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Technical audit update

3 March 2026

Queensland
Audit Office
Better public services

Acknowledgement of country

I begin today by respectfully acknowledging the Yugara and Turrbal People who are the Traditional Owners of the land on which this event is taking place, and Elders past and present.

I also recognise those whose ongoing effort to protect and promote Aboriginal and Torres Strait Islander cultures will leave a lasting legacy for future Elders and leaders.

Agenda

9.00–9.10 am: Opening address
Rachel Vagg, Auditor-General

9.10–9.30 am: Expenditure and procurement deep dives
Brydie Morris, Senior Director

9.30–9.45 am: Controls assurance reports – outsourcing, third party systems
David Toma, Senior Director, QAO

9.45–10.00 am: Fraud insights
Georgina Crundell, Assistant Auditor-General – Technology Audit, QAO

10.00–10.30 am: Morning tea

10.30–11.05 am: Streamlining financial statements and finance processes
Damon Olive, Assistant Auditor-General – Financial Audit, QAO
Nick Shaw, Chief Finance Officer, Department of Transport and Main Roads

11.05–11.35 am: Technical update
Greg Hall, Principal Accountant, Queensland Treasury
David Hardidge, Director, QAO

11.35–11.50 am: Climate risk governance
Vaughan Stemmett, Senior Director, QAO

11.50–12 pm: Q&A and discussion
Facilitated by Damon Olive, Assistant Auditor-General – Financial Audit, QAO

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Opening address

Rachel Vagg, Auditor-General

Queensland Audit Office

Better public services

Tabled reports

Tabled this FY

- 2025 status of Auditor-General's recommendations
- Managing the ethical risks of artificial intelligence
- Reducing organic household waste sent to landfill
- Supporting industry development
- Attracting and retaining teachers in regional and remote Queensland
- Information systems 2025
- Energy 2025
- Major projects 2025
- Health 2025

Themes from our wider learnings

New report
Information systems

First stand-alone financial report to parliament

Recognises the collective need across government for more focus on the security of government systems

Reports

To come – March 2026

- Managing Queensland’s finances 2025 (previously titled Debt and investments)
- State entities 2025
- Local government 2025
- Managing third-party party cyber security risks

By 30 June

- Managing funding from the mental health levy
- Rehabilitating and reintegrating prisoners
- Education 2025
- Follow-up audit: Delivering social housing services
- Improving the sustainability of local governments
- Accessing legal representation services

Subscribe for tabling notifications

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Status of AG's recommendations

2025 status of Auditor-General's recommendations report

We asked	to report on	from
79 entities	362 individual recommendations	36 reports to parliament

Progress reported by entities on implementing our recommendations between 2016–17 and 2023–24

- 43% fully implemented
- 51% partially implemented
- 5% not implemented
- 1% no longer applicable

Most common recommendations

1. Governance arrangements and oversight
2. Information systems and data management
3. Performance monitoring and reporting

Forward work plan 2025—28

Our Forward work plan provides transparency to parliament on the work we intend to perform and explains why we consider it important

Focus areas

- Services
- Communities
- Infrastructure and transport
- Environment and resources
- Digital
- Public services
- Brisbane 2032 Olympic and Paralympic Games report series

Planning process

External consultation

1. Environmental scanning
2. Topic development and prioritisation
3. Finalisation and publication

2026—29 plan timing

Consultation: Feb – Apr

Draft plan out for comment: Apr

Feedback due: Early Jun

Publish: Mid Jun

Suggest a topic

www.qao.qld.gov.au/contribute-audits-queensland

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Expenditure and procurement deep dives

Brydie Morris, Senior Director

Queensland Audit Office
Better public services

Public sector audit focus

Stewardship of public sector entities

- ✓ **Ethical decision making** of senior executives and other officials
- ✓ **Transparency** of decisions
- ✓ Achievement of **value for money** through significant procurement activities and investments
- ✓ Whether **appropriate systems of internal control** are in place
- ✓ Acts that result in **waste or misuse** of public resources
- ✓ Overarching assessment of **compliance with prescribed requirements**

2025 program

State government

- Ongoing procurement risks
- New initiatives

→ New, focused program-targeted analysis of decisions, processes, and conflicts of interest

Local government

- Ongoing procurement risks
- Specific requirements

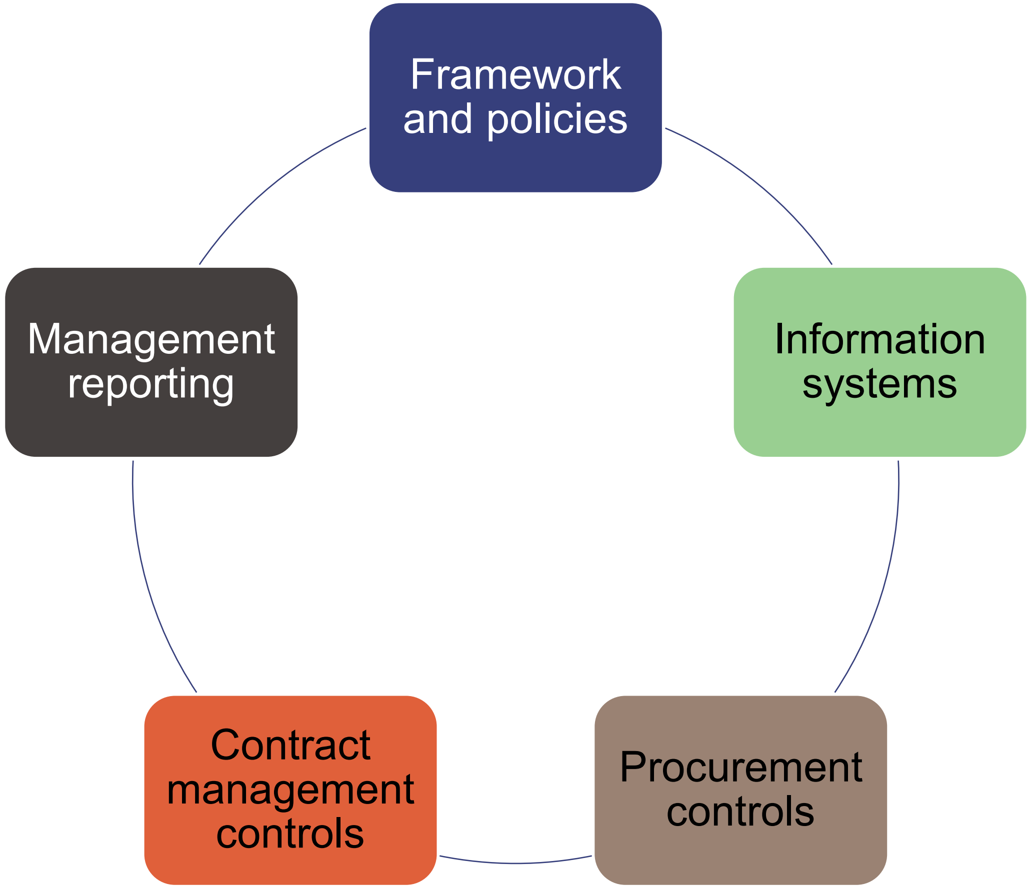
→ Ongoing procure to pay model – end to end maturity assessment

Observations

- Exemptions used in procurement processes
- Ongoing monitoring and assessment of contract performance and value for money
- Disclosure of contracts on the Open Data Portal

Observations

- Incomplete/non existent contract registers
- Out of date/non existent policies and procedures
- Delegation breaches
- Inability to demonstrate value for money



Expenditure observations

Recurring, high-volume processes

Consider fraud risk – internal and external

One-off, unusual/confidential processes

Consider needed approvals and disclosure – can conflict with confidentiality deeds

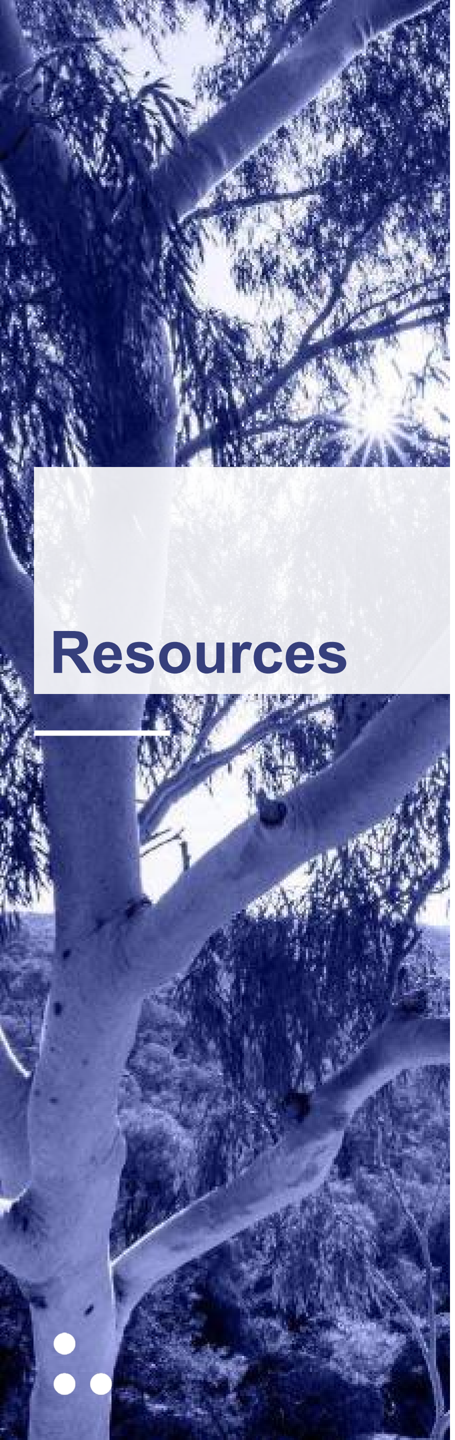
What next?

Procurement Assurance Model

Enhanced publication of procurement strategies and outcomes

Reporting on new areas of focus (such as sustainability) and additional data analysis of procurement

New criteria for selection and exemptions in processes



Resources

We have a collection of resources to help entities in understanding better practice on procurement and expenditure management

Better practice guide:

- Local Government procure-to-pay model

Blogs:

- Managing contract costs to minimise risk
- There is ‘benefit’ in performing a benefits realisation
- A contract register is more than a list
- Conflicts of interest – how do you manage yours?

Reports:

- *Enhancing government procurement* (Report 18: 2021-22)
- *Contract management for new infrastructure* (Report 16: 2021-22)

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Controls assurance reports – outsourcing, third party systems

David Toma, Senior Director

Queensland Audit Office

Better public services

Outsourcing risks

Key risks when outsourcing systems

- Control environment risk
- Data security and privacy risk
- Continuity and availability risk
- Subservice and outsourcing chain risk
- Compliance and regulatory risk

ASAE 3402 reports

ASAE 3402 – Assurance reports on controls at a service organisation

What does an ASAE 3402 assurance report cover?

A description of the service organisation's system

— how the outsourced service operates, the boundaries of the system, and the control objectives

The service auditor's opinion

— whether the description is fairly presented, and whether controls were suitably designed (Type I) and operated effectively (Type II)

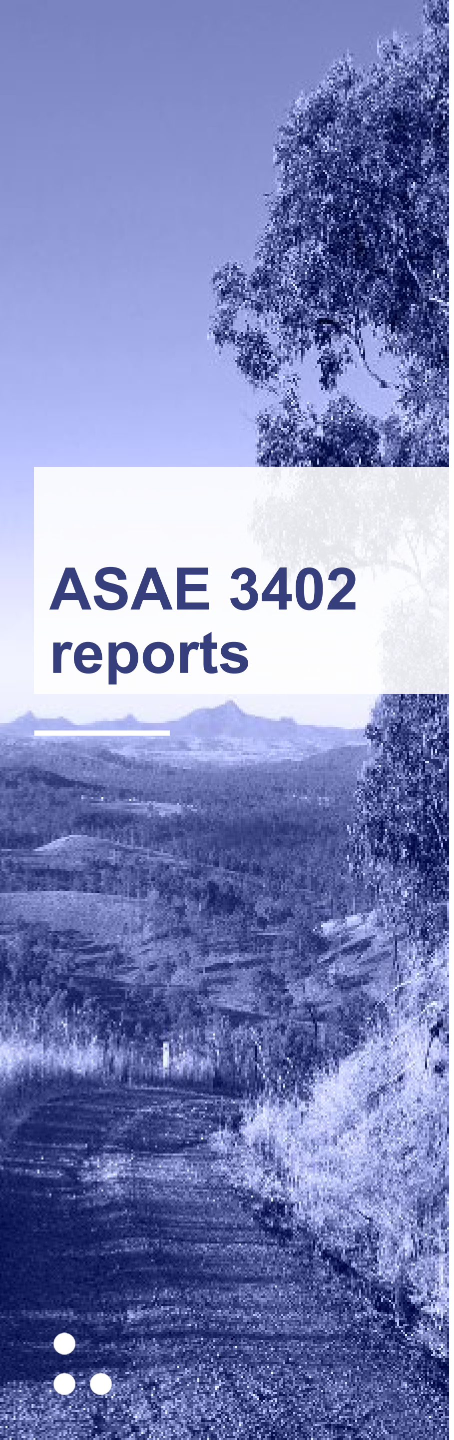
Tests of controls and results

— for Type II reports, the auditor documents the performed procedures and outcomes, enabling users to assess reliance

ASAE 3402 reports

How can an ASAE 3402 report help you when outsourcing systems?

Assess whether the provider's control objectives align with your entity's risk profile	For example, controls over transaction completeness, access management, and change control
Rely on tested controls	When the report is Type II and the auditor's tests support operating effectiveness
Identify control gaps and remediation needs	Auditor's findings and the service organisation's management responses
Understand subservice arrangements	And whether the report covers controls at subservice organisations or excludes them, which affects the extent of assurance



ASAE 3402 reports

Steps to obtain an ASAE 3402 report

- Specify assurance requirements in the contract
- Request the right scope
- Check the report type and period

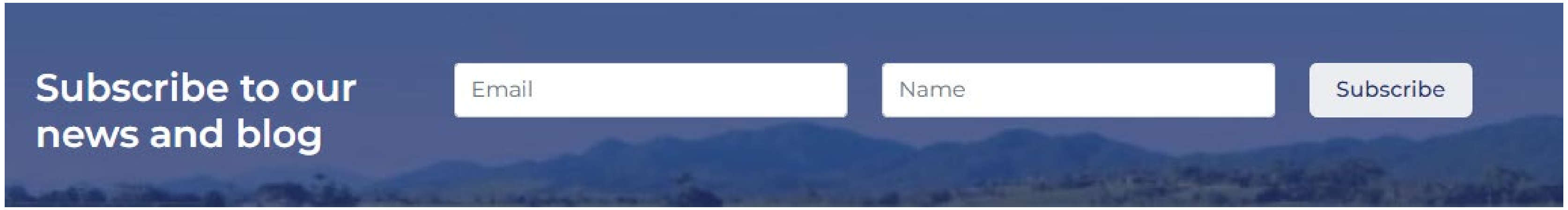
Steps to use an ASAE 3402 report

- Read the service auditor’s opinion and tests of controls
- Understand subservice coverage
- Assess complementary user entity controls
- Follow up on remediation and monitoring

Performance audit report tabling soon

Managing third-party cyber security risks

We are examining how effectively selected public sector entities identify and manage cyber security risks posed by third-party vendors



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Questions

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Fraud

Georgina Crundell, Assistant Auditor-General – Technology Audit

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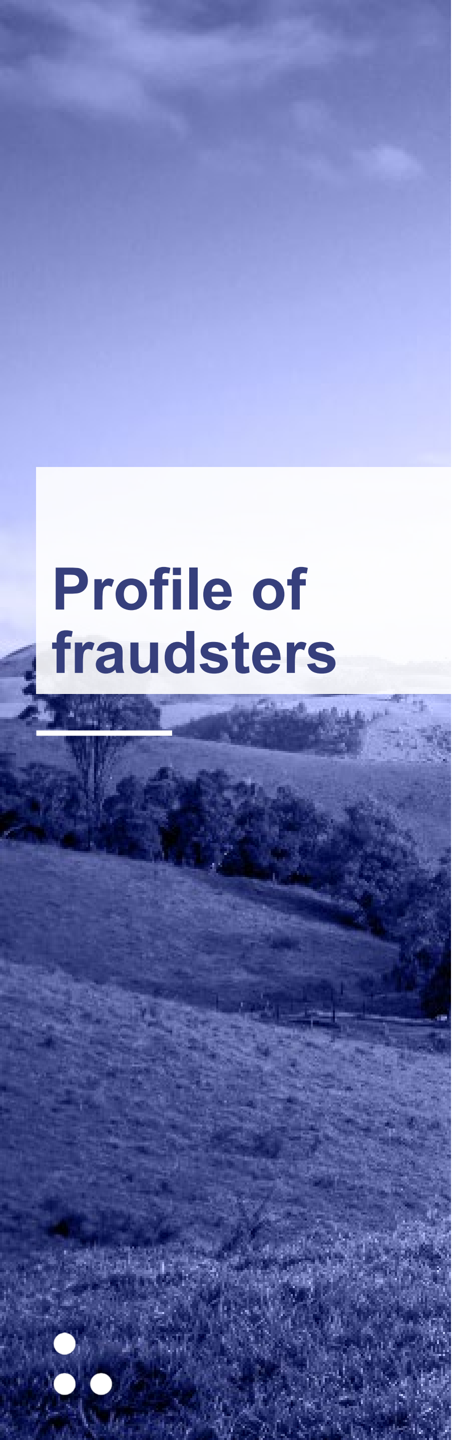


Profile of fraudsters

	White collar crime	Grey collar crime	Pink collar crime
What is it?	Money laundering, counterfeiting, forgery, embezzlement, bribery, identity theft, insider trading, ponzi schemes, tax fraud	Crimes using a computer where the perpetrator never meets the victim	
Who is the victim?		Perpetrated most often against males with a 'moderate' level of digital knowledge	Entities with over 1,000 staff are more likely to be defrauded
Who is the perpetrator?	Most likely to be committed by white males, aged 30–35, in professional and managerial positions. Often not first offence		Most likely to be committed by low to mid-level, trusted clerical positions. Committed over a longer period with multiple events
What is the motivation?	Greed and gambling are the biggest motivators		Providing for the family and appearing to be a perfect wife/mother
What are the losses?	Average cost $1,340,000	$62,000 per incident	Average cost of $165,000
What is the cost?			

Sources: *Australian Institute of Criminology, FBI – The measurement of White-Collar Crime using Uniform Crime Reporting Data, Sydney Criminal Lawyers.*

Fraud challenges faced by entities

- Higher addiction levels
- High trust levels
- Higher turnover
- Cost of living pressures
- Supply chain complexity
- Increase in cyber attacks

We continue to find in our audit work that fraud is due to poor controls over employee and supplier information

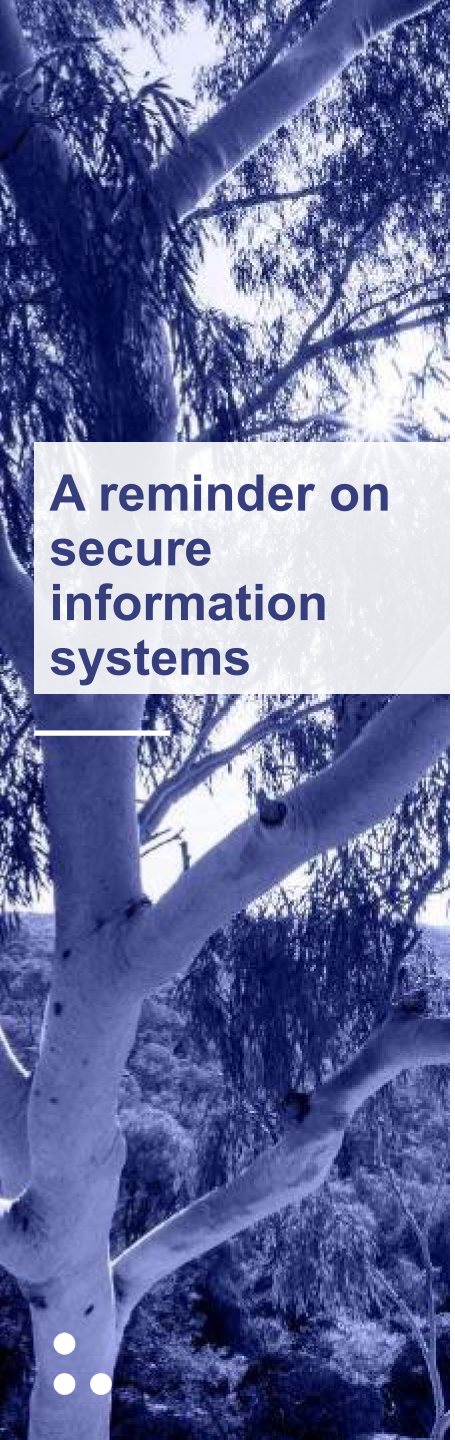
Losses are due to fraudulent changes to bank account details or user error in inputting and approving transactions

Entities must

- Implement controls where a person independent of processing changes to employee and supplier bank account details verifies the request ‘out of band’
- Have an appropriate policy or procedure in place that outlines the required process. Flag emails initiated from outside your organisation
- Improvements in format and spelling mean you can’t rely on ‘*If it does not look right then it probably isn’t*’
- Don’t get complacent. Just because your entity has not had a fraud, does not mean it never will

Case Study

QSS Changes



A reminder on secure information systems

A reminder:

We continue to identify issues with information systems controls, including user access to systems, security of electronic transfer files, and system implementations

Entities need secure systems to prevent unauthorised access that may result in fraud or error

Area of focus across all our audit work: technology risks and opportunities

Terminated accounts

- Entities have robust processes for new and existing users.
- Removing access for terminated users is not timely.

Entities should:

- remove system access when staff are offboarded in the payroll system
- investigate the use of accounts after employee terminations.

Dormant accounts

- Entities have processes for removing unused accounts.
- Testing these processes has not occurred.

Entities should:

- delete inactive accounts
- review logs and processes to ensure deletion occurs.

Guest accounts

- Entities lack the regular review and disabling of external or guest access.

Entities should:

- identify and disable accounts that have not been used for a defined period
- regularly review for inactive accounts.

Privileged access

- Some entities have restricted the use of privileged accounts.
- Effective monitoring is needed.

Entities should:

- closely monitor the use of privileged accounts
- apply controls consistently.

System accounts

- Accounts are insufficiently configured, have greater access than needed, and do not have strong passwords.

Entities should:

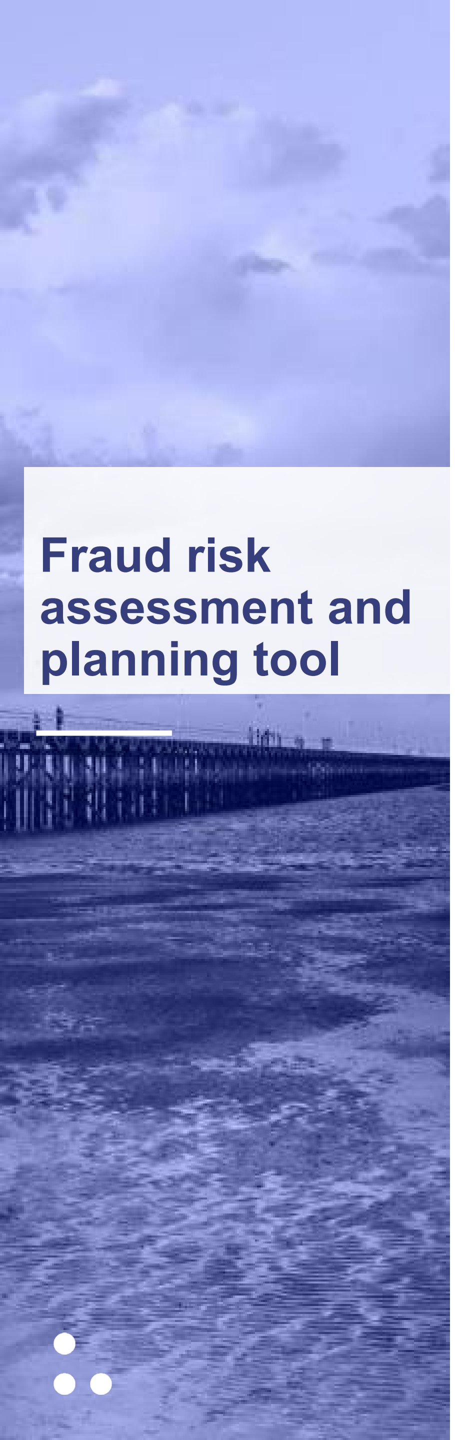
- reduce access for system accounts
- regularly review necessary access
- remove them in a timely manner.

User access reviews

- Entities fail to review and remove extraneous access.

Entities should perform regular access reviews, ensuring the account and entitlement is required and appropriate.

Information systems 2025 (Report 6: 2025–26)



Fraud risk assessment and planning tool

Risk assessment and planning model

- ✓ Helps entities document their assessments of fraud risk, and how they will control, monitor and report
- ✓ Provides a methodology for assessments, helping to examine business environments and develop overarching risks management plans

Example: 5 x 5 risk matrix

INHERENT RISK RATING		LIKELIHOOD				
		Rare 1	Unlikely 2	Possible 3	Likely 4	Almost certain 5
CONSEQUENCE	5 Catastrophic	High	High	High	Extreme	Extreme
	4 Major	Medium	Medium	High	High	Extreme
	3 Moderate	Medium	Medium	Medium	High	High
	2 Minor	Low	Low	Medium	Medium	High
	1 Insignificant	Low	Low	Low	Medium	Medium

Agency function or activity	Risk reference	Fraud risk description—residual	Inherent consequence	Residual likelihood	Residual rating	Planned risk treatment	Treatment owner	Implementation date	Review date	Treatment review conclusion
rocurement	1 Procurement	Residual risk that employees: • split purchases to levels below delegation to avoid the procurement team's oversight • seek inappropriate exemptions to the tendering processes for purchases.	4. Major	2. Unlikely	2. Medium	Fortnightly data analysis of AP transactions to: • detect split purchases • detect delegation exceptions (for example, lack of segregation of duties) • detect significant invoices not	AO6 Data analyst – Jane Smith	1/01/2018	31/03/2018	If effective, include as an ongoing control in step 4. If not effective, review the need for a new or revised treatment.

www.qao.qld.gov.au/reports-resources/better-practice/fraud-risk-assessment-planning-model

Fraud and corruption self-assessment tool

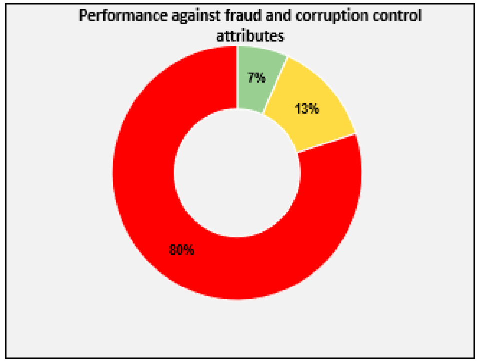
Fraud risk assessments can identify weaknesses in controls and enable entities to focus its detection resources on high-risk areas

Self-assessment tool

- ✓ Aimed to help entities identify the areas where they can improve their fraud controls
- ✓ Reflects new minimum requirements
- ➡ Prevention; detection and response; dashboard; priority areas

Fraud and corruption control - self-assessment results

	Better practice attribute			
Prevention (10)	Fraud and Corruption Control System	6	10	Amber
	Senior Management Commitment	6	10	Amber
	Integrity Framework	0	14	Red
	Fraud awareness, education and training	1	20	Red
	Fraud risk assessment	0	12	Red
	Internal controls & recordkeeping	0	20	Red
	Responsibility and accountability structure	2	22	Red
	Internal audit	0	10	Red
	Workforce screening	0	6	Red
	Business associates	2	10	Red
Detection & Reporting (2)	Fraud detection program	2	20	Red
	Fraud reporting system	0	14	Red
Response and Recovery (4)	Response and recovery plan	4	4	Green
	Investigations	0	20	Red
	Insurance	1	4	Red
	Recovery	0	2	Red



www.qao.qld.gov.au/reports-resources/better-practice/fraud-corruption-self-assessment-tool

Blogs on fraud and cyber security risk

We have a collection of blog posts that provide practical insights to help entities strengthen fraud controls and manage information security risks

Blogs – be fraud aware

- Strengthening your internal controls against emerging fraud risks
- How understanding the ‘fraud risk triangle’ can reduce employee fraud risk
- Why is it important to report material losses to QAO?
- Keep fraud risks front and centre in 2024
- Are your ‘everyday’ internal controls strong enough to prevent a fraud attempt?

Blogs – cyber security and information systems

- Are you managing your legacy system risks?
- Managing risks associated with third-party providers
- Increasing concerns around cyber security risks
- The role of governance committees in managing cyber security risks

www.qao.qld.gov.au/blog

Questions

Morning tea

Half an hour

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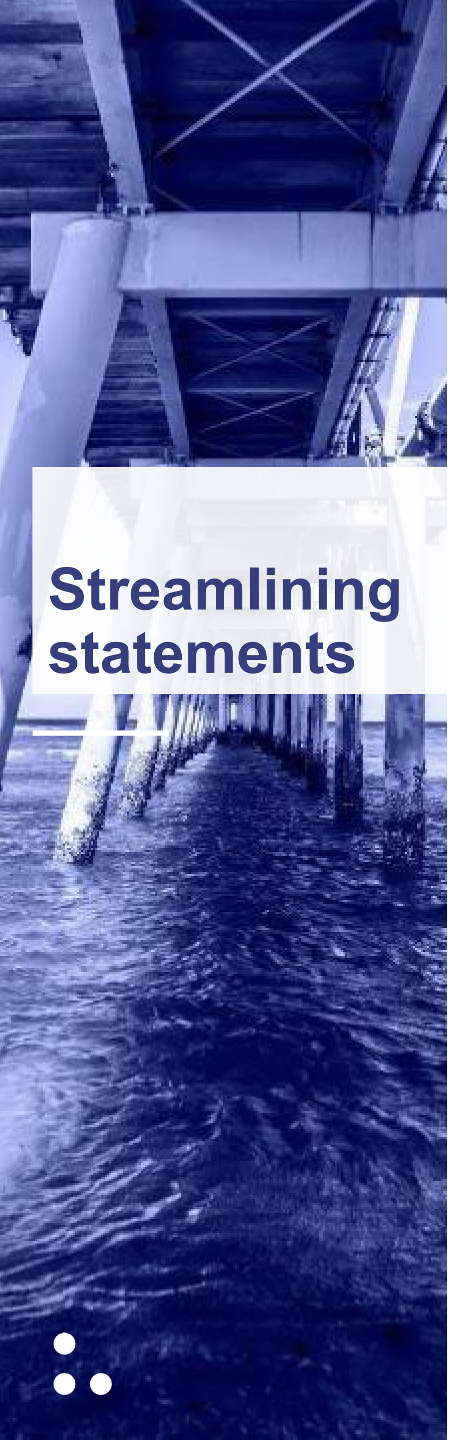
Streamlining financial statements and finance processes

Damon Olive, Assistant Auditor-General – Financial Audit, QAO

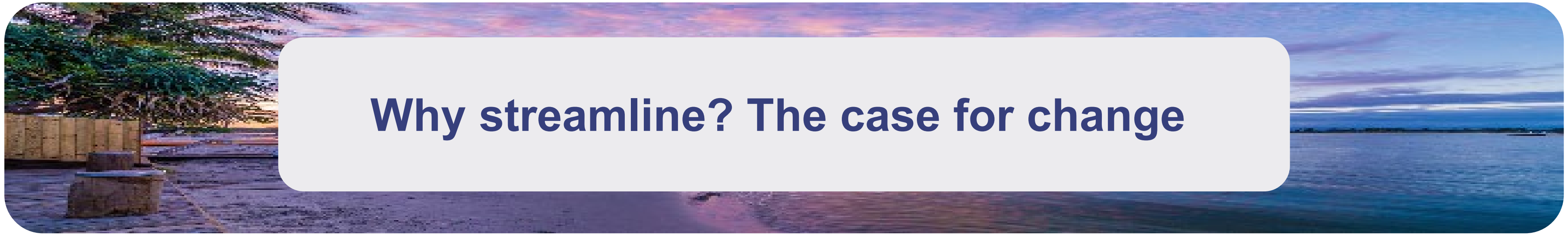
Nick Shaw, Chief Finance Officer, TMR

Queensland Audit Office

Better public services



Streamlining statements

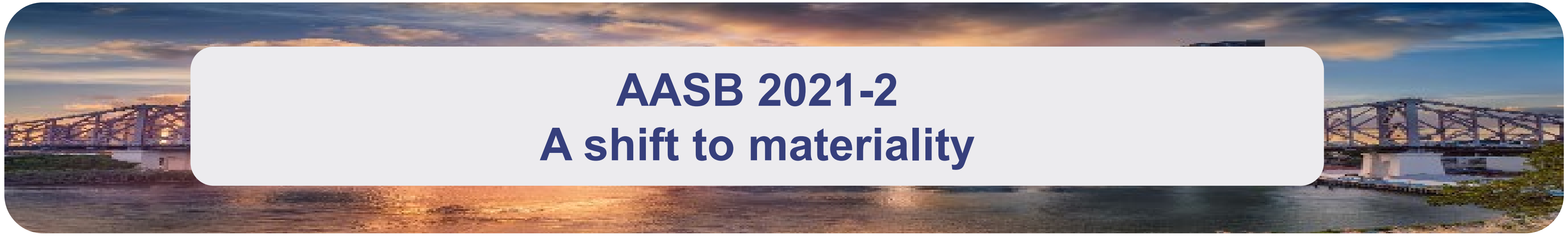


Why streamline? The case for change

Streamlining annual financial statements:
Queensland public sector entities

Why it matters

- → Financial statements are longer
- → Users need clarity, not volume
- → Standards now emphasise *materiality*
- → Queensland Treasury guidance supports focused reporting



AASB 2021-2
A shift to materiality

Key change: *material* accounting policy information

- → Replaces ‘**significant**’ with **‘material’** accounting policy information
- → Disclose only policy information that influences users’ decisions

Effective: 1 January 2023

Guidance: AASB Practice Statement 2

Focused reporting

Queensland Treasury
Clear support for focused reporting

Queensland Treasury Financial Reporting Requirements (FRRs)

FRR 2B – Materiality

- Apply materiality to *all* disclosures
- Both quantitative and qualitative factors

FRR 2C – Accounting Policies, Estimates and Errors

- Disclose **material** accounting policy information only
- Avoid restating standards unnecessarily

Message: immaterial information should be excluded

Practical streamlining actions

Where can we reduce length?

Accounting policy notes

- ✓ Remove generic wording
- ✓ Focus on entity-specific application

Judgement and estimates

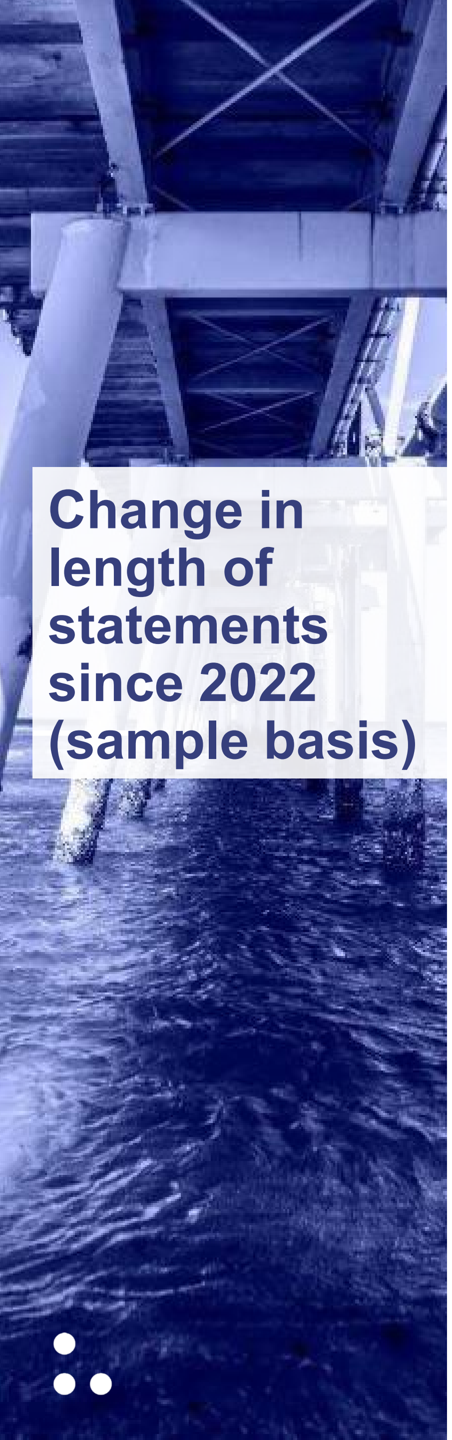
- ✓ Highlight what truly matters
- ✓ Avoid over-disclosure

Immaterial notes

- ✓ Eliminate zero-balance disclosures
- ✓ Remove repetitive narrative

Cross-referencing and structure

- ✓ Group related notes
- ✓ Use clearer headings



Change in length of statements since 2022 (sample basis)

Have financial statements got shorter following the move to ‘material’ accounting policies?

Type	2025 Average pages	% change from 2022
Departments	37	-4%
Statutory bodies	52	7%
GOCs	49	7%
Local Government	37	-5%
Overall	**39**	**1%**

Key takeaways

- Streamlining is supported — and expected
- Standards require *material* accounting policy information
- Queensland FRRs & LG guidance reinforce materiality
- Boilerplate can be removed
- Focus on user understanding

Goal: Clear, focused, decision-useful financial statements

Questions

Finance Automation

Nick Shaw, Chief Finance Officer
Enabling Solutions Group

March 2026

Values

Department of Transport and Main Roads

Our Customer Value Proposition

EASY
to deal with, open and responsive to feedback.

SIMPLE
processes
and streamlined workflows.

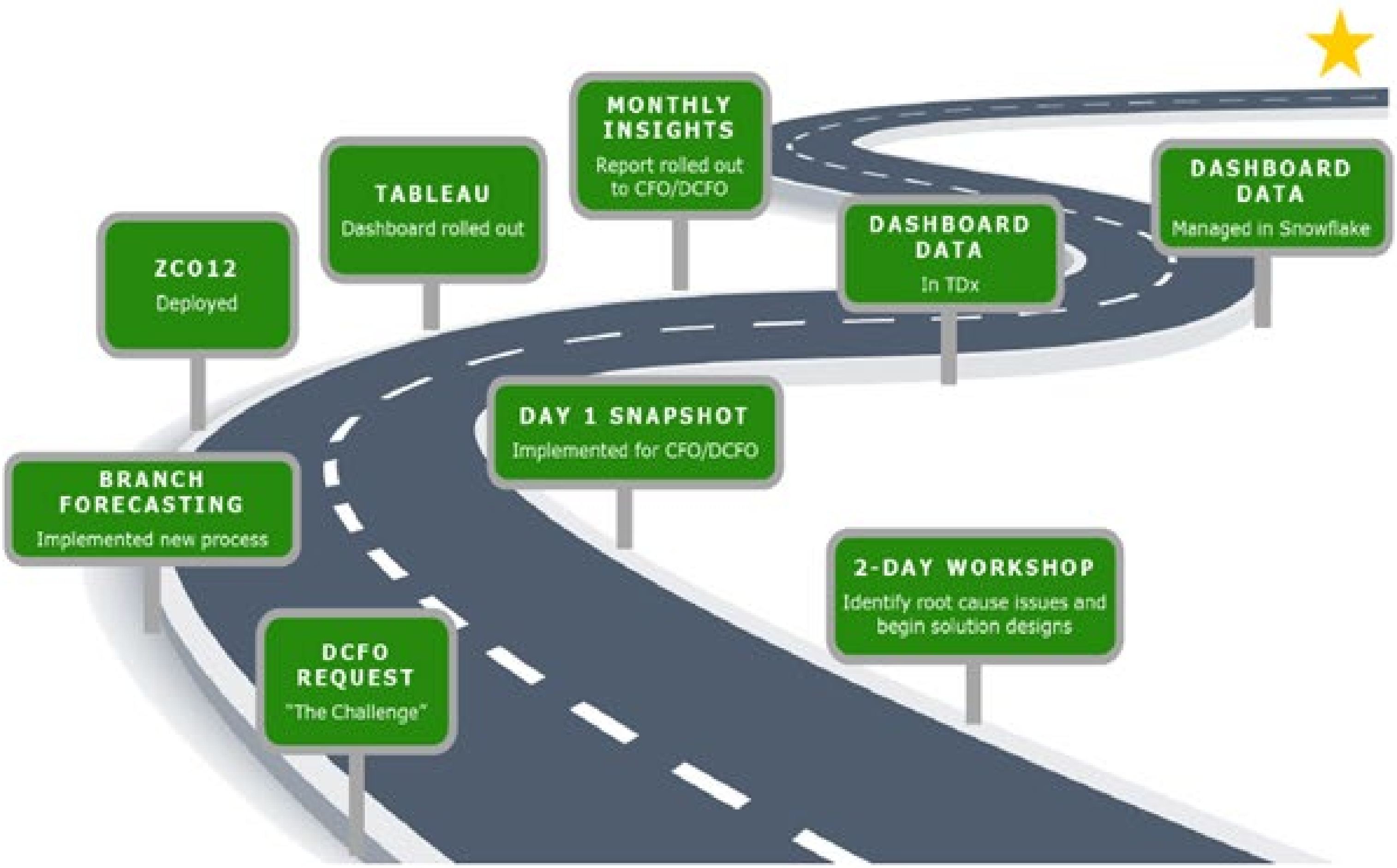
GREAT
advice that adds real value to our customers.

Enabling Solutions Group

The TMR journey so far..

There has been a lot of work done to date in order to transform the planning, budgeting and forecasting process. This will support the end-to-end transformation from a systems perspective

- The journey commenced in August 2018 with a request from the DCFO to produce the monthly finance report in half the time, while moving from a word-based report to a digital report.
- In February 2019, a two-day workshop was held to identify root cause issues in the PBF processes and to design solutions.
- The branch forecasting process was updated in July 2019, providing the business with more timely information which took 50% less time to produce.
- Also in July 2019, the CFO/DCFO 'snapshot' report was implemented, detailing actuals, budget and forecast one day after the end of the month.
- ZCO12 was deployed in January 2020 (salary & wages forecasting report).
- In August 2020, the monthly finance report was rolled out using a Tableau dashboard, with the monthly insights report joining this in September 2020.
- January 2021 saw the finance data underpinning the monthly reports loaded into TDx, and later in Snowflake (April 2021).
- Deloitte engaged in May 2021 to conduct a review of the planning, budgeting and forecasting process and develop a roadmap to the future state.



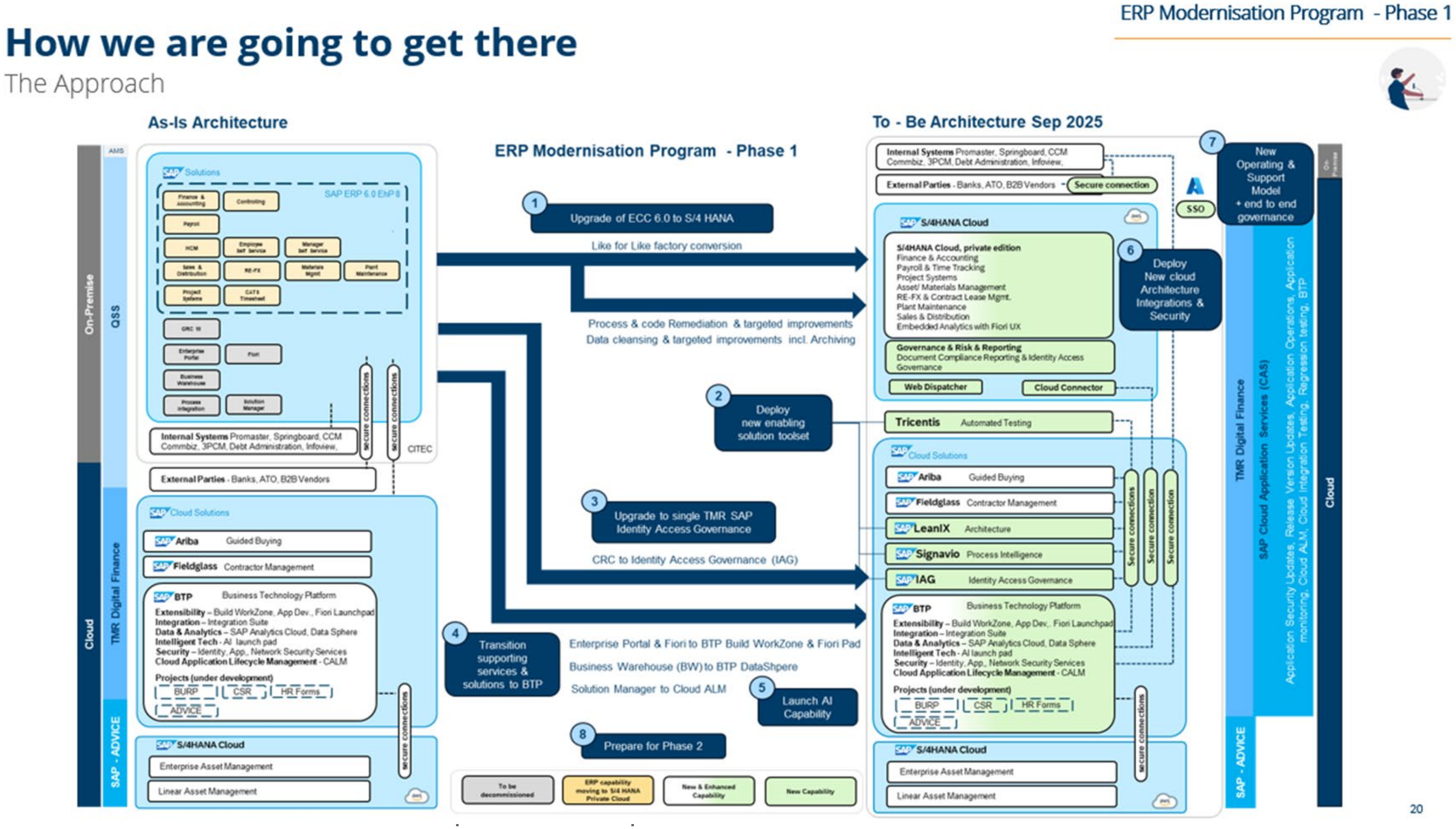
S/4HANA Upgrade - *success!*

Went live 11 November 2025.

Leverage SAP Factory and utilized Deloitte as our partner

Feedback has been extremely positive and well accepted by TMR.

Investment in UI and FIORI Apps



Enabling Corporate Optimisation

ProgramHIVE is driving ERP transformation modernisation across the organisation.

Corporate Optimisation Initiative

ProgramHIVE – Transition to S/4HANA

HR Forms

GAP
(Confidential Salaries Report)

BURP
(Budget Upgrade and Refinement Program)

Road 2 All Spend

Land and Buildings Data Cleansing and Valuation Improvement

Asset (Depreciation Valuation and Investment Calculation Engine)

There are several parallel initiatives that are contributing to our broader SAP transformation at TMR.

About ProgramHIVE

ProgramHIVE is a multi-year program that will deliver technical upgrades and process improvements for TMR’s core enabling functions (finance, payroll, procurement, etc).

2024

Modernise

ProgramHIVE is acting now to replace ageing enabling solutions and address urgent compliance, infrastructure, and security risks. This phase focuses on essential technical upgrades to maintain business continuity and readiness for future improvements.

2026

Optimise

With a modern foundation in place, the focus shifts to making operations more efficient. This phase focuses on standardising processes, strengthening support models and refining operating models to drive consistency and long-term sustainability.

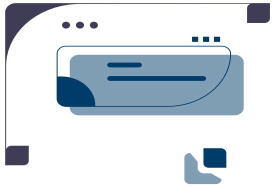
2027 onwards

Innovate

With stability and efficiency secured, ProgramHIVE will look towards innovations and continuous improvement, leveraging data and emerging technologies to enhance service delivery and business outcomes.

What are some features of Phase 1

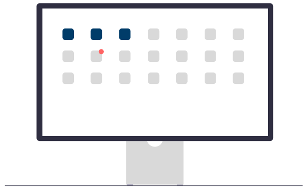
Introducing some new features to improve your user experience and enhance ways of working.



Digital Workplaces

A new customisable portal (MyHIVE) where users can access key enabling solutions (e.g. transactions, timesheets, reporting) in one place.

- **Teams can access business apps** from one launchpad.
- **Workflows and processes in one place** reducing the need to switch between multiple systems.



New Look and Feel

A modern design and simplified interface that makes software easier to use whether on desktops, tablets or mobile devices.
Instead of complicated menus, the new look and feel will be similar to a smartphone.

- **Modern design** which is clean, simple and easy to navigate.
- **Faster and more efficient,** reducing clicks.
- **Role-based access** means users only see what apps and information they need.

Smarter Data

New tools to connect data sources making it easier to get a complete and real-time view of the business without messy data transfers.

- **Brings all data together** without making copies.
- **Keeps data secure** and ensures compliance.
- **Works with multiple systems** for flexibility.

Key Changes for Finance

The following changes have been identified in the Change Impact Assessment and will be supported through communication and training.

Introduction of Business Partner Concept

In MyHIVE, a Business Partner is a unified master data object that can represent different entities such as organisations, individuals, or groups.

Unlike ECC, where separate transactions were required for customers and vendors, BP allows these roles to be managed under a single object.

Introduction of ACDOCA Universal Journal

This creates one source of truth and represents a fundamental data model shift.

The Universal Journal means you'll work from one combined source of financial and controlling data, with consistent figures, fewer reconciliation headaches, and better reporting options

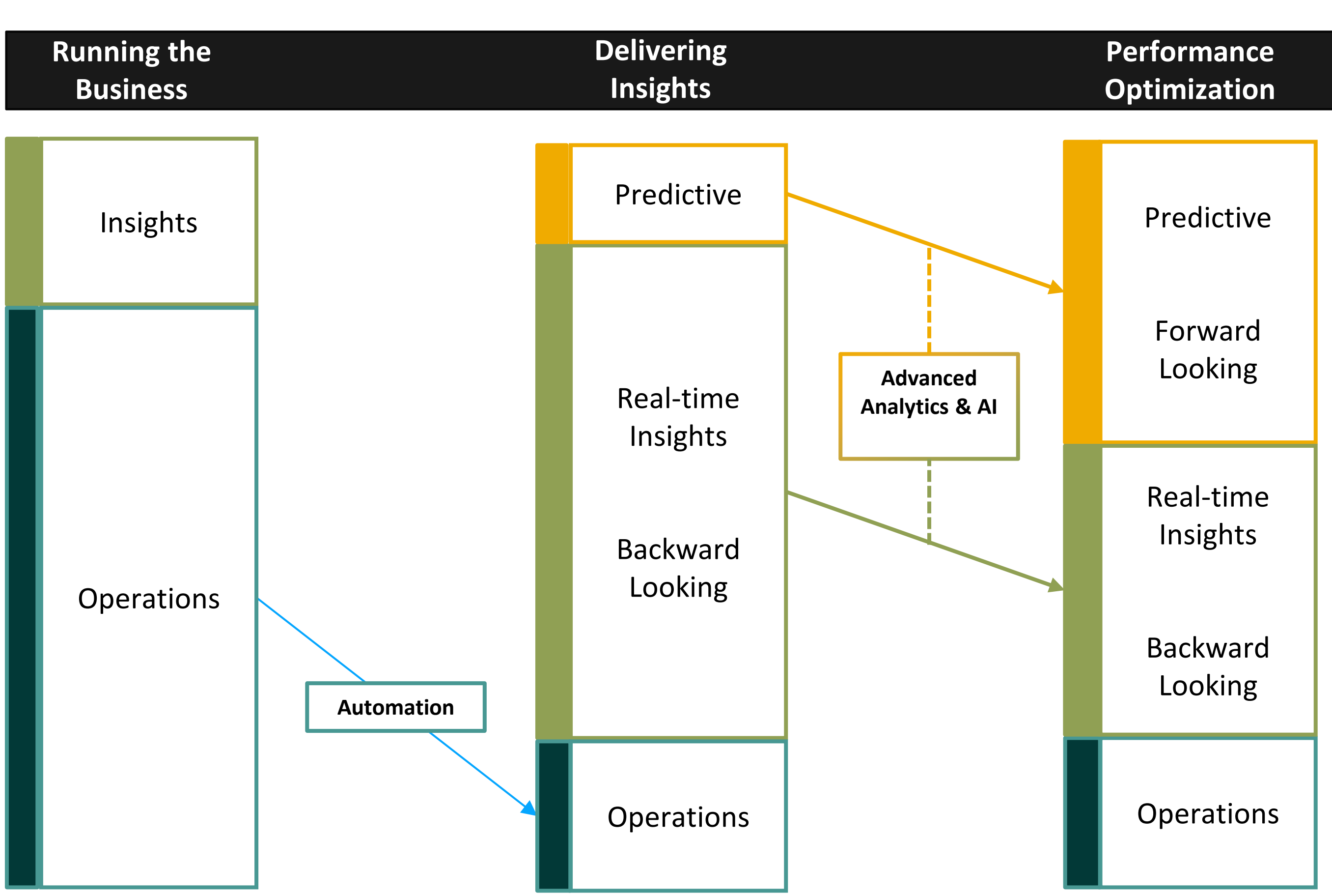
Consolidation of secondary cost elements into GL accounts

In MyHIVE, all financial and controlling postings are recorded together in one place (Universal Journal).

Secondary cost elements are now part of the G/L accounts, so there's no need for separate CO-only accounts. This makes managing accounts simpler and gives us clearer, more transparent financial data.

Transforming Finance

From Reporting Business Outcomes To Driving Business Outcomes



Benefits:

- Single source of financial data
- Modern solution
- Granular financial information
- True business partner
- Process Standardization
- Process Automation
- Focused on driving profitability & performance
- Accelerated Financial Close
- Reduce costs and risks
- Self-Service

Foundational enablers:

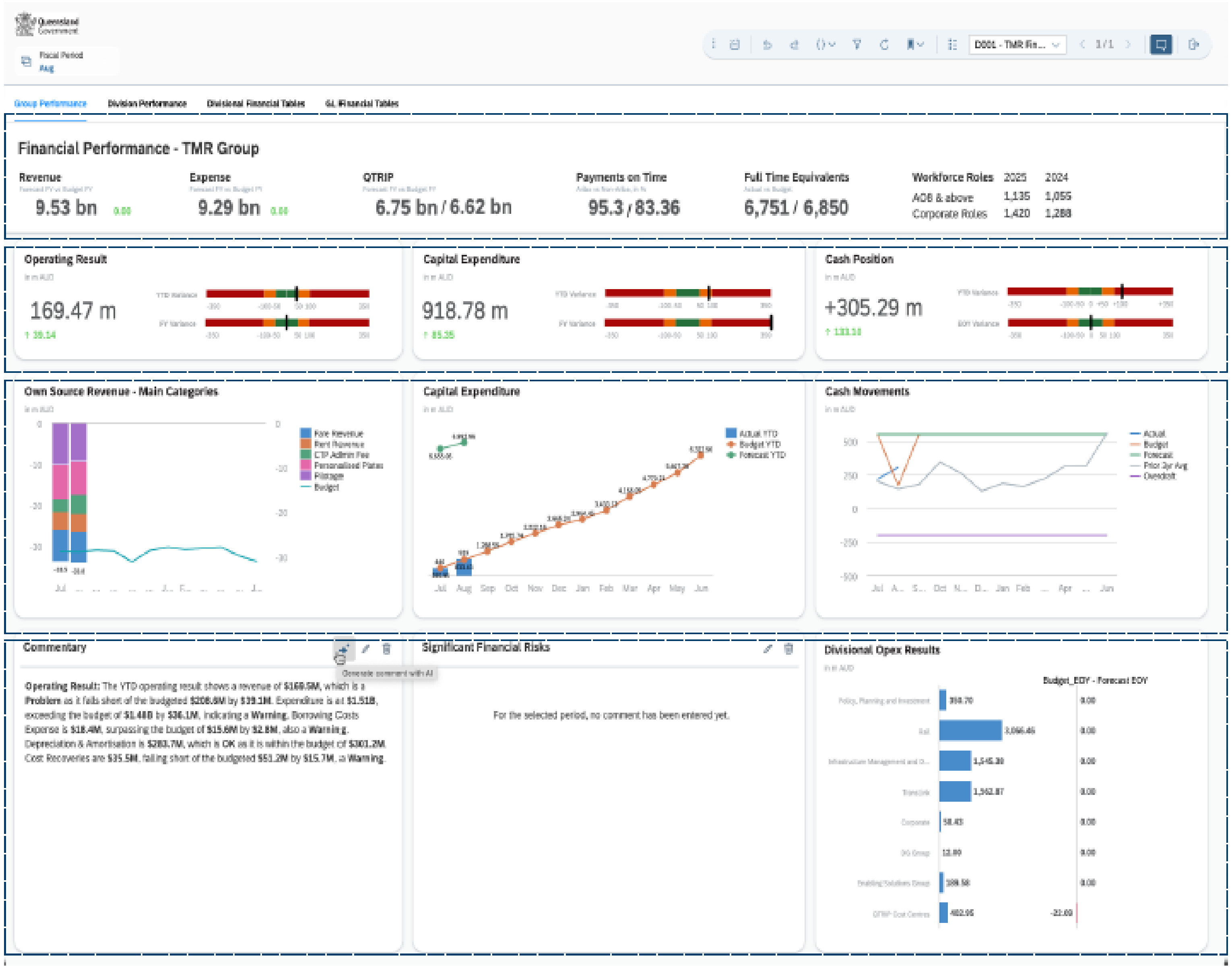
- Simplified processes
- Common data model
- Adopt modern solutions and services
- Data Foundation including finance sub ledger
- Compliance
- Sustainability management

Finance Dashboard – April 2026 Go-live

Modernised TMR Finance Dashboard – automated through SAC and Datasphere

Benefits:

- Real time preparation as directly linked to S/4
- Drill down to source transactions
- AI generated narrative



Questions?

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Technical update

David Hardidge, Director, QAO

Greg Hall, Principal Accountant, Queensland Treasury

Queensland Audit Office

Better public services

Queensland Treasury QAO Technical Update March 2026

Accounting and Financial Reporting

Greg Hall (Principal Accountant)

Questions? Need advice on accounting or sustainability/ESG matters? Contact us at fmcsupport@treasury.qld.gov.au

Disclaimer:
This presentation has been prepared for presentation at the QAO Technical Update (March 2026) by Queensland Treasury's Accounting Policy unit.

It has been prepared solely to communicate key accounting and reporting considerations to Departments and Statutory Bodies (unless indicated otherwise) who prepare financial statements under the *Financial Accountability Act (QLD) 2009.* It should not be used or relied upon by any other party, or for any other purpose.

It does not constitute formal Queensland Government or Queensland Treasury policy unless indicated otherwise – departments and statutory bodies should refer to the final published Financial Reporting Requirements for Queensland Government Agencies, Non-Current Asset Policies and other official Treasury reporting directives, including for emissions measurement and reporting.

References to draft accounting or sustainability reporting positions of the Australian Accounting Standards Board (AASB) or Queensland Treasury may change subsequent to the delivery of this presentation.

Agencies should monitor future official communication from Queensland Treasury on the application of accounting and sustainability standards in Australia to the Queensland public sector, including sustainability/emission reporting requirements for Queensland public sector agencies.

The Queensland Sustainability Report can be accessed in full via Queensland Treasury's website at https://www.treasury.qld.gov.au/programs-and-policies/esg/

- New Standards for 2025/26
  - AASB 2026-1
- Upcoming Standards for 2027 and beyond
  - AASB 2024-2
  - AASB 2025-1
  - AASB 17
  - AASB 18
- FRRs and NCAPs
- General comments

- **AASB 2026-1** *Amendments to Australian Accounting Standards – Disclosures about Uncertainties in the Financial Statements*

- Effective financial years commencing on/after 1 January 2025 (effective now)

- **General Focus:** improving the transparency of estimation uncertainties in financial reporting by providing new illustrative examples to help entities better report the effects of uncertainties in their financial statements.

- **Broad Requirement**: It effectively mandates disclosures for any major assumptions about the future that have a significant risk of causing material adjustments to asset or liability carrying amounts.

- **AASB 2026-1** *Amendments to Australian Accounting Standards – Disclosures about Uncertainties in the Financial Statements*

- a) *in relation to AASB 136* – how an entity discloses information about the key assumptions it uses to determine the recoverable amounts of assets;

- (b) *in relation to AASB 137* – how an entity might disclose information about plant decommissioning and site restoration obligations even if their effect on the carrying amount of the entity's plant decommissioning and site-restoration provision is immaterial.

- **AASB 2026-1** is **not limited to ESG or climate matters, though it includes them as a key area of application.**
- NFP's – impairment is reflected in the asset's fair value measurement…do key estimates and judgements reflect key assumptions?
- Are AASB 137.85 disclosures sufficient?

- **AASB 2024-2** *Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments.*

- Effective financial years commencing on/after 1 January 2026 (2026/27)

- Updates **AASB 9** and **AASB 7** to address emerging issues in financial instrument reporting for:
  - **modern payment practices**
  - the rise of **ESG-linked financial products**.
  - disclosures of investments designated at FVOCI

- **AASB 2024-2** *Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments.*

- **Electronic Payment Settlements**:
  - Clarifies when financial liabilities (and corresponding cash balance) can be derecognised when using electronic payment systems…effectively an alternative to settlement date accounting.
  - Allows an entity to consider a liability settled before the actual settlement date **IF** the payment instruction is **irrevocable** AND settlement risk is **insignificant**.

- **AASB 2024-2** *Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments.*

- **3 criteria to be met** (para B3.3.8):

  (a) the entity cannot withdraw, stop or cancel the payment instruction;

  (b) the entity has no ability to access the cash to be used for settlement;

  (c) the settlement risk associated with the electronic payment system is insignificant.

- What constitutes **insignificant risk**?

  ✓ a routine, automated administrative procedure;
  ✓ short duration between the point where the entity loses the practical ability to cancel the payment and the point where the counterparty receives the cash;
  ✓ The chance of the payment failing to complete is remote

- Settlement risk is **not insignificant** if:

  ✓ completion of the payment depends on the entity's ability to deliver cash on the settlement date (e.g., if there are insufficient funds at the time of final processing).

  ✓ the payment instruction can be rescinded or cancelled during a significant portion of the processing period.

- **Limited application in Australia?:** Our banking system is increasingly real time
- **Consistency:** If an entity elects this derecognition option for one payment, it must apply it to **all settlements** made through that same electronic payment system.
- This option applies **only to settling financial liabilities**; the receiving entity cannot derecognise its financial asset until the cash is actually received.
- Intercompany or internal-to-government transfers may create mismatches?

- **AASB 2024-2** *Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments.*

- **ESG-Linked Financial Assets**:
  - Provides guidance on assessing the **Solely Payments of Principal and Interest (SPPI)** criterion for assets with ESG features (e.g. loans with interest rates linked to carbon emission targets).
  - Clarifies that features not directly related to basic lending risks must be carefully evaluated to ensure they do not disqualify the asset from amortised cost measurement.

- **Contingent events and ESG metrics**:

  - For a change in contractual cash flows to be consistent with a basic lending arrangement, the contractual cash flows must not be significantly different from the cash flows on a similar financial instrument with identical terms but without the contingent feature.

  - Not limited to climate – could equally apply to loans with social targets

    - ✓ E.g a social loan arrangement creates a "step-up" or "step-down" in interest based on a social metric that **does not** accurately reflect a change in the borrower’s creditworthiness (i.e. credit risk).
    - ✓ This introduces **contractual cash flow volatility** that is unrelated to a basic lending arrangement and would trigger a failure of the SPPI test.

- AASB 2025-1 *Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity*
- Effective financial years beginning on or after 1 January 2026
- Amends AASB 9 and AASB 7 to **modernise energy reporting**
- Addresses the accounting challenges of Power Purchase Agreements (PPAs) where the supply of electricity depends on uncontrollable natural conditions like wind or solar.

- **Clarified 'Own-Use' Criteria**:
  - Specific guidance on when a nature-dependent electricity contract can be classified as for 'own-use'.
  - Helps entities avoid reporting these contracts as derivatives at fair value if they are intended for the entity's own consumption.

- **Permitted Hedge Accounting**:
  - Allows entities to designate these contracts as hedging instruments in a cash flow hedge.
  - Reduces profit and loss volatility for businesses securing renewable energy.

- **Enhanced Disclosures**:
  - Mandates new disclosures to help users understand how these contracts impact the entity's financial performance and cash flows.
  - Requires qualitative information on how an entity manages the risk of over-supply (e.g., when electricity is generated but cannot be used).

AASB 17 Insurance Contracts

- Commences 2026/27 – 1 July 2026 is soon!
- Affected agencies should be working with State Actuary and QT to:
  - quantify transitional adjustments for 2025-26 as retrospective application is required
  - determine any subsequent measurement impacts for 2026-27 budget presentation

AASB 18 Financial Statement Presentation

- Commences from 1 January 2027 (2027/28) for "for-profit" entities only
- ED338 – AASB has ***proposed relief for not-for-profit public sector entities*** within the GGS and for whole-of-government when standard commences in 2028/29
- Watch this space…
- For-profit entities need to begin preparing for changes in how your expenses are classified and reported, changes in interest/dividends received in cash flow reporting, and MPMs (if applicable).

- FRRs and NCAPs - minimal edits for 2025/26
- No major new or amended policies or guidance anticipated
- Illustrative financial statements will be relatively unchanged
- Areas of future focus:
  - *NCAP 1*- response to agency queries and further outreach from QT around capitalisation thresholds for plant and equipment
    - are not automatically indexed
    - balance materiality considerations with accounting realities
    - broadly consistent with other jurisdictions
  - *NCAP 2*
    - simplifying asset componentisation to be more principles-based

- Controlled vs Administered Receipts departments (FRR 2E):
  – FA Act definitions s.7 for "controlled receipt" and "administered receipt"
  – FRR 2E guidance does not override the Act.

- Special Payments (FRR 3D.6):
  – FRR 3D.6 for special payments
  – *"including ex gratia expenditure and other expenditure that is not under a contract."*
  – A payment is 'ex gratia' when it is not legally due either under a contract or otherwise.

- Equity transfers (FRR 4F):
  – approval by 'owners' **before** transfer occurs…it is not retrospective
  – 'owners' are **not** the accountable officers/management – 'owners' are Ministers/CBRC/Cabinet

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Technical update

David Hardidge, Director, QAO

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AASB 18

AASB 18
Presentation and disclosure in financial statements

Revised IAS 1 / AASB 101

For-profit 1 Jan 2027, Not-For-Profit 1 Jan 2028 (AASB consulting)

Tier 2 / RDR / SDS to be decided

Aggregation and disaggregation – no large ‘others’

- NFP public sector – no exemption
- If disclose ‘others’
  - ✓ explanation that no item is material, or
  - ✓ an indication of the nature and amount of the largest item

AASB 18

AASB 18
Presentation and disclosure in financial statements

- Operating, investing, and financing categories
- New sub-totals – linked to operating, investing, and financing categories
  - → operating profit or loss
  - → profit or loss before financing and income taxes
- Related changes to AASB 107 *Statement of Cash Flows*

NFP public sector – proposed: Accounting policy choice keep old system

Management defined performance measures (MPMs - underlying profit etc)

NFP public sector – possible exclusion

Tier 2 upcoming changes

AASB 1060 (RDR/SDS) PIR – ITC56

+ PIR ‘removal’ of SPFR for private-sector for-profits

AASB currently assessing how Tier 2 is going

- Post-Implementation Review (PIR) – Invitation to Comment (ITC) 56

Updating for AASB 18 – same timeline as Tier 1

AASB 1060 based on IFRS for SMEs (2015)

- How have the disclosures worked – what problems in practice?
- Updating for IFRS for SMEs (2025) – more disclosure

Consideration of IFRS 19

- IASB standard – allows subsidiaries that are not publicly accountable reduced disclosures, though still claim IFRS compliance

Upcoming changes

ITC50 Feedback Statement Post-implementation Review (PIR) – Income of Not-for-Profit Entities

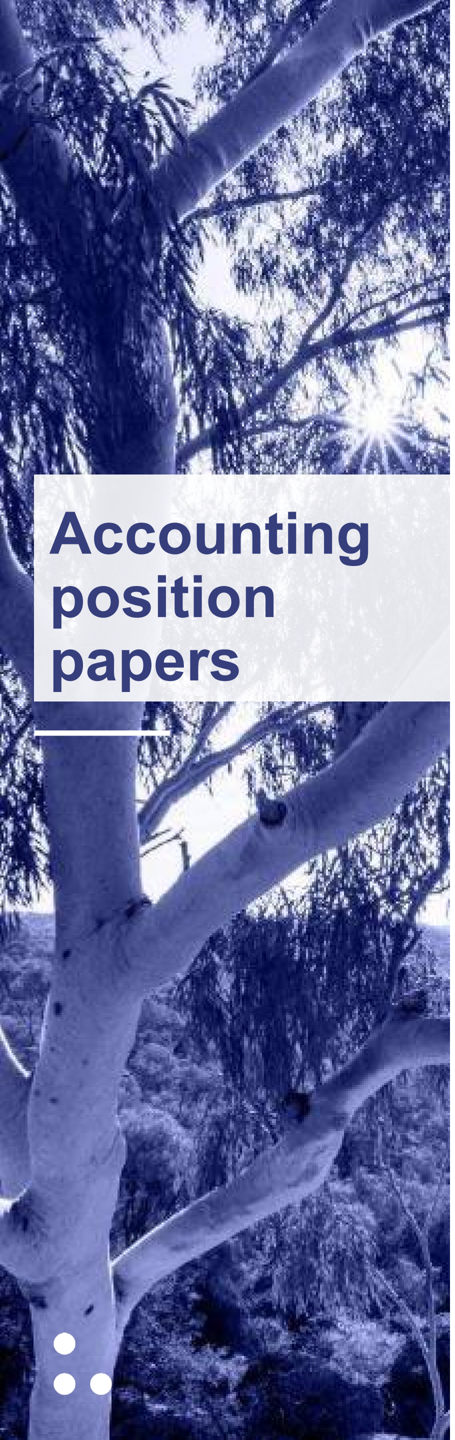
- Will ‘matching' come back?
- Alternatives (e.g. IPSAS 47) don’t completely solve problem
- Would you want to review all your non-AASB 15 contracts again?

Removing SPFRs (NFP + public sector) + transition

- ‘Removing’ SPFRs for many, but not all, public sector entities
- From 1 July 2029
- Public sector entities should already be following measurement rules
- Expecting transition and disclosure relief

Service Performance Reporting (NFPs)

- Would public sector jurisdictions change their existing reporting?



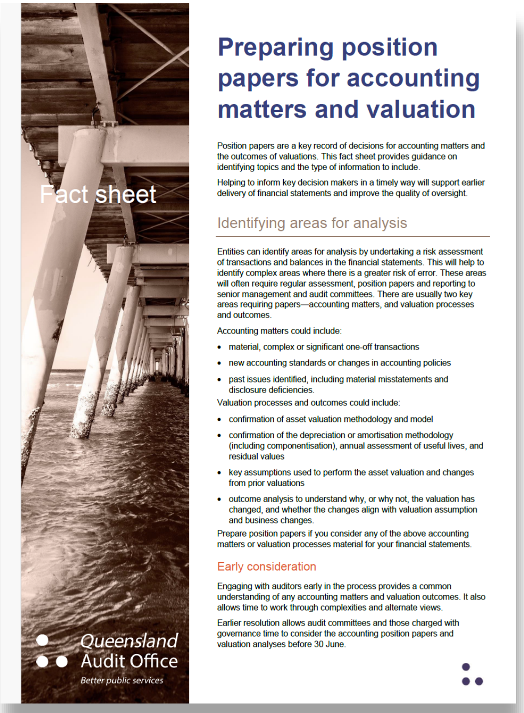
Accounting position papers

Accounting position papers

- Consider more than the desired point of view, analysing the alternative approaches that are available under accounting standards

Valuation papers

- Interim valuations – Do you have sufficient expertise and capacity?



Fact sheet

Queensland Audit Office

Better public services

Preparing position papers for accounting matters and valuation

Position papers are a key record of decisions for accounting matters and the outcomes of valuations. This fact sheet provides guidance on identifying topics and the type of information to include.

Helping to inform key decision makers in a timely way will support earlier delivery of financial statements and improve the quality of oversight.

Identifying areas for analysis

Entities can identify areas for analysis by undertaking a risk assessment of transactions and balances in the financial statements. This will help to identify complex areas where there is a greater risk of error. These areas will often require regular assessment, position papers and reporting to senior management and audit committees. There are usually two key areas requiring papers—accounting matters, and valuation processes and outcomes.

Accounting matters could include:

- material, complex or significant one-off transactions
- new accounting standards or changes in accounting policies
- past issues identified, including material misstatements and disclosure deficiencies.

Valuation processes and outcomes could include:

- confirmation of asset valuation methodology and model
- confirmation of the depreciation or amortisation methodology (including componentisation), annual assessment of useful lives, and residual values
- key assumptions used to perform the asset valuation and changes from prior valuations
- outcome analysis to understand why, or why not, the valuation has changed, and whether the changes align with valuation assumption and business changes.

Prepare position papers if you consider any of the above accounting matters or valuation processes material for your financial statements.

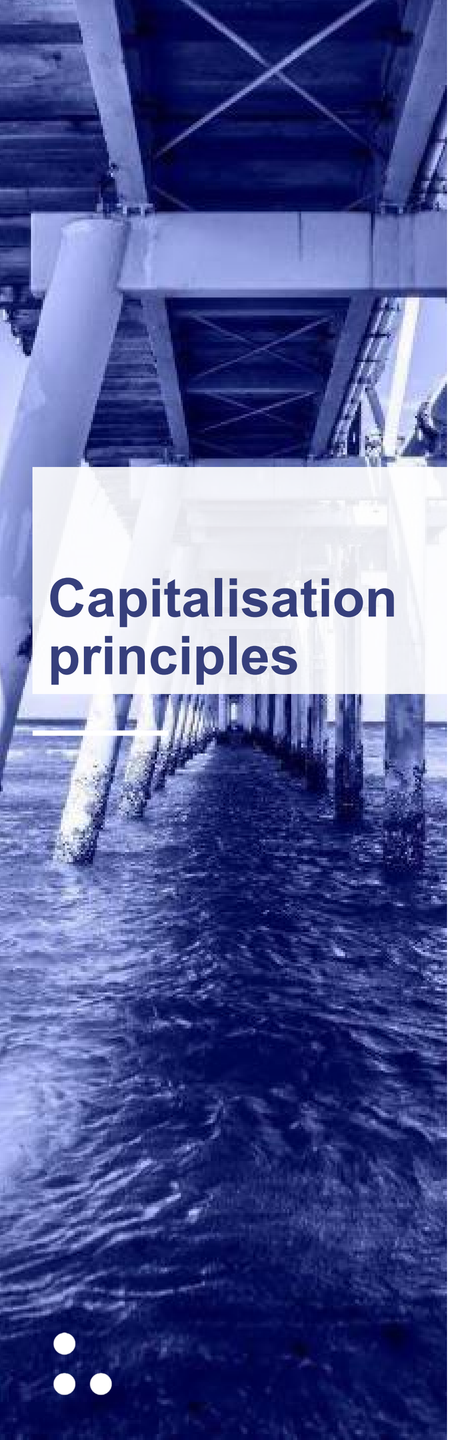
Early consideration

Engaging with auditors early in the process provides a common understanding of any accounting matters and valuation outcomes. It also allows time to work through complexities and alternate views.

Earlier resolution allows audit committees and those charged with governance time to consider the accounting position papers and valuation analyses before 30 June.

QAO fact sheet

www.qao.qld.gov.au/reports-resources/fact-sheets



We are using

major project capitalisation principles

This helps auditors to understand a major projects:

- ✓ current status and life cycle, aligned with the government's Project Assessment Framework (PAF)
- ✓ financial, regulatory, and technical hurdles

Our approach will help guide auditors assess **when clients should start capitalising and not expensing a major project's costs**

Queensland Treasury QAO Technical Update March 2026

ESG and WOG Emissions Reporting

Greg Hall (Principal Accountant)

Questions? Need advice on accounting or sustainability/ESG matters? Contact us at fmcsupport@treasury.qld.gov.au

The Queensland Sustainability Report can be accessed in full via Queensland Treasury's website at https://www.treasury.qld.gov.au/programs-and-policies/esg/

- QLD’s approach continues to be WOG focused.
- The Queensland Sustainability Report (QSR) remains the key WOG sustainability communication piece.
- Agency reporting sits within WOG framework.
- *Corporations Act 2001* entities (e.g. GOC’s) must apply AASB S2 if size criteria are met.
- **Otherwise, AASB sustainability standards do not have mandatory application to departments and statutory bodies unless directed/permitted by Government**. No external reporting for these agencies.
- Don’t look at other public sector jurisdictions – differing approaches

- Approved Emissions Measurement Framework for Government
  - UT wrote to DG's in July 2025 outlining approved framework – **no changes**
  - Only **mandatory reporters under the *Corporations Act 2001*** are required to publicly disclose emissions information and other climate related disclosures under AASB S2.
  - **Departments and statutory bodies within WOG are not applying AASB S2.**
  - Department and statutory body emissions data will be submitted to QT for aggregated WoG reporting as determined by government (S1, S2, S3 Cat2).
  - Agency level data can be utilised for internal planning, policy development, management purposes but **<u>no requirement for public disclosure</u>.**

- Who is required to report GHG emissions data to Treasury?
- All Departments (including controlled entities/subsidiaries)
- All Hospital and Health Services (HHS’s)
- Other statutory bodies whose supplies and services expenditure exceeds $75M for 2025/26
- Does not apply to statutory bodies who are not controlled and not consolidated into the State accounts (e.g. local government, water utilities, universities)
- GOC’s

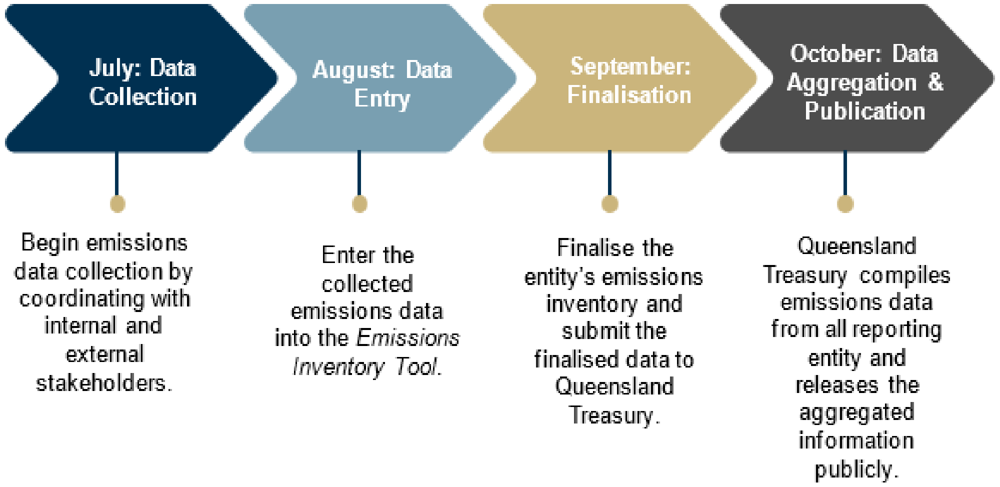
Queensland Treasury
QAO Technical Update March 2026 – ESG and WOG Emissions Reporting

- What is required to be reported to Treasury in 2025/26?
- No change from UT's advice and QT's CFO presentation in July 2025

➢ Scope 1 emissions

➢ Scope 2 emissions (market and locati
based calculations)

➢ Scope 3 Category 2 (capital goods)
emissions only



- Statutory bodies who are not controlled and not consolidated into the State accounts (e.g. local government, water utilities, universities):

  - still borrow through QTC and are reflected in the State's onlendings
  - will be permitted greater flexibility to choose the level of sustainability reporting undertaken appropriate to specific needs, however…
  - will be subject to meeting any QTC requirements and QT guidelines to ensure a minimum level of consistency in reporting
  - QT currently in the process of writing to these statutory bodies to communicate expectation and requirements.

- 2024/25 WOG emissions reporting trial run:
  - Generally, well completed
  - Scope 2 emissions market vs location calculations caused confusion…
  - Some agencies used pilot testing versions of the tool, not FMC final release
  - Targeted feedback and follow up with selected agencies
  - Additional feedback in the 2025/26 tool and guidance update.
  - Resolution of GOC feedback, questions, bespoke emission requests in progress

- 2025/26 WOG emissions reporting tool:
  - No change to previous UT advice regarding emissions (S1, S2, S3 Cat 2)
  - Will be released ahead of 30 June – date TBA
  - Updated agency guidance document
  - Enhanced guidance on market vs location emissions
  - Additional clarification around electricity under QGAO arrangements
  - Please don’t use prior versions of the tool … see FMC Website
  - Submission due date for 2025/26: 30 September 2026

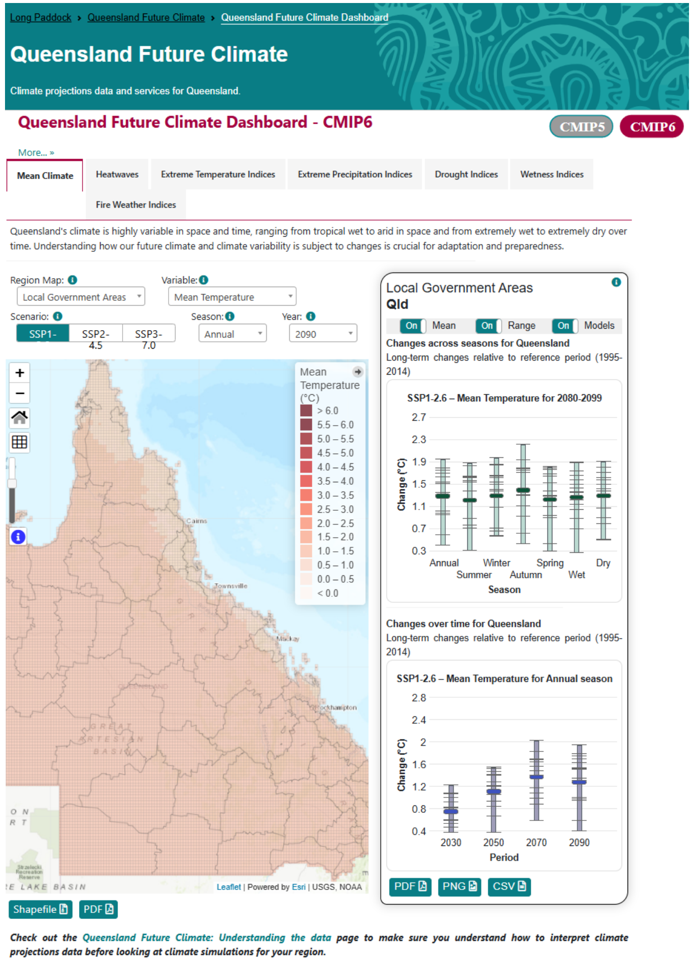
Preparations for 2025/26:

- Have you documented sources and processes for collecting activity data, including how activity data can be captured progressively throughout the year through accounting systems?
- Have you considered the “audit trail” – in addition to activity data, can you reconcile and/or prove your emissions data to your financial ledger to ensure completeness?
- Is your Accountable Officer/CEO aware of what the certification requirements are for 2025/26?
- Are you continuing your capability development? Have you designated the team responsible for calculating emissions?

- A reminder about Carbon Offsets:
  - Interim Policy Position per UT Letter to Agencies in August 2022 remains in place.
  - **Agencies are requested to seek UT approval for dealings in carbon offset products (e.g. ACCU's) in both domestic and international carbon markets.**
  - Generating ACCU's remains unrestricted – but seek UT approval to deal with these units.
  - Carbon offset products are not without risks that must be managed, from both a financial and government policy perspective.
  - Comprehensive due diligence before approaching UT is essential.

- A final word on climate risk management:
  - Risk management occurs in the context of the FPMS requirements
  - Agency climate and ESG risk does not exist in isolation to WOG and Government policy … how does it tie into QSR and broader WOG directives?
  - Is there consistency in your climate risks to portfolio-related entities?
  - Climate risks…are they yours or do they belong with somebody else?
  - Likelihood and consequence drive impact risk assessment
  - Is it material?
  - Categorised between transitional risk vs physical risk
  - Grouped into short, medium and long-term timeframes

- Government tools exist to assess climate risk:
  - Longpaddock risk assessment tools
    - ✓ https://www.longpaddock.qld.gov.au/qld-future-climate/adapting/climate-risk-matrix/downloads/
    - ✓ https://www.longpaddock.qld.gov.au/qld-future-climate/factsheets/16/
  - Longpaddock climate futures dashboard
    - ✓ https://www.longpaddock.qld.gov.au/qld-future-climate/dashboard-cmip6/
  - Climate Risk Management Guidelines for State Government Departments and Climate Ready Initiative
    - ✓ https://www.treasury.qld.gov.au/policies-and-programs/climate/climate-adaptation-strategy/
    - ✓ https://www.treasury.qld.gov.au/files/climate-risk-mgmt-guideline.pdf
    - ✓ https://www.griffith.edu.au/research/climate-action/climate-ready-initiative



Questions

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Climate risk governance

Vaughan Stemmett, Senior Director, QAO

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Current non-reporters' snapshot

Departments & statutory bodies

No mandatory reporting– QT has developed a framework for calculating GHG emissions, with a trial run performed over 2024–25 data

Not-for-profits (ACNC)

Currently not mandated– could voluntarily adopt but must consult with QAO

Voluntary reporting

If an entity includes climate or sustainability disclosures within its annual report or financial reporting package, this may trigger assurance requirements by the Auditor-General

Universities

Currently not mandated– could voluntarily adopt but must consult with QTC, QAO and comply with QTC/QT directions or guidelines

Local government

Currently not mandated– could voluntarily adopt but must consult with QTC, QAO and the department of local government, and comply with QTC directions or guidelines

Climate risks that impact all entities

Physical risks

- Storm surges – cyclones and flooding
- Wildfires
- Rising sea levels
- Heatwaves

Transitional risks

- Emission controls
- Carbon pricing
- Debt / equity investor demands
- Customer / stakeholder preferences

Reputational risks

- Failure to disclose climate risks
- Lawsuits / litigation

Takeaways from reporters

Climate change is not a future risk. It is a **current fiscal, operational, and service delivery issue**

Impacts of climate risks

- Service continuity
- Budget stability
- Asset integrity
- Public safety
- Insurance costs / availability

Existing data

- Entity A identified multiple individual risks within its Enterprise Risk Management Framework relating to flooded infrastructure and service disruption across its assets
- Incident data—such as increased hospital admissions during heatwaves or bushfires—which can be analysed alongside hazard projections to inform forward planning

All portfolios are affected

Portfolios	Examples of climate risks
Qld Treasury	Escalation of disaster recovery costs
Transport & Main Roads	Road and rail washouts
Qld Health	Heatwave surge events and increased diseases
Education	School closures and asset damage (heat and flood)
Qld Corrective Services	Prisoner heat stress and asset damage
Housing & Public Works	Flood and storm damage to social housing
Sport, Racing & Olympic and Paralympic Games	Stadiums inundation, racetrack closures, and event cancellations
Qld Fire Department	Longer and more intense fire seasons

Governance imperative

Governance and risk

Review and consolidate climate risks in enterprise risk frameworks

Capability and education

Ongoing climate education and upskilling

Data and controls

Establish data collection and controls, for example:

- geolocation of assets with hazard overlays (flood, bushfire warning maps, heat projections)
- tracking current and anticipated climate-related costs (floods and rainfall in the past 12 months and beyond)

Infrastructure resilience

Resilience review of infrastructure investment for physical climate risks

Climate risk oversight

Which individual, body, or committee will be responsible for overseeing climate-related risks and opportunities (CRROs)?

How will oversight of CRROs be embedded in Board charters and committee meetings?

How will the Board or committee be informed about CRROs at the local level and how frequently?

How will you assess whether the Board or committee has the appropriate skills and competencies?

How can you formalise and document responsibilities for climate risk response?

Questions for governance committees

- Do we have a climate policy, and have we embedded risks into enterprise risk management?
- Do we understand climate risks and consider them in decision making?
- Do we have the expertise, and do we understand our obligations for reporting material risks?
- Do we understand the physical and transitional risks and financial impacts?
- Will our disclosures meet stakeholder needs and avoid misleading users?
- How do our disclosure practices compare to peers and industry standards?
- Do we have systems to assure accuracy and completeness of disclosures?
- Have we reviewed and approved key metrics for managing risks?
- Does our risk assessment include quantitative, qualitative and forward-looking perspectives?

Blog: How reporting entities can prepare for the new climate-related financial disclosures standard

Questions

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Q&A and discussion

Facilitated by Damon Olive, Assistant Auditor-General – Financial Audit

Queensland Audit Office

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Event survey

Your feedback helps us improve our events.

A quick **five question survey** is open now:

www.surveymonkey.com/r/QAOTechnicalAuditUpdate2026

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Any questions please contact us

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