Back to the Future for QBCC Minimum Financial Reporting

Queensland's building industry participants with under $30 million of annual turnover are required to lodge their annual accounts by **31 December 2019** with the Queensland Building and Construction Commission (QBCC), demonstrating compliance with the QBCC's Minimum Financial Reporting Requirements.

Once participants have lodged their accounts, the QBCC will confirm their annual reporting deadline going forward.

Participants with $30 million and over in annual turnover had a deadline of 31 March 2019.

The QBCC has shown that this is a reporting requirement with teeth – in the QBCC's 2018/2019 Annual Report, the QBCC stated that "as at 30 June 2019, 742 category 4–7 licensees lodged financial reports with the QBCC under the new annual reporting requirements. [QBCC] issued 74 show cause notices for suspected non-compliance with minimum financial requirements and 17 licence suspensions. We also imposed licence conditions on seven licensees."

With nearly 70,000 licensees ordered to lodge in Phase 2 of the implementation, small and mid-sized companies, many of them family-owned, will be caught in the net. A new online portal has been built on its website for people to lodge reports, however participants should note that there will be considerable ramifications if the information lodged on the portal is not correct.

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 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.
- The QBCC has given 17 license suspensions in the first phase, including temporarily suspended the building licence of a top tier (Category 7) multinational construction giant for not meeting the minimum financial requirements.

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?

If you are conducting building works in Queensland, (regardless if headquartered interstate), you must demonstrate compliance with the MFR requirements.

The MFR assessment is based on all turnover of the licensee, regardless of whether conducted interstate, or for non-building works.

Whilst the QBCC is encouraging participants to direclty lodge financial information through its portal myQBCC, licensees should ensure that that information has been properly reviewed and demonstrates compliance.

Where deficiencies exist, contact your advisor prior to lodging to assist addressing any queries that are raised by the QBCC.

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:

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