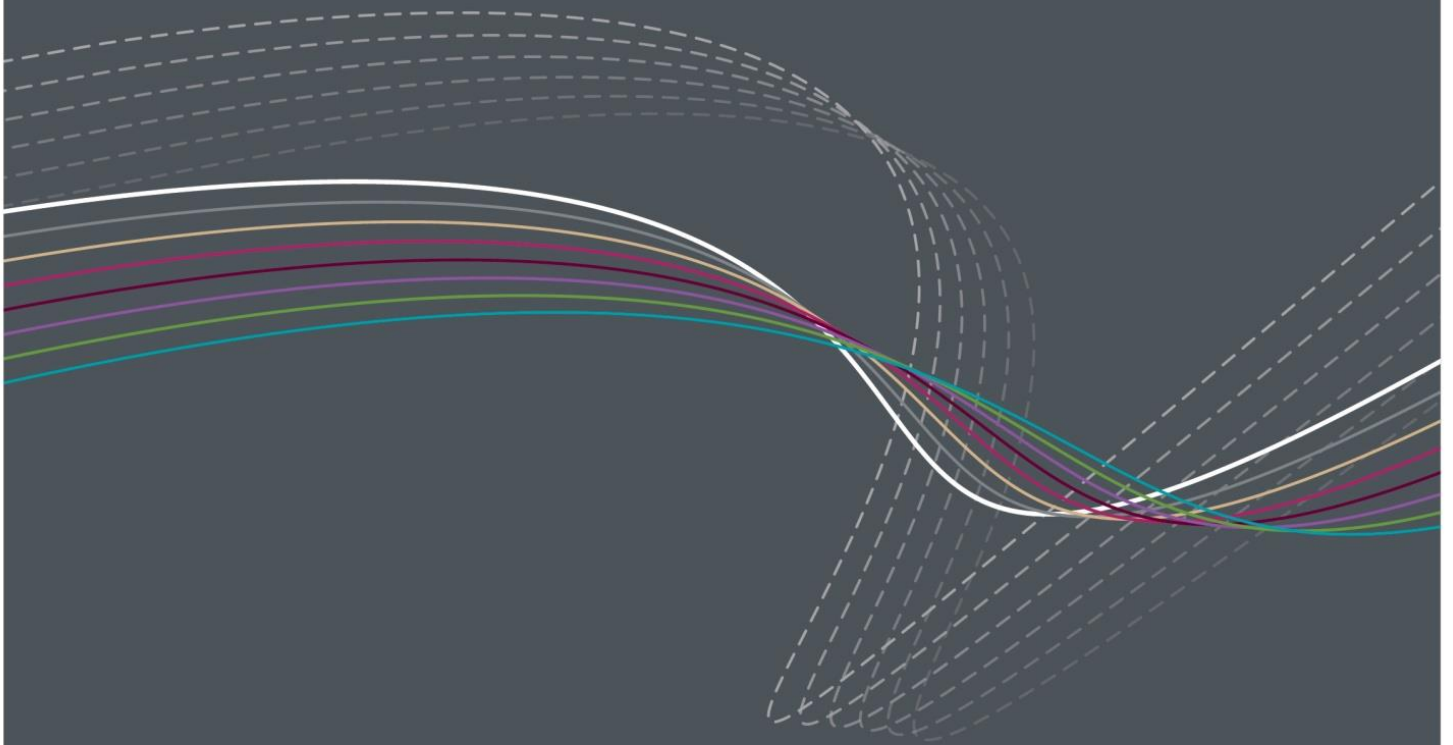


QUEENSLAND TREASURY

Overview of Queensland's Financial Accountability Framework

January 2020



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1.0 Introduction

Since 1977, the requirements relating to public sector financial management and reporting have changed significantly. Over this time, Queensland has seen changes in legislation, the move from cash to accrual budgeting and reporting, the adoption of international accounting standards, and the convergence of accounting frameworks.

In June 2011, the former Public Accounts and Public Works Committee issued its Report No. 10 Enhancing Accountability through Annual Reporting. The Committee commented that “the Queensland accountability framework is not easily understood by those outside government”, and that “a readers guide that explains the overall accountability framework, including the budget acquittal, and accountability process, would assist many to understand the framework and thus improve the knowledge base of stakeholders”.

This document has been prepared to address the recommendations of the former Public Accounts and Public Works Committee. It is designed to provide information to all interested stakeholders about the financial accountability framework in Queensland, as it applies to departments and statutory bodies.

Throughout the document, the word ‘agency’ is used to refer to both departments and statutory bodies.

While this document focuses on departments and statutory bodies, a brief overview of the legislative frameworks applicable to Government Owned Corporations and other public sector companies is provided in Section 2.

Appendix D contains a list of acronyms used throughout the document, as well as a glossary of some commonly used financial management and accountability terms used in the Queensland public sector.

2.0 Legislative Requirements

The legislation underpinning Queensland's departments and statutory bodies has undergone significant change since 1977. Appendix A provides a diagrammatic overview of the legislative framework which currently applies to Queensland government agencies.

To provide historical context, in 1977, the Financial Administration and Audit Act (FA&A Act) commenced operation, replacing a law passed by Parliament some 103 years previously. Initially the FA&A Act applied only to departments; however, in 1985 its scope was extended to include the financial administration and audit of statutory bodies.

The FA&A Act was supported by the Treasurer's Instructions, which were subordinate legislation. The Treasurer's Instructions were drafted to deal with matters that were common to all departments and their purpose was to ensure that, as far as practicable, uniformity was established and maintained throughout the departments with respect to matters where uniformity was necessary.

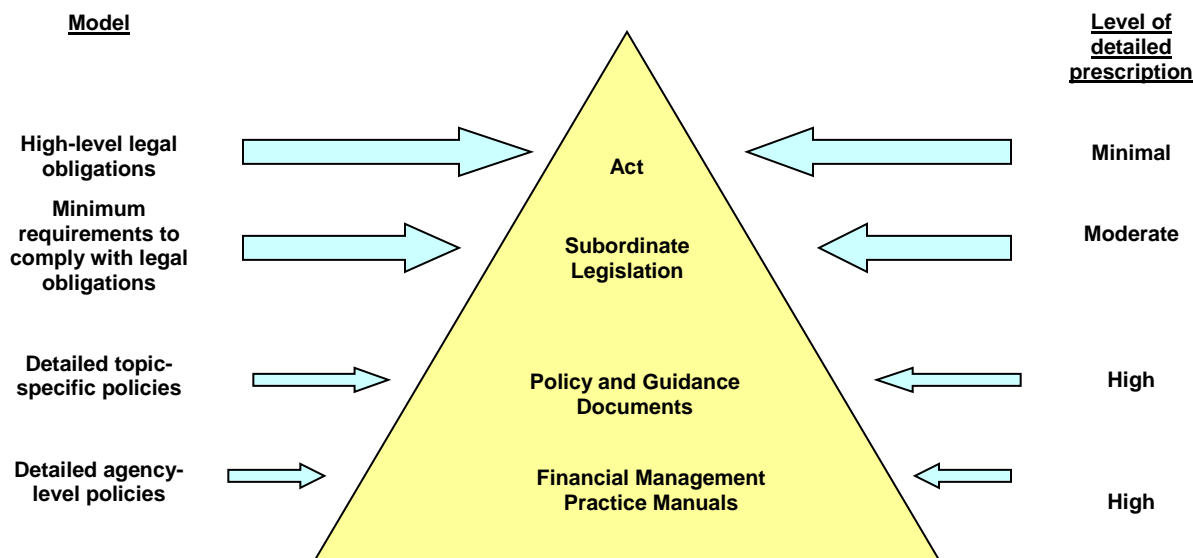
In 1990, the Treasurer's Instructions were replaced by the Public Finance Standards. The Public Finance Standards reduced the amount of prescriptive requirements, required agencies to outline practices and procedures in their financial management practice manuals, and required the adoption of professional accounting standards.

In 1997, the Public Finance Standards were replaced by the Financial Management Standard. The Financial Management Standard again reduced the level of prescription within the subordinate legislation.

Following a comprehensive review of the financial management legislation in Queensland, the FA&A Act was repealed and replaced by the *Financial Accountability Act 2009* (FA Act), and the Financial Management Standard was replaced by the *Financial and Performance Management Standard 2009* (FPMS), which has since been remade to the *Financial and Performance Management Standard 2019* (FPMS). The revised legislation introduced the following five major policy changes:

- it is principles-based, focussing on accountability and outcomes. It provides an appropriate level of discretion to executives to optimise resource allocation and tailor systems for the administration of their departments and statutory bodies. This is a significant shift from the previous legislative approach which prescribed a significant number of low level compliance activities.
- it moved the provisions relating to the Auditor-General from the financial management legislation to a separate Auditor-General Act to reinforce the independence of the external audit function.
- it introduced the requirement for an accountable officer to nominate an appropriately qualified officer to assume the responsibilities of 'chief finance officer', with the legislation outlining the minimum responsibilities to be undertaken by this officer.
- it introduced the requirement for the chief finance officer to provide an annual statement to the accountable officer about whether the financial internal controls of the department are operating efficiently, effectively and economically.
- it introduced the requirement for an accountable officer to nominate an appropriately qualified officer to assume the responsibilities of 'head of internal audit' and mandated minimum responsibilities to be undertaken by this officer.

The revised financial legislative framework comprises a four tier system, as illustrated by the following:



- Act – the *Financial Accountability Act 2009* sets out strategic legal obligations with which agencies must comply. The Act is principles-based, with a minimal level of prescription.
- Subordinate legislation – this consists of the *Financial and Performance Management Standard 2019* and *Financial Accountability Regulation 2019* and provides a moderate level of prescription, with the aim of establishing broad requirements within which agencies must operate to meet their legal obligations under the Act.
- Policy and guidance documents (such as the *Financial Accountability Handbook*) are referred to in the Act and subordinate legislation. These documents, which are produced and maintained by various departments, provide guidance to agencies to assist them in meeting their financial, operational and regulatory obligations. A list of Treasury publications (not exhaustive) is provided in Appendix C. Examples of mandated publications produced by other departments include:
 - A Guide to the Queensland Government Performance Management Framework (Department of the Premier and Cabinet (DPC))
 - Agency Planning Requirements (DPC)
 - Annual Report Requirements for Queensland Government Agencies (DPC), and
 - Queensland Procurement Policy (Procurement Centre of Excellence).

The legislation requires agencies to either 'comply with' or 'have regard to' the referred documents. 'Comply with' is self-explanatory. 'Have regard to' means that an agency must consider the contents of the document and comply when its contents are applicable in the agency's circumstances.

- Financial Management Practice Manuals (FMPMs) are agency documents that must comply with the Act, subordinate legislation and, where applicable, subsidiary policy documents. An FMPM sets out the policies and procedures that have been implemented by the agency to meet its legislative obligations. While certain elements of the content of an agency's FMPM are determined by the FPMS, agencies have considerable flexibility in the creation of their FMPM through the incorporation of agency-specific content, appropriately structured formats and operational processes that are applicable to the effective operation of the agency.

As shown in Attachment A, as well as complying with the Financial Accountability Act and its subordinate legislation, statutory bodies must also comply with the *Statutory Bodies Financial Arrangements Act 1982* (SBFA Act) and its subordinate legislation, as well as its own enabling legislation. A statutory body's enabling legislation establishes the body and sets out its purpose and specific powers. The SBFA Act establishes the borrowing and investment powers of statutory bodies.

Where two pieces of legislation are contradictory, generally the legislation which takes precedence will state that fact. Alternatively, a rule of thumb that may be applied is that specific legislation will override general legislation.

Users of legislation should be aware that the definition of 'statutory body' may differ depending upon the legislation being referred to. For example, a local council is not a statutory body for the purposes of the FA Act, but it is for the purposes of the SBFA Act.

Also included in Attachment A are:

- Government Owned Corporations, which must comply with the Government Owned Corporations Act and its subordinate legislation, as well as the Commonwealth's Corporations Act.
- other public sector companies, which are generally formed by the State Government for specific purposes, such as for the construction of infrastructure. These entities must also comply with the Commonwealth's Corporations Act.

3.0 Whole of Government Financial Reporting

The FA Act requires the Treasurer to prepare and table in Parliament a Charter of Fiscal Responsibility (the Charter) which provides details of the Government's fiscal objectives and the fiscal principles that support those objectives. The Treasurer must report regularly to Parliament on the outcomes the Government has achieved against the objectives stated in the Charter.

The Government publishes a number of reports to support the Charter and to ensure accountability and transparency for the outcomes of Government decisions. These reports include the State Budget and its mid-year update, the Consolidated Fund Financial Report, and the Report on State Finances. Each of these is considered in further detail below.

3.1 State Budget

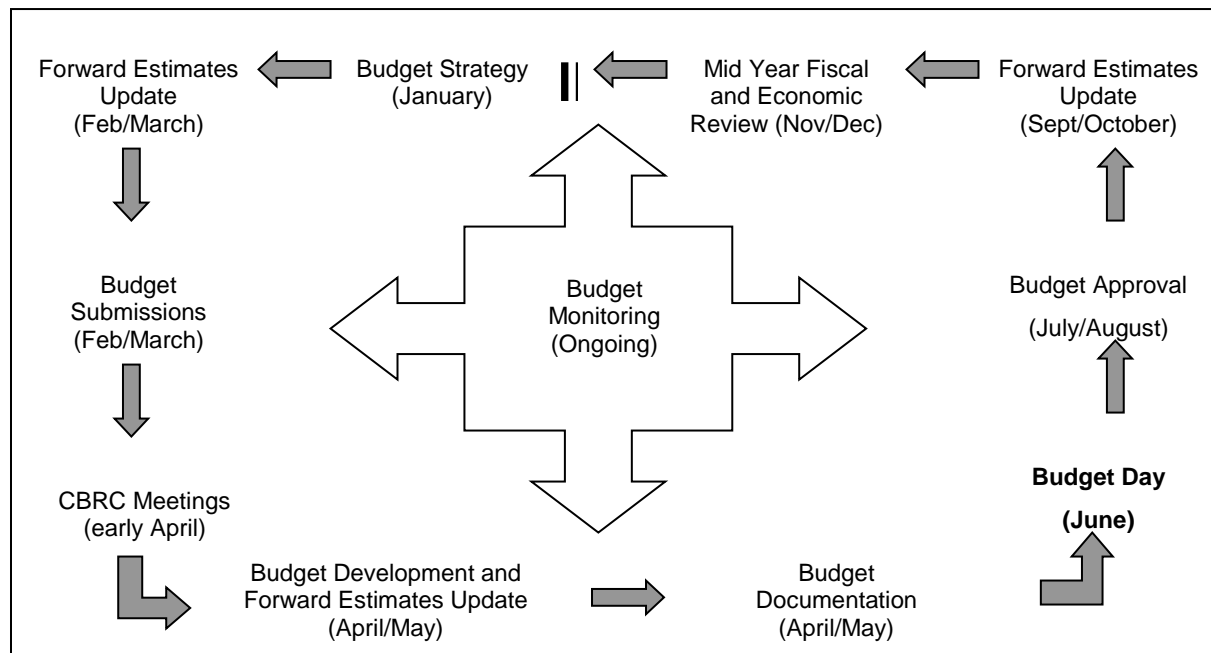
The Queensland Government produces a State Budget annually, usually in June, though this can be changed by the Government. The budget process is the method by which the Government:

- articulates fiscal imperatives and principles
- sets the strategic direction of its finances over the medium term
- establishes and communicates its resource allocation decisions for the fiscal year, and
- reports on the progress of achieving service delivery targets.

The process generally commences with an update of existing revenue and expenditure forward estimates. Forward estimates consist of figures for the current year, next budget year and projected figures for the following three years. These estimates provide an initial fiscal context from which the Government may consider and prioritise proposed policy initiatives as part of its overall Budget strategy.

The Auditor-General does not have the mandate to audit the budget process in Queensland. However, an audit of appropriations is performed as part of the annual financial statement audit process of departments, as well as through the auditing of a number of whole of Government reports (for example, the Consolidated Fund Financial Report, which is discussed in further detail below).

The diagram below provides an overview of the budget cycle, assuming a 'normal' June budget day:



Following is a discussion about some key points in the budget cycle:

- Budget strategy

In this stage, as well as considering the overall budget strategy, key budget decisions are made by the Cabinet Budget Review Committee (CBRC).

Treasury provides CBRC with five year forward estimates on a consolidated whole of Government basis. These form a baseline for the consideration of policy issues.

- Budget development

In this stage, CBRC considers agency funding issues, including those for new policies. Treasury provides advice to CBRC on the budget proposals.

- Budget documentation

When CBRC has finalised its policy deliberations, Treasury liaises with agencies to compile the annual budget documents. The specific format of the Budget documents may vary from year to year, however they generally comprise:

- a Budget Speech outlining the Government's strategic directions, priorities and plans
- annual Appropriation Bills
- information on total Government revenues and expenses and financial statements for the Government as a whole
- an overview of the State's recent economic performance and forecasts of key economic aggregates
- information on budgeted capital expenditure
- a summary of policy decisions, made by Government since the previous Budget, that have funding impacts, and
- details of the services and activities undertaken within each agency.

The Treasurer presents the budget documents to the Queensland Parliament. These are also released to the public as a detailed statement of the Government's fiscal and economic policies.

- Budget approval

The Budget documents are read in Parliament by the Treasurer, and the Opposition Leader presents a budget reply.

The Budget documents are reviewed through a series of Parliamentary Estimates Committees, arranged by portfolios, which comprise Government and opposition members. This process informs general parliamentary debate on the Budget and provides the accountability and transparency of the overall Budget process.

Once the Appropriation Bills are passed as Acts by Parliament, they authorise the payment of amounts from the Consolidated Fund to departments for the provision of services.

In Queensland, appropriation is only made to departments. Funding from the Consolidated Fund to other public sector entities flows through departments and is paid as grants or equity injections. Further information about Appropriations is provided below.

- Mid Year Fiscal and Economic Review

The Mid Year Fiscal and Economic Review is an annual document which presents revised fiscal estimates for the current Budget year and the three following years. These revised estimates take into account fiscal and economic developments since the preparation of the Budget.

- Budget monitoring (ongoing)

Departments and Treasury Analysts monitor financial and non-financial performance of agencies on an ongoing basis, by comparing forecasted data with actuals to identify trends and instigate corrective action if required.

3.1.1 Appropriations

The *Constitution Act 1867* and the FA Act provide the legal framework to support the State's appropriation process.

Parliament provides an appropriation to each department which may comprise funding for:

- departmental services – to reflect Queensland Government funding contributions necessary to provide the departmental services
- administered items – administered grants, transfer payments or funds paid from Consolidated Fund to external entities over which a department does not exercise management control or discretion (these funds may also be used to deliver non-departmental outputs that contribute to Government objectives), and/or
- equity adjustments – CBRC will determine if an equity injection or withdrawal is necessary to increase or decrease the net asset position of an agency.

Parliament's appropriation authorises the Treasurer to make payments from the Consolidated Fund to relevant departments. The Treasurer may issue departmental services, administered items and equity adjustments in amounts different to what appears in the Annual Appropriation Act provided the total for the department does not exceed its vote (appropriation) total or unless an unforeseen expenditure approval is obtained for the excess.

Appropriation will lapse automatically where the Treasurer has made less than the approved payments to departments for their services, administered items or equity adjustments.

The Appropriation Bills will generally contain approval for the following:

- the Budget for the upcoming financial year, and
- Interim Supply, which makes appropriation available for the following financial year to allow the normal operations of government to continue until that year's Annual Appropriation Bill is passed by Parliament and given assent.

For example, the 2019 Appropriation Bill contained the budget for the 2019-20 financial year and interim supply for the 2020-21 financial year.

3.1.2 Unforeseen expenditure

During the course of the year, the Government may provide in-principle approval for the provision of additional appropriation to cover post-Budget emergent cost pressures for departments.

Where this additional appropriation is required, the FA Act provides that the Governor in Council, acting on the recommendation of the Treasurer, may authorise the issue of moneys from Consolidated Fund for which there was no appropriation or where the existing appropriation allocated to that vote is insufficient.

The additional appropriation (with explanations) is reported in the June quarter Consolidated Fund Financial Report, which is prepared by the Treasurer and audited by the Auditor-General. The Report is then tabled in Parliament and can be accessed from the Tabled Papers repository on the Parliament of Queensland website.

Approval for the unforeseen expenditure must be sought and obtained from Governor in Council within four weeks of the end of the financial year and is contained in the Consolidated Fund Financial Report. Unforeseen expenditure must also be formally approved by Parliament via Appropriation bills, however, there are no specific legislative requirements regarding the timing of this approval.

Separate Appropriation Bills for supplementary appropriation are currently prepared and introduced into Parliament as soon as possible after the end of the financial year to which they relate, with timing broadly aligned with the tabling of the Consolidated Fund Financial Report as this report includes explanations of unforeseen expenditure.

3.2 Consolidated Fund Financial Report

The FA Act outlines the Treasurer's accountability for the Consolidated Fund and requires the preparation of quarterly statements disclosing, for each quarter and year to date, cash receipts deposited into and amounts paid from, the Consolidated Fund operating account, including amounts paid to individual departments against their approved appropriation. In addition the balance of the Consolidated Fund bank account and investment accounts must be disclosed. The fourth quarter statement, representing the annual Consolidated Fund Financial Report, is audited by the Auditor-General within three months after the end of the financial year and tabled in Parliament within 14 days after the statement is returned by the Auditor-General.

3.3 Report on State Finances

The Report on State Finances incorporates the financial statements prepared under two frameworks – the Australian accounting standards framework and the Uniform Presentation Framework (UPF).

3.3.1 Australian accounting standards financial statements

The FA Act requires the Treasurer to prepare financial statements for both the whole of Government and the General Government Sector (GGS) within six months after the end of each financial year.

These financial statements are prepared in accordance with Australian accounting standards and present the operating statement, balance sheet and cash flows of these sectors as well as comprehensive detailed notes to the financial statements. Comparisons are provided with the previous year's results. The GGS statements also require an analysis of variances between original budget and actual results.

These statements are audited by the Auditor-General and tabled in Parliament.

3.3.2 Uniform Presentation Framework

The Outcomes report contains financial statements prepared and presented in accordance with the UPF (agreed to by all States in 1991) and is consistent with the Budget presentation. The Outcomes report compares the actual results for the reporting year with the estimated actuals reported in the most recent Budget papers. The report includes General Government expenses and purchases of non-financial assets by function, and Loan Council Allocation outcomes.

Refer to Appendix B for further information about the differences between the Australian accounting standards and UPF frameworks.

4.0 Agency Financial Reporting

Agency financial reports are used by Members of Parliament, the media, academics/students, the public and other interested parties to obtain information on strategies, services and financial performance of individual Queensland Government agencies. Two such reports are: Service Delivery Statements (SDS) (prospective focus) and annual reports (retrospective focus).

Given the volume of information that is potentially available for inclusion in agency financial reports, the ongoing challenge is to achieve a balance between the level and quantity of detailed information to be included and the broad needs of users of these documents.

4.1 Service Delivery Statements (budget reporting)

The SDS predominantly contains budgeted financial and non-financial information about each General Government reporting entity for the current and coming financial year. In this way, they complement agency annual reports, which document actual performance (including audited financial statements) for the previous financial year. Given the timing of the State Budget (usually handed down in June each year), final information about actual financial and non-financial performance is not available when the SDS are produced. Accordingly, estimated actual data is used to calculate June balances for performance and position. A service area performance section is prepared for each service area in the agency.

The functions of an individual government agency span a large number of activities (such as services, schemes and programs). In order for the SDS to provide a useful, high level view of the planned budget for an agency, the agency's range of activities are disaggregated into broad services. This provides more granularity of information and links activities that are contributing to key agency and government priorities and outcomes.

The SDS includes, for each service delivery area, a summary of performance measures. The relevance, usefulness and comprehensiveness of these measures are subject to ongoing review by agencies and central agencies. Under the Auditor-General Act, the relevance of performance measures may be the subject of audit scrutiny and comment. In this context it is important that the starting point for performance measures is information which is required by agency management to effectively allocate and manage resources to deliver required outcomes.

Agencies use the accrual basis of accounting (discussed in Appendix B) to present their budgets in the SDS. As departments must also prepare annual financial statements on this basis, the standardised use of Generally Accepted Accounting Principles (GAAP) in departmental reporting enhances comparability between their budgeted and estimated actual results. GAAP is discussed in further detail in Attachment B.

The SDS is an important source of information for the annual estimates hearings held by each of the Parliamentary Estimates Committees. These hearings examine funding provided in the State Budget to each Ministerial portfolio, and take place following the presentation of the Budget.

Each year, the Department of the Premier and Cabinet and Queensland Treasury (the central agencies) work with agencies to review service areas, service standards and targets that are published in the SDS. The central agencies will jointly seek the government's approval (through CBRC) for changes to these on behalf of all agencies preceding the Budget process each year.

Additional information about budget reporting can be accessed at www.budget.qld.gov.au.

4.2 Annual reports (including financial statements)

The FA Act requires departments and statutory bodies to:

- prepare annual financial statements and have them audited by the Auditor-General, and
- prepare an annual report and have the appropriate Minister table it in Parliament.

Both the financial statements and annual report must be prepared in the way, and within the timeframe, stated in the FPMS.

The FPMS refers departments and statutory bodies to the documents Financial Reporting Requirements for Queensland Government Agencies (FRRs) and the Annual Report Requirements for Queensland Government Agencies (ARRs). The requirements in these documents may change over time to reflect the changing environment and emerging best practice.

In the preparation of annual financial statements, departments must comply with, and statutory bodies must have regard to, the FRRs (published by Treasury), which provide updates on new and revised accounting policies and standards and additional guidance and advice on the application of such policies and standards. The FRRs also contain a model set of departmental financial statements.

The FPMS provides that an agency's annual report must contain a copy of the agency's audited financial statements, as well as information prescribed in the ARR published by the Department of the Premier and Cabinet. The ARR outlines the non-financial performance information that departments and statutory bodies must include in their annual report. This annual publication collates for agencies the many disclosure requirements contained across various pieces of legislation and includes disclosure of the agencies' performance against specific priorities of the Government.

While generic disclosures can be identified, discretion rests with agencies to ensure that all information relevant to discharge stewardship of resources entrusted to the entity is adequately reported in annual reports.

With respect to timeframes, the FPMS prescribes that:

- financial statements must be certified by the Auditor-General within two months after the end of the financial year, and
- annual reports are to be tabled in Parliament within three months of the end of each financial year.

5.0 Financial Governance in Queensland

Governance is generally accepted to encompass management's behaviour and accountability for the way it directs an agency's operations. It may also relate to the agency's structure, responsibilities, competencies, reporting and risk management processes.

Whilst governance is generally concerned with the internal operations of an agency, it is important to note that external scrutineers can also provide valuable comments and recommendations to assist with continuous improvement in agencies.

In Queensland, the following external scrutineers are the most prominent with respect to financial administration:

- the Auditor-General and the Queensland Audit Office
- the Crime and Corruption Commission, and
- Parliamentary committees.

Each of these is considered in some detail below.

5.1 Auditor-General and Queensland Audit Office

The role and responsibilities of the Auditor-General and the Queensland Audit Office (QAO) are contained in the *Auditor-General Act 2009*. The prime responsibility of the Auditor-General is to provide Parliament with an objective and independent assessment as to the manner in which the Treasurer, the various accountable officers, statutory bodies, local governments, Government owned corporations and controlled entities have discharged their financial management obligations under:

- the *Financial Accountability Act 2009*,
- other relevant Acts, and
- subordinate legislation, including the *Financial and Performance Management Standard 2019*.

QAO has been established to support the Auditor-General. Audits performed by QAO are:

- financial and assurance audits, and
- performance audits.

During financial and assurance audits, the auditors assess whether agency financial statements are true and fair, and check their account keeping methods to ensure they meet prescribed requirements.

Performance audits focus on the performance of public sector entities, and how effectively, efficiently and economically their objectives are being met.

An audit may identify possible deficiencies in departmental or statutory body operations and refer these to the agency's management. Each accountable officer or statutory body has the discretion to accept, or reject, recommendations made by the auditors. The Auditor-General may include information about significant issues or recommendations in an Auditor-General Report to Parliament. Management response to issues raised must also be included, when provided, in these Reports.

Further information about the role of the Auditor-General and the Queensland Audit Office can be accessed at www.gao.qld.gov.au.

5.2 Crime and Corruption Commission

The Crime and Corruption Commission (CCC) is a statutory body set up to combat and reduce the incidence of major crime and corruption in the public sector in Queensland. Its functions and powers are set out in the *Crime and Corruption Act 2001*.

The CCC investigates both crime and corruption, has oversight of both the police and the public sector, and protects witnesses. It is the only integrity agency in Australia with this range of functions. In brief, the CCC:

- investigates organised crime, paedophilia, terrorist activity and other serious crime referred to it for investigation
- receive and investigates allegations of serious or systematic corrupt conduct
- has a statutory function for crime and corruption prevention
- helps recover the proceeds of crime
- provides the witness protection service for the state of Queensland
- conducts research on crime, policing or other relevant matters.

The CCC also has special powers to conduct a public enquiry where an issue or complaint has been brought to their attention which have the potential to reduce public confidence in fundamental systems of public administration and government.

Further information about the role of the Crime and Corruption Commission can be accessed at www.ccc.qld.gov.au.

5.3 Parliamentary Committees

A number of Parliamentary Committees have been established to assist the Queensland Parliament to operate more effectively. Some committees have continuing roles to monitor and review public sector organisations. Other committees may be established to investigate specific issues and report back to the Parliament. For example, the Finance and Administration Committee has oversight functions in relation to the Auditor-General, and it may elect to conduct an inquiry to consider the findings and recommendations contained in an Auditor-General's Report.

The Parliamentary Committees also undertake the annual estimates process, part of the Parliament's budget review process.

Further information about the role of Parliamentary Committees can be found on the internet at <http://www.parliament.qld.gov.au/work-of-committees>.

6.0 Role of Queensland Treasury

Queensland Treasury is the custodian of the financial management legislation, however, there is close liaison with the Department of the Premier and Cabinet when preparing/reviewing information about planning or performance.

To support the financial management legislation, Treasury publishes a number of policy and guidance documents, many of which are outlined in Appendix C.

Treasury also has a central role in the preparation of the annual State Budget. Treasury is responsible for State Budget management and strategy development which is supported by Treasury's role of management of the State's financial assets and liabilities.

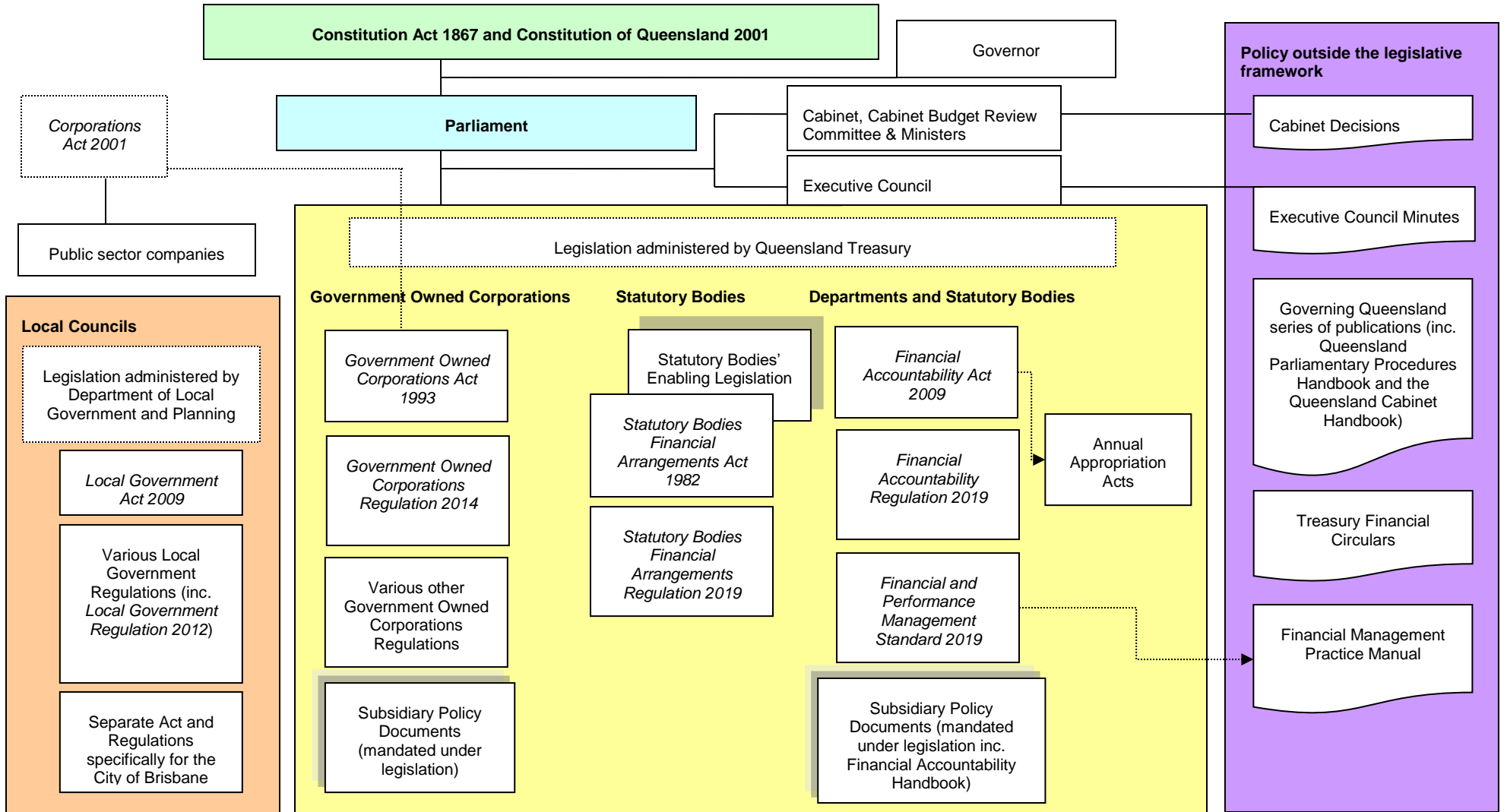
The key activities of Treasury include:

- coordinating the State Budget process
- working with other State Government agencies to monitor and assess financial and non-financial performance against Budget forecasts. As part of this process, updated Budget forecasts are published annually as part of the Mid Year Fiscal and Economic Review with actuals reported in the Report on State Finances
- assisting in managing and monitoring the State's assets and liabilities
- administering the financial accountability and management legislation and policies on behalf of Government, including the Financial Accountability Act and its subordinate legislation; the Financial Accountability Handbook; and the Financial Reporting Requirements for Queensland Government Agencies, and
- providing advice to Government agencies on financial management and accounting.

While Treasury has a role in monitoring of a department's finances, it does not have a role in directing how the department's appropriation can be spent. As provided for in the Explanatory Notes to the annual Appropriation Bill, "Accountable Officers may apply the total of funds received from the Treasurer for departmental services across the individual services of the department". That is, accountable officers are able to expend their funds in the manner they consider appropriate to deliver the department's services.

7.0 Appendices

Appendix A – Queensland’s legislation framework for financial management – an overview



Appendix B – Government Financial Reporting Frameworks

Currently the Queensland Government budgets and reports financial performance under two separate reporting frameworks:

- Australian Accounting Standards – also known as Generally Accepted Accounting Principles (GAAP), and
- Uniform Presentation Framework (UPF).

Both frameworks exist to provide financial information to interested parties and decision makers. There is substantial overlap between the principles, practices and measurement methods adopted by both frameworks, though the underlying concepts differ between the frameworks.

This section provides an overview of the objectives and uses of the GAAP and UPF frameworks. A brief discussion is also provided below to outline the history of the two frameworks in Australia and emerging developments.

GAAP reporting framework (the 'accountant view')

The Australian Accounting Standards Board (AASB) oversees the development of Australian Accounting Standards, as expressed in the Statements of Accounting Concepts, accounting standards and other authoritative pronouncements. Australian accounting standards are based on the international accounting standards. Some public sector specific standards have also been developed (such as AASB 1004 *Contributions* and AASB 1049 *Whole of Government and General Government Sector Financial Reporting*), while modification to reflect public sector specific circumstances are addressed in other sector neutral standards by inserting 'Aus' paragraphs (for example AASB 116 *Property, Plant and Equipment*).

GAAP seeks to identify, measure, recognise and disclose economic transactions of a reporting entity. GAAP is based on principles that are intended to enable external stakeholders to assess stewardship, performance, financial position, and financing and investing decisions. Such assessment is normally to assist or evaluate the allocation of scarce resources. Financial statements include five basic elements: assets, liabilities, equity, income and expenses.

AASB 101 *Presentation of Financial Statements* and AASB 1049 *Whole of Government and General Government Sector Financial Reporting* require adoption of a full accrual basis of accounting for reporting entities, such as departments and statutory bodies and for the State, respectively. That is, transactions are recorded when they have their economic impact rather than when the cash flows associated with these transactions occur. The standards prescribe model general-purpose financial reports which can be modified to suit the needs of the reporting entity.

UPF reporting framework (the 'economist/statistician view')

The Uniform Presentation Framework (UPF) is based on the Government Finance Statistics (GFS) concepts and classifications used by the Australian Bureau of Statistics (ABS) in the preparation of public finance reports. These, in turn, are based on international standards set out by the International Monetary Fund (IMF). The focus of GFS is on the result of transactions, rather than valuation impacts.

The primary objective of the UPF is to ensure that the Commonwealth, State and Territory Governments provide a common 'core' of financial information. The UPF is primarily structured on a sectoral basis. A government is regarded as comprising three sectors:

- the General Government Sector (GGS), which comprises all government units and non-profit institutions controlled and mainly financed by government
- the Public Non-Financial Corporations (PNFC) sector, which comprises bodies such as Government-owned corporations that mainly engage in the production of goods and services (of a non-financial nature) for sale in the market place at prices that aim to recover most of the costs involved, and

- the Public Financial Corporations (PFC) sector, which comprises publicly owned institutions which provide financial services usually on a commercial basis.

These sectors can then be further aggregated as follows:

- GGS + PNFC = Non-Financial Public Sector (NFPS)
- NFPS + PFC = Total State Sector (TSS).

The GFS framework includes only those transactions over which a government exercises control under its legislative or policy framework.

The ABS provides GFS data to the IMF for publication with similar statistics for all IMF member countries. Because these statistics are prepared in accordance with the IMF standard, they can be used for international comparisons between member countries and international consolidations.

History

GFS was developed in 1986 by the IMF and established the standards for compilation and presentation of fiscal statistics as part of a worldwide trend toward greater accountability and transparency in government finances, operations and oversight.

In 1991, all jurisdictions in Australia, through the Australian Loan Council (ALC) worked to develop uniform reporting arrangements, using the ABS's GFS standard. This was subsequently updated into the UPF in 1997.

Prior to 1997, governments in Australia prepared both budgets and financial reports on a cash basis and there was no composite record of assets held by government. As a result of public demand for increased transparency and accountability, governments in Australia agreed to report their annual financial results in accordance with the same GAAP standards as applied to the private sector, but with additional public sector specific standards to cater for those transactions unique to government.

Departments prepared their first accrual financial statements in 1996-97 and the first whole of Government accrual financial statements were prepared in 1998-99. These reports are termed general purpose financial reports as they are designed to meet the informational needs of users who are reasonably knowledgeable but who cannot command specific information from the reporting entity.

The UPF was revised by the ALC in March 2000 to include common accrual-based budgetary and fiscal information. Queensland introduced accrual budgets from 1999-2000.

With the increasing globalisation of commerce, a converged international set of financial reporting standards (IFRS) was developed and replaced the previous GAAP standards. The first general purpose financial report under the internationally converged standards occurred in Australia for the 2005-06.

Emerging Developments

Treasury releases annually the Financial Reporting Requirements for Queensland Government Agencies (FRRs). These annual financial statement requirements include the minimum reporting requirements and assist agencies in the preparation of their financial statements. The requirements also provide updates on new and revised accounting policies and standards and additional guidance and advice on the application of such policies and standards.

Appendix C – Treasury's Resources

The following resources are available from Treasury's website at www.treasury.qld.gov.au:

- Financial Accountability Handbook (the Handbook) – the Handbook is designed to assist agencies with meeting their obligations under the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2019*. It also provides information for agencies on better practice management and internal control structures. All agencies must have regard to the Handbook, which means that agencies must comply with the contents of the Handbook when they apply to agency circumstances.
- Financial Management Tools (the Tools) – the Tools contain a number of examples and consideration points to assist agencies in meeting their obligations under the new financial management legislation and the Handbook. The Tools have been prepared to provide guidance only, and the contents may be modified to meet agency needs and requirements.
- Financial Reporting Requirements for Queensland Government Agencies (FRRs) – the FRRs are issued to assist agencies in the preparation of their annual financial statements. The FRRs consist of six distinct parts:
 - Part 1 – Introduction and Prescribed Accounting Standards
 - Part 2 – Basis of Preparation – contains mandatory policies and non-mandatory guidance on fundamental presentation matters regarding financial statements as a whole.
 - Part 3 – Financial Performance – contains mandatory policies and non-mandatory guidance on matters pertaining to the Statement of Comprehensive Income.
 - Part 4 – Financial Position – contains mandatory policies and non-mandatory guidance on matters relating to the Statement of Financial Performance.
 - 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 Model Financial Statements, for those agencies that are consolidated into the whole-of-Government financial statements. These model statements comply with the FRRs and AASB pronouncements.
 - Part 6B – provides an example set of financial statements, the Future Bay Regional Health Foundation Model Financial Statements, for stator bodies that elect to adopt the AASB's reduced disclosure requirements (Tier 2), in accordance with FRR 2A.5. These model statements comply with the FRR's and Australian Accounting Standards – Reduced Disclosure Requirements.
- Non-Current Asset Policies for the Queensland Public Sector (NCAPs) – the NCAPs are designed to assist agencies in developing a framework for identifying, acquiring, maintaining, disposing of, valuing or revaluing, recording and writing-off assets. The NCAPs are mandatory for agencies, and it is expected that processes which reflect each agency's circumstances and operational characteristics will be adopted.
- Queensland Leasing Approval Policy for Public Sector Entities – these are mandatory guidelines that apply to the lease of all assets, but exclude service arrangements, tenancy leases of real property, a motor vehicle lease obtained from Q-Fleet by a tied client, or public private partnerships. The policy guidelines address asset leasing and related issues, including:
 - The new definition of a lease under AASB 16 and how this differs from the treatment of leases under AASB 117
 - the powers of public sector entities to enter into lease arrangements, including the necessary approval requirements

- the responsibilities of public sector entities to ensure prudent financial management with regard to the lease vs buy decision
- bundling of services in lease transactions; and
- lease documentation and other associated leases.
- A Guide to Risk Management – risk management is the comprehensive process of identifying, assessing and responding to risks. This document is a guide only, not a comprehensive reference for risk management. The guide seeks to add to and contextualise the substantial body of existing material relating to risk management. The guide provides information about both whole of Government and agency-level risks (strategic and operational) and risk management.
- Audit Committee Guidelines: Improving Accountability and Performance – agencies with an audit committee must have regard to these guidelines. The guidelines have been prepared to assist agencies with the establishment and maintenance of audit committees. The guidelines incorporate example reporting, checklists to assist audit committee members in carrying out their duties and other practical tools. The appendices have also been issued in Word format so that the example checklists and reporting can be tailored to meet the requirements within each agency.
- Investment Policy Guidelines for Statutory Bodies – these guidelines are designed to assist statutory bodies in understanding their obligations under the *Statutory Bodies Financial Arrangements Act 1982*, and to provide direction on some of the key considerations which should inform the development of a prudent and appropriate investment policy framework. The guidelines also seek to assist statutory bodies with the preparation of a formal investment policy, which should outline principles and practices for a statutory body to invest in the required manner, and be able to demonstrate it has done so.
- Guidelines for the Formation, Acquisition and Post Approval Monitoring of Companies – the Financial Accountability Act requires the Treasurer to approve the formation or acquisition of a company by departments, and these guidelines outline the various issues that must be addressed by departments in seeking that approval. A statutory body may also be required to seek the approval of the Treasurer to form or acquire a company under either its own enabling legislation or the Statutory Bodies Financial Arrangements Act. Where that is the case, these guidelines may assist a statutory body in obtaining any necessary approvals.
- Company Financial Reporting in the Queensland Public Sector – this policy aims to ensure transparency of public sector companies and to discharge public accountability to the community. The policy requires that where financial statements are prepared in respect of a public sector company, those statements are to be audited by the Auditor-General, and provided to the relevant portfolio Minister for tabling in Parliament. Those statements must also be published on the company's website (or on the website of the company's controlling entity) after the Auditor-General's certification.
- Charter of Fiscal Responsibility – a document that must be prepared by the Treasurer pursuant to the *Financial Accountability Act 2009* which outlines details of the Government's fiscal objectives and the fiscal principles that support those objectives.
- Mid Year Fiscal and Economic Review – an annual document required by the Australian Loan Council's Uniform Presentation Framework. It presents revised fiscal estimates for the current Budget year and the three following years for the General Government, Public Non-financial Corporations and Non-financial Public sectors. These revised estimates take into account fiscal and economic developments since the preparation of the Budget.
- Report on State Finances – an annual report which incorporates both the Outcomes Report and the Consolidated Financial Statements providing a comprehensive view of the financial operations and position of the Queensland Government.

The Queensland State Budget, including a reader's guide, can be accessed at <http://www.budget.qld.gov.au/>.



The Consolidated Fund Financial Report can be accessed at <http://www.parliament.qld.gov.au/work-of-assembly/tables-online-tabled-papers>.

Appendix D – Acronyms and Glossary

Acronyms

The following acronyms have been used throughout this framework:

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ALC	Australian Loan Council
APGs	Accounting Policy Guidelines
ARRs	Annual Report Requirements for Queensland Government Agencies
CBRC	Cabinet Budget Review Committee
DPC	Department of the Premier and Cabinet
FA Act	<i>Financial Accountability Act 2009</i>
FA&A Act	<i>Financial Administration and Audit Act 1977</i>
FMPM	Financial Management Practice Manual
FPMS	<i>Financial and Performance Management Standard 2019</i>
FRRs	Financial Reporting Requirements for the Queensland Public Sector
GAAP	Generally Accepted Accounting Principles
GFS	Government Finance Statistics
GGs	General Government Sector
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
NCAPs	Non-Current Asset Policies for the Queensland Public Sector
PFC	Public Financial Corporations sector
PNFC	Public Non-Financial Corporations sector
SBFA Act	<i>Statutory Bodies Financial Arrangements Acts 1982</i>
SDS	Service Delivery Statements
UPF	Uniform Presentation Framework

Glossary

The following is a collection of financial management and accountability terms used across the Queensland public sector.

Accountability	Responsibility by an officer for performance within delegations and legislation.
Accrual accounting	Recognition of economic events and other financial transactions involving revenue, expenses, assets, liabilities and equity as they occur and reporting in financial statements in the year to which they relate, rather than when a flow of cash occurs.
Administered activities	Administered activities are assets, liabilities, revenues and expenses that an agency administers on behalf of the Government, but over which the agency does not exercise direct control. (Also see controlled activities).
Appropriation	<p>The vehicle by which Parliament approves expenditure of moneys from the Consolidated Fund. Appropriation is the process whereby Parliament gives approval to the Treasurer to issue funds to agencies during the Budget year as the State's contribution to:</p> <ul style="list-style-type: none"> the delivery of agreed services items administered on behalf of the Government adjusting the Government's equity holding in that agency. <p>A total State contribution for each agency is known as the agency's Vote.</p>
Appropriation Bill	<p>Approval of funds by Parliament is of three general types:</p> <ul style="list-style-type: none"> for a particular financial year, the granting of supply and the appropriation of it to particular purposes the ratification of expenditure for particular purposes which the Executive Government has approved as Unforeseen Expenditure in the previous financial year, and for a period in a particular financial year until the Budget can be presented, supply without appropriation to particular purposes. <p>An Appropriation Bill may seek one or all of these types of approvals. Where there is more than one Appropriation Bill in a year, they are numbered e.g. Appropriation Bill No. 2.</p>
Appropriation Revenue	The amount issued by the Treasurer from the Consolidated Fund to the department for the provision of services or for other items administered on behalf of the whole of Government.
Australian Bureau of Statistics (ABS)	A Commonwealth agency that has prime responsibility for National Accounts and Government Financial Statistics data.
Australian Loan Council (ALC)	The body comprising the Treasurers of the Commonwealth, the States and Territories which has responsibility for coordinating the borrowing activities for the Public Sector within Australia.

<p>Budget</p>	<p>The documents presented to Parliament detailing the forecast revenues and expenses by Government for the following financial year, including any capital investment projects. It provides an outline of the Government’s priorities and plans for the coming year, including an outline of the State’s fiscal and economic standing.</p>
<p>Budget Papers</p>	<p>While there may be changes each year, the general structure of the Budget Papers is outlined below.</p> <p><i>Budget Paper 1</i> – contains the Treasurer’s Budget Speech that is formally titled “Appropriation Bill Second Reading Speech”.</p> <p><i>Budget Paper 2</i> – Budget Strategy and Outlook – provides the context and background to the Budget. This includes the Government’s fiscal and economic strategy, key Budget priorities, overviews of revenue and expenses and financial statements for the Government as a whole. It also provides information on recent economic conditions, Queensland’s economic performance, key economic forecasts and State and Commonwealth financial relations. The document also includes a Concessions Statement outlining information on the cost of concessions provided by General Government sector agencies and Government Owned Corporations.</p> <p><i>Budget Paper 3</i> – Capital Statement – presents an overview of proposed capital projects for each agency in a budget year.</p> <p><i>Budget Paper 4</i> – Budget Measures – provides an extensive view of the Government’s policy decisions with budgetary impacts made over the last twelve months.</p> <p><i>Service Delivery Statements</i> – provide budgeted financial and non-financial information for the current and Budget year. The documents comprise a section for each departmental portfolio and one for the Legislative Assembly of Queensland.</p> <p><i>Budget Highlights</i> – provides a high-level summary of the key features of the Budget. It outlines the overall Budget strategy and policies, the main Budget aggregates and economic conditions, and the outlook for the Queensland economy.</p> <p><i>Appropriation Bills</i> – provide for:</p> <ul style="list-style-type: none"> • current year appropriation to fund the cost of delivering departmental services, administered items and equity adjustments in that year • supply for the following financial year to allow the normal operations of government to continue until the Appropriation Bill for the following year receives assent • supplementary appropriation for unforeseen expenditure that occurred in the previous financial year. <p><i>Regional Action Plans</i> – outline the Government’s ongoing investment in the regions and its delivery on key election commitments for the budget year.</p>

Budget Process	<p>The annual process through which the Government determines its resource allocation priorities. Also a generic term for the package of measures presented by Government in the Budget documentation, where:</p> <ul style="list-style-type: none"> • a Budget strategy is developed • financial resources are assessed and allocated • forward estimates are calculated • departmental Budget submissions are prepared and assessed, and • documentation and management of the Budget is carried out.
Cabinet	<p>The key decision-making body of the Executive Government. It is composed of the Premier and other Ministers.</p>
Cabinet Budget Review Committee (CBRC)	<p>As a general supervisory body, CBRC:</p> <ul style="list-style-type: none"> • in conjunction with the Cabinet, reviews and determines macro fiscal strategy for the State • reviews and approves the services and service standards to be delivered by departments, the funds to be provided for services, administered items and equity adjustments, the capital program and its funding sources for each department and the budgeted financial statements for each department, • considers variations to departments' funding allocations throughout the year.
Capital expenditure	<p>Expenditure on assets, including property, plant and equipment, intangible assets and inventories.</p>
Consolidated Fund	<p>Overseen by the Treasurer. Treasury receives, on behalf of the consolidated fund, administered revenues such as taxes, licences, permits and regulatory fees, fines, forfeitures, land receipts, royalties, and general purpose Commonwealth grants. The Treasurer issues funds to departments under Parliamentary appropriation for services, administered items on behalf of the whole of Government and equity adjustments. Consolidated Fund also includes the Treasurer's Consolidated Fund Investment Account, which contains assets set aside to meet future employee and insurance obligations.</p>
Equity	<p>Equity is the residual interest in the assets of the entity after deduction of its liabilities. It usually comprises the agency's accumulated surpluses/losses, capital injections and any reserves e.g. asset revaluation reserve.</p>
Equity Adjustment	<p>A category of Parliamentary appropriation under which the Treasurer may vary the net asset position of a department through either an equity injection or equity withdrawal.</p>
Equity Injection / Withdrawal	<p>An increase / decrease in the investment of the Government in a public sector agency.</p>
Estimates Committee	<p>The Parliamentary Committees that meet to scrutinise the annual Budget through a hearings process to ensure transparency and accountability within the fiscal management process.</p>

Financial Accountability Act 2009	Regulates the financial management of the Queensland public sector – supplemented by the <i>Financial and Performance Management Standard 2009</i> and various policy guidelines and statements.
Fiscal limit	The sum of an agency's appropriation from Government through the Consolidated Fund for services, equity adjustments and administered items. The fiscal limit represents the State's total contribution to the agency for the delivery of services and administered items for the year. The fiscal limit may be adjusted in accordance with CBRC decisions regarding the effectiveness of the department's services in achieving the Government's outcomes.
Forward Estimates	The projected annual position for each year of a five year planning horizon (ie current year, next budget year, plus three out years). Forward estimates are produced on a departmental basis, based on the assumption that there will be no significant change in Government policy.
General Government sector	Authorities that typically provide goods and services at no charge or at below commercial rates such as departments, some statutory bodies and those commercialised business units that provide services only to other General Government enterprises (see also Government Finance Statistics).
General Purpose Financial Report	A financial report intended to meet the information needs of users who are unable to command the preparation of reports tailored to satisfy, specifically, all of their information needs. Most external reports are general purpose financial reports as compared to internal management reports which are usually special purpose reports.
Government Finance Statistics (GFS)	The uniform format developed by the International Monetary Fund (IMF) and adopted by the Australian Bureau of Statistics for presentation of government financial information on a comparable basis between jurisdictions. GFS is disaggregated into three sectors: General Government, Public Non-Financial Corporations and Public Financial Corporations. The GFS presentation provides an assessment of the financial implications of Government outlay and revenue policy decisions.
Loan Council Allocation (LCA)	The borrowing limit endorsed by Australian Loan Council.
Machinery of Government Changes (MOG)	The redistribution of the public business of one government agency to another government agency. Formal transfers of appropriation are carried out under the <i>Financial Accountability Act 2009</i> .
Mid Year Fiscal and Economic Review	A major comprehensive update of the Budget position around the middle of the financial year.
Public financial corporations	Entities that are Government controlled which perform centralised banking functions, or accept demand, time or savings deposits, or that have the authority to incur liabilities and acquire financial assets in the market in their own account – for example, Queensland Treasury Corporation and WorkCover (see also Government Finance Statistics).

Public Non-financial corporations	Non-financial entities that provide goods and services in the market and generally operate on a commercial or quasi-commercial basis – for example, Queensland Rail and the electricity Government-owned corporations.
State Borrowing Program	The process used by Treasury to advise the Queensland Treasury Corporation of the agency borrowings allocations for the coming financial year (including for agencies in the General Government sector, local governments, universities, grammar schools, and water supply and drainage boards).
Statutory Body	Defined in the <i>Financial Accountability Act 2009</i> as an entity that: <ul style="list-style-type: none"> • is established by or under an Act • has control of funds • that includes, or whose governing body includes, at least one member who is appointed under an Act by the Governor in Council or a Minister, or whose appointment is approved by the Governor in Council or a Minister.
Supply	When Parliament approves funding by way of appropriation, Parliament is said to grant supply and appropriate it for particular purposes. When Parliament makes available funds without specifying the purpose to which they must be used (e.g. for the period until the Appropriation Bill for the year is passed) this is customarily referred to as Supply.
Total State Sector	Includes all State Government departments and statutory bodies, public non-financial corporations, public financial corporations and their controlled entities. Also known as whole of Government.
Unforeseen Expenditure	Represents the Governor-in-Council's approval for the Treasurer to issue funds to an agency for which there is no appropriation, pending later ratification by Parliament.
Uniform Presentation Framework	A reporting regime developed by the Commonwealth, State and Territory Governments for the reporting of comparable financial information at whole of Government level.
Vote	The total amount appropriated by Parliament in an annual Appropriation Act for a department. The annual Appropriation Act will show how the total is distributed between departmental services, administered items and equity adjustments.

