Financial performance

Summary of financial performance

Section 77(2)(b) of the *Financial Accountability Act 2009* requires the Chief Finance Officer of the Department of Communities, Disability Services and Seniors to provide the accountable officer with a statement on whether the department's internal financial controls are operating efficiently, effectively and economically.

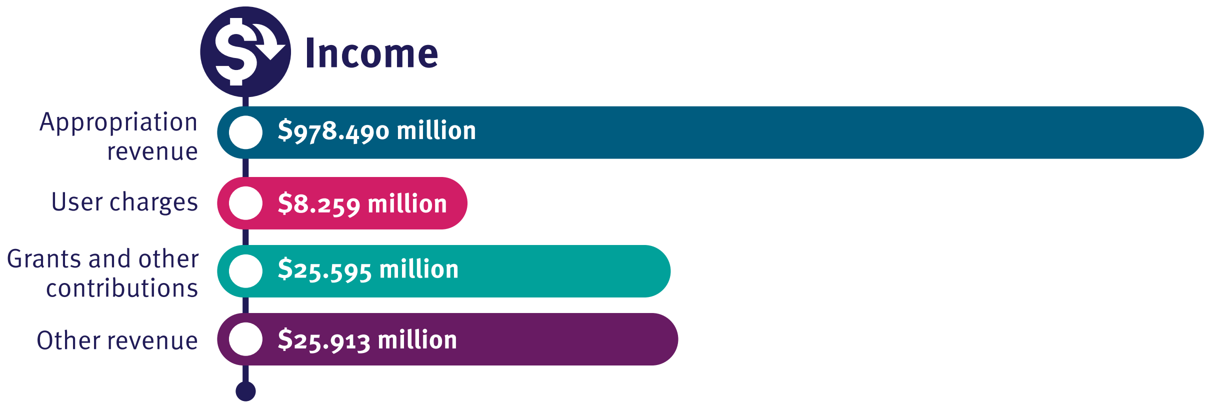
The 2018–19 Statement of Assurance provided to the Director-General satisfies all requirements of section 42 of the *Financial and Performance Management Standard 2009*. The statement was also provided to the department's Audit and Risk Committee.

It indicated no deficiencies or breakdowns in internal controls that would impact adversely on the department's financial governance or financial statements for the year.

Income

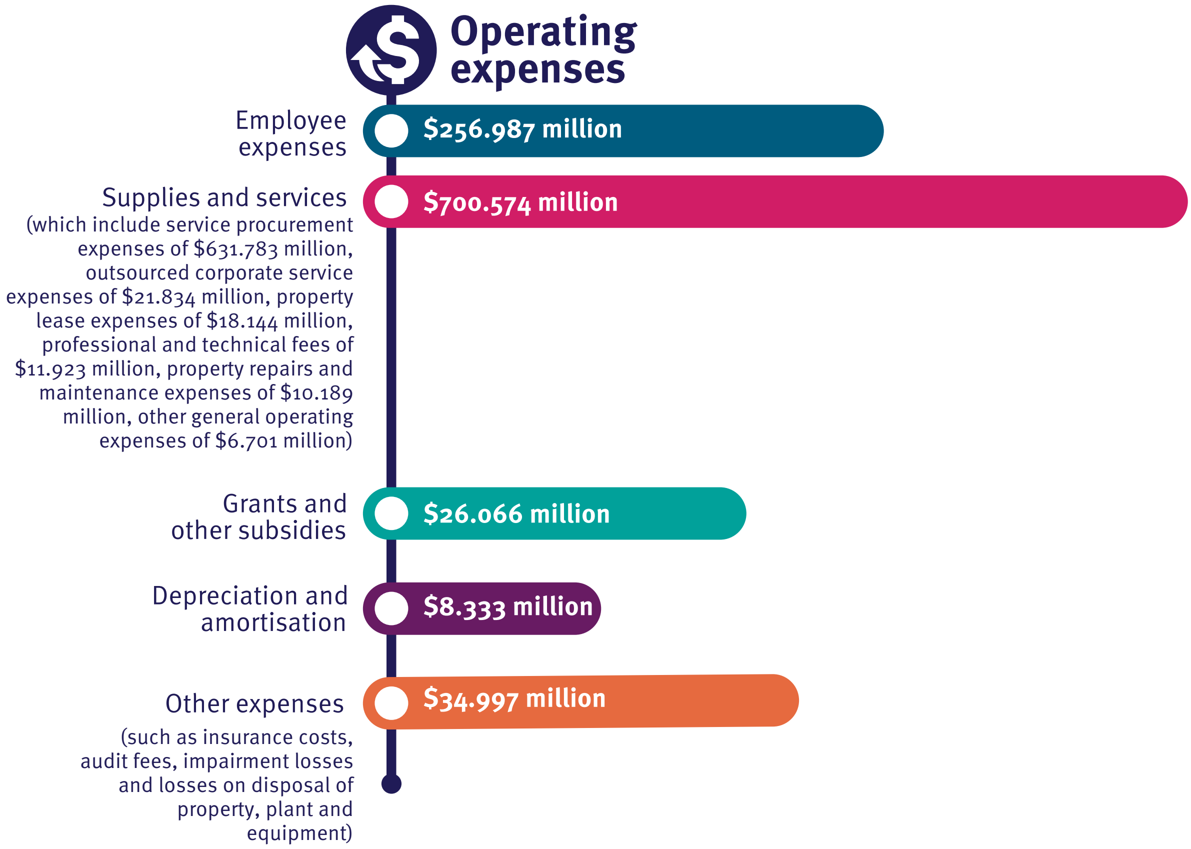
Our income in 2018–19 was $1.038 billion, with the major sources of income being the Queensland and Australian governments for the provision of services.

During 2018–19, we received our income from:



Operating expenses

Our department provides a wide range of services to the community, delivered by contracted non-government organisations and through direct service delivery. As a result, our two largest expense categories are supplies and services and employee expenses. Our total operating expenses for 2018–19 were $1.027 billion, including:



In 2018–19, the department had an operating surplus of $11.300 million, related largely to the recognition of $5.130 million in Commonwealth grant funding, with program expenditure to be incurred in 2019–20. Additional factors include the recognition of a number of non-cash items, including net fixed asset revaluations of $2.516 million and gains made on acquisition of assets received below fair value of $3.069 million. In addition, the department also received greater non-appropriated revenue of $0.585 million.

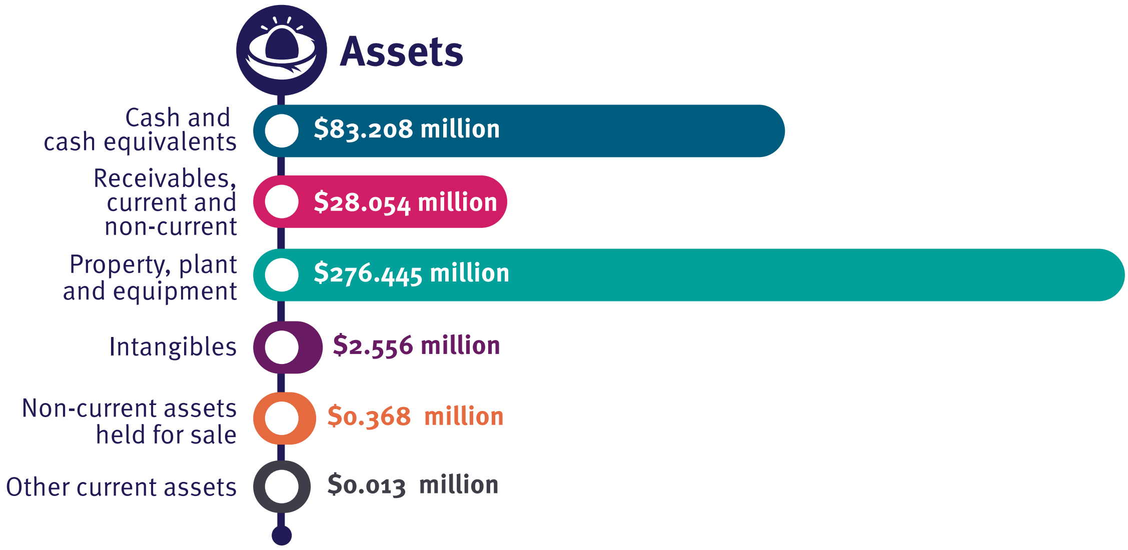
Assets

Our total assets as at 30 June 2019 were $390.644 million. The primary assets held by our department were properties used to:

- support people with disability, including accommodation and respite services
- strengthen our communities, including multipurpose and neighbourhood centres.

The department's assets also include intangible assets, primarily internally generated software and systems.

The value of our assets by category was:

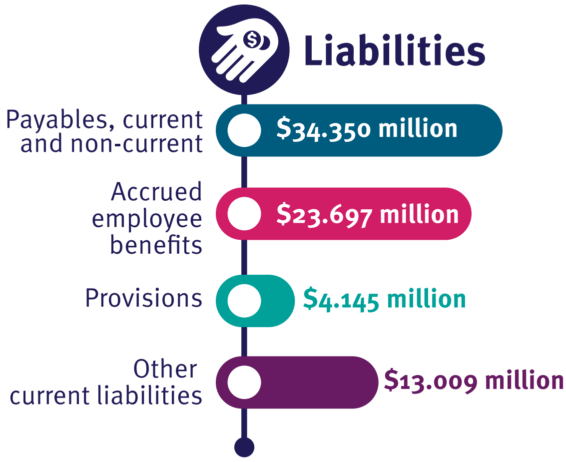


The department's cash at bank balance includes a cash-fund investment established with Queensland Treasury Corporation for the Elderly Parent Carer Innovation Initiative. The balance of the cash-fund investment as at 30 June 2019 was $0.963 million.

Liabilities

Our liabilities consist primarily of payables for service procurement, trade creditors and provisions for employee entitlements.

Our total liabilities as at 30 June 2019 were $75.201 million. Liabilities by category were:



National Disability Insurance Scheme

2018–19 was the third full year of transition to the NDIS.

Payments

In 2018–19, on behalf of the Queensland Government, we administered total payments of $1.645 billion including:

- concession payments of $373.916 million for electricity and reticulated natural gas, rates and water subsidies, electricity for life support, home energy emergency assistance and asset ownership electricity dividend
- payments of $1.045 billion for the transition of clients to the NDIS
- payments of $38.596 million for natural disasters on behalf of the Queensland and Australian governments for grants for emergency assistance, essential household contents, structural assistance, and the Essential Services Safety and Reconnection Scheme
- administrative costs of $24.648 million directly attributable to Community Recovery activities.

Income and expenditure on these items is accounted for separately from our operating accounts. Variances between budget and actual results are explained in the financial statements.

We manage financial risks and liabilities by reviewing our financial performance through our corporate governance framework. To help us manage risks, the department's Audit and Risk Committee oversees audit activities, audit recommendations, financial reporting, internal controls and compliance.
For more information on our financial performance, please see our Annual Financial Statements (provided separately within this report).

Service Delivery Statement measures

The following scorecards summarise our performance (quantifiable measures and qualitative achievements) against the performance indicators in the department's Service Delivery Statement 2018–19.

Disability Services	Notes	2018–19 Target/estimate	2018–19 Estimated Actual
Effectiveness measures — number of Queenslanders with disability accessing departmental delivered and/or funded specialist disability support services	(1)	9,000 to 14,0000	11,500
Rate per 1000 population users of community care services:	(2)		
▸ All users		6 to 9	6
▸ Aboriginal and Torres Strait Islander people aged 49 years and under		5 to 8	8
▸ People born in non-English speaking countries aged 64 years and under		5 to 8	5
Efficiency measure – total estimated expenditure per service user receiving department's administered specialist disability services	(3)	$56,000 to $66,000	$66,000

Notes:

(1) This measure records the total number of clients expected to receive specialist disability support services delivered and/or funded by the department during the relevant financial year. The number of service users is anticipated to decline following the transition of clients with disability to the National Disability Insurance Scheme (NDIS). The Target/estimates are based on the anticipated transition of people to the NDIS as proposed under the Bilateral Agreement between the Queensland Government and the Commonwealth Government.

(2) This measure is broken into three population specific cohorts using a 'rate per 1000' of the relevant population as the unit of measure to allow for changes in population to be taken into account from year to year. The wording and calculation method of this measure is consistent with national data reported as part of the Report on Government Services (RoGS). The number of community care service users is anticipated to decline following the transition of clients with disability to the NDIS.

(3) A range is provided for 2018–19 due to current uncertainty regarding the number of community care clients who will transition to the NDIS and those who will remain as a state funded responsibility. All Target/estimates are based on the anticipated transition of people to the NDIS as estimated under the Bilateral Agreement between the Queensland Government and the Commonwealth Government.

Disability service users can receive multiple services. The overall cost per user is for those services, regardless of service type, delivered and/or funded by the department, and does not include services or expenditure delivered by other Queensland Government departments or the Commonwealth Government. The wording and calculation method of this measure is consistent with national data reported as part of RoGS. The number of service users is anticipated to decline following the transition of clients with disability to the NDIS.

Community Services	Notes	2018–19 Target/estimate	2018–19 Estimated Actual
Efficiency measures — percentage of senior and carer cards issued within 20 working days of application	(1)	90 per cent	95 per cent

Notes:

(1) Each year the department issues or renews senior and carer cards, providing financial benefits to users. Monitoring the time to issue a card maintains service standards to the community. Measuring the average time to issue cards, and percentage issued within timeframes, monitors the efficiency with which card applications are processed and cards distributed.

Department of Communities, Disability Services and Seniors

Annual Financial Statements 2018-19

Department of Communities, Disability Services and Seniors
Financial Statements
for the year ended 30 June 2019

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Department of Communities, Disability Services and Seniors
Income Statement - Controlled
for the year ended 30 June 2019

	Note	Actual 2019 $'000	Original Budget^ 2019 $'000	Budget Variance* 2019 $'000	Actual 2018 $'000
Income from Continuing Operations					
Appropriation revenue	B1-1	**978,490**	850,125	128,365	2,073,427
User charges and fees		**8,259**	2,980	5,279	20,541
Grants and other contributions	B1-2	**25,595**	1,148	24,447	19,263
Interest		**60**	42	18	79
Reversal of revaluation decrement	C4-1	**3,551**	-	3,551	3,994
Other revenue	B1-3	**22,302**	1,500	20,802	15,102
Total Income from Continuing Operations		**1,038,257**	**855,795**	**182,462**	**2,132,406**
Expenses from Continuing Operations					
Employee expenses	B2-1	**256,987**	228,722	28,265	423,491
Supplies and services	B2-2	**700,574**	618,042	82,532	1,542,897
Grants and subsidies	B2-3	**26,066**	8,091	17,975	114,923
Depreciation and amortisation	C4-1 , C5-1	**8,333**	10,747	(2,414)	17,680
Impairment losses		**312**	-	312	133
Other expenses	B2-4	**33,650**	2,700	30,950	25,064
Losses on sale		**-**	500	(500)	-
Revaluation Decrement	C4-1	**1,035**	-	1,035	-
Total Expenses from Continuing Operations		**1,026,957**	**868,802**	**158,155**	**2,124,188**
Operating Result from Continuing Operations		**11,300**	(13,007)	24,307	8,218
Operating Result for the Year		**11,300**	**(13,007)**	**24,307**	**8,218**
Total Comprehensive Income		**11,300**	**(13,007)**	**24,307**	**8,218**

* *An explanation of major variances is included at Note E1-1 .*

^ *These figures represent budgeted figures as published in the latest Service Delivery Statement tabled in Parliament.*

Additional Information

A key contribution to the 2018-19 operating result of $11.300M is the recognition of $5.130M in Commonwealth grant funding, with the program expenditure to be incurred in 2019-20. Additional factors include the recognition of a number of non-cash items including net fixed asset revaluations of $2.516M and gains made on acquisition of assets received below fair value of $3.069M. In addition the department also received greater non-appropriated revenue of $0.585M. Refer to the accompanying notes to the financial statement notes for further information.

The accompanying notes form part of these financial statements.

Department of Communities, Disability Services and Seniors
Income Statement by Major Departmental Services - Controlled
for the year ended 30 June 2019

	Disability Services		Community and Seniors Services		General - Not Attributed		Discontinued Services*		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Income from Operations										
Appropriation revenue	**846,759**	1,355,500	**131,731**	159,546	**-**	-	**-**	558,381	**978,490**	2,073,427
User charges and fees	**2,830**	7,018	**5,429**	9,195	**-**	3,329	**-**	999	**8,259**	20,541
Grants and other contributions	**24,949**	11,472	**646**	5,438	**-**	1,965	**-**	388	**25,595**	19,263
Interest	**60**	79	**-**	-	**-**	-	**-**	-	**60**	79
Reversal of revaluation decrement	**2,257**	1,997	**1,294**	1,997	**-**	-	**-**	-	**3,551**	3,994
Other revenue	**17,212**	13,981	**5,090**	472	**-**	1	**-**	648	**22,302**	15,102
Total Income from Operations	**894,067**	**1,390,047**	**144,190**	**176,648**	**-**	**5,295**	**-**	**560,416**	**1,038,257**	**2,132,406**
Expenses from Operations										
Employee expenses	**228,114**	244,371	**28,873**	31,504	**-**	2,684	**-**	144,932	**256,987**	423,491
Supplies and services	**613,067**	1,071,741	**87,507**	130,205	**-**	2,610	**-**	338,341	**700,574**	1,542,897
Grants and subsidies	**18,773**	39,166	**7,293**	5,795	**-**	1	**-**	69,961	**26,066**	114,923
Depreciation and amortisation	**6,549**	9,133	**1,784**	1,953	**-**	-	**-**	6,594	**8,333**	17,680
Impairment losses	**310**	108	**2**	12	**-**	1	**-**	12	**312**	133
Other expenses	**19,642**	22,642	**14,008**	1,846	**-**	-	**-**	576	**33,650**	25,064
Revaluation decrement	**1,035**	(5)	**-**	5	**-**	-	**-**	-	**1,035**	-
Total Expenses from Operations	**887,490**	**1,387,156**	**139,467**	**171,320**	**-**	**5,296**	**-**	**560,416 -**	**1,026,957**	**2,124,188**
Operating Result from Operations	**6,577**	2,891	**4,723**	5,328	**-**	-	**-**	-	**11,300**	8,218
Operating Result for the Year	**6,577**	**2,891**	**4,723**	**5,328**	**-**	**-**	**-**	**-**	**11,300**	**8,218**
Total Comprehensive Income	**6,577**	**2,891**	**4,723**	**5,328**	**-**	**-**	**-**	**-**	**11,300**	**8,218**

* *Discontinued Services are for Child and Family Services for 1 July to 31 December 2017 which was discontinued by the department due to the Machinery-of-Government changes.*

Department of Communities, Disability Services and Seniors
Balance Sheet - Controlled
as at 30 June 2019

	Note	Actual 2019 $'000	Original Budget^ 2019 $'000	Budget Variance* 2019 $'000	Actual 2018 $'000
Current Assets					
Cash and cash equivalents	C1	**83,208**	20,731	62,477	87,242
Receivables	C2	**23,852**	16,282	7,570	14,234
Other current assets		**13**	2,907	(2,894)	-
		107,073	39,920	67,153	101,476
Non-current assets classified as held for sale	C3	**368**	-	368	-
Total Current Assets		**107,441**	39,920	67,521	101,476
Non-Current Assets					
Receivables	C2	**4,202**	1,473	2,729	3,850
Property, plant and equipment	C4	**276,445**	271,178	5,267	261,619
Intangibles	C5	**2,556**	3,778	(1,222)	5,357
Total Non-Current Assets		**283,203**	276,429	6,774	270,826
Total Assets		**390,644**	**316,349**	**74,295**	**372,302**
Current Liabilities					
Payables	C6	**30,148**	13,561	16,587	46,284
Accrued employee benefits	C7	**23,697**	13,917	9,780	9,563
Provisions		**4,145**	208	3,937	480
Other current liabilities	C8	**13,009**	57	12,952	497
Total Current Liabilities		**70,999**	27,743	43,256	56,824
Non-Current Liabilities					
Payables	C6	**4,202**	5,237	(1,035)	3,850
Provisions		**-**	564	(564)	403
Total Non-Current Liabilities		**4,202**	5,801	(1,599)	4,253
Total Liabilities		**75,201**	**33,544**	**41,657**	**61,077**
Net Assets		**315,443**	**282,805**	**32,638**	**311,225**
Equity					
Contributed equity		**302,252**	302,337	(85)	309,334
Accumulated surplus		**13,191**	(19,532)	32,723	1,891
Total Equity		**315,443**	**282,805**	**32,638**	**311,225**

* *An explanation of major variances is included at Note E1-2 .*

^ *These figures represent budgeted figures as published in the latest Service Delivery Statement tabled in Parliament.*

The accompanying notes form part of these financial statements.

Department of Communities, Disability Services and Seniors
Statement of Assets and Liabilities by Major Departmental Services - Controlled
as at 30 June 2019

	Disability Services		Community and Seniors Services		General - Not Attributed		Discontinued Services*		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current Assets										
Cash and cash equivalents	**74,267**	77,663	**8,941**	9,579	**-**	-	**-**	-	**83,208**	87,242
Receivables	**21,198**	11,673	**2,654**	1,440	**-**	1,121	**-**	-	**23,852**	14,234
Other current assets	**13**	-	**-**	-	**-**	-	**-**	-	**13**	-
Non-current assets classified as held for sale	**368**	-	**-**	-	**-**	-	**-**	-	**368**	-
Total Current Assets	**95,846**	89,336	**11,595**	11,019	**-**	1,121	**-**	-	**107,441**	101,476
Non-Current Assets										
Receivables	**4,202**	3,427	**-**	423	**-**	-	**-**	-	**4,202**	3,850
Property, plant and equipment	**167,919**	164,113	**108,526**	97,507	**-**	-	**-**	-	**276,445**	261,619
Intangibles	**54**	3,273	**2,502**	2,084	**-**	-	**-**	-	**2,556**	5,357
Total Non-Current Assets	**172,175**	170,813	**111,028**	100,014	**-**	-	**-**	-	**283,203**	270,826
Total Assets	**268,021**	**260,149**	**122,623**	**111,033**	**-**	**1,121**	**-**	**-**	**390,644**	**372,302**
Current Liabilities										
Payables	**22,951**	41,201	**7,197**	5,082	**-**	3	**-**	-	**30,148**	46,284
Accrued employee benefits	**22,487**	9,370	**1,210**	194	**-**	-	**-**	-	**23,697**	9,563
Provisions	**1,865**	480	**2,280**	-	**-**	-	**-**	-	**4,145**	480
Other current liabilities	**12,988**	-	**21**	498	**-**	(1)	**-**	-	**13,009**	497
Total Current Liabilities	**60,291**	51,051	**10,708**	5,774	**-**	2	**-**	-	**70,999**	56,824
Non-Current Liabilities										
Payables	**3,781**	3,464	**421**	386	**-**	-	**-**	-	**4,202**	3,850
Provisions	**-**	343	**-**	59	**-**	1	**-**	-	**-**	403
Total Non-Current Liabilities	**3,781**	3,807	**421**	445	**-**	1	**-**	-	**4,202**	4,253
Total Liabilities	**64,072**	**54,858**	**11,129**	**6,219**	**-**	**3**	**-**	**-**	**75,201**	**61,077**

* *Discontinued Services are for Child and Family Services for 1 July to 31 December 2017 which was discontinued by the department due to the Machinery-of-Government changes.*

Department of Communities, Disability Services and Seniors
Statement of Changes in Equity - Controlled
for the year ended 30 June 2019

	Note	Contributed Equity $'000	Accumulated Surplus $'000	Total $'000
Balance as at 1 July 2017		467,366	(6,327)	461,039
Operating Result				
Operating result from continuing operations		-	8,218	8,218
Total Comprehensive Income for the Year		**-**	**8,218**	**8,218**
Transactions with Owners as Owners:				
Net equity withdrawals	C9-2	(45,929)	-	(45,929)
Net transfers in/(out) from other Queensland Government entities - other	C9-1	(112,103)	-	(112,103)
Net Transactions with Owners as Owners		(158,032)	-	(158,032)
Balance as at 30 June 2018		**309,334**	**1,891**	**311,225**

	Note	Contributed Equity $'000	Accumulated Surplus $'000	Total $'000
Operating Result				
Operating result from continuing operations		-	11,300	11,300
Total Comprehensive Income for the Year		**-**	**11,300**	**11,300**
Transactions with owners in their capacity as owners:				
Net equity withdrawals	C9-2	(4,084)	-	(4,084)
Net transfers in/(out) from other Queensland Government entities - other	C9-1	(2,998)	-	(2,998)
Net Transactions with Owners as Owners		(7,082)	-	(7,082)
Balance as at 30 June 2019		**302,252**	**13,191**	**315,443**

The accompanying notes form part of these financial statements.

Department of Communities, Disability Services and Seniors
Statement of Cash Flows - Controlled
for the year ended 30 June 2019

	Note	Actual 2019 $'000	Original Budget^ 2019 $'000	Budget Variance* 2019 $'000	Actual 2018 $'000
Cash Flows from Operating Activities					
Inflows:					
Service appropriation receipts		**932,747**	841,129	91,618	2,032,433
User charges and fees		**16,648**	4,193	12,455	9,469
Grants and other contributions		**22,125**	1,148	20,977	16,080
GST input tax credits received from ATO		**75,882**	-	75,882	167,744
GST collected from customers		**1,908**	-	1,908	8,365
Interest receipts		**60**	42	18	79
Other		**24,630**	281,374	(256,744)	15,656
Outflows:					
Employee expenses		**(248,569)**	(228,722)	(19,847)	(430,794)
Supplies and services		**(705,165)**	(897,953)	192,788	(1,521,457)
Grants and subsidies		**(23,867)**	(8,091)	(15,776)	(114,343)
GST paid to suppliers		**(74,467)**	-	(74,467)	(166,397)
GST remitted to ATO		**(1,908)**	-	(1,908)	(8,365)
Other		**-**	(4,183)	4,183	(7,385)
Net Cash Provided by (Used in) Operating Activities#		**20,024**	**(11,063)**	**31,087**	**1,084**
Cash Flows from Investing Activities					
Inflows:					
Sales of property, plant and equipment		**-**	-	-	762
Outflows:					
Payments for property, plant and equipment		**(17,080)**	(17,001)	(79)	(8,531)
Payments for intangible assets		**(588)**	-	(588)	(2,453)
Net Cash Used in Investing Activities		**(17,668)**	**(17,001)**	**(667)**	**(10,222)**
Cash Flows from Financing Activities					
Inflows:					
Equity injections		**-**	-	-	2,600
Outflows:					
Equity withdrawals		**(6,390)**	(7,150)	760	(47,573)
Net Cash (Used in) Provided by Financing Activities		**(6,390)**	**(7,150)**	**760**	**(44,973)**
Net (decrease) increase in cash and cash equivalents		**(4,034)**	(35,214)	31,180	(54,111)
Increase (decrease) in cash and cash equivalents from restructuring		**-**	-	-	(62,917)
Cash and Cash Equivalents - Opening balance		**87,242**	55,945	31,297	204,271
Cash and Cash Equivalents - Closing balance	C1	**83,208**	**20,731**	**62,477**	**87,243**

* *An explanation of major variances is included at Note E1-3 .*

^ *These figures represent budgeted figures as published in the latest Service Delivery Statement tabled in Parliament.*

\# *Reconciliation is shown on the following page.*

The accompanying notes form part of these financial statements.

Department of Communities, Disability Services and Seniors
Statement of Cash Flows - Controlled
for the year ended 30 June 2019

Notes to the Statement of Cash Flows

Reconciliation of Operating Result to Net Cash Provided by Operating Activities

	Note	2019 $'000	2018 $'000
Operating Result for the Year		**11,300**	8,218
Non-cash items included in operating result			
Reversal of revaluation decrement		**(3,551)**	(3,994)
Revaluation decrement		**1,035**	-
Depreciation and amortisation expense		**8,333**	17,680
Donated assets and services received		**(3,069)**	(3,300)
Loss (gain) on disposal of non-current assets		**41**	130
Changes in assets and liabilities			
(Increase) decrease in GST input tax credits receivable		**1,415**	1,347
(Increase) decrease in trade receivables		**(5,110)**	(28,976)
(Increase) decrease in other current receivables		**(5,923)**	-
(Increase) decrease in other assets		**(13)**	364
(Increase) decrease in non-current receivables		**(352)**	-
Increase (decrease) in payables		**(13,990)**	16,236
Increase (decrease) in accrued employee benefits		**14,134**	(3,779)
Increase (decrease) in provisions		**3,262**	-
Increase (decrease) in other liabilities		**12,512**	(2,842)
Net Cash Provided by Operating Activities		**20,024**	**1,084**

The accompanying notes form part of these financial statements.

Department of Communities, Disability Services and Seniors
Income Statement - Administered
for the year ended 30 June 2019

	Note	Actual 2019 $'000	Original Budget^ 2019 $'000	Budget Variance* 2019 $'000	Actual 2018 $'000
Income from Continuing Operations					
Administered appropriation revenue	G1-1	**1,579,496**	1,925,198	(345,702)	801,007
Grants and other contributions		**8,260**	4,273	3,987	29,934
Total Income from Continuing Operations		**1,587,756**	**1,929,471**	**(341,715)**	**830,941**
Expenses from Continuing Operations					
Employee expenses		**6,863**	-	6,863	2,753
Supplies and services	G1-2	**24,967**	-	24,967	6,037
Grants and subsidies	G1-3	**1,457,858**	1,929,471	(471,613)	743,337
Impairment losses		**2**	-	2	-
Other expenses	G1-4	**155,617**	-	155,617	64,892
Total Expenses from Continuing Operations		**1,645,307**	**1,929,471**	**(284,164)**	**817,019**
Operating Result from Continuing Operations		**(57,551)**	-	(57,551)	13,922
Operating Result for the Year		**(57,551)**	**-**	**(57,551)**	**13,922**
Total Comprehensive Income		**(57,551)**	**-**	**(57,551)**	**13,922**

^ *These figures represent budgeted figures as published in the latest Service Delivery Statement tabled in Parliament.*

* *An explanation of major variances is included at Note G1-8 .*

The accompanying notes form part of these financial statements.

Department of Communities, Disability Services and Seniors
Balance Sheet - Administered
as at 30 June 2019

	Note	Actual 2019 $'000	Original Budget^ 2019 $'000	Budget Variance* 2019 $'000	Actual 2018 $'000
Current Assets					
Cash and cash equivalents		**256,300**	38,212	218,088	111,158
Receivables	G1-5	**2,202**	1,498	704	1,613
Total Current Assets		**258,502**	39,710	218,792	112,771
Total Assets		**258,502**	**39,710**	**218,792**	**112,771**
Current Liabilities					
Payables	G1-6	**329,519**	51,106	278,413	128,626
Accrued employee benefits		**2,389**	1,099	1,290	-
Total Current Liabilities		**331,908**	52,205	279,703	128,626
Total Non-Current Liabilities		**-**	-	-	-
Total Liabilities		**331,908**	**52,205**	**279,703**	**128,626**
Net Assets		**(73,406)**	**(12,495)**	**(60,911)**	**(15,855)**
Equity					
Accumulated surplus/(deficit)		**(73,406)**	(12,495)	(60,911)	(15,855)
Total Equity		**(73,406)**	**(12,495)**	**(60,911)**	**(15,855)**

^ These figures represent budgeted figures as published in the latest Service Delivery Statement tabled in Parliament.

* An explanation of major variances is included at Note G1-8 .

The accompanying notes form part of these financial statements.

Department of Communities, Disability Services and Seniors
Statement of Changes in Equity - Administered
for the year ended 30 June 2019

	Accumulated Surplus/(Deficit) $'000	Total $'000
Balance as at 1 July 2017	(29,777)	(29,777)
Operating Result		
Operating result from continuing operations	13,922	13,922
Total Comprehensive Income for the Year	**13,922**	**13,922**
Balance as at 30 June 2018	**(15,855)**	**(15,855)**
Operating Result		
Operating result from continuing operations	(57,551)	(57,551)
Total Comprehensive Income for the Year	**(57,551)**	**(57,551)**
Balance as at 30 June 2019	**(73,406)**	**(73,406)**

The accompanying notes form part of these financial statements.

Department of Communities, Disability Services and Seniors
Statement of Cash Flows - Administered
for the year ended 30 June 2019

	Actual 2019 $'000	Actual 2018 $'000
Cash Flows from Operating Activities		
Inflows:		
Administered appropriation revenue	**1,514,604**	747,704
Grants and other contributions	**8,260**	29,935
GST input tax credits received from ATO	**18,743**	12,000
GST collected from customers	**826**	(99)
Outflows:		
Employee expenses	**(4,474)**	(3,852)
Supplies and services	**(22,962)**	(8,882)
Grants and subsidies	**(1,349,696)**	(725,153)
GST paid to suppliers	**(19,331)**	(13,616)
GST remitted to ATO	**(826)**	(1,112)
Other	**(2)**	(288)
Net Cash Provided by Operating Activities	**145,142**	**36,637**
Net increase in cash and cash equivalents	**145,142**	36,637
Increase (decrease) in cash and cash equivalents from restructuring	**-**	(1,075)
Cash and Cash Equivalents - Opening balance	**111,158**	75,596
Cash and Cash Equivalents - Closing balance	**256,300**	**111,158**

Notes to the Statement of Cash Flows

Reconciliation of Operating Result to Net Cash Provided by Operating Activities

	2019 $'000	2018 $'000
Operating Result for the Year	**(57,551)**	13,922
Non-cash items included in operating result		
Provisions	**-**	252
Changes in assets and liabilities		
(Increase) decrease in GST input tax credits receivable	**(589)**	(1,613)
(Increase) decrease in trade receivables	**-**	(494,601)
Increase (decrease) in payables	**200,893**	26,928
Increase (decrease) in accrued employee benefits	**2,389**	(1,099)
Increase (decrease) in provisions	**-**	494,060
Increase (decrease) in other liabilities	**-**	(1,212)
Net Cash Provided by Operating Activities	**145,142**	**36,637**

The accompanying notes form part of these financial statements.

A1 Basis of Financial Statement Preparation

A1-1 General Information

The Department of Communities, Disability Services and Seniors (the department) is a State Government department established under the Public Service Act 2008 and controlled by the State of Queensland, which is the ultimate parent.

The head office of the department is 1 William Street, Brisbane QLD 4000.

The major departmental services undertaken by the department are disclosed in the Income Statement by Major Departmental Services - Controlled, and are further detailed in Note A2 Departmental Objectives.

A1-2 Compliance with Prescribed Requirements

The department has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009*. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2018.

The department is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis (except for the Statement of Cash Flow which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.

New accounting standards applied for the first time in these financial statements are outlined in Note A1-10 .

A1-3 Presentation

Currency and Rounding

Amounts included in the financial statements are in Australian dollars and rounded to the nearest $1,000 or, where that amount is $500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparatives

Comparative information reflects the audited 2017-18 financial statements. The current year is not comparable to the previous year due to the Machinery-of-Government changes that occurred in 2017-18.

Current/Non-Current Classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Balance Sheet and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the department does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

A1-4 Authorisation of Financial Statements for Issue

The financial statements are authorised for issue by the Director-General and Chief Finance Officer at the date of signing the Management Certificate.

A1 Basis of Financial Statement Preparation (continued)

A1-5 Basis of Measurement

Historical cost is used as the measurement basis in this financial report except for land and buildings which are measured at fair value.

Historical Cost

Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique. Where fair value is used, the fair value approach is disclosed. Refer to Note C4-6 for further information about fair value measurement by the department.

A1-6 Impairment

Accounting Policy - Property, Plant and Equipment

Indicators of Impairment and Determining Recoverable Amount

All property, plant and equipment assets are assessed for indicators of impairment on an annual basis or, where the asset is measured at fair value, for indicators of a change in fair value/service potential since the last valuation was completed. Where indicators of a material change in fair value or service potential since the last valuation arise, the asset is revalued at the reporting date under AASB 13 *Fair Value Measurement.* If an indicator of possible impairment exists, the department determines the asset's recoverable amount under AASB 136 *Impairment of Assets*. Recoverable amount is equal to the higher of the fair value less costs of disposal.

Accounting Policy - Intangibles

All intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the department determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Intangible assets are principally assessed for impairment by reference to the actual and expected continuing use of the asset by the department, including discontinuing the use of the software or patent. Recoverable amount is determined as the higher of the asset's fair value less costs to sell and its value-in-use.

A1-7 The Reporting Entity

The reporting entity is the Department of Communities, Disability Services and Seniors. The financial statements include all income, expenses, assets, liabilities and equity of the department.

The department has not entered into any contractual arrangements which involve the sharing of control or significant influence over another entity. As a result, the department has determined that it does not control any other entity and has no interests in unconsolidated structured entities.

A1-8 Controlled and Administered Transactions and Balances

Transactions and balances are controlled by the department where they can be deployed for the achievement of the departmental objectives.

A1 Basis of Financial Statement Preparation (continued)

A1-8 Controlled and Administered Transactions and Balances (continued)

The department administers, but does not control, certain activities on behalf of the State Government. In doing so, it has responsibility for administering those activities (and related transactions and balances) efficiently and effectively, but does not have the discretion to deploy those resources for the achievement of the department's own objectives.

The department has elected to report the administered transactions and balances as discrete financial statements within the agency's overall financial statements.

Accounting policies applicable to administered items are consistent with the equivalent policies for controlled items, unless stated otherwise.

The department's administered ledger is used to administer community recovery disaster costs and the subsequent reimbursement of those costs from the Queensland Reconstruction Authority (QRA) under federal-state Disaster Recovery Funding Arrangements (DRFA) guidelines and associated State Government programs. Revenues associated with disaster recovery claims are recognised as grants and other contributions. Administered transactions also include the payment of concessions (such as electricity rebates) to eligible recipients (refer to G1-3).

The State Government's contribution to the National Disability Insurance Agency (NDIA) and the department's intergovernmental repayments under the Bilateral Agreement are recognised as grant payments in the administered ledger (refer to G1-3).

A1-9 Taxation

The department is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the department. GST credits receivable from, and GST payable to, the Australian Taxation Office (ATO) are recognised (refer to Note C2).

A1-10 First Year Application of New Accounting Standards or Change in Accounting Policy

Changes in Accounting Policy - AASB 9 Financial Instruments

The department applied AASB 9 *Financial Instruments* for the first time in 2018-19. Comparative information for 2017-18 has not been restated and continues to be reported under AASB 139 *Financial Instruments: Recognition and Measurement.* The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

Under AASB 9, debt instruments are categorised into one of three measurement bases - amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification is based on two criteria:

- whether the financial asset's contractual cash flows represent 'solely payments of principal and interest', and
- the department's business model for managing the assets.

The department's debt instruments comprise receivables as disclosed in Note C2. They were classified as Loans and Receivables as at 30 June 2018 (under AASB 139) and were measured at amortised cost. These receivables are held for collection of contractual cash flows that are solely payments of principal and interest. As such they continue to be measured at amortised cost beginning 1 July 2018.

Accounting Standards Early Adopted

No Australian Accounting Standards have been early adopted for 2018-19.

Accounting Standards Applied for the First Time

Other than AASB 9 *Financial Instruments,* which is detailed above, no accounting standards that apply to the department for the first time in 2018-19 have any material impact on the financial statements.

A2 Departmental Objectives

The department is committed to enabling vulnerable Queenslanders to improve their lives by investing in and providing effective and innovative services.

The department contributes to the Queensland Government's objectives to:

- Keep Queenslanders healthy by improving the wellbeing of individuals requiring community, disability and seniors services; and contributing to the advancement of disadvantaged communities and helping them to thrive;
- Create jobs in a strong economy by supporting the community services industry and assisting in its sustainability;
- Be a responsive Government by demonstrating leading and responsive approaches in management and governance.

The service area objectives of the department cover the below two key areas:

- Disability Services
    - To enable Queenslanders with disability to have and exercise choice and control in their lives through access to disability services and other supports, and support for the transition to the National Disability Insurance Scheme (NDIS).
- Community and Seniors Services
    - To contribute to thriving Queensland communities through accessible services for individuals, families and groups, by promoting active participation and inclusion, by advancing age friendly communities, supporting communities affected by disasters and by investing in the community services system to improve its social impact and contribution to the wider economy.
    - To invest in prevention and early intervention responses throughout the community to reduce vulnerability and disadvantage and to enable individuals and community groups to participate in their community; improve access to individual support services; increase public awareness of the needs and issues experienced by vulnerable Queenslanders; and improve liveability, resilience and cohesion in Queensland communities.

The department is funded for the departmental services it delivers principally by parliamentary appropriations. It also provides the following on a fee for service basis:

- Various corporate services functions provided to the Department of Aboriginal and Torres Strait Islander Partnerships (DATSIP), Department of Housing and Public Works (DHPW) and the Department of Child Safety, Youth and Women (DCSYW) via Memorandum of Understanding agreements.
- Application fees for an assessment of persons seeking engagement to work in disability services delivered or funded by the department.

A3 National Disability Insurance Scheme

The department is completing the transition of its funding of disability services to the National Disability Insurance Agency (NDIA) under the NDIS.

As clients transition, existing service providers funded by the department will no longer be funded by the department to deliver services to eligible NDIS clients (refer to Note D3-4) and the department will experience a commensurate reduction in its workforce (refer to Note D3-5).

A3 National Disability Insurance Scheme (continued)

The department continues making payments to the NDIA for the NDIS pursuant to Section 179 *National Disability Insurance Act 2013* and in accordance with the Bilateral Agreement between the Commonwealth and Queensland. The Bilateral Agreement requires the State Government to pay money to the NDIA for the purpose of funding reasonable and necessary support for participants in the NDIS. These payments are recognised as administered grants and other contributions (refer to Note A1-8). This is the third year of transition to NDIS.

A4 Volunteer Services

The department co-ordinates the community recovery process on behalf of the State Government with government employees providing assistance during times of natural disasters. The registered employees are members of the Queensland Government Ready Reserve. Although the employees are paid by their own entities, the department receives the services of members of the Queensland Government Ready Reserve for no cost.

As the fair value of the services received can be measured reliably, and the services would have been purchased had they not been donated, the department is required to disclose its dependence on the value of volunteer services received in accordance with the guidelines outlined as per AASB 1004 *Contributions.* The total fair value of volunteer services received from other government agencies as part of community recovery activities is estimated to be $4.782M. This amount has been recognised as an equivalent revenue and expense in the 2018-19 financial statements.

B1 Revenue

B1-1 Appropriation Revenue

	2019 $'000	2018 $'000
Reconciliation of Payments from Consolidated Fund to Appropriation Revenue Recognised in Operating Result		
Budgeted appropriation revenue	**841,129**	2,722,317
Transfers from/to other departments - redistribution of public business	**-**	(668,712)
Lapsed appropriation revenue	**-**	(21,172)
Treasurers transfers	**91,618**	-
Total Appropriation Receipts (cash)	**932,747**	2,032,433
Less: Opening balance of appropriation revenue receivable	**(3,850)**	(5,237)
Adjustment for Machinery-of-Government transfer	**-**	1,473
Plus: Closing balance of appropriation revenue receivable	**4,202**	3,850
Plus: Opening balance of departmental services revenue payable	**29,910**	53,840
Adjustment for Machinery-of-Government transfer	**-**	(3,936)
Less: Closing balance of departmental services revenue payable	**(17,049)**	(29,910)
Net Appropriation Revenue	**945,960**	**2,052,513**
Plus: Deferred appropriation refundable to Consolidated Fund (expense)	**32,530**	20,914
Appropriation Revenue Recognised in Income Statement	**978,490**	**2,073,427**

Appropriations provided under the *Appropriation Act 2018* are recognised as revenue when received.

Amounts appropriated to the department for transfer to other entities in accordance with legislative or other requirements are reported as 'administered' appropriations (refer to Note G1-1).

B1 Revenue (continued)

B1-2 Grants and Other Contributions

	2019 $'000	2018 $'000
Grants	**10,955**	8,481
Contributions	**11,571**	7,482
Assets received below fair value	**3,069**	3,300
Total revenue from continuing operations	**25,595**	**19,263**

Accounting Policy - Grants, contributions and donations

Grants and donations are non-reciprocal in nature so do not require any goods or services to be provided in return. Corresponding revenue is recognised in the year in which the department obtains control over the grant/donation (control is generally obtained at time of receipt). Refer to Note D4 for further information.

Contributions can be either reciprocal or non-reciprocal in nature. Reciprocal contributions require goods or services to be provided in return. Corresponding revenue is recognised in the year in which the department provides the goods and services. Non-reciprocal contributions are accounted for as per the treatment of grants and donations which is listed above.

Accounting Policy - Assets received below fair value

Assets received below fair value relate to assets that have been acquired for no cost or for a nominal consideration, other than those acquired through Machinery-of-Government changes. As assets must be initially recorded at their fair value on acquisition, the difference between the consideration given and the fair value of the assets acquired is recognised as a gain in the department's financial statements. Refer to Note C4-1 for further information about the nature of the assets acquired.

B1-3 Other Revenue

	2019 $'000	2018 $'000
Expenditure recoveries	**-**	19
Grant and service procurement refunds^	**17,107**	14,452
Other	**5,195**	631
Total	**22,302**	**15,102**

^ These refunds relate to the return of prior year unspent funds by non-government organisations.

B2 Expenses

B2-1 Employee Expenses

	2019 $'000	2018 $'000
Employee Benefits		
Wages and salaries	**175,512**	318,547
Employer superannuation contributions	**21,291**	40,407
Annual leave levy	**17,166**	33,082
Long service leave levy	**3,675**	6,675
Other employee benefits	**35,033**	16,282
	252,677	414,993
Employee Related Expenses		
Workers' compensation premium	**3,436**	6,729
Other employee related expenses	**874**	1,769
	4,310	8,498
Total	**256,987**	**423,491**

The number of employees on a full-time equivalent (FTE) basis under the Minimum Obligatory Human Resource Information (MOHRI) classification methodology is:

	2019	2018
Number of full-time equivalent employees:	**2,033**	2,505

The decrease in the number of employees was due to the continuing transfer of disability services responsibilities to the NDIA.

Accounting Policies - Employee Benefits

Accounting Policy - Wages and Salaries

Wages and salaries due, but unpaid at reporting date, are recognised in the Balance Sheet at the current salary rates. As the department expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts. Wages and salaries includes any non-vesting sick leave that has been paid by the department during the financial year.

Accounting Policy - Annual Leave

The State Government's Annual Leave Central Scheme (ALCS) became operational on 30 June 2008 for departments, commercialised business units and shared service providers. Under this scheme, a levy is made on the department to cover the cost of employees' annual leave (including leave loading and on-costs). The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears.

Accounting Policy - Long Service Leave

Under the State Government's Long Service Leave Scheme, a levy is made on the department to cover the cost of employee's long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

B2 Expenses (continued)

B2-1 Employee Expenses (continued)

Accounting Policies - Employee Benefits (continued)

Accounting Policy - Superannuation

Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the State Government's QSuper defined benefit plan as determined by the employee's conditions of employment.

Defined Contribution Plans - Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant EBA or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Defined Benefit Plan - The liability for defined benefits is held on a Whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The amount of contributions for defined benefit plan obligations is based upon the rates determined on the advice of the State Actuary. Contributions are paid by the department at the specified rate following completion of the employee's service each pay period. The department's obligations are limited to those contributions paid.

Accounting Policy - Workers Compensation Premiums

The department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers compensation insurance is a consequence of employing employees, but is not counted in an employee's total remuneration package. It is not employee benefits and is recognised separately as employee related expenses.

Key management personnel and remuneration disclosures are detailed in Note F1.

B2-2 Supplies and Services

	2019 $'000	2018 $'000
Service Procurement		
Disability Services	**452,308**	876,786
Community Services	**51,361**	26,175
Community Care	**118,373**	141,358
Seniors Services	**9,741**	8,989
Discontinued Services*	**-**	375,568
Outsourced corporate services	**21,834**	8,929
Operating lease rentals	**18,144**	37,977
Property, repairs and maintenance costs	**10,189**	14,557
Professional and technical fees	**11,923**	23,807
Other	**6,592**	28,503
Consultancies	**109**	248
Total	**700,574**	**1,542,897**

* Discontinued Services are for Child and Family Services and Multicultural Affairs which were discontinued by the department due to the Machinery-of-Government changes in the 2017-18 year.

Accounting Policy - Operating Lease Rentals

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred. Incentives received on entering into operating lease rentals are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

B2 Expenses (continued)

B2-2 Supplies and Services (continued)

Disclosure - Operating Leases

Operating leases are entered into as a means of acquiring access to office accommodation and storage facilities. The lease term is generally for an initial fixed period with options to extend the lease for a further period or periods. The department has no option to purchase the leased item at the conclusion of the lease although the leases provide for a right of renewal at which time the lease terms are renegotiated.

Operating Lease rental expenses comprises the minimum lease payments payable under operating lease contracts. Lease payments are generally fixed, but with annual inflation escalation clauses on which future year rentals are determined.

Accounting Policy - Distinction between Service Procurement and Grants

For a transaction to be classified as service procurement, the value of goods or services received by the department must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant (refer to Note B2-3).

B2-3 Grants and Subsidies^

	2019 $'000	2018 $'000
Disability Services	**18,806**	33,431
Community Services	**5,701**	-
Seniors Services	**1,451**	1,338
Discontinued Services*	**-**	79,857
Donations and gifts	**108**	297
Total	**26,066**	**114,923**

* Discontinued Services are for Child and Family Services and Multicultural Affairs which were discontinued by the department due to the Machinery-of-Government changes in the 2017-18 year.

^ Refer to B2-2 for the accounting policy on the distinction between Service Procurement and Grants.

B2 Expenses (continued)

B2-4 Other Expenses

	2019 $'000	2018 $'000
Departmental appropriation adjustments#	**32,530**	20,914
Net losses on disposal of property, plant and equipment	**41**	130
Insurance premiums	**701**	1,235
External audit fees	**280**	340
Special payments - Ex gratia payments	**97**	2,407
Other	**1**	38
Total	**33,650**	**25,064**

Departmental appropriation adjustments are performed at year end to lapse or carry forward current year funding.

Audit Fees

The Queensland Audit Office is the department's external auditor. Total external audit fees relating to the 2018-19 financial year are estimated to be $0.280M (2017-18: $0.340M). There are no non-audit services included in this amount.

Special Payments

Special payments represent ex gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. Special payments during 2018-19 and 2017-18 include the following payments over $5,000:

• Special payments during 2018-19 include $0.082M paid on behalf of a disability services provider (2017-18: $2.303M) that experienced financial difficulties to ensure continuity of service to the department's clients.

C1 Cash and Cash Equivalents

	2019 $'000	2018 $'000
Cash on hand	**5**	6
Cash at bank	**83,203**	87,236
Total	**83,208**	**87,242**

Accounting Policy - Cash and Cash equivalents

For the purposes of the Balance Sheet and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June 2019.

The department's cash at bank is held with the Commonwealth Bank of Australia except for a cash fund held with the Queensland Treasury Corporation (QTC) for the Elderly Parent Carer Innovation Initiative established in February 2013. The weighted average effective interest rate for the QTC cash fund is 2.42% per annum.

C2 Receivables

	2019 $'000	2018 $'000
Current		
Trade and other debtors	13,470	8,182
Less: Allowance for impairment loss	(303)	(125)
	13,167	8,057
GST input tax credits receivable	1,154	2,569
Annual leave reimbursements	5,376	1,882
Long service leave reimbursements	4,155	1,726
Total	23,852	14,234

	2019 $'000	2018 $'000
Non Current		
Departmental appropriation adjustments	4,202	3,850
Total	4,202	3,850

Accounting Policy - Receivables

Trade and other debtors are recognised at the amounts due at the time of sale or service delivery. Settlement of these amounts is required within 30 days from invoice date. The collectability of receivables is assessed periodically with provision being made for impairment.

Disclosure - Credit risk of receivables

The majority of the department's receivables are from the State Government agencies or Australian Government agencies who are expected to have an insignificant, and therefore immaterial, level of credit risk exposure. No loss allowance is recorded for these receivables on the basis of materiality.

C3 Non-Current Assets Held for Sale

	2019 $'000	2018 $'000
Land	180	-
Buildings	188	-
Total	368	-

Accounting Policy - Non-Current Assets Held for Sale

Non-current assets held for sale consist of those assets that management has determined are available for immediate sale in their present condition, for which their sale is highly probable within the next 12 months.

Under AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*, when an asset is classified as held for sale, its value is measured at the lower of the asset's carrying amount and fair value less costs to sell. Such assets are no longer amortised or depreciated upon being classified as held for sale.

C3 Non-Current Assets Held for Sale (continued)

Disclosures about non-current assets held for sale

The department is selling land and buildings at one site due to the long term tenant seeking to purchase them. The *Queensland Government Land Transaction Policy* allows for in-priority sales to long term sitting tenants. The sale was approved to provide the tenant with security of tenure and safeguard future service delivery from the site.

C4 Property, Plant and Equipment

C4-1 Closing Balances and Reconciliations of Carrying Amount

	2019 $'000	2018 $'000
Property, Plant and Equipment Reconciliation at 30 June 2019		
Land		
At fair value	**81,998**	77,200
	81,998	77,200
Buildings		
At fair value	**224,047**	216,609
Less accumulated depreciation	**(43,903)**	(40,219)
	180,144	176,390
Plant and equipment		
At cost	**19,788**	20,148
Less accumulated depreciation	**(17,131)**	(16,779)
	2,657	3,369
Capital works in progress		
At cost	**11,646**	4,660
	11,646	4,660
Total	**276,445**	**261,619**

C4 Property, Plant and Equipment (continued)

C4-1 Closing Balances and Reconciliations of Carrying Amount (continued)

Represented by Movements in Carrying Amount:	Land $'000	Buildings $'000	Plant and equipment $'000	Capital works in progress $'000	Total $'000
Carrying amount at 1 July 2017	85,168	188,504	23,303	8,189	305,164
Acquisitions (including upgrades)	-	3,299	317	6,999	10,615
Disposals	-	(58)	-	-	(58)
Transfers out to other Queensland Government entities	(9,183)	(24,474)	(14,079)	(2,079)	(49,815)
Transfers between asset classes	13	10,015	(442)	(8,449)	1,137
Net revaluation increments/(decrements) in operating surplus	1,202	2,792	-	-	3,994
Depreciation	-	(3,688)	(5,730)	-	(9,418)
Carrying amount at 30 June 2018	77,200	176,390	3,369	4,660	261,619
Carrying amount at 1 July 2018	77,200	176,390	3,369	4,660	261,619
Disposals	-	-	(41)	-	(41)
Acquisitions (including upgrades)	1,623	-	-	16,524	18,147
Transfers in from other Queensland Government entities	1,130	600	-	-	1,730
Transfers out to other Queensland Government entities	-	(4,682)	(46)	-	(4,728)
Donations received	1,625	1,444	-	-	3,069
Assets reclassified as held for sale	(180)	(188)	-	-	(368)
Transfers between asset classes	442	7,913	628	(9,538)	(555)
Net revaluation increments/(decrements) in operating surplus	158	2,358	-	-	2,516
Depreciation	-	(3,691)	(1,253)	-	(4,944)
Carrying amount at 30 June 2019	81,998	180,144	2,657	11,646	276,445

C4-2 Recognition and Acquisition

Accounting Policy - Recognition

Basis of Capitalisation and Recognition Thresholds

Items of property, plant and equipment with a historical cost or other value equal to or in excess of the following thresholds are recognised as assets for financial reporting purposes in the year of acquisition:

Buildings (including land improvements)	$10,000
Land	$1
Plant and equipment	$5,000

Items with a lesser value are expensed in the year of acquisition.

Expenditure on property, plant and equipment is capitalised where it is probable that it will increase the service potential or useful life of the existing asset. Maintenance expenditure that merely restores original service potential (lost through ordinary wear and tear) is expensed.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

C4 Property, Plant and Equipment (continued)

C4-2 Recognition and Acquisition (continued)

Accounting Policy - Cost of Acquisition

Historical cost is used for the initial recording of all property, plant and equipment acquisitions. Historical cost is determined as the value given as consideration and costs incidental to the acquisition (such as architect's fees and engineering design fees), plus all other costs incurred in getting the assets ready for use.

Where assets are received free of charge from another Queensland Government entity, whether as a result of a Machinery-of-Government change, or other involuntary transfer, the acquisition is recognised as the carrying amount in the books of the other entity immediately prior to the transfer.

C4-3 Measurement Using Historical Cost

Accounting Policy

Plant and equipment is measured at historical cost in accordance with the Queensland Treasury’s Non-Current Asset Policies (NCAP) for the Queensland Public Sector. The carrying amounts for such plant and equipment is not materially different from their fair value.

C4-4 Measurement Using Fair Value

Accounting Policy

Land and buildings are measured at fair value as required by Queensland Treasury's NCAP for the Queensland Public Sector. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses where applicable (refer to Note C4-1).

The cost of items acquired during the financial year have been judged by management to materially represent their fair value at the end of the reporting period.

Land and buildings are revalued on an annual basis either by appraisals undertaken by an independent professional valuer or by the use of appropriate and relevant indices.

Use of Specific Appraisals

Revaluations using independent professional valuers are undertaken annually. However, if a particular asset class experiences significant and volatile changes in fair value, the class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal.

The fair values reported by the department are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs. Materiality is considered in determining whether the difference between the carrying amount and the fair value of an asset is material (in which case revaluation is warranted). The department is required to perform a comprehensive revaluation of its land and buildings once every five years.

Use of Indices

A revaluation of the department's land and building assets was undertaken by independent professional valuers, Australian Pacific Valuers (APV) in 2018-19. Indexations sourced from APV have been applied to these assets in 2018-19 (refer to Note C4-6).

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. APV supplies the indices and provides assurance of their robustness, validity and appropriateness for application to the relevant assets. Management assesses and confirms the relevance and suitability of indices provided by APV based on the department's own particular circumstances.

C4 Property, Plant and Equipment (continued)

C4-4 Measurement Using Fair Value (continued)

Accounting for Changes in Fair Value

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount of on revaluation is charged as an expense, to the extent it exceeds the balance if any, in the revaluation surplus relating to the asset class.

The department depleted its asset revaluation reserve in the 2011-12 financial year and a $201.000M revaluation decrement was recognised. The decrement was due to the revaluation of rental housing stock at fair value prior to the asset transfer to the Department of Housing and Public Works. The fair value of the housing stock was significantly lower than the book value due to economic factors impacting on the property market at that time.

In accordance with accounting standards, the revaluation increment on the department's land and buildings in 2018-19 has been recognised as revenue in the Income Statement, as a reversal of the revaluation decrement.

As at 30 June 2019, the carrying amount of the asset revaluation decrements were $74.786M (2017-18: $74.943M) for land and $79.322M (2017-18: $81.690M) for buildings.

C4-5 Depreciation Expense

Accounting Policy

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less any estimated residual value, progressively over its estimated useful life to the department. The remaining useful lives of buildings, plant and equipment are reviewed annually.

Land is not depreciated as it has an unlimited useful life.

Straight line depreciation is used as that is consistent with the even consumption of service potential of these assets over their useful life to the department.

Assets under construction (work-in-progress) are not depreciated until construction is complete and the asset is put to use or is ready for its intended use, whichever is the earlier. These assets are then reclassified to the relevant class within property, plant and equipment.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements or the unexpired period of the lease, whichever is the shorter. The unexpired period of a lease includes any option period where exercise of the option is probable.

The transition to the NDIS was considered when assessing the remaining useful lives of the department's improvement on leasehold assets.

For the department's depreciable assets, the estimated amount to be received on the disposal at the end of their useful life (residual value) is determined to be zero.

Depreciation Rates

Key Estimates: Depreciation rates for each class of depreciable asset (including significant identifiable components):

Asset	Range of Useful Life	Average Useful Life
Buildings	5 - 165 years	65.46 years
Plant and Equipment	4 - 18 years	9.47 years

C4 Property, Plant and Equipment (continued)

C4-6 Fair Value Measurement

Fair Value Measurement Hierarchy

All assets of the department for which fair value is measured are categorised within the following fair value hierarchy:

- level 1 - represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- level 2 - represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
- level 3 - represents fair value measurements that are substantially derived from unobservable inputs.

None of the department's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy.

Categorisation of Assets Measured at Fair Value

	Level 2		Level 3		Total Carrying Amount	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Land	**78,011**	73,937	**3,987**	3,263	**81,998**	77,200
Buildings	**14,632**	13,235	**165,512**	163,155	**180,144**	176,390

Level 3 Fair Value Measurement - Reconciliation

	Land		Buildings	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Carrying amount at 1 July	**3,263**	3,305	**163,155**	174,119
Acquisitions (including upgrades)	**732**	-	**-**	3,297
Transfers out to other Queensland Government entities	**-**	-	**(4,682)**	(22,731)
Assets reclassified as held for sale	**-**	(10)	**(188)**	-
Transfers between asset classes	**-**	(14)	**7,389**	9,781
Transfers into level 3 from level 2	**-**	-	**1,206**	-
Net revaluation increments/ (decrements) in operating surplus	**(8)**	(18)	**3,102**	1,975
Depreciation	**-**	-	**(4,470)**	(3,286)
Carrying amount at 30 June	**3,987**	3,263	**165,512**	163,155

Basis for Fair Value Measurement of Land and Buildings

The department's land and buildings were comprehensively revalued by independent professional valuers, APV, in 2015-16 and 2016-17. Indexations sourced from APV have been applied to these assets in the current and previous reporting periods. Indices applied in 2018-19 were estimated based on price movements of recent actual costs, contract data for similar structures, cost guides, other relevant publications such as Rawlinson's rates for building and construction and APV's internal market research and costings. The effective date of the valuation is 31 March 2019. Management have confirmed there has been no significant shift in the values since then.

C5 Intangibles

C5-1 Closing Balances and Reconciliations of Carrying Amount

	2019 $'000	2018 $'000
Intangible Assets Reconciliation at 30 June 2019		
Internally Generated		
Software - internally generated (at cost)	**45,889**	43,366
Less accumulated amortisation	**(43,333)**	(39,944)
	2,556	3,422
Works in progress		
Software - work in progress (at cost)	**-**	1,935
	-	1,935
Total	**2,556**	**5,357**

Represented by Movements in Carrying Amount:	**Software purchased $'000**	**Software internally generated $'000**	**Software works in progress $'000**	**Total $'000**
Carrying amount at 1 July 2017	640	26,443	4,626	31,709
Acquisitions	-	-	2,525	2,525
Transfers between classes	-	1,934	(1,934)	-
Transfers out to other Queensland Government entities	(431)	(16,830)	(3,281)	(20,543)
Amortisation	(209)	(8,125)	-	(8,334)
Carrying amount at 30 June 2018	-	3,422	1,936	5,357
Carrying amount at 1 July 2018	-	3,422	1,935	5,357
Acquisitions	-	-	588	588
Transfers between classes	-	2,523	(2,523)	-
Amortisation	-	(3,389)	-	(3,389)
Carrying amount at 30 June 2019	-	2,556	-	2,556

C5-2 Recognition and Measurement

Accounting Policy

Intangible assets of the department comprise internally developed software. Intangible assets with a historical cost or other value equal to or greater than $100,000 are recognised in the financial statements. Items with a lesser value are expensed. Any training costs are expensed as incurred.

There is no active market for any of the department's intangible assets. As such, the assets are recognised and carried at historical cost less accumulated amortisation and accumulated impairment losses.

C5 Intangibles (continued)

C5-3 Amortisation Expense

All intangible assets of the department have finite useful lives and are amortised on a straight line basis over their estimated useful life to the department. Straight line amortisation is used reflecting the expected consumption of economic benefits on a progressive basis over the intangible's useful life. The residual value of all the department's intangible assets is nil.

For each class of intangible asset the following amortisation useful lives are used:

Asset	Range of Useful Life	Average Useful Life
Software Internally Generated	5 - 12 years	8.54 years

C6 Payables

	2019 $'000	2018 $'000
Current		
Trade creditors and accruals	**11,094**	16,071
Grants and subsidies payable	**2,412**	213
Deferred appropriation payable to Consolidated Fund	**17,049**	29,910
Other	**(407)**	90
Total	**30,148**	**46,284**

	2019 $'000	2018 $'000
Non-Current		
Deferred operating lease rent	**4,202**	3,850
Total	**4,202**	**3,850**

Accounting Policy - Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase or contract price, gross of applicable trade and other discounts. Amounts owing are unsecured.

C7 Accrued Employee Benefits

	2019 $'000	2018 $'000
Salaries and wages payable	**18,518**	5,629
Annual leave levy payable	**4,193**	2,810
Long service leave levy payable	**986**	1,124
Total	**23,697**	**9,563**

Accounting Policy - Accrued Employee Benefits

No provision for annual leave or long service leave is recognised in the department's financial statements as the liability is held on a Whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

C8 Other Current Liabilities

	2019 $'000	2018 $'000
Current		
Unearned revenue	**13,009**	497

Accounting Policy - Unearned Revenue

Other liabilities are recognised in accordance with contract terms. Unearned revenue is recognised by identifying the portion of up-front payment unearned as at 30 June. Refer to Note D4 for further information.

C9 Equity

C9-1 Contributed Equity

Accounting Interpretation

Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* specifies the principles for recognising contributed equity by the department. The following items are recognised as contributed equity by the department during the reporting and comparative years:

- Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of Machinery-of-Government changes; and
- Appropriations for equity adjustments (refer to Note C9-2 Appropriations Recognised in Equity).

2019 Movement in Contributed Equity

Asset Class Description	Asset Description	$'000	Transferring Department	Transfer In/Out
Land	The Oasis, Land - Oonoonba. Transfer is for the proposed Townsville Community Centre for veterans.	1,050	Economic Development Queensland	In
Buildings	The Oasis, Buildings - Oonoonba. Transfer is for the proposed Townsville Community Centre for veterans.	600	Economic Development Queensland	In
Land	Moranbah Neighbourhood Centre - Moranbah. Transfer is for the proposed Moranbah Youth and Community Centre.	80	Economic Development Queensland	In
	Total	**1,730**		

Asset Class Description	Asset Description	$'000	Receiving Department	Transfer In/Out
Buildings	West Mackay Community Centre - Mackay. Transfer is in relation to the suitability of ownership as a result of Machinery-of-Government changes and service delivery funding.	(2,546)	Department of Child Safety, Youth and Women	Out
Buildings	Lockhart River Neighbourhood Centre. Transfer is part of the implementation of the State Government's commitments in relation to stores in remote Aboriginal communities.	(2,136)	Department of Aboriginal and Torres Strait Islander Partnerships	Out
Plant & equipment	Transfer is for the Schoolies office accommodation fitout at Surfers Paradise to align with transfer of the responsibility to DCSYW.	(46)	Department of Child Safety, Youth and Women	Out
	Total	**(4,728)**		
	Total Movement in Contributed Equity	**(2,998)**		

C9 Equity (continued)

C9-2 Appropriations Recognised in Equity

	2019 $'000	2018 $'000
Reconciliation of Payments from Consolidated Fund to Equity Adjustment		
Budgeted equity adjustment appropriation	**(7,150)**	(24,319)
Transfers from/to other departments - Redistribution of public business	**760**	16,409
Lapsed equity adjustment	**-**	(37,063)
Equity Adjustment Receipts (Payments)	**(6,390)**	(44,973)
Less: Opening balance of equity adjustment receivable	**-**	(956)
Plus: Closing balance of equity adjustment receivable	**2,306**	-
Equity Adjustment Recognised in Contributed Equity	**(4,084)**	**(45,929)**

D1 Financial Risk Disclosures

D1-1 Financial Instrument Categories

Financial assets and liabilities are recognised in the Balance Sheet when the department becomes party to the contractual provisions of the financial instrument.

The department has the following categories of financial assets and financial liabilities:

	Note	2019 $'000	2018 $'000
Financial Assets			
Cash and cash equivalents	C1	**83,208**	87,242
Current Receivables	C2	**23,852**	14,234
Non-current Receivables		**4,202**	3,850
Total		**111,262**	105,326
Financial Liabilities			
Payables	C6	**30,148**	46,284
Total		**30,148**	46,284

D1-2 Financial Risk Management

Financial risk management is implemented pursuant to State Government and departmental policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the department.

All financial risk is managed under policies approved by the department. The department provides written principles for overall risk management, as well as policies covering specific areas.

The department measures risk exposure using a variety of methods as follows:

Risk Exposure	**Measurement Method**
Credit risk	Ageing analysis, earnings at risk
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

There are no material liquidity, market and credit risks for the department. A sensitivity analysis has not been undertaken for the interest rate risk of the department as it has been determined that the possible impact on income from fluctuations in interest rates is immaterial.

D2 Contingencies

D2-1 Native Title Claims over Departmental Assets

As at reporting date, a native title claim exists on departmental land with buildings and site improvements totalling $1.888M. At the reporting date it is not possible to make an estimate of any probable outcome of this claim, or any financial effects.

D3 Commitments

D3-1 Non-Cancellable Operating Lease Commitments

Commitments under operating leases at reporting date (inclusive of non-recoverable GST input tax credits) are payable as follows:

	No later than one year		Later than one year and not later than five years		Longer than five years		Total	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**
Payable								
Operating Lease	**11,066**	13,755	**42,183**	37,251	**38,933**	43,709	**92,182**	94,715
Total	**11,066**	**13,755**	**42,183**	**37,251**	**38,933**	**43,709**	**92,182**	**94,715**

The department has lease agreements where, upon cessation of the tenancy, it is required to return the office space to the condition it was in before it was leased (this is referred to as 'make good'). These obligations are recognised as provisions. Provisions for make good obligations on leases expected to expire in the next 12 months are classified as current liabilities. All other provisions are considered non-current liabilities. The value of the non-current provision has not been adjusted for the time value of money as it is considered immaterial.

Lease commitments have been adjusted due to the recognition of the deferred lease rent liability in 2018-19 for the department's material operating leases.

The department has progressively converted leases to short term tenures to align with the programmed roll out of NDIS. The department has developed a high level strategy for each tenancy impacted by NDIS to minimise the department's lease commitments over the final years. The success of these strategies will be dependant on other factors such as local property markets and the location of tenancies (e.g. rural and regional areas, industrial areas).

D3 Commitments (continued)

D3-2 Capital Expenditure Commitments

Commitments for capital expenditure at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

	No later than one year		Later than one year and not later than five years		Longer than five years		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Payable								
Land and buildings	**1,946**	8,463	**-**	2	**-**	-	**1,946**	8,466
Intangibles	**-**	469	**-**	-	**-**	-	**-**	469
Total	**1,946**	**8,932**	**-**	**2**	**-**	**-**	**1,946**	**8,935**

D3-3 Grants and Subsidies Commitments

Commitments for grants and subsidies at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

	No later than one year		Later than one year and not later than five years		Longer than five years		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Payable								
Disability Services	**-**	16,934	**-**	-	**-**	-	**-**	16,934
Community Services	**2,275**	1,143	**1,619**	1,353	**-**	-	**3,894**	2,496
Community Care	**610**	-	**1,220**	-	**-**	-	**1,830**	-
Seniors Services	**212**	85	**319**	-	**-**	-	**531**	85
Discontinued Services*	**-**	2,033	**-**	2,405	**-**	-	**-**	4,438
Total	**3,097**	**20,195**	**3,158**	**3,758**	**-**	**-**	**6,255**	**23,953**

* Discontinued Services are for Child and Family Services and Multicultural Affairs which were discontinued by the department due to the Machinery-of-Government changes in the 2017-18 year.

D3 Commitments (continued)

D3-4 Service Procurement Commitments

Commitments for service procurement at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

	No later than one year		Later than one year and not later than five years		Longer than five years		Total	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**
Payable								
Disability Services	**10,047**	687,623	**20,095**	-	**-**	-	**30,142**	687,623
Community Services	**35,587**	23,333	**58,988**	29,303	**-**	-	**94,575**	52,636
Community Care	**36,291**	142,196	**37,180**	-	**-**	-	**73,471**	142,196
Seniors Services	**8,615**	3,769	**9,755**	144	**-**	-	**18,370**	3,913
Total	**90,540**	**856,921**	**126,018**	**29,447**	**-**	**-**	**216,558**	**886,368**

Service procurement and grant commitments for disability services and Community Care reflect current contracts and agreements with non-government organisations and individuals for the provision of services. These commitments will reduce as services transition under the NDIS rollout.

D3-5 Redundancy Packages and Transfer Payments

The majority of redundancy payments relate to the endorsed NDIS Incentive Scheme. The department has offered interested employees a voluntary redundancy package under the endorsed NDIS Incentive Scheme with a termination date that meets the department's business continuity needs.

In 2018-19, 477 employees took a voluntary redundancy at a cost of $30.941M. In 2017-18, 184 employees took a voluntary redundancy at a cost of $11.976M. At 30 June 2019, a further 17 employees accepted voluntary redundancy agreements at an estimated cost of $1.512M. These agreements are subject to the employees completing their term of employment until the agreed separation date in 2019-20. This amount has been provided for in the 2018-19 financial statements.

In addition, 13 employees transferred to the NDIA in 2018-19 under the first offer of employment arrangement covered by the NDIS Incentive Scheme at a cost of $0.260M. This cost includes an incentive payment and the payment or transfer of accrued leave entitlements.

The costs incurred by the department under the NDIS Incentive Scheme are reimbursed by Queensland Treasury on validation of claims.

D4 Future Impact of Accounting Standards Not Yet Effective

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued with future effective dates are set out below:

AASB 1058 *Income of Not-for-Profit Entities* and AASB 15 *Revenue from Contracts with Customers*

These standards will first apply to the department for its financial statements for 2019-20. The department has reviewed the impact of AASB 15 and AASB 1058 and identified the following impacts (or estimated impact where indicated) of adoption of the new standards:

D4 Future Impact of Accounting Standards Not Yet Effective (continued)

Special Purpose Capital Grants

Under AASB 1058, special purpose grants received to construct non-financial assets controlled by the department will be recognised as a liability, and subsequently recognised progressively as revenue as the department satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.

The department has received one such contribution directly from the Department of Housing and Public Works for construction of a new asset in the 2019-20 financial year. At 30 June 2019, the full amount of $0.200M was recognised in revenue in accordance with AASB 1004 *Contributions*. This amount will not be reclassified on the 1 July 2019 transition date, as there is no enforceable agreement attached to this funding, which would require the amount to be deferred under AASB 1058.

Capital Appropriation Funding

Amounts for capital works received by the department via equity appropriation from Queensland Treasury will continue to be recognised on receipt of the appropriation. There is no impact on unearned revenue or revenue recognition for these amounts.

Deferred Grant Revenue

Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. The department receives several grants from the Commonwealth Government for which there are no sufficiently specific performance obligations. The total of these grants in the 2018-19 year were $10.730M and they are expected to continue being recognised as revenue upfront in 2019-20 and beyond assuming no change to the current grant arrangements.

The department has also received grants for Continuity of Support (CoS) funding from the Commonwealth's Department of Health so that the department can deliver high quality of care and support to clients in the 2018-19 to 2019-20 financial years. These grants have been identified as having sufficiently specific performance obligations under enforceable grant agreements. For the year ended 30 June 2019, grant monies totalling $11.060M for these agreements were recognised in revenue with an amount of $13.009M being recognised as unearned revenue (refer to C8) as this is directly attributable to supporting clients in the 2019-20 financial year.

At the 1 July 2019 transitional date to AASB 15, the department intends to recognise the $13.009M as unearned revenue. This approach will result in a nil aggregate impact on transition to AASB 15.

All remaining grants of the department are expected to be recognised on receipt under AASB 1058.

AASB 16 *Leases*

This standard will first apply to the department from its financial statements for 2019-20. When applied, the standard supersedes AASB *117 Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases - Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Impact for lessees

Under AASB 16, the majority of operating leases (as defined by the current AASB 117 and shown at Note D3-1) will be reported on the balance sheet as right-of-use assets and lease liabilities.

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the income statement. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense.

D4 Future Impact of Accounting Standards Not Yet Effective (continued)

AASB 16 allows a 'cumulative approach' rather than a full retrospective application to recognising existing operating leases. In accordance with Queensland Treasury's policy, the department will apply the 'cumulative approach' and will not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application.

Outcome of review as lessee

The department has completed its review of the impact of adoption of AASB 16 on the Balance Sheet and Income Statement and has identified the following major impacts which are outlined below.

During the 2018-19 financial year, the department held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised, commercial office accommodation through the Queensland Government Accommodation Office (QGAO) and residential accommodation through the Government Employee Housing (GEH) program. Lease payments under these arrangements totalled $15.030M p.a. The department has been advised by Queensland Treasury and DHPW that, effective from 1 July 2019, amendments to the framework agreements that govern QGAO and GEH will result in the above arrangements being exempt from lease accounting under AASB 16. This is due to DHPW having substantive substitution rights over the non-specialised, commercial office accommodation and residential premises assets used within these arrangements. From 2019-20 onwards, costs for these services will continue to be expensed as supplies and service expense when incurred.

The department has also been advised by Queensland Treasury and DHPW that, effective 1 July 2019, motor vehicles provided under DHPW's QFleet program will be exempt from lease accounting under AASB 16. This is due to DHPW holding substantive substitution rights for vehicles under the scheme. From 2019-20 onward, costs for these services will continue to be expensed as supplies and services when incurred. Existing QFleet leases were not previously included as part of non-cancellable operating lease commitments.

The department has quantified the transitional impact on the Balance Sheet and Income Statement of all qualifying lease arrangements that will be recognised on-Balance Sheet, under AASB 16 as follows.

- Balance Sheet impact on 1 July 2019:
  - $0.103M increase in lease liabilities;
  - $0.103M increase in right-of-use assets;
  - nil impact to opening accumulated surplus
- Income Statement impact expected for the 2019-20 financial year, as compared to 2018-19:
  - $0.052M increase in depreciation and amortisation expense;
  - $0.001M increase in interest expense;
  - $0.052M decrease in supplies and services expense;
  - This results in a net increase of $0.001M in total expenses

E1 Budgetary Reporting Disclosures

E1-1 Explanation of Major Variances – Income Statement

Appropriation revenue

Appropriation revenue was $128.365M (15.1%) greater than budget of $850.125M largely due to re-appropriation of funding from the administered ledger, originally allocated as part of the Bilateral Agreement between the Commonwealth and Queensland to support transition to the NDIS, required as a result of the slower than anticipated transition of specialist disability services' clients to the NDIS to cover increased departmental costs and higher related incentive payments.

E1 Budgetary Reporting Disclosures (continued)

E1-1 Explanation of Major Variances – Income Statement (continued)

Grants and other contributions

Grants and other contributions was $24.447M greater than budget of $1.148M due to funding received from the Commonwealth Department of Health for CoS for clients aged over 65 in accommodation support services and the NDIA as part of the Community Inclusion and Capacity Development program.

Other revenue

Other revenue was $20.802M greater than budget of $1.500M largely due to recognition of refunds following acquittal by providers and financial review of payments and receipts under portability agreements.

Employee expenses

Employee expenses were $28.265M (12.4%) greater than budget of $228.722M due to NDIS related redundancy payments and staffing to support the slower than anticipated transition of specialist disability services' clients to the NDIS.

Supplies and services

Supplies and services were $82.532M (13.4%) greater than budget of $618.042M largely due to increased outsourced service delivery to support the slower than anticipated transition of specialist disability services' clients to the NDIS, increased Commonwealth Government CoS funding for clients aged over 65 in accommodation support services and the NDIA as part of the Community Inclusion and Capacity Development program, and increased administration of Gambling Help services.

Grants and subsidies

Grants and subsidies were $17.975M greater than budget of $8.091M mainly due the slower than anticipated transition of clients to the NDIS resulting in continuation of payments to non-government organisations (NGO's) providing continuity of support to clients.

Other expenses

Other expenses were $30.950M greater than budget of $2.700M mainly due to to the deferred appropriation adjustments of $32.530M at year end for unspent funds.

E1-2 Explanation of Major Variances – Balance Sheet

Cash and cash equivalents

The increase in cash and cash equivalents of $62.477M is higher than budget of $20.731M mainly due to alignment with the 2017-18 audited closing balance updating the 2018-19 opening balance, and increased cash receipts from revenue sources (appropriation revenue, user charges and fees, grants and other contributions) exceeding outlays for expenses paid.

Receivables (current)

The increase in current receivables of $7.570M compared to budget of $16.282M is mainly due to alignment with the 2017-18 audited closing balance updating the 2018-19 opening balance, and recognition of departmental appropriation adjustments and leave reimbursements as at financial year end.

Payables (current)

Current payables were $16.587M (122.3%) greater than budget of $13.561M due to alignment with the 2017-18 audited closing balance updating the 2018-19 opening balance, and recognition of departmental appropriation payable as at financial year end.

E1 Budgetary Reporting Disclosures (continued)

E1-2 Explanation of Major Variances – Balance Sheet (continued)

Accrued employee benefits

Accrued employee benefits were $9.780M (70.3%) greater than budget of $13.917M mainly due to alignment with the 2017-18 audited closing balance updating the 2018-19 opening balance, and accrual of NDIS related incentive payments for staff taking redundancies effective from 28 June 2019 but being payable in the 2019-20 financial year.

Other current liabilities

Other current liabilities is $12.952M greater than budget of $0.057M is due to unearned revenue received at year end relating to programs to be delivered during the 2019-20 financial year including Community Inclusion and Capacity Development Program and CoS funding received from the Commonwealth Department of Health.

Payables (non-current)

Non-current payables were $1.035M (19.8%) lower than budget of $5.237M due to alignment with the 2017-18 audited closing balance updating the 2018-19 opening balance, and recognition of deferred operating lease rentals.

Equity

Actual balance of total equity at 30 June 2019 is $32.638M (11.5%) greater than the budget of $282.805M which is due to alignment with the 2017-18 audited closing balance updating the 2018-19 opening balances and a stronger net asset position due largely to increased cash receipts from revenue sources (appropriation revenue, user charges and fees, grants and other contributions) exceeding outlays for expenses paid.

E1-3 Explanation of Major Variances – Statement of Cash Flows

Service appropriation receipts

Service appropriation receipts were $91.618M (10.9%) greater than budget of $841.129M due to re-appropriation of funding from the administered ledger, originally allocated as part of the Bilateral Agreement between the Commonwealth and Queensland to support transition to the NDIS, required as a result of the slower than anticipated transition of specialist disability services' clients to the NDIS to cover increased departmental costs and higher related incentive payments.

GST inflows

Actual total cash inflows of $77.790M, compared to a nil budget, relate to receipt of GST input tax credits received from the ATO and collected from customers, which was classified and rolled up under the budget line item for 'Other Inflows'.

Other inflows

Other operating inflows were $256.744M lower than budget of $281.374M due to GST receipts being classified and rolled up under the budget for 'Other Inflows' while the actual amounts are displayed under the relevant GST line item. In addition, the budget for GST receipts was distorted based on receipts previously attributed to the former Department of Communities, Child Safety and Disability Services existing prior to Machinery-of-Government changes and recognition of NDIS impacts.

Employee expenses

Employee expenses were $19.847M (8.7%) greater than budget of $228.722M due to wages paid for redundancies and increased staffing to support the slower than anticipated transition of specialist disability services' clients to the NDIS.

E1 Budgetary Reporting Disclosures (continued)

E1-3 Explanation of Major Variances – Statement of Cash Flows (continued)

Supplies and Services

Supplies and services were $192.788M (21.5%) lower than budget of $897.953M which is mainly due to GST payments to suppliers and the ATO being classified and rolled up under the budget for 'Supplies and Services' while the actual amounts are displayed under the relevant GST line item. In addition, the budget for GST payments was distorted based on receipts previously attributed to the former Department of Communities, Child Safety and Disability Services existing prior to machinery of government changes and recognition of NDIS impacts.

GST outflows

Actual cash outflows of $76.375M compared to a nil budget relate to GST paid to suppliers and remitted to the ATO which was classified and rolled up under the budget line item for 'Supplies and Services'.

F1 Key Management Personnel Disclosures

F1-1 Details of Key Management Personnel and Remuneration Expense

The department's responsible Minister is the Honourable Coralee O'Rourke MP. The responsible Minister has been identified as part of the department's key management personnel (KMP), consistent with AASB 124 Related Party Disclosures.

The following details for non-Ministerial KMP reflect those departmental positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2018-2019 and 2017-2018. Further information about these positions can be found in the body of the Annual Report under the section relating to Executive Management.

The following disclosures focus on the expenses incurred by the department attributable to non-Ministerial KMP during the respective reporting periods. The amounts disclosed are determined on the same basis as expenses recognised in the Income Statement. The remuneration expenses disclosed include the substantive KMP's remuneration expenses as well as remuneration earned while he/she has acted in another KMP position throughout the financial year on a short term basis. It does not include non-KMPs acting in the position less than six months.

1 July 2018 - 30 June 2019

	Short Term Employee Expenses		Other Employee Benefits			
	Monetary	Non-Monetary	Long Term Employee	Post-Employment	Termination	Total
Position Title	**Expenses**	**Benefits**	**Expenses**	**Expenses**	**benefits**	**Expenses**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Director-General	322	7	7	42	-	378
Deputy Director-General (Disability Services)	287	7	6	32	-	332
Deputy Director-General (Corporate Services)	253	7	5	27	-	292
Assistant Director-General (Strategic Policy and Legislation)	237	7	5	26	-	275
Assistant Director-General (Community Services State Wide)	245	7	5	26	-	283
Assistant Director-General (NDIS Program Management Office) - from 6 August 2018	221	7	4	23	-	255
Senior Executive Director (Accommodation Support and Respite Services and Forensic Disability Services)	232	7	5	26	-	270
Executive Director, Community Services and Seniors - from 3 May 2019	33	1	3	1	-	38
Chief Finance Officer	189	7	4	22	-	222
Chief Human Resources Officer	167	7	3	19	-	196

F1 Key Management Personnel Disclosures (continued)

F1-1 Details of Key Management Personnel and Remuneration Expense (continued)

1 January 2018 - 30 June 2018

	Short Term Employee Expenses		Other Employee Benefits			
Position Title	Monetary Expenses	Non-Monetary Benefits	Long Term Employee Expenses	Post - Employment Expenses	Termination benefits	Total Expenses
	$'000	$'000	$'000	$'000	$'000	$'000
Director-General	177	4	3	19	-	203
Deputy Director-General (Disability Services)	143	4	3	17	-	167
Deputy Director-General (Corporate Services)	125	4	2	13	-	144
Assistant Director-General (Strategic Policy and Legislation)	114	4	2	13	-	133
Assistant Director-General (Community Services State Wide) - from 9 April 2018	58	4	1	3	-	66
Senior Executive Director (Accommodation Support and Respite Services and Forensic Disability Services) - from 2 April 2018	86	4	2	8	-	100
Chief Finance Officer	101	4	2	11	-	118
Chief Human Resources Officer	137	4	3	12	-	156

Department of Communities, Disability Services and Seniors
Notes to the Financial Statements
for the year ended 30 June 2019

F1 Key Management Personnel Disclosures (continued)

F1-1 Details of Key Management Personnel and Remuneration Expense (continued)

1 July 2017 - 31 December 2017

Position Title	Short Term Employee Expenses: Monetary Expenses $000	Short Term Employee Expenses: Non-Monetary Benefits $000	Long Term Employee Expenses $000	Post-Employment Expenses $000	Other Employee Benefits: Termination Benefits $000	Total Expenses $000
Director-General	235	4	5	27	-	271
Deputy Director-General (Strategy, Engagement and Innovation)	130	4	3	14	-	151
Deputy Director-General (Disability Services and Seniors, and Northern Cluster Operations)	140	4	3	15	-	162
Deputy Director-General (Service Delivery and Practice)	117	4	2	12	-	135
Deputy Director-General (Corporate and Executive Services)	117	4	2	12	-	135
Chief Finance Officer	120	4	2	12	-	138
Chief Information Officer	109	4	2	11	-	126
Chief Human Resources Officer	93	4	2	9	-	108
Regional Executive Director						
- Far North Queensland Region	100	-	2	10	-	112
- North Queensland Region	101	-	2	11	-	114
- Central Queensland Region	102	-	2	11	-	115
- North Coast Queensland Region	104	-	2	10	-	116
- Brisbane Region - Current: From 4 August 2017 (Acting)	90	1	2	8	-	101
- Brisbane Region - Former: To 3 August 2017 (Acting)	29	1	-	2	198	230
- South East Queensland Region	103	-	2	11	-	116
- South West Queensland Region - Current: From 1 July 2017 (Acting)	114	-	2	12	-	128

F1 Key Management Personnel Disclosures (continued)

F1-2 Remuneration Policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The department does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the State Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole-of-Government Consolidated Financial Statements, which are published as part of Queensland Treasury's Report on State Finances.

Remuneration policy for the department's other KMP is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. Individual remuneration and other terms of employment (including motor vehicle entitlements and performance payments if applicable) are specified in employment contracts.

Effective from 1 September 2017, remuneration packages of KMP increased by 2.5% in accordance with government policy.

Remuneration expenses for those KMP comprise the following components:

- *Short term employee expenses* including:
  - salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied a KMP position.
  - non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- *Long term employee expenses* include amounts expensed in respect of long service leave entitlements earned.
- *Post-employment expenses* include amounts expensed in respect of employer superannuation obligations.
- *Termination benefits* include payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual and long service leave entitlements) payable on termination of employment or acceptance of an offer of termination of employment.

F1-3 Performance Payments

No remuneration packages for KMP provide for any performance or bonus payments.

F2 Related Party Transactions

F2-1 Transactions with other Queensland Government-controlled entities

The department's primary ongoing sources of funding from State Government for its services are appropriation revenue (refer Note B1-1) and equity injections (refer Note C9-2), both of which are provided in cash via Queensland Treasury.

The department's primary source of accommodation leases, motor vehicle leases and asset works and repairs are managed through the Department of Housing and Public Works and its controlled entities. Note B2-2 provides the relevant balance of transactions.

G1 Administered

G1-1 Appropriation Revenue

	2019 $'000	2018 $'000
Reconciliation of Payments from Consolidated Fund to Administered Appropriation Revenue Recognised in Operating Result		
Budgeted appropriation revenue	**1,925,198**	891,501
Lapsed administered appropriation revenue	**(318,216)**	(143,797)
Transfers from departmental services	**(92,378)**	-
Total Appropriation Receipts (cash)	**1,514,604**	747,704
Plus: Opening balance of appropriation revenue payable	**64,892**	53,303
Less: Closing balance of appropriation revenue payable	**(155,617)**	-
Net Appropriation Revenue	**1,423,879**	801,007
Plus: Deferred appropriation refundable to Consolidated Fund (expense)	**155,617**	-
Administered Appropriation Revenue recognised in Income Statement*	**1,579,496**	**801,007**

* This appropriation revenue is provided in cash via Queensland Treasury and funds activities and expenses that the department administers on behalf of the State Government (refer to Note A1-8).

G1-2 Supplies and Services

	2019 $'000	2018 $'000
Service procurement	**319**	-
Disaster recovery	**24,648**	6,037
Total	**24,967**	**6,037**

G1-3 Grants and Subsidies

	2019 $'000	2018 $'000
Disaster Recovery - Personal hardship assistance scheme	**35,676**	3,517
Disaster Recovery - Grants	**2,920**	3,709
Grants - National Disability Insurance Agency	**1,045,346**	368,519
Concession - Asset ownership electricity dividend	**100,031**	98,759
Concession - Electricity	**190,149**	183,271
Concession - Rates	**52,216**	53,747
Concession - Water	**17,264**	17,846
Concession - Home Energy Emergency Assistance	**8,072**	7,868
Concession - Natural gas	**2,454**	2,399
Concession - Life Support	**2,182**	2,235
Concession - Medical cooling and heating electricity	**1,548**	1,467
Total	**1,457,858**	**743,337**

G1 Administered (continued)

G1-4 Other Expenses

	2019 $'000	2018 $'000
Departmental appropriation adjustments	**155,617**	64,892
Total	**155,617**	**64,892**

G1-5 Receivables

	2019 $'000	2018 $'000
Current		
GST input tax credits receivable	**2,202**	1,613
Total	**2,202**	**1,613**

G1-6 Payables

	2019 $'000	2018 $'000
Current		
Service concessions available	**19,502**	26,310
Appropriation revenue payable	**155,617**	64,892
Trade creditors and accruals	**2,008**	2
Grants and subsidies payable	**152,391**	37,422
Other	**1**	-
Total	**329,519**	**128,626**

G1-7 Financial Instruments

The department does not consider that there are any material financial management risks associated with the above financial assets and liabilities.

The department has the following categories of financial assets and financial liabilities:

	Note	2019 $'000	2018 $'000
Financial Assets			
Cash and cash equivalents		**256,300**	111,158
Receivables	G1-5	**2,202**	1,613
Total		**258,502**	112,771
Financial Liabilities			
Payables	G1-6	**329,519**	128,626
Total		**329,519**	128,626

G1 Administered (continued)

G1-8 Budgetary Reporting Disclosures

(i) Explanation of Major Variances - Income Statement

Appropriation revenue

Administered appropriation revenue was $345.702M (18.0%) lower than budget of $1,925.198M due to a re-appropriation of funding not required from the original allocation based on the Bilateral Agreement between the Commonwealth and Queensland to support transition to the NDIS, due to the slower than anticipated transition of clients into the scheme.

Grants and Subsidies

Grants and subsidies were $471.613M (24.4%) lower than the budget of $1,929.471M which is mainly due to reduced payments to the NDIA as a result of the slower than anticipated transition of clients into the NDIS.

Other Expenses

Other expenses of $155.617M were recognised at year end for the deferred appropriation adjustments with this item not being budgeted for.

(ii) Explanation of Major Variances – Balance Sheet

Cash and cash equivalents

Cash and cash equivalents were $218.088M greater than budget of $38.212M due to alignment with the 2017-18 audited closing balance updating the 2018-19 opening balance, and a timing difference between the receipt of contributions received from the Queensland Reconstruction Authority for natural disaster relief and recovery grants relative to the expenditure incurred.

Payables

Payables were $278.413M greater than budget of $51.106M mainly due to alignment with the 2017-18 audited closing balance updating the 2018-19 opening balance, recognition of departmental appropriation adjustments and monies owed to the NDIA as at financial year end.

Equity

Actual balance of total equity at 30 June 2019 is $60.911M less than the negative budget of $12.495M which is mainly due to reduced payments to the NDIA as a result of the slower than anticipated transition of clients into the NDIS leading to an increased operating result.

Department of Communities, Disability Services and Seniors
Management Certificate
For the year ended 30 June 2019

CERTIFICATE OF THE DEPARTMENT OF COMMUNITIES, DISABILITY SERVICES AND SENIORS

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 42 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with s.62(1)(b) of the Act we certify that in our opinion:

(a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and

(b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Communities, Disability Services and Seniors for the financial year ended 30 June 2019 and of the financial position of the department at the end of that year.

The Director-General, as the Accountable Officer of the department, acknowledges responsibility under s.8 and s.15 of the *Financial and Performance Management Standard 2009* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

Narinder Singh ACMA CGMA CPA Bsc (Hons)	Clare O'Connor BA MA
Chief Finance Officer	Director-General
August 2019	August 2019

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INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Communities, Disability Services and Seniors

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Department of Communities, Disability Services and Seniors.

In my opinion, the financial report:

a) gives a true and fair view of the department's financial position as at 30 June 2019, and its financial performance and cash flows for the year then ended

b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

The financial report comprises the balance sheet and statement of assets and liabilities by major departmental services as at 30 June 2019, the income statement, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental service for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the department in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Valuation of Specialised Buildings ($165.512 million)

Refer to notes C4-4 and C4-6 in the financial report.

Key audit matter	How my audit addressed the key audit matter
The Department of Communities, Disability Services and Seniors building assets were valued using a market value approach where relevant and current replacement cost method where the market value approach could not be used. Buildings reported at current replacement cost represented 92% of the total building assets. The department's assets were valued on an annual basis according to the valuation methodology adopted for each category by comprehensively valuing the assets at regular intervals and applying indices in the years between comprehensive valuations. The department derived the gross replacement cost of its specialised buildings at balance date using unit prices that required significant judgements for: • Identifying the components of buildings with separately identifiable replacement costs (known as unit categories) • Developing a unit rate for each of these components, including: o Estimating the current cost for a modern substitute (including locality factors and oncosts),expressed as a rate per unit o Identifying whether the existing building contains obsolescence or less utility compared to the modern substitute, and if so estimating the adjustment to the unit rate required to reflect this difference • Indexing unit rates for subsequent increases in input costs.	My procedures for the valuation of specialised buildings included, but were not limited to: • Obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness using common industry practices. • Assessing the competence, capability and objectivity of the experts used by the department. • Reviewing the scope and instructions provided to the valuer, and obtaining an understanding of the methodology used and assessing its appropriateness with reference to common industry practices. For this year all specialised buildings were indexed. For these assets: • Evaluating the reasonableness of the indices used against other publicly available information about movements in values for replacement costs of similar assets • Recalculating the application of the indices to asset balances.

Responsibilities of the department for the financial report

The Accountable Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Accountable Officer is also responsible for assessing the department's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the department or to otherwise cease operations.

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Auditor’s responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the department.
- Conclude on the appropriateness of the department's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the department's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the department to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Accountable Officer, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2019:

a) I received all the information and explanations I required.

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

J Welsh

30 August 2019

John Welsh
as delegate of the Auditor-General

Queensland Audit Office
Brisbane