

Introduction

Public sector agencies fund, deliver and regulate a wide range of services on behalf of the Government. These services are funded through grants from the Commonwealth Government, royalties, taxes, levies and fees from the sale of goods and services. Annual reports are prepared by public sector agencies to inform Parliament, citizens and other interested parties about their financial plans, outcomes and position. They are useful tools for agencies to demonstrate good governance, transparency and accountability.

Purpose and scope

In accordance with section 64(1) of the FMA, the Minister is required to table in Parliament the accountable authority's annual report within the prescribed period after the end of a financial year of an agency. To enhance the consistency and quality of these annual reports, the Department of Treasury produces model annual reports (the Models) to guide agencies.

The Models have been prepared in accordance with:

- the *Financial Management Act 2006* (FMA);
- the Financial Management Regulations 2007 (FMR);
- Treasurer's instructions (TIs);
- the AASB's *Framework for Preparation and Presentation of Financial Statements* (Framework) and the Statements of Accounting Concepts SAC 1;
- Australian Accounting Standards (AAS); and
- Australian Accounting Interpretations, this includes interpretations of both the Australian Accounting Standards Board (AASB) and the former Urgent Issues Group (UIG).

The focus of the Models is to assist agencies with the preparation of financial statements. For guidance on preparation of other sections of the annual reports, agencies should refer to Treasurer's instruction 903 *Agency Annual Reports* and to the Public Sector Commission's *Annual Reporting Framework* for other reporting requirements. While the Models aim to meet most of the needs of agencies in complying with general reporting requirements of the FMA, TIs, FMRs and AASBs, agencies should be aware that the Models are for general use and are not intended to cover every potential circumstance. Other methods of presenting financial statements may also be suitable.

The Models are based on fictitious agencies to highlight and illustrate disclosure requirements. They include:

- guidance and commentaries highlighting the disclosure requirements;
- references and interpretations of relevant authoritative pronouncements; and
- illustrative disclosures related to common agency activities.

How to use the models

In accordance with the Treasurer's instruction 903 *Agency Annual Reports* (paragraph 3) and the Public Sector Commission's *Annual Reporting Framework*, annual reports are divided into the following 4 sections:

- Overview
- Agency Performance
- Significant Issues Impacting the Agency; and
- Disclosures and Legal Compliance.

The Models should be used as a guide and not be as a substitute for referring to the legislation and standards themselves. Agencies should identify the applicable legislative and accounting reporting requirements and observe their related illustrative examples in the Models.

The references and commentaries that are included throughout the Models would not normally be included in published reports. References to the relevant requirements are provided in the left hand column of the Models. Where doubt exists in respect of a treatment or disclosure, refer to the source reference of the requirement.

Commentaries in the Models provide guidance, legislative and documented references and highlight the minimum disclosure requirements. Agencies should ensure they are familiar with the details of the original sources. These commentaries are provided in a commentary box following each related part.

Additional commentaries are also located within the main body or table as italicised text enclosed in brackets.

Example

The Annual Report has been prepared in accordance with the provisions of the Financial Management Act 2006 and [*any other relevant written law*].

Electronic copies of the Models are available on Treasury's website in word or pdf versions.

Legislative background

Financial Management Act 2006

Section 61(1) of the FMA requires the accountable authorities of an agency to prepare an annual report that contains:

- financial statements for the financial year;
- key performance indicators;
- a report on the operations of the agency during the financial year;
- any information prescribed by the Treasurer's instructions;
- if applicable, the reports referred to in subsections (2) and (3); and
- any other information required by a written direction given by the Minister.

The Treasurer's instruction 903 *Agency Annual Reports* prescribes a standard layout for agencies to adopt when preparing their annual reports. This standardised layout will enable readers of annual reports to more easily find information.

In accordance with section 61(2) of the FMA, where an agency is covered by a resource agreement, the accountable authority is to include in the annual report for the financial year covered by a resource agreement a report on the extent to which the agency achieved its objectives described in the resource agreement. This is reinforced in the Treasurer's instruction 808 *Resource Agreements* (paragraph 3).

Section 61(5) of the FMA requires an agency that has a subsidiary body to exercise its control over that subsidiary body so as to ensure that the accountable authority is provided with all the information relating to the subsidiary body in order for the accountable authority to comply with sections 61 and 62 of the FMA and the Treasurer's instructions.

Unless the Treasurer approves otherwise, section 62(1) of the FMA requires the financial statements to be prepared in accordance with the accounting standards and other requirements issued by the Australian Accounting Standards Board.

Section 64(1) of the FMA requires the Minister to table the agency's annual report within the prescribed period after the end of a financial year of an agency.

Australian Accounting Standards

The FMA (and TIs) are legislative provisions that **take precedence** over accounting standards and other pronouncements. For example, a legislated reporting requirement may override a materiality judgement under AASB 1031 *Materiality*.

Chief Finance Officers should also have regard to the Framework and SACs for guidance if there is no applicable Australian Accounting Standard. However, any interpretation of these pronouncements must not be inconsistent with the FMA and TIs.

Exclusions

The Australian Accounting Standards shown below have not been applied due to their limited application to the public sector. Agencies should assess their own individual circumstances as to whether any of these Australian Standards listed below apply.

AASB 2	<i>Share-based Payment</i>
AASB 3	<i>Business Combinations</i>
AASB 4	<i>Insurance Contracts</i>
AASB 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i> to the extent that discontinued operations have not been applied. However, application and guidance is provided in respect of non-current assets held for sale.
AASB 6	<i>Exploration for and Evaluation of Mineral Resources</i>
AASB 111	<i>Construction Contracts</i>
AASB 129	<i>Financial Reporting in Hyperinflationary Economies</i>
AASB 133	<i>Earnings per Share</i>
AASB 134	<i>Interim Financial Reporting</i>
AASB 141	<i>Agriculture</i>
AASB 1023	<i>General Insurance Contracts</i>
AASB 1038	<i>Life Insurance Contracts</i>
AASB 1039	<i>Concise Financial Reports</i>
Int 2	<i>Members' Shares in Co-operative Entities and Similar Instruments</i>
Int 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>
Int 6	<i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>
Int 7	<i>Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies</i>
Int 9	<i>Reassessment of Embedded Derivatives</i>
Int 10	<i>Interim Financial Reporting and Impairment</i>
Int 12	<i>Service Concession Arrangements</i>
Int 13	<i>Customer Loyalty Programmes</i>
Int 14	<i>AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>
Int 15	<i>Agreements for the Construction of Real Estate</i>
Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
Int 129	<i>Service Concession Arrangements: Disclosures</i>
Int 1042	<i>Subscriber Acquisition Costs in the Telecommunications Industry</i>
Int 1047	<i>Professional Indemnity Claims Liabilities in Medical Defence Organisations</i>

Abbreviations

Abbreviations to the relevant requirements are provided in the left hand column of each page of the models. Where doubt exists as to the appropriate treatment, examination of the source of the disclosure requirement is recommended.

Abbreviations used in the models are as follows:

AASB	Accounting standards issued by the Australian Accounting Standards Board
APG	Accounting Policy Guidelines published by Treasury
FMA	<i>Financial Management Act 2006</i>
FMR	Financial Management Regulations 2007
Framework	Accounting framework issued by the Australian Accounting Standards Board
Int	Interpretations issued by the Australian Accounting Standards Board
TI	Treasurer's instruction issued by Treasury