

FMM 04.7 First Time Reporting for New Agencies

Where there is a newly created agency (such as a new statutory authority) which is also a new reporting entity, there is a requirement to ensure that there is clarity on the legal authority under which the agency was established and how to address any transitional requirements including transfers of assets or liabilities from another government entity.

7.1 Mandatory Policy

FMM Volume 1 – FMM 01.09 and FMM 01.10 provides specific policy and guidance on the restructure, acquisition or winding up of public entities.

- 1. In the agency’s first set of financial statements, a note to the accounts (or explanatory statement) must clearly cite the legislative or administrative instrument by which the agency was created. For example:**
 - *Gazettal Notice* issued under the Public Services (Management) Act, referencing the specific Gazette Number and date;
 - *Enabling Act of Parliament* if established by a stand-alone statute;
 - *Ministerial Determination or NEC Decision* if that is the formal basis.
- 2. Where the new agency inherits assets or liabilities from another government entity (e.g., upon restructure, merger, or spin-off) and a material error in respect of those balances is subsequently identified—originating from the transferor’s accounting treatment—the new agency must:**
 - Recognise the identified error, and
 - Correct the error by making an adjustment, either:
 1. For accrual-basis entities to equity (rather than re-stating prior-year results, if there is no prior comparative year for this new entity), and
 2. For cash-basis entities, this approach also applies conceptually—though no “equity” is formally recognised, the entity may record

an adjustment in an opening-balances note or disclaim the inherited error if it is immaterial.

- Include a note explaining the nature of the error, the fact that it arose from the transferor's prior accounting, and the quantum of the adjustment.
- 3. This policy applies at the earliest reporting date after discovery of the error, ensuring transparency from the inception of the agency's financial statements.**
 - 4. The new agency must adopt the standard government chart of accounts (if on IFMS) or an approved chart consistent with relevant Finance Instructions or the collective policy of the FMM.**

7.2 Non-mandatory Guidance

Publishing the first set of financial statements for a new entity is an important milestone for the entity and have some special requirement to recognise not only its first fiscal year but also any inherited foundation financial transactions.

All inherited assets (buildings, equipment) and outstanding liabilities (creditors, unacquitted advances) should be catalogued and included in a first-year opening statement or note, referencing any supporting handover documentation from the predecessor entity.

Maintain clear records of transfer-in events, including official handover letters, schedules of assets/liabilities, valuations, and any relevant documentation for auditing purposes.

If the new agency is on accrual basis IPSAS, apply IPSAS 3 (Accounting Policies, Changes in Estimates and Errors) principles for error correction, with the equity adjustment approach.

For performance reporting under PFMA Section 47L, 50 and 63 obligations, include in the first annual report a statement of goals, outputs, and how the new agency's activities fit within the wider government framework.

7.2.1 Example Disclosure

Note X: Establishment of the Agency

"Agency XYZ was established on [Date] under [NG Gazettal Notice No. XX / Act

of Parliament], with effect from [Date]. The core mandate of Agency XYZ is to [briefly describe mandate/roles].”

Note Y: Correction of Opening Balances

“During the year, the Agency XYZ discovered a material misstatement in the equipment transferred from Agency ABC. The item had been overstated by K500,000 in the agency’s records. Since this error relates to the opening balances, the Agency has recognised the correction by reducing the value in the asset register and adjusting the equity account by K500,000. This approach is consistent with the Agency’s policy for first-time reporting entities and relevant accounting standards.”

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