Accounting policy update – newsletter

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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 number 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:

* An update on tiered financial reporting
* Upcoming revisions to the 2024-25 *Model Report for Victorian Government Departments*
* Release of updated FRD 103 *Non-financial physical assets*
* An update on the sustainability reporting project
* Consolidated Entity Disclosure Statement (CEDS) for public companies.

Key reminders for year-end include:

* Related party ministerial declarations
* Yearly and half yearly valuation assessments for 31 December and 30 June year-end reporters respectively
* Annual attestations required under the Standing Directions for 31 December year-end reporters
* 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.

Please note that [DTF’s new corporate website](https://www.dtf.vic.gov.au/) is now live. The new website delivers a modern and user-friendly experience, built on the Victorian Government’s Single Digital Presence (SDP) platform. You will need to update any bookmarks you may have had in the past to access the relevant information again.

# Key developments

## Tiered financial reporting update

In June 2024, the Assistant Treasurer approved FRD 101 [*Application of Tiers of Australian Accounting Standards*](https://www.dtf.vic.gov.au/sites/default/files/2024-10/FRD-101-Application-of-Tiers-of-Australian-Accounting-Standards.docx), giving effect to the rollout of tiered financial reporting within the VPS.

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, in consultation with the Victorian Auditor-General’s Office (VAGO), is currently finalising the *2024-25 Tier 2 Model Financial Report for Victorian Public Sector Entities* (Tier 2 Model) to assist Tier 2 entities defined in FRD 101 with the planning and preparation of their 30 June 2025 financial statements in accordance with the Tier 2 disclosure requirements. The Tier 2 Model is expected to be published in **January 2025**.

The Tier 2 Model, together with the *Model Report for Victorian Government Departments* (the Tier 1 Model), serves as the State’s primary compliance guides for section 5.2 of the Standing Directions.

DTF will provide a hybrid training session to the preparers of the financial statements of the Tier 2 entities on **25 February 2025,** to support the transition. Please keep this day free in your diaries if you plan to attend the session. More details on the training session will be released in January 2025.

For more information, please refer to FRD 101 [*Application of Tiers of Australian Accounting Standards*](https://www.dtf.vic.gov.au/sites/default/files/2024-10/FRD-101-Application-of-Tiers-of-Australian-Accounting-Standards.docx)and the [guidance](https://www.dtf.vic.gov.au/sites/default/files/2024-10/Guidance-on-the-application-of-FRD-101-Application-of-Tiers-of-Australian-Accounting-Standards.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)

## Upcoming revisions to the 2024–25 *Model Report for Victorian Government Departments*

Work is currently underway on the 2024-25 edition of the *Model Report for Victorian Government Departments* (the Tier 1 Model Report) which is expected to be released in **April 2025**.

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

DTF has recently published an updated FRD 103 [*Non-financial physical assets*](https://www.dtf.vic.gov.au/sites/default/files/2024-12/FRD-103-Non-Financial-Assets.docx), incorporating the clarificatory amendments toAASB 13 [*Fair Value Measurement*](https://www.aasb.gov.au/admin/file/content105/c9/AASB13_08-15_COMPdec22_01-24.pdf) arising from 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).

### Clarifications on the concept of highest and best use

The updated FRD 103 incorporates the relevant clarifications around the highest and best use which are effective from 1 January 2024 consistent with the application date of AASB 2022-10.

### Clarifications on the use of unobservable inputs and the application of the cost approach [Appendix F of AASB 13]

Recognising the clarificatory nature of these amendments and the technical and practical challenges faced by entities in applying the clarifications in Appendix F, the updated FRD 103 permits Victorian public sector entities to apply Appendix F of AASB 13 in their next scheduled formal asset revaluation or interim revaluation process (whichever is earlier). This means that there is no requirement for entities to reflect Appendix F in their annual fair value assessments until the next scheduled formal revaluation or interim revaluation process. All annual fair value assessments thereafter must continue compliance with Appendix F.

The approach for the implementation of Appendix F was developed in consultation with the Valuer-General Victoria and the Victorian Auditor-General’s Office.

For more information, please refer to FRD 103 [*Non-financial physical assets*](https://www.dtf.vic.gov.au/sites/default/files/2024-12/FRD-103-Non-Financial-Assets.docx)or contact the Accounting Policy team at [accpol@dtf.vic.gov.au](mailto:accpol@dtf.vic.gov.au).

## Sustainability reporting

The [*Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024*](https://www8.austlii.edu.au/cgi-bin/viewdb/au/legis/cth/num_act/tlamiaoma2024742/) was passed by both Houses of Parliament on 9 September 2024 and received Royal Assent on 17 September 2024.

Following the passage of this legislation, the Australian Accounting Standard Board (AASB) published AASB S1 [*General Requirements for Disclosure of Sustainability-related Financial Information*](https://standards.aasb.gov.au/aasb-s1-sep-2024) and AASB S2 [*Climate-related Disclosures*](https://standards.aasb.gov.au/aasb-s2-sep-2024). AASB S1 is a voluntary Standard and AASB S2 is a mandatory Standard (effective for annual periods beginning or after 1 January 2025).

AASB S2 is presently only applicable to entities governed by the *Corporations Act 2001* (including a small number of Corporations Act entities within the Victorian public sector). Impacted entities will start implementing AASB S2 from 1 January 2025 (phased implementation depending on entity size and nature).

The AASB has also recently initiated a research project to investigate both the information needs of users of climate-related financial information of not-for-profit public sector entities and guidance that might be needed to assist such entities to apply AASB S2.

Implementation of climate reporting (including AASB S2) within the broader Victorian public sector is a jurisdictional policy decision for Victoria.

The Victorian Government has been active in this area, having published a voluntary whole of government level climate disclosure statement in September 2022, and rolled-out expanded environment reporting within Victorian public sector agency annual reports by broadening the requirements in FRD 24 [*Reporting of Environmental Data by Government Entities*](https://www.dtf.vic.gov.au/sites/default/files/2024-10/FRD-24-Reporting-of-environmental-data-by-government-entities.DOCX).

DTF and the Department of Energy, Environment and Climate Action (DEECA) are currently in the process of considering the Victorian approach to AASB S2, having regards to existing reporting requirements, user needs and cost/benefits among other things. We will continue to keep the sector informed on any significant progress and developments in this area.

## Consolidated entity disclosure statement for public companies

As part of the Federal Government’s broader reform around multinational tax transparency, there was a recent amendment to the *Corporations Act 2001*, requiring Australian public companies (listed and unlisted) to include a ‘Consolidated Entity Disclosure Statement’ (CEDS) in their annual financial report.

At a high level, this requirement seems to capture any public sector entities that are ‘public companies’ registered under the *Corporations Act 2001* (regardless of whether they have subsidiaries or not).

Please refer to the [ASIC Information Sheet 284](https://urldefense.com/v3/__https:/asic.gov.au/regulatory-resources/financial-reporting-and-audit/preparers-of-financial-reports/public-companies-to-include-a-consolidated-entity-disclosure-statement-in-their-annual-financial-report?mkt_tok=OTc4LVJKQy0wMTgAAAGUgF7AxV-HOh1osbhSox08cwUSLhLCHCDA6ZMWsuq1oLV-WnADo5NCA-F8apZGJWHLZ507ZFTkwwoZuKBy1yHieUmpqUPkqlUa1RukK38SvMlZfA__;!!C5rN6bSF!Btx4HfqDVzxHzdsPUlTIu4eoZj9kZI_7uV3Qex2BIx4NskwsiCM7G5nGb4UbRsml6G3Ngu6ZE0ilSjRuelcEbxz2C7dRN0I$) for more information.

It should be noted that this is only relevant to Corporations Act entities, in particular, those public sector entities that are ‘public companies’. This has no impact on most of the VPS entities as they are not subject to the requirements of the Corporations Act.

# Key reminders for year-end

## AASB 124 *Related Party Disclosures*

### Ministerial declarations for the 31 December 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 both 30 June and 31 December year-end reporters.

As a result, we collect two cabinet minister declarations. The first submission of the declarations covering the period from 1 July 2024 to 31 December 2024 is expected to be completed in January 2025.

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 in order to assess whether the related party transactions warrant 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

For 31 December year-end reporters only, entities will need to include in their related party note to the financial report, information relevant to movements of all key management personnel, including disclosing any relevant executive appointments and departures during the year.

### Remuneration of key management personnel

Ministers’ remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968*. Consistent with prior financial years, 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

With the release of the 2024 calendar year VGV indices, entities with a 30 June reporting date are encouraged to perform an interim valuation assessment. This assessment determines if an interim material movement has occurred to the asset fair values.

In instances where the cumulative interim movement is greater than 40 per cent, entities should liaise with VGV and VAGO. This is to ensure that any exceptional material movements are assessed prior to balance date.

For entities with a 31 December reporting date, the latest indices are used for valuation assessments at year‑end. This is because these updated indices reflect a current view of valuation movements. Entities with a 31 December balance date are reminded to ensure they have conducted their year-end valuation assessments.

In instances where the cumulative year-end fair value movement is greater than 40 per cent, entities should liaise with the VGV and VAGO 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 31 December reporting date must complete an attestation statement for the period 1 January 2024 to 31 December 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 agency’s 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 by 44.8 basis points in the last 12 months to 4.068 per cent in September 2024. This was a 28 basis points decrease from 4.35 per cent in June 2024. Overall, the annual discount rate has remained relatively stable during the 2024-25 reporting period.

Based on the estimates published in the *2024-25 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 2024-25 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 VAGO. This is in accordance with FRD 17 [*Wage Inflation and Discount Rates for Employee Benefits*](https://www.dtf.vic.gov.au/sites/default/files/2024-10/FRD_17_Wage_inflation_and_discount_rates_for_employee_benefit.DOCX).

## 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 2025 for the 2024-25 reporting period. Here are some important key dates:

| Date | Event | Further Information |
| --- | --- | --- |
| Monday 4 August 2025 | Draft accounts that have been provided to VAGO are to be submitted to your DTF relationship manager. | *For material entities only* |
| Monday 8 September 2025 | 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* |

Departments 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 2025.

To assist with planning, departments and material entities should follow the financial reporting timelines specified in the 2025 DTF Information Request to be released in December 2024, to ensure that relevant information is provided to audit teams by 1 August 2025.

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 (including the mid-year report, quarterly financial report) 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

Since the release of our July 2024 newsletter, there have been no new Australian Accounting Standards issued which impact the Victorian public sector. Please see below update on recent amendments to Australian Accounting Standards.

## AASB 2024-2 *Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments*

The AASB has issued AASB 2024-2 [*Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments*](https://aasb.gov.au/admin/file/content105/c9/AASB2024-2_07-24.pdf)to amend AASB 7 *Financial Instruments: Disclosures* and AASB 9 *Financial Instruments*.

AASB 2024-2 amends requirements related to:

* settling financial liabilities using an electronic payment system
* assessing contractual cash flow characteristics of financial assets with environmental, social and corporate governance (ESG) and similar features
* disclosure requirements for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.

This amendment applies to annual reporting periods beginning on or after 1 January 2026.

# Team member profiles

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

|  |  |
| --- | --- |
|  | Name:  Jarrod Smith  Role:  Graduate  Favourite Food:  Either pizza or a parma with some friends at a pub.  Favourite Holiday Destination:  Best place I have been to is the Great Barrier Reef and getting to scuba dive there.  Why you enjoy working in AccPol:  I have just started in AccPol which is my final rotation in the graduate program. I am very keen to get stuck into different areas within accounting and finance which will give me some insight into accounting standards. Looking forward to collaborating with the team and gaining as much knowledge as I can over the next few months. |
|  | Name:  Vincy Xu  Role:  Senior Analyst  Favourite Food:  Hotpot. I love the endless variety of fresh ingredients you can cook right at the table - it's always fun and delicious.  Favourite Holiday Destination:  Fiji. A tropical paradise with beautiful beaches, crystal-clear water, and friendly locals.  Why you enjoy working in AccPol:  I enjoy working in AccPol because it provides diverse opportunities to gain valuable insights from public sector initiatives and apply my technical accounting knowledge to practical challenges. The variety of exposure keeps my work dynamic and ensures my skills stay relevant and up to date. I also appreciate the open, inclusive environment, where new ideas are actively encouraged and valued. |

# 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** – [https://aasb.gov.au](http://www.aasb.gov.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.

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