

Relevant extracts from each jurisdiction’s 2019-20 budget papers

This Attachment is provided as further background information pertinent to agenda paper 12.1. We have reviewed each jurisdiction’s budget papers and below are the extracts that are relevant for us to understand the extent to which their budget papers are prepared on the GFS basis compared with the GAAP basis.

Commonwealth Government 2019-20 Budget

2019-20 Budget Paper Number 1, Statement 9 ‘Australian Government Budget Financial Statements’ notes that the 2019-20 budget was prepared under the uniform presentation framework (UPF) dated February 2019. In relation to the issues pertinent to agenda paper 12.1:

- Page 9-1 of Statement 9 states: “... the ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users ...”
- Page 9-20 states: “The financial statements have been prepared on an accrual basis that complies with both the ABS GFS and AAS, except for departures disclosed at Note 2.”
- Table 13 in Note 2 (an extract of which is reproduced below) identifies four issues where the ABS GFS treatment has been adopted over the AAS treatment (reproduced below), and ten issues where the AAS treatment has been adopted over the ABS GFS treatment (not reproduced below)

Table 13: Major differences between AAS and the ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Valuation of loans	Changes in the valuation of loans are treated as a revenue or an expense. In some circumstances recognition as a revenue or an expense is delayed until the loan ends or is transferred.	Changes in the valuation of loans (excluding mutually agreed write-downs) are treated as an other economic flow.	ABS GFS
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.	ABS GFS
Commercial tax effect accounting assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that corporations record tax expenses on a consistent basis to the Australian Taxation Office.	ABS GFS
Classification differences			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	ABS GFS

- Page 9-38 states: “the new standard (AASB 16) will have implications for a number of budget aggregates ... The estimates will be updated to reflect the changed treatment of leases following finalisation of implementation arrangements.”

[New South Wales \(NSW\) Government 2019-20 Budget](#)

The 2019-20 budget includes Appendix A2 ‘Statement of Significant Accounting Policies and Forecast Assumptions’. In relation to the issues pertinent to agenda paper 12.1:

- Page A2-1 states: “The Estimated Financial Statements are prepared for the New South Wales GGS, which is determined in accordance with the principles and rules contained in the Australian Bureau of Statistics, Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 (cat. No. 5514) (ABS-GFS Manual).”
- Page A2-2 states: “Australian Accounting Standards (AAS) do not include requirements or provide guidance on the preparation or presentation of prospective financial statements. However, **recognition and measurement** principles within AAS have been applied in the presentation of the Estimated Financial Statements **to the maximum extent possible**.” (emphasis added)
- Page A2-2 also states: “The Estimated Financial Statements, except for the 2018-19 revised estimates, adopt the accounting policies expected to be used in preparing general purpose financial statements for 2019-20. This is a change from the 2018-19 Budget that was prepared on the basis of accounting policies expected to be used in preparing the general purpose financial statements for 2017-18. This change was made to include the estimated impacts of new AAS effective from 2019-20.”
- Page A2-7 states: “The Estimated Financial Statements follow the **presentation** requirements for GGS reporting contained in AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049)”. (emphasis added)
- Page A2-8 states that “The **presentation** of information in the financial estimates remains consistent with GAAP and GFS presentation requirements.” (emphasis added)

[Victorian Government 2019-20 Budget](#)

The 2019-20 budget includes Budget Paper No 5. In relation to the issues pertinent to agenda paper 12.1:

- Page 1 of chapter 1 of Budget Paper No 5 states: “The statements have been prepared having regard to applicable Australian Accounting Standards (AASs). As there is no specific Australian accounting standard or authoritative pronouncement that prescribes the preparation and presentation of prospective financial statements, the Estimated Financial Statements have been prepared based on the principles set out in the New Zealand Public Benefit Entity Financial Reporting Standard 42 Prospective Financial Statements (FRS-42).”
- That page also states: “The statements are presented in a manner consistent with the principles of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. This standard is also consistent with the Uniform Presentation Framework (UPF) as it relates to the general government sector.”

- It goes on to state that several new accounting standards (including AASB 1059 *Service Concession Arrangements: Grantors*, AASB 16 *Leases*, AASB 1058 *Income of Not-for-Profit Entities*) have been applied for the first time in the Estimated Financial Statements for the budget and forward estimates.

Queensland Government 2019-20 Budget

The 2019-20 budget includes Budget Paper 2 – Budget Strategy and Outlook. In relation to the issues pertinent to agenda paper 12.1:

- Section 9.2 on page 150 of Budget Paper 2 states: “This chapter contains detailed financial statements for the Queensland Public Sector prepared under the Uniform Presentation Framework (UPF) first agreed to at the Premier’s Conference in 1991.”
- It also states: “The tables on the following pages present operating statements, balance sheets and cash flow statements prepared on a harmonised basis ...”
- Page 10 states: “The 2019-20 Budget incorporates adoption of a new accounting standard, which requires operating leases, such as office accommodation leases, to be recognised on the balance sheet as liabilities, despite there being no change in the State’s financial commitments”.

Western Australian 2019-20 Budget

The 2019-20 budget includes Budget Paper No. 3 Economic and Fiscal Outlook. In relation to the issues pertinent to agenda paper 12.1:

- Page 193 states: “The tables in this section satisfy Uniform Presentation Framework (UPF) requirements ... and are also consistent with Australian Accounting Standards, in particular, AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.”
- Page 210, Note 1 states: “The projected public sector financial statements presented in this appendix have been prepared in accordance with Australian Accounting Standards and the Australian Bureau of Statistics’ (ABS) *Government Finance Statistics Concepts, Sources and Methods 2015*” and that the **presentation** is consistent with AASB 1049
- Page 214, Note 7 notes that Note 7 usually provides details of GAAP/GFS convergence differences. It states that “Convergence notes in the most recent audited financial results (included in the 2017-18 Annual Report on State Finances, released in September 2018) show that there have been very few convergence differences in Western Australia’s AASB 1049 disclosures compared with equivalent data presented on a GFS basis.” (We note that the only material convergence difference for 2017-18 seems to be the dividends from PNFC and PFC, which do not appear to have an impact on GGS and WoG fiscal aggregates.)
- Page 214, Note 7 also notes that the adoption of new accounting standards may give rise to significant convergence differences. However, all the components of the differences for 2019-20 were unavailable due to AASB 16 *Leases* – and therefore none of the components were disclosed. However, in due course, WA intends identifying the differences once a methodological solution is found for distinguishing between operating and finance leases.

SA Government 2019-20 Budget

The 2019-20 budget includes Budget Paper 3 – Budget Statement, Appendix A. In relation to the issues pertinent to agenda paper 12.1:

- Page 122 (Appendix A) states: “The tables in this section satisfy Uniform Presentation Framework (UPF) requirements ... The **format** of the aggregates is based on reporting standards set out by the Australian Accounting Standards Board — AASB 1049 Whole of Government and General Government Sector Financial Reporting, which adopts a harmonised GFS-GAAP reporting basis.” (emphasis added)
- Page 121 (Appendix A) states: “There is a structural break in 2019-20 reflecting the changes to accounting standards for AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not for Profit Entities*, and AASB 16 *Leases*. Additional presentation changes have also been applied from 2019-20 to achieve full compliance with UPF.”

NT Government 2019-20 Budget

The 2019-20 budget includes Budget Paper 2 – Budget Strategy and Outlook. In relation to the issues pertinent to agenda paper 12.1:

- Page 93 states: “The Fiscal Integrity and Transparency Act 2001 (FITA) requires that fiscal outlook reports be prepared in accordance with external reporting standards, including the Australian accounting standards or the UPF. The tables in this chapter meet the Territory’s reporting obligations under both the FITA and the UPF”

ACT Government 2019-20 Budget

The 2019-20 budget includes Budget Paper 3. In relation to the issues pertinent to agenda paper 12.1:

- Chapter 9.1 GFS/GAAP harmonised financial statements does not appear to specify whether or not the amounts included in the 2019-20 budget are consistent with the definition, recognition, measured and classification principles specified in GAAP or GFS.
- Page 293 states: “A number of key balance sheet measures have been affected by the new Accounting Standard AASB16 *Leases*, which brings operating leases and associated leased assets onto the balance sheet for the first time in 2019-20.”
- Page 349 states: “Australian Accounting Standard AASB 1059 *Service Concession Arrangements: Grantors* effective for reporting periods beginning on or after 1 January 2020 (i.e. financial year 2020-21), prescribes the accounting treatment for these types of arrangements from the perspective of a government grantor. The Government will continue its existing accounting policy until the commencement of this standard.”

Tasmanian Government 2019-20 Budget

The budget includes Budget Paper 1. In relation to the issues pertinent to agenda paper 12.1:

- Page 3, Chapter 1 – the 2019-20 Budget states: “The 2019-20 Budget is the first Budget to be prepared on the basis of the new financial management framework established by

the Financial Management Act 2016. This new legislation modernises the financial management of General Government Sector entities and improves transparency. The 2019-20 Budget has also been prepared on the basis of new Australian Accounting Standards that apply from 1 July 2019. The application of these standards materially impacts the reported General Government Net Operating Balance and Net Debt.”

- Page 54, Chapter 4 – 2019-20 Budget and Forward Estimates states: “The financial statements in this chapter have been prepared in accordance with the Uniform Presentation Framework.”
- Page 204, footnote 1 of Table A2.6 states that “... There is a difference of \$1 414 million between the Estimated Outcome and the March year to date valuation of the Superannuation liability. This reflects the difference between the discount rate applied by the State Actuary, in accordance with Australian Accounting Standard AASB 119 Employee Benefits, for financial reporting purposes (3.0 per cent at 30 June 2018) and the estimated long-term bond rate which is used for Budget purposes (4.25 per cent for the 2018-19 Budget).”
- Page 29, Table I.7 and Page 184, Table AI.14 of 2019-20 Budget present both (GAAP) net debt and GFS net debt (net debt excluding impact of AASB 16) for budget and forward estimates. Footnote 5 explains that “Net Debt represents Borrowings plus Lease liabilities, less the sum of Cash and deposits and Investments. This measure incorporates the impact of recognising Lease liabilities on the Balance Sheet as a result of the changes under AASB 16 which is effective from 2019-20.” Footnote 6 explains that “GFS Net Debt represents Borrowings less the sum of Cash and deposits and Investments. This is equivalent to Net Debt based on the Australian Bureau of Statistics Government Finance Statistics reporting framework.”