

# Guidance on amending reporting requirements of the Model Report and related Financial Reporting Directions

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# 1. Background

## 1.1 Model Report for Victorian Government Departments

- The Model Report for Victorian Government Departments (Model Report) is issued under the authority of the Assistant Treasurer and is published by the Department of Treasury and Finance. It provides guidance on the form and content of annual reports and addresses the related requirements of the *Financial Management Act 1994*.
- The Model Report is presented consistent with all relevant Australian Accounting Standards including Interpretations (AASs) and Financial Reporting Directions (FRDs). The aim of the Model Report is to facilitate the provision of high quality and accurate financial information through departmental, and other public sector entity annual reports.
- All Victorian government departments must comply with the Model Report. However, it is not intended as a template but as an illustration of the minimum disclosure requirement for departments. The Model Report may not cover all non-routine disclosure requirements that may apply to particular entities.
- Other public sector entities often use the Model Report as a guide to help prepare their annual reports.
- It includes:
  - guidance and commentaries highlighting minimum disclosure requirements in a department’s annual financial statements and report of operations
  - convenient references and interpretations of relevant authoritative pronouncements
  - illustrative AAS and FRD disclosures related to common departmental activities.
- The Model Report provides for the two components of annual reports – the report of operations and the financial report for the relevant year.

<https://www.dtf.vic.gov.au/financial-reporting-policy/model-report>

### 1.1.1 Model report of operations

- The Model report of operations provides other information about the entity and its activities not included in the financial statements. It complements the information presented in the financial statements and satisfies non-financial disclosure requirements from a range of stakeholders.
- These disclosure requirements come from several different sources, including, but not limited to:
  - non-financial FRDs

- PAEC recommendations
- Acts of parliament that require government departments to disclose certain information in their annual reports
- groups responsible for policy development (with ministerial sanction) that require specific information to be reported to satisfy information needs they may have associated with the specific policy or initiative.

## 1.2 Financial Reporting Directions

- Financial Reporting Directions (FRDs) are legal instruments issued by the Assistant Treasurer under the authority of the Financial Management Act (FMA). Compliance with FRDs is mandatory for public bodies as defined by the FMA.
- They specifically mandate financial reporting requirements but may also impose other government non-financial policy and disclosure requirements on the Victorian public sector.
- They also include guidance material in relation to the topic for which the FRD has been issued, either within the FRD or as an additional, non-mandatory guidance paper.

<https://www.dtf.vic.gov.au/financial-reporting-policy/financial-reporting-directions-and-guidance>

## 2. Important considerations prior to proposing changes

The Model Report and FRDs are legal instruments under the FMA and the authority for these documents comes within the statutory responsibility of the Assistant Treasurer. As a result, making amendments to the disclosure requirements included in the Model Report and the FRDs involves comprehensive consultation and thorough review prior to approval. For an overview of the consultation and approval process, refer to Section 3 [Process of amending existing Model Report disclosures and related FRDs](#).

### 2.1 Preliminary assessment phase

1. Before initiating any changes in reporting requirements, consider whether mandated reporting through the Model Report and associated FRDs is the most appropriate path to take, or if the proposal can be achieved through other, possibly less onerous means. Consider the following:
  - (i) What is the need for change to the existing mandated reporting requirements for Victorian government departments that is driving the proposed change?

- (ii) Who are the intended users, and what is the intended purpose?
  - (iii) Disclosures in the Model Report are reported as a part of the annual report tabled in Parliament once a year, which is produced three to four months after 30 June.
  - (iv) Could disclosure be better addressed through an alternative medium, such as disclosure on the department's website or reporting to a central agency?
  - (v) Does the proposal, including the preferred means of reporting, have the support and approval of your relevant portfolio/policy minister?
2. Once these factors have been considered and the subject matter owner (i.e. the person or team that is proposing the change in reporting requirements) is confident that mandated reporting through the Model Report and associated FRDs is the best course of action, it is time to proceed to the drafting phase (section 3).
  3. Please notify the Accounting Policy team ([accpol@dtf.vic.gov.au](mailto:accpol@dtf.vic.gov.au)) of your intention to proceed with this process so the team can stay informed of your project and assist where possible.

### **3. Process of amending existing Model Report disclosures and related FRDs**

Where an amendment is required to existing disclosure requirements in the Model Report and associated FRDs, the following process should be undertaken:

#### **3.1 Drafting phase**

1. For the purpose of this guide, the subject matter owner of a particular section of the Model Report or FRD is deemed to be the subject matter or policy expert(s) who are requesting the change to disclosure requirements.
2. The subject matter owner of the section/change is required to draft the updated disclosures and illustrations for the Model Report/FRD disclosure reflecting the new reporting requirements. The updated disclosure should clearly display what has changed with respect to the previous iteration.

#### **3.2 Consultation phase**

1. Changes to the Model Report/FRD requires formal consultation with all departments and agencies required to implement the changed reporting as it impacts their statutory compliance. The purpose of this is to ensure that people preparing the annual reports are able to comply with the amended reporting requirements in the proposed reporting timeframe.

2. The subject matter owner should provide the sector with a copy of the updated disclosure requirements and/or FRD to seek their comments on the proposal. This is to be done through contacting the representatives at each department who will be responsible for compiling the disclosure. The departmental representatives will also be responsible for reaching out to their portfolio agencies for their consultation on the proposal.
3. All responses received in the consultation with departments are to be collated and documented, along with details of the action that is taken to acquit each query. This information needs to be retained and provided to the Accounting Policy team to brief the Assistant Treasurer.
4. If there are changes to be made following the initial consultation, they should be reconsulted on following the same process as in 4.
5. Once all consultation has been finalised and all queries acquitted, the subject matter owner is to reach out to the DTF Accounting Policy team, who will update the Model Report and commence the briefing process.

### **3.3 Briefing phase**

1. This process will proceed once evidence of the authorising environment has been provided to the Accounting Policy team in the form of ministerial endorsement supporting the policy proposal and the decision to change reporting requirements in the Model Report. If the disclosures are arising from legislative requirements, the specific sections of the Act should be highlighted.
2. The ministerial brief will be drafted by the Accounting Policy team but the subject matter owner of the change will be relied upon to provide documentation of the consultation as well as the background information leading to the proposed amendment.
3. The Accounting Policy team will relay any queries arising from the Assistant Treasurer's review to the subject matter owner to address.
4. Once approved, the changes can be actioned and published on the DTF website. The Accounting Policy team will notify the sector of the changes.

### **3.4 Monitoring phase**

1. Once the changes are in place, it is the responsibility of the subject matter expert to keep up to date and inform the Accounting Policy team of any further changes that may be required to existing reporting requirements in this area.
2. If the initial subject matter owner is no longer the best contact for any changes or to answer any related queries on the disclosure, the Accounting Policy team must be notified and provided with an updated contact.

### 3.5 Timing

- To facilitate the timely release of the Model Report to those preparing the financial statements for 30 June reporting, the cut-off for submitting proposed changes or new FRDs/Model Report disclosures to Accounting Policy is **31 December**.
- Note that all drafting and consultation is to be completed prior to submission to the team. If reporting is required by a certain reporting period, the subject matter owners need to ensure consultation is done in a timely manner.

## 4. Developing new FRDs and Model Report disclosures

### 4.1 Drafting phase

1. Subject matter owners are responsible for drafting the proposed FRD and/or illustration for inclusion in the Model Report. Note that FRD 100A *Financial Reporting Directions – framework* sets out the structure, format, and content of FRDs in a combination of ‘black letter’ mandated instructions and ‘grey letter’ guidance.
2. When drafting new proposed FRDs and Model Report disclosures, subject matter owners should follow the drafting steps detailed in Section 3 [Process of amending existing Model Report disclosures and related FRDs](#).
3. Subject matter owners should carefully consider how best to define the scope (i.e. which entities ought to be required to comply). Additional consultation may be necessary with DTF’s Financial Frameworks team on how the scope can be defined under the FMA to include or exclude certain entities.
4. The Accounting Policy team will be available to review the proposal and assist the originator to incorporate the specific disclosure requirements. The team will largely focus on how the proposed FDR will affect the relevant agencies, particularly the list of considerations under 2.1 Preliminary assessment phase.

### 4.2 Consultation phase

1. Prior to consultation, the relevant portfolio/policy minister needs to endorse the policy proposal and support the decision to proceed with new reporting requirements in the Model Report. If disclosures are arising from legislative requirements, the specific sections of the Act should be supplied and highlighted.
2. Proposed FRDs and additional disclosures in the Model Report must also undergo a consultation. For details, refer to 3.2 Consultation phase.

### 4.3 Briefing phase

1. Once the formal consultation is complete and all comments have been acquitted, the Accounting Policy team will begin briefing the Assistant Treasurer and seeking approval.
2. The brief will be drafted by Accounting Policy but the originator of the FRD will be relied upon to provide documentation of the consultation and final copies of the FRD and/or the illustration for the Model Report.
3. Once approved, the reporting requirements can be published on the DTF website, and the sector will be notified of the new disclosures.

### 4.4 Monitoring phase

1. Once the reporting requirements are in place, it is the responsibility of the originator of the FRD and/or illustration to keep up to date and inform the Accounting Policy team of any changes that may be required to existing reporting requirements in this area.

## 5. FAQs

**Q. What should we do if we are trying to strongly encourage best practice reporting and disclosure, but not necessarily mandate the requirements?**

- A. This is one of the most common challenges we have observed. Because FRDs are essentially a mandatory approach (compulsory compliance), an FRD may not be the best way to achieve your objectives. For example, the Standing Directions support a variety of frameworks, which can have a mix of mandatory and advisory requirements.

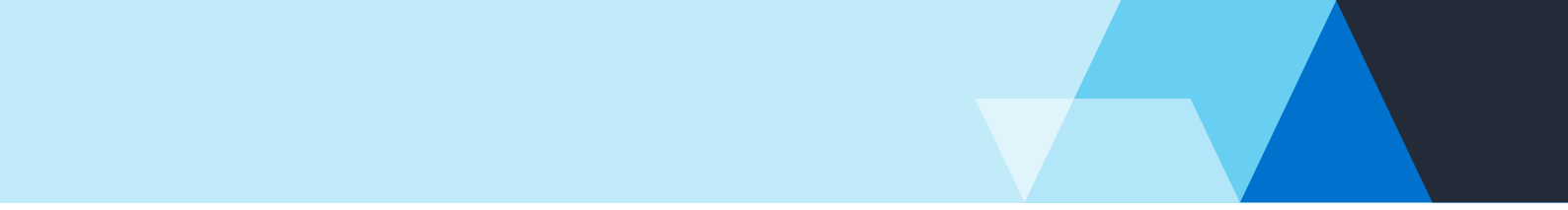
**Q. What if the scope of the entities is flexible and involves judgement or selective application?**

- A. It may be difficult to prescribe an appropriate scoping for the application, in which case, an FRD may not be the best way to achieve it.

**Q. What if the aim is to simply include disclosure in the annual report?**

- A. This may be better achieved through separate reporting where there may be more flexible options to apply to some but not all entities. For example, the information could be disclosed on departmental websites as a matter of government policy.

**Q. Could/should reporting be done by departments on behalf of agencies within their portfolio?**

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- A. That would be a policy decision determined by your department with the endorsement/approval of the relevant minister/s. The consultation process is important and may form part of your preliminary deliberations to determine if the FRD is the best avenue to achieve your objectives.