

QUEENSLAND TREASURY

# Financial Reporting Requirements for Queensland Government Agencies

For reporting periods beginning  
on or after 1 July 2022

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## LIST OF FINANCIAL REPORTING REQUIREMENTS FOR QUEENSLAND GOVERNMENT AGENCIES

<b>PART 1 INTRODUCTION AND PRESCRIBED ACCOUNTING STANDARDS</b>	
FRR 1A	Introduction and Prescribed Accounting Standards
<b>PART 2 BASIS OF PREPARATION</b>	
FRR 2A	Basis of Financial Statement Preparation
FRR 2B	Materiality
FRR 2C	Changes in Accounting Policies and Estimates
FRR 2D	Form and Content of Financial Statements
FRR 2E	Controlled and Administered Items, Trust Transactions and Agency Arrangements
FRR 2F	Machinery-of-Government Changes
FRR 2G	Consolidated Financial Statements and Controlled Entities
FRR 2H	Interests in Associates and Joint Arrangements
FRR 2I	Management Certificate
<b>PART 3 FINANCIAL PERFORMANCE</b>	
FRR 3A	Statement of Comprehensive Income
FRR 3B	Income
FRR 3C	Employee Benefit Expenses and Key Management Personnel Remuneration
FRR 3D	Expenses
FRR 3E	Distinction between Grants and Procurement Expense
<b>PART 4 FINANCIAL POSITION</b>	
FRR 4A	Statement of Financial Position
FRR 4B	Assets
FRR 4C	Employee Benefit Liabilities
FRR 4D	Liabilities
FRR 4E	Financial Instruments
FRR 4F	Equity, Contributions by Owners and Distributions to Owners
<b>PART 5 OTHER DISCLOSURE REQUIREMENTS</b>	
FRR 5A	Statement of Cash Flows
FRR 5B	Related Party Transactions
FRR 5C	Budgetary Reporting Disclosures
FRR 5D	Service Concession Arrangements
FRR 5E	Commitments
<b>PART 6 ILLUSTRATIVE FINANCIAL STATEMENTS</b>	
FRR 6A	Sunshine Department Illustrative Financial Statements (Tier 1)
FRR 6B	Future Bay Regional Health Foundation (Tier 2)

# FRR 1A Introduction and Prescribed Requirements

## Contents

1.1	Introduction .....	5
1.2	Application .....	6
1.2.1	Legislative Basis of Requirements .....	6
1.2.2	The Financial Reporting Framework .....	6
1.3	Australian Accounting Standards Board Pronouncements .....	7
1.3.1	Treasury requirements re Australian Accounting Standards to apply to 2022-23 Reporting (based on standards issued as 31 March 2023) .....	8
1.3.2	Treasury requirements re Australian Interpretations to apply to 2023-23 (based on interpretations issued as at 31 March 2023) .....	10
1.3.3	Treasury requirements re new and amended Accounting Standards and Interpretations to apply to reporting periods beginning on or after 1 January 2023 (based on standards and interpretations issued as at 31 March 2023) .....	11
1.4	Significant Impacts on 2023-24 and Later Reporting Periods .....	12
1.4.1	AASB 2022-10 <i>Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities</i> .....	12
1.4.2	AASB 17 <i>Insurance Contracts</i> .....	13
1.5	Climate Related Risks and Financial Reporting .....	13
1.5.1	Recent Developments in Climate Reporting .....	13
1.5.2	International Sustainability Standards Board (ISSB) Update .....	14
1.5.3	Taskforce on Climate-related Financial Disclosures (TCFD) .....	14
1.5.4	Queensland Government Climate Change Website and Publications .....	15
1.5.5	Agency Response to Climate-related Risks and Financial Statements .....	15

## 1.1 Introduction

These Financial Reporting Requirements for Queensland Government Agencies (FRRs), including the Sunshine Department Illustrative Financial Statements and Future Bay Regional Health Foundation Illustrative Financial Statements, have been issued to assist agencies in the preparation of their annual financial statements and to ensure consistency in presentation across agencies.

The FRRs are not intended to duplicate or replace the Australian Accounting Standards Board (AASB) pronouncements, nor requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2019*. Therefore, it is imperative that agencies comply with all relevant requirements in those documents when preparing their annual financial statements.

In instances where additional disclosures or modification of the illustrative financial statements are imposed through an alternative authority, or would enhance transparency, accountability and user relevance, agency statements should be varied to the extent necessary but so as to still comply with the policies identified as mandatory throughout Parts 2-5 of the FRRs. 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 Help Desk at [fmhelpdesk@treasury.qld.gov.au](mailto:fmhelpdesk@treasury.qld.gov.au).

These FRRs consist of six distinct parts:

**Part 1** – This introductory part.

**Part 2** – Basis of Preparation – containing mandatory policies and non-mandatory guidance on fundamental presentation matters regarding financial statements as a whole.

**Part 3** – Financial Performance – containing mandatory policies and non-mandatory guidance on matters pertaining to the Statement of Comprehensive Income.

**Part 4** – Financial Position - containing mandatory policies and non-mandatory guidance on matters relating to the Statement of Financial Position.

**Part 5** – Other Disclosure Requirements – mandatory policies and non-mandatory guidance on topics beyond the scope of Parts 2-4.

**Part 6A** - Provides an example set of financial statements, the Sunshine Department Illustrative Financial Statements, for those agencies that are consolidated into the whole-of-Government financial statements. These illustrative statements comply with the FRRs and AASB pronouncements. To assist agencies in the preparation of their annual financial statements, a reference is located in the left-hand margin of the Sunshine Department Illustrative Financial Statements to the relevant FRRs, AASB standard or Australian Interpretation as the authority for the accounting or reporting treatment adopted in the illustrative statements.

**Part 6B** - Provides an example set of financial statements, the Future Bay Regional Health Foundation Illustrative Financial Statements, for statutory bodies that elect to adopt the AASB's reduced disclosure requirements (Tier 2), in accordance with FRR 2A.5. These illustrative statements comply with the FRRs and Australian Accounting Standards – Reduced Disclosure Requirements. Consistent with the Sunshine Department Illustrative Financial Statements, a reference is located in the left-hand margin of the Future Bay Regional Health Foundation Illustrative Financial Statements to the relevant FRRs, AASB standard or Australian Interpretation, as the authority for the accounting or reporting treatment adopted in the illustrative statements.

## 1.2 Application

These FRRs apply to all departments. To the extent relevant, statutory bodies within the Queensland public sector must comply with the contents of the FRRs identified as mandatory throughout Parts 2-5 when they apply to statutory body circumstances. 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'.

### 1.2.1 Legislative Basis of Requirements

The *Financial Accountability Act 2009* (FA Act) and its subordinate legislation, the *Financial and Performance Management Standard 2019* (FPMS), provide the legislative basis for the requirement for departments and statutory bodies to prepare general purpose financial statements and prescribe the requirements under which these statements are prepared.

### 1.2.2 The Financial Reporting Framework

The FRR disclosure requirements and illustrative financial statements are based on AASB pronouncements including:

- the *Framework for the Preparation and Presentation of Financial Statements* ("The Framework" or "FPPFS") **applicable to not-for-profit (NFP) entities; or**
- The Conceptual Framework ("Conceptual Framework") **applicable to for-profit (FP) entities; and**
- Statements of accounting concepts (SACs);
- Australian Accounting Standards; and
- Australian Accounting Standards Board Interpretations.

The Sunshine Department Illustrative Financial Statements (Tier 1) and Future Bay Regional Health Foundation Illustrative Financial Statements (Tier 2) are example 'general purpose financial statements'. General purpose financial statements are intended to meet the needs of external users who rely on the information contained in the statements to assess the agency's financial performance, financial position and cash flows. The illustrative 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 may also undertake trustee duties or duties as an agent for other 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 the minimum reporting requirements (included in Parts 2-5) to the extent these apply to departments and statutory bodies.
- **Comparability** - Financial statements must provide information that is comparable between the current and previous financial years and on a cross-agency basis.

## Framework for the Preparation and Presentation of Financial Statements and Conceptual Framework

Both the Framework and the Conceptual Framework sets out the objective of general purpose financial reporting; and qualitative characteristics of useful financial information. The various Australian Accounting Standards expand on the Framework and the Conceptual Framework and address key issues on accounting and reporting that agencies must comply with.

### SAC 1 Definition of the Reporting Entity

SAC 1 does not apply to for-profit entities who apply the Conceptual Framework. SAC 1 only remains effective for not-for-profit entities alongside the Framework for the Preparation and Presentation of Financial Statements. 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.

### Australian Accounting Standards

The AASB implemented the Financial Reporting Council's (FRC) 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 FP or NFP status.

Some accounting standards contain Australian-specific paragraphs, 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 the Australian Accounting Standards, in accordance with paragraph 7 of AASB 1054 *Australian Additional Disclosures*, 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. A qualified statement of compliance with IFRS is not appropriate.

### 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 must be applied where relevant.

## 1.3 Australian Accounting Standards Board Pronouncements

This section clarifies which Australian Accounting Standards and Interpretations are applicable to the current reporting period, and which new and amended standards and interpretations have future application dates. Where new or amended accounting standards or interpretations contain any provisions likely to require early consideration and preparation/planning by most agencies, early advice of such amendments is also set out.



Agencies must comply with the latest prescribed accounting standards issued by the Australian Accounting Standards Board (AASB). 'Prescribed accounting standards' is defined in s.59(6) of the *Financial Accountability Act 2009* to include the following documents published by the AASB: Australian Accounting Standards; Statement of Accounting Concepts; Interpretations; and the *Framework for the Preparation and Presentation of Financial Statements*. This section lists those accounting standards and interpretations that must be complied with by agencies.

Note that only limited detail has been provided regarding significant accounting changes. Each agency is expected to review all new/amended accounting standards and interpretations for the full ambit of changes and the consequences for their agency's circumstances.

### 1.3.1 Treasury requirements re Australian Accounting Standards to apply to 2022-23 Reporting (based on standards issued as 31 March 2023)

Refer to the AASB website (<http://www.aasb.gov.au/Pronouncements/Search-by-reporting-period.aspx>) for clarification of the version of these standards applicable to this financial year.

No.	Standard Title
---	<i>Framework for the Preparation and Presentation of Financial Statements</i> (NFP entities only)
---	<i>Conceptual Framework for Financial Reporting</i> (FP entities only)
AASB 1	<i>First-time Adoption of Australian Accounting Standards</i>
AASB 2	<i>Share-based Payment</i> *
AASB 3	<i>Business Combinations</i>
AASB 4	<i>Insurance Contracts</i>
AASB 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>
AASB 6	<i>Exploration for and Evaluation of Mineral Resources</i> *
AASB 7	<i>Financial Instruments: Disclosures</i>
AASB 8	<i>Operating Segments</i> *
AASB 9	<i>Financial Instruments</i>
AASB 10	<i>Consolidated Financial Statements</i>
AASB 11	<i>Joint Arrangements</i>
AASB 12	<i>Disclosure of Interests in Other Entities</i>
AASB 13	<i>Fair Value Measurement</i>
AASB 14	<i>Regulatory Deferral Accounts</i> *
AASB 15	<i>Revenue from Contracts with Customers</i>
AASB 16	<i>Leases</i>
AASB 101	<i>Presentation of Financial Statements</i>
AASB 102	<i>Inventories</i>
AASB 107	<i>Statement of Cash Flows</i>
AASB 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
AASB 110	<i>Events after the Reporting Period</i>
AASB 112	<i>Income Taxes</i>
AASB 116	<i>Property, Plant and Equipment</i>
AASB 119	<i>Employee Benefits</i>



No.	Standard Title
AASB 120	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>
AASB 121	<i>The Effects of Changes in Foreign Exchange Rates</i>
AASB 123	<i>Borrowing Costs</i>
AASB 124	<i>Related Party Disclosures</i>
AASB 127	<i>Separate Financial Statements</i>
AASB 128	<i>Investments in Associates and Joint Ventures</i>
AASB 129	<i>Financial Reporting in Hyperinflationary Economies *</i>
AASB 132	<i>Financial Instruments: Presentation</i>
AASB 133	<i>Earnings per Share*</i>
AASB 134	<i>Interim Financial Reporting *</i>
AASB 136	<i>Impairment of Assets</i>
AASB 137	<i>Provisions, Contingent Liabilities and Contingent Assets</i>
AASB 138	<i>Intangible Assets</i>
AASB 139	<i>Financial Instruments: Recognition and Measurement</i>
AASB 140	<i>Investment Property</i>
AASB 141	<i>Agriculture</i>
AASB 1004	<i>Contributions</i>
AASB 1023	<i>General Insurance Contracts</i>
AASB 1038	<i>Life Insurance Contracts</i>
AASB 1039	<i>Concise Financial Reports *</i>
AASB 1048	<i>Interpretation of Standards</i>
AASB 1049	<i>Whole of Government and General Government Sector Financial Reporting *</i>
AASB 1050	<i>Administered Items</i>
AASB 1051	<i>Land Under Roads</i>
AASB 1052	<i>Disaggregated Disclosures</i>
AASB 1053	<i>Application of Tiers of Australian Accounting Standards</i>
AASB 1054	<i>Australian Additional Disclosures</i>
AASB 1055	<i>Budgetary Reporting</i>
AASB 1056	<i>Superannuation Entities</i>
AASB 1057	<i>Application of Australian Accounting Standards</i>
AASB 1058	<i>Income of Not-for-Profit Entities</i>
AASB 1059	<i>Service Concession Arrangements: Grantors</i>
AASB 1060	<i>GPFS - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities</i>

**The following Amendments to Australian Accounting Standards are effective for the first time in 2022-23.**

AASB 2020-3	<i>Annual Improvements 2018–2020 and Other Amendments</i>
AASB 2020-6	<i>Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>
AASB 2021-7a	<i>Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>
AASB 2022-3	<i>Illustrative Examples for Not-for-Profit Entities accompanying AASB 15</i>

\* Not applicable or not relevant to departments and statutory bodies

### 1.3.2 Treasury requirements re Australian Interpretations to apply to 2023-23 (based on interpretations issued as at 31 March 2023)

Refer to the AASB website (<http://www.aasb.gov.au/Pronouncements/Search-by-reporting-period.aspx>) for clarification of the version of these interpretations applicable to this financial year.

No.	Interpretation Title
Interpretation 1	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>
Interpretation 2	<i>Members' Shares in Co-operative Entities and Similar Instruments *</i>
Interpretation 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>
Interpretation 6	<i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment *</i>
Interpretation 7	<i>Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies *</i>
Interpretation 10	<i>Interim Financial Reporting and Impairment *</i>
Interpretation 12	<i>Service Concession Arrangements</i>
Interpretation 14	<i>AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>
Interpretation 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
Interpretation 17	<i>Distributions of Non-cash Assets to Owners</i>
Interpretation 19	<i>Extinguishing Financial Liabilities with Equity Instruments *</i>
Interpretation 20	<i>Stripping Costs in the Production Phase of a Surface Mine *</i>
Interpretation 21	<i>Levies</i>
Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Interpretation 107	<i>Introduction of the Euro</i>
Interpretation 110	<i>Government Assistance – No Specific Relation to Operating Activities</i>
Interpretation 125	<i>Income Taxes – Changes in the Tax Status of an Entity or its Shareholders</i>
Interpretation 129	<i>Service Concession Arrangements: Disclosures</i>
Interpretation 132	<i>Intangible Assets – Web Site Costs</i>
Interpretation 1003	<i>Australian Petroleum Resource Rent Tax</i>
Interpretation 1019	<i>The Superannuation Contributions Surcharge</i>
Interpretation 1030	<i>Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods</i>
Interpretation 1031	<i>Accounting for the Goods and Services Tax (GST)</i>
Interpretation 1038	<i>Contributions by Owners Made to Wholly-Owned Public Sector Entities</i>
Interpretation 1047	<i>Professional Indemnity Claims Liabilities in Medical Defence Organisations *</i>
Interpretation 1052	<i>Tax Consolidation Accounting</i>
Interpretation 1055	<i>Accounting for Road Earthworks</i>

\* Not applicable/relevant to departments or statutory bodies

### 1.3.3 Treasury requirements re new and amended Accounting Standards and Interpretations to apply to reporting periods beginning on or after 1 January 2023 (based on standards and interpretations issued as at 31 March 2023)

No.	Title	Effective <sup>2</sup>
AASB 17	<i>Insurance Contracts</i> <sup>1</sup>	1 Jul 2026
AASB 2020-1	<i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 Jan 2023
AASB 2021-2	<i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 Jan 2023
AASB 2021-5	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 Jan 2023
AASB 2021-6	<i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards</i>	1 Jan 2023
AASB 2022-1	<i>Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information</i> <sup>3</sup>	1 Jan 2023
AASB 2022-5	<i>Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback</i>	1 Jan 2024
AASB 2022-6	<i>Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants</i>	1 Jan 2023
AASB 2022-7	<i>Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards Authorised Version</i>	1 Jan 2023
AASB 2022-8	<i>Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments</i>	1 Jan 2023
AASB 2022-9	<i>Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector</i>	1 Jul 2026
AASB 2022-10	<i>Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities</i>	1 Jan 2024

<sup>1</sup> Effective date for public sector entities is 1 July 2026 (see AASB 2022-8 and AASB 2022-9)

<sup>2</sup> For annual reporting periods beginning on or after this date

<sup>3</sup> Not applicable or not relevant to departments and statutory bodies

## 1.4 Significant Impacts on 2023-24 and Later Reporting Periods

### 1.4.1 AASB 2022-10 *Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*

AASB 2022-10 amends AASB 13 with new requirements and implementation guidance for fair value measurement of non-financial assets of NFP public sector entities not held primarily for cash-generating purposes, particularly those assets that are rarely if ever sold as operating assets. The amendments and illustrative examples should assist agencies to determine highest and best use, develop assumptions when measuring fair value, and apply the cost approach.

These amendments have an effective date of **1 January 2024**, i.e. the 2024-25 financial year for agencies, and are to be applied **prospectively**.

AASB 2022-10 introduces new requirements or implementation guidance in the following areas.

- a) When determining highest and best use for non-cash-generating non-financial assets,
  - a. it clarifies what 'financially feasible' means in this situation (Aus28.1), and
  - b. sets a rebuttable presumption that the asset's current use is its highest and best use, and specifies situations in which this presumption is rebutted – i.e. when agencies will need to consider whether the asset's highest and best use differs from its current use. (Aus29.1-Aus29.2)
- b) Guidance for developing unobservable inputs where there is little or no market activity for the asset, and situations where the agency should use its own assumptions in measuring fair value of the asset (F2-F7)
- c) Guidance for measuring current replacement cost (F8-F19), including:
  - a. the assumption that the reference asset will be constructed at the subject asset's existing location,
  - b. when to include costs to restore another entity's asset, other disruption costs (such as redirecting traffic), and site preparation costs where the asset is fixed to a parcel of land,
  - c. determining the replacement cost of heritage assets, and
  - d. identification of economic obsolescence.

Treasury has reviewed AASB 2022-10 and has determined that existing Treasury policies in the FRRs and NCAPs are generally aligned with the amendments in AASB 2022-10 and no changes to current policies are anticipated to arise. NCAP Guidance will be updated in future years to reflect the new concepts around market participant assumptions for highest and best use and measuring current replacement cost.

Agencies should consult with Treasury if they believe the highest and best use of an asset will change as result of the amendments (this may require a revised comprehensive revaluation to be undertaken for the 2024-25 year).

## 1.4.2 AASB 17 Insurance Contracts

AASB 17 *Insurance Contracts* should be read in conjunction with amending standards AASB 2022-8 and AASB 2022-9. The effective date of AASB 17 for public sector entities is **1 July 2026**. AASB 17 will combine existing insurance standards (AASB 4, AASB 1023 & AASB 1038) into one standard.

On transition, the standard is to be applied retrospectively with restatement of comparative opening balances.

Agencies who already apply AASB 1023 to insurance activities should review the new standard to familiarise with the new requirements. Ahead of AASB 17's commencement, agencies should discuss any changes to measurement of existing insurance balances, and obtaining any additional information for disclosure, with the State Actuary's Office in coming years.

Agencies who have "insurance-like arrangements" and do not currently apply AASB 1023 are encouraged to read paragraphs Aus6.1, Aus6.2 and Appendix E in AASB 2022-9 and assess whether their activities would fall under the new AASB 17 or remain under another Standard (e.g. AASB 137). Agencies should consult Queensland Treasury's Accounting Policy team if activities not currently reported as insurance are identified that may fall within scope of AASB 17. In such circumstances, consultation with the State Actuary's Office and whole-of-Government reporting team will be required if AASB 17 is confirmed to apply.

## 1.5 Climate Related Risks and Financial Reporting

### 1.5.1 Recent Developments in Climate Reporting

Agencies will be aware of the increasing developments around climate and sustainability reporting as well as much public discussion and media reporting. Whilst agencies are encouraged to note developments in this space and develop a general understanding of reporting concepts associated with climate and sustainability reporting, agencies should note ***sustainability reporting for the Queensland public sector is still under development and will be whole-of-Government led.***

Agencies should not publish any sustainability or climate related risk information without first consulting Queensland Treasury and should follow directions from Queensland Treasury regarding financial reporting of climate related risks and sustainability matters in coming years.

**For-profit statutory bodies** with a commercial imperative to report climate or sustainability related information (extending beyond current year accounting estimate and judgement impacts in their financial statements) ahead of future sustainability disclosure standards being introduced should contact Queensland Treasury in the first instance to discuss their circumstances before publishing such information.

Agencies should specifically note the following positions for the 2022/23 reporting period:

- ISSB exposure drafts do not yet have applicability in Australia and Queensland Government Agencies are NOT to voluntarily adopt ISSB exposure drafts (see section 1.5.2);
- Queensland Government Agencies are not to voluntarily adopt TCFD requirements (see section 1.5.3);

- Agencies consolidated into whole-of-Government reporting should refer financial statement users to the whole-of-Government Queensland Sustainability Report and Queensland Climate Action Plan 2020-2030 (see section 1.5.4).

Agencies may still need to make climate-related risk disclosures in their financial statements if accounting estimates and judgments are impacted by climate related risks (see section 1.5.5).

## 1.5.2 International Sustainability Standards Board (ISSB) Update

A key outcome of the November 2021 Glasgow COP26 Conference was the establishment of the ISSB with the IFRS Foundation as the trustee/responsible governing body. The remit of the ISSB is to codify a global suite of reporting standards to standardised climate related risk disclosure.

During the 2022 calendar year, the ISSB published two exposure drafts standards on general requirements for sustainability reporting and climate related disclosures. Feedback on these exposure drafts is currently being considered by the ISSB with a formal update expected during the 2<sup>nd</sup> quarter of the 2023 calendar year.

### **Agencies should note ISSB exposure drafts do not yet have applicability in Australia.**

The AASB is anticipated to be responsible for publishing the Australian equivalents of the ISSB standards and facilitating their co-ordination and application to Australian entities. The Commonwealth is currently evaluating changes to the Australian reporting framework to facilitate sustainability reporting having released several consultation papers in late 2022 dealing with these matters.

The AASB has, to date, indicated that the introduction of future sustainability standards based on ISSB standards will likely progress in a phased/staged approach, commencing with the for-profit sector before application to the not-for-profit sector (including the public sector). The Commonwealth consultation paper released in December 2022 also sought views on a phased introduction of future sustainability reporting standards beginning with listed entities and financial institutions.

Queensland Treasury, along with other jurisdictions, are currently evaluating how the content of the proposed ISSB standards will apply across the Australian public sector. Whole-of-Government perspectives must be considered alongside potential application by individual agencies, and consistency of application across the Australian public-sector is also necessary in planning the transition to such reporting.

As development of the Australian equivalents to the ISSB standards progresses, further information will be provided on how the ISSB standards will apply to Queensland Government Agencies in future reporting periods.

**For the 2022/23 reporting period, Queensland Government Agencies are NOT to voluntarily adopt ISSB exposure drafts.** Agencies should instead refer financial statement users to the whole-of-Government Queensland Sustainability Report and Queensland Climate Action Plan 2020-2030 (see section 1.5.4 below).

## 1.5.3 Taskforce on Climate-related Financial Disclosures (TCFD)

The TCFD is a climate reporting framework developed by the G20 Financial Stability Board (FSB) in 2016/2017. Elements of the TCFD framework have been incorporated in the work on the ISSB and the exposure drafts published in 2022.

In late February, the AASB released a public position statement supporting the voluntary adoption of TCFD as a temporary measure until the ISSB regime commences. Agencies should note the position statement itself is not an accounting standard or interpretation and does not have any mandatory applicability to Australian entities.



**For the 2022/23 reporting period, Queensland Government Agencies are NOT to voluntarily adopt TCFD requirements.** Agencies should instead refer financial statement users to the whole-of-Government Queensland Sustainability Report and Queensland Climate Action Plan 2020-2030 (see section 1.5.4 below).

## 1.5.4 Queensland Government Climate Change Website and Publications

The Queensland Government's climate change website (<https://www.qld.gov.au/environment/climate/climate-change>) provides a number of publications and documents outlining the Queensland Government's response and approach to climate-related risks at the whole-of-Government level. The Queensland Government has published several **key climate change publications including**:

- the *Queensland Climate Action Plan 2020-2030* (<https://www.des.qld.gov.au/climateaction>)
- the *Queensland Energy and Jobs Plan* (<https://www.epw.qld.gov.au/energyandjobsplan>)
- the *Queensland Climate Adaptation Strategy* (<https://www.qld.gov.au/environment/climate/climate-change/adapting/strategy>)
- the *Queensland Sustainability Report (QSR)*. (<https://www.treasury.qld.gov.au/programs-and-policies/esg/>)

The QSR, in particular, sets out how the Queensland Government has established its priorities for managing sustainability risks and provides information on the key policies being implemented to develop a resilient and sustainable future. To demonstrate progress, the QSR also provides time series data on key sustainability policy responses.

Department and statutory bodies consolidated into the whole-of-Government financial statements should reference these whole-of-Government climate reporting publications in their financial statement notes. (Refer Note G6 in the Illustrative Sunshine Financial Statements FRR 6A).

## 1.5.5 Agency Response to Climate-related Risks and Financial Statements

In April 2019, the Australian Accounting Standards Board and Australian Auditing Standards Board issued a joint discussion paper ([https://www.aasb.gov.au/admin/file/content102/c3/AASB\\_AUASB\\_Joint\\_Bulletin\\_Finished.pdf](https://www.aasb.gov.au/admin/file/content102/c3/AASB_AUASB_Joint_Bulletin_Finished.pdf)) highlighting that entities may need to consider climate-related risks in the context of their financial statements, particularly relating to the estimates, judgements and assumptions made that affect, or could affect, the amounts and disclosures reported. This reflects the requirements of AASB 101 (specifically paragraphs 122 and 125).

Consequently, some agencies may need to make climate-related risk disclosures in their financial statements if current accounting estimates and judgments are materially impacted by climate related risks.



**Material Climate Risks Already Identified Publicly in External Publications**

Material climate-related risks directly applicable to an individual agency may be already communicated publicly by Government. Where this is the case, agencies should explain how those material climate risks affect estimates and judgements in their financial statements. Note G6 in the illustrative Sunshine Financial Statements demonstrates an example of this. Potential areas to consider include:

- Initiatives in the Queensland Climate Action Plan 2020-2030, Queensland Energy and Jobs Plan and Queensland Climate Adaptation Strategy may impact financial reporting by agencies if they affect accounting estimates and judgements made in preparing their financial statements.
- Material climate-related risks already identified publicly on the agency's website or in their annual report.
- Other official Cabinet or Ministerial statements on climate-related risks directly impacting an agency.

To evaluate whether any financial statement disclosure may be required, agencies should assess to what extent these initiatives impact their operations and activities in a quantifiable way.

In formulating individual agency responses to climate related risks, disclosures relating to climate-related risks in financial statements **should focus on** the following 2 points:

- how the risks **directly relate** to amounts reported in **your agency's** financial statements; and
- how climate-related risks were addressed in the key assumptions applied when **developing accounting estimates and judgement calculations**.

Conversely, disclosures of climate-related risks in financial statements **SHOULD NOT** include (or focus upon):

- generic, non-agency discussion on climate related risks or the agency's general overall strategy approach to managing climate-related risks – these belong outside the financial statements either in the annual report or other publications.
- disclosures that are contradictory to Government policy/frameworks, particularly in relation to the whole-of-Government publications mentioned in section 1.5.4.
- disclosures that cannot be verified by external audit.
- disclosures that are mere speculation or vague/irrelevant to be meaningless for financial statement users.
- disclosures containing judgements and estimates that have not been endorsed by the appropriate level of KMP.

**Recommended 5 Step Approach**

Agencies need to approach climate related risk disclosures carefully, and in a structured, methodical manner, seeking approval/endorsement from their KMP for the proposed disclosures. Queensland Treasury suggest the following 5 steps when approaching this topic:

**Step 1** – Familiarise yourself with the Queensland Government climate publications (outlined in section 1.5.4) along with any specific Government directives to your agency relating to climate risk.

*Step 2 – Consider those strategies and directives in relation to your own agency. Ask the question “Would users reasonably expect that emerging climate-related risks could affect the amounts and disclosures in our agency’s financial statements?”*

*Step 3 – Complete your agency’s climate related risk assessment in relation to your financial statements (you should not be identifying climate related risks applicable to other Government agencies).*

*Step 4 – Identify accounting judgements and key estimates that would be affected – the more obvious areas to focus upon: potential changes in asset useful lives, potential changes in the fair value of assets, potential provisions or contingent liabilities, potential changes in expenses. Agencies operating in specific industries/sectors might have other unique impacts - these areas listed here are by no means exhaustive.*

*Step 5 – Seek approval from your key management personnel, audit committee and external auditor for any proposed financial statement disclosures.*

### ***Illustrative Disclosure in FRR 6A “Sunshine Statements”***

The illustrative disclosures in Note G6 of FRR 6A are intended to assist agencies in approaching material climate related risks that directly impact current accounting estimates and judgements.

Some statutory bodies under the *Financial Accountability Act 2009* are NOT CONTROLLED for accounting purposes by the State AND NOT CONSOLIDATED into whole-of-Government reporting. These statutory bodies will need to tailor the paragraph on whole-of-Government climate-related reporting in Note G6 to reflect their particular circumstances and disclose climate-related risks and policy responses specific to their agency as applicable.

