

## EXPLANATORY STATEMENT

Issued by the authority of the Minister for Finance and Deregulation

### ***Financial Management and Accountability Act 1997***

*Financial Management and Accountability Amendment Orders (Financial Statements for reporting periods ending on or after 1 July 2009)*

### ***Commonwealth Authorities and Companies Act 1997***

*Commonwealth Authorities and Companies Amendment Orders (Financial Statements for reporting periods ending on or after 1 July 2009)*

#### ***Financial Management and Accountability Act 1997 (FMA Act)***

Subsection 63(1) of the FMA Act provides that Orders may be made on any matter on which the FMA Act requires or permits Orders to be made and on any matter on which regulations under the FMA Act may be made. Section 49 of the FMA Act provides that the Chief Executive of an Australian Government Agency must prepare financial statements in accordance with Finance Minister's Orders. These requirements are currently specified in Schedule 1 to the *Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 1 July 2009)*.

The Financial Management and Accountability Amendment Orders amend the current financial statement reporting requirements for Australian Government Agencies for reporting periods ending on or after 1 July 2009. Details of the amendments to reporting requirements for the reporting periods ending on or after 1 July 2009, as compared to the requirements that were previously in force, are provided in Attachment A.

Specifics in relation to the Amendment Orders are as follows:

*Financial Management and Accountability Amendment Orders (Financial Statements for reporting periods ending on or after 1 July 2009)*

Clause 1 of the Orders deals with naming of the Orders.

Clause 2 of the Orders deals with commencement of the Orders.

Clause 3 inserts the amendments to Schedule 1, which amends the current requirements for the preparation of annual financial statements for reporting periods ending on or after 1 July 2009, and specifies the legislation to which it applies.

#### ***Commonwealth Authorities and Companies Act 1997 (CAC Act)***

Subsection 48(1) of the CAC Act provides that Orders may be made on any matter on which the CAC Act requires or permits Orders to be made. Section 9 of the CAC Act requires the directors of a Commonwealth authority to prepare an annual report in accordance with Schedule 1 to the CAC Act. Part 1 of Schedule 1 to the CAC Act provides that the annual report must include financial statements prepared by the directors in accordance with the Finance Minister's Orders. These requirements are currently specified in Schedule 1 to the *Commonwealth Authorities and Companies Orders (Financial Statements for reporting periods ending on or after 1 July 2009)*.

The Commonwealth Authorities and Companies Amendment Orders amend the current financial statement reporting requirements for the reporting periods ending on or after 1 July 2009. Details of the amendments to the requirements for reporting periods that were previously in force are provided in Attachment A.

Specifics in relation to the Orders are as follows:

*Commonwealth Authorities and Companies Amendment Orders (Financial Statements for reporting periods ending on or after 1 July 2009)*

Clause 1 deals with the naming of the Orders.

Clause 2 deals with the commencement of the Orders.

Clause 3 inserts amendments to Schedule 1, which amends the current requirements for the preparation of annual financial statements for reporting periods ending on or after 1 July 2009, and specifies the legislation to which it applies.

**Retrospectivity**

The retrospective commencement date of this legislative instrument does not adversely affect the rights of persons or otherwise impose liabilities, other than onto the Commonwealth, and as such, does not contravene subsection 12 (2) of the *Legislative Instruments Act 2003*.

**Consultation**

A range of Commonwealth entities required to apply the Amendment Orders has been consulted, with the opportunity to provide comments on the draft version, in their preparation. The Australian National Audit Office has been consulted and provided detailed comments on the Amendment Orders. All feedback has been considered and amendments made where appropriate.

## **Attachment A to the Explanatory Statement**

(Proposed Amendments to the Finance Minister's Orders for 2009-2010)

This attachment summarises the main changes in relation to the Finance Minister's Orders requiring the preparation of financial statements for reporting periods ending on or after 1 July 2009 for Australian Government agencies.

### ***The main changes are:***

- (a) correcting a drafting error in relation to the reporting delegation for the High Court of Australia from Financial Management and Accountability Act 1997 (FMA Act) to Commonwealth Authorities and Companies Act 1997 (CAC Act).
- (b) The following substantive changes to existing policies:
  - i. *Division 23 – Director/Executive Remuneration*: entities are required to include more detailed disclosure requirements for Senior Executive remuneration;
  - ii. *Division 104 – Disclosure of Appropriations*: includes more detailed disclosures in relation to the reduction of administered items; and