 41 | Remuneration of executives and payments to other personnel (i.e. contractors with significant management responsibilities) | 9.8 | Remuneration of executives |
|  | 42 | Remuneration of auditors | 9.10 | Remuneration of auditors |
|  | 43 | Subsequent events | 9.11 | Subsequent events |
|  | 44 | Glossary of terms and style conventions | 9.14 9.15 | Glossary of technical terms Style conventions |

| Summary of changes – Appendices |
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| Subject matter  | Source of change | Summary of changes applied to the relevant sections in the Appendices | Page reference |
| [Revised] Appendix 1 – *Extracts of whole of government financial statements and analysis of disclosures* | General update | The financial statements for the Victorian general government sector have been updated to the latest versions. | 237 |
| [Revised] Appendix 2 – *Budgetary reporting: Explanation of material variances between budget and actual outcomes* | General improvements | The previous Appendix 6 *Budgetary reporting: explanation of material variances between budget and actual outcomes* has been re-numbered to Appendix 2 *Budgetary reporting: explanation of material variances between budget and actual outcomes.* | 252 |
| [New] Appendix 3 – *Understanding the new independent auditor’s report* | Revised auditor’s report | Information on the changes to the independent auditor’s report has been added. | 258 |
| [Revised] Appendix 4 – *AASB 10 Consolidated Financial Statements checklist – Control analysis for Victorian public sector entities* | General improvements | The previous Appendix 7 *AASB 10* *Consolidated Financial Statements checklist – Control analysis for Victorian public sector entities* has been re-numbered to Appendix 4 *AASB 10 Consolidated Financial Statements checklist – Control analysis for Victorian public sector entities*. | 260 |
| [New] Appendix 5 – *Interests in subsidiary and unconsolidated structured entities* | Re-location of guidance information | Information previously included in a guidance note to Note 14 in the 2015-16 Model has been re-located to Appendix 5 – *Interests in subsidiary and unconsolidated structured entities*. | 270 |
| [Revised] Appendix 6 – *Annual leave provisions* | General improvements | The previous Appendix 4 *Annual leave provisions* has been re-numbered to Appendix 6 *Annual leave provisions.* | 273 |
| [Revised] Appendix 7 – *Fair value measurement indicative expectations* | General improvements | The previous Appendix 3 *Fair value measurement indicative expectations* has been re-numbered to Appendix 7 *Fair value measurement indicative expectations.* | 276 |
| [Revised] Appendix 8 – *Practical classification guide between transactions and other economic flows* | General improvements | The previous Appendix 2 *Practical classification guide between transactions and other economic flows* has been re-numbered to Appendix 8 *Practical classification guide between transactions.* | 277 |
| [New] Appendix 9 – *Declaration checklist for executives – Related party transactions identification* | AASB 124 *Related Party Disclosures* | Sample declaration checklist for executive Key Management Personnel (KPM) has been added for executive KPMs to declare any related party transactions for the reporting period in accordance with requirements in AASB 124. | 278 |
| [New] Appendix 10 – *AASB 124 Related Party Disclosures – entity management checklist* | AASB 124 *Related Party Disclosures* | Sample entity management checklist for related party transactions has been added to support management’s assessment of the completeness of the related party disclosure in their annual financial report. | 294 |
| [New] Appendix 11 – *When to account for surplus assets as ‘held for sale’* | General improvements | Guidance information on held-for-sale assets has been added. | 306 |
| [Revised] Appendix 12 – *Summary of new/revised accounting standards effective for current and future reporting periods* | General update and improvements | The previous Appendix 5 *Summary of new/revised accounting standards effective for current and future reporting periods* has been re-numbered to Appendix 12 *Summary of new/revised accounting standards effective for current and future reporting periods.*Also, the summary table has been updated to reflect the effective and new accounting pronouncements. | 310 |
| [New] Appendix 13 – *AASB reporting requirements for For-Profit and Not-for-Profit entities in the Victorian Public Sector* | General improvements | The list of accounting standards has been added to provide guidance on reporting requirements applicable for For-Profit entities and Not-for-Profit entities. | 313 |