



**FINANCIAL REPORTING REQUIREMENTS**

**for**

**QUEENSLAND GOVERNMENT AGENCIES**

**Effective for Reporting Periods  
beginning on or after 1 January 2005**

**Version 5  
Issued February 2009**



## MESSAGE FROM THE UNDER TREASURER

Attached are the Financial Reporting Requirements effective for reporting periods beginning on or after 1 January 2005. These requirements will apply to the preparation of departmental general purpose financial statements and, as far as relevant, to statutory bodies within the Queensland public sector. These requirements do not apply to Queensland Government entities reporting under the *Corporations Act 2001*.

As outlined in section 97(1) of the *Financial Management Standard 1997* ('the FMS') a department's accountable officer is required to prepare financial statements according to:

- the prescribed accounting requirements stated in schedule 4 to the FMS, as relevant to the department; and
- the Minimum Reporting Requirements approved by the Treasurer and included in Part B of this document as Policy.

Under section 98(2) of the FMS, statutory bodies are to have regard to this document in the preparation of their annual financial statements.

**It should be noted that the Accounting Policy Guidelines and the detailed disclosures of the Sunshine Department Model Financial Statements that form part of the Financial Reporting Requirements are for guidance only and may be applied to reflect an individual agency's circumstances and operational characteristics. However, the minimum reporting requirements in Part B do require compliance with the general form and content of the Sunshine Department Model Financial Statements.**

Gerard Bradley  
Under Treasurer

Date: February 2009

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# **PART A**

# **INTRODUCTION AND PRESCRIBED REQUIREMENTS**

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## 1. INTRODUCTION

These Financial Reporting Requirements (FRRs), including the Sunshine Department Model Financial Statements, have been issued to assist agencies in the preparation of their financial statements for the financial periods beginning on or after 1 January 2005 and to ensure consistency in presentation across agencies. The FRRs are updated and reissued as requirements change. The Sunshine Department Model Financial Statements are based on Australian Accounting Standards.

Although primarily directed at departments, statutory bodies must have regard to these requirements and the model financial statements in the preparation of their own financial statements.

In instances where additional disclosures or modification of the model financial statements are imposed through an alternative authority, or would enhance transparency, accountability and user relevance, agency statements may be varied to the extent necessary but so as to still comply with the mandatory prescriptions in Part B and the general framework of the requirements.

If an agency believes that the requirements inhibit transparency and accountability or represent a departure from Australian accounting standards, the matter should be referred to Queensland Treasury's Financial Management Branch at [fmhelpdesk@treasury.qld.gov.au](mailto:fmhelpdesk@treasury.qld.gov.au).

These FRRs consist of three distinct parts following this introductory part (**Part A**).

**Part B** - Reporting Requirements, outlines prescribed requirements and the Government's minimum reporting requirements for agencies, as well as further explanation to assist users.

**Part C** - Consists of Accounting Policy Guidelines (APGs) covering significant and/or complex financial reporting issues. These APGs provide in-depth support to agencies in interpreting and applying the FRRs and other accounting pronouncements to their particular circumstances.

**Part D** - Provides an example set of financial statements, the Sunshine Department Model Financial Statements. These model statements comply with the FRRs, and agencies must comply with their general form and content when preparing their own financial statements.

To assist agencies in the preparation of their annual financial statements, a reference is located in the left hand margin of the Sunshine Department Model Financial Statements to the relevant FRRs, AASB standard or Australian Interpretation, as the authority for the accounting or reporting treatment adopted in the model statements.

The Financial Reporting Requirements are available on Treasury's website:

<http://www.treasury.qld.gov.au/office/knowledge/docs/fin-reporting-req/index.shtml>

## 2. APPLICATION

These FRRs apply to all departments. To the extent relevant, statutory bodies within the Queensland public sector must have regard to Part B of the FRRs. The FRRs do not apply to entities subject to the reporting requirements of the *Corporations Act 2001*.

For the purpose of the FRRs, all applicable reporting entities are referred to as ‘agencies’.

## 3. PRESCRIBED REQUIREMENTS

### 3.1 LEGISLATIVE BASIS OF REQUIREMENTS

Please note that a review and rewrite of the *Financial Administration and Audit Act 1977* (FA&A Act) is currently being undertaken. The new Financial Accountability Bill was tabled in Parliament in December 2008 and is planned for debate in early 2009. Therefore, the below references to the current legislation may change during the 2008-09 reporting period.

In this context, when reading sections 3.1.1 and 3.1.2 below, it should be noted that the list of prescribed accounting standards in Schedule 4 of the *Financial Management Standard 1997* (FMS) (referred to in section 97 of the FMS) has not been updated to reflect the latest accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB). Despite this, agencies must comply with the latest accounting standards and interpretations issued by the AASB. On this basis, APG 1 *Australian Accounting Standards Board Pronouncements* lists those accounting standards and interpretations that must be complied with by agencies pending the new financial management legislation coming into force.

#### 3.1.1 Departments

Section 40(1) of the FA&A Act requires each accountable officer to prepare the department’s general purpose financial statements in accordance with the ‘prescribed requirements’. Section 97 of the FMS specifies these as comprising:

- the prescribed accounting requirements stated in Schedule 4 of the FMS to the extent that they apply to the department; and
- the minimum reporting requirements (Part B) included in the document called *Financial Reporting Requirements for Queensland Government Agencies Effective for Reporting Periods Beginning on or after 1 January 2005* (FRRs).

#### 3.1.2 Statutory Bodies

Section 46F(1) of the FA&A Act requires that each statutory body must prepare annual financial statements for the financial year in accordance with the ‘prescribed requirements’. Section 98 of the FMS provides that a statutory body must prepare its annual financial statements under the prescribed accounting standards stated in schedule 4 of the FMS, to the extent the standards apply to the body. Further, a statutory body must have regard to the

minimum reporting requirements (Part B) of the FRRs. The meaning of ‘have regard to’ is explained in section 14(2) of the *Financial Management Standard 1997*; namely, an agency is to consider the contents of a document and decide whether the contents apply to the agency’s circumstances.

## 3.2 THE FINANCIAL REPORTING FRAMEWORK

The FRR disclosure requirements and the Sunshine Department Model Financial Statements are based on the *Framework for the Preparation and Presentation of Financial Statements*, Statements of Accounting Concepts (SACs), Australian Accounting Standards (AASBs) and Australian Interpretations.

The Sunshine Department Model Financial Statements are example 'general purpose financial statements', the purpose of which is to meet the needs of external users who must rely on the information contained in the statements to assess the agency's financial performance, financial position and cash flows. The statements are based on three key principles:

- *Accountability* - The accountable officer/chief executive officer/chairperson of each agency is responsible for the efficient and effective use of the agency's resources. An agency also may undertake trustee duties or duties as an agent for external entities. The financial statements of the agency are intended to fairly and truthfully represent such activities for the financial year.
- *Compliance* - Financial statements must comply with relevant legislation, applicable AASBs and other prescribed requirements, and, for departments, the minimum reporting requirements (Part B).
- *Comparability* - Financial statements must provide information that is comparable between the current and previous financial years and on a cross-agency basis.

Where a department engages in activities of a business nature, e.g. it undertakes a commercialised business operation, it should prepare general purpose financial statements for the commercialised business unit in addition to consolidating the information into the department's general purpose financial statements (section 97 of the FMS).

## 3.3 ACCOUNTING CONCEPTS, STANDARDS AND INTERPRETATIONS

Standards and Interpretations referred to in these FRRs were current at date of issue of the FRRs. Agencies should ensure that they monitor developments of the Australian Accounting Standards Board (AASB) for subsequent amendments that may impact on the financial statements of the current reporting period.

The prescribed accounting standards for the Queensland public sector under section 97 of the FMS include the *Framework for the Preparation and Presentation of Financial Statements* as well as the remaining Statements of Accounting Concepts (SACs) 1 and 2.

Treasury Department acknowledges that the list of prescribed accounting standards in Schedule 4 of the FMS (referred to in section 97 of the FMS) does not reflect the latest accounting standards and interpretations issued by the AASB, pending finalisation of the re-write of the Queensland Government's financial management legislation. Despite this, agencies must comply with the latest accounting standards and interpretations issued by the AASB. On this basis, APG 1 *Australian Accounting Standards Board Pronouncements* lists those accounting standards and interpretations that must be complied with by agencies pending the new financial management legislation coming into force.

### **3.3.1 The Framework**

The *Framework for the Preparation and Presentation of Financial Statements* (Framework) sets out the:

- objective of financial statements;
- assumptions underlying financial statements;
- qualitative characteristics of financial statements;
- elements of financial statements; and
- recognition criteria for the elements of financial statements.

The various Australian accounting standards expand on the conceptual framework set out in the Framework and SACs and address key issues on accounting and reporting that agencies must comply with.

More detailed information on the Framework is available from the AASB website at:

<http://www.aasb.gov.au/Pronouncements/Old/Conceptual-framework.aspx>

#### ***SAC 1 Definition of the Reporting Entity***

SAC 1 describes a reporting entity as an entity for which it is reasonable to expect the existence of users dependent on general purpose financial statements for the information which will be useful to them for making and evaluating decisions about the allocation of scarce resources.

SAC 1 also states that if an entity qualifies as a reporting entity, it should prepare general purpose financial statements in accordance with the SACs and AASBs.

#### ***SAC 2 Objective of General Purpose Financial Reporting***

SAC 2 describes the objective of general purpose financial reporting as the provision of information to meet common information needs of users who are unable to command the preparation of statements tailored to their particular information needs.

General purpose financial statements assist in discharging the accountability of the accountable officer/chief executive officer/chairperson of the agency for the financial stewardship of the entity.

SAC 2 also outlines the type of information useful for decision-making and for discharging the responsibilities of management. It explains that general purpose financial statements should include information to enable assessment of an entity's performance, financial position, and financing and investing activities, including information about compliance with external legislative requirements.

### **3.3.2 Australian Accounting Standards - Public Sector Specific**

The AASB has now completed its review of ED 156 *Proposals Arising from the Short-term Review of the Requirements in AAS 27, AAS 29 and AAS 31*. As a result of this review these

AAS standards no longer exist. Generally, most of the unique AAS 29 requirements have been either relocated into existing AASB standards, or incorporated into a new public sector standard for the specific topic.

For the 2008-09 reporting period, refer to APG 1 (within Part C) for a list of all the standards applicable to departments and statutory bodies. The standards are available from the following website:

<http://www.aasb.gov.au/Pronouncements/Search-by-reporting-period.aspx>

As mentioned earlier in section 3.3, the list of prescribed accounting standards in Schedule 4 of the FMS (referred to in section 97 of the FMS) has not been updated to reflect the latest accounting standards and interpretations issued by the AASB. Despite this, agencies must comply with the latest accounting standards and interpretations issued by the AASB.

### ***GAAP/GFS Harmonisation Project***

As part of the AASBs Generally Accepted Accounting Principles (GAAP)/Government Finance Statistics (GFS) harmonisation project AASB 1049 *Whole of Government and General Government Sector Financial Reporting* was developed. This standard specifies the requirements for whole of government financial reports and general government sector (GGS) financial reports.

The requirements set out in AASB 1049 do not apply to departments and statutory bodies. However, the GAAP/GFS harmonisation project will impact departments and statutory bodies within the GGS.

In September 2008 the Australian Accounting Standards Board (the Board) determined that the approach to GAAP/GFS harmonisation for entities within the GGS (all departments and some statutory bodies) should differ from that adopted in AASB 1049 for the GGS itself and the whole of government. This decision was taken on the grounds of limited relevance of AASB 1049 information to users of the financial statements of GGS entities.

Accordingly, the Board determined that GAAP/GFS harmonisation for entities within the GGS could be achieved by amending AASB 101 *Presentation of Financial Statements* to specify that GGS entities adopt the financial statement formats prescribed in AASB 1049 (in particular, the transactions/other economic flows split in the Statement of Comprehensive Income under AASB 1049), but exclude certain disclosures like key fiscal aggregates.

Exposure draft ED 174, proposing the consequential amendments to AASB 101, AASB 107 and AASB 1052, was released by the AASB in January 2009 (with comments due to the AASB by 19 May 2009). The proposed amendments to these three standards are expected to be applicable as from 2010-11.

### **3.3.3 Other Australian Accounting Standards**

#### **Australian Equivalents to International Financial Reporting Standards (AEIFRS)**

The Australian Accounting Standards Board (AASB) has implemented the Financial Reporting Council's policy of adopting the standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005. The AASB continues to issue sector-neutral standards, that is, like transactions and

events should be accounted for and reported in the same manner by all entities, regardless of their for-profit or not-for-profit (NFP) status.

Some AEIFRS contain Australian-specific paragraphs. The limited applicability is indicated at the start of the paragraph as 'Aus'. These 'Aus' paragraphs provide additional guidance for NFP entities whilst others contain alternative treatment to those in the corresponding IASB standard. If an entity adopts an 'Aus' accounting treatment, the entity will comply with AEIFRS but depart from the corresponding IASB standard. As such, the entity will not be able to make an explicit and unreserved statement of compliance with IFRS. In this regard, the entity must disclose, in its financial statements, whether they have been prepared in accordance with Australian accounting standards.

APG 1 lists all accounting standards released (as at the date of issue of the FRRs) by the AASB according to two categories:

- accounting standards applicable to the current reporting period; and
- new and amended accounting standards applicable to future reporting periods.

In those cases where changes arising from an amendment standard have not yet been compiled by the AASB into the relevant standard (as at the date of issue of the FRRs), the amendment standard has also been included in the list.

### **3.3.4 AASB Interpretations**

The AASB has direct responsibility for developing and approving all Interpretations, including the formation of topic-specific advisory panels with the purpose of making recommendations for consideration by the AASB.

All Australian Interpretations have equal authoritative status and those that are equivalent to IASB Interpretations must be applied to achieve compliance with the International Financial Reporting Standards (IFRSs).

APG 1 lists all interpretations released (as at the date of issue of the FRRs) by the AASB according to two categories:

- interpretations applicable to the current reporting period; and
- new and amended interpretations applicable to future reporting periods.