Scope: This bi‑annual newsletter outlines areas of particular importance in public sector financial reporting. The newsletter is applicable to both budget and financial reporting areas of Victorian public sector entities.

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Overview

As we are half way through the 2014‑15 reporting period, the focus of this newsletter is to assist entities in completing the assessment of the new suite of accounting standards on consolidation, applicable for the first time in 2014-15. Entities are encouraged to use the checklist included in this newsletter to finalise the ‘control’ assessment, and liaise with external audit to ensure that they are conversant with the result of your assessment.

In preparation for the 2014-15 annual report, key proposed changes relating to the *2014-15 Model Report for Victorian Government Departments* are outlined in the 2014-15 reporting year section, which also covers a number of the financial reporting directions (FRDs) under revision.

Looking forward, there will be a number of accounting standards and work‑in‑progress projects that may have potential implications for entities across the public sector, particularly AASB 15 *Revenue from contracts with customers* and the grantor’s accounting for service concession arrangements. This newsletter will provide a brief overview of those new standards/projects with a high level assessment of the potential implications.

2014‑15 reporting year

Consolidation suite of standards

The consolidation suite of standards includes AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, and AASB 12 *Disclosure of Interest in Other Entities*. In addition, AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* have also been revised. All standards became effective for not-for-profit (NFP) entities from 1 July 2014.

AASB 10 – Application guidance for NFP entities

AASB 10 focuses on a new ‘control’ approach in determining whether an entity needs to consolidate another entity. Under this approach, control is assessed on the achievement of *all* three criteria, i.e.

1. power over the investee;
2. exposure, or rights, to variable returns from its involvement with the investee; and
3. an entity’s ability to use its power over the investee to affect the amount of the investor’s return.

While the new standard is expected not to change the number of entities already consolidated into the group, entities are still required to assess whether there are any additional entities that may need to be included in the consolidation. We have developed a list of questions to assist with the assessment. Entities are also strongly encouraged to engage with the auditors as early as practicable to discuss the results of their assessment under the new standard.

Control assessment – Checklist

(i) Does your entity have ‘power’ over the investee?

Key considerations include:

* What is the nature of the relationship with the other entity?
* What is the primary objective and functions of the other entity?
* What are the relevant activities of the other entity that significantly affect its returns?
* What authority (e.g. enabling legislation, statutory provisions) enables the other entity to achieve its objectives?
* How are decisions made about these relevant activities of the other entity?
* Do you have current ability to direct the relevant activities of the other entity? Or is this ability held by another party?
* What’s the nature of rights held by you in relation to the other entity? Are they substantive rights, or are they only protective rights?
* Is the authority that the other entity operates under subject to any limitations through the regulatory powers imposed by your entity or the State?

Our view (continued for Criterion (i)):

Your entity will satisfy Criterion (i) if you have a current ability to affect the relevant activities of the other entity that significantly affects its returns. The closer the activities directed by you relate to the other entity’s primary objectives, the greater is the impact expected on the other entity’s returns, and as a result, the greater your involvement/power over the other entity.

AASB 10 states that *only* substantive rights held by your entity can give you power over the other entity.

For a right to be substantive and to meet the ‘power’ test, you must have the practical ability to exercise that right when decisions about the directions of relevant activities need to be made. Accordingly, you need to consider what are the relevant activities of the other entity, including the nature of returns to determine whether you have power.

Examples of substantive rights include rights to:

* give policy directions to the governing body of the other entity that give you the ability to direct the relevant activities of the other entity;
* approve or veto operating and capital budgets relating to the relevant activities of the other entity;
* appoint, or remove the entity’s key management personnel; or
* enter into, or veto transactions that would benefit you.

Conversely, protective rights are designed to protect your interest without giving you power over the other entity, which those rights relate to. If you *only* have protective rights in relation to the other entity, you do not have power, or you cannot prevent another party having power over the other entity.

Example of protective rights include:

* regulatory power that imposes conditions or sanctions on the other entity’s operation in restricted circumstances (e.g. breaching of environmental regulations);
* the right of a regulator to curtail or close the operation of entities that breach regulations or other requirements;
* the right to remove or appoint members of the governing body of another entity under certain restricted circumstances (e.g. failure to comply with performance standards).

(ii) Do you have exposure or rights to variable returns from the involvement with the investee?

Key considerations include:

* What is the nature of the returns in the other entity? Are they financial/non-financial? Do they include achievement, or furtherance of your objectives?
* Do you have any exposure or rights to the variability of returns of the other entity?

**Our view**: AASB 12 suggests that the scope of the nature of returns is broad for NFP entities. It encompasses financial, non-financial, direct, and indirect benefits, whether positive or negative, including the achievement or furtherance of the investor’s objectives.

As the returns are variable and can be either positive or negative, it could expose your entity to the risks of the other entity. Therefore you should also consider the risks associated with the other entity to determine if you have ‘control’.

(iii) Are you able to use the power over the investee to affect the amount of your returns from the investee?

Key considerations include:

* What is the scope of the decision-making authority held by yourself to affect your returns?
* Is the authority a mere delegated power to act on behalf of the responsible Minister? Or do you have discretion of the authority and the direction is not determined by the relevant Minister?

**Our view**: From the department’s perspective, a department acts as an agent of the responsible Minister in relation to the investee entity when the department is merely authorised by the Minister to act on the Minister’s behalf. For example, a department may act as a ‘system manager’ for the State health service systems. Its role includes providing strategic leadership, directions to the hospitals for the delivery of health services, or monitoring the hospitals’ performance. However, ministerial approval is specifically required for the hospitals’ operational or budgetary activities. In this case, the department acts only as an agent on behalf of the Minister, who controls the hospitals. Therefore, the hospitals will be consolidated into the State’s financial reports.

Alternatively, a department may act as a principal under a delegation of powers from the Minister if it is able to exercise its own discretion, and is not subject to specific directions by the Minister. In the previous example, if the department head has been delegated by the Minister to make specific decisions in relation to the operating and investing activities of the hospitals, e.g. appointment of the governing bodies of the hospitals, approval or veto service agreements, the department is acting on its own discretion, and may have control if other criteria are also met.

AASB 11 – Elimination of choices for joint venture accounting

AASB 11 covers two types of joint arrangements (i.e. joint operations and joint ventures), depending on the rights and obligations of the parties to the arrangement:

* A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have *rights to the assets*, and *obligations for the liabilities*.
* A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the *net assets* of the arrangement.

The most significant change arising from AASB 11 is that only equity accounting is allowed for the treatment of joint ventures and proportional consolidation is no longer permitted.

AASB 12 – Disclosure of interests in other entities

AASB 12 prescribes an extensive range of disclosure requirements for an entity’s interests in subsidiaries, associates, joint arrangements, and unconsolidated structured entities.

At a high‑level, entities will need to disclose, in relation to its interests in other entities, the significant judgements and assumptions it has made in determining:

* the nature of its interests in another entity or arrangement;
* the type of joint arrangement in which they have interests in; and
* whether the other entity is a structured entity as defined by AASB 12.

In addition, a summary of the specific disclosure requirements is outlined below in relation to an entity’s interests in each of the following structures.

|  |  |
| --- | --- |
|  | Brief summary of key disclosure requirements |
| Subsidiaries*(Paras 10-19)* | 1. The composition of the portfolio group;
2. The interest that material non-controlling interests have in the group’s activities and cash flows;
3. Significant restrictions on accessing the group’s assets, and settling liabilities;
4. The nature of, and changes in, the risks associated with the entity’s interests in consolidated structured entities (if any);
5. Consequences of changes in ownership interests that do not result in loss of control over the subsidiary; and
6. Consequences of losing control of a subsidiary during the reporting period.
 |
| Joint arrangements and associates*(Paras 21-23)* | 1. Nature, extent and financial effects of an entity’s interests in joint arrangements and associates; and
2. The nature of, and changes in, the risks associated with an entity’s interests in joint ventures and associates.
 |
| Unconsolidated structured entities\**(Paras 24-31)* | 1. Qualitative and quantitative information about an entity’s interests in unconsolidated structured entities, including, but not limited to, the nature, purpose, size and activities of the structured entity and how the structured entity is financed; and
2. Nature of risks associated with an entity’s interests in unconsolidated structured entities.
 |

\* In accordance with paragraph B22 of AASB 12, Appendix B, features or attributes of a structured entity in the NFP sector include 1) established by means other than administrative arrangement or statutory provision; 2) with restricted activities; 3) with a narrow and well-defined objective; and 4) with financial support needed due to insufficient equity by itself. An entity can meet the definition of structured entity if it has some or all of the above features.

For many of the NFP entities, it is expected that the impact of disclosures required by AASB 12 in relation to subsidiaries would not be significant. However, entities should still review its current joint arrangements (if any) to determine whether those arrangements fit into the new classifications (i.e. either as joint ventures or joint operations). This could affect the level of disclosures required, depending on the type of the arrangements.

Last but not least, the following flowchart will help entities identify if there is any involvement with another entity that meets the definition of a structured entity, and the corresponding reporting implications.

**Has your entity been involved with another entity that meets the definition of ‘structured entity’?**

In general, a structure entity is defined as an entity that has been designed so that less conventional means are the dominant factor in determining who controls the entity. For NFP entities, structured entities would be those that are designed in the way that voting or similar rights, including administrative arrangements or statutory provisions, are not the dominant factor in determining control of the entity.

A structured entity often has some or all of the following features or attributes:

* designed by means other than administrative arrangement or statutory provision;
* restricted activities;
* a narrow and well-defined objective;
* insufficient equity to permit the structured entity to finance its activities without subordinated financial support from you;
* financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches); and
* a partnership established between a government entity and a private sector entity by contractual arrangements (note that this may potentially apply to an entity established under public-private partnership arrangements).

|  |  |  |  |
| --- | --- | --- | --- |
| Yes |  | No |  |
| A structured entity |  | Not a structured entity |
|  |  |  |
| Is the structured entity consolidated into your group based on the control criteria?  |
| Yes |  | No |  |
| Consolidated structured entity Additional disclosures of information on financial or other support provided, or intended to provide, to that structured entity.  |  | Unconsolidated structured entity Additional disclosures on the nature of interests and risks associated with the unconsolidated structured entity. |

AASB 13 *Fair Value Measurement* – Post implementation review

The Australian Accounting Standards Board (AASB) recently conducted an outreach project as part of a post-implementation review of AASB 13. The purpose is to consider whether to modify the disclosures specified by AASB 13 for NFP public sector entities. An exposure draft is targeted for issue by Q2 2015.

The Department of Treasury and Finance (DTF) has provided feedback collated from departments and entities in response to this outreach.

Based on the feedback received, the Board noted that certain disclosures specified by AASB 13 may potentially be of less importance to users where the related assets are not held for the purposes of generating future cash inflows (e.g. property, plant and equipment (PPEs) in the NFP public sector). Consequently, further research, including a cost-benefit analysis, will be undertaken to determine whether modifications can be made for PPE held for its current service potential rather than to generate future cash flows.

The AASB also decided that it would be useful for a staff article to be prepared to address some of the transitional issues for NFP public sector entities, including the application of materiality in preparing fair value disclosures.

2014‑15 Model Report for Victorian Government Departments
(2014‑15 Model Report)

DTF plans to release the 2014‑15 Model Report by mid-April 2015. Key changes to the Model Report include:

* Disclosure illustrations relating to key accounting standards operative for 2014‑15, including:
	+ AASB 12 *Disclosures of Interests in Other Entities*;
	+ AASB 2013-3 *Recoverable Amount Disclosures for Non-Financial Assets*; and
	+ AASB 1055 *Budgetary Reporting[[1]](#footnote-1).*
* Additional guidance on disclosures of ‘write-offs’ as required by FRD 11A *Disclosure of ex-gratia expenses*.
* Disclosure illustrations relating to Public Accounts and Estimates Committee recommendations, including further improvements to the Report of Operations section, e.g. reporting on objective indicators and progress.
* Enhanced guidance on the current disclosure requirements arising from the Victorian Auditor-General’s Office’s recommendations.
* Guidance on the financial and annual reporting requirements in response to the recent machinery of government (MoG) changes.

A comprehensive list of the significant changes will be included in the Summary of Changes accompanying the 2014‑15 Model Report.

Key Financial Report Directions (FRDs) under revision

* FRD 22E *Standard Disclosures in the Report of Operations;*
* FRD 103E *Non-financial physical assets;*
* FRD 105A *Borrowing Costs;*
* FRD 113 *Investments in subsidiaries, jointly controlled entities and associates[[2]](#footnote-2)*; and
	+ - FRD 120H *Accounting and reporting pronouncements applicable to the 2013-14 reporting period*.

2014‑15 financial reporting legislation

The *Financial Management Act 1994* continues to be the principal legislation governing Victorian public sector financial reporting for 2014‑15.

Other guidance

Information request guidance – MoG change 2014

A number of changes to departmental structures have been announced by the Premier on 4 December 2014.

As a result, balance sheet item transfers and adjustments to 2014‑15 appropriations will need to be made, effective from 1 January 2015 for accounting and reporting purposes. Estimates for the forthcoming 2015‑16 budget and forward estimate years will also need to reflect the MoG changes.

To assist with that, DTF has circulated the information request guidance to departmental CFOs, including the dates for the lodgement of departmental 2014-15 actual feeds.

A recap of the key accounting treatments for transfers[[3]](#footnote-3) arising from MoG changes is included in Appendix 1 of this newsletter.

Superannuation Guarantee Levy

The Superannuation Guarantee Levy (SGL) schedule has been updated in accordance to the *Minerals Resource Rent Tax Repeal and Other Measures Act* *2014* (the Act) passed in September 2014. Based on the Act, the future SGL rates will remain at 9.5 per cent for seven years, before making yearly increments of 0.5 per cent from 2021 to 2025.

Departments and entities should use the new SGL schedule when estimating and measuring their employee benefit liabilities and expenses for financial reporting and future budget estimates. The table below outlines the new SGL rates for the financial years starting from 1 July 2014 to 1 July 2025, with the previous SGL schedule included for comparison.

|  |  |  |
| --- | --- | --- |
| Date | New SGL schedule | Old SGL schedule |
| (per cent) |
| 1 July 2014 | 9.50 | 9.50 |
| 1 July 2015 | 9.50 | 10.00 |
| 1 July 2016 | 9.50 | 10.50 |
| 1 July 2017 | 9.50 | 11.00 |
| 1 July 2018 | 9.50 | 11.50 |
| 1 July 2019 | 9.50 | 12.00 |
| 1 July 2020 | 9.50 | 12.00 |
| 1 July 2021 | 10.00 | 12.00 |
| 1 July 2022 | 10.50 | 12.00 |
| 1 July 2023 | 11.00 | 12.00 |
| 1 July 2024 | 11.50 | 12.00 |
| 1 July 2025 | 12.00 | 12.00 |

Wage inflation and discount rates

The wage inflation and discount rates are published quarterly (monthly in the last quarter of each financial year), to assist entities in ascertaining their financial position for the year-end. The rates for 31 December 2014 have been published on the DTF website on 2 January 2015. The rates for 31 March 2015 will be published on the DTF website at the beginning of April.

2014‑15 key financial publication dates for the State of Victoria

The following table shows the remaining indicative key publication tabling dates for 2014‑15.

|  |  |  |
| --- | --- | --- |
| Reporting year | Publication | Anticipated release dates – actual dates to be confirmed |
| 2014‑15 | Mid‑Year Financial Report | Anticipated by 15 March 2015. |
| 2015‑16 | Budget papers | Anticipated date is 5 May 2015, with a potential change to a later date subject to government discretion. |
| 2014‑15 | Annual Financial Report | Anticipated for the end of September 2015. Legislated due date is by 15 October 2015. |
| 2014‑15 | Department and entity reporting | Expected to be tabled progressively on or before the last sitting day in September 2015. |

Looking forward

Key AASB Standards issued but not effective for 2014‑15

AASB 15 *Revenue from contracts with customers*

Following the International Accounting Standards Board’s release of IFRS 15 *Revenue from Contracts with Customers* in May 2014, the AASB has issued the corresponding AASB 15 *Revenue from Contracts with Customers* in December 2014.

AASB 15 is the new standard for revenue recognition, operative from 1 January 2017. It replaces AASB 111 *Construction contracts* and AASB 118 *Revenue*. AASB 15 will apply to contracts of NFP entities that have reciprocal transactions. AASB 1004 *Contributions* will continue to apply to non-reciprocal transactions until the *Income from Transactions of NFP Entities* project is completed (please refer to the ‘AASB’s major domestic projects’ section for more details).

The core principle of AASB 15 is that an entity will only recognise revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Entities will apply a five-step model to determine when to recognise revenue, and at what amount. The following table outlines the five-step approach, with a high-level assessment of the implications.

|  |  |
| --- | --- |
| **Five-step model** | **Implications** |
| Step 1: Identify the contract with a customer | Entities will need to review the terms of all their contracts and assess whether a contract exists under AASB 15, which creates legally enforceable rights and obligations. |
| Step 2: Identify the performance obligations in the contract | Entities will need to identify their contracts to deliver multiple goods and services, and evaluate whether they meet both of the following criteria and thus need to be accounted for separately:* the customer can benefit from the goods/services either on its own or together with other resources that are readily available to customers; and
* the entity’s promise to transfer the goods/services to the customer is separately identifiable from other promises in the contract.
 |
| Step 3: Determine the transaction price | Entities will need to identify variable consideration and significant financing components.In contrast with the reliable measurement requirement under AASB 118, variable consideration will be recognised at the expected value or the most likely amount under AASB 15 if it is highly probable that a significant reversal will not subsequently occur.Entities will also need to consider whether the contract contains a significant financing component if the receipts of payments/part of the payments are significantly in advance/in arrears of the settlement of performance obligation. |
| Step 4: Allocate the transaction price to performance obligations | If observable stand-alone selling prices for goods/services are not available, entities will need to estimate the prices by evaluating the market in which they sell goods/services and estimate the price customers would be willing to pay, or forecast the expected cost plus an appropriate margin. |
| Step 5: Recognise revenue when the entity satisfies a performance obligation | Entities need to reassess the timing of revenue recognition by evaluating whether they transfer control of the goods/services to a customer over time or at a point in time. |

Entities will also have to disclose more information about contracts with customers under AASB 15 than under current requirements, both qualitative and quantitative. At a high-level, the objective of the disclosure requirements in the new standard is to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Victorian public sector entities are encouraged to assess the extent of AASB 15’s impact and prepare an implementation plan if impacted. A potential significant impact will be the upfront recognition of revenue from the licenses covering multiple reporting periods if there is no substantive continuing performance obligation. Accordingly, revenue from these licenses recognised in the forward estimated financial statements may need to be adjusted against retained earnings upon the adoption of AASB 15. This may result in losing the benefit of revenue recognition in the income statement over the forward estimate periods for some existing licenses.

AASB’s major domestic projects

Service concession arrangements: grantor accounting

In Australia, a number of public sector entities (grantors) have entered into contractual service arrangements engaging the private sector to design, finance and build infrastructure for public services and to provide operational/management services, generally referred to as ‘service concession arrangements’. The AASB is conducting a project to develop Australian reporting requirements for service concession arrangements to be applied by grantors for a consistent and comparable reporting for such arrangements.

In determining the timing of assets and liabilities recognition, the control approach of International Public Sector Accounting Standard (IPSAS) 32 *Service Concession Arrangements: Grantor* has been determined to be the most appropriate basis to develop the Australian standard. A control‑based approach will result in the earlier recognition of assets and liabilities on a grantor’s balance sheet than under the risks and rewards approach currently adopted.

The most significant impact of moving from the existing approach is that service concession agreements that have a user-pay element (e.g. CityLink toll road) would then be recognised on the grantor’s balance sheet. The Board has tentatively decided that for such arrangements, a grantor should initially recognise an obligation when the service concession asset is recognised and subsequently amortise the revenue over the life of the service concession agreement.

For the service concession agreements with an availability structure (where the operator receives a fixed payment stream during the operation phase), the recognition would be earlier if the grantor is considered to control an asset during the construction phase, i.e. if the grantor has incurred an obligation to transfer resources to the operator during the construction phase.

The AASB has agreed to further research on the measurement of the service concession asset, e.g. whether the liability should be based on the value of the service concession asset or what the grantor has given up (e.g. the right to toll).

An exposure draft is planned to be released in Q3 2015.

Income from transactions of NFP entities

An exposure draft on income from transactions of NFP entities is planned for release in Q1 2015 to include a proposed replacement of the income recognition requirements in AASB 1004. It will be based on IFRS 15 and presented as a supplement to its requirements, modified where necessary to address NFP-specific issues.

A major tentative modification is to clarify that a promise to provide goods and services in a NFP context is a performance obligation only when:

* it is sufficiently specific on the nature/cost/volume/obligation period of the goods and services to be transferred; and
* it is enforceable by legal or equivalent means.

Therefore, the treatment of grants and appropriations, and rates and taxes without specific enforceable stipulations are expected to remain unchanged from the present treatment. By contrast, revenue from arrangements which create enforceable rights and obligations would need to be deferred until the performance obligations are satisfied.

Another tentative NFP-specific modification relates to the accounting treatment of the donation component in a contract. A donation component will be required to be accounted for separately, based on:

* a qualitative assessment of the customer’s intention; and
* materiality assessment on an individual contract basis.

However, where the donation is contingent on the NFP entity also transferring goods or services to the customer, that may indicate a donation component may not be separately identifiable. Hence, contingently refundable donation components would *only* be recognised as revenue when it becomes highly probable the goods and services will be transferred.

Borrowing costs

The Board decided to retain the current relief in AASB 123 *Borrowing Costs* to exempt NFP public sector entities from capitalisation of borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Therefore, NFP public sector entities could continue to immediately expense all borrowing costs.

How to contact us

AccPol mail box

When directing accounting policy enquiries to DTF at accpol@dtf.vic.gov.au, **departments** are requested to support their questions with the facts and clear references 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** – [www.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.ifac.org/PublicSector/](http://www.ifac.org/PublicSector/) for information on IPSASB and IPSASB pronouncements.

DTF website

**The DTF website (for all internet users)** – [dtf.vic.gov.au](http://www.dtf.vic.gov.au), covers FRDs and guidance, the Model Report, accounting policy updates, wage inflation and discount rates. From the menu on the top of the home page, users should select Government Financial Management, 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 LSL Model, 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.

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 on the basis of information contained neither in this newsletter nor for any errors or omissions in that information.

Appendix 1

*Quick Factsheet:* Transfers of assets and liabilities arising from machinery of government changes

FRD 119A *Transfers through contributed capital* deems transfers arising from machinery of government (MoG)
changes as contributions by owners or distributions to owners through contributed capital. The following table provides a quick factsheet to demonstrate the transfer scenarios

for MoG changes, outlining the requirements for evidence of government decision required, and the timing of transfer.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Transfers through contributed capital | Transfer scenario | Evidence of government decision required | Date of government decision made | Date of transfer |
| Transfers arising from MoG changes (e.g. reallocation of a business, including functions/programs) | **Scenario 1**: For transfers between portfolio entities of two departments, the assets and liabilities should be transferred through the administered entities of the respective portfolio departments, before being transferred to another portfolio entity.**Transfer path for Scenario 1:**Entity A 🡆 Department A (administered entity) 🡆 Department B (administered entity) 🡆 Entity B | Administrative Order  | On the date when the Order is signed. | The transfer is deemed to occur on the date of gazettal or publication unless the order or a subsequent order specifies a separate effective date, in which case the transfer is deemed to occur on the later date. |
| **Scenario 2**: For transfers from a portfolio entity to a department, the assets and liabilities should be returned to the administered entity of the department first, before being transferred to the controlled entity of the department.**Transfer path for Scenario 2:**Entity A 🡆 Department A (administered entity) 🡆 Department A (controlled entity) |
| **Scenario 3:** Fora department that transfers its assets and liabilities to another department, the assets and liabilities should be transferred through the respective administered entities of the departments, before being transferred into the controlled entity of the receiving department.**Transfer path for Scenario 3:**Department A (controlled entity) 🡆 Department A (administered entity) 🡆 Department B (administered entity) 🡆 Department B (controlled entity) |

1. While not applicable for most of the Victorian public sector entities, an illustration is included in the Appendices of the 2014-15 Model Report. [↑](#footnote-ref-1)
2. FRD 113 will be updated to reflect the requirements of the consolidation suite of standards. [↑](#footnote-ref-2)
3. Please refer to FRD 119A *Transfers through contributed capital* for detailed requirements. [↑](#footnote-ref-3)