

QUEENSLAND TREASURY

# Company Financial Reporting in the Queensland Public Sector

For reporting periods beginning  
on or after 1 July 2020

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## Introduction

The purpose of this policy is to prescribe the requirements for Queensland public sector companies for the preparation of financial statements and making the financial statements publicly available. This policy aims to ensure the transparency of public sector companies and to discharge public accountability to the community.

## Prescribed requirements

*Corporations Act 2001 (Commonwealth)*

*Government Owned Corporations Act 1993*

*Auditor-General Act 2009*

*AASB 10 Consolidated Financial Statements*

*AASB 127 Separate Financial Statements*

*AASB 1053 Application of Tiers of Australian Accounting Standards*

*Conceptual Framework for Financial Reporting (CFFR)*

*Framework for the Preparation and Presentation of Financial Statements (FPPFS)*

*SAC 1 Definition of the Reporting Entity*

*ASIC Regulatory Guide 85 Reporting requirements for non-reporting entities*

## Scope

This policy **applies to all companies that meet the definition of ‘public sector company’** as set out in this policy. The policy **does not apply** to:

- Government Owned Corporations (GOCs) and prescribed GOC subsidiaries<sup>1</sup>;
- companies controlled by any local government; and
- companies that are not Queensland public sector companies, but have their financial statements audited by arrangement by the Auditor-General.

## Definitions

For the purpose of this policy, a **‘public sector company’** is defined as:

an entity that has been incorporated under the *Corporations Act 2001* where that entity’s ultimate parent is required to table its annual financial statements in Parliament under applicable Queensland Government legislation. Such entities include companies limited by guarantee and companies that have issued shares.

## Exemption

The Under Treasurer may grant an exemption from application of this policy under exceptional circumstances. The exemption issued may be temporary or indefinite, according to the rationale for granting the exemption; and accompanied by conditions (e.g. being subject to an annual review regarding the continued appropriateness of the exemption).

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<sup>1</sup> Chapter 3 and Schedule 4 of *Government Owned Corporations Act 1993*

# Policy

## 1. Effective Date

- 1.1 This version of the policy applies to reporting periods beginning on or after 1 July 2020.

## 2. Determination of Reporting Entity

### (a) Public Sector Companies applying the *Framework for the Preparation and Presentation of Financial Statements (FPPFS)* and *Statement of Accounting Concepts 1 (SAC 1)*

- 2a.1 SAC 1 (paragraph 40) defines reporting entities as “*all entities in respect of which it is reasonable to expect the existence of users dependent on general purpose financial reports for information which will be useful to them for making and evaluating decisions about the allocation of scarce resources.*”
- 2a.2 In the absence of a Treasurer’s direction, shareholder direction or a direction in the public sector company’s constitution, the board of directors is to determine whether the company is a reporting entity for the purposes of the preparation of financial statements.
- 2a.3 A public sector company is to apply the criteria in the *Corporations Act 2001* to determine whether financial statements are to be prepared, and if so, whether they should be general purpose or special purpose financial statements. The *Corporations Act 2001* refers companies to the Australian Accounting Standards as part of this process.

### (b) For-profit public sector companies voluntarily electing to apply the Conceptual Framework for Financial Reporting (CFFR)

- 2b.1 SAC 1 does not apply to for-profit public sector companies who voluntarily elect to apply the CFFR from 1 January 2020. Rather, paragraph 3.10 of the CFFR defines a reporting entity as “*an entity that is required, or chooses, to prepare [general purpose] financial statements.*”
- 2b.2 There is no concept of a non-reporting entity or special purpose financial statements under the CFFR. Consequently, for-profit public sector companies who voluntarily elect to apply the CFFR will prepare general purpose financial statements.

### 3. Public Sector Company that IS a Reporting Entity

- 3.1 A public sector company that is a reporting entity must prepare general purpose financial statements in accordance with Australian Accounting Standards.
- 3.2 Unless otherwise directed by the Treasurer, its shareholders, or the board of directors, a public sector company may adopt either Tier 1 (full disclosure) or Tier 2 (reduced disclosure requirements) of AASB 1053 to prepare its general purpose financial statements.
- 3.3 A public sector company that prepares general purpose financial statements is to:
- a) present them to the relevant portfolio Minister to enable tabling in Parliament within one month of obtaining the Auditor-General's certification; and
  - b) publish the financial statements on the company's website within six weeks of obtaining the Auditor-General's certification. If the public sector company does not host a website then the financial statements are to be published on the website of the company's controlling entity.

### 4. Public Sector Company that is NOT a Reporting Entity

- 4.1 A public sector company that is not a reporting entity is to apply the criteria in the *Corporations Act 2001* to determine whether financial statements should be prepared. The Guidance section below outlines when public sector companies (that are not reporting entities under SAC 1) are to prepare financial statements.
- 4.2 Determination of a public sector company as a non-reporting entity is to be reviewed by the board of directors whenever any significant change occurs in the operations, ownership or size of the company, but as a minimum, every three years. The review is to be documented by the board to assist the audit review of this process.

### 5. Audit by the Auditor-General

- 5.1 The shareholders of a public sector company are required by s.34 of the *Auditor-General Act 2009* (the AG Act) to appoint the Auditor-General as the auditor of the company. The must also ensure that the Auditor-General remains, at all times, the auditor of the company while the company remains a public sector entity. However, a public sector company may be exempt from audit by the Auditor-General under s.30A, s.31 or s.32 of the AG Act.
- 5.2 All financial statements prepared by public sector companies, regardless of whether they are general purpose or special purpose financial statements, are to be audited by the Auditor-General. For the audit of a public sector company, the Auditor-General is not limited to conducting the audit under the *Corporations Act* and may do anything else the auditor-general considers appropriate.
- 5.3 Where a public sector company is not required to prepare financial statements, an annual audit of the company is still required by s.30 of the Auditor-General Act. In these circumstances the audit may be based on an examination of financial systems and transactions including an evaluation of compliance with applicable Acts and subordinate legislation. Further information is available in the Auditor-General Auditing Standards on the QAO website [Auditor-General Auditing Standards \(qao.qld.gov.au\)](http://qao.qld.gov.au).

## 6. Annual reporting policy

- 6.1 A public sector company is not to prepare an annual report unless otherwise directed by:
- its shareholders;
  - the board of directors;
  - its constitution; or
  - the conditions of incorporation and/or the Treasurer as part of the approval for the formation of the company.

## Guidance

### Financial statements by public sector companies that are not reporting entities

#### Small Proprietary Company and Small Companies Limited by Guarantee

Generally, for a public sector company assessed to be a non-reporting entity<sup>2</sup>, and who is a small proprietary company or small company limited by guarantee under the *Corporations Act 2001*<sup>3</sup>, financial statements are not required to be prepared unless one or more of following criteria are met:

- 5% of the company's shareholders (or members for a small company limited by guarantee) have requested that the company prepare financial statements<sup>4</sup>, be it special purpose or general purpose financial statements;
- ASIC has issued a direction for the company to prepare financial statements<sup>5</sup>, be it special purpose or general purpose financial statements;
- the constitution of the company specifies that financial statements are to be prepared, be it special purpose or general purpose financial statements;
- the board of directors require financial statements to be prepared, be it special purpose or general purpose financial statements; and/or
- the condition of incorporation, or the initial Treasurer's approval under the relevant Queensland legislation, directs that financial statements are to be prepared, be it special purpose or general purpose financial statements.

#### Large Proprietary Company

For a public sector company assessed to be a non-reporting entity, and who is a large proprietary company under the *Corporations Act 2001*<sup>6</sup>, special purpose financial statements may be prepared unless one or more of the following criteria are met:

- the company's shareholders have requested that the company prepare general purpose financial statements;
- the constitution of the company specifies that general purpose financial statements are to be prepared;
- the board of directors require general purpose financial statements to be prepared; and/or
- the conditions of incorporation, or the initial Treasurer's approval under relevant Queensland legislation, directs that general purpose financial statements are to be prepared.

<sup>2</sup> Paragraph 40 of SAC1 Definition of the Reporting Entity

<sup>3</sup> Section 45A(2), 292, 296(1A) and 296(1B) of *Corporations Act 2001*

<sup>4</sup> Section 293 and 293(A) of *Corporations Act 2001*

<sup>5</sup> Section 294 and 294(A) of *Corporations Act 2001*

<sup>6</sup> Section 45A(3), 292(1) and 296(1) of *Corporations Act 2001*

Large proprietary public sector companies are not required to prepare financial statements if ASIC has granted relief from the requirement to prepare an financial report (e.g. ASIC instrument 2016/785).

Where a company determines that special purpose financial statements are appropriate, it should be noted that auditing standards require an emphasis of matter paragraph to be included in the audit report for such financial statements. Evidence of management's determination of the appropriateness of special purpose reporting will form part of the audit.

## **Dormant entities**

Where a public sector company is dormant, the parent entity should, on a periodic basis, assess the continuing need for the company and where no such need can be identified, the company should be deregistered.

