Back to the Future for QBCC Minimum Financial Reporting

From 1 January 2019, Queensland's building industry participants are again required to lodge their annual audited accounts with the Queensland Building and Construction Commission (QBCC) demonstrating compliance with the QBCC's Minimum Financial Requirements.

Reporting deadlines

- Participants that have $30 million or over in annual revenue were required to lodge their FY18 financial reports by midnight **Sunday 31 March 2019.**
- Participants under $30 million in annual revenue are required to submit FY19 reports by **31 December 2019.**

According to the QBCC as at 9 April 2019, at least 18 companies over the $30m revenue threshold were not meeting the minimum financial requirements (MFR's) to operate in Queensland.

The QBCC has issued "show cause" notices to at least 103 licence holders who have not submitted their financial reports. Licensees who have received show cause notices have been given until 26 April 2019 to provide reasons why they haven't provided their financials, as required under Queensland law. This will be their last chance to lodge the documents before facing disciplinary action by the QBCC, including possible licence suspension.

What is required to be lodged?

- The report to the QBCC must be prepared under the Australian Accounting Standards including:
  - a profit and loss statement;
  - a balance sheet;
  - a debtors and creditors report;
  - a statement of cashflows;
  - notes to the financial statements containing notes required by the Australian Accounting Standards*;
  - a written declaration verifying the information contained in the documents mentioned above*; and
  - a description of the measurement, within the meaning of the Australian Accounting Standards, on which the financial statements mentioned above, are based and the accounting policies or reports relevant to those financial statements*.

  * (QBCC Financial Category 4 - 7 only)
- Alternatively, if you are required to prepare annual reports for ASIC or ASX, a copy of these reports may be lodged to the Commission to satisfy this annual reporting requirements

What are the consequences of inaction?

- Failure to meet the QBCC reporting requirements can result in the suspension of a building license and fines of more than $2,600 for individuals and more than $13,000 for companies, or prosecutions for those that do not submit their reports by the due date.
- Last month the QBCC temporarily suspended the building licence of a top tier (Category 7) multinational construction giant for not meeting Queensland's minimum financial requirements under the regulations.

What other obligations exist?

Whilst this change essentially reinstates the regulatory position that existed prior to the Newman reforms of October 2015, there are some key changes:

- The Self Certifying Categories SC1 and SC2 threshold will be raised from $600,000 to $800,000. SC1 and SC2 licensees will need to report their revenue and Current Ratio (i.e. ratio of current assets to current liabilities) to the QBCC by 31 December 2019.
- Amendments to exceptions based reporting of declining Net Tangible Assets.
  - Categories 4 to 7 required to report decreases of more than 20 per cent in Net Tangible Assets.
  - Categories SC1 to Category 3 required to report subsequent decreases of 30 per cent or more in Net Tangible Assets to the QBCC.

Importantly, Net Tangible Assets is not Net Assets, and is calculated applying the QBCC's prescriptive guidelines.

Whilst the QBCC's Minimum Financial Requirements (MFR) state that "all relevant current Australian Accounting Standards must be applied to the financial information of the Licensee", it is important to understand that the MFR's contain additional requirements that are to be applied, most critically being the exclusion of:

- Intangible assets
- Debtors over 180 days
- Related Party Receivables where the related party does not have a positive NTA (also assessed using the MFR guidelines).

Additionally, Head Contractors required to maintain Project Bank (Trust) Accounts should seek clarification about when money in project bank accounts can be classed as an asset or revenue.

What should I do now?

It is paramount that those in the building industry in Queensland have a robust plan in place to comply with these new obligations by the deadline.

Those in the Queensland building industry should ensure that information provided to QBCC meets Minimum Financial Reporting guidelines and that your net tangible assets are sufficient to support your forecasted revenue over the coming year.

Where deficiencies exist, contact your advisor to help you provide the QBCC with additional information to maintain your license.

If your company is affected, ensure that you have, or are in the process of providing your financial information to the QBCC.

Further information is available on the QBCC webpage or contact one of our Industry Specialists:

Sian Sinclair
Partner, Tax
Grant Thornton Australia Limited
T + 61 7 3222 0330
E Sian.Sinclair@au.gt.com

Cameron Crichton
Partner, Financial Advisory
Grant Thornton Australia Limited
T + 61 7 3222 0331
E Cameron.Crichton@au.gt.com

Matt Bell
Partner, Audit & Assurance
Grant Thornton Australia Limited
T + 61 7 3222 0266
E Matt.Bell@au.gt.com

Grant Thornton
An instinct for growth™

grantthornton.com.au