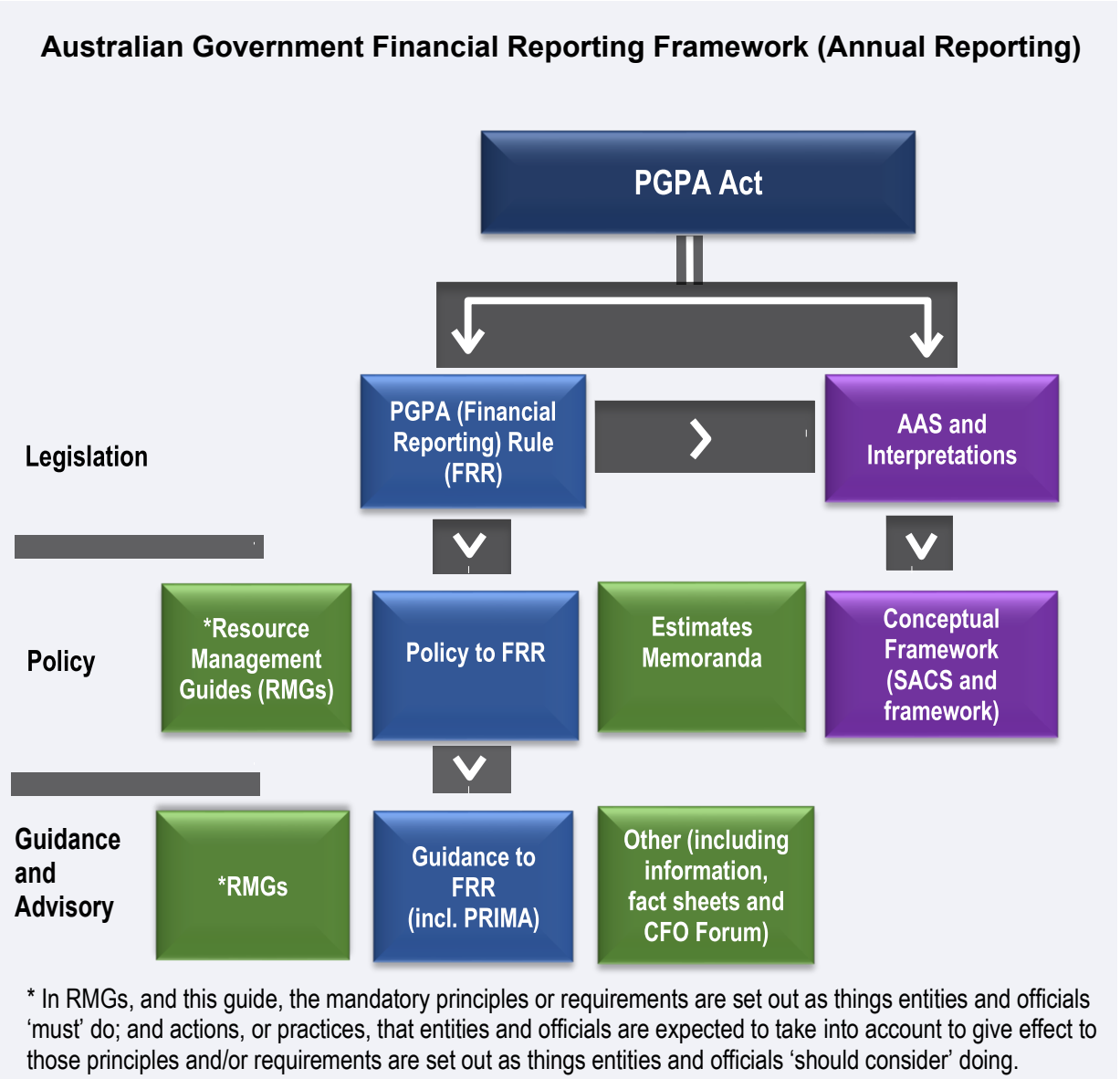
Relevant legislation and standards

The following diagram illustrates the relationship between elements of the Australian Government financial reporting framework.



Source: Commonwealth Entity Financial Statements Preparation Guide incorporating *the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*.

The following is a summary of the primary legislation, standards, policies and guidelines that effect the preparation of the financial statements of public sector entities.

Name of Legislation or Standard	Brief Description
Annual Appropriation Acts	Annual appropriations are provided for through the annual Appropriation Acts and appropriate defined amounts of money for specific purposes across each portfolio. Amounts appropriated under Annual Appropriation Acts are available for spending for two years after the year in which they were appropriated.
Public Governance, Performance and Accountability Act 2013	The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) provides a framework for the proper use and management of public resources by the Commonwealth, Commonwealth entities and Commonwealth companies, and for related purposes. It represents the primary legislation of the Commonwealth financial framework and is supported by a range of subsidiary legislation, rules, determinations and other associated instruments. The PGPA Act draws on the authority of the Australian Constitution and interacts with the Appropriation Acts through which the Parliament authorises spending. Relevant aspects of the legislative provisions for financial statements of Commonwealth entities include: • promotion of the proper use and management of public resources and financial sustainability: section 15 • provision of additional financial statements and information: section 19 • authorisation of the accountable authority to give instructions to officials: section 20A • preparation and maintenance of accounts and records that properly record and explain transactions and the financial position: section 41 • preparation of annual financial statements: section 42 • audit of annual financial statements by the Auditor-General: section 43 • audit of subsidiary's financial statements: section 44 • establishment and maintenance of an audit committee: section 45 • preparation of an annual report and providing it to the responsible Minister: section 46, and • general power of the Finance Minister to make Rules by legislative instrument to prescribe matters giving affect to the PGPA Act: section 101. Section 48 of the PGPA Act requires the Finance Minister to publish annual financial statements for the Commonwealth as soon as practicable after the end of each financial year. These are known as the Consolidated Financial Statements (CFS) for the Australian Government. A Commonwealth entity's input into these statements is derived from its audited annual financial statements, prepared in accordance with section 42 of the PGPA Act. **For Commonwealth companies**—the PGPA Act contains further requirements, in addition to the requirements of the *Corporations Act 2001,* in order to meet the required standard of public sector accountability. Relevant aspects for financial statements include: • provision of annual reports to the responsible Minister: section 97 • audit of the annual financial statements by the Auditor-General: section 98, and • audit of subsidiary's financial statements: section 99.

Name of Legislation or Standard	Brief Description
	For wholly-owned Commonwealth companies—other additional requirements include: • provision of additional financial statements and information: section 91, and • establishing an audit committee: section 92.
Corporations Act 2001	The *Corporations Act 2001* applies to all companies registered in Australia including those owned or controlled by the Australian Government. It sets out a range of provisions for the various types of companies. Part 2M.3 of the Act requires certain companies, schemes or entities to prepare annual financial statements and have them audited in accordance with the relevant provisions of the legislation. The Auditor-General is a registered company auditor. Under section 21 of the *Auditor-General Act 1997*, the Auditor-General may accept appointment under the Corporations Act as the auditor of a Commonwealth company, a subsidiary of Commonwealth company or Commonwealth entity, or any other company that the Commonwealth controls.
Auditor-General Act 1997	The *Auditor-General Act 1997* establishes the Office of Auditor-General and sets out the functions of the Auditor-General. Relevant provisions related to financial statements are: • audits of annual financial statements of Commonwealth entities, Commonwealth companies and subsidiaries of corporate Commonwealth entities and Commonwealth companies: section 11 • audits of annual consolidated financial statements: section 12 • financial statements audits by arrangement: section 20 • ANAO auditing standards: section 24 • extra reports to Parliament: section 25, and • extra reports to Ministers: section 26.
Public Governance, Performance and Accountability Rule 2014	The *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) prescribes the requirements and procedures necessary to give effect to matters covered by the PGPA Act. The PGPA Rule also prescribes certain bodies, persons, groups of persons or organisations to be listed entities for the purposes of the PGPA Act (see Schedule 1 to the PGPA Rule). It is also to give each of those entities a name, to specify who the accountable authority and officials of the entity are, and to set out what the purposes of the entity include.

Name of Legislation or Standard	Brief Description
Public Governance, Performance and Accountability (Financial Reporting) Rule 2015	Section 101 of the PGPA Act provides for the Finance Minister to make rules to prescribe the requirements and procedures necessary to give effect to the governance, performance and accountability matters covered by the Act. Under the section, the Finance Minister issues annually the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR). It is part of a suite of documents designed to assist Commonwealth entities meet their financial reporting requirements under the PGPA Act. These documents are: • **The FRR**—this is the legislative instrument that mandates how Commonwealth entities complete their annual financial statements • **The Commonwealth Financial Statements Preparation Guide (the Preparation Guide)**—this expands on the FRR and provides additional guidance for the preparers of entity financial statements, and • **PRIMA Financial Statements**—details the disclosures required in financial statements. Finance publishes additional guidance material including Resource Management Guides (RMGs), Estimates Memoranda, Standard Parameters and other guides relevant to the preparation of financial statements.
Primary Reporting and Information Management Aid (PRIMA) Financial Statements	PRIMA outlines the disclosures required in financial statements by Commonwealth entities, in accordance with the FRR, and include: • PRIMA Forms of Financial Statements (PRIMA Forms) which are mandatory, and • PRIMA Model that includes PRIMA Forms, which is an Excel spreadsheet with additional functionality to enable Commonwealth entities to use in the preparation of their financial statements.
Australian Accounting Standards	Australian Accounting Standards (AAS) are issued by the Australian Accounting Standards Board (AASB). These standards are legislative instruments under the *Legislation Act 2003*.
Australian Interpretations	The FRR requires financial statements to comply with Australian Interpretations issued by the AASB. The interpretations comprise guidance on urgent financial reporting issues and are listed in Accounting Standard AASB 1048 *Interpretation of Standards*. They have authority under the Corporations Act and are mandatory for members of the accounting profession.
AASB Framework for the Preparation and Presentation of Financial Statements and Statement of Accounting Concepts	The FRR requires financial statements to have regard to the Australian conceptual accounting framework comprising AASB Framework for the Preparation and Presentation of Financial Statements and Statement of Accounting Concepts (SAC)—*SAC 1: Definition of the Reporting Entity*. The conceptual framework sets out the objective, qualitative characteristics and elements of financial reports, together with assumptions underlying the reports and recognition criteria for the elements of financial statements. The framework also defines a reporting entity.

Name of Legislation or Standard	Brief Description
Annual report requirements	**Commonwealth entities**—Section 46 of the PGPA Act requires a Commonwealth entity to prepare and give an annual report to its responsible Minister for presentation to the Parliament on the entity's activities during the year. The annual report must include the entity's annual financial statements and it must be prepared in accordance with the PGPA Rules approved by the Joint Committee of Public Accounts and Audit. **Commonwealth companies**—Section 97 of the PGPA Act requires a Commonwealth company to give the responsible Minister a copy of the annual report required under the Corporations Act. The annual reporting requirements for companies are set out in Chapter 2M of the *Corporations Act 2001*. Paragraph 97(1) (b) allows the rules to require an annual report for a wholly-owned Commonwealth company to include additional information to that required under the Corporations Act.
Commonwealth Fraud and Corruption Control Framework 2024	The Commonwealth Fraud and Corruption Control Framework supports Australian Government entities to effectively manage the risks of fraud and corruption. The framework comes into effect on 1 July 2024. The framework consists of 3 parts: • Section 10 of the PGPA Rule (Fraud and Corruption Rule) that sets out the minimum standards for accountable authorities of PGPA Act entities in relation to managing the risk and incidents of fraud and corruption relating to their entity. • The Commonwealth Fraud and Corruption Policy (Fraud and Corruption Policy) that sets out the procedural requirements all Non-Corporate Commonwealth entities must implement in relation to specific areas of fraud and corruption control such as investigations and reporting. • Resource Management Guide (RMG) No. 201—Preventing, detecting and dealing with fraud and corruption (Fraud and Corruption Guidance) provides further practical guidance on fraud and corruption control arrangements for all Commonwealth entities.
Australian Auditing Standards	Australian Auditing Standards are issued by the Auditing and Assurance Standards Board (AUASB). The Standards are legislative instruments under the *Legislation Act 2003*.
Finance guidance	The FRR requires financial statements to have regard to the Commonwealth Financial Statements Preparation Guide, Resource Management Guides, Estimates Memoranda, Standard Parameters and other guidance issued by Finance relevant to the preparation of financial statements.
Accountable Authority Instructions	Section 20A of the PGPA Act enables the accountable authority to: • give written instructions to an official of the entity about any matter relating to the finance law, and • give instructions to an official of another Commonwealth entity in relation to: - approving the commitment of relevant money - the banking of, or dealing with, relevant money - the debiting or crediting of an appropriation, and - any other matter prescribed by the rules that relates to dealing with public resources. Note: While there is no equivalent provision for Commonwealth companies to issue instructions in the PGPA Act, most Commonwealth companies issue instructions of a similar nature.