Reporting requirements for a new Commonwealth entity or Commonwealth company's first reporting period

Description of guidance on website

This guidance discusses the specific reporting requirements mandated under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) for each reporting period and how these apply to a new Commonwealth entity or Commonwealth company's first reporting period.

Main body of guidance

Who does this apply to?

This guidance is relevant to officials (typically in portfolio departments) who intend to establish a new Commonwealth entity or Commonwealth company under the PGPA Act.

What sections of the PGPA Act are relevant?

For PGPA Act section references, see the table below.

What is a reporting period?

Reporting period is defined under the PGPA Act (section 8) as:

- the period of 12 months commencing on 1 July; or
- any other period prescribed by an Act or the rules for an entity, company or subsidiary.

Generally, the reporting period for a Commonwealth entity or Commonwealth company will commence on 1 July and end on 30 June the following year. However the first reporting period may be less than 12 months (i.e. commencement date to 30 June).

What is required each reporting period under the PGPA Act?

Subject to the exceptions listed below, the PGPA Act requires Commonwealth entities and Commonwealth companies to ***prepare*** the following each reporting period:

- annual financial statements (Commonwealth entities only)
- annual report (Commonwealth entities only)
- corporate plan
- budget estimates (Commonwealth entities and wholly-owned Commonwealth companies only)
- annual performance statements (Commonwealth entities only)

Commonwealth companies are required to ***prepare*** a financial report, directors' report and auditor's report in accordance with the *Corporations Act 2001*. This forms the annual report required to be ***provided*** to the responsible Minister under the PGPA Act (additional information may be required for wholly-owned Commonwealth companies).

What is required for the first reporting period?

The items listed above are required for a new Commonwealth entity or Commonwealth company's first reporting period, as appropriate, noting the following:

- corporate plan – a new Commonwealth entity or Commonwealth company's first corporate plan must be prepared as soon as practicable (as per subsection 16E(7) of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule)).
- budget estimates – given the annual budget cycle, it is possible for new Commonwealth entities and wholly-owned Commonwealth companies to be established too late in the financial year to prepare budget estimates. These would need to be prepared at the next estimates update.
- annual performance statements – given the performance cycle, it is possible for Commonwealth entities established late in the reporting period to have limited actual performance results to report.

The specific approach suitable in each case should be discussed with the relevant area of the Department of Finance (Finance) (see contacts below) as early as possible in the process.

Under the Australian Government's financial reporting framework, new Commonwealth entities and Commonwealth companies also need to provide information to Finance for the consolidated financial statements, (consistent with established year-end processes).

What options are available for Commonwealth entities and Commonwealth companies created late in the reporting period?

In exceptional circumstances, it may be appropriate to legally extend a Commonwealth entity or Commonwealth company's first reporting period beyond 12 months (i.e. commencement date (pre 1 July) to 30 June the following calendar year). If Commonwealth entities or Commonwealth companies would like to discuss this option, early engagement with Finance (see contacts below) is highly recommended (i.e. at the point legislation is being drafted or amended to create a new Commonwealth entity or Commonwealth company).

As financial statements capture transactions and events during the reporting period, there are very limited instances when legally extending the reporting period should be considered.

Examples:

For example, if a new Commonwealth entity or Commonwealth company is to be created on 28 June, and is unlikely to commence its operating activities prior to 30 June, it may be appropriate to discuss legally extending the first reporting period with Finance.

By contrast, if a Commonwealth entity or Commonwealth company is to be established on 1 April and will commence operating activities by 30 June, it would not be appropriate to extend the reporting period.

What are the implications of extending the first reporting period?

Extending the reporting period may only be appropriate in very rare situations and the main consideration should be transparency of government activities. It defers certain

reporting obligations for a new Commonwealth entity or Commonwealth company until a later period, when they are better resourced to undertake them.

If a new Commonwealth entity's first reporting period is legally extended beyond 12 months, there is no requirement to prepare an annual report, annual performance statements, a corporate plan or budget estimates for the period from commencement date to 30 June in the same calendar year. Rather than preparing audited financial statements, Commonwealth entities would only be required to provide Finance with the information necessary to prepare the consolidated financial statements. At a minimum, this would be a set of a face statements certified by their Chief Financial Officer (or equivalent). The specific requirements in each case would require discussion with Finance (see contacts below). The implications differ for Commonwealth companies.

What is involved in extending the first reporting period?

Practical Guidance:

Step 1: Provide a robust proposal for whether a new Commonwealth entity or Commonwealth company's first reporting period should be legally extended (noting this is only likely to be suitable in very limited circumstances). Each scenario would need to be assessed by Finance on a case-by-case basis.

Step 2:

1. If it is to be extended:

- Include an appropriate clause in the Commonwealth entity or Commonwealth company's enabling legislation, in consultation with the Office of Parliamentary Counsel and Finance (noting that the legislation should also be clear on commencement date, or it may be difficult to determine whether extending the first reporting period is appropriate); or
- Consult with Finance on whether it is appropriate for the Minister for Finance to extend the Commonwealth entity or Commonwealth company's reporting period via a PGPA Rule amendment. Register any PGPA Rule amendments on the Federal Register of Legislation.

2. Seek additional legal advice from the Australian Government Solicitor (if required).

Step 3: Confirm the reporting implications of the extended reporting period with the relevant areas of Finance (including the information required for the consolidated financial statements).

Contacts

Accounting and Frameworks
Annual financial statements - accountingpolicy@finance.gov.au
Extending the reporting period - accountingpolicy@finance.gov.au and PGPA@finance.gov.au

Accountability and Reporting
Annual reports - PGPA@finance.gov.au
Corporate plans – PGPA@finance.gov.au
Annual performance statements – PGPA@finance.gov.au

Estimates and Reporting
Consolidated financial statements – CFSTeam@finance.gov.au

Budget estimates
– Agency Advice Unit in Finance
– relevant contacts in Portfolio Department

PGPA Act References

Item	PGPA Act
Commonwealth entity (definition)	Section 10
Commonwealth company (definition)	Subsection 89(1)
Reporting period (definition)	Section 8
Annual financial statements	Section 42
Annual report	Sections 46 and 97
Corporate plan	Sections 35 and 95
Budget estimates	Sections 36 and 96
Annual performance statements	Section 39