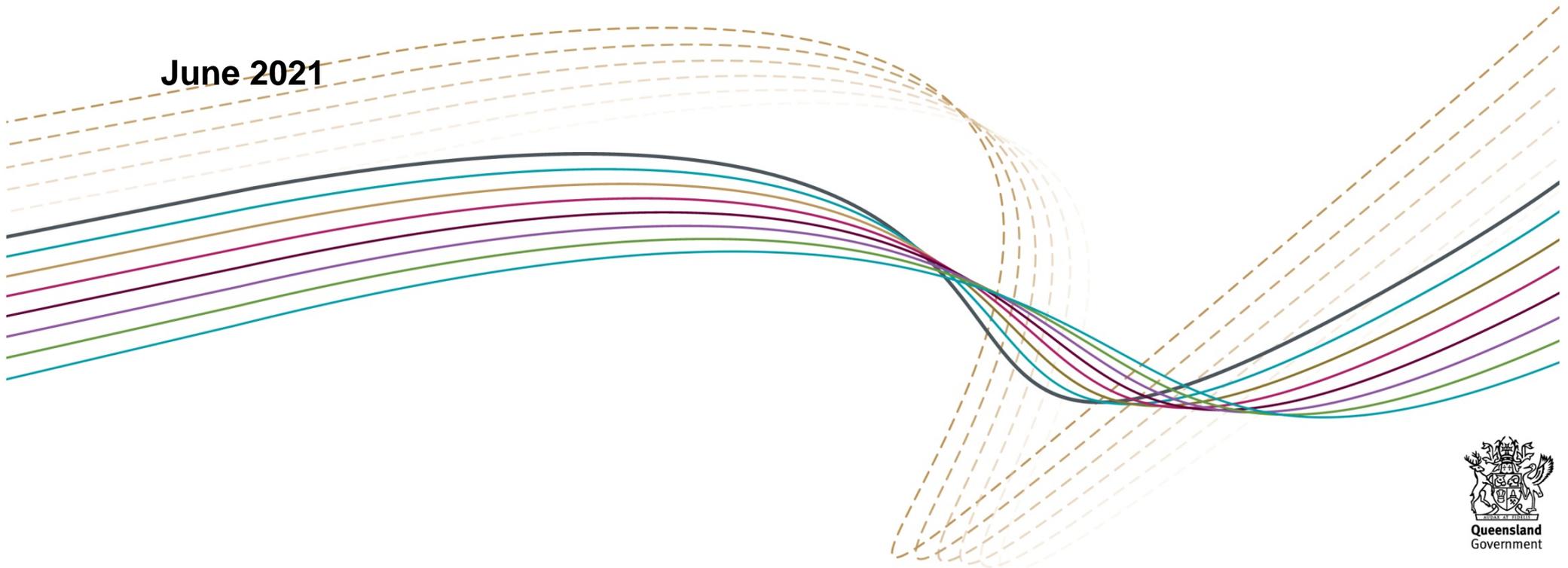


QUEENSLAND TREASURY

# 2020-21 Financial Reporting Requirements for Queensland Government Agencies

SUMMARY OF STAKEHOLDER FEEDBACK

June 2021



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**Translating and interpreting assistance**

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## STAKEHOLDER FEEDBACK ON FRR PARTS 1 to 5

### (Minimum Reporting Requirements and Application Guidance)

This document summarises feedback received from stakeholders in relation to the draft revised FRRs and explains how Queensland Treasury (QT) has addressed all significant feedback, and if not addressed in the final version, the reason for this. Feedback of a purely editorial nature has generally not been included in this document but has been addressed where appropriate.

FRR	Location	Abridged Stakeholder Feedback	QT Response
<b>FRR 1A</b>	<b>Introduction and Prescribed Accounting Standards</b>		
FRR 1A	1.3.3 & 1.6.2	Update for recently issued amending standard AASB 2021-3 which extends COVID-19 related rent concessions to 30 June 2022	The sections have been updated to refer to AASB 2021-3.
FRR 1A	1.4.1.3	AASB 1060 for Tier 2 Financial Statement Preparation. The table in the Implementation Guidance suggests that we have to look at other paragraphs in other Standards to identify all the disclosure requirements and not simply refer to AASB 1060. Is that correct?	<p>AASB 1060 will contain all <b>disclosure requirements</b> for Tier 2 entities except for specific transition disclosures in other standards, which will continue to apply – see AASB 1060 paragraph 107. AASB 1060 sets out <b>some, but not all, of the presentation requirements</b>.</p> <p>Generally, where AASB 1060 specifies presentation requirements, it will supersede the equivalent paragraphs in other standards.</p> <p>However, AASB 1060 does not address all presentation issues, and some presentation requirements of other standards will continue to apply. AASB 1060's implementation guidance (para IG1) has a useful table that lists which presentation paragraphs in other standards have not been superseded and therefore continue to apply.</p>
FRR 1A		What is Queensland Treasury's view on the recent IFRIC Agenda Decision regarding cloud computing/software-as-a-service costs that should be expensed?	Queensland Treasury has included some guidance on this recent agenda decision in FRR 1A, including the timeframe for assessing this matter. It is important that agencies undertake a thorough analysis of any costs previously incurred, or are presently incurring, to establish exactly what they represent. Some costs may still qualify for recognition as a software or hardware asset or even prepaid services.



FRR	Location	Abridged Stakeholder Feedback	QT Response
<b>FRR 2B</b>	<b>Materiality</b>		
FRR 2B	2B.2	<p>A number of agencies, including QAO, commented that the proposed new policy on for a materiality strategy to be agreed with external audit would create confusion and difficulties in practice given materiality thresholds set and applied by external audit are normally at a higher level than materiality set by agencies and may need to be varied throughout the year.</p> <p>There was also concern around time involved to prepare, document and agree on the strategy and how to deal with differing views.</p>	Following consultation and agreement with the Queensland Audit Office, the proposed new policy <b>will not</b> be introduced and <b>has been removed</b> from the final 2020-21 FRR release, as per our email broadcast on 4 May 2021.
FRR 2B	2B.2	<p>Further feedback was suggested by QAO to:</p> <ul style="list-style-type: none"> <li>(i) remove the requirements for the materiality strategy to be negotiated and agreed with the auditors;</li> <li>(ii) remove any potential confusion between materiality assessments made by the agency compared to consideration of materiality by external auditors under the auditing standard (e.g. specific vs overall materiality);</li> <li>(iii) clarify that the agency's materiality is to be used only in the preparation of the financial statements, and not in more day-to-day operational aspects such as processing incorrect journals;</li> <li>(iv) add guidance that the register of unadjusted differences should be tabled by management at the audit committee where the financial statements are approved, to ensure there is agreement with audit on what is an immaterial difference.</li> </ul>	In removing the proposed new policy for a materiality strategy, we have updated the guidance in FRR 2B.2 (see pages 9, 10 and 11) to incorporate QAO's feedback.



FRR	Location	Abridged Stakeholder Feedback	QT Response
<b>FRR 4B</b>	<b>Assets</b>		
FRR 4B	4B.9	Should a lease arrangement transferred as part of a MoG be considered a new lease by the receiving agency? And in the case that the lease only has a few months lease term remaining when transferred, will it be considered a short-term lease or a low value asset?	We have added guidance about leases transferred in MoG changes on page 14 of FRR 4B.9. In summary, the recipient agency <b>does not</b> treat it as a new lease and would simply take on the existing balances of the transferor, even if the remaining lease term is 12 months or less. The low value asset assessment is done on the cost of the underlying asset when new rather than the balance of the ROU asset.
<b>FRR 5C</b>	<b>Budgetary Reporting Disclosures</b>		
FRR 5C	5C.3	For my 2020-21 financial statements, do I use the original published budget in my December 2020 SDS?	<p><b>Yes. That is correct.</b> The machinery-of-Government impacts arising from <i>Public Sector Departmental Arrangements Notice No.4 2020</i> <u>are already incorporated into the 2020-21 SDS original budget</u>, even if they were accounted for an interim basis.</p> <p>To make this clear, we have clarified, by way of <b>NEW POLICY</b> that, in respect of the 2020-21 financial year, agencies are <b>only required</b> to present budgetary reporting disclosures under AASB 1055 for:</p> <ul style="list-style-type: none"> <li>- the statement of comprehensive income, and</li> <li>- using the amounts included in the original published budget presented to Parliament in December 2020.</li> </ul> <p>This is to avoid any confusion or ambiguity regarding the application of FRR 5C policies for the 2020-21 financial year where some agencies have included an 'adjusted budget' for 2020-21 in the 2021-22 SDS.</p>
<b>FRR 5D</b>	<b>Service Concession Arrangements and Other Public-Private Partnerships</b>		
FRR 5D	5D.1	Having read FRR 5D.1, if I have a transaction that is <b>not</b> a Service Concession Arrangement under AASB 1059, does FRR 5D only apply if the <i>National PPP Policies and Guidelines</i> and the <i>Project Assessment Framework</i> :	Although uncommon, PPP arrangements can sometimes fall outside the specific requirements of AASB 1059: <i>Service Concession Arrangements: Grantors</i> where they don't meet the criteria of a Service Concession Arrangement under that Standard. FRR 5D has been drafted is to ensure there is consistent treatment and financial statement disclosure for all



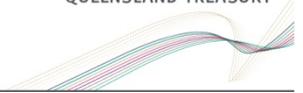
FRR	Location	Abridged Stakeholder Feedback	QT Response
		<p>Queensland PPP Supporting Guidelines apply, or would apply, to my transaction/arrangement/project?</p>	<p>genuine PPP's, irrespective of whether they fall in or out-of-scope of AASB 1059, across agencies and for whole-of-Government accounting and reporting purposes.</p> <p>Queensland Treasury considered the most practical and effective way of achieving this was to require FRR 5D's application to those arrangements that apply the <i>National PPP Policies and Guidelines</i> and the <i>Project Assessment Framework: Queensland PPP Supporting Guidelines</i> if AASB 1059 did not apply.</p> <p>Consequently, there are 3 points Queensland Treasury would reiterate:</p> <ul style="list-style-type: none"> <li>Any PPP arrangement that falls <b>under AASB 1059</b> must apply that Standard and FRR 5D.2 and FRR 5D.3 provide guidance in this respect. The disclosures required by FRR 5D.5 are aligned with the disclosure required by AASB 1059.</li> <li>Any PPP arrangement that falls <b>outside AASB 1059</b> but to which the <i>National PPP Policies and Guidelines</i> and the <i>Project Assessment Framework: Queensland PPP Supporting Guidelines</i> applies, or would apply, will then apply FRR 5D.4 and FRR 5D.5 to the arrangement.</li> <li>Any transaction/project/arrangement that <b>falls outside</b> AASB 1059, and to which the <i>National PPP Policies and Guidelines</i> and the <i>Project Assessment Framework: Queensland PPP Supporting Guidelines</i> <b>do not apply</b>, are <u>not in scope</u> of FRR 5D (since they would not be considered a PPP for the purposes of FRR 5D).</li> </ul>



FRR	Location	Abridged Stakeholder Feedback	QT Response
FRR 5D	5D.2	Does the policy <i>“Agencies shall not apply AASB 1059 to arrangements between Queensland public sector entities that are consolidated into Whole-of-Government unless Treasury approval has been obtained.”</i> contradict FRR 2A.1 which requires compliance with Australian Accounting Standards?	The intent of the policy is not to contradict FRR 2A.1 or put a condition on the application of ASB 1059. Rather, since the application of AASB 1059 to internal-to-Government arrangements would be rare, Queensland Treasury desires to review the transaction before AASB 1059 is applied in this situation. For the avoidance of doubt, we have amended the wording of the policy to: <i>“Service concession arrangements between Queensland public sector entities that are consolidated into Whole-of-Government are considered rare. Before applying AASB 1059 to such arrangements, agencies are first required to consult with Treasury regarding the application of the standard and Whole-of-Government implications.”</i>
FRR 5D	5D.2	Page 8 – Regarding the second example in the table, it is difficult to distinguish the provision of hospital staff scheduling services from the provision of school cleaning as a differentiator of public services as neither is front line. Can an example that more clearly differentiates from the school example be used?	We have updated the example from the operator providing maintenance and staff scheduling services to the operator providing maintenance, <u>staff employment</u> and staff rostering services, to more clearly demonstrate the operator’s provision of public services.
FRR 5D	5D.2	At the top of page 7, the last sentence of the paragraph says – <i>“Nevertheless, agencies should still consider whether the secondary asset provides public services by itself as a standalone primary asset, and if it does it can still meet the ‘public service’ criteria.”</i>  Can you clarify this paragraph and, in particular, whether we are to focus on whether the secondary asset is intended to mainly support the primary services, or is intended to be largely operated separately?	Queensland Treasury’s understanding of the correct interpretation of AASB 1059 paragraph B7 regarding secondary assets is that if there is no service concession arrangement for the primary asset itself (e.g. a hospital), then the secondary asset (e.g. hospital car park) would not be deemed to be providing public services under paragraph B7.  However, it is necessary to separately consider whether the secondary asset is in scope of AASB 1059 because the services provided by the secondary asset are considered stand-alone public services. If this was the case, then AASB 1059 would likely apply to the arrangement for the secondary asset if the remaining criteria of AASB 1059 are also satisfied by the secondary asset on a stand-alone basis. But if the secondary asset is <b>not providing public services as a stand-alone asset</b> , then the arrangement is outside of AASB 1059.



FRR	Location	Abridged Stakeholder Feedback	QT Response
FRR 5D	5D.2	Page 5 2nd last paragraph – Suggest changing PPP period to arrangement period	We have updated the wording from “period of the PPP” to “period of the arrangement”.
FRR 5D	5D.2	<p>Additional guidance is sought on defining whether an asset is providing public services on behalf of the grantor:</p> <ol style="list-style-type: none"> <li>Whether a secondary asset can be regarded as providing public services under para B7 when there is no service concession arrangement for the primary asset;</li> <li>The appropriate way to account for an arrangement where a portion of the asset is for staff use only and a portion is for public use;</li> <li>Whether the “commercial nature” of an arrangement precludes an asset from providing public services on behalf of the grantor.</li> </ol>	<ol style="list-style-type: none"> <li>Treasury’s view is that for a secondary asset to be deemed as providing public services by virtue of AASB 1059 paragraph B7, it is a necessary condition that there be a service concession arrangement (i.e. an arrangement under AASB 1059) for the primary asset. Nevertheless, agencies should still assess whether the services provided by the secondary asset are public services <b>in their own right</b>. This guidance already exists in the “Secondary assets” section on pages 6-7, so no additional guidance was added.</li> <li>We added guidance on page 5 for situations where physically distinct portions of an asset are used for different purposes.</li> <li>It is not possible to provide blanket guidance on how the “commercial nature of arrangements” impact the AASB 1059 assessment. Many public services can be, and often are, operated on a commercial basis and are still public services (e.g. toll roads, public water and electricity utilities). Treasury’s view is that the operator charging users “market price” alone would not preclude the asset from providing public services. In assessing public services from the perspective of the State, we would ordinarily start by looking at what services the asset provides, who are using the services, what are they using it for, and any restrictions imposed by the grantor.</li> </ol>
FRR 5D	5D.5	Several agencies queried the requirement for separate disclosure information for <u>each PPP arrangement</u> in situations where they have multiple PPP arrangements, but only one or more arrangements were individually immaterial.	<p>Typically, the size and nature of PPP and Service Concession Arrangements will ordinarily mean they are individually material.</p> <p>Nevertheless, after further consultation with Queensland Treasury’s whole-of-Government reporting team and QAO, we have updated the</p>



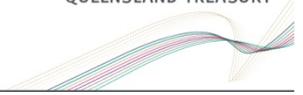
FRR	Location	Abridged Stakeholder Feedback	QT Response
			<p>policy to only require separate disclosure for <u>each individually material PPP arrangement, and disclosure in aggregate for the remaining arrangements.</u></p> <p>For the avoidance of doubt, the assessment as to whether an individual PPP arrangement is material in its own right to warrant separate disclosure is made <b>by each individual agency in the context of their agency financial statements.</b></p>

## STAKEHOLDER FEEDBACK ON FRR PART 6A (Sunshine Department Illustrative Financial Statements)

FRR	Location	Abridged Stakeholder Feedback	QT Response
FRR 6A	Statement of Financial Position, Statement of Cash Flows	Should the x's in the Original Budget and Budget Variance columns in the Statement of Financial Position and Statement of Cash Flows be removed for 2020-21, as there was no original budget for these two statements?	<p><b><i>Agencies can choose</i></b> one of the following options for presentation of the original budget and budget variance columns on the face of the balance sheet/statement of cash flows:</p> <p><b><i>Option 1</i></b> - remove the original budget and budget variance columns completely; OR</p> <p><b><i>Option 2</i></b> - present the two column headings but leave both columns totally blank/blacked out (i.e. <u>no amounts, zeros or dashes</u>); OR</p> <p><b><i>Option 3</i></b> - remove the budget variance column completely but retain the original budget column heading only (and leave that column totally blank or blacked out as per option 2).</p> <p>Queensland Treasury has updated the Sunshine Statements to show Option 2 having removed the "x" in the Original Budget and Budget Variance columns. An updated 'Note to Agencies' has been included.</p> <p>Further, and as illustrated in the Sunshine Statements, <b>Agencies should also include a footnote</b> to the statement of financial position and statement of cash flows that no original published was presented to Parliament in respect of the 2020-21 SDS.</p>
FRR 6A	Note A3	Is comparative disclosure required for MoG changes?	No, machinery-of-government (MoG) disclosures are only required in the year the MoG happens.
FRR 6A	Note B1-1	Due to this year's delayed budget, the Appropriation Act was passed by Parliament in 2021, and the correct title is 'Appropriation (2020-2021) Act 2021'.	We have corrected the title of the act to 'Appropriation (2020-2021) Act 2021'. <b>Agencies are requested to also make this change.</b>



FRR	Location	Abridged Stakeholder Feedback	QT Response
FRR 6A	Note C11-2	<p>The Sunshine Department Statement provides for a separate disclosure on PPPs outside of AASB 1059.</p> <p>(i) Can the agency report this in a note disclosure for the specific account used to account for the transaction (e.g. receivables) and only make reference that it is a PPP outside of 1059? In this case, a separate note disclosure will not be provided.</p> <p>(ii) There is some potential for duplication of similar information at least in terms of the maturity analysis for cash inflows and cash outflows given the AASB 7 disclosures in the financial liability note.</p>	<p>To facilitate whole-of-Government reporting purposes, including Australian Bureau of Statistics reporting, Queensland Treasury is seeking separate note disclosure for all PPP arrangements. In practice, PPPs often affect multiple line items in the balance sheet. In most cases, it will be impractical to disclose PPP details in the note for a specific line item (e.g. receivables note).</p> <p>Further, a dedicated note for PPP disclosures helps achieve a more decluttered, and readable presentation to aid the end user's understanding.</p> <p>We do not believe any overlap between the financial liability disclosures of AASB 7 and the undiscounted cash flows creates unnecessary levels of duplication in the context of material PPP arrangements and AASB 1059.</p>
FRR 6A	Management Certificate	<p>In Paragraph 2 of the Management certificate, where it says "s11 of the Financial and Performance Management Standard..." Should that be s23 instead of s11 as section 23 refers to risk management?</p>	<p>The current wording of the Management Certificate Section 11 reflects the wording agreed with QAO several years ago.</p> <p>Section 11 is all encompassing of the various internal control aspects, of which risk management systems are one, whereas Section 23 discusses risk management as a stand-alone subject.</p> <p>Risk management is called out separately in this wording to ensure Accountable Officers do not overlook risk management systems as an integral part of internal control over financial statement line items.</p>



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## **STAKEHOLDER FEEDBACK ON FRR PART 6B (Future Bay Regional Health Foundation Model Financial Statements)**

No feedback was received on FRR 6B. However, where feedback on the Sunshine Department model financial statements is also applicable to these model financial statements, corresponding amendments have been made. In particular, Tier 2 agencies should refer to the Final Summary of Noteworthy Changes for 2019/20 that details the minor amendments made to the statement of changes in equity and statement of financial performance.

