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To: AASB Mailbox
Cc: Brigid Bourke <Brigid_Bourke@health.qld.gov.au>;
Narinder Singh Narinder_Singh@health.qld.gov.au
Subject: ED 212 Submission

Dear AASB Representative,

Queensland Health welcomes the opportunity to respond to the Australian Accounting Standards Board's exposure draft ED 212 Not-for-Profit Entities within the General Government Sector.

Queensland Health does not support most of the proposals within this exposure draft - particularly the proposals to present GAAP/GFS harmonised information and budgetary information.

Please find attached our summarised response.

Any queries regarding this response should be directed to myself via email fin_corro@health.qld.gov.au.

Regards,
Michelle Hollamby

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Queensland Health Response to AASB ED 212 *Not-For-Profit Entities within the General Government Sector*

Queensland Health's (QH) response in relation to each of ED 212's specific matters for comment follow:

(a) Whether the proposals would lead to an overall improvement in general purpose financial reporting by not-for-profit entities within the GGS?

QH does not believe the proposals will lead to an overall improvement for reasons including the following:

- The Government Finance Statistics (GFS) reporting framework is highly specialised, complex and specifically designed for macro economic analysis of a Government's financial performance, not the performance of the individual department itself. Therefore, it is difficult to conceptually support the application of GFS principles in relation to the financial report.
- Apart from the Australian Bureau of Statistics (ABS), the GFS reporting framework and concepts are currently understood by very few staff in QH, let alone the users of the AFS. QH questions whether this additional information would be necessary at this level of reporting.
- Presentation of unfamiliar (non-GAAP) financial information in an unfamiliar format likely to lead to confusion by users and incorrect conclusions may be drawn due to the lack of understanding of GFS concepts.
- Attempts to compare financial results between the other state health departments may be hampered by the inevitable structural differences between jurisdictions. The use of GFS terminology and the proposed presentation format does not remedy this.

(i) the proposal to limit the entities affected by the proposals in this ED to Not-For-Profit (NFP) entities within the GGS. In particular the Board seeks comment on whether the proposals should also apply to for-profit entities within the GGS.

Consistency in reporting between all for-profit entities (whether they are in the public or private sector) should be the most important consideration.

(ii) the proposal that the version of the ABS GFS Manual to be applied is a version that was effective at the beginning of the previous annual reporting period or any version effective at a later date, rather than necessarily the latest version.

QH supports this proposal, as it provides flexibility for adoption of any GFS Manual changes. This should allow us time to identify, understand and implement such changes.

(iii) the proposal to limit GAAP recognition and measurement options to those that align with GFS and thereby require the same accounting policies as those adopted under AASB 1049 for whole of governments and the GGSs.

No comment.

(iv) the proposal to require disclosure, under both Tier 1 and Tier 2 requirements, either in the financial statements or in the notes, of information based on GAAP/GFS harmonised classification and presentation principles for controlled items and, separately, administered items (including classification of income and expenses as transactions and other economic flows, and classification and presentation of cash flows from investing activities for policy purposes and liquidity management purposes).

Consistent with our responses above, QH does not support this proposal for reasons including:

- the GFS framework is designed for macro economic purposes, there is no conceptual basis for mandating GFS presentation that comprises the GGS, as outlined by Queensland Treasury.
- the insertion of additional line items within already complex financial statements would clutter the overall presentation and readability of the AFS.
- the GFS reporting framework and concepts are not understood by most users of QH's general purpose financial statements.
- The presentation of unfamiliar (non-GAAP) information within a set of GAAP financial statements is likely to lead to confusion by users, and incorrect conclusions may be drawn upon due to a lack of understanding of GFS concepts.

In relation to this proposal, the Board is particularly interested in comments on:

A. whether the on-the-face of in-the-notes presentation option should be allowed and, if not, whether on-the-face presentation of GAAP/GFS harmonised information should be prohibited given the potential for complexity?

QH supports prohibition of GAAP/GFS harmonised information on the face of the financial statements. The inclusion of such information on the face of the statements may require the QH's budget to be reformatted to GFS presentation to allow proper comparability in presentation of any budget vs. actual comparison on the face of those statements.

B. the proposal to require disclosure of GAAP/GFS harmonised classification information at line item level, where it is presented in the notes ; and whether information at the line item level would be more beneficial than at the GFS category level?

It is assumed "line item level" refers to the line items presented on the face of the financial statements (as opposed to the breakdown in the notes). QH would also strongly recommend against requiring disclosure of GAAP/GFS information at the level of detail provided in note disclosures.

(v) the proposal to require AASB 1050 to continue to apply to Government Departments, to the extent its requirements are not satisfied by the proposals in this ED.

QH supports this proposal.

(vi) the proposal to require disclosure, under both Tier 1 and Tier 2 requirements, of any original budgeted financial statements reflecting controlled or administered items presented to parliament, recast to align with the presentation and classification adopted in the primary financial statements and accompanying information about administered items or the GAAP/GFS harmonisation note (whichever is judged to be the more useful) and an explanation of variances.

QH does not support this proposal for practical reasons, such as:

- equivalent disclosures (between the original budget and estimated actual figures for that year) are disclosed already in the annual budget papers.
- the proposals do not clarify the level at which budgeted financial information is to be presented within the general purpose financial statements. In conjunction with the presentation of controlled and administered budgetary information, inclusion of budgetary information for lower levels within QH would add a substantial volume of material to the financial statements.
- In relation to administered items, the appropriateness of disclosing budget vs. actual figures and explanation of variances is questionable. Accountability for administered transactions and balances is satisfied at a whole-of-Government level.

- QH budget is not generally subject to audit scrutiny. Due to the processes by which budgets are developed, the inclusion of such information in audited financial statements is likely to cause difficulties for both preparers and auditors. New processes will need to be implemented to avoid potential for auditors issuing an “emphasis of matter” opinion regarding budget information included in the financial statements.

(vii) the proposals relating to other disclosures, from both a Tier 1 and Tier 2 perspective, in particular relating to:

A. requiring information to be disclosed in the accounting policy note, including disclosures about the version of the ABS GFS Manual adopted and, where relevant, a later version

QH does not support this proposal.

B. not requiring disclosure of disaggregated information, except to the extent it continues to be required by AASB 1052 for government departments

QH supports this proposal.

(viii) the proposal to provide no specific transitional requirements, except to require and entity to change the elections it previously made under AASB 1 to the extent necessary to comply with the ABS GFS manual

No comment.

(ix) unless already provided in response to other specific matters for comment relating to disclosures, the proposal to exempt entities adopting Tier 2 requirements from certain disclosures

No comment.

(x) the illustrative examples, and whether they provide guidance that is appropriate/helpful in implementing the proposals

QH would see these examples of further benefit by the inclusion of the presentation of GAAP/GFS information only in the notes to GAAP financial statements.

(xi) the proposed operative date

Given the practical implications of the ED’s proposals QH supports an operative date that is at least three years after the issue of an eventual standard as stated in paragraphs 3-4 and BC48.

(b) Unless already provided in response to specific matter for comment (a) above, whether overall, from both a tier 1 and tier 2 perspective, the proposals would result in financial statements that would be useful to users?

QH does not believe the proposals would result in financial statements that would be of benefit to users for reasons including:

- The GFS framework is highly specialised, complex and specifically designed for macro economic analysis of a Government’s financial performance, not at a Department level.
- The GFS reporting framework and concepts are not understood by most users of the QH general purpose financial statements.
- Presentation of unfamiliar (non-GAAP) information is likely to lead to confusion and incorrect conclusions by users, due to a lack of understanding of GFS concepts.
- AASB 101 *Presentation of Financial Statements* (para’s 55,77 and 85) already allows inclusion of additional line items, headings and sub-totals if deemed applicable by

the Department and Treasury. Therefore, mandating the inclusion of GFS information in circumstances where it is not considered relevant to users cannot be regarded as an improvement.

(c) Whether the proposals, from both a tier 1 and tier 2 perspective, are in the best interests of the Australian economy?

Like Queensland Treasury we agree the significant additional effort that would be incurred by the public sector to comply with these proposals and the ever-increasing resource challenges on governments to deliver value-for-money to taxpayers, QH does not consider the proposals are in the best interests of the Australian economy.

(d) Unless already provided in response to the specific matters for comment above, the costs and benefits of the proposals relating to both Tier 1 and Tier 2 requirements relative to the current requirements, whether quantitative (financial or non-financial) or qualitative.

QH is not aware of any unmet user information needs that would be satisfied by the proposals in this ED.

The additional effort and costs that would result from the proposals in this ED are likely to present a significant challenge to QH to meet these further requirements.