Volume 5.0  Reporting Systems

Overview of Volume 5

Volume 5 details reporting obligations under the Financial Accountability Act 2009 and its subordinate legislation, the roles of internal and external audit in the reporting process, and information for the development and production of effective management reports for use by agency management.

The Financial and Performance Management Standard 2009 requires agencies to have regard to the Handbook when establishing their internal control systems and processes. Agencies must comply with the Handbook when they apply to agency circumstances. Agencies will therefore need to be mindful of this requirement when implementing internal financial controls and operational processes.

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Information Sheet 5.1 – Management Reporting

Introduction

Management reporting is the process of providing agency management with timely, accurate and relevant information that is designed to assist in the strategic and operational management of an agency.

This Information Sheet is intended to assist agencies to design and implement effective management reporting.

Benefits of effective management reporting

Effective management reporting is critical to management in making appropriate decisions for the efficient, effective and economical delivery of agency objectives and services.

By focusing on timely and effective management reporting, agencies benefit from:

- improved decision making
- improved management effectiveness
- more efficient use of resources in the delivery of agency services
- increased confidence in the quality of management decisions by agency staff, and
- improved responsiveness to issues as they arise.

Effective management reporting

Developing management reporting structures and formats are fundamental elements in providing agency management and staff with appropriate, accurate and timely information.

For example, reporting provided to senior management would normally be ‘summary’ reports on various aspects of agency operations. These reports would be supported, ideally, by ‘drill-down’ functionality allowing for transactional review by management, if required.

Reporting provided to line management and staff would generally provide more targeted and transactional reporting on agency functions than the higher level management reports. Reporting at the lower level should also be supported by drill-down functionality as a quick and efficient means of reviewing transactional details if needed. Where appropriate, high level summary reports may also be made available to line management.

When designing effective management reports, consideration may be given to:

- presenting reports in form and content that satisfy users’ needs
- recognising specific reporting preferences for users, for example, in the presentation of financial data, some management members may better understand the data when presented graphically, rather than in numeric table form
- ensuring reports are free from bias, errors or material misstatement
ensuring that reports are checked for accuracy prior to release
completing and distributing reports in a timely manner
recognising changing reporting requirements, and adapting reports accordingly
reviewing report formats that may be available from similar agencies, and adopting, after discussion, elements of these reports to enhance the quality of current agency reports, and
seeking feedback from agency management on changes to report formats.

Reports can be set up as standard reports which are generated on a regular basis, or ad hoc reports which are developed in response to specific agency demands.

Standard report formats should provide management with the information required for day to day agency activities and may, depending on user requirements, include:

- reports on key performance indicators, achievement of government commitments, operational/service delivery
- capital project reports, including information such as:
  - budget and actual cost review
  - project timelines
  - project variations, and
  - estimated time to completion.
- budget/forecast versus actual results (financial and non-financial performance), and
- other reports, such as:
  - staffing levels
  - revenue and expenses by line item, program, category, asset class or project
  - schedules of assets, including estimates of remaining useful lives
  - schedules of liabilities, including payment due dates, and
  - cash flow reports.

While the timing of standard reports will differ depending upon the nature of the information, many of the above reports should be prepared and actioned (as appropriate) on a monthly basis.

Ad hoc reports should be available to management in timeframes and formats that allow effective and timely decision making by management. For example, performance reporting on high risk projects might be more regularly reported than those considered to be low risk. A simple ‘traffic light’ approach may be incorporated to draw attention to urgent or problem areas requiring immediate attention.

Assessment of the effectiveness of management reporting can be enhanced through:

- management seeking feedback from users on the format, content and usefulness of reports
- implementation of a formal feedback process
- presentation of options to users (based on management reporting systems capabilities), and
- presentation and discussion of revised formats with users prior to release of revised reports.
Adoption of common report formats

Where agencies share similar functions and processes, opportunities may exist to share management reporting formats leading to a potential improvement in formats which will enhance the effectiveness of management reporting. Another significant benefit in adopting a collaborative approach is a potential reduction in duplication of effort and cost in the design of report formats that may have application across more than one agency.

Internal access to management reports

Access to an agency’s management reports should be determined following an assessment of user needs, report contents, potential benefits to be derived by sharing information and with authorisation by an appropriate level of management. Access to management reports may provide the following benefits to agencies:

- positive improvements in agency operations through a better-informed agency management team
- identification and communication of possible risks to agency operations
- a better understanding of the agency’s operating environment
- improved efficiencies through encouraging greater collaboration within the agency, and
- potential to break down ‘silos’ within agencies through better understanding of the whole of agency operations.

Right to Information Act implications

In the preparation of management reports, agencies should be aware of the provisions of the Right to Information Act 2009, and prepare reports accordingly. Agencies also have to comply with the Government’s commitment to openness and transparency, and agency management reporting should recognise its obligations in this regard.

Related resources

- A Guide to the Queensland Government Performance Management Framework, Department of the Premier and Cabinet
- Better Practice in Annual Performance Reporting, Australian National Audit Office
  http://www.anao.gov.au
- Right to Information, Queensland Government
Further information

If you have any questions concerning the Financial Accountability Handbook, please contact your Treasury Analyst.

Alternatively, email the Financial Management Helpdesk (fmhelpdesk@treasury.qld.gov.au) with details of your query and a response will be provided.
Information Sheet 5.2 – Preparation of Financial Statements

Introduction

The Financial Accountability Act 2009 (the Act) and the Financial and Performance Management Standard 2009 (the Standard) detail the obligations that each accountable officer and statutory body has in the preparation of the agency’s financial statements.

This Information Sheet is intended to assist agencies to meet their obligations in the preparation of the statements mandated by the Act, the Standard and other prescribed requirements.

It also incorporates requirements for the inclusion of the results of controlled entities in agency financial statements.

Prescribed requirements – the Act

Section 62 of the Act prescribes the requirements for the preparation, certification and audit of agency financial statements. The Act also requires the financial statements to be included in the annual report of the department or statutory body. No changes may be made to the financial statements once they have been certified by the Auditor-General (or delegate) and the statements shown in the report must be exactly as certified and not abridged or amended in any way when they are reproduced in the annual report.

Section 77 of the Act prescribes that the accountable officer must delegate responsibility for preparation of financial statements to the chief finance officer. However, the accountable officer remains accountable for the accuracy of those statements.

Prescribed requirements – the Standard

Part 3 of the Standard contains detailed requirements with respect to the:

- preparation of annual financial statements
- preparation of financial statements for newly formed agencies
- preparation of financial statements for abolished departments or statutory bodies, and
- timing for giving annual financial statements to the Auditor-General.

Agencies must prepare their financial statements in accordance with Australian Accounting Standards (unless a statutory body has an approval from the Treasurer not to prepare general purpose financial statements). Departments must comply with, and statutory bodies must have regard to, the minimum reporting requirements contained in the Financial Reporting Requirements for Queensland Government Agencies (FRRs), published by Queensland Treasury. As well as minimum reporting requirements, the FRRs also contain model financial statements. Agencies must also comply with the Non-Current Asset Policies for the Queensland Public Sector, also published by Queensland Treasury.
Annual financial statements
Agencies must negotiate a date to give their annual financial statements to the Auditor-General (or delegate). This date must allow the financial statements to be certified by the Auditor-General within two months after the end of the financial year.

The Standard provides for the Treasurer to extend this date in consultation with the Auditor-General (to a maximum of six months after balance date), but only if a whole-of-Government reason exists which may impact on the financial statement preparation (for example, a significant and late machinery of Government change).

Financial statements for newly formed agencies
Section 44 of the Standard requires newly formed agencies to prepare financial statements from the date of formation until the end of the financial year in which the agency was established.

If the formation date is within four months of the end of the financial year, an approval can be sought from the Treasurer for the financial statements to be prepared from the formation date to the end of financial year following the year in which the agency was established. An approval will generally only be given where a small number of immaterial transactions occurred prior to the end of the first financial year. The relevant Minister is required to table a notice in Parliament stating that the agency’s financial statements for that period will be included in the following year’s financial statements.

Final financial statements for abolished agencies
Sections 47 and 48 of the Standard detail the requirements for the preparation of final financial statements by abolished agencies.

Final financial statements must be prepared at the date of abolition of the agency, being either the gazettal date (department) or repeal date (statutory body). Preparation of final financial statements must have regard to the following:

- If the financial statements for the previous financial year have been certified and audited prior to the abolition date, the final period will be from the day immediately after the end date of the previous financial year’s financial statements until the abolition date.

- If the financial statements for the previous financial year have not been certified and audited prior to the abolition date, the accountable officer or statutory body has an option to have the final period from either:
  - the beginning of the previous financial year until abolition date, or
  - from the day immediately after the end date of the previous financial year’s financial statements until the abolition date.

The final financial statements must be certified by the former accountable officer and former chief finance officer (departments) or the former chairperson and former responsible person (statutory bodies). If the person previously in one of these positions is no longer available to certify the financial statements, the Treasurer will appoint a person to assume the responsibility.

The former accountable officer for an abolished department, or the former appropriate Minister for an abolished statutory body, must give the final financial statements to the Auditor-General by the date agreed between the former accountable officer / Minister and the Auditor-General.
Consolidation of controlled entities

FRR 2G Consolidated Financial Statements and Controlled Entities provides guidance on the definition of a controlled entity of an agency.

For public sector agencies, 'control' may be determined with reference to legislative or executive authority or administrative arrangements, including whether:

- Ministerial approval is required for the agency's budget
- the Minister or a central authority has the power to appoint and/or remove members of the board of management
- Ministerial power of control and direction exists, or
- the State is entitled to receive the residual net assets of the agency in the event it is wound up.

Where it is determined that the entity is a controlled entity, FRR 2G outlines disclosure and consolidation requirements that apply to both the parent and controlled entities.

Benefits of an effective system of internal controls in the preparation of financial statements

Benefits of effective internal controls over the preparation of financial statements include:

- Financial statements can be completed on time, are relevant and present a true and fair view of the financial performance and position of the agency.
- Information in the statements will be understandable to users and comparable to other public sector entities.

Volume 3 of the Financial Accountability Handbook contains information about the development, implementation and operation of agency systems of internal controls and processes.

Financial statements preparation planning

The preparation of annual financial statements requires good forward planning, effective management of systems and professionally qualified and experienced accounting staff.

Other key considerations include:

- Has there been consultation with the finance/audit committee to agree dates to review the financial statements prior to certification?
- Has there been consultation with outsourced service providers on processing, cut offs and timing requirements for the preparation of agency financial statements?
- Has a financial statement preparation timetable been prepared and communicated to all relevant staff, including key responsibilities and completion dates? Critical dates may include:
  - preparation and analysis of key reconciliations and completion of stocktakes
  - general ledger cut-off dates (for example, for bank accounts and other transactional ledgers)
- preparation of a financial statements template (that is, the format of the financial statements without the numbers)
- preparation of draft notes to the financial statements
- availability of completed draft financial statements for review
- date for certification of financial statements
- audit committee review date, and
- date for submission of draft financial statements to external audit.

- Have agency staff been made aware of Whole-of-Government reporting requirements prior to commencing the preparation of the agency's financial statements?
- Have staff been made aware of any changes in the prescribed requirements, to ensure compliance with the new requirements?
- Has communication with controlled entities detailed their obligations with respect to consistent accounting policy treatments and dates for completion and submission of their financial information (for either consolidation or note disclosure purposes)?
- Have regions been made aware of their responsibilities in the financial statement preparation process (for example, undertaking inventory or property, plant and equipment stocktakes, and identifying year end accruals)?
- Have all control and subsidiary ledger accounts been reconciled and reconciling items followed up before end of financial year ledger closures?
- Are asset stocktakes, valuations and impairment assessments scheduled for completion within reasonable time for the results to be reviewed and any action taken?
- Have significant accounting policy matters been discussed with external audit to ensure timely resolution of any issues?
- Have internal and external audit met and agreed on the work to be undertaken, if any, by internal audit in the review of the financial statements?
- Are regular update meetings planned with external audit to monitor progress of the audit and issues arising?

Preparation of detailed working papers for each material account balance will assist in a smooth audit process. The working papers should reference supporting documentation, such as reconciliations, results of stocktakes, confirmations from external parties and information about significant assumptions used in the calculation of balances. The working papers should also be cross-referenced to the general ledger.

**Strategies for earlier financial statement preparation**

As mandated in the Standard, agency financial statements must be completed and audited within two months after the end of the financial year. Strategies that can ensure this timeframe is met may include:

- use of ‘early close’ procedures. This occurs when an agency closes its ledgers near to but before the end of the financial year (for example, at the end of the third quarter, or at the end of the eleventh
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month), and draft financial statements are prepared and a preliminary audit conducted. This should allow the end of year closure to focus on subsequent transaction analysis and audit.

- preparation of monthly, quarterly or six-monthly financial statements. By preparing such statements (supported by appropriate working papers) regularly, agencies have the opportunity to refine their preparation processes.
- early preparation of proforma financial statements which include all comparative information, updated accounting policy notes and application of new/amended accounting standards and Queensland Treasury policies.
- early resolution of accounting issues for all one-off, complex or significant transactions and changes in accounting policies or estimations.
- reconciliation and analysis of balance sheet control accounts on a quarterly basis.
- performing regular variance analysis with meaningful explanations, for actuals versus original budget, and actuals versus previous year’s year-to-date actuals. This may assist departments with identifying emerging issues or unusual transactions which need investigation.
- regular reconciliation and review of control and suspense accounts.
- regular reporting on contingent assets and liabilities.
- early completion of all asset (including inventory) stocktakes, including the investigation of any discrepancies.

Service providers and financial statement preparation

Where agencies outsource preparation of their financial statements, the agency should communicate early with the provider to ensure a clear understanding of the extent of work required and the timeframes to complete the work. The agency remains responsible for the financial statements, and it is important that a quality assurance process be undertaken.

Whole-of-Government reporting

For agencies included in the consolidated whole-of-Government or general government sector financial statements, the planning process outlined above should include reference to the processes and key dates for inputting data into the Tridata system. Information about the requirements for the whole-of-Government consolidated reporting will be released in Treasury Financial Circulars. Further information (including previous Financial Circulars) is available from the Tridata intranet website at: http://tridata.treasury.qld.gov.au/treasury/

Related resources

- Australian Accounting Standards Board
- Financial Reporting Requirements, Queensland Treasury
- Non-Current Asset Policies for the Queensland Public Sector, Queensland Treasury
  http://www.treasury.qld.gov.au

**Further information**

If you have any questions concerning the Financial Accountability Handbook, please contact your Treasury Analyst.

Alternatively, email the Financial Management Helpdesk (fmhelpdesk@treasury.qld.gov.au) with details of your query and a response will be provided.
Information Sheet 5.3 – Financial Record Management

Introduction

Section 15(g) of the Financial and Performance Management Standard 2009 (the Standard) requires agencies to establish a financial information management system. An effective system is one of the essential functions supporting the preparation of an agency’s financial statements and management reports, through:

- verification of the completeness and accuracy of data
- assistance in the completion of the audit process, and
- reduction in the opportunity for fraud.

This Information Sheet is designed to assist agencies in understanding their obligations in the management of their financial records, as well as referring to specific legislative and regulatory requirements that apply to this area of agency processes.

Prescribed requirements

Section 27 of the Standard requires agencies, when developing and implementing a financial information management system, to:

- apply the mandatory principles contained in Information Standards 18
- ensure the system aligns with targets stated in the Queensland Government Enterprise Architecture (QGEA), which is managed by the Queensland Government Chief Information Office (QGCIO), and
- comply with the provisions of the Public Records Act 2002.

QGCIO works with Queensland Government agencies, industry and the tertiary education sector to develop and implement information management strategies for the State. QGCIO has released Information Standards (IS) relating to records management including:

- IS 31 – Retention and Disposal of Public Records, and
- IS 40 – Recordkeeping.

Under the Public Records Act 2002, Queensland State Archives has responsibility for developing and promoting efficient and effective methods, and procedures and systems for making, managing, keeping, storing, disposing, preserving and using public records. Queensland State Archives is also responsible for making decisions about the disposal of public records. To assist agencies with their record management, Queensland State Archives has released a number of policy and guidance documents, including:

- Guideline for Recordkeeping

Please note the term ‘information standards’ is a legacy term and it is being progressively replaced by the QGCIO with ‘policy’ which is equivalent in function. Both the mandatory principles contained in the information standards and requirements contained in the policies issued under the QGEA are to be applied.
Forms of financial records

Financial records take the form of paper records (for example, paper invoices), electronic records (for example, on-line transaction approvals and email), and digital records (for example, paper records scanned into a digital format). Each of these forms of financial records requires specific consideration, for example:

- Paper records require adequate and appropriate storage facilities. Considerations may include location, accessibility, protection from disaster and prevention of deterioration. Complexities may arise for agencies with regionalised functions, particularly with providing auditors with access to original documents when required.

- Electronic records require sufficient hardware capabilities to securely store the information. In addition, the records must continue to be easily accessible for as long as they are required for business purposes, and the system must be able to ensure that records cannot be altered.

- Digital records, being a specific form of electronic data, require similar security, access and retrieval processes. Additionally, the systems must ensure that records remain authentic reproductions of original documents, which would be a particular issue where a digital copy of a document is presented as evidence in a legal action.

While these specific needs may exist, there are a number of basic principles which must be considered with all financial record systems. *IS 40 Recordkeeping* contains the mandatory principles to assist agencies meet their obligations in ensuring that full and accurate records of agency business activities are adequately documented, preserved and made accessible:

- Principle 1: Public authority recordkeeping must be compliant and accountable
- Principle 2: Recordkeeping must be monitored and audited for compliance
- Principle 3: Recordkeeping activity must be assigned and implemented
- Principle 4: Recordkeeping must be managed
- Principle 5: Recordkeeping systems must be reliable and secure
- Principle 6: Recordkeeping must be systematic and comprehensive
- Principle 7: Full and accurate records must be made and kept for as long as they are required for business, legislative, accountability and cultural purposes.
Agencies also need to consider backup and contingency plans, to mitigate the impacts of records being damaged or destroyed.

Retention and disposal of financial records

Queensland State Archives has released the General Retention and Disposal Schedule for Administrative Records (GRDS), which contains minimum retention periods for common administrative records. While agencies do not need to refer to Queensland State Archives when destroying records under the provisions of the GRDS, any disposals must be appropriately approved within the agency, and records detailing the destruction of public records retained for accountability purposes.

For core business records not covered by the GRDS, agencies may be covered by a sector-wide schedule (for example, the University Sector Retention and Disposal Schedule). Where they are not covered by a sector-wide schedule, agencies are required to develop an agency-specific retention and disposal schedule, and Queensland State Archives is able to assist agencies in this process. Once approved, agencies must regularly review their agency-specific retention and disposal schedule to ensure it remains current.

IS 31 Retention and Disposal of Public Records outlines the documentation that must be retained following the disposal of public records.

When destroying records, agencies should assess the sensitivity of the records and, where appropriate, use methods that completely destroy the records, that is, ensuring that reconstruction of the information is not possible.

Retention of original documents

Agencies may make a business decision to digitise documents rather than retaining original hard copy documents, for example, to address physical storage issues.

Queensland State Archives has issued a number of documents applicable to the digitisation, and subsequent disposal, of documents, such as:

- Digitisation Disposal Policy
- Digitisation Disposal Policy Toolkit – Assessing Eligibility of Paper Records for Early Disposal after Digitisation, and
- General Retention and Disposal Schedule for Original Paper Records that have been Digitised.

Under these policies, agencies must meet a number of requirements before they can dispose of digitised documents, including (but not limited to):

- implementing systems to ensure the information can be appropriately captured and managed, including ensuring the integrity the information and future system capabilities
- having processes in place to obtain quality assurance, that is, ensuring that the information is completely and accurately digitised, and
- undertaking a risk assessment and business need analysis, and determining appropriate periods to retain original records.
Under the Digitisation Disposal Policy, only low risk, temporary original paper records which have been digitised are eligible for destruction. In assessing 'low risk', the Digitisation Disposal Policy provides that "public authorities must have assessed the need to retain the original paper record based on any ongoing legal, business or other requirements as low risk".

In assessing 'legal, business or other requirements', agencies should consider the possibility of auditors (internal or external) requesting original hard copy documents.

**Information security**

The Standard also requires agencies to ensure that financial information is secure (section 27(3)(d)). Agencies must develop, document, implement and review appropriate security controls to protect information from unauthorised use or accidental modification, loss or release.

*IS 18 Information Security* published by QGCIO contains 10 mandatory principles. IS 18 applies to Queensland Government departments but is to be followed by all accountable officers and statutory bodies when implementing financial information management systems in accordance with section 27(3) of the Standard.

**Changing or introducing information management systems**

Agencies should regularly assess whether their financial information management system is operating efficiently, effectively, economically and as intended.

Section 27(4) of the Standard prescribes that before introducing or significantly changing a financial information management system, the accountable officer or statutory body must consult with:

- the head of internal audit for the department or statutory body
- the authorised auditor for the department or statutory body
- for a department, the chief finance officer, and
- for a statutory body, the person responsible for the financial administration of the body.

Staff with responsibility for an agency’s recordkeeping program should also be consulted during the design, review and implementation of revised or new information management and storage systems to ensure that public records are captured, stored and maintained as outlined in *IS 40 Recordkeeping*.

Agency financial management practice manuals should also be updated to record any changes in information management systems.

**Related resources**

- Queensland Government Chief Information Office
- Queensland State Archives
Further information

If you have any questions concerning the Financial Accountability Handbook, please contact your Treasury Analyst.

Alternatively, email the Financial Management Helpdesk (fmhelpdesk@treasury.qld.gov.au) with details of your query and a response will be provided.
Information Sheet 5.4 – Audit Role in Financial Statements Preparation

Introduction

Section 62 of the Financial Accountability Act 2009 (the Act) prescribes that each accountable officer and statutory body must prepare annual financial statements for the agency in accordance with the prescribed requirements.

Neither internal nor external audit are responsible for the preparation of the financial statements of an agency; this is the responsibility of the accountable officer or statutory body, supported by the officer responsible for the preparation of the financial statements (for departments, the chief finance officer; for statutory bodies, the nominated officer).

This Information Sheet outlines the role of internal and external audit in the preparation of agency financial statements.

Role of internal and external audit

The following describes the responsibilities in the financial reporting process.

Agency management

Agency management is the owner of the control environment and financial information, including the notes accompanying the financial statements and disclosures in the financial report.

Internal audit

The internal audit function, while having no direct responsibility in the preparation of financial statements, can provide valuable assistance, for example, in providing advice regarding appropriate accounting treatments for certain transactions. Internal audit can also assist by reviewing the financial statements, or sections thereof, to ensure they fairly represent transactions or disclosures, and comply with prescribed requirements.

Internal audit may also assist with the quality assurance of the financial statements and may complement and assist the external audit process. There should be discussions between internal and external audit regarding the assistance to be provided by internal audit (refer to Information Sheet 2.9 – Internal Audit for further information about external audit reliance on the work of internal audit).

External audit

Under the Auditor-General Act 2009, the Auditor-General is responsible for the annual external audit of each public sector entity in Queensland.

The Auditor-General (or delegate) will examine the agency’s financial statements in order to express an opinion as to whether they present a true and fair view of the transactions, financial position and cash flows of the agency, and are in accordance with prescribed accounting standards.

Section 40(3) of the Auditor-General Act also requires the Auditor-General (or delegate) to express an opinion as to whether:
all information and explanations have been received, and

the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects.

The Auditor-General of Queensland Auditing Standards identify additional facets of public sector external auditing, including:

- reviewing the probity and propriety of matters associated with the management of public sector agencies, and
- assessing compliance with relevant Acts, regulations, Government policies and other prescribed requirements.

In accordance with the Financial and Performance Management Standard 2009, agencies must agree with the Auditor-General a date that the statements will be given to external audit. Agencies should also provide external audit with a copy of the financial statement preparation timetable that schedules completion dates for tasks (refer Information Sheet 5.2 – Preparation of Financial Statements).

While external audit may highlight discrepancies noted in their review of the financial statements, it is not their responsibility to identify errors and other discrepancies on behalf of the agency. Agencies must conduct their own quality assurance of the financial statements prior to submission to the Auditor-General.

In the event external audit does note a material error or discrepancy, the issue will be raised with agency management. While management may elect not to amend the financial statements for errors or other problems identified by the external auditors, where external audit believe that an uncorrected material misstatement is contained in the financial statements, a modified independent auditor’s opinion may be issued.

Accordingly, external audit and agency management should attempt to reach agreement, where possible, that the effects of those uncorrected financial report misstatements found by the auditor during the audit are immaterial, both individually and in the aggregate, to the financial report taken as a whole.

**Related resources**

- Queensland Audit Office
  www.qao.qld.gov.au
- The Institute of Internal Auditors – Australia
  www.iia.org.au

**Further information**

If you have any questions concerning the Financial Accountability Handbook, please contact your Treasury Analyst.

Alternatively, email the Financial Management Helpdesk (fmhelpdesk@treasury.qld.gov.au) with details of your query and a response will be provided.
Information Sheet 5.5 – Annual Reports

Introduction

Section 63 of the Financial Accountability Act 2009 (the Act) prescribes that accountable officers and statutory bodies must prepare annual reports for their agency in accordance with the requirements set out in the Financial and Performance Management Standard 2009 (the Standard).

This Information Sheet is designed to provide assistance to agencies with the preparation and tabling of their annual reports.

Purpose of annual reports

Annual reports are key accountability documents that provide information to users about the achievements, performance and financial result of the agency for the financial year. The report also provides commentary on the outlook for the future direction of the agency. Users of annual reports include the public, members of Parliament, the media, other agencies and the agency itself.

Legislated contents of annual reports

Section 50 of the Standard provides that the annual report of a department or statutory body must include:

- the annual financial statements, including the management and audit certificates, and
- the information required by the Annual Report Requirements for Queensland Government Agencies as prepared and released by the Department of the Premier and Cabinet.

When reproducing the financial statements in the annual report, they must be exactly the same as those audited and certified by the Auditor-General (or delegate). No changes, however minor, are permitted.

Timeframes for preparation and tabling

The Standard provides the mandatory timeframes for the preparation and tabling of annual reports in Parliament. The legislation covers normal annual reports, annual reports of newly formed agencies, and annual reports of abolished agencies.

Normal annual reports

Section 49 of the Standard requires the appropriate Minister to table an agency’s annual report in Parliament within three months after the end of the financial year. While there is no specified timeframe for agencies to give the annual report to the Minister, this will be a matter of negotiation between the agency and the Minister. The period will generally be dependent on the length of time the Minister needs to review the annual report before tabling. In exceptional circumstances, the appropriate Minister may approve an extension to the tabling period.
If the Minister is responsible for a number of statutory bodies, then the Minister can table a summary report in Parliament, as outlined in section 51 of the Standard.

**Annual report of newly formed agency**

Section 52 of the Standard requires a newly formed agency to prepare and table an annual report in Parliament, complying with the same timeframes applicable to normal annual reports.

If, however, the agency was formed within four months before the end of the financial year, then the Treasurer may allow the first annual report to be prepared at the end of the following financial year (section 52(4)). This will generally only be approved where the agency has had minimal activity and transactions to the end of the first financial year. This extended first annual report will generally be approved in conjunction with an extended first financial statement period (refer to *Information Sheet 5.2 – Preparation of Financial Statements*).

**Final report of abolished agency**

An abolished agency must prepare a final report to the date of abolition. Section 53 of the Standard requires, within one month after the Auditor-General (or delegate) certifies the final financial statements of the abolished agency, the final report is to be given to the former appropriate Minister (as defined in the Standard’s Dictionary), who must then table the final report in Parliament within 14 days.

**Design of annual report**

While the overall design of an agency’s annual report is at the discretion of the accountable officer or statutory body, the *Annual Report Requirements for Queensland Government Agencies* details minimum content requirements and other matters to be considered in the annual report’s preparation.

The design should reflect the requirements of the prime users of the report and provide them with the appropriate information to make informed decisions concerning the results of the agency’s operations. If there is doubt over the inclusion, or otherwise, of information that is not mandatory, it should be included if it assists users to better understand the agency and its services.

The following key principles should be considered when designing an annual report:

- simplicity – the annual report should be written in such a way that someone without specialist industry or financial knowledge can benefit equally to those that have.

- clarity – it should be laid out coherently and organised in such a way that key information is easy to find and understand, and more complex issues are clearly explained.

- consistency – users will expect to be able to track progress on key issues over time and make comparisons with previous years.

- conciseness – there is a lot to cover in a well prepared annual report and the content should be precise and to the point.

The *Standards Australia* publication HB405-2004 *Disclosure and Transparency Frameworks* may provide agencies with further guidance on disclosure and transparency to improve their statutory reporting.
Planning for and preparing the annual report

Preparation of agency annual reports requires detailed planning in order to meet tabling deadlines and comply with mandated reporting obligations, including:

- Assigning overall responsibility for coordinating the preparation of the annual report:
  - Generally a single person or area will be assigned responsibility, for example, a communications division. Larger agencies may use a steering committee, or similar, to oversight the annual report preparation process.

- Allocating responsibility for specific sections of the annual report:
  - Various officers within an agency may be allocated the responsibility for preparing specific sections of the annual report, or parts of specific areas within the annual report.

- Establishing a timetable:
  - Planning for the preparation of the annual report should commence as early as possible. While some sections of the annual report cannot be completed until the financial statements are finalised (for example, summary financial information), work on the overall design and content can commence earlier. Regular meetings should monitor progress against the timetable. It is important for the timetable to factor in additional time in case of delays, overruns and last-minute changes.

- Determining the design of, and any key issues for inclusion in, the annual report:
  - Decisions can be made regarding the design of the report. There may be key themes or issues that are to be included in the annual report, for example, if the agency is to be involved in a major project, then this could be highlighted in several places in the annual report.

- Final proofreading of the annual report:
  - Once the annual report has been finalised, the report should be checked for accuracy and consistency. It may be beneficial for an officer independent of the preparation process, or an external proofreader, to check for the following:
    - incorrect or missing dates
    - incorrectly titled photographs or tables
    - missing paragraphs or pages
    - numbers not adding up correctly
    - comparative figures incorrect
    - inconsistency of information between different sections of the annual report (for example, figures in the annual report differ to the financial statements, such as FTEs)
    - financial statements not identical to certified originals
    - spelling, typing, grammatical and formatting errors, and
    - incorrect section names or page numbers in the contents page/index.

Information about the production process, including number of copies required, is available in the Annual Report Requirements for Queensland Government Agencies.
Related resources

- Annual Report Requirements for Queensland Government Agencies, Department of the Premier and Cabinet

- Disclosure and Transparency Frameworks, HB405-2004, Standards Australia (purchase required)

Further information

If you have any questions concerning the Financial Accountability Handbook, please contact your Treasury Analyst.

Alternatively, email the Financial Management Helpdesk (fmhelpdesk@treasury.qld.gov.au) with details of your query and a response will be provided.