

**QUEENSLAND POLICE SERVICE**

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Our Ref: DOC11/571405

Your Ref:

27 October 2011

Mr. K Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
COLLINS STREET WEST VIC 8007

Dear Mr. Stevenson

**AASB ED 212 Not-for-Profit Entities within the General Government Sector**

The Queensland Police Service appreciates the opportunity to provide comments to the Australian Accounting Standards Board's Exposure Draft ED212 Not-for-Profit Entities within the General Government Sector.

The Queensland Police Service does not support many of the proposals in this exposure draft predominantly for cost/benefit reasons and limited usefulness that the proposed changes will present to users of this department's financial statements. An explanation of this department's views in relation to each of the specific matters for comment in the exposure draft are outlined in Attachment A to this letter.

If you have any questions regarding this response, please contact Mr. Nick Viles, Manager Financial Accounting Services Branch, Finance Division, on (07) 3364 6307 or via email to [Viles.Nickj@police.qld.gov.au](mailto:Viles.Nickj@police.qld.gov.au).

Yours sincerely

**ROD WILSON**  
**(CHIEF FINANCE OFFICER)**  
**EXECUTIVE DIRECTOR**  
**FINANCE DIVISION**

**QUEENSLAND POLICE SERVICE RESPONSE TO AASB ED 212  
NOT-FOR-PROFIT ENTITIES WITHIN THE GENERAL  
GOVERNMENT SECTOR**

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

The Queensland Police Service (Department of Police) offers the following comments with reference to Tier 1 reporting.

This Department does not believe the introduction of the proposed changes would be of benefit to end users and if implemented, would provide only a limited overall improvement to general purpose financial reporting for government entities as further outlined below:

After reviewing the proposals and information published on the AASB website, the preparers of this Department's financial statements found the GFS reporting framework complex in nature. Due to this complexity, it is highly unlikely that external users of this Department's financial statements will understand Government Finance Statistics (GFS) reported financial information or find it useful.

In addition, the data required to prepare GFS financial information will be difficult to obtain or collate and a preliminary analysis indicates it would be cost-ineffective to do so. Users are unlikely to be able to understand reported GFS financial information, particularly due to the detraction from current reporting formats, and as a result make mis-informed judgements or incorrect conclusions regarding the financial information presented. This will lead to inefficiencies arising from increased administration costs for this Department in responding to questions-on-notice and public information requests to address matters raised on the financial information presented.

***Irrespective of your response to this general question, the AASB would value specific comments on:***

- (i) the proposal to limit the entities affected by the proposals in this Exposure Draft to not-for-profit entities within the GGS. In particular, the Board seeks comment on whether the proposals should also apply to for-profit entities within the GGS (see paragraphs 2 and BC10-BC13)***

This Department is a not-for profit entity and is not in a position to provide specific comments on the application of this exposure draft to for-profit entities. However, by way of general comment, provided that the disclosure requirements are both relevant and reliable to financial statement users of both for-profit and not-for-profit entities, consistency in reporting should be considered.

- (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 (see paragraphs 9 and BC14-BC15).*

Supported - on the basis of adequate time to implement the 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 (see paragraphs 10-12 and BC16-BC25).*

Supported – will help with consistency in reporting. This Department is obliged to comply with Queensland Treasury reporting requirements which includes the adoption of accounting policies that are consistent with GFS where GAAP allows. This Department has not identified any significant cost implications under this proposal.

- (iv) *the proposal to require disclosure, under both Tier 1 and Tier 2 requirements, either in the financial statement 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) (see paragraphs 13-18, 22 and BC26-BC35).*

This Department (as a tier 1 reporting entity) does not support this proposal.

By way of information, administered items are currently included in the notes to this Department's financial statements as administered revenues, expenses, assets and liabilities. This Department does not currently disclose cash flow information for administered items.

As stated under paragraph (a) above, the GFS reporting framework and concepts have been assessed by this Department's financial statement preparers as complex in nature and as a result, the relevance and usefulness of GFS reported information at departmental level, particularly for administered items, is questionable. Given that this department plays an agency role for administered transactions, additional specific reporting for administered items will not value-add to the information requirements for users of the financial statements. It is considered that the inclusion of additional line items to an already full set of financial statements will diminish the readability and usefulness to users of the financial statements.

In addition, it is considered that financial information disclosures between entities in other jurisdictions would be difficult to compare

due to structural differences for functions operating within those entities.

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

- A. *whether the on-the-face or 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?***

The inclusion of harmonised information on the face of the financial statements is not supported due to potential for complexity and the difficulty for users to understand the information presented.

- 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?***

This Department's financial statement preparers do not have adequate knowledge of the GAAP/GFS harmonised classification requirements at line item level to comment on this proposal.

- (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 Exposure Draft (see paragraphs 19 and BC29-BC31).***

Supported – for consistency in reporting.

- (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 (see paragraphs 23-29 and BC40-BC42).***

This Department (as a tier 1 reporting entity) does not support this proposal.

This Department already discloses budget and estimated actual figures through separate reporting processes to Parliament. It is envisaged that the introduction of budget v actuals with variance information within

the financial statements would introduce considerable additional costs (including training fees, audit fees) to the Department.

Budgeting information is not currently subject to audit review but if added to financial statements reporting, would fall within the auditing process. This places additional financial burdens and resourcing demands on this Department and external audit to collate, review, prepare and audit this information within the already tight financial reporting deadlines.

Additional disclosures for administered transactions are not supported as this department operates in an agency capacity with regard to these transactions. Administered revenue collected by this Department is generally based around legislated functions and there is no departmental control, influence or discretion over the collection, use or application of administered transactions/functions. For this reason, it is not considered appropriate that budgeting information be introduced within financial statements reporting for administered transactions.

Such reporting may lead to budget vs actuals for administered transactions as being a measure of financial performance of the Department which is not conceptually sound in principle.

***(vii) the proposals relating to other disclosures, from both a Tier 1 and Tier 2 perspective (see paragraphs 30-32), in particular relating to:***

***A. requiring information to be disclosed in the accounting policy note (paragraph BC36), including disclosures about the version of the ASB GFS Manual adopted and, where relevant, a later version (paragraph BC15).***

Supported for Tier 1 – negligible cost impacts to this Department. Unable to comment for Tier 2.

***B. not requiring disclosure of disaggregated information, except to the extent it continues to be required by AASB 1052 for government departments (paragraphs BC37-BC39).***

Supported for Tier 1. Unable to comment for Tier 2.

***(viii) the proposal to provide no specific transitional requirements, except to require an entity to change the elections it previously made under AASB 1 to the extent necessary to comply with the ABS GFS Manual (see paragraphs 33-35 and BC44-BC47).***

Supported.

***(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 (shown as shagged text in this Exposure Draft)***

Unable to comment on Tier 2 requirements and disclosures.

- (x) ***the illustrative examples, and whether they provide guidance that is appropriate/helpful in implementing the proposals (see illustrative Examples A and B and paragraphs BC49-BC50).***

The illustrative examples provided limited guidance only.

- (xi) ***the proposed operative date (see paragraphs 3-4 and BC48).***

Three or more years after the finalisation and introduction of the standard is supported as an appropriate implementation period.

- (b) ***Unless already provided in response to specific matter form 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?***

From a Tier 1 perspective, this Department believes the costs of this proposal far outweigh the benefits to the users of the financial statements. It is this Department's belief that the proposed additional information and disclosure requirements would result in confusion and inhibit the ability of users to analyse and usefully interpret the financial information.

As stated earlier, due to the complexity of the GFS framework and the difficulty in gaining a detailed understanding and specialist knowledge of the requirements around the GFS framework, it would be highly likely that the reporting requirements and information disclosures would not be readily understood by both preparers and users of the financial statements.

- (c) ***Whether the proposals, from both a Tier 1 and Tier 2 perspective, are in the best interest of the Australian economy?***

From a Tier 1 perspective, this Department does not consider the proposed disclosures to be in the best interest of the Australian economy. This is due to the overall additional costs the proposed changes would bring to all Tier 1 reporting entities compared with the minimal benefits provided to end users.

This Department considers that the additional proposed disclosures would not assist end users in making decisions but would create confusion and hinder decision-making or interpreting the information, particularly due to the incomparability of information disclosures between entities and jurisdictions.

***(d) Unless already provided in response to the specific matters for comment above, the cost 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.***

From a Tier 1 perspective, this Department considers that the proposed changes would add another unnecessary layer of governance through a framework which is understood by few and will be considerably costly to implement. Queensland Government Departments are currently operating in a very constricted fiscal environment already heavily burdened by legislative and governance compliance requirements.

The following information summarises possible impacts to this Department:

- Considerable additional costs to implement system change requirements for collating, reporting and presenting GFS financial information
- Increased costs to the Department for extra staff resourcing
- Increased audit fees
- Increased workloads within tight reporting timeframes
- Training and education costs for GFS requirements for financial statement preparers, governance representatives and other stakeholders
- Increase risk of non-compliance due to GFS knowledge management issues, compounded by already tight state government reporting timeframes
- Limited user benefits.

Prepared by:

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Finance Division

26 October 2011