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 2019-20 Statement of Assurance provided to the Director-General satisfies all requirements of the *Financial and Performance Management Standard 2019*. 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 2019-20 was $406.008 million, with the major sources of income being the Queensland and Australian governments for the provision of services.

During 2019-20, we received our income from:

- appropriation revenue – $358.744 million
- user charges – $7.424 million
- grants and other contributions – $14.920 million
- other revenue – $24.920 million
  (such as grant and service procurement refunds and other cost recoveries).

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 2019–20 were $398.561 million, including:

- employee expenses — $193.782 million
- supplies and services — $163.852 million
  (which include service procurement expenses of $114.479 million, outsourced corporate service expenses of $15.599 million, property and other lease expenses of $11.461 million, property support, repairs and maintenance expenses of $8.904 million, professional and technical fees of $9.256 million, and other general operating expenses of $4.153 million)
- grants and other subsidies — $31.112 million
- depreciation and amortisation — $5.907 million
- other expenses — $3.908 million
  (such as insurance costs, audit fees, loss on sale of property, plant and equipment and impairment losses).

In 2019-20, the department had an operating surplus of $7.447 million, related largely to the recognition of a number of non-cash items including reversal of the revaluation decrement of $6.410 million offset by a net loss on disposal of property, plant and equipment of $1.328 million.

The surplus also includes $1.190 million in revenue received from the Commonwealth (Continuity of Support accommodation management grant) for the refurbishment of residential supported accommodation, recognised as capital expenditure. In addition, the department received greater non-appropriated revenue of $1.175 million.

Assets

Our total assets as at 30 June 2020 were valued at $366.461 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:

- cash and cash equivalents — $72.041 million
- receivables, current and non-current — $4.841 million
- property, plant and equipment — $283.925 million
- intangibles — $3.226 million
- other assets — $2.428 million.

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 2020 was $0.381 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 2020 were $42.770 million. Liabilities by category were:

- payables, current and non-current — $32.599 million
- accrued employee benefits — $7.619 million
- provisions — $2.501 million
- lease liabilities – $0.051 million.

National Disability Insurance Scheme

The NDIS has been available to all Queenslanders from 1 July 2019 for eligible people with disability aged up to 65 years.

Administered Payments

In 2019-20, on behalf of the Queensland Government, we administered total payments of $2,339.769 million including:

- concession payments of $682.904 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 $85.920 million for electricity concessions to small and medium businesses impacted by the COVID-19 pandemic
- payments of $1,544.285 million for the transition of clients to the NDIS
- payments of $15.108 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 $11.552 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.

Financial Risk Management

The department manages financial risks and liabilities by reviewing financial performance through the corporate governance framework. To assist in managing the department's risks, the departmental Audit and Risk Committee oversees audit activities, audit recommendations, financial reporting, internal controls and compliance. For more information on our financial performance, refer to the financial statements.

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 2019–20.

Disability Services	Notes	2019–20 Target/estimate	2019–20 Actual
Service standards *Effectiveness measure* Number of people with a disability receiving departmental accommodation support services	(1)	1070	881
Efficiency measure Percentage of approved accommodation support places used	(2)	80%	82%

Notes:

1. *The variance between the 2019–20 target/estimate and the 2019–20 actual was based on the available capacity negotiated with the Commonwealth during the transition to the National Disability Insurance Scheme. Once transition occurred, Disability Accommodation Respite and Forensic Services saw a decline in the number of people with disability accessing ongoing respite services due to exercising choice and control and use of funding flexibility to access a wide range of services not provided by the department, such as in home respite. The target for this measure has been reviewed for future years in order to take in this downward trend.*
2. *The actual result for 2019–20 was satisfied with the number of people receiving accommodation support services as an estimated proportion of the number of approved places, including shared living arrangements and short-term accommodation support (or respite). Usage rates below full capacity are required to enable people to trial, and enter and exit accommodation places that are well-maintained and re-equipped between usage, to ensure the wellbeing of clients and staff. Rates below full capacity are also expected as a) market growth in the number and range of supports is encouraged with the implementation of the NDIS meaning that, in particular, people may choose different types of services that provide a respite-type effect for carers (other than short-term accommodation support) and b) the department operates within the principle of competitive neutrality.*

Community Services	Notes	2019–20 Target/estimate	2019–20 Actual
Service standards *Effectiveness measure* Percentage of eligible Seniors with a Seniors Card	(1)	88%	89%
Percentage of Community Recovery Emergency Hardship Assistance applications processed for payment within 24 hours	(2)	75%	82%
Efficiency measures Percentage of contracted service capacity for in-home and community connection support used	(3)(4)	Baseline	51%

1. *This is a proxy measure of the effectiveness in promoting the Seniors Card scheme to applicable stakeholders and forms part of the cost-of-living strategy. The percentage of eligible seniors with a Seniors Card is calculated by the total number of active cardholders divided by the estimated resident population of seniors within Queensland. The estimated resident population is sourced from the Australian Bureau of Statistics, Report 3101.0* Australian Demographic Statistics*. Estimated Resident Population By Single Year Of Age, Queensland. TABLE 53.*
2. *This service standard measures how quickly the department responds to applications for Emergency Hardship Assistance under the Personal Hardship Assistance Scheme to approved applicants impacted by a declared disaster event. The method for distributing the financial assistance will be determined by the nature of the disaster event in consultation with local disaster management leaders. Timely financial relief is important to reduce the levels of financial hardship and psychological distress that can occur as a result of a disaster event. Timeframes for payments may be impacted by the size of the disaster event. This measure will not be reported in years where the department does not administer the Emergency Hardship Assistance grant (that is, the Personal Hardship Assistance Scheme is not activated in response to a disaster event in 2019–20).*
3. *This is a utilisation measure that records the number of services accessed as a proportion of the number of services contracted or purchased for use under the Queensland Community Support Scheme. Service usage is an indicator of the efficiency of the scheme's access point in linking eligible clients to available services and of the return on the investment in service types and locations that best respond to demand for assistance (that is, allocative efficiency). The first year of operation in 2019–20 will establish a baseline for a future target/estimated.*
4. *The baseline percentage for 2019–20 is lower than expected due to the lockdown restrictions for COVID-19 which allowed only essential services and modification to and a reduction in community connection support. It is expected that results for this measure will increase in the future.*

Department of Communities, Disability Services and Seniors

Annual Financial Statements 2019–20

Department of Communities, Disability Services and Seniors
Financial Statements
for the year ended 30 June 2020

CONTENTS

Department of Communities, Disability Services and Seniors
Income Statement – Controlled
for the year ended 30 June 2020

	Note	**Actual 2020 $'000**	**Original Budget^** 2020 $'000	**Budget Variance*** 2020 $'000	**Actual** 2019 $'000
Income from Continuing Operations					
Appropriation revenue	B1-1	**358,744**	361,571	(2,827)	978,490
User charges and fees		**7,424**	6,957	467	8,259
Grants and other contributions	B1-2	**14,920**	12,088	2,832	30,377
Interest		**15**	60	(45)	60
Reversal of revaluation decrement	C4-1	**6,410**	-	6,410	3,551
Other revenue	B1-3	**18,474**	-	18,474	17,520
Other gains/(losses) – net		**21**	-	21	-
Total Income from Continuing Operations		**406,008**	**380,676**	**25,332**	**1,038,257**
Expenses from Continuing Operations					
Employee expenses	B2-1	**193,782**	189,666	4,116	256,987
Supplies and services	B2-2	**163,852**	167,326	(3,474)	700,574
Grants and subsidies	B2-3	**31,112**	13,258	17,854	26,066
Depreciation and amortisation	B2-4	**5,907**	9,766	(3,859)	8,333
Impairment losses		**1,498**	-	1,498	312
Other expenses	B2-5	**2,410**	600	1,810	33,650
Losses on sale		**-**	500	(500)	-
Revaluation decrement	C4-1	**-**	-	-	1,035
Total Expenses from Continuing Operations		**398,561**	**381,116**	**17,445**	**1,026,957**
Operating Result from Continuing Operations		**7,447**	(440)	7,887	11,300
Operating Result for the Year		**7,447**	**(440)**	**7,887**	**11,300**
Total Comprehensive Income		**7,447**	**(440)**	**7,887**	**11,300**

* *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.*

The accompanying notes form part of these financial statements.

Additional Information

Key contributors to the 2019-20 operating surplus of $7.447M include the recognition of a number of non-cash items including reversal of the revaluation decrement of $6.410M offset by a net loss on disposal of property, plant equipment of $1.328M. The surplus includes $1.190M in revenue received from the Commonwealth (Continuity of Support accommodation management grant) for the refurbishment of residential supported accommodation, recognised as capital expenditure. The department also received greater non-appropriated revenue of $1.175M.

Department of Communities, Disability Services and Seniors
Income Statement by Major Departmental Services - Controlled
for the year ended 30 June 2020

	Disability Services		Community and Seniors Services		Total	
	2020	2019	**2020**	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Income from Operations						
Appropriation revenue	**183,298**	846,759	**175,446**	131,731	**358,744**	978,490
User charges and fees	**2,363**	2,830	**5,061**	5,429	**7,424**	8,259
Grants and other contributions	**12,780**	24,949	**2,140**	5,428	**14,920**	30,377
Interest	**15**	60	**-**	-	**15**	60
Reversal of revaluation decrement	**4,842**	2,257	**1,568**	1,294	**6,410**	3,551
Other revenue	**15,516**	17,212	**2,958**	308	**18,474**	17,520
Other gains/(losses) - net	**21**	-	**-**	-	**21**	-
Total Income from Operations	**218,835**	**894,067**	**187,173**	**144,190**	**406,008**	**1,038,257**
Expenses from Operations						
Employee expenses	**163,942**	228,114	**29,840**	28,873	**193,782**	256,987
Supplies and services	**34,064**	613,067	**129,788**	87,507	**163,852**	700,574
Grants and subsidies	**13,707**	18,773	**17,405**	7,293	**31,112**	26,066
Depreciation and amortisation	**3,282**	6,549	**2,625**	1,784	**5,907**	8,333
Impairment losses	**1,491**	310	**7**	2	**1,498**	312
Other expenses	**316**	19,642	**2,094**	14,008	**2,410**	33,650
Revaluation decrement	**-**	1,035	**-**	-	**-**	1,035
Total Expenses from Operations	**216,802**	**887,490**	**181,759**	**139,467**	**398,561**	**1,026,957**
Operating Result from Operations	**2,033**	6,577	**5,414**	4,723	**7,447**	11,300
Operating Result for the Year	**2,033**	**6,577**	**5,414**	**4,723**	**7,447**	**11,300**
Total Comprehensive Income	**2,033**	**6,577**	**5,414**	**4,723**	**7,447**	**11,300**

Department of Communities, Disability Services and Seniors
Balance Sheet - Controlled
as at 30 June 2020

	Note	**Actual 2020 $'000**	**Original Budget^** 2020 $'000	**Budget Variance*** 2020 $'000	**Actual** 2019 $'000
Current Assets					
Cash and cash equivalents	C1	**72,041**	22,047	49,994	83,208
Receivables	C2	**4,841**	17,293	(12,452)	23,852
Other current assets		**2,377**	-	2,377	13
		79,259	39,340	39,919	107,073
Non-current assets classified as held for sale	C3	**-**	-	-	368
Total Current Assets		**79,259**	39,340	39,919	107,441
Non-Current Assets					
Receivables	C2	**-**	-	-	4,202
Property, plant and equipment	C4	**283,925**	277,375	6,550	276,445
Intangibles	C5	**3,226**	4,287	(1,061)	2,556
Right-of-use assets		**51**	-	51	-
Total Non-Current Assets		**287,202**	281,662	5,540	283,203
Total Assets		**366,461**	**321,002**	**45,459**	**390,644**
Current Liabilities					
Payables	C6	**32,599**	16,231	16,368	30,148
Accrued employee benefits	C7	**7,619**	9,563	(1,944)	23,697
Provisions		**2,501**	480	2,021	4,145
Other current liabilities	C8	**-**	497	(497)	13,009
Lease liabilities		**51**	-	51	-
Total Current Liabilities		**42,770**	26,771	15,999	70,999
Non-Current Liabilities					
Payables	C6	**-**	3,850	(3,850)	4,202
Provisions		**-**	403	(403)	-
Total Non-Current Liabilities		**-**	4,253	(4,253)	4,202
Total Liabilities		**42,770**	**31,024**	**11,746**	**75,201**
Net Assets		**323,691**	**289,978**	**33,713**	**315,443**
Equity					
Contributed equity		**303,051**	301,516	1,535	302,252
Accumulated surplus		**20,640**	(11,538)	32,178	13,191
Total Equity		**323,691**	**289,978**	**33,713**	**315,443**

* *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.*

Department of Communities, Disability Services and Seniors

Statement of Assets and Liabilities by Major Departmental Services - Controlled

as at 30 June 2020

	Disability Services		Community and Seniors Services		Total	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Current Assets						
Cash and cash equivalents	**43,301**	74,267	**28,740**	8,941	**72,041**	83,208
Receivables	**4,547**	21,198	**294**	2,654	**4,841**	23,852
Other current assets	**2,219**	13	**158**	-	**2,377**	13
Non-current assets classified as held for sale	**-**	368	**-**	-	**-**	368
Total Current Assets	**50,067**	95,846	**29,192**	11,595	**79,259**	107,441
Non-Current Assets						
Receivables	**-**	4,202	**-**	-	**-**	4,202
Property, plant and equipment	**169,948**	167,919	**113,977**	108,526	**283,925**	276,445
Intangibles	**1,086**	54	**2,140**	2,502	**3,226**	2,556
Right-of-use assets	**-**	-	**51**	-	**51**	-
Total Non-Current Assets	**171,034**	172,175	**116,168**	111,028	**287,202**	283,203
Total Assets	**221,101**	**268,021**	**145,360**	**122,623**	**366,461**	**390,644**
Current Liabilities						
Payables	**14,252**	22,951	**18,347**	7,197	**32,599**	30,148
Accrued employee benefits	**6,896**	22,487	**723**	1,210	**7,619**	23,697
Provisions	**343**	1,865	**2,158**	2,280	**2,501**	4,145
Other current liabilities	**-**	12,988	**-**	21	**-**	13,009
Lease liabilities	**-**	-	**51**	-	**51**	-
Total Current Liabilities	**21,491**	60,291	**21,279**	10,708	**42,770**	70,999
Non-Current Liabilities						
Payables	**-**	3,781	**-**	421	**-**	4,202
Total Liabilities	**21,491**	**64,072**	**21,279**	**11,129**	**42,770**	**75,201**

Department of Communities, Disability Services and Seniors

Statement of Changes in Equity - Controlled

for the year ended 30 June 2020

	Note	Contributed Equity $'000	Accumulated Surplus $'000	Total $'000
Balance as at 1 July 2018		309,334	1,891	311,225
Operating Result				
Operating result from continuing operations		-	11,300	11,300
Total Comprehensive Income for the Year		**-**	**11,300**	**11,300**
Transactions with owners 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**

	Note	Contributed Equity $'000	Accumulated Surplus $'000	Total $'000
Operating Result				
Operating result from continuing operations		-	7,447	7,447
Total Comprehensive Income for the Year		**-**	**7,447**	**7,447**
Transactions with owners as owners:				
Net transfers in/(out) from other Queensland Government entities - other	C9-1	(2,458)	-	(2,458)
Net appropriated equity injections	C9-2	3,259	-	3,259
Net Transactions with Owners as Owners		801	-	801
Balance as at 30 June 2020		**303,051**	**20,640**	**323,691**

Department of Communities, Disability Services and Seniors
Statement of Cash Flows - Controlled
for the year ended 30 June 2020

	Note	**Actual 2020 $'000**	**Original Budget^** 2020 $'000	**Budget Variance*** 2020 $'000	**Actual** 2019 $'000
Cash Flows from Operating Activities					
Inflows:					
Service appropriation receipts		**363,347**	361,571	1,776	932,747
User charges and fees		**7,181**	8,170	(989)	16,648
Grants and other contributions		**13,311**	12,088	1,223	22,125
GST input tax credits received from ATO		**20,625**	-	20,625	75,882
GST collected from customers		**1,934**	-	1,934	1,908
Interest receipts		**15**	60	(45)	60
Other		**18,038**	278,586	(260,548)	24,630
Outflows:					
Employee expenses		**(205,861)**	(189,666)	(16,195)	(248,569)
Supplies and services		**(171,440)**	(445,949)	274,509	(705,165)
Grants and subsidies		**(28,024)**	(13,258)	(14,766)	(23,867)
GST paid to suppliers		**(20,772)**	-	(20,772)	(74,467)
GST remitted to ATO		**(1,934)**	-	(1,934)	(1,908)
Other		**(1,048)**	(2,083)	1,035	-
Net Cash Provided by (Used in) Operating Activities#		**(4,628)**	**9,519**	**(14,147)**	**20,024**
Cash Flows from Investing Activities					
Inflows:					
Sales of property, plant and equipment		**1,089**	-	1,089	-
Outflows:					
Payments for property, plant and equipment		**(12,115)**	(20,010)	7,895	(17,080)
Payments for intangible assets		**(1,078)**	-	(1,078)	(588)
Net Cash (Used in) Provided by Investing Activities		**(12,104)**	**(20,010)**	**7,906**	**(17,668)**
Cash Flows from Financing Activities					
Inflows:					
Equity injections		**5,565**	-	5,565	-
Outflows:					
Equity withdrawals		**-**	3,259	(3,259)	(6,390)
Net Cash Provided by (Used in) Financing Activities		**5,565**	**3,259**	**2,306**	**(6,390)**
Net (decrease) in cash and cash equivalents		**(11,167)**	(7,232)	(3,935)	(4,034)
Cash and Cash Equivalents - Opening balance		**83,208**	29,279	53,929	87,242
Cash and Cash Equivalents - Closing balance	**C1**	**72,041**	**22,047**	**49,994**	**83,208**

* *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.*

Department of Communities, Disability Services and Seniors
Statement of Cash Flows - Controlled
for the year ended 30 June 2020

Notes to the Statement of Cash Flows

Reconciliation of Operating Result to Net Cash Provided by Operating Activities

	Note	2020 $'000	2019 $'000
Operating Result for the Year		**7,447**	11,300
Non-cash items included in operating result			
Reversal of revaluation decrement		**(6,410)**	(3,551)
Revaluation decrement		**-**	1,035
Depreciation and amortisation expense		**5,907**	8,333
Donated assets and services received		**-**	(3,069)
Loss (gain) on disposal of non-current assets		**1,308**	41
Impairment losses		**1,477**	-
Changes in assets and liabilities			
(Increase) decrease in GST input tax credits receivable		**(148)**	1,415
(Increase) decrease in trade receivables		**11,293**	(5,110)
(Increase) decrease in other current receivables		**6,389**	(5,923)
(Increase) decrease in other assets		**(2,364)**	(13)
(Increase) decrease in non-current receivables		**4,202**	(352)
(Increase) decrease in right-of-use assets		**(51)**	-
Increase (decrease) in payables		**(2,998)**	(13,990)
Increase (decrease) in accrued employee benefits		**(16,078)**	14,134
Increase (decrease) in provisions		**(1,644)**	3,262
Increase (decrease) in other liabilities		**(13,009)**	12,512
Increase (decrease) in lease liabilities		**51**	-
Net Cash (Used in) Provided by Operating Activities		**(4,628)**	**20,024**

Department of Communities, Disability Services and Seniors
Income Statement - Administered
for the year ended 30 June 2020

	Note	**Actual 2020 $'000**	**Original Budget^** 2020 $'000	**Budget Variance*** 2020 $'000	**Actual** 2019 $'000
Income from Continuing Operations					
Administered appropriation revenue	G1-1	**2,313,108**	1,527,222	785,886	1,579,496
Grants and other contributions	G1-2	**71,949**	69,273	2,676	8,260
Total Income from Continuing Operations		**2,385,057**	**1,596,495**	**788,562**	**1,587,756**
Expenses from Continuing Operations					
Employee expenses		**2,940**	-	2,940	6,863
Supplies and services	G1-3	**8,612**	-	8,612	24,967
Grants and subsidies	G1-4	**2,328,217**	1,592,208	736,009	1,457,858
Impairment losses		**-**	-	-	2
Other expenses	G1-5	**-**	-	-	155,617
Total Expenses from Continuing Operations		**2,339,769**	**1,592,208**	**747,561**	**1,645,307**
Operating Result from Continuing Operations		**45,288**	4,287	41,001	(57,551)
Operating Result for the Year		**45,288**	**4,287**	**41,001**	**(57,551)**
Total Comprehensive Income		**45,288**	**4,287**	**41,001**	**(57,551)**

^ *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 G1-9.*

Department of Communities, Disability Services and Seniors
Balance Sheet - Administered
as at 30 June 2020

	Note	**Actual 2020 $'000**	**Original Budget^** 2020 $'000	**Budget Variance*** 2020 $'000	**Actual** 2019 $'000
Current Assets					
Cash and cash equivalents		**190,692**	49,479	141,213	256,300
Receivables	G1-6	**16,964**	1,613	15,351	2,202
Total Current Assets		**207,656**	51,092	156,564	258,502
Total Assets		**207,656**	**51,092**	**156,564**	**258,502**
Current Liabilities					
Payables	G1-7	**235,774**	62,659	173,115	329,519
Accrued employee benefits		**-**	-	-	2,389
Total Current Liabilities		**235,774**	62,659	173,115	331,908
Total Non-Current Liabilities		**-**	-	-	-
Total Liabilities		**235,774**	**62,659**	**173,115**	**331,908**
Net Assets		**(28,118)**	**(11,567)**	**(16,551)**	**(73,406)**

^ *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 G1-9.*

Additional Information

The reported net asset figure for 2019-20 excludes reimbursement claims currently being assessed by the Queensland Reconstruction Authority totalling $26.660M as at 30 June 2020. Similarly the reported net asset figure for 2018-19 excluded claims to the amount of $70.421M as at 30 June 2019.

Department of Communities, Disability Services and Seniors
Statement of Cash Flows - Administered
for the year ended 30 June 2020

	Actual 2020 $'000
Cash Flows from Operating Activities	
Inflows:	
Administered appropriation revenue	**2,142,690**
Grants and other contributions	**71,949**
GST input tax credits received from ATO	**19,559**
GST collected from customers	**7,195**
Outflows:	
Employee expenses	**(5,328)**
Supplies and services	**(10,610)**
Grants and subsidies	**(2,264,348)**
GST paid to suppliers	**(19,520)**
GST remitted to ATO	**(7,195)**
Other	**-**
Net Cash result Operating Activities	**(65,608)**
Net (decrease) increase in cash and cash equivalents	**(65,608)**
Cash and Cash Equivalents - Opening balance	**256,300**
Cash and Cash Equivalents - Closing balance	**190,692**

Notes to the Statement of Cash Flows

Reconciliation of Operating Result to Net Cash Provided by Operating Activities

	2020 $'000
Operating Result for the Year	**45,288**
Changes in assets and liabilities	
(Increase) decrease in GST input tax credits receivable	**39**
(Increase) decrease in trade receivables	**(14,801)**
Increase (decrease) in payables	**(93,745)**
Increase (decrease) in accrued employee benefits	**(2,389)**
Net Cash (Used in) Provided by Operating Activities	**(65,608)**

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 38 of the *Financial and Performance Management Standard 2019*. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2019.

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 D4-1.

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 2018-19 financial statements. The current year is not comparable to the previous year due to the National Disability Insurance Scheme (NDIS) transition and related impacts to the department (refer to Note A3). In particular the following categories have been impacted: appropriation revenue (Note B1-1), employee expenses (Note B2-1), supplies and services (Note B2-2) and grants and subsidies (Note B2-3). The comparatives for services received below fair value revenue has been reclassified from other revenue (Note B1-3) to grants and other contributions (Note B1-2).

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.

A1-5 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.

A1 Basis of Financial Statement Preparation (continued)

A1-5 Basis of Measurement (continued)

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 C4-7 for further information about fair value measurement by the department.

A1-6 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.

A1-7 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.

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 Commonwealth-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 G1-4).

The State Government's contribution to the National Disability Insurance Agency (NDIA) is recognised as grant payments in the administered ledger. (refer to G1-4).

A1-8 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).

A2 Departmental Objectives

The department's vision is to create thriving Queensland communities, where people of all ages, abilities and backgrounds can participate, are included and resilient, and enjoy high levels of social and economic wellbeing.

The department contributes to the State Government's objectives for the community *Our Future State: Advancing Queensland's Priorities*:

- Create jobs in a strong economy by engaging and partnering with peak organisations and associations, and managing the State Government's ongoing investment in the NDIS;
- Give all our children a great start by supporting vulnerable Queensland families and delivering place-based and local solutions in our communities;
- Keep Queenslanders healthy by delivering targeted programs aimed at improving the wellbeing of individuals requiring community, disability or seniors services;
- Keep communities safe by contributing to programs and initiatives to support seniors, people with disability experiencing domestic and family violence and Queenslanders affected by a disaster;
- Be a responsive government by ensuring streamlined access to the services we deliver or fund with online services developed using a 'tell us once' approach.

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

- Disability Services: As part of building inclusive communities, improving social and economic outcomes for people with disability and supporting the disability sector, through strategy development and the design and delivery of high quality supports and services.
- Community and Seniors Services: To support communities to thrive through investing in quality community and seniors services that are connected and support the social and economic inclusion and wellbeing of people of all ages, abilities and backgrounds.

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, Department of Housing and Public Works and the Department of Child Safety, Youth and Women 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.

The provision of internal audit and compliance services to the Department of Child Safety, Youth and Women ceased during 2019-20.

A3 National Disability Insurance Scheme

The NDIS is now available throughout Queensland. The NDIS full scheme agreement was signed by the State Government and Commonwealth on 9 July 2019 with existing transitional arrangements to continue until at least 1 July 2020.

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

A3 National Disability Insurance Scheme (continued)

The department continues to monitor the NDIS to ensure it delivers the promised client outcomes and value for money for the State Government investment. The department continues making payments to the NDIA for the NDIS pursuant to s179 *National Disability Insurance Act 2013*. These payments are recognised as administered grants and contributions (refer to Note A1-7).

A4 Volunteer Services and Contribution of Services between Agencies

The department co-ordinates the community recovery process on behalf of the State Government with government employees providing assistance during times of natural disasters and other emergencies. 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 1058 *Income of Not-for-Profit-Entities*. The total fair value of volunteer services received from other government agencies as part of community recovery activities is estimated to be $2.009M (2018-19: $4.782M). This amount has been recognised as an equivalent revenue and expense in the 2019-20 financial statements.

B1 Revenue

B1-1 Appropriation Revenue

	2020 $'000	2019 $'000
Reconciliation of Payments from Consolidated Fund to Appropriation Revenue Recognised in Operating Result		
Budgeted appropriation revenue	**361,571**	841,129
Additional appropriation revenue for unforeseen expenditure	**1,776**	-
Treasurers transfers	**-**	91,618
Total Appropriation Receipts (cash)	**363,347**	932,747
Less: Opening balance of appropriation revenue receivable	**(4,202)**	(3,850)
Plus: Effect of adoption of new accounting standards *	**4,202**	-
Plus: Closing balance of appropriation revenue receivable	**-**	4,202
Plus: Opening balance of departmental services revenue payable	**17,049**	29,910
Less: Closing balance of departmental services revenue payable	**(21,652)**	(17,049)
Net Appropriation Revenue	**358,744**	**945,960**
Plus: Deferred appropriation refundable to Consolidated Fund (expense)	**-**	32,530
Appropriation Revenue Recognised in Income Statement	**358,744**	**978,490**

Accounting Policy - Appropriation Revenue

Appropriations provided under the *Appropriation Act 2019* 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).

* There was a change in Australian Accounting Standards for leasing expenses with the prior year appropriation revenue receivable being held with Queensland Treasury under AASB 117, along with a corresponding non-current liability being eliminated at the start of the 2019-20 financial year through an opening balance adjustment. Refer to Note D4-1 (iii) for further information.

B1 Revenue (continued)

B1-2 Grants and Other Contributions

	2020 $'000	2019 $'000
Revenue from contracts with customers		
Commonwealth grants - specific obligations	**11,590**	11,061
Other grants and contributions		
Commonwealth grants - non-specific obligations	**1,190**	10,730
Grants from Queensland Reconstruction Authority	**131**	-
Other grants under AASB 1058	**-**	735
Services received below fair value	**2,009**	4,782
Assets received below fair value	**-**	3,069
Total	**14,920**	**30,377**

Accounting Policy - Grants, contributions and donations

Grants, contributions and donations are non-reciprocal transactions where the department does not directly provide the grantor with value approximately equal to the revenue received.

Where the grant agreement is enforceable and contains sufficiently specific performance obligations for the department to transfer goods or services to a third-party on the grantor's behalf, the revenue is accounted for under AASB15 *Revenue from Contracts with Customers*. In this case revenue is initially deferred (as unearned revenue) and recognised as or when the performance obligations are satisfied.

In all other cases the revenue is accounted for in accordance with AASB 1058 *Income of Not-for-Profit Entities*. Revenue is recognised upon receipt unless it is related to special purpose capital grants for construction of non-financial assets that will be controlled by the department. Under the latter circumstances the grant is recognised as unearned revenue initially, and subsequently recognised as revenue progressively as obligations are met through construction of the related asset.

Disclosure - Grants and contributions

The department has a number of grant arrangements with the Commonwealth that relate to funding of activity-based services. One of these arrangements is for the Continuity of Support (CoS) program and has been identified as having sufficiently specific performance obligations under enforceable grant agreements.

The remaining Commonwealth grants, although under enforceable agreements, do not contain sufficiently specific performance obligations, these grants are recognised upon receipt.

Commonwealth grants - recognised as performance obligations are satisfied

The following table provides information about the nature and timing of the satisfaction of performance obligations, significant payment terms, and revenue recognition for the department's grants and contributions that are contracts with customers.

B1 Revenue (continued)

B1-2 Grants and Other Contributions (continued)

Type of good or service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
CoS Accommodation Support - Group Homes	The department's obligation under the grant agreement is to provide accommodation support for a minimum of 38 clients over a three and a half year period, with the current agreement running until 30 June 2020.	The total grant funding of $11.349M is allocated to the services to be performed in 2019-20 and revenue is recognised monthly as those services are being performed.
CoS Community Access - Learning and Skills Development	The department's obligation under the grant agreement is to deliver 966 hours of learning and skill development over a two year period, with the current agreement running until 30 June 2020.	The total grant funding of $0.051M is allocated to the services to be performed in 2019-20 and revenue is recognised quarterly as those services are being performed.
CoS Community Support - Therapy support for individuals	The department's obligation under the grant agreement is to deliver 1,570 hours of therapy support over a three year period, with the current agreement running until 30 June 2020.	The total grant funding of $0.125M is allocated to the services to be performed in 2019-20 and revenue is recognised quarterly as those services are being performed.
CoS Community Support - Behaviour / specialist intervention	The department's obligation under the grant agreement is to deliver 555 hours of therapy support over a three year period, with the current agreement running until 30 June 2020.	The total grant funding of $0.045M is allocated to the services to be performed in 2019-20 and revenue is recognised quarterly as those services are being performed.
CoS Individual Support Packages	The department's obligation under the grant agreement is to deliver individual support packages to three clients over a three and a half year period, with the current agreement running until 30 June 2020.	The total grant funding of $0.020M is allocated to the services to be performed in 2019-20 and revenue is recognised quarterly as those services are being performed.

Commonwealth grants - recognised upfront

The department received $1.190 million in 2019-20 for the CoS accommodation management grant. This funding has been recognised as revenue in the 2019-20 financial year as the department's obligations are not sufficiently specific. The terms of the grant are that it must be used to provide support for clients in the CoS program with the department having discretion as to how the support is provided. The department decided the best ongoing use of these funds was to fund a number of capital improvements in the properties occupied by the CoS clients.

B1 Revenue (continued)

B1-2 Grants and Other Contributions (continued)

At 30 June 2020, $0.892M of this grant remains unspent. The department plans to spend this remaining funding on additional capital improvements for the CoS clients in the 2020-21 financial year, as construction is scheduled to be completed in that year.

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.

Services received below fair value

Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and expense.

Refer to Note A4 for additional information about the services the department receives that are below fair value.

B1-3 Other Revenue

	2020 **$'000**	2019 $'000
Expenditure recoveries	**3**	-
Grant and service procurement refunds^	**15,197**	17,107
Other	**3,274**	413
Total	**18,474**	**17,520**

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

B2 Expenses

B2-1 Employee Expenses

	2020 **$'000**	2019 $'000
Employee Benefits		
Wages and salaries *	**151,552**	175,512
Employer superannuation contributions	**17,479**	21,291
Annual leave levy	**14,697**	17,166
Long service leave levy	**3,497**	3,675
Other employee benefits	**3,150**	35,033
	190,375	252,677
Employee Related Expenses		
Workers' compensation premium	**2,113**	3,436
Other employee related expenses	**1,294**	874
	3,407	4,310
Total	**193,782**	**256,987**

* Wages and salaries includes $2.327M of $1,250 one-off, pro-rata payments for 1862 full-time equivalent employees (announced in September 2019).

B2 Expenses (continued)

B2-1 Employee Expenses (continued)

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

	2020	2019
Number of full-time equivalent employees:	**1,767**	2,033

The decrease in the number of employees was due to the continuing transfer of disability services responsibilities to the NDIA. Refer to Note D3-5 for further information.

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.

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 Expenses (continued)

B2-2 Supplies and Services

	2020 **$'000**	2019 $'000
Service Procurement		
Disability Services	**48,707**	452,308
Community Services*	**55,433**	169,734
Seniors Services	**10,339**	9,741
Outsourced corporate services	**15,599**	21,834
Property and other leasing expenses	**11,461**	18,144
Property support, repairs and maintenance costs	**8,904**	10,189
Professional and technical fees	**9,256**	11,923
Other	**4,028**	6,592
Consultancies	**125**	109
Total	**163,852**	**700,574**

* Community Services now includes the Community Care category that was previously reported separately in the department's 2018-19 financial statements. As a result the department's comparatives have been restated to reflect this.

Accounting Policy - Property and Motor Vehicle Leasing Expenses

The majority of the lease expenses relate to arrangements where the Department of Housing and Public Works provides the department with access to office accommodation and motor vehicles under government-wide frameworks. These arrangements are categorised as procurement of services rather than as leases because the Department of Housing and Public Works has substantive substitution rights over the assets. Refer to Note D4-1 for further information.

These 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 leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

Disclosure - Property leases

Property 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 may provide for a right of renewal at which time the lease terms are renegotiated.

Lease expenses comprises the minimum lease payments payable under 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 Expenses (continued)

B2-3 Grants and Subsidies

	2020	2019
	$'000	$'000
Disability Services	**13,707**	18,806
Community Services	**15,843**	5,701
Seniors Services	**1,394**	1,451
Donations and gifts	**168**	108
Total	**31,112**	**26,066**

^ Refer to B2-2 for the accounting policy on the distinction between service procurement and grants.

B2-4 Depreciation and Amortisation

	2020	2019
	$'000	$'000
Depreciation - property, plant and equipment (refer C4-1)	**5,448**	4,944
Depreciation - right-of-use assets *	**51**	-
Amortisation - intangible assets (refer C5-1)	**408**	3,389
Total	**5,907**	**8,333**

* The department has one right-of-use asset as a result of the impact of AASB 16 *Leases* which came into effect in 2019-20. This right-of-use asset had an opening value of $0.102M with $0.051M in additional depreciation expense being incurred in the 2019-20 financial year. This leaves the net book value at $0.051M which is shown on the department's balance sheet. Refer to Note D4-1 (iii) for further information about the impacts associated with this change in Australian Accounting Standards.

Refer to Notes C4-5 and C5-3 for the accounting policies for depreciation and amortisation expense.

B2-5 Other Expenses

	2020	2019
	$'000	$'000
Departmental appropriation adjustments#	**-**	32,530
Net losses on disposal of property, plant and equipment	**1,328**	41
Insurance premiums	**750**	701
External audit fees	**285**	280
Special payments - ex gratia payments	**36**	97
Other	**11**	1
Total	**2,410**	**33,650**

Departmental appropriation adjustments are performed at year end to lapse or carry forward current year funding. In 2018-19 these adjustments were recognised with an expense under the requirements of the superseded AASB 1004 *Contributions.* Under AASB 1058 *Income of Not-for-Profit Entities*, appropriation revenue is instead reduced (refer to Note B1-1) with a corresponding liability still recognised for any lapsed or deferred appropriation adjustments to be recognised (refer to Note C6).

B2 Expenses (continued)

B2-3 Other Expenses (continued)

Audit Fees

The Queensland Audit Office is the department's external auditor. Total external audit fees relating to the 2019-20 financial year are estimated to be $0.285M (2018-19: $0.280M). 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 2019-20 and 2018-19 include the following payments over $5,000:

Special payments during 2019-20 include $0.028M paid on behalf of a community services provider that experienced financial difficulties to ensure continuity of service to the department's clients. A further payment of $0.008M was also made to cover the funeral expenses of a client in the care of the department. Special payments during 2018-19 include $0.082M paid on behalf of a disability services provider that experienced financial difficulties to ensure continuity of service to the department's clients.

C1 Cash and Cash Equivalents

	2020	2019
	$'000	$'000
Cash on hand	**4**	5
Cash at bank	**72,037**	83,203
Total	**72,041**	**83,208**

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 2020.

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 0.85% per annum.

C2 Receivables

	2020	2019
	$'000	$'000
Current		
Trade and other debtors	**2,177**	13,470
Less: Allowance for impairment loss	**(1,780)**	(303)
	397	13,167
GST input tax credits receivable	**1,302**	1,154
Annual leave reimbursements	**2,481**	5,376
Long service leave reimbursements	**661**	4,155
Total	**4,841**	**23,852**

C2 Receivables (continued)

	2020	2019
	$'000	$'000
Non Current		
Appropriation revenue receivable	**-**	4,202
Total	**-**	**4,202**

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.

Accounting Policy - Impairment of receivables

Where the department has no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. If the amount of the debt written off exceeds the loss allowance, the excess is recognised as an impairment loss.

Disclosure - Impairment of receivables

The decrease in trade receivables at 30 June 2020 compared to 30 June 2019 is due to $1.780M of trade debtors being deemed likely to be uncollectable in the current and future financial years. The larger than normal impairment has been impacted by the transition of disability services to the NDIS, with the department no longer holding related funding agreements. The amount was provided for by increasing the allowance for impairment loss by $1.477M in 2019-20.

Disclosure - COVID-19 pandemic impact

In response to COVID-19 the State Government announced a new rent relief policy to assist lessees with the financial impact of the pandemic. The department has waived rent for a six month period between 1 April 2020 and 30 September 2020. The policy has minimal impact on the department’s revenue as it has few leases in place with a commercial rental.

The department recognises receivables from non-government organisations when required to repay excess funds from prior years, based on the terms and conditions of their funding arrangements. To date there has been no noticeable impact upon related receivables beyond that which existed prior to the pandemic.

The ability of non-government organisations to repay excess funds held from prior years could however manifest over a period of time, as the full impact of the pandemic hits the economy. The department continues to monitor the financial viability of non-government organisations holding funding agreements to identify risks in service delivery and debt recovery.

Disclosure - Credit risk of receivables

The majority of the department's receivables are from the State Government or Commonwealth 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

	2020	2019
	$'000	$'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.

Disclosures about non-current assets held for sale

The department sold land and buildings at one site in 2019-20 on the open market due to the property no longer being suitable for the department's needs. The total market value of the land and buildings transferred to held for sale and then sold during 2019-20 was $0.700M. Refer to Note C4-1 for confirmation of this movement in the department's land and building assets.

The department sold land and buildings at one site in 2018-19 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

	2020	2019
Property, Plant and Equipment Reconciliation at 30 June 2020	**$'000**	$'000
Land		
At fair value	**82,986**	81,998
	82,986	81,998
Buildings		
At fair value	**242,084**	224,047
Less accumulated depreciation	**(52,339)**	(43,903)
	189,745	180,144
Plant and equipment		
At cost	**7,204**	19,788
Less accumulated depreciation	**(5,187)**	(17,131)
	2,017	2,657
Capital works in progress		
At cost	**9,177**	11,646
	9,177	11,646
Total	283,925	**276,445**

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 2018	77,200	176,390	3,369	4,660	261,619
Acquisitions (including upgrades)	1,623	-	-	16,524	18,147
Disposals	-	-	(41)	-	(41)
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 expense	-	(3,691)	(1,253)	-	(4,944)
Carrying amount at 30 June 2019	81,998	180,144	2,657	11,646	276,445
Carrying amount at 1 July 2019	81,998	180,144	2,657	11,646	276,445
Acquisitions (including upgrades)	-	-	-	11,005	11,005
Disposals	(741)	(588)	-	-	(1,329)
Transfers out to other Queensland Government entities	(1,258)	(1,200)	-	-	(2,458)
Assets reclassified as held for sale	(500)	(200)	-	-	(700)
Transfers between asset classes	33	13,304	137	(13,474)	-
Net revaluation increments/ (decrements) in operating surplus	3,454	2,956	-	-	6,410
Depreciation expense	-	(4,671)	(777)	-	(5,448)
Carrying amount at 30 June 2020	82,986	189,745	2,017	9,177	283,925

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 State 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 at least once every five years. The department’s land and buildings were comprehensively revalued by independent professional valuers, APV Valuers & Asset Management (APV) valuers certificates 2962 and 4079, in the current financial year. Indexations sourced from APV have been applied to these assets in the previous reporting period. The effective date of the comprehensive valuation is 29 February 2020. Management have confirmed there has been no significant shift in the values since then.

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).

C4 Property, Plant and Equipment (continued)

C4-4 Measurement Using Fair Value (continued)

Use of Indices

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 performed the revaluation of the department's land and buildings in 2018-19, with indices sourced from APV being applied to these assets (refer to Note C4-7).

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.

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 an asset 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 Australian Accounting Standards, the revaluation increment on the department's land and buildings in 2019-20 has been recognised as revenue in the Income Statement, as a reversal of the revaluation decrement.

As at 30 June 2020, the carrying amount of the asset revaluation decrements were $71.331M (2018-19: $74.786M) for land and $76.367M (2018-19: $79.322M) 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.

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.

C4 Property, Plant and Equipment (continued)

C4-5 Depreciation Expense (continued)

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	7 - 120 years	57.80 years
Plant and Equipment	4 - 19 years	11.63 years

C4-6 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.

C4-7 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	
	2020	2019	**2020**	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Land	**82,816**	78,011	**170**	3,987	**82,986**	81,998
Buildings	**8,135**	14,632	**181,610**	165,512	**189,745**	180,144

C4 Property, Plant and Equipment (continued)

C4-7 Fair Value Measurement (continued)

Level 3 Fair Value Measurement - Reconciliation	Land		Buildings	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2019	**3,987**	3,263	**165,512**	163,155
Acquisitions (including upgrades)	**-**	732	**-**	-
Disposals	**(741)**	-	**(417)**	-
Transfers out to other Queensland Government entities	**(351)**	-	**(1,082)**	(4,682)
Assets reclassified as held for sale	**-**	-	**-**	(188)
Transfers between asset classes	**-**	-	**13,304**	7,389
Transfers into level 3 from level 2	**-**	-	**5,661**	1,206
Transfers out of level 3 to level 2	**(2,725)**	-	**-**	-
Net revaluation increments/ (decrements) in operating surplus	**-**	(8)	**-**	3,102
Net revaluation increments/ (decrements) in asset revaluation surplus	**-**	-	**2,954**	-
Depreciation	**-**	-	**(4,322)**	(4,470)
Carrying amount at 30 June 2020	**170**	3,987	**181,610**	165,512

Basis for Fair Values of Assets

The department's land and buildings were comprehensively revalued by APV in the 2019-20 financial year in accordance with AASB 13 *Fair Value Measurement*. The valuation approach for the department's land assets is a market based assessment. Inputs for this assessment include publicly available data on recently sold properties which are of a similar type. This comparison is adjusted to take into consideration the characteristics of the land, such as size, zoning, topography and configuration etc.

The department's general purpose buildings (level 2 category) also used a market based assessment as their valuation approach. This included residential properties where the relevant inputs were able to be observed from current market evidence. The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size.

The department's special purpose buildings (level 3 category) as well as buildings where due to external circumstances there was no evidence to support a market based approach, are valued using current replacement cost as their valuation approach. Under this approach the cost to replace the asset is calculated and then adjusted to take account of any obsolescence. Key inputs used in this approach include the condition of the building assets, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value and useful life. The cost approach method is based on determining the current replacement cost of the buildings modern equivalent (or cost of reproduction where relevant) and then adjusting for the level of consumed obsolescence.

C5 Intangibles

C5-1 Closing Balances and Reconciliations of Carrying Amount

	2020 $'000	2019 $'000
Intangible Assets Reconciliation at 30 June 2020		
Internally Generated		
Software - internally generated (at cost)	**45,889**	45,889
Less accumulated amortisation	**(43,741)**	(43,333)
	2,148	2,556
Works in progress		
Software - work in progress (at cost)	**1,078**	-
	1,078	-
Total	**3,226**	**2,556**

Represented by Movements in Carrying Amount:	**Software internally generated $'000**	**Software works in progress $'000**	**Total $'000**
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
Carrying amount at 1 July 2019	2,556	-	2,556
Acquisitions	-	1,078	1,078
Amortisation	(408)	-	(408)
Carrying amount at 30 June 2020	2,148	1,078	3,226

C5-2 Recognition and Measurement

Accounting Policy

Intangible assets of the department comprise internally developed software and software works in progress. 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	3 - 12 years	8.70 years

C5-4 Impairment

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.

C6 Payables

	2020	2019
	$'000	$'000
Current		
Trade creditors and accruals	**5,107**	11,093
Grants and subsidies payable	**5,501**	2,412
Deferred appropriation payable to Consolidated Fund	**21,652**	17,049
Other	**339**	(406)
Total	**32,599**	**30,148**

	2020	2019
	$'000	$'000
Non-Current		
Deferred operating lease rent *	**-**	4,202
Total	**-**	**4,202**

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.

There was a change in Australian Accounting Standards for leasing expenses with the previous non-current liability under AASB 117, along with a corresponding appropriation revenue receivable held with Queensland Treasury being eliminated at the start of the 2019-20 financial year through an opening balance adjustment. Refer to Note D4-1 (iii) for further information

C6 Payables (continued)

Disclosure - COVID-19 pandemic impact

In response to COVID-19 the State Government announced a new payment policy to assist suppliers with the financial impact of the pandemic. The department now pays suppliers as soon as possible after the goods or services are received and following receipt of a tax invoice. There is no cash risk to the department. The department continues to monitor the financial viability of major non-government suppliers annually to identify risks to provision of government services.

C7 Accrued Employee Benefits

	2020	2019
	$'000	$'000
Salaries and wages payable	**2,649**	18,518
Annual leave levy payable	**4,003**	4,193
Long service leave levy payable	**967**	986
Total	**7,619**	**23,697**

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

	2020	2019
	$'000	$'000
Current		
Contract liabilities	**-**	13,009

Disclosure - Contract liabilities

Contract liabilities arised from contracts with customers. Of the amount included in the contract liability balance at 1 July 2019, $12.780M has been recognised as revenue in 2019-20. The residual balance of unspent funds was returned to the Commonwealth. Refer to Note B1-2 for further information about the agreement that gave rise to both the contract liability and applicable revenue.

Significant changes in contract liabilities during the year:

- The decrease in contract liabilities is largely attributable to services performed under the CoS program. Refer to Note B1-2 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).

2020 Movement in Contributed Equity

Asset Class Description	Asset Description	$'000	Receiving Department	Transfer In/Out
Land	44 School Lane, Emerald. Service delivery for the organisation leasing this property is aligned with DCSYW.	(147)	Department of Child Safety, Youth and Women	Out
Buildings	44 School Lane, Emerald. Service delivery for the organisation leasing this property is aligned with DCSYW.	(588)	Department of Child Safety, Youth and Women	Out
Land	2 Thomson Road, Healy. Service delivery for the organisation leasing this property is aligned with DCSYW.	(351)	Department of Child Safety, Youth and Women	Out
Buildings	2 Thomson Road, Healy. Service delivery for the organisation leasing this property is aligned with DCSYW.	(494)	Department of Child Safety, Youth and Women	Out
Land	119 Stafford Road, Kedron. Service delivery for the organisation leasing this property is aligned with DCSYW.	(410)	Department of Child Safety, Youth and Women	Out
Buildings	119 Stafford Road, Kedron. Service delivery for the organisation leasing this property is aligned with DCSYW.	(118)	Department of Child Safety, Youth and Women	Out
Land	Lot 405 off Cromarty Dr, Wacol, QLD 4076. Transfer of land for use of high secure detention centre.	(350)	Department of Youth Justice	Out
	Total Movement in Contributed Equity	**(2,458)**		

C9 Equity (continued)

C9-1 Contributed Equity (continued)

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 the Department of Child Safety, Youth and Women.	(46)	Department of Child Safety, Youth and Women	Out
	Total	**(4,728)**		
	Total Movement in Contributed Equity	**(2,998)**		

C9 Equity (continued)

C9-1 Contributed Equity (continued)

	2020 $'000	2019 $'000
Reconciliation of Payments from Consolidated Fund to Equity Adjustment		
Budgeted equity adjustment appropriation	**3,259**	(7,150)
Transfers from/to other departments - Redistribution of public business	**-**	760
Additional appropriation revenue for unforeseen expenditure	**2,306**	-
Equity Adjustment Receipts (Payments)	**5,565**	(6,390)
Less: Opening balance of equity adjustment receivable	**(2,306)**	-
Plus: Closing balance of equity adjustment receivable	**-**	2,306
Equity Adjustment Recognised in Contributed Equity	**3,259**	**(4,084)**

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	2020 $'000	2019 $'000
Financial Assets			
Cash and cash equivalents	C1	**72,041**	83,208
Financial assets at amortised cost:			
Current Receivables	C2	**4,841**	23,852
Non-current Receivables		**-**	4,202
Total financial assets		**76,882**	**111,262**
Financial Liabilities			
Financial liabilities at amortised cost - comprising:			
Payables	C6	**32,599**	30,148
Total financial liabilities at amortised cost		**32,599**	30,148

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

D1 Financial Risk Disclosures (continued)

D1-2 Financial Risk Management (continued)

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.

Management review and follow up aged receivables monthly to minimise the credit risk exposure of the department.

D2 Contingencies

D2-1 Native Title Claims over Departmental Assets

As at reporting date, native title claims exist that covers departmental land with buildings and site improvements totalling $1.846M. 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 Lease Commitments

Commitments under 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**	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Payable								
Lease expenses	**8,005**	11,066	**27,981**	42,183	**19,740**	38,933	**55,726**	92,182
Total	**8,005**	**11,066**	**27,981**	**42,183**	**19,740**	**38,933**	**55,726**	**92,182**

The majority of the lease commitments shown relate to leases held with the Department of Housing and Public Works. Refer to Note B2-2 for further information about the lease expenses shown in this note.

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.

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	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Payable								
Land and buildings	**12,666**	1,946	**-**	-	**-**	-	**12,666**	1,946
Intangibles	**82**	-	**-**	-	**-**	-	**82**	-
Total	**12,748**	**1,946**	**-**	**-**	**-**	**-**	**12,748**	**1,946**

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	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Payable								
Community Services*	**11,742**	2,885	**5,885**	2,839	**-**	-	**17,627**	5,724
Seniors Services	**212**	212	**106**	319	**-**	-	**318**	531
Total	**11,954**	**3,097**	**5,991**	**3,158**	**-**	**-**	**17,945**	**6,255**

* Community Services now includes the Community Care category that was previously reported separately in the department's 2018-19 financial statements. As a result the department's comparatives have been restated to reflect this.

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Payable								
Disability Services	**6,569**	10,047	**1,606**	20,095	**-**	-	**8,175**	30,142
Community Services*	**90,021**	71,878	**65,536**	96,168	**-**	-	**155,557**	168,046
Seniors Services	**10,208**	8,615	**5,021**	9,755	**-**	-	**15,229**	18,370
Total	**106,798**	**90,540**	**72,163**	**126,018**	**-**	**-**	**178,961**	**216,558**

* Community Services now includes the Community Care category that was previously reported separately in the department's 2018-19 financial statements. As a result the department's comparatives have been restated to reflect this.

Service procurement and grant commitments for Disability Services and Community Services 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 extended NDIS rollout.

D3-5 Redundancy Packages and Transfer Payments

Most of the redundancy payments relate to the endorsed NDIS Incentive Scheme. Eligible employees have received a voluntary redundancy package under the endorsed NDIS Incentive Scheme with a termination date that meets the department's business continuity needs. Medical retirements have also been reported as redundancies.

In 2019-20, 59 employees took a voluntary redundancy at a cost of $4.431M. No further redundancies are expected under the NDIS Incentive Scheme and no commitment is included in the reported amount, with this note being provided for comparative purposes.

In 2018-19, 477 employees took a voluntary redundancy at a cost of $30.941M. The reported amount included a commitment for a further 17 employees who had accepted voluntary redundancy agreements as at 30 June 2019 at an estimated cost of $1.512M. 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 Current and Future Year Impacts of Accounting Standards Changes

D4-1 First Year Application of New Accounting Standards or Change in Accounting Policy

Accounting standards applied for the first time

Three new accounting standards with major impact were applied for the first time in 2019-20:

- AASB 15 *Revenue from Contracts with Customers*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 16 Leases

D4 Current and Future Year Impacts of Accounting Standards Changes (continued)

D4-1 First Year Application of New Accounting Standards or Change in Accounting Policy (continued)

The effect of adopting these new standards are detailed below. No other accounting standards or interpretations that apply to the department for the first time in 2019-20 have any material impact on the financial statements.

Accounting Standards Early Adopted

No Australian Accounting Standards have been early adopted for 2019-20.

(1) AASB 15 Revenue from Contracts with Customers

The department applied AASB 15 *Revenue from Contracts with Customers* for the first time in 2019-20. The nature and effect of changes resulting from the adoption of AASB 15 is described below.

1. New revenue recognition model

AASB 15 establishes a new five step model for determining how much and when revenue from contracts with customers is recognised. The five step model and significant judgements are detailed below.

Step Number	Step Description
Step 1 - Identify the contract with the customer	Grant funding that the department receives may contain a contract with a customer and thus fall within the scope of AASB 15. This is the case where the funding agreement requires the department to transfer goods or services to third parties on behalf of the grantor, it is enforceable, and it contains sufficiently specific performance obligations.
Step 2 - Identify the performance obligations in the contract	This step involves identifying all the activities the department is required to perform under the contract, and determining which activities transfer goods or services to the customer. Where there are multiple goods or services transferred, the department must assess whether each good or service is a distinct performance obligation or should be combined with other goods or services to form a single performance obligation. To be within the scope of AASB 15, the performance obligations must be 'sufficiently specific' such that the department is able to measure how far along it is in meeting the performance obligations.
Step 3 - Determine the transaction price	When the consideration in the contract includes a variable amount, the department needs to estimate the variable consideration to which it is entitled and only recognise revenue to the extent that it is highly probable that a significant reversal of the revenue will not occur. This includes sales with a right of return, where the amount expected to be refunded is estimated and recognised as a refund liability instead of revenue.
Step 4 - Allocate the transaction price to the performance obligations	When there is more than one performance obligation in a contract, the transaction price must be allocated to each performance obligation, generally this needs to be done on a relative stand-alone selling basis.
Step 5 - Recognise revenue when or as the department satisfies performance obligations	Revenue is recognised when the department transfers control of the good or service to the customer. A key judgement is whether a performance obligation is satisfied over time or at a point in time. And where it is satisfied over time, the department must also develop a method for measuring progress towards satisfying the obligation.

2. Other changes arising from AASB 15

The department has a number of grant arrangements with the Commonwealth that relate to funding of activity-based services. One of these arrangements is for the Continuity of Support (CoS) program, which includes accommodation support and other grants, which the department has determined is eligible to have the revenue recognition requirements in AASB 15 applied to it.

AASB 15 also specifies the accounting for incremental costs of obtaining a contract and costs directly relating related to fulfilling a contract.

D4 Current and Future Year Impacts of Accounting Standards Changes (continued)

D4-1 First Year Application of New Accounting Standards or Change in Accounting Policy (continued)

AASB 15 Revenue from Contracts with Customers (continued)

The standard requires contract assets (accrued revenue) and contract liabilities (unearned revenue) to be shown separately and requires contract assets to be distinguished from receivables.

There are extensive new disclosures, which have been included in Notes B1-2 and C8.

3. Transitional impact

Transitional policies adopted are as follows:

- The department applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 118 *Revenue*, and related interpretations.
- The department elected to apply the standard retrospectively to all contracts, including completed contracts, at 1 July 2019. Completed contracts include contracts where the department had recognised all of the revenue in prior periods under AASB 1004 Contributions.

At 30 June 2019, grant monies totalling $13.009M were recognised as unearned revenue (refer to C8) as this was directly attributable to supporting clients in the 2019-20 financial year. At the 1 July 2019 transitional date to AASB 15, the department continued to recognise the $13.009M as unearned revenue (contract liability). This approach has resulted in a nil aggregate impact on transition to AASB 15.

(2)AASB 1058 Income of Not-for-Profit Entities

The department applied AASB 1058 *Income of Not-for-Profit Entities* for the first time in 2019-20. The nature and effect of changes resulting from the adoption of AASB 1058 is described below.

1. Scope and revenue recognition under AASB 1058

AASB 1058 applies to transactions where the department acquires an asset for significantly less than fair value principally to enable the department to further its objectives, and to the receipt of volunteer services.

The department's revenue line items recognised under this standard from 1 July 2019 include appropriation revenue, most grants and other contributions, and some other revenue.

General revenue recognition framework

- The revenue recognition framework for in scope transactions, other than specific-purpose capital grants, is as follows.
- Recognise the asset - e.g. cash, receivables, PP&E, a right-of-use asset or an intangible asset.
- Recognise related amounts - e.g. contributed equity, a financial liability, a lease liability, a contract liability or a provision; (grants and donations in many cases can have nil related amounts). Recognise the difference as income upfront.

Specific-purpose capital grants

In contrast with previous standards such as AASB 1004, AASB 1058 allows deferral of income from capital grants where:

- the grant requires the department to use the funds to acquire or construct a recognisable non-financial asset (such as as a building) to identified specifications;
- the grant does not require the department to transfer the asset to other parties; and
- the grant agreement is enforceable.

For these capital grants, the funding received is initially deferred in an unearned revenue liability and subsequently recognised as revenue as or when the department satisfies the obligations under the agreement.

D4 Current and Future Year Impacts of Accounting Standards Changes (continued)

D4-1 First Year Application of New Accounting Standards or Change in Accounting Policy (continued)

Volunteer Services

Under AASB 1058, the department will continue to recognise volunteer services only when the services would have been purchased if they had not been donated, and the fair value of the services can be measured reliably. This treatment is the same as in prior years.

Refer to Note A4 for further information on the volunteer services the department has received from other state government agencies during the financial year.

2. Transitional impact

Transitional policies adopted are as follows:

- The department applied the modified retrospective transition method and has not restated comparative information for 2018-19. They continue to be reported under relevant standards applicable in 2018-19, such as AASB 1004.
- The department elected to apply the standard retrospectively to all contracts, including completed contracts, at 1 July 2019. Completed contracts are contracts where the department had recognised all of the revenue in prior periods under AASB 1004.

Revenue recognition for the department's appropriations, taxes, royalties and most grants and contributions will not change under AASB 1058, as compared to AASB 1004. Revenue will continue to be recognised when the department gains control of the asset (e.g. cash or receivable) in most instances.

A few of the department's grants will fall within the scope of AASB 15 *Revenue from Contracts with Customers*, the transitional impacts of which are disclosed above.

(3)AASB 16 Leases

The department applied AASB 16 *Leases* for the first time in 2019-20. The department applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continues to be reported under AASB 117 *Leases* and related interpretations.

The nature and effect of changes resulting from the adoption of AASB 16 are described below.

1. Definition of a lease

AASB 16 introduced new guidance on the definition of a lease.

For leases and lease-like arrangements existing at 30 June 2019, the department elected to apply the practical expedient to grandfather the previous assessments made under AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease* about whether those contracts contained leases. However, arrangements were reassessed under AASB 16 where no formal assessment had been done in the past or where lease agreements were modified on 1 July 2019.

Amendments to former operating leases for office accommodation

In 2018-19, the department held operating leases under AASB 117 from the Department of Housing and Public Works for non-specialised commercial office accommodation through the Queensland Government Accommodation Office (QGAO). Effective 1 July 2019, the framework agreements that govern QGAO were amended with the result that these arrangements would not meet the definition of a lease under AASB 16 and therefore are exempt from lease accounting.

From 2019-20 onward, the costs for these services are expensed as supplies and services when incurred. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy.

D4 Current and Future Year Impacts of Accounting Standards Changes (continued)

D4-1 First Year Application of New Accounting Standards or Change in Accounting Policy (continued)

2. Changes to lessee accounting

Previously, the department classified its leases as operating or finance leases based on whether the lease transferred significantly all of the risks and rewards incidental to ownership of the asset to the lessee.

This distinction between operating and finance leases no longer exists for lessee accounting under AASB 16. From 1 July 2019, all leases, other than short-term leases and leases of low value assets, are now recognised on balance sheet as lease liabilities and right-of-use assets.

Lease liabilities

Lease liabilities are initially recognised at the present value of lease payments over the lease term that are not yet paid. The lease term includes any extension or renewal options that the department is reasonably certain to exercise. The future lease payments included in the calculation of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the department under residual value guarantees
- the exercise price of a purchase option that the department is reasonably certain to exercise
- payments for termination penalties, if the lease term reflects the early termination

The discount rate used is the interest rate implicit in the lease, or the department's incremental borrowing rate if the implicit rate cannot be readily determined.

Subsequently, the lease liabilities are increased by the interest charge and reduced by the amount of lease payments. Lease liabilities are also remeasured in certain situations such as a change in variable lease payments that depend on an index or rate (e.g. a market rent review), or a change in the lease term.

Right-of-use assets

Right-of-use assets are initially recognised at cost comprising the following:

- the amount of the initial measurement of the lease liability
- lease payments made at or before the commencement date, less any lease incentives received
- initial direct costs incurred, and
- the initial estimate of restoration costs

Right-of-use assets will subsequently give rise to a depreciation expense and be subject to impairment.

Right-of-use assets differ in substance from leased assets previously recognised under finance leases in that the asset represents the intangible right to use the underlying asset, rather than the underlying asset itself.

Short term leases and leases of low value assets

The department has elected to recognise lease payments for short term leases and leases of low value assets as expenses on a straight-line basis over the lease term, rather than accounting for them on balance sheet. This accounting treatment is similar to that used for operating leases under AASB 117.

3. Transitional impact

Former operating leases as lessee

- After extensive review one former operating lease, other than the exempt QGAO leases, is now recognised on balance sheet as a right-of-use asset and lease liability.
- On transition, the lease liability was measured at the present value of the remaining lease payments discounted at the department's incremental borrowing rate at 1 July 2019.
- The department's weighted average incremental borrowing rate on 1 July 2019 was 1.619%.

D4 Current and Future Year Impacts of Accounting Standards Changes (continued)

D4-1 First Year Application of New Accounting Standards or Change in Accounting Policy (continued)

- The right-of-use assets was measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
- The new right-of-use asset was tested for impairment on transition and was found not to be impaired.
- On transition the department used practical expedients to:
    - not recognise right-of-use assets and lease liabilities for leases that end within 12 months of the date of initial application and leases of low value assets;
    - exclude initial direct costs from the measurement of right-of-use assets; and
    - use hindsight when determining the lease term.

The transitional impact of all qualifying lease arrangements that were recognised on balance sheet, under AASB 16 were:

- balance sheet impact on 1 July 2019:
    - $0.102M increase in lease liabilities;
    - $0.102M increase in right-of-use assets;
    - nil impact to opening accumulated surplus.
- income statement impact for the 2019-20 financial year, as compared to 2018-19:
    - $0.051M increase in depreciation and amortisation expense;
    - $0.001M increase in interest expense;
    - $0.051M decrease in supplies and services expense;
    - This results in a net increase of $0.001M in total expenses.

D4-2 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 1059 Service Concession Arrangements: Grantors

AASB 1059 will first apply to the department's financial statements in 2020-21. This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities.

As the department does not have any service concession arrangements in operation now, or plans to have them in the future, the impact of adoption of the standard is expected to be immaterial.

E1 Budgetary Reporting Disclosures

E1-1 Explanation of Major Variances – Income Statement

Appropriation revenue

The appropriation revenue balance at year end is $2.827M (0.8%) lower than budget of $361.571M mainly due to the Community Drought Support program, the reallocation of funding for the COVID-19 International Students Support package from the Department of State Development, Tourism and Innovation, the Royal Commission into violence, abuse, neglect and exploitation of people with disability, and enterprise bargaining outcomes, additional funding for voluntary redundancy payouts for National Disability Insurance Scheme (NDIS) transitioning staff, as well as funds from the Commonwealth for the NDIS Assessment and Referral Team and Outreach programs. Funding adjustments for these programs is offset by end of year appropriation deferrals for programs with commitments continuing into the 2020-21 financial year.

E1 Budgetary Reporting Disclosures (continued)

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

User charges and fees

The increase in revenue of $0.467M (6.7%) compared to budget $6.957M is mainly due to funding received from the NDIS for specialist disability accommodation and higher than anticipated revenue received from user charges by the department, offset by reductions relating to ceasing inter-departmental billing arrangements.

Grants and other contributions

The increase in grants and other contributions revenue is $2.832 (23.4%) above budget of $12.088M due to additional revenue received from the Commonwealth for refurbishment of residential supported accommodation for CoS clients (capital expenditure).

Reversal of revaluation decrement

The reversal of the revaluation decrement balance at year end of $6.410M is due to the increment on the annual revaluation of land and buildings assets being adjusted against the historical revaluation decrement. A budget was not provided for this item due to the difficulty in forecasting revaluation movements across the asset portfolio.

Other revenue

Other revenue received includes return of $15.197M unspent grant monies from prior years. These funds were not included within the original budget due to the difficulty in forecasting the magnitude of unspent funds as a result of the transition of disability services to the NDIA. Other revenue also includes a contribution of $3.239M received from the Commonwealth via Queensland Health for 50% reimbursement of COVID-19 pandemic expenses.

Employee expenses

The increase in employee expenses of $4.116M (2.2%) compared to budget of $189.666M is mainly due to NDIS related incentive payments and ongoing staffing to support the slower than anticipated transition of specialist disability services' clients to the NDIS, and the engagement of staff for delivery of the NDIS Assessment and Referral Team and Outreach programs funded by the Commonwealth.

Supplies and services

Supplies and services expenses were $3.475M (2.1%) lower than the budget of $167.326M due to a number of outsourced service delivery programs being delayed, in some cases due to the COVID-19 pandemic, and as a result of reclassification of several programs from supplies and services to grants and subsidies in accordance with accounting policy.

Grants and subsidies

The increase in grants and subsidies expenses of $17.854M (134%) compared to a budget of $13.258M is due to the receipt and reprioritisation of funds for various initiatives and provided as economic stimulus in response to the COVID-19 pandemic. The department also sourced centrally held funds of $5.000M for the Community Drought Support Program announced in the 2019-20 State Budget. The reclassification of several programs from supplies and services to grants and subsidies in accordance with accounting policy also added to the increase.

Depreciation and amortisation

Depreciation and amortisation expenses were $3.859M (39.5%) lower than budget of $9.766M. The original budget included an allowance for anticipated asset transfers from other agencies, and estimated outcomes from the comprehensive revaluation of assets undertaking during the year. Following completion of the revaluation the budget was revised down as a better reflection of actual depreciation. Expenses have also reduced as a result of plant and equipment assets reaching the end of their useful lives.

E1 Budgetary Reporting Disclosures (continued)

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

Impairment losses

Impairment losses of $1.498M have been recognised based on a review of outstanding debts. A number of these debts are long-standing, and relate to funds previously provided to non-government organisations providing disability services that have subsequently transitioned to the NDIS. The recovery of these debts is considered doubtful given their age, absence of recent payments and/or adherence to repayment plans, and protracted engagement with debtors in respect to recovery of the related funds.

Other expenses

The other expenses of $2.410M include losses on disposal of assets of $1.328M due to the write-off of assets based on the outcome of native title claims and demolition works undertaken on two properties. These expenses were not budgeted.

E1-2 Explanation of Major Variances – Balance Sheet

Cash and cash equivalents

Cash and cash equivalents at year end were $49.994M (226.7%) higher than budget of $22.047M due to alignment with the 2018-19 audited closing balance updating the 2019-20 opening balance, the receipt of new funds for the Royal Commission into violence, abuse, neglect and exploitation of people with disability, the Community Drought Support program, COVID-19 pandemic economic stimulus packages including the International Students Support package from the Department of State Development, Tourism and Innovation and the seniors support and volunteer initiative, and enterprise bargaining outcomes; the receipt of funds from the Commonwealth for the NDIS Assessment and Referral Team and Outreach programs; the department was also reimbursed for incentive payments provided to staff for NDIS transition; and there were reduced payments as a result of delays in the delivery of the capital works program.

Receivables (current)

Current receivables at year end were $12.452M (72.0%) lower than budget ($17.293M) due to alignment with the 2018-19 audited closing balance updating the 2019-20 opening balance, a general reduction in receivables related to disability services that have transitioned to the NDIS, and an increase in impaired receivables for long-standing debts related to funds previously provided to non-government organisations providing disability services that have subsequently transitioned to the NDIS.

Other current assets

Other current assets of $2.377M are due to the prepayment of salaries at financial year end based on the timing of the final pay run for the financial year.

Property, plant and equipment

The property, plant and equipment balance at year end is $6.550M (2.3%) higher than budget of $277.375M due to the unbudgeted $6.410M revaluation increment on land and buildings, and alignment of the 2018-19 audited closing balance updating the 2019-20 opening balance.

Intangibles

Intangibles at year end are $1.061M (24.7%) lower than budget of 4.287M due to alignment of the 2018-19 audited closing balance updating the 2019-20 opening balance, and the retirement of software that has reached the end of its useful life.

E1 Budgetary Reporting Disclosures (continued)

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

Right-of-use assets

Right-of-use assets represent the right to use leased premises and are recognised for the first time in 2019-20 due to application of AASB16 *Leases*.

Payables (current)

Current payables at year end are $16.368M (100.8%) higher than budget of $16.231M due to alignment with the 2018-19 audited closing balance updating the 2019-20 opening balance, and the recognition of end of year appropriation deferrals within the departmental appropriation payable account at financial year end for programs with commitments continuing into 2020-21.

Accrued employee benefits

Accrued employee benefits at year end are $1.944M (20.3%) below budget of $9.563M due to alignment of the 2018-19 audited closing balance updating the 2019-20 opening balance, and the payment of benefits to staff who have received incentive payments related to the NDIS transition.

Provisions (current)

Provisions (current) at year end are $2.021M higher than budget of $0.480M due to alignment of the 2018-19 audited closing balance updating the 2019-20 opening balance, and the continued retention of funds at year end related to a funding agreement with a non-government organisation that were anticipated to be paid during the year.

Other current liabilities

Other current liabilities at year end were nil, compared to a $0.497M budget, due to alignment of the 2018-19 audited closing balance updating the 2019-20 opening balance, and the recognition of revenue for balances previously recognised as unearned revenue as at 30 June 2019.

Lease liabilities

Lease liabilities are for leased premises recognised for the first time in 2019-20 due to application of AASB16 *Leases*.

Payables (non-current)

Payables (non-current) were nil, compared to a $3.850M budget, due to the change in accounting treatment applied to leased premises as a result of the application of AASB16 *Leases* in 2019-20.

Provisions (non-current)

Provisions (non-current) at year end were nil, compared to a $0.403M budget, due to alignment of the 2018-19 audited closing balance updating the 2019-20 opening balance.

Equity

Actual reported equity at financial year end is $33.713M (11.6%) higher than budget of $289.978M due to alignment with the 2018-19 audited closing balance updating the 2019-20 opening balance, and the recognition of a gain on reversal of prior year revaluation decrement for property, plant and equipment.

E1 Budgetary Reporting Disclosures (continued)

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

User charges and fees

Cash inflows from user charges and fees are $0.989M (12.1%) below budget of $8.170M due to the cessation of a billing arrangement for departmental services provided to another government department.

Grants and other contributions

Cash inflow from grants and other contributions are $1.223M (10.1%) above budget of $12.088M due to additional revenue received from the Commonwealth for refurbishment of residential supported accommodation for CoS clients (capital expenditure).

GST inflows

Actual total cash inflows of $22.559M, compared to a nil budget, relate to the receipt of GST input tax credits from the ATO and collected from customers, classified and rolled up under the budget line item for ‘Other Inflows’.

Other inflows

Other cash inflows are $260.548M (93.5%) below budget of $278.586M due to GST inflows being classified and rolled up under within the identified budget for ‘Other Inflows’, and due to the reduction of disability services revenues, including return of unspent funds, following transition to the NDIA.

Equity injections

Equity Injections are $5.565M, compared to a nil budget, due to planned equity injections being classified and rolled up under the identified budget for ‘Equity withdrawals’ and relates to impacts on available funding for planned capital projects.

Employee expenses

Cash outflows for employee expenses are $16.195M (8.5%) above budget of $189.666M due to NDIS related incentive payments and ongoing staffing to support the slower than anticipated transition of specialist disability services’ clients to the NDIS, and the engagement of staff for delivery of the NDIS Assessment and Referral Team and Outreach programs funded by the Commonwealth.

Supplies and Services

Cash outflows for supplies and services are $274.509M (61.6%) below budget of $445.949M due to GST outflows being classified and rolled up under within the identified budget for ‘Supplies and services’, and due to the overall reduction in expenditure following the transition of disability services to the NDIA.

Grants and subsidies

Cash outflows for grants and subsidies are $14.766M (111.4%) above budget of $13.258M due to increased economic stimulus payments in response to the COVID-19 pandemic, including the International Students Support package provided on behalf of the Department of State Development, Tourism and Innovation and other internally funded emergency relief support packages aligned to departmental objectives.

GST outflows

Actual total cash outflows of $22.706M, compared to a nil budget, relate to GST paid to suppliers and remitted to the ATO, classified and rolled up under the budget line item for ‘Supplies and Services’.

E1 Budgetary Reporting Disclosures (continued)

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

Other outflows

Other cash outflows are $1.035M (49.7%) below budget of $2.083M due to the outflows for QGIF insurance, FBT liability and audit fees being overstated within the budgeted cash flow statement, based on estimated impacts arising from the transition of disability services to the NDIS.

Payments for property, plant and equipment

Payments for property, plant and equipment are $7.895M (39.5%) below budget of $20.010M due to expenditure on capital projects being carried forward to next year.

Equity withdrawals

Equity withdrawals were nil, compared to a budget of $3.259M, due to planned equity injections being classified and rolled up under the identified budget for 'Equity withdrawals', and relates to impacts on available funding for planned capital projects.

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 2019-20 and 2018-19. 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 2019 - 30 June 2020	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	331	5	8	43	-	387
Assistant Director-General (Community Services and Seniors)	249	5	6	26	-	286
Assistant Director-General (Disability, Accommodation and Respite Services)	230	5	5	26	-	266
Deputy Director-General (Disability Services) - until 9 August 2019	74	1	1	4	253	333
Assistant Director-General (Disability Connect Queensland) - from 16 September 2019	170	4	4	15	-	193
Deputy Director-General (Corporate Services) - until 13 September 2019	75	1	1	5	233	315
Assistant Director-General (Corporate Services) - from 16 September 2019	188	2	4	17	-	211
Assistant Director-General (Strategic Policy and Legislation) - until 27 September 2019	91	1	1	6	47	146
Executive Director (Strategic Policy and Legislation) - from 3 July 2019	196	5	4	19	-	224
Assistant Director-General (NDIS Program Management Office) - until 19 July 2019	16	-	-	1	-	17
Chief Finance Officer	207	5	5	22	-	239
Chief Human Resources Officer	195	5	4	21	-	225

F1 Key Management Personnel Disclosures (continued)

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

1 July 2018 - 30 June 2019	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	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)

F1-2 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.

The department also purchases corporate services from the Department of Child Safety, Youth and Women.

F3 Climate Risk Disclosures

The department has not identified any material climate related risks relevant to the financial statements at the reporting date. Climate risks are considered by the department within the context of its Enterprise Risk Management framework.

F4 Impact of COVID-19 pandemic

During the financial year the department incurred significant expenditure as a result of the emergence of the COVID-19 pandemic. Some of the expenditure was incurred as a direct result of State Government announced economic stimulus packages providing financial assistance to individuals, business and industry, either where the department was the lead agency or provided assistance to another lead agency responsible for coordinating and administering related funds. Additional expenditure was also incurred by the department in maintaining frontline services inclusive of disability accommodation and respite support, and in supporting community and senior services for vulnerable Queenslanders.

Total expenditure incurred by the department as a result of the COVID-19 pandemic totalled $498.808M, with $8.675M being recognised within the Income Statement - Controlled and the remaining $490.133M being recognised within the Income Statement - Administered. The department also recognised $3.239M in revenue in the Income Statement - Controlled for reimbursement of eligible expenditure from the Commonwealth via Queensland Health.

Expenditure recognised within the Income Statement - Controlled includes the following key components:

- $1.766M for Community Recovery coordination and support of Community Response and Care Army initiatives in providing support to seniors, or anyone in home quarantine or self-isolation, who didn't have family, friends or neighbours to help with accessing food or medicine, and to connect people with over the phone psychosocial support where needed.
- $3.744M in financial assistance provided to non-government organisations supporting people in home quarantine or isolation who were not self-reliant, in providing emergency relief to people who were directly or indirectly impacted by COVID-19, in assisting older and vulnerable Queenslanders prepare, adapt and recover from the pandemic through psychological support, and in providing resources for people with a disability to prepare, respond to and recover from the pandemic.
- $2.666M in International Student Crisis Assistance Grants provided to enrolled international students living in Queensland (except those enrolled at universities or TAFE) who were suffering severe financial hardship as a result of COVID-19. This expenditure was part of a $5.000M economic stimulus package being administered by the department on behalf of the Department of State Development, Tourism and Innovation (DSDTI) who were the lead agency.
- $0.499M in additional staffing costs and provision of personal protective equipment utilised within disability accommodation and respite support centres owned and managed by the department.

Expenditure recognised within the Income Statement - Administered includes the following key components:

- $85.920M in relief payments provided under the State Government Power Bill Relief Package for small and medium business enterprises with consumption less than 100,000 kilowatt hours (kWh), with a $500 rebate being automatically applied to electricity accounts.
- $404.213M in electricity rebates provided under the State Government Household Utility Assistance Package to Queensland residential households, with a $200 rebate being automatically applied to their electricity accounts.

Further information on the impact of the COVID-19 pandemic is provided within Note C2, Receivables and Note C6, Payables.

G1 Administered

G1-1 Appropriation Revenue

	2020 $'000	2019 $'000
Reconciliation of Payments from Consolidated Fund to Administered Appropriation Revenue Recognised in Operating Result		
Budgeted appropriation revenue	**1,527,222**	1,925,198
Lapsed administered appropriation revenue	**-**	(318,216)
Treasurer's advance	**500,000**	-
Transfers from departmental services	**-**	(92,378)
Additional appropriation revenue for unforeseen expenditure	**115,468**	-
Total Appropriation Receipts (cash)	**2,142,690**	1,514,604
Plus: Closing balance of appropriation revenue receivable	**14,801**	-
Plus: Opening balance of appropriation revenue payable	**155,617**	64,892
Less: Closing balance of appropriation revenue payable	**-**	(155,617)
Net Appropriation Revenue	**2,313,108**	1,423,879
Plus: Deferred appropriation refundable to Consolidated Fund (expense)	**-**	155,617
Administered Appropriation Revenue recognised in Income Statement*	**2,313,108**	**1,579,496**

* 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 A1-7).

G1-2 Grants and Other Contributions

	2020 $'000	2019 $'000
Other grants and contributions		
Grants from Queensland Reconstruction Authority	**71,949**	8,260
Total	**71,949**	**8,260**

G1 Administered (continued)

G1-3 Supplies and Services

	2020 $'000	2019 $'000
Service procurement	**111**	319
Professional and technical fees	**11**	-
Disaster recovery	**8,490**	24,648
Total	**8,612**	**24,967**

G1-4 Grants and Subsidies

	2020 $'000	2019 $'000
Disaster Recovery - Personal hardship assistance scheme	**3,414**	35,676
Disaster Recovery - Grants	**11,694**	2,920
Grants - Electricity - COVID-19 - Small Medium Business Relief	**85,920**	-
Grants - National Disability Insurance Agency	**1,544,285**	1,045,346
Total grants and subsidies	**1,645,313**	**1,083,942**
Concession - Asset ownership electricity dividend	**2,944**	100,031
Concession - Electricity	**189,956**	190,149
Concession - Electricity - COVID-19 - Residential Household Relief	**404,213**	-
Concession - Rates	**53,256**	52,216
Concession - Water	**17,682**	17,264
Concession - Home Energy Emergency Assistance	**8,739**	8,072
Concession - Natural gas	**2,388**	2,454
Concession - Life Support	**2,099**	2,182
Concession - Medical cooling and heating electricity	**1,627**	1,548
Total concession payments	**682,904**	**373,916**
Total	**2,328,217**	**1,457,858**

G1-5 Other Expenses

	2020 $'000	2019 $'000
Departmental appropriation adjustments	**-**	155,617
Total	**-**	**155,617**

G1-6 Receivables

	2020 $'000	2019 $'000
Current		
GST input tax credits receivable	**2,163**	2,202
Appropriation revenue receivable	**14,801**	-
Total	**16,964**	**2,202**

G1 Administered (continued)

G1-7 Payables

	2020 $'000	2019 $'000
Current		
Service concessions available	**93,867**	19,502
Appropriation revenue payable	**-**	155,617
Trade creditors and accruals	**10**	2,008
Grants and subsidies payable	**141,895**	152,391
Other	**2**	1
Total	**235,774**	**329,519**

G1-8 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	2020 $'000	2019 $'000
Financial Assets			
Cash and cash equivalents		**190,692**	256,300
Financial assets at amortised cost:			
Current Receivables	G1-6	**16,964**	2,202
Total financial assets		**207,656**	**258,502**
Financial Liabilities			
Financial liabilities at amortised cost - comprising:			
Payables	G1-7	**235,774**	329,519
Total financial liabilities at amortised cost		**235,774**	329,519

G1 Administered (continued)

G1-9 Budgetary Reporting Disclosures

Explanation of Major Variances - Income Statement

Appropriation revenue

Administered appropriation revenue is $785.886M (51.5%) over budget of $1,527.222M due to additional funding being received to support the slower than anticipated transition of specialist disability services' clients to the NDIS, and for announced State Government COVID-19 pandemic economic stimulus packages inclusive of the residential household relief and small to medium business electricity rebates.

Grants and other contributions

Grants and other contributions were $2.676M (3.9%) higher than budget of $69.273M due to natural disaster relief and recovery grants received from the Queensland Reconstruction Authority as a result of community recovery activations.

Employee expenses

Employee expenses of $2.940M were incurred in relation to natural disaster relief and recovery events, and are recoverable from the Queensland Reconstruction Authority.

Supplies and services

Supplies and services of $8.612M were incurred in relation to natural disaster relief and recovery events, and are recoverable from the Queensland Reconstruction Authority.

Grants and Subsidies

Grants and subsidies were $736.009M (46.2%) higher than budget of $1,592.208M due to increased payments to the NDIA based on the number of specialist disability services’ clients transitioned to the NDIS, and economic stimulus payments for the residential household relief and small to medium business electricity rebates provided in response to the COVID-19 pandemic.

Explanation of Major Variances – Balance Sheet

Cash and cash equivalents

Cash and cash equivalents were $141.213M (285.4%) higher than budget of $49.479M due to alignment with the 2018-19 audited closing balance updating the 2019-20 opening balance, and the timing of receipts relative to expenditure incurred for specialist disability services’ clients transitioned to the NDIS, and State Government economic stimulus for the residential household relief and small to medium business electricity rebates provided in response to the COVID-19 pandemic.

Receivables

Current receivables at year end are $15.351M (951.7%) higher than budget of $1.613M due to alignment with the 2018-19 audited closing balance updating the 2019-20 opening balance, and end of year appropriation funding adjustments for increased payments to the NDIA, based on the number of specialist disability services’ clients transitioned to the NDIS, being recognised within the departmental appropriation receivable account.

Payables

Payables were $173.115M (276.3%) higher than budget of $62.659M due to alignment with the 2018-19 audited closing balance updating the 2019-20 opening balance, and monies owed to the NDIA at financial year end.

Department of Communities, Disability Services and Seniors

Management Certificate

For the year ended 30 June 2020

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 38 of the *Financial and Performance Management Standard 2019* 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 2020 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.7 and s.11 of the *Financial and Performance Management Standard 2019* 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.

Signed

Narinder Singh ACMA CGMA CPA Bsc (Hons) Chief Finance Officer 25 August 2020

Clare O'Connor BA MA Director-General 25 August 2020

Queensland Audit Office

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 2020, 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 2019 and Australian Accounting Standards.

The financial report comprises the balance sheets and statement of assets and liabilities by major departmental service as at 30 June 2020, the income statements, statement of changes in equity, statements of cash flows and income statement 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 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 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 ($181.610 million)

Refer to notes C4-4 and C4-7 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 96% 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:
  – Estimating the current cost for a modern substitute (including locality factors and on-costs), expressed as a rate per unit
  – 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 comprehensively revalued. For these assets:
	• Assessing the appropriateness of the building components used for measuring gross replacement cost with reference to DCDSS's asset management plans, the unit costs of its recent projects, and common industry practices.
	• For unit rates:
	  – Assessing the competence, capability and objectivity of the experts used by the entity to develop the models.
	  – Obtaining an understanding of the methodology used, and assessing its appropriateness with reference to common industry practices.
	  – On a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit rate of the:
	    ■ modern substitute (including locality factors and on-costs)
	    ■ adjustment for excess quality or obsolescence.

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 2019 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.

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. This is not done for the purpose of expressing an opinion on the effectiveness of the department's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- 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.

Queensland Audit Office

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.

Statement

In accordance with s.40 of the *Auditor-General Act 2009,* for the year ended 30 June 2020:

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

b) I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009,* any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the department's transactions and account balances to enable the preparation of a true and fair financial report.

John Welsh
as delegate of the Auditor-General
26 August 2020
Queensland Audit Office