**Summary of changes applied to the 2014-15 Model Report**

Purpose and overview

The purpose of this document is to provide a summary of significant changes to the 2014-15 *Model Report for Victorian Government Departments*, since the 2013-14 Model Report.

The changes incorporate a combination of revisions, enhancements, accounting standard changes required by the standard setters and government endorsed recommendations from the Public Accounts and Estimates Committee (PAEC) and the Victorian Auditor-General’s Office (VAGO).

The key substantive changes include:

* Implementation of the reporting requirements of the suite of accounting standards which comprise AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements* and AASB 12 *Disclosure of Interests in Other Entities*.
  + AASB 10 focuses on a new control approach in determining whether an entity has deemed control and needs to consolidate another entity;
  + AASB 11 does not permit the use of proportional consolidation method for accounting for joint ventures (which must now be equity accounted only); and
  + AASB 12 prescribes a more extensive disclosure of an entity’s interests in other entities.
* Implementation of PAEC recommendations and guidance in the Report of Operations in relation to performance reporting which requires a more detailed reporting on departmental objective indicators, the extent of achievement against output performance measures and more detailed explanation of variances between performance targets and actual results.
* Implementation of agreed VAGO recommendations.

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.

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| General changes throughout the 2014-15 Model Report | | | |
| Subject matter | Reason | Summary of changes throughout the 2014-15 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  To update source references | Minor editorial updates/changes to wordings, placements of sentences/paragraphs.  Changes to source references resulting from changes in reporting requirements effective since 1 July 2014, as well as an overall update of the relevant AASB/FRD source referencing. | Whole Model |

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| Summary of changes – Introduction | | | |
| Subject matter | Reason | Summary of changes applied to the relevant sections in the  Introduction | Page reference |
| Diagram 3: Publication coverage and project indicative timelines | Annual update | Annual update. | 4 |
| The Model Report – purpose and scope | To update references to departments | Names of departments have been updated to reflect the Machinery of Government changes. | 5 |
| Structure of the Model Report and disclosure requirements | To update references to the new appendices | References to appendices 5-8 have been included. | 6 |

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| **Summary of changes – Model Report of Operations** | | | |
| **Subject matter** | **Source of change** | **Summary of changes applied to the relevant sections in the  Model Report of Operations** | **Page reference** |
| [Revised] Changes to the Department during 2014‑15 | To provide additional guidance | Additional guidance has been added to explain a department’s reporting requirements on departmental objectives and output performance in the event of machinery of government changes. | 14 |
| [New] Departmental objectives, indicators and outputs | Recommendation 15, PAEC Report 118 | Illustration has been updated to enhance the level of detail when reporting on departmental objective indicators, and progress towards achieving department objectives. | 15-16 |
| [New] Initiatives and key achievements | Recommendation 17, PAEC Report 107 | An illustration has been added to demonstrate the disclosure requirement on an entity’s key initiatives during the year, including any changes in those initiatives from previous years if applicable. | 17 |
| [Revised] Performance against output performance measures | Recommendation 19, PAEC Report 118 | Illustration and guidance has been updated to require departments to adopt a system which indicates the extent of underachievement or overachievement of targets when reporting on their performance. | 18-20, 22 |
| [Revised] Performance measures – explanation of variances | Recommendations  36 and 39,  PAEC Report 118 | Commentary has been added to require disclosures that:   * explain the variances between targets and actual results, * indicate whether the causes of the variances are internal or external factors; and * explain positive outcomes as well as negative outcomes. | 21 |
| [New] Variance threshold | Recommendation 38, PAEC Report 118 | Guidance has been updated to explain the difference between per cent and percentage point. | 21 |
| [Relocated] Budget portfolio outcomes | To improve logical sequence of information | Illustration on budget portfolio outcomes (financial portfolio performance reporting) has been relocated after the non-financial portfolio performance reporting section. | 23-24 |
| [Revised] Department’s performance against OH&S management measures | Recommendation 24, PAEC Report 107 | A footnote has been added to require an explanation of the circumstances contributing to the fatality and the preventive measures implemented. However, in circumstances where the fatality is under investigation or subject to an inquiry, a statement to that effect should be included. | 36 |
| [New] Workforce inclusion policy | Recommendation 20, PAEC Report 107 | An illustration has been added to demonstrate the disclosure requirement on workforce inclusion policy. | 40 |
| [New] Government advertising expenditure | Recommendation 50, PAEC Report 118 | Illustration has been added to reflect the disclosure of advertising expenditure required by FRD 22F. | 47 |
| [New] Commentary – Government advertising expenditure | Recommendation 49, PAEC Report 118 | Entities are required to explicitly disclose a ‘nil report’ when their activities or circumstances do not trigger the specified disclosure requirements and thresholds of relevant Financial Reporting Directions. | 47 |
| [Revised] Consultancy expenditure disclosure | General improvements | Clarity has been provided to confirm that the disclosure of the start and end dates of a consultancy is not a mandatory requirement. | 48 |

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| **Summary of changes – Model Financial Statements** | | | |
| **Subject matter** | **Source of change** | **Summary of changes applied to the relevant sections in the  Model Financial Statement** | **Page reference** |
| [New] Commentary – Accountable Officer’s and Chief Finance and Accounting Officer’s (CFAO) declaration | VAGO recommendation | Additional guidance has been included on the authorisation of financial statements for entities being wound up, and further clarification has been included to outline the qualifications of a CFAO. | 83 |
| [Revised] Commentary – Summary of significant accounting policies | AASB 1031 *Materiality* | Reference to AASB 1031 has been withdrawn and the guidance on materiality has been relocated to ‘Commentary ‑ Comprehensive Operating Statement’. | 87 |
| [Revised]  Cash flow statement | VAGO recommendation | Illustration has been updated. ‘Cash received from activity transferred in’ and ‘Cash transferred on activity transferred out’ have been reclassified under financing activities from the department’s perspective. | 97 |
| [New] Commentary – Cash flow statement | VAGO recommendation | Additional guidance has also been added in ‘Financing activities’ section to reflect the updated classification of ‘Cash received transferred out due to machinery of government changes’. | 99 |
| [Revised] Commentary –  Cash flow statement | AASB 11 *Joint Arrangements* | Terminology for ‘jointly controlled entity’ has been revised to reflect the new requirements of AASB 11 and the arrangement was assessed as a ‘joint venture’. | 100 |
| [New] Note 1(B)  *Basis of accounting preparation and measurement* | AASB 12 *Disclosures of interests in other entities* | Guidance has been added to require information to be disclosed when entities need to exercise significant judgements and assumptions in determining if they have either control, joint control or significant influences of another entity. | 103-104 |
| [New] Note 1(F) *Changes in accounting policies* | AASB 10 *Consolidated Financial Statements*, AASB 11 and AASB 12 | Illustrations on the disclosures of changes in accounting policies have been included to reflect the new requirements of AASB 10, AASB 11 and AASB 12. | 108-110 |
| [New] Note 1(G) *Other Income* | General improvements | To clarify that dividends received or receivable from associates and joint ventures should be adjusted directly against the carrying amount of the investments. | 111 |
| [Revised] Note 1(H) *Expenses from transactions* | General improvements | Sentence has been reworded to specify what is included under interest expense. | 113 |
| [Revised] Note 1(L) *Financial assets – Investments accounted for using the equity market* | AASB 11 and AASB 128 *Investments in Associates and Joint Ventures* | Additional information has been provided to reflect the accounting for joint ventures and joint operations. | 119 |
| [New] Note 1(M) *Non-financial assets – Restrictive nature of cultural and heritage assets, Crown land and infrastructures* | VAGO recommendation | Previous policy on the restrictive nature of cultural and heritage assets has been reinstated. | 122 |
| [Revised] Note 1(W) *Australian Accounting Standards issued that are not yet effective* | General improvements | Reference to Appendix 5 has been included for a detailed list of Australian Accounting Standards effective for current and future reporting periods. | 129 |
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| **Subject matter** | **Source of change** | **Summary of changes applied to the relevant sections in the  Model Financial Statement** | **Page reference** |
| [New] Note 2 – Schedule B  *Controlled assets and liabilities* | VAGO recommendation | Guidance has been included as best practice to encourage entities to consider a further disaggregation of material assets and liabilities in relation to the allocated outputs. | 146 |
| [Revised] Note 4 *Income from transactions* | General improvements | Removal of dividends arising from associates and joint ventures. This aligns with the accounting treatment of dividends under the equity method. | 153 |
| [Revised] Note 8 *Correction of error* | General improvements | A reminder has been included to remind entities to include the note on correction of error, if applicable, in the note to the financial statements. A reference to the illustration for such disclosure has been included. | 161 |
| [Revised] Commentary –  Note 8  *Correction of error* | VAGO recommendation | The example has been revised on the disclosure of correction of errors to illustrate the disclosure the cause of an error. | 162 |
| [Revised] Commentary –  Note 9  *Restructuring of administrative arrangement* | General improvements | Guidance has been included to align with the requirements of FRD 119A in relation to:   * Parliamentary appropriations; * restructures of administrative restructures; * formal designation for ‘other transfers’; and * reclassification of equity. | 164-165 |
| VAGO recommendation | Illustration has been updated with a more recent administrative order reflecting a machinery of government change. | 166 |
| [New] Note 11 *Receivables* | VAGO recommendation | A line item has been included for ‘fines and regulatory fees’ under current statutory receivables. | 171 |
| [Revised] Note 13 *Investments accounted for using the equity method* | AASB 11 and AASB 12 | Guidance has been provided on:   * the disclosure requirements for an entity’s interests in joint ventures and associates; and * additional guidance on accounting for investments. | 175-181 |
| [New] Commentary – Note 14  *Interests in subsidiary and unconsolidated structured entities* | AASB 10 and AASB 12 | Additional disclosure requirements in relation to AASB 12 have been included in relation to an entity’s interests in subsidiaries and unconsolidated structured entities. | 182-185 |
| [New] Note 15 *Non‑financial physical assets and disposal group assets classified as held for sale* | AASB 13 | A reminder has been included to emphasis the disclosure required for comparative period in relation to fair value measurement of non-financial physical assets held for sale. | 186 |
| [New] Note 17 *Property, plant, and equipment* | VAGO recommendation | A footnote has been added to clarify that for some heritage and iconic assets, cost may be the reproduction cost if their service potential could only be replaced by reproducing them with the same materials. | 198 |
|  | AASB 13 | A reminder has been included to emphasis the disclosure required for comparative period in relation to fair value measurement of PPEs. | 195 |
| [New] Commentary Note 17 – *Property, plant, and equipment* | AASB 136 *Impairment of Assets* | Additional disclosure requirements on fair value of an impaired asset where the recoverable amount is measured at fair value less cost of disposal. | 203 |
| **Subject matter** | **Source of change** | **Summary of changes applied to the relevant sections in the  Model financial statement** | **Page reference** |
| [New] Note 18-Biological assets | AASB 13 | A reminder has been included to emphasis the disclosure required for comparative period in relation to fair value measurement of biological assets. | 206 |
| [New] Note 19-Investment properties | AASB 13 | A reminder has been included to emphasis the disclosure required for comparative period in relation to fair value measurement of investment properties. | 209 |
| [New] Note 25  *Assets received as collateral* | VAGO recommendation | Additional guidance has been included on the accounting treatment for assets received as collaterals. | 225 |
| [New] Note 26  *Assets pledged as security* | VAGO recommendation | Additional guidance has been included to illustrate an example of assets pledged as security. | 225 |
| [New] Note 27 *Derecognition of financial assets* | VAGO recommendation | A flowchart has been included to assist with the evaluation of whether and to what extent a financial asset can be derecognised. | 226 |
| [Revised] Note 33(e) *Financial Instruments* | General improvements | The presentation has been revised for the fair value of financial assets and financial liabilities measured at amortised cost. | 268 |
| [New] Note 37  *Ex gratia expenses* | VAGO recommendation | A cross-reference footnote has been added to Note 5 *Expenses from transactions* for ex gratia expenses. | 287 |
| [New] Commentary –Note 37  *Ex gratia expenses* | General improvements | Footnotes have been added to clarify that the ex gratia materiality threshold apply to both individual items and in aggregate. Guidance has also been added on when a write-off meets the scope of ‘ex gratia’ under FRD 11A. | 287-288 |

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| **Summary of changes – Appendices** | | |  |
| **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 | Extracts of whole of government financial statements and analysis of disclosures have been updated to the latest version | 311-328 |
| [Revised] Appendix 3 –  *Fair value measurement indicative expectations* | To provide additional guidance | A footnote has been added to clarify that for some heritage and iconic assets, cost may be the reproduction cost if their service potential could only be replaced by reproducing them with the same materials. | 330 |
| [New] Appendix 5 –  *Summary of new/revised accounting standards effective for current and future reporting periods [as at 1 March 2015]* | VAGO recommendation | A summary of accounting standards for current and future reporting periods has been included. It lists and describes the key requirements and the effective dates of the accounting standards. | 334-338 |
| [New] Appendix 6 –  *Budgetary reporting* | AASB 1055 *Budgetary Reporting* | Guidance on the budgetary reporting requirements of AASB 1055 has been included, necessitated by the new accounting standard requirements. | 339 |
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| **Subject matter** | **Source of change** | **Summary of changes applied to the relevant sections in the Appendices** | **Page reference** |
| [New] Appendix 7 –  *Changes in accounting policies and disclosures* | AASB 11 and AASB 12 | Illustrations have been added to show the impact on a Department’s financial statements arising from changes in accounting policies. | 347-350 |
| [New] Appendix 8 –  *AASB 10 Consolidated Financial Statements Checklist – Control analysis for Victorian public sector entities* | AASB 10 | The AASB 10 control checklist and additional implementation guidance has been included to provide guidance on assessing ‘control’ for the purposes of consolidated financial statements. | 351-358 |