Australian Government
Department of Finance

April 2026

Practical Guide – Accounting for Appropriations

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Version control

Version	Date	Change description
1.0	March 2026	Initial publication
1.1	April 2026	Corrected typographical error(s), no change to policy intent

Key points

- Appropriations are always deemed material by nature and must be reported and disclosed, regardless of amount.
- Annual appropriations are initially recognised when the entity gains control of the appropriation.
- Annual appropriations may be subject to formal additions and reductions during the year which affects its reporting and disclosure.
- Disclosures are required for all special appropriations.

Resources

The following accounting resources are also available under '**Commonwealth entity accounting guidance for appropriations'.**

- Illustrative Accounting Examples for Annual Appropriations
- GST Information Sheet

Other relevant legislation, publications, and guidance

- *Public Governance, Performance and Accountability Act 2013*
- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*
- *Public Governance, Performance and Accountability Rule 2014*
- AASB 9 *Financial Instruments*
- AASB 110 *Events after the Reporting Period*
- AASB 1004 *Contributions*
- AASB 1055 *Budgetary Reporting*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*
- AASB Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities
- RMG-100 Guide to Appropriations
- RMG-118 Accounting for machinery of government changes
- RMG-123 Designating transfers of assets and liabilities as 'contributions by owners' (equity)
- RMG-125 Commonwealth Entities Financial Statements Guide
- RMG-307 Retainable receipts
- Primary Reporting and Information Management Aid forms of financial statements (PRIMA forms) for Commonwealth entities
- Central Budget Management System (CBMS) *How to guides* provide step-by-step instructions

1. Departmental Appropriation

Departmental appropriations are those appropriations associated with the day-to-day operations and program-support activities of an entity, and over which an entity has control.

For further information on categorisation of financial transactions and balances refer to the current Estimates Memorandum on Classification of Administered and Departmental Items, located in Central Budget Management System (CBMS).

1.1 Initial recognition - timing

Initial recognition occurs when the entity gains control of the appropriation as outlined in section 38(2) of the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR).

Timing for the initial recognition of departmental appropriations

Loans (appropriation Acts)

Date the amount to be received is drawn from the Official Public Account (OPA)

Advance to the Finance Minister (AFM), or Advance to the responsible Presiding Officer (APO)

Determination commencement date

Departmental supplementation

Approval date

All other departmental appropriations (appropriation Acts)

The later of the:

- appropriation Act commencement date
- commencement date of the financial period to which the appropriation relates (that is, when the appropriation is effective).

1.2 Initial recognition - categories

The amount specified in the appropriation acts are initially reported in the year of appropriation as outlined in section 38(3) of the FRR. These amounts may later be adjusted when formal additions or reductions apply – see the next section.

Reporting for the initial recognition of departmental appropriation

Departmental capital budgets (DCBs)

Recognised as equity

Equity injections

Recognised as equity

Loan appropriations

Recognised as increases in borrowings

All other departmental appropriations

Recognised as revenue

Accounting treatments

Under AASB 1058 Income of Not-for-Profit Entities (AASB 1058), the extent to which appropriated amounts are recognised as income of a particular reporting period, is determined by the:

- characteristics of the appropriation
- circumstances in which the entity recognises the appropriated amounts.

This varies according to the type of appropriation, as shown below.

A structured approach for determining the correct accounting treatment for different classifications of appropriations is provided in AASB 1058, including at:

- paragraph 6 – entities must faithfully represent the economic substance to each transaction (that is, not its legal form or description).
- paragraph 9 – on initial recognition of an asset (that is, appropriations receivable), the related amounts are recognised according to the applicable Australian Accounting Standards. This could include contributions by owners, contract liabilities, financial liabilities, lease liabilities or other liabilities and revenue.
- paragraph 10 – any income is recognised immediately in the statement of comprehensive income.
- paragraph 12 – income is determined as the difference between the consideration for an asset and the asset's fair value, after recognising any other related amounts.
- paragraphs 15-17 – the circumstances where an exception applies.

Amounts designated as contributions by owners

Amounts designated as contributions by owners are recognised as equity. Under paragraph 8(c) of AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* (AASB Interpretation 1038) a transfer, or class of transfers, must be formally designated as forming part of the transferee's contributed equity either before or at the time of the transfer.

- DCBs are designated as contributions by owners.
- Equity injections are designated as contributions by owners in relevant appropriation Acts or supply Acts.

For more information on identifying when transfers are classified as contributions by owners and the accounting treatment, see RMG-123 Designating transfers of assets and liabilities as 'contributions by owners' (equity) (RMG-123).

Example – application of AASB 1058 to departmental annual appropriations

Departmental annual appropriations are accounted for under AASB 1058 because the consideration to acquire the asset (appropriations receivable) is significantly less than fair value. These appropriations are provided principally to enable a not-for-profit non-corporate Commonwealth entity (NCE) to further its objectives (paragraph 5 of AASB 1058).

The departmental capital budget (DCB) component of an annual appropriation is treated as a contribution by owners.

When the asset (appropriations receivable) is recognised, paragraph 9 of AASB 1058 requires the related amount to be accounted for in accordance with the applicable Australian Accounting Standard. For DCBs, this is AASB 1004 Contributions.

Accordingly, the amount is recognised as a direct adjustment to equity, consistent with paragraph 32 of AASB 1004.

Examples – application of AASB 1058

Example 1: Departmental equity injections

An NCE is appropriated $5.5 million in departmental equity injections.

Income ($0) = Appropriations receivable ($5.5m) – Consideration ($0) – Related amounts (contributions by owners $5.5m)

Journal entry

Dr Appropriations receivable – contributed equity	$5.5m
Cr Contributed equity – equity injections	$5.5m

Example 2: Departmental operating appropriation

An NCE is appropriated $22 million in departmental operating funding.

Income ($22m) = Appropriations receivable ($22m) – Consideration ($0) – Related amounts ($0)

Journal entry

Dr Appropriations receivable	$22m
Cr Appropriation revenue	$22m

Note: Certain appropriations, such as departmental operating supplementation, are recognised as receivable from government (as distinct from appropriation receivable) until the amount approved is legally appropriated – at which time the receivable from government is reduced and the appropriations receivable is increased.

1.3 Formal additions and reductions - overview

During the year, an entity may gain or lose control of their appropriations. This means the amount of appropriation initially recorded will change. To be a formal addition or reduction, the gain or loss event must be:

- one of the event categories listed at subsection 40(2) of the FRR (these are described below)
- evidenced in writing:
  - on or before 30 June of the relevant financial year, and
  - by the appropriate authority – see the list of appropriate authorities below.

Formal additions and reductions may make the amount shown in the appropriation note different from that in the primary financial statements. The amounts in the note represent what is legally available. Supporting documents provide evidence for changes to appropriations. However, only three, which are considered 'Government-approved legal instruments' under subsection 40(3), can alter the appropriation note's amount. These are determinations made under section 75 of the *PGPA Act*, an AFM or an APO.

If the gain or loss event is evidenced in writing but there is no 'Government-approved legal instrument', then NCEs would:

- **formal additions —** exclude the amount from the appropriation note (as it is not legally available appropriation)
- **formal reductions —** include the amount as legally available appropriation in the appropriation note.

Appropriate authorities and Government-approved legal instruments

PGPA Act section 75 transfers

Appropriate authority

- PGPA Act section 75 determination signed by the Finance Minister, the Finance Secretary* or a delegate**.

Supporting documentation

- Authority and amount: PGPA Act section 75 determination (Government-approved legal instrument).

Departmental supplementation

Appropriate authority

- Decision of Cabinet or the Prime Minister***.

Supporting documentation

- Authority: Cabinet minute; Expenditure Review Committee (ERC) minute (with Budget Cabinet minute); or letter from the Prime Minister (or delegate).
- Amount: Costing agreement.

Adjustments for workload agreements and no win, no loss funding

Appropriate authority

- Decision of Cabinet or the Prime Minister***.

Supporting documentation

- Authority: Cabinet minute; ERC minute (with Budget Cabinet minute); or letter from the Prime Minister (or delegate).
- Amount: Costing agreement and/or written advice from Finance confirming the agreed amount.

AFM or APO

Appropriate authority

- AFM (or APO) determination signed by the Finance Minister (or, for APOs, the relevant Presiding Officer).

Supporting documentation

- Authority and amount: AFM (or APO) determination (Government-approved legal instrument).

PGPA Act section 51 withholdings

Appropriate authority

- PGPA Act section 51 direction signed by the Finance Minister (or delegate).

Supporting documentation

- Authority: Cabinet minute; ERC minute (with Budget Cabinet minute); or letter from the Prime Minister (or delegate).
- Amount: PGPA Act section 51 direction (not a legal instrument).

All other adjustments (decision of Cabinet or the Prime Minister)

Appropriate authority

- Decision of Cabinet or the Prime Minister***.

Supporting documentation

- Authority: Cabinet or ERC minute (with Budget Cabinet minute), or letter from the Prime Minister (or delegate).
- Amount: Costing agreement.

Notes

* The Finance Minister may delegate to the Finance Secretary under section 107(3)(a) of the PGPA Act.

** The Finance Secretary may delegate to a second delegate under section 109(1)(a)(ii) of the PGPA Act.

*** Or a decision of any other Minister, or Ministers, made with the authority of Cabinet or the Prime Minister.

1.4 Formal additions and reductions - guidance

Guidance on formal additions and reductions are included in the section below.

1. Current-year appropriation transfers
2. Departmental supplementation
3. Emergency response activities
4. Departmental appropriation used for urgent administered payments
5. Departmental AFM or APO
6. Agreements and no-win, no-loss
7. Department appropriation withheld
8. Decision of the Cabinet or Prime Minister
9. Retainable receipts
10. Recoverable GST
11. Prior year appropriation transfers

1.4.1 Current-year appropriation transfers

Overview

PGPA Act section 75 determinations (or amendment determinations) provide for the transfer of appropriations between NCEs.

A section 75 determination has three distinct dates:

- determination date – the date the determination is signed
- registration date – the date the determination is registered on the Federal Register of Legislation
- commencement date – the date specified in the commencement clause of the determination.

For section 75 transfers, control of an appropriation is lost or gained at the later of:

- the determination date or
- the commencement date.

In determining when control is lost or gained, NCEs must refer to the original determination (or amendment determination), not the relevant compilation (where applicable).

Subsection 75(8) of the PGPA Act allows a transfer to take effect before or after the day the determination is registered, although section 75 transfers generally take effect after the registration date.

For further information

Calculation of departmental transfer amounts, see RMG-118 Accounting for machinery of government changes (RMG-118)

Practical guidance on MoG changes, see the Machinery of Government Changes Guide (MoG Changes Guide).

Accounting treatment for prior-year transfers, see Prior year appropriation transfers below.

Accounting treatment and appropriation note

Transferring entity:

Accounting treatment

- Reduction in appropriation revenue* or contributed equity**; and
- Reduction in appropriations receivable.

Appropriation note

The legally available appropriation is reduced.

Receiving entity:

Accounting treatment

- Increase in appropriation revenue* or contributed equity**; and
- Increase in appropriations receivable.

Appropriation note

The legally available appropriation is increased.

* Departmental operating (current year)

** Amounts designated as contributions by owners

Note: Transfers of prior-year appropriations are not recognised as appropriation revenue (FRR section 37).

For further guidance, see illustrative example **D4.1** in Illustrative Accounting Examples for Annual Appropriations.

1.4.2 Departmental supplementation

Overview

An NCE gains control of departmental supplementation on the date of approval (see subsection 38(2)(e) of the FRR).

Supplementation adjustments must be supported by:

- a Cabinet minute, or
- a letter from the Prime Minister (or a decision of another Minister made with the authority of Cabinet or the Prime Minister),

and must include specific wording on both the timing and the amount of the adjustment.

Government decisions generally relate to policy matters and do not usually contain detailed financial information. The costing agreement is an important supporting document. It provides more detailed information such as:

- the impact on underlying cash (consistent with the Government decision),
- the split between operating and capital funding, and
- the expense and revenue impacts.

The costing agreement needs to be consistent with the Cabinet minute or letter.

Accounting treatment and appropriation note – Supplementation

Accounting treatment

On approval

- Increase in revenue from government (departmental operating), or contributed equity (amounts designated as contributions by owners), and
- Increase in receivable from government *(not recognised as appropriations receivable)*

When subsequently appropriated (same or next financial year)

- Decrease in receivable from government (supplementation amount),
- Increase in appropriation revenue or contributed equity (to the extent not already recognised, e.g. total amount of departmental appropriated less the supplementation amount), and
- Increase in appropriations receivable (total amount appropriated).

Appropriation note

If supplementation appropriated in the same financial year

Included as legally available appropriation.

If supplementation appropriated in the next financial year

Excluded in the year approved (as it is not yet legally available) and included in the year appropriated.

CBMS note

For CBMS purposes, entities are required to recognise the total increase in departmental appropriation revenue (including supplementation) against CBMS account 1280004.This enables entities to be appropriated and draw down funds.

For further guidance, see illustrative examples **D4.2 – D4.4** in Illustrative Accounting Examples for Annual Appropriations.

1.4.3 Emergency response activities

Overview

Where an NCE is required to undertake emergency response activities in the current financial year, but will not receive the related appropriation until the next financial year, the entity should accrue the appropriation as revenue from government subject to conditions.

Conditions for accrual

Revenue from government may be accrued **only** where the requirement and delay of the appropriation:

- is documented in writing
- explicitly approved by Cabinet or the Prime Minister (or delegate)
- evidenced by way of an approval document dated on or before 30 June of the current financial year.

Further guidance and examples

See Departmental supplementation above.

See Illustrative example **D4.4** in Illustrative Accounting Examples for Annual Appropriations.

1.4.4 Departmental appropriation used for urgent administered payments

Overview

As a result of a government decision, an NCE may be required to commence or continue an administered activity for which no administered appropriation has yet been provided.

In this situation:

- The NCE may need to use available departmental operating appropriation (current or prior year) to meet the expenditure – the expenditure is reported in the departmental financial statements.
- Funding equivalent to the departmental amount used may:
  - subsequently be replenished through additional departmental funding in the next set of appropriation Bills (entities should consider whether the funding meets the criteria for a formal addition)
  - need to be withheld from administered appropriation under section 51 of the PGPA Act (applicable where additional administered funding is already included in the next set of Bills before the Parliament).

Technical operating losses

Depending on timing, this situation may give rise to a technical operating loss. Where this occurs, NCEs must:

- comply with the operating loss framework; and
- contact the relevant Finance Agency Advice Unit (AAU) for further advice.

Revenue from government may **only** be accrued where there is a specifically worded Cabinet minute or Prime Minister's letter that clearly sets out the timing and amount of departmental funding.

Further guidance and examples

See Departmental supplementation above.

See illustrative examples **D4.2 – D4.4** in Illustrative Accounting Examples for Annual Appropriations.

1.4.5 Departmental AFM or APO

Overview

Departmental AFMs and APOs are uncommon.

For AFMs and APOs:

- an NCE gains control of the appropriation on the **commencement date of the determination** – see subsection 38(2) of the FRR
- determinations are made in accordance with provisions in relevant Appropriation Acts.

Any unspent AFM amounts at the end of the financial year:

- are withheld under PGPA Act section 51, with the effective date being 30 June; and
- remain withheld until the relevant appropriation Act automatically lapses.

Accounting treatment and appropriation note

Accounting treatment

- On commencement date: increase in appropriation revenue and appropriations receivable.
- At 30 June: unspent amounts are treated in accordance with section 51 withholding requirements.

Appropriation note

AFM and APO amounts are included as legally available appropriation, including amounts withheld under section 51.

1.4.6 Agreements and no-win, no-loss

Overview

An NCE gains or loses control of an appropriation as a result of an agreement (such as purchasing, workload or other agreements) that provides for:

- additional funding for over-delivery, or a reduction of funding for under-delivery

- funding arrangements specifically designed to not financially advantage or disadvantage an NCE (such as no-win, no-loss arrangements agreed to by Cabinet or the Prime Minister)

Under subsection 40(2)(c) of the FRR, such agreements must, at a minimum:

- set out one or more quantifiable deliverable(s) or a specific appropriation amount relating to each, and
- be approved by, or arise from, ministerial or Cabinet decisions prior to the funding being given.

The amount of additional funding to be provided or the amount of surplus funding to be recovered/refunded may be recognised in the current reporting period (that is, the same reporting period as the win or loss), when it can be reliably measured.

Important: For no-win, no-loss arrangements, the amount recognised depends on the terms of the arrangement, not the level of over-spend. The amount to be reported should be agreed in writing with Finance.

Accounting treatment and appropriation note

Additional funding provided in a subsequent period for over-delivery under agreement or over-spend for no-win, no-loss

Financial year work performed

Accounting treatment

- Increase in revenue from government (departmental operating) or contributed equity (amounts designated as contributions by owners), and
- Increase in receivable from government (not recognised as appropriations receivable)

Appropriation note

These amounts are excluded, as they are not yet legally available appropriation.

Financial year amount appropriated

Accounting treatment

- Decrease in receivable from government (amount previously recognised)
- Increase in appropriation revenue or contributed equity (to the extent not already recognised), and
- Increase in appropriations receivable (total amount appropriated)

Appropriation note

These amounts are included as legally available appropriation.

For further guidance, see Illustrative example **D4.3** in Illustrative Accounting Examples for Annual Appropriations.

Accounting treatment for funding excess to requirements

Where funding is excess to requirements due to under-delivery or under-spend under agreement or no-win, no-loss:

- Amounts withheld, see Departmental appropriation withheld below.
- Amounts administratively quarantined, see Quarantines below.
- Other amounts: No accounting entries are required, as future appropriations that may be adjusted are not assets. Any unspent amounts are included in the appropriation note as legally available appropriation.

1.4.7 Departmental appropriation withheld

Overview

Under section 36 of the FRR, amounts withheld under section 51 of the PGPA Act represent a **loss of control** event and should be adjusted against the appropriations receivable balance.

Any adjustments under section 51 of the PGPA Act are not valid until the direction is signed. NCEs cannot adjust appropriations on the basis of a request being submitted to Finance. Entities can only recognise the loss of control in the financial year in which the direction is signed. That is, for the loss of control to be recognised in the current financial year, the section 51 direction must be signed by 30 June of that year.

Quarantined amounts do **not** result in a loss of control (see Quarantines below).

Common reasons for withholding

A section 51 direction may be issued by the Finance Minister where there is:

- a movement of funds between years resulting in a reappropriation in a later year
- reallocations or reclassifications resulting in reappropriations
- savings decisions
- unspent and unrequired administered appropriations
- foreign exchange gains under no win, no loss arrangements

- net-negative appropriation (where the overall reduction in appropriation estimates is greater than the overall increase in appropriation estimates).

Accounting treatment and appropriation note

Accounting treatment:

On the signature date of the PGPA Act section 51 direction (with the entry being reversed if a new direction subsequently reverses it). Reduction in:

- Appropriations receivable, and
- Appropriation revenue (for current-year departmental operating), or
- Retained earnings (CBMS account code 4100001 accumulated results) as a return of equity (for prior year operating) or contributed equity (for prior year amounts designated as contributions by owners).

Appropriation note:

- Amounts withheld are included as legally available appropriation, with footnote disclosure.
- Amounts disclosed must reflect all section 51 directions in force at 30 June.

Further guidance and examples

See Illustrative example **D2** in Illustrative Accounting Examples for Annual Appropriations.

For advice on section 51 directions, please contact your AAU.

For more information on the withholding process, email Annual Appropriations.

1.4.8 Decision of the Cabinet or Prime Minister

Overview

Funding increase adjustments to appropriations that result from a decision of Cabinet or the Prime Minister:

- constitute a gain of control event
- must be evidenced in writing by the appropriate authority with a specifically worded Cabinet minute or letter from the Prime Minister.

Funding decrease adjustments to appropriations that result from a decision of the Cabinet or the Prime Minister:

- represent a loss of control event only where the amount has been included in a signed section 51 direction.

To be reflected in the appropriation note, formal adjustments to appropriation require a 'Government approved legal instrument' (in addition to the written evidence) – see subsections 40(3) and 40(4) of the FRR.

In the absence of a 'Government approved legal instrument', there is a timing difference between the gain or loss of control of appropriation (for accounting purposes) and the appropriation being legally adjusted (as disclosed in the appropriation note). Refer to *Formal additions and reductions - overview* for further detail.

Accounting treatment and appropriation note

Accounting treatment for a decision of the Cabinet or Prime Minister

- A funding increase – see Departmental supplementation above.
- A funding decrease – for amounts that are withheld, see Departmental appropriation withheld above. In particular, an entity that is unable to provide a signed section 51 direction to auditors cannot process accounting entries for a funding decrease.
- Quarantines – no accounting entries, see Quarantines below.
- Other amounts – no accounting entries because future appropriations that may be adjusted are not assets and any unspent amounts are included in the appropriation note as legally available appropriation.

1.4.9 Retainable receipts

Overview

Under section 74 of the PGPA Act, retainable receipts:

- are monies that can be retained by an NCE if part or all of the amount received is consistent with section 74 of the PGPA Act and section 27 of the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule)
- increase an NCE's most recent departmental appropriation when the NCE records the amounts in its internal accounts and records – see subsection 74(2) of the PGPA Act.

For an NCE to retain and spend receipts, the NCE requires both:

- legislative authority exists, and
- policy authority is provided by Cabinet or the Prime Minister.

Entities should adjust appropriations receivable and not appropriation revenue for retainable receipts (section 37 of the FRR).

Goods and Services Tax (GST) retained by an NCE under section 74 of the PGPA Act (and subsection 27(2A) of the PGPA Rule) is treated like other retainable receipts, increasing the entity's latest departmental appropriation.

Accounting treatment and appropriation note

General retainable receipts

Accounting treatment

- Receipt of funds – an increase in revenue and increase in cash (entity's bank account).
- On sweep to OPA – an increase in appropriations receivable and decrease in cash when transferred to the OPA.

Appropriation note

Included as an **adjustment** to appropriation.

GST input tax credit retained under section 74

(Section 74A not used to increase appropriation)

Accounting treatment

- Invoice – increase in expense (GST exclusive amount), increase in asset (GST receivable - GST amount) and increase in liability (payables – GST inclusive amount)
- Drawdown of cash – decrease in appropriation receivable (GST inclusive amount) and increase in cash at bank
- Payment of invoice – decrease in cash at bank (GST inclusive amount) and liability (payables)
- Receipt of refund from ATO – increase in cash at bank (GST amount) and decrease in asset (GST receivable)
- Sweep amount to OPA – decrease in cash at bank and increase in appropriation receivable.

Appropriation note

Included as an **increase** to legally available appropriation.

Further guidance and examples

For more guidance on GST, see GST Information Sheet and illustrative example **D3.5** in Illustrative Accounting Examples for Annual Appropriations.

For more information on retainable and non-retainable receipts, see RMG-307 Retainable receipts .

1.4.10 Recoverable GST

Overview

GST appropriations management differs depending on whether GST is treated as:

- a retainable receipt under section 74 of the PGPA Act, or
- a 'recoverable GST' amount under section 74A of the PGPA Act.

Most entities typically treat departmental GST receipts as a retainable receipt under section 74 of the PGPA Act. Section 74A is generally used for GST related to administered activities. Section 74A provides a mechanism to facilitate GST inclusive payments as well as amounts to be remitted to the Australian Taxation Office (ATO) as net GST collected. It authorises a limited by amount appropriation to be increased by a GST qualifying amount – as defined at subsection 74A (3) of the PGPA Act – to facilitate payments that are inclusive of GST.

Accounting treatment and appropriation note

Accounting treatment for recoverable GST (section 74A of the PGPA Act was used)

Accounting treatment

- Invoice – increase in expense (GST exclusive amount), increase in GST receivable (GST) and increase in payables (GST inclusive amount)
- Drawdown of cash – increase in accumulated results (GST inclusive amount) and increase in cash at bank
- Payment of invoice – decrease in cash at bank and decrease in payables
- Receipt of refund from ATO – decrease in accumulated results (cash to the OPA) and asset (receivable).

Appropriation note

Amounts managed under section 74A are **excluded** from the appropriation note, as the note is prepared on a **recoverable GST-exclusive basis**.

For further guidance, see Illustrative example **A2** in Illustrative Accounting Examples for Annual Appropriations and GST information sheet.

1.4.11 Prior year appropriation transfers

Overview

Prior-year appropriation transfers under section 75 of the PGPA Act represent unspent appropriations from prior years that are transferred as part of a restructure of administrative arrangements. These transfers are accounted for against equity in the same way as other assets transferred under a MoG change.

Transferred assets are treated as **contributions by owners** when, and only when, they satisfy the definition of contributions by owners in AASB Interpretation 1038.

Accounting treatment and appropriation note

Transferring NCE

Accounting treatment

- Reduction in contributed equity (departmental operating, DCB or equity injections – prior year); and
- Reduction in appropriations receivable

Appropriation note

legally available appropriation is reduced in the appropriation note, with additional disclosure.

Receiving NCE

Accounting treatment

- Increase in contributed equity (departmental operating, DCB or equity injections – prior year); and
- Increase in appropriations receivable

Appropriation note

legally available appropriation is increased in the appropriation note, with additional disclosure.

Further guidance and examples

For calculation of the departmental transfer amount, see Appendix 1 of RMG-118.

For identifying when transfers are classified as contributions by owners and the related accounting treatment, see RMG 123.

For practical guidance on implementing MoG changes, see the MoG Changes Guide.

1.5 Quarantines

FRR section 36 sets out the treatment of amounts that are administratively quarantined by the Department of Finance.

Quarantines are not a formal addition or reduction event. AAUs temporarily quarantine funds involved in movement of funds requests to prevent inadvertent drawdowns while the request is considered by the relevant authority.

Accounting treatment and appropriation note

Accounting treatment

No accounting entries are required, as quarantines have no impact on appropriation revenue/contributed equity, or appropriations receivable.

Appropriation note

- Quarantined amounts are **included** as legally available appropriation.
- A footnote disclosure is required to disclose the rationale and amount (current year) and additional disclosure by appropriation Act (prior year).

For information on the quarantining process, email Annual Appropriations.

1.6 Reclassification of operating and departmental capital budget appropriations

DCBs are designated as contributions by owners (that is, equity) (see paragraph 8(c) of AASB Interpretation 1038). Appropriations cannot be reclassified between operating and equity or vice versa (Paragraph 12 of AASB Interpretation 1038). Instead:

- NCEs must seek approval to reclassify expenditure, in accordance with the Budget Process Operational Rules (BPORs), to enable the amount to be reappropriated in the next set of appropriation bills
- the original amount appropriated is to be withheld through a PGPA Act section 51 direction.

For more information, including detailed illustrative examples, see the *How to Guide on the reclassification of departmental operating and departmental capital budget appropriations*, available in CBMS.

Accounting treatment and appropriation note

Accounting treatment

- Original amount appropriated as departmental operating (for example, Appropriation Act No. 1) – an increase in appropriation revenue and appropriations receivable.
- Approval (by relevant authority) and reappropriation of DCB (Appropriation Act No. 3) – an increase in contributed equity and appropriations receivable.
- Original amount withheld by PGPA Act section 51 direction – for accounting treatment and impact on appropriation note, see Departmental appropriation withheld above.

Appropriation note

Both the original amount and the reappropriated amount are included as legally available appropriation, despite the original amount being subject to a PGPA Act section 51 withholding.

Further guidance and examples

Illustrative example **D4.5** in Illustrative Accounting Examples for Annual Appropriations.

How to Guide on the reclassification of departmental operating and departmental capital budget appropriations, available in CBMS

1.7 Lapsing appropriations

Annual appropriation acts contain an automatic repeal date – generally 1 July, up to 3 years after commencing.

Lapsing appropriations are accounted for as departmental equity returns in accordance with subsection 39(1) of the FRR.

Accounting treatment and appropriation note

Accounting treatment

(Assuming a 1 July legislative repeal date)

- On 30 June, appropriations receivable is reduced against contributed equity.

This reflects the expected loss of control shortly after the reporting period and is an adjusting event under paragraph 8 of AASB 110 *Events after the Reporting Period*.

Appropriation note

- Lapsing amounts are included as legally available appropriation at 30 June.
- A footnote disclosure is required to note that the amounts will lapse on 1 July.

For further guidance, see illustrative example **D5** in Illustrative Accounting Examples for Annual Appropriations.

2. Administered appropriations

Administered appropriations are provided for functions managed by an NCE on behalf of the Australian Government.

For further information on categorisation of financial transactions and balances refer to the current Estimates Memorandum on Classification of Administered and Departmental Items, located in CBMS.

2.1 Recognition of administered appropriations

Initial recognition requirements for administered appropriations are set out in section 41 of the FRR.

NCEs must recognise all administered annual appropriations for which they are responsible in their administered reconciliation schedule. They are not recognised as revenue.

The earliest point of recognition for administered annual appropriations is the date amounts are drawn down to the NCE's bank account for payment.

2.2 Adjustments to administered appropriations

The Finance Minister (or responsible Presiding Officer in relation to Parliamentary Departments) has the authority to increase annual administered appropriations through an AFM or APO.

Administered appropriations can also be adjusted in accordance with the PGPA Act:

- Section 74 - Retainable receipts (re-crediting of repayments only)
- Section 74A - Recoverable GST
- Section 75 - Transfers of functions.

Accounting treatment and appropriation note

Accounting treatment

- *PGPA Act* section 74 (repayments only) – decrease in accumulated results and expenses (e.g. suppliers) for repayments received within same financial year.
- PGPA Act section 74A – increase in accumulated results and asset (cash) on drawdown.
- PGPA Act section 75 – for a transferring or receiving NCE there are no accounting entries (that is, no requirement to draw down cash for payment as appropriation is transferred via PGPA Act section 75 determination).

Appropriation note

- PGPA Act section 74 (repayments only) – included as legally available appropriation against the original appropriation from which the payment was made (unless the original appropriation no longer exists), with additional disclosure (prior year). If the appropriation no longer exists (for example, if automatically repealed), the amount is returned to the OPA as an administered receipt.
- PGPA Act section 74A – not included in appropriation note, as it is prepared on a recoverable GST exclusive basis.
- PGPA Act section 75 – included in appropriation note as reduction (transferring NCE) and increase (receiving NCE) in legally available appropriation, with additional disclosure (prior year).

Note: Entities need to pass refunds of administered input tax credits received from the ATO back to the OPA - see Recoverable GST.

2.3 Administered advances to the Finance Minister or responsible Presiding Officer

To receive an AFM or an APO a determination must be made (FRR section 41(2)(b)). For NCE accounting purposes, the earliest point of recognition of an administered amount appropriated by an AFM or an APO is the date amounts are drawn down to the NCE's bank account for payment – see subsection 41(2) of the FRR.

Any unspent AFM amounts at the end of the financial year are withheld under section 51 of the PGPA Act, with an effective date of 30 June, until such a time as the relevant appropriation Act automatically lapses. For the treatment of any unspent amount, see *Administered appropriation withheld* section below.

Determinations allocating AFM or APO amounts are made in accordance with provisions in the appropriation Acts. See RMG-100 for further information.

Accounting treatment for an AFM or APO:

Accounting treatment

Increase in accumulated results and asset (cash) on drawdown.

Appropriation note

AFM (and APO) amounts included as legally available appropriation (including any unspent amounts withheld under PGPA Act section 51).

For further guidance, see illustrative examples **A3** in Illustrative Accounting Examples for Annual Appropriations.

2.4 Administered appropriation withheld

Amounts withheld by an NCE under section 51 of the PGPA Act represent a loss of control event – see subsection 40(2) of the FRR.

Accounting treatment and appropriation note

Accounting treatment

- No accounting entry (as administered appropriations are recognised when drawn down for payment, so there is no equivalent to departmental appropriation revenue/appropriations receivable to be adjusted).

Appropriation note

- PGPA Act section 51 withheld amounts included as legally available appropriation, with footnote disclosure (current year) and additional disclosure by appropriation Act (prior year)
- Amounts withheld should be the total of all section 51 directions in force as at 30 June.

For further guidance, see illustrative example **A4** in Illustrative Accounting Examples for Annual Appropriations.

2.5 Payments to corporate Commonwealth entities

Section 42 of the FRR sets out reporting and disclosure requirements for appropriations where they are received by NCEs on behalf of, and for payment to, corporate Commonwealth entities (CCEs).

An amount appropriated to an NCE for payment to a CCE is an administered appropriation to the NCE and is recognised and disclosed in accordance with section 42 of the FRR.

Accounting treatment and appropriation note

Accounting treatment (for payments to and repayments by CCEs)

- Equity injections – an increase in contributed equity and administered investment in CCEs.
- Loans (directly by OPA or through NCE) – an increase in accumulated results and loans receivable.
- Interest repayment (paid direct to OPA or through NCE) – an increase in administered revenue and decrease in accumulated results.
- Other payments – an increase in accumulated results and expense (payments to CCEs).

Appropriation note

These amounts are included in the appropriation note (with the exception of interest repayments).

For further guidance, see illustrative example **A5** in Illustrative Accounting Examples for Annual Appropriations.

3. Appropriation disclosures

3.1 General requirements to appropriation disclosures

Section 35 of the FRR sets out general principles for appropriation disclosures. The appropriation note provides information to the reader on the resources available to the entity and how the entity has managed its spending in relation to appropriations. It is part of an entity's accountability under the appropriation framework.

The accounting standards include the disclosure requirements in

- paragraphs 238–41 of AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities, and
- paragraphs 38–41 of AASB 1058 Income of Not-for-Profit Entities.

Administered and departmental annual appropriations are separately disclosed in the appropriation note.

A template of appropriation disclosures is provided in Primary Reporting and Information Management Aid forms of financial statements (PRIMA forms).

3.2 Annual appropriation disclosures

3.2.1 Specific requirements for annual appropriation disclosures

FRR section 43 – Annual appropriations detail the annual appropriation disclosures required.

The key sources of information when preparing annual appropriation disclosures are the appropriation Acts, 'Government-approved legal instruments', government decisions (to support formal additions and reductions), CBMS and the entities' own financial management information system (FMIS). CBMS is used for managing cash and appropriation records. Entities reconcile their amounts drawn down from and returned to the OPA with amounts held in entity bank accounts and their appropriation balances.

Departmental capital budgets and administered capital budgets are reported separately from the appropriation act. These amounts are obtained from the PB Statements or Portfolio Additional Estimates Statements.

Adjustments to annual appropriations include AFMs/APO, PGPA Act section 74 and PGPA Act section 75 adjustments.

- For disclosure guidance for departmental annual appropriations, see *Formal additions and reductions* section.
- For administered annual appropriations, see the *Adjustments to administered appropriations* section.

Footnotes are required for any current year appropriations withheld under section 51 of the PGPA Act or quarantined for administrative reasons.

- For departmental annual appropriations see Departmental appropriation withheld and Quarantines section.
- For administered annual appropriations see *Administered appropriations withheld* section.

An entity shall disclose the reasons for any material variances between the amounts appropriated or otherwise authorised and the resulting associated expenditures, and any financial consequences for the entity of unauthorised expenditure:

- Tier 1 reporting: paragraph 39 of AASB 1058 Income of Not-for-Profit Entities (AASB 1058) and AASB 1055 Budgetary Reporting (AASB 1055)
- Tier 2 reporting: paragraphs 238–241 of AASB 1060).

3.2.2 Disclosure of GST

The preparation of appropriation disclosures on a recoverable GST exclusive and cash basis ensures that appropriation notes accurately represent Parliament's net funding allocations.

Departmental GST treatment

Departmental transactions paid on a GST inclusive basis using departmental appropriations, together with GST refunds retained under section 74(1) of the PGPA Act, must be fully captured in the appropriation disclosures, reflected in both 'adjustments to appropriation' and 'appropriation applied' in accordance with section 43 of the FRR. This provides to the reader of financial statements a complete picture of resourcing available to and used by the entity.

- The appropriation note should include GST in the 'appropriation applied' field when entities use their existing departmental appropriation to pay for GST qualifying expenses.
- The appropriation note should include GST receipts retained under section 74 of the PGPA Act as 'adjustments to appropriation' (see Retainable receipts above).

Recoverable GST (PGPA Act section 74A)

Section 74A of the PGPA Act provides an efficient mechanism to increase a limited as to amount appropriation for GST related amounts associated with the acquisition or importation of goods and services. As such, amounts credited under section 74A should be excluded from appropriation disclosures, as they do not represent new funding but rather a mechanism to recover GST related outflows.

- The appropriation note should not include any amounts related to transactions made under PGPA Act section 74A Recoverable GST (see Recoverable GST above).

For more guidance, see the GST Information Sheet and illustrative example **D3.4** in Illustrative Accounting Examples for Annual Appropriations.

3.2.3 Unspent appropriations

FRR section 45 sets out the disclosure requirements for unspent annual appropriations.

Unspent balances incorporate adjustments to appropriations under appropriation Acts and the *PGPA Act* (for example, PGPA Act section 75 transfers).

Amounts subject to quarantines or withheld under a PGPA Act section 51 direction are included in unspent balances.

Appropriation drawn down from the Consolidated Revenue Fund (CRF) via CBMS and/or PGPA Act section 74 receipts that remain in a NCE's bank account (that is, not transferred to the OPA), should be reflected in the unspent appropriations note as at 30 June. These unspent appropriation amounts (that is, cash or cash equivalents) can be disclosed either as a separate line item or included with the relevant appropriation Act(s).

Lapsing departmental appropriations (which had been appropriation revenue or contributed equity in a previous reporting period) are accounted for as departmental equity returns in accordance with section 39 of the FRR.

3.3 Special appropriation disclosures

FRR section 46 sets out disclosure requirements for special appropriations.

Disclosures are required for all special appropriations (that is, whether or not the appropriation has been drawn against). Where a special appropriation has not been drawn against during the reporting period and the comparative period, it should still be reported, as all appropriations are material by nature (section 35 of the FRR). It is up to each entity to determine the appropriate format of disclosure – such as, a table, list or footnote.

Section 77 of the PGPA Act provides special appropriation authority for defined events that involve repayments by the Commonwealth. Where refunds are paid, 'appropriation applied' is the total amount drawn.

There may be more than one responsible entity for a special appropriation. Where this is the case, each entity must make disclosures of the amounts they have drawn on.

Investments funded by special appropriations

Section 58 of the PGPA Act provides some entities with the power to invest using:

- certain special appropriations as delegated by the Treasurer (for example, the Australian Office of Financial Management)
- special accounts as named in the Finance Minister's delegation.

Entities that use appropriations to invest under either section 58 of the PGPA Act or a provision in another Act of Parliament (i.e. not the PGPA Act) must disclose the appropriation applied according to whether that investment is from a:

- special appropriation (section 46 of the FRR), or
- special account (subsection 48(9) of the FRR) – also see Special accounts.

A footnote should be **included** against the relevant special appropriation disclosing the fair value of the investment made from the special appropriation.

3.4 Acting as an agent

FRR section 47 sets out disclosure requirements where an entity has paid money out of the CRF on behalf of another entity.

An entity is an agent for a responsible entity, where it has authority to make payments from the responsible entity's appropriation (that is, the spending entity is an agent).

In this situation:

- both the agent and the responsible entity disclose the arrangement in their financial statements
- only the responsible entity records the transactions in its financial management information system (FMIS).

Where one or more other entities have drawn from the same appropriation, the entity making the appropriation-related disclosures (that is, the responsible entity) must name those other entities in a footnote to the relevant appropriations note table.

Note: Where an entity receives an amount from another entity, retains it by increasing its appropriation and then pays it to a third party, it is acting on its own behalf and is therefore not acting as an agent.

3.5 Special accounts

Section 48 of the FRR sets out the requirements for the reporting of special accounts balances held in an entity's bank account or in the OPA.

3.5.1 Accounting for special accounts

Entities should record all special account related funds held in their departmental receipts and payments bank account as cash in the:

- statement of financial position (excluding trust amounts)
- cash flow statement (excluding trust amounts)
- financial assets note (excluding trust amounts)
- special accounts note (recoverable GST exclusive).

Reporting entities should disclose all special account related funds held in their administered receipts and administered payments bank accounts as cash at bank in the:

- administered schedule of assets and liabilities (excluding trust amounts)
- administered cash flow statement (excluding trust amounts)
- administered reconciliation schedule (excluding trust amounts)
- administered – financial assets note (excluding trust amounts)
- special accounts note (recoverable GST exclusive).

Special account balances held by an entity in a **bank account** (excluding trust amounts) are to be included in the financial instrument disclosure note. Under AASB 9, a cash deposit held in a bank account creates a contractual right to receive cash and is therefore a financial instrument and a financial asset to the entity.

Special account balances held in the **OPA** (excluding trust amounts) are to be included in the financial instrument disclosure note under AASB 9. There is a contractual right to receive cash and this is therefore a financial instrument and a financial asset to the entity. While amounts may be held in the OPA, receipts collected and subsequent payments are distinct from contributions to entities via appropriation funding.

Administered receipts relating to a special account and remitted by an entity to the OPA, should be treated as cash equivalents in the entity's:

- administered schedule of assets and liabilities (excluding trust amounts)
- administered cash flow statement (excluding trust amounts)
- administered reconciliation schedule (excluding trust amounts)
- administered – financial assets note (excluding trust amounts)
- special accounts note (recoverable GST exclusive).

The balance of the OPA (incorporating balances of special accounts transferred by entities to the OPA) is disclosed as appropriate by Finance, on behalf of the whole of government in its financial statements as cash/cash equivalents in the administered schedule of assets and liabilities and administered – financial assets note.

Appropriations that have been received and recognised as income by an entity and are subsequently transferred to a special account of that entity are not to be recognised again as income to that entity. These transfers are internal transfers.

3.5.2 Statutory credits

A statutory credit is a provision in an Act that allows the balance of a special account (and hence the associated appropriation) to be increased, provided certain conditions are met. A statutory credit does not usually involve the receipt of funds from another appropriation (annual appropriation or special appropriation), from outside the entity or from parties outside of government (including another government) – it is a self-executing transaction.

A statutory credit provision is not:

- in itself a separate special appropriation, or
- a financial instrument and therefore not required to be disclosed as a financial instrument.

The entity is to record the statutory credit received as 'cash in the Official Public Account (OPA)' with the corresponding accounting entry against equity (administered) or appropriation revenue (departmental). It is recommended that entities separately disclose appropriation increases that have resulted from the execution of a statutory credit provision.

3.5.3 Disclosure of special account balances

Where a special account has not been used during the current and the comparative reporting periods, the entity may make footnote disclosures in the special accounts note, instead of disclosing that special account, including:

- the title of the special account
- the purpose of the special account
- the authority under which the special account was established
- a statement noting the fact that the special account has not been used during the current and the comparative reporting periods
- the balance of the special account.

For other items include:

- **each special account** – must have separate disclosure for expenditure that is departmental or administered in nature
- **Comcare receipts** – amounts received from Comcare for workers compensation to be provided to employees can be retained (see RMG-307)
- **assets held in trust** – include all amounts making up special account balances, including trust moneys. In a footnote disclose the value of trust moneys and cross reference the assets held in trust note (section 31 of the FRR). Further information on trusts can be found under RMG-125 – Assets held in trust.

3.5.4 Investments from special accounts

Some entities have special accounts with the power to invest, either delegated by the Finance Minister (under section 58 of the PGPA Act) or under a provision in another Act of Parliament.

Subsection 48(9) of the FRR requires an entity that uses such a special account to invest, in the financial year in which transactions occur, to disclose in the special account note the:

- relevant money invested from the special account as a gross decrease
- proceeds from the investment credited to the special account as a gross increase.

Where investments have already been made from a special account, but there are no transactions with the special account during a financial year:

- the invested amounts are not included in the balance in the special accounts disclosure note for that financial year
- entities should include a footnote disclosing the fair value of the investments made from the special account.