



SENATOR THE HON MATHIAS CORMANN
Minister for Finance
Deputy Leader of the Government in the Senate



REF: MC16-000648

14 APR 2016

Senator Linda Reynolds CSC
Chair, Environment and Communications Legislation Committee
Parliament House
Canberra ACT 2600


Dear Senator Reynolds

Thank you for your letter of 3 March 2016 regarding the disclosure of remuneration for directors and senior executives in Commonwealth entity financial statements. I share your interest in the appropriate accountability and transparency for Commonwealth entities.

A number of changes were made to the Financial Reporting Rule (FRR) for 2014-15 financial statements, compared to the former 2013-14 Finance Minister's Orders for Financial Reporting.

The disclosure of senior executive remuneration for 2014-15 financial statements brings the disclosures into alignment with those required under Australian Accounting Standards for the private sector. While there is currently no accounting standard applicable for not-for-profit public sector entities, the FRR in effect, early adopted the private sector requirements that will apply from the 2016-17 financial year and represent financial statement best practice.

The 'salary banding' disclosure of the senior executive remuneration note in 2013-14 financial statements was removed for 2014-15 after consultation with reporting entities, the Department of the Prime Minister and Cabinet, and the Australian National Audit Office.

The changes focussed on simplifying disclosure requirements, providing appropriate accountability and transparency for government reporting, and reducing 'red tape' in the preparation of financial statements. The previous presentation was not a requirement of accounting standards and it did not provide information that related to the financial statements themselves. Preparation and presentation of the previous information and disclosure note to the financial statements was resource intensive, required extensive checking, and was complex to audit.

There are currently a number of publicly available sources of information about executive remuneration, for example, the Australian Public Service Remuneration Report, and Remuneration Tribunal determinations. Commonwealth entities are also able to provide details of remuneration upon request.

To support the provision of information to Parliament, my department is investigating the option of developing a web based portal, which would provide access to relevant information to Parliament in one place. This could include the information highlighted in the previous paragraph. I understand that you have already referred this matter to the Joint Committee of Public Accounts and Audit (JCPAA) and my department will continue to engage with them on reforming annual reports. The Chair of the JCPAA, the Hon Ian Macfarlane MP, wrote to the Secretary of my Department on 31 March 2016 to indicate that your suggestion on remuneration has “merit in-principle and warrants thorough consideration”. He has asked my Department to provide a “thorough response to inform [the JCPAA’s] consideration of next year’s Annual Reporting Rule approval”, in early 2017.

Kind regards

Mathias Cormann
Minister for Finance

13 April 2016