

SUMMARY OF NOTEWORTHY CHANGES TO THE DRAFT FINANCIAL REPORTING REQUIREMENTS FOR QUEENSLAND GOVERNMENT AGENCIES

Effective for reporting periods beginning on or after 1 July 2020

1.0 INTRODUCTION

This summary outlines certain more noteworthy amendments in the 2020-21 update of the **Draft Financial Reporting Requirements for Queensland Government Agencies** (FRRs) that agencies should give attention to. Amendments purely of an editorial/presentation nature or minor amendments that do not change the meaning of policy requirements/guidance are not included.

N.B. This is an updated final version of the corresponding summary issued in conjunction with the draft FRRs in March 2021. Further noteworthy amendments reflected in the final version of the FRRs are indicated by shading within this document. Minor or editorial amendments based on agency feedback are not included in this document.

2.0 UPDATES TO FRR PARTS 1-5

2.1 New and amended MRRs and/or Application Guidance in the 2020-21 update

LOCATION	TOPIC	NEW OR AMENDED POLICY/GUIDANCE
All FRRs		<p>Remove of text boxes and updated formatting to improve readability and reduce FRR page count.</p> <p>Updated references to the dual accounting framework documents currently issued by the AASB.</p> <ul style="list-style-type: none"> ➤ Conceptual Framework (CF) applies to for-profit entities ➤ Framework for the Preparation and Presentation of Financial Statements (FPPFS) applies to not-for-profit entities.
FRR 1A Introduction and Prescribed	1.3 Australian Accounting Standards Board Pronouncements	<p>Updated standards/interpretations applicable to 2020-21, and for subsequent reporting periods, according to new/amended standards/interpretations issued as at</p>

LOCATION	TOPIC	NEW OR AMENDED POLICY/GUIDANCE
Accounting Standards		May 2021, including AASB 2021-3 dealing with rent concessions relating to COVID-19 for lessees.
FRR 1A Introduction and Prescribed Accounting Standards	1.4 Significant Impacts on 2020-21 and Later Reporting Periods	Relocated previously commentary and proposed policy on AASB 1059 to FRR 5D Service Concession Arrangements.
	1.4 Significant Impacts on 2020-21 and Later Reporting Periods	Guidance on responding to the IFRIC Agenda Decision issued in April 2021 on accounting for cloud computing and software-as-a-service costs.
FRR 2A Basis of Financial Statement Preparation	2A.1 Application of Financial Reporting Requirements	Editorial amendments only to policy. <u>No new or substantive changes to guidance provided.</u>
	2A.2 Determination of For-Profit or Not-for-Profit Agencies. 2A.3 New Agencies 2A.4 Abolished Agencies 2A.6 Reporting for CBU's and SSPs.	Guidance has been reorganised within each section for improved readability – however, <u>no new or substantive changes to guidance provided.</u>
	2A.5 – Differential Reporting Framework	Guidance has been reorganised for improved readability – aside from minor editorial changes, no new guidance or substantive changes to existing guidance. Updated guidance clarifying current requirements for Universities to apply Commonwealth Financial Statement Guidelines.
FRR 2B Materiality	2B.1 Materiality	Reduction in unnecessary duplication of Practice Statement and Conceptual Framework material.
	2B.2 Materiality Strategy	New POLICY preparation of materiality strategy and agreement with external audit. This was previously guidance on materiality strategy now made mandatory policy. This proposed policy has been REMOVED in the final FRR release.

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	2B.2 Materiality Strategy	Additional enhanced guidance on preparing effective materiality strategies for internal agency and audit committee purposes.
FRR 2E Controlled and Administered Items, Trust Transactions and Agency Arrangements	2E.2 Distinction between Controlled and Administered Transactions and Balances (Departments Only)	<p>Minor updated wording to POLICY in 2E.2 for the relief from preparing discrete Administered financial statements. The words “<i>or balances</i>” have been included in the first sentence of the fourth dot point.</p> <p>This has been added to avoid preparers concluding they were not eligible for the available relief in situations where the Administered balance sheet is material solely because of transfer payment balances at year-end.</p>
FRR 2F Machinery-of-Government Changes	2F.6 Additional Reference Material	Previous 2F.6 detailing additional reference material relocated to the introduction on page 2 to make this more visible. Section 2F.6 withdrawn.
FRR 3B Income	3B.1 Income of Not-for-Profit Entities and 3B.5 Revenue from Contracts with Customers	Removal of transitional accounting policies for AASB 15 and AASB 1058.
FRR 3C	3C.4 Key Management Personnel (KMP) Remuneration Expenses	NEW POLICY - The “Important Point” text box (shown in previous years as guidance) that <u>required a footnote</u> for shared KMP disclosures has been moved to policy (except for the last sentence which is retained in the guidance under the KMP shared between agencies heading).
FRR 4B Assets	4B.9 Leases	<p>Removal of transitional accounting policies for leases.</p> <p>New guidance about leases transferred in a Machinery-of-Government change on page 14 of FRR 4B.9.</p>
FRR 5C Budgetary Reporting Disclosures	5C.3 Use of Alternate Budgets to Original Budget	There is no change to Queensland Treasury’s previous advice to agencies regarding budgetary reporting disclosures for the 2020-21 financial year.

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<p>FRR 5C Budgetary Reporting Disclosures</p>	<p>5C.3 Use of Alternate Budgets to Original Budget</p>	<p>To make this clear, we have clarified, by way of NEW POLICY that, in respect of the 2020-21 financial year, agencies are only required to present budgetary reporting disclosures under AASB 1055 for:</p> <ul style="list-style-type: none"> - the statement of comprehensive income, and - using the amounts included in the original published budget presented to Parliament in December 2020. <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 budget process.</p>
<p>FRR 5D Service Concession Arrangements and Other Public-Private Partnerships</p>	<p>FRR 5D.1 to FRR 5D.5</p>	<p>NEW UPDATED FRR - addressing Service Concession Arrangements and other Public-Private Partnerships.</p> <ul style="list-style-type: none"> ➤ FRR 5D.1 discusses PPPs generally. ➤ FRR 5D.2 examines the <u>scope of AASB 1059</u> and contains guidance to help agencies assess whether an arrangement is a service concession arrangement. <p style="background-color: #f8d7da; padding: 5px;">Additional guidance has been included on 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.</p> <ul style="list-style-type: none"> ➤ FRR 5D.3 contains guidance for accounting for <u>service concession arrangements under AASB 1059</u>. ➤ FRR 5D.4 contains guidance to help agencies decide on the most appropriate accounting treatment for PPP arrangements that fall <u>outside</u> of AASB 1059. ➤ FRR 5D.5 sets out Treasury’s disclosure requirements for all PPPs, irrespective of

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FRR 5D Service Concession Arrangements and Other Public-Private Partnerships	FRR 5D.1 to FRR 5D.5	<p>whether the arrangements are in scope of AASB 1059. Arrangements falling under AASB 1059 will meet the disclosure requirements outlined in FRR 5D.5</p> <p>After further consultation with Queensland Treasury's whole-of-Government reporting team and QAO, we have updated the policy to only require separate disclosure for each individually material PPP arrangement, and disclosure in aggregate for any remaining arrangements.</p>

3.0 MAJOR UPDATES TO SUNSHINE DEPARTMENT ILLUSTRATIVE FINANCIAL STATEMENTS (TIER 1)

TOPIC	SUMMARY OF UPDATE	STATEMENT AND NOTES IMPACTED
Service Concession Arrangements (AASB 1059) and Public Private Partnerships	<p>Agencies should note <u>the line item “service concession assets” on the face</u> of the balance sheet.</p> <p>Financial liabilities connected with Service Concession Arrangements are shown in the financial liability/borrowings note (see Note C13).</p> <p>Non-financial liabilities for “Grant of right to the Operator” (GORTO) arrangements are to be reported within other liabilities (see Note C16).</p>	<ul style="list-style-type: none"> Statement of Financial Position Note B1-2 Other Revenue Note C11-1 Service Concession Arrangements under AASB 1059 Note C11-2 Other Public Private Partnerships outside AASB 1059 Note C11-3 Operating Statement Impact Note C11-4 Estimated Future Cash Flows C13 – Financial Liabilities C16 – Other Liabilities
Appropriation Reconciliation	Note B1-1 to Sunshine currently refers to the Appropriation (2020-2021) Act 2020 when the correct year is 2021. This has now been updated to the correct year.	<ul style="list-style-type: none"> Note B-1



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<p>Leases (AASB 16)</p>	<p>Updated Note C10 for Leases</p> <p>Accounting policy for leases updated for disclosures previously included in Note G5 (first year adoption disclosures)</p>	<ul style="list-style-type: none"> Note C10 Leases
<p>Impact of new accounting standards</p>	<p>New first year disclosures for AASB 1059</p>	<ul style="list-style-type: none"> Note G4 First Year Application of New Accounting Standards or Change in Accounting Policy
<p>Budgetary Reporting Disclosures</p>	<p>“Not Required” indicators reminding agencies that explanation of major variances for balance sheet and statement of cash flows are not required in 2020/21. These particular financial statements were not included in the original SDS budget papers.</p> <p>Agencies can choose 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>Option 1 - remove the original budget and budget variance columns completely; OR</p> <p>Option 2 - present the two column headings but leave both columns totally blank/blacked out (i.e. no amounts, zeros or dashes); OR</p> <p>Option 3 - 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>Agencies should also note the machinery-of-Government impacts arising from Public Sector Departmental Arrangements Notice No.4 2020 are already incorporated into the 2020-21 SDS original budget. (See further “Note to Agencies” in Notes E1-2 and E1-3).</p> <ul style="list-style-type: none"> Balance Sheet and Statement of Cash Flows Notes E1-2 and E1-3 – Budgetary Reporting Disclosures