



**Australian Government**  

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**Department of Finance**

Our Ref: IS25-000004

Mr Josh Burns MP  
Chair  
Joint Committee of Public Accounts and Audit  
Parliament House  
CANBERRA ACT 2602

Dear Chair

**Joint Committee of Public Accounts and Audit Inquiry into Commonwealth  
Financial Statements 2023-24**

I enclose the Department of Finance's submission to the Joint Committee of Public Accounts and Audit *Inquiry into Commonwealth Financial Statements 2023-24*, addressing a number of areas relevant to the inquiry's terms of reference.

Thank you for the opportunity to provide this submission. I trust that this information will assist the Committee's inquiry.

Yours sincerely



Anna Harmer PSM  
A/g Deputy Secretary

3 December 2025



**Australian Government**  
**Department of Finance**

Department of Finance

**Submission to the Joint Committee  
of Public Accounts and Audit**

**Inquiry into Commonwealth Financial Statements 2023–24**

**December 2025**

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# 1. Introduction

The Department of Finance (Finance) welcomes the opportunity to contribute to the Joint Committee of Public Accounts and Audit's (JCPAA's) Inquiry into the Auditor-General's Report No. 22 of 2023–24: *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2024* (the Report).

Finance notes the audit of the 2023–24 Consolidated Financial Statements (CFS) identified no significant or moderate audit issues.

This submission provides information on Australian Government financial reporting and other matters, addressing a number of areas relevant to the inquiry's terms of reference, including:

- Guidance and support; and
- Key areas of financial statement risk.

## 2. Australian Government Financial Reporting

### 2.1 PGPA Framework

The *Public Governance, Performance and Accountability Act 2013*<sup>1</sup> (PGPA Act) and *Public Governance, Performance and Accountability Rule 2014*<sup>2</sup> (PGPA Rule) and related rules establish a principles-based system of governance and accountability for resource management, and a performance framework, for the Commonwealth.

### 2.2 Financial Framework

The Commonwealth Resource Management Framework establishes a system of governance and accountability for public resources, with an emphasis on planning, performance and reporting. This framework is set out in the PGPA Act and associated rules.

All Australian Government financial statements, including those prepared for the Budget, must comply with Australian Accounting Standards<sup>3</sup> and the Australian System of Government Finance Statistics<sup>4</sup> (GFS). In addition to these external standards, the financial statements format is consistent with the Uniform Presentation Framework<sup>5</sup>, a national framework designed to support consistent presentation of government financial information across the Commonwealth and state and territory governments.

The *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*<sup>6</sup> (Financial Reporting Rule) applies to all Commonwealth entities (non-corporate Commonwealth entities and corporate Commonwealth entities) that are required to produce financial statements under section 42 of the PGPA Act. The Financial Reporting Rule sets out financial reporting requirements for the preparation of entity financial statements and

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<sup>1</sup> <https://www.legislation.gov.au/Series/C2013A00123>

<sup>2</sup> <https://www.legislation.gov.au/Details/F2014L00911>

<sup>3</sup> <https://standards.aasb.gov.au/>

<sup>4</sup> <https://www.abs.gov.au/ausstats/abs@.nsf/mf/5514.0>

<sup>5</sup> <https://treasury.gov.au/publication/p2019-t365789>

<sup>6</sup> <https://www.legislation.gov.au/F2015L00131/latest/versions>

provides for consistent reporting across the Commonwealth to allow comparison between entities' financial statements. Information reported by entities in accordance with the Financial Reporting Rule also facilitates the preparation of the Australian Government's CFS.

Commonwealth companies are not subject to the Financial Reporting Rule. These entities are subject to the financial reporting requirements set out in Chapter 2M of the *Corporations Act 2001*<sup>7</sup>, including compliance with the Australian Accounting Standards (section 296 of the *Corporations Act 2001*).

## 2.3 Guidance and support

Finance supports entities to prepare their financial statements by issuing guidance and providing advice on how to comply with the Australian Accounting Standards and the Financial Reporting Rule. This guidance includes:

- Resource Management Guides (RMG)<sup>8</sup>, such as RMG 125 Commonwealth Entities Financial Statements Guide, which sets out key reporting requirements and provides linkages to the Financial Reporting Rule and Australian Accounting Standards, as well as other resource management framework requirements
- the Financial Statements Better Practice Guide<sup>9</sup>, which provides examples of better practice in financial statement preparation and processes
- the Primary Reporting and Information Management Aid forms<sup>10</sup>, which provides example financial statements and associated disclosures which comply with the Financial Reporting Rule requirements
- a broad range of detailed guidance on specific technical topics<sup>11</sup>.

Finance regularly updates the guidance and support available, including to ensure it reflects entity experiences from the previous year's financial statements preparation and audit processes, observations made by the Auditor-General, as well as issues being managed in the current year.

Finance leads numerous initiatives across the Australian Public Service (APS) to support the capability of accounting and finance professionals. This includes convening various committees, fora, communities of practice and working groups, including for Chief Financial Officers (CFOs) of Commonwealth entities and their staff. Finance also offers quarterly training offerings and panel discussions with senior experienced staff.

In 2024, Finance partnered with the APS Academy to deliver a second Accounting and Finance Month and convened the second APS Accounting and Finance Conference. Agency outreach training on the appropriations framework continued, alongside bespoke entity specific training on areas of interest to CFOs. Finance engages closely with the Australian National Audit Office (ANAO) to ensure observations and learnings from ANAO audits are incorporated into these fora and communications as well as updates to guidance and training material.

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<sup>7</sup> <https://www.legislation.gov.au/C2004A00818/2019-07-01/text>

<sup>8</sup> <https://www.finance.gov.au/government/resource-management/list-az>

<sup>9</sup> <https://www.finance.gov.au/government/financial-reporting-and-accounting-policy/financial-statements-better-practice-guide>

<sup>10</sup> <https://www.finance.gov.au/government/financial-reporting-and-accounting-policy/financial-reporting-commonwealth-entities>

<sup>11</sup> <https://www.finance.gov.au/government/financial-reporting-and-accounting-policy>

Finance has ensured that targeted training is made available to entities to support the management of identified risks. For example, training has included:

- Key management personnel;
- Appropriations management and reporting;
- Accounting for intangibles including software under AASB 138 Intangible Assets<sup>12</sup>;
- Fair value requirements under AASB 13 Fair Value Measurement<sup>13</sup>; and
- Risk and internal controls<sup>14</sup>, including the importance of CFO awareness of legal matters, and oversight of information technology (IT) and cyber risk and controls, particularly as they relate to financial reporting and financial statements preparation.

## 2.4 Key areas of financial statement risk

The Auditor-General has identified a number of areas of financial statement risk.

### 2.4.1 Legislative breaches relating to incorrect remuneration payments

The *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) establishes requirements for Commonwealth entities and companies to report on executive remuneration arrangements in annual reports. Entities are required to report their policies and practices regarding the remuneration of key management personnel (KMP), senior executives and other highly paid staff (OHPS). This includes setting out the governance arrangements under which the entity's remuneration policies and practices operate, and the basis on which the remuneration of KMP, senior executives and OHPS is determined. It is a matter for each accountable authority to be satisfied that their entity annual reports meet these requirements.

The PGPA Act imposes duties on accountable authorities to govern their entity in a way that promotes the proper use and management of public resources and to establish systems of risk oversight and management and internal control that are appropriate for their entity. These duties extend to ensuring the application and management of remuneration policies within their entities is undertaken in line with the principles set by the Australian Public Service Commission and the determinations set by the Remuneration Tribunal as appropriate. As noted in the Report, the identified breaches suggest that the entity should strengthen internal controls to prevent non-compliance and incorrect payments, including through their Accountable Authority Instructions<sup>15</sup>.

Accountable authorities of Commonwealth entities are also required to notify their responsible Minister of any significant issue that has affected the entity or any of its subsidiaries and, if the issue constitutes a significant non-compliance with the finance law, to also report to the Finance Minister. Significant non-compliance with the finance law could

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<sup>12</sup> <https://standards.aasb.gov.au/>

<sup>13</sup> <https://standards.aasb.gov.au/>

<sup>14</sup> <https://www.finance.gov.au/government/managing-commonwealth-resources/managing-risk-and-internal-accountability/risk-internal-controls>

<sup>15</sup> <https://www.finance.gov.au/government/managing-commonwealth-resources/managing-risk-internal-accountability/risk-internal-controls/accountable-authority-instructions-aais-rmg-206>

include matters that go to failures of internal controls in relation to remuneration where the accountable authority deems these to be significant.

The Australian Public Service Commission administers the *Public Service Act 1999* and issues guidance on the principles governing performance bonus use in Commonwealth entities and companies, and the Remuneration Tribunal sets pay for high-level statutory and executive officers are determined through employment. Finance does not have a role in setting remuneration policies generally.

## 2.4.2 Increased AI use across the Commonwealth

Finance promotes the safe, ethical and responsible adoption of AI within government to improve public service efficiency and delivery, while maintaining public trust and aligning with the APS Values<sup>16</sup>.

The Digital Transformation Agency (DTA) provides whole-of-government strategic and policy leadership to address the challenges and opportunities posed by emerging technologies, including AI. Finance works closely with the DTA on AI use and governance.

Finance has led the development of the AI Plan for the Public Service<sup>17</sup> (APS AI Plan) in collaboration with the DTA and the Australian Public Service Commission. Finance is leading major initiatives within the APS AI Plan, including the expansion of the GovAI<sup>18</sup> platform to provide all APS staff with GovAI Chat, secure and sovereign AI tools.

## 2.5 Information technology

The Auditor-General's report identified an increase in the number of significant findings, in particular in relation to weaknesses in IT control environments, including cyber security.

Finance will continue to provide support to CFOs to identify and manage the risks as they relate to financial reporting. In the recent past, this has included convening dedicated seminars and panel discussions, including with representatives of the ANAO, on the importance of strong and effective IT controls and impacts on financial reporting.

## 2.6 Timeliness of financial statement preparation

The PGPA Act requires that entities provide their annual report to the responsible Minister by 15 October of each year. The financial statements are included within entity annual reports.

Chapter 4 of the Financial Statements Better Practice Guide<sup>19</sup> includes detailed information to support entities in project planning for preparing their financial statements for financial year end, including a template for a schedule of activities.

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<sup>16</sup> <https://www.apsc.gov.au/aps-values/scope-and-application-values>

<sup>17</sup> <https://www.digital.gov.au/policy/ai/australian-public-service-ai-plan-2025>

<sup>18</sup> <https://www.govai.gov.au/>

<sup>19</sup> <https://www.finance.gov.au/government/financial-reporting-and-accounting-policy/financial-statements-better-practice-guide/4-planning-year-end-financial-statements>

### 3. Summary

Finance supports entities to meet their financial reporting obligations including through ongoing stewardship, guidance and advice. This support is often tailored to meet individual entity needs and is informed by learnings from JCPAA and ANAO activity in addition to feedback from the fora and seminars Finance convenes, facilitates or is engaged with.