Financial summary

This summary provides an overview of DESBT's financial performance for the period 1 July 2018 to 30 June 2019.

A more detailed view can be found in the financial statements included with this report. The department reported a deficit for the year of $98.7 million as a result of the revaluation decrement in the land assets of the department.

Income

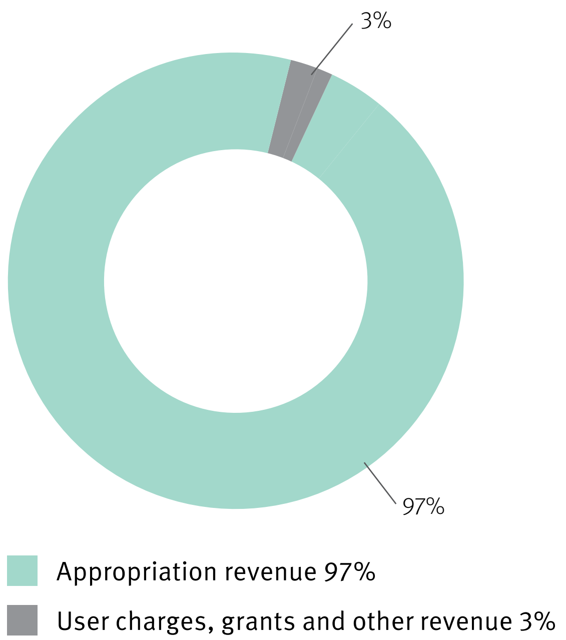
Appropriation funding provided from government was DESBT's main source of revenue, totalling $1.069 billion. Other sources of revenue included $1.4 million from user charges and fees (mainly related to the hire of training facilities), grants and other contributions of $0.8 million and $25.2 million from other revenues.

Expenses

Total expenses were $1.195 billion, of which $891.5 million (approximately 75%) was grants and subsidies. A revaluation decrement expense of $98.7 million related to the revaluation of land assets of the department. Finance/borrowing costs of $22.8 million were associated with the Southbank Education Training Precinct Public Private Partnership finance liability.

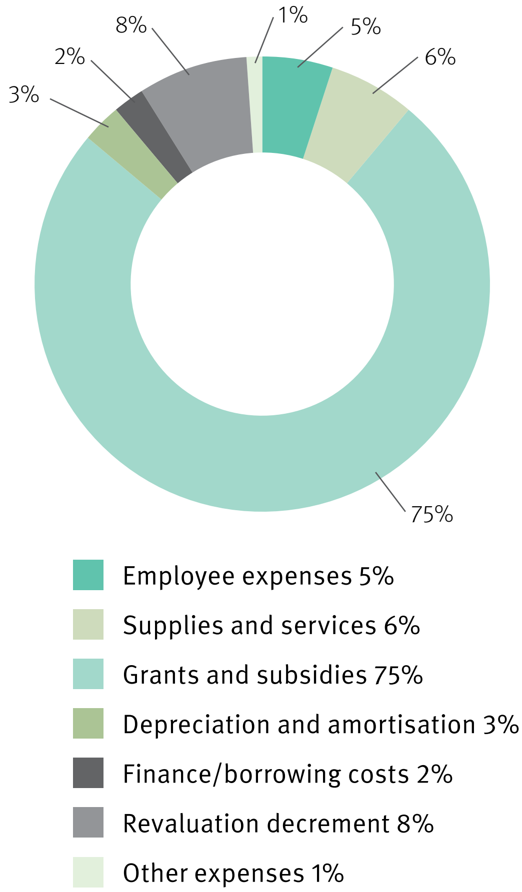
Controlled income

1 July 2018 to 30 June 2019



Controlled expenditure

1 July 2018 to 30 June 2019



Statement of financial position

Assets

Departmental assets were valued at $1.715 billion and consist primarily of $243.3 million in cash and cash equivalents and $1.462 billion in property, plant and equipment (including intangible assets). The property, plant and equipment represents 85 per cent of total assets and relates almost entirely to the assets principally occupied by TAFE Queensland, representing land ($432.3 million) and buildings ($990.8 million).

Liabilities

The department's liabilities were primarily payables, provisions and interest-bearing liabilities. Payables of $114.6 million predominantly relate to trade and capital creditors, and amounts owed to grant and subsidy recipients.

Provisions of $50.5 million relate to obligations under contractual arrangements to registered training providers for training delivery to students who commenced but did not complete their study prior to 30 June 2019.

The interest-bearing liabilities relate to the finance liability for the Southbank Education and Training Precinct Public Private Partnership.

Statement by the Chief Finance Officer

In accordance with the requirements of the *Financial Accountability Act 2009*, the Chief Finance Officer has provided the Director-General with a statement confirming the financial internal controls of the department are operating efficiently, effectively and economically in conformance with Section 57 of the *Financial and Performance Management Standard 2019*. The statement was presented at the Audit and Risk Committee meeting in August 2019.

The Chief Finance Officer has fulfilled the minimum responsibilities as required by the *Financial Accountability Act 2009*.

The following tables summarises the financial results of controlled operations.

Table 1. Statement of comprehensive income for the period 1 July 2018 to 30 June 2019

	2018–19 Actual $'000	2017–18[1] Actual $'000
Statement of comprehensive income		
Total income from continuing operations	1,096,461	578,533
Total expense from continuing operations	1,195,162	578,588
Surplus/(deficit)[2]	(98,701)	(55)
Statement of financial position		
Total assets	1,714,633	1,686,259
Total liabilities	380,775	373,577
Total equity	1,333,858	1,312,682

Note: 1. For comparative purposes please note, due to machinery of government changes, 2017–18 Actual covers only the six-month period from 1 January to 30 June 2018 and has been restated in 2018–19 financial statements due to a prior period error.

Note: 2. In 2018–19, the department recorded a non-cash operating loss on continuing operations as a result of a reduction in the value of land following the 2018–19 comprehensive asset revaluation exercise.

Table 2. Income from continuing operations

	2018–19 Actual $'000	2017–18[1] Actual $'000
Revenue		
Appropriation revenue	1,069,025	563,142
User charges and fees	1,419	2,446
Grants and contributions	792	1,201
Other revenue	25,225	11,744
Total revenue	**1,096,461**	**578,533**
Total income from continuing operations	**1,096,461**	**578,533**

Note: 1. For comparative purposes please note, due to machinery of government changes, 2017–18 Actual covers only a six-month period from 1 January to 30 June 2018.

Table 3. Expenses from continuing operations

	2018–19 Actual $'000	2017–18[1] Actual $'000
Employee expenses	62,580	29,208
Supplies and services	75,471	38,063
Grants and subsidies	891,549	449,946
Depreciation and amortisation	34,862	13,468
Impairment losses	1,111	3,030
Finance/borrowing costs	22,820	11,522
Revaluation decrement	98,702	-
Other expenses	8,067	33,351
Total expenses from continuing operations	**1,195,162**	**578,588**
Total comprehensive income (surplus/(deficit)[2]	**(98,756)**	**(55)**

Note: 1. For comparative purposes please note, due to machinery of government changes, 2017–18 Actual covers only the six-month period from 1 January to 30 June 2018 and has been restated in 2018–19 financial statements due to a prior period error.

Note: 2. In 2018–19, the department recorded a non-cash operating loss on continuing operations as a result of a reduction in the value of land following the 2018–19 comprehensive asset revaluation exercise.

Table 4. Statement of financial position

	2018–19 Actual $'000	2017–18 [1] Actual $'000
Current assets		
Cash and cash equivalents	243,296	237,394
Receivables	9,271	4,189
Prepayments	366	698
Total current assets	252,933	242,281
Non-current assets		
Property, plant & equipment	1,460,371	1,442,102
Intangible assets	1,329	1,876
Total non-current assets	**1,461,700**	**1,443,978**
Total assets	**1,714,633**	**1,686,259**
Current liabilities		
Payables	114,595	122,780
Interest-bearing liabilities	3,250	2,923
Accrued employee benefits	2,456	927
Provisions	50,462	33,680
Unearned revenue	399	404
Total current liabilities	**171,162**	**160,714**
Non-current liabilities		
Interest-bearing liabilities	209,613	212,863
Total non-current liabilities	**209,613**	**212,863**
Total liabilities	**380,775**	**373,577**
Net assets	**1,333,858**	**1,312,682**
Equity		
Contributed equity	1,229,781	1,229,612
Accumulated surplus	(98,756)	(55)
Asset revaluation surplus	202,833	83,125
Total equity	**1,333,858**	**1,312,682**

Note: 1. For comparative purposes please note, due to machinery of government changes, 2017–18 Actual covers only the six-month period from 1 January to 30 June 2018 and have been restated in 2018–19 financial statements due to a prior period error.

Financial statements

Department of Employment, Small Business and Training Financial Statements
For the Year Ended 30 June 2019

TABLE OF CONTENTS

TABLE OF CONTENTS (continued)

Department of Employment, Small Business and Training
Statement of Comprehensive Income
for the year ended 30 June 2019

OPERATING RESULT	Notes	**2019 Actual $'000**	2019 Original Budget $'000	Budget Variance * $'000	2018 Actual ** $'000
Income from continuing operations					
Appropriation revenue	B1-1	**1 069 025**	1 057 196	11 829	563 142
User charges and fees	B1-2	**1 419**	1 002	417	2 446
Grants and contributions		**792**	285	507	1 201
Other revenue	B1-3	**25 225**	16 365	8 860	11 744
Total income from continuing operations		**1 096 461**	1 074 848	21 613	578 533
Expenses from continuing operations					
Employee expenses	B2-1	**62 580**	64 612	(2 032)	29 208
Supplies and services	B2-2	**75 471**	77 602	(2 131)	38 063
Grants and subsidies	B2-3	**891 549**	883 475	8 074	449 946
Depreciation and amortisation		**34 862**	24 810	10 052	13 468
Impairment losses	C2-1	**1 111**	-	1 111	3 030
Finance/borrowing costs		**22 820**	22 820	-	11 522
Revaluation decrement	C8-3	**98 702**	-	98 702	-
Other expenses	B2-4	**8 067**	1 529	6 538	33 351
Total expenses from continuing operations		**1 195 162**	1 074 848	120 314	578 588
Operating result from continuing operations		**(98 701)**	-	(98 701)	(55)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to operating result:					
Increase/(decrease) in asset revaluation surplus	C8-3	**119 708**	-	119 708	83 125
Total items that will not be reclassified to operating result		**119 708**	-	119 708	83 125
TOTAL OTHER COMPREHESIVE INCOME		**119 708**	-	**119 708**	**83 125**
TOTAL COMPRHENSIVE INCOME**		**21 007**	-	21 007	83 070

*An explanation of major variances is included at Note E1.
** Comparatives have changed due to the events disclosed in Note F4. The comparative amounts reflect the 6 month period 1 January to 30 June 2018.

The above statement should be read in conjunction with accompanying notes.

Department of Employment, Small Business and Training – Statement of Comprehensive Income by Major Departmental Service

for the year ended 30 June 2019

	Training and Skills		Small Business		Employment		Total	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 * $'000
Income from continuing operations								
Appropriation revenue	**963 071**	504 410	**16 345**	7 146	**89 609**	51 586	**1 069 025**	563 142
User charges and fees	**1 400**	2 411	**19**	35	**-**	-	**1 419**	2 446
Grants and contributions	**594**	300	**183**	901	**15**	-	**792**	1 201
Other revenue	**23 224**	11 744	**2**	-	**1 999**	-	**25 225**	11 744
Total income from continuing operations	**988 289**	518 865	**16 549**	8 082	**91 623**	51 586	**1 096 461**	578 533
Expenses from continuing operations								
Employee expenses	**51 154**	24 119	**6 720**	3 642	**4 706**	1 447	**62 580**	29 208
Supplies and services	**67 537**	35 239	**3 135**	2 084	**4 799**	740	**75 471**	38 063
Grants and subsidies	**805 073**	398 256	**6 468**	2 291	**80 008**	49 399	**891 549**	449 946
Depreciation and amortisation	**34 836**	13 459	**19**	9	**7**	-	**34 862**	13 468
Impairment losses	**(395)**	3 030	**3**	-	**1 503**	-	**1 111**	3 030
Finance/borrowing costs	**22 820**	11 522	**-**	-	**-**	-	**22 820**	11 522
Revaluation decrement	**98 702**	-	**-**	-	**-**	-	**98 702**	-
Other expenses	**7 263**	33 295	**204**	56	**600**	-	**8 067**	33 351
Total expenses from continuing operations	**1 086 990**	518 920	**16 549**	8 082	**91 623**	51 586	**1 195 162**	578 588
Operating result from continuing operations	**(98 701)**	(55)	**-**	-	**-**	-	**(98 701)**	(55)
Other comprehensive income								
Items that will not be reclassified to operating result:								
Increase/(decrease) in asset revaluation surplus	**119 708**	83 125	**-**	-	**-**	-	**119 708**	83 125
Total other comprehensive income	**119 708**	83 125	**-**	-	**-**	-	**119 708**	83 125
Total comprehensive income	**21 007**	83 070	**-**	-	**-**	-	**21 007**	83 070

All corporate overheads have been allocated across respective departmental services based on activity drivers. Corporate services functions include: finance and administration, procurement, human resources, payroll, staff training, information technology, records management, legal services, facilities management, policy development and executive services.

*Comparatives have changed due to the events disclosed in Note F4. The comparative amounts reflect the 6 month period 1 January to 30 June 2018.

Department of Employment, Small Business and Training
Statement of Financial Position
as at 30 June 2019

	Notes	2019 Actual $'000	2019 Original Budget $'000	Budget Variance * $'000	2018 Actual ** $'000
Current assets					
Cash and cash equivalents	C1	**243 296**	176 004	67 292	237 394
Receivables	C2	**9 271**	9 521	(250)	4 189
Prepayments		**366**	1 398	(1 032)	698
Total current assets		**252 933**	186 923	66 010	242 281
Non-current assets					
Property, plant and equipment	C3-1	**1 460 371**	1 426 889	33 482	1 442 102
Intangible assets	C4-1	**1 329**	1 826	(497)	1 876
Total non-current assets		**1 461 700**	1 428 715	32 985	1 443 978
Total assets		**1 714 633**	1 615 638	98 995	1 686 259
Current liabilities					
Payables	C5	**114 595**	56 503	58 092	122 780
Interest-bearing liabilities	C6	**3 250**	3 250	-	2 923
Accrued employee benefits		**2 456**	823	1 633	927
Provisions	C7	**50 462**	34 370	16 092	33 680
Unearned revenue		**399**	-	399	404
Total current liabilities		**171 162**	94 946	76 216	160 714
Non-current liabilities					
Interest-bearing liabilities	C6	**209 613**	210 962	(1 349)	212 863
Total non-current liabilities		**209 613**	210 962	(1 349)	212 863
Total liabilities		**380 775**	305 908	74 867	373 577
Net assets		**1 333 858**	1 309 730	24 128	1 312 682
Equity					
Contributed equity		**1 229 781**			1 229 612
Accumulated surplus		**(98 756)**			(55)
Asset revaluation surplus	C8-3	**202 833**			83 125
Total equity		**1 333 858**			1 312 682

*An explanation of major variances is included at Note E1.
** Comparatives have changed due to the events disclosed in Note F4.

The above statement should be read in conjunction with accompanying notes.

Department of Employment, Small Business and Training – Statement of Assets and Liabilities by Major Departmental Service

as at 30 June 2019

	Training and Skills		Small Business		Employment		General Not Attributed		Total	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
Current assets										
Cash and cash equivalents	**-**	-	**-**	-	**-**	-	**243 296**	237 394	**243 296**	237 394
Receivables	**7 953**	4 278	**638**	(78)	**680**	(11)	**-**	-	**9 271**	4 189
Prepayments	**366**	661	**-**	37	**-**	-	**-**	-	**366**	698
Total current assets	**8 319**	4 939	**638**	(41)	**680**	(11)	**243 296**	237 394	**252 933**	242 281
Non current assets										
Property, plant and equipment	**1 460 070**	1 442 000	**119**	102	**182**	-	**-**	-	**1 460 371**	1 442 102
Intangible assets	**1 329**	1 876	**-**	-	**-**	-	**-**	-	**1 329**	1 876
Total non-current assets	**1 461 399**	1 443 876	**119**	102	**182**	-	**-**	-	**1 461 700**	1 443 978
Total assets	**1 469 718**	1 448 815	**757**	61	**862**	(11)	**243 296**	237 394	**1 714 633**	1 686 259
Current liabilities										
Payables	**113 062**	99 758	**1 362**	4 831	**171**	18 191	**-**	-	**114 595**	122 780
Interest-bearing liabilities	**3 250**	2 923	**-**	-	**-**	-	**-**	-	**3 250**	2 923
Accrued employee benefits	**1 914**	868	**315**	55	**227**	4		-	**2 456**	927
Provisions	**50 462**	33 680	**-**	-	**-**	-	**-**	-	**50 462**	33 680
Unearned revenue	**399**	404	**-**	-	**-**	-	**-**	-	**399**	404
Total current liabilities	**169 087**	137 633	**1 677**	4 886	**398**	18 195	**-**	-	**171 162**	160 714
Non current liabilities										
Interest-bearing liabilities	**209 613**	212 863	**-**	-	**-**	-	**-**	-	**209 613**	212 863
Total non current liabilities	**209 613**	212 863	**-**	-	**-**	-	**-**	-	**209 613**	212 863
Total liabilities	**378 700**	350 496	**1 677**	4 886	**398**	18 195	**-**	-	**380 775**	373 577

Please note that the department has systems in place to allocate assets and liabilities by departmental services.

Comparatives have changed due to the events disclosed in Note F4.

Department of Employment, Small Business and Training
Statement of Changes in Equity
for the year ended 30 June 2019

	Notes	Accumulated Surplus	Asset Revaluation Surplus	Contributed Equity	Total
		$'000	$'000	$'000	$'000
Balance as at 1 January 2018		-	-	-	-
Operating result from continuing operations		1 033	-	-	1 033
Other Comprehensive Income					
Increase/(decrease) in asset revaluation surplus		-	85 214	-	85 214
Gain on revaluation of properties					
Total comprehensive income for the year		**1 033**	**85 214**	**-**	**86 247**
Transactions with owners as owners					
- MoG changes - transfer of other assets		-	-	1 275 913	1 275 913
- Appropriated equity injections		-	-	13 381	13 381
- Appropriated equity withdrawals		-	-	(12 131)	(12 131)
Net transactions with owners as owners		**-**	**-**	**1 277 163**	**1 277 163**
Balance as at 30 June 2018 (originally reported)		**1 033**	**85 214**	**1 277 163**	**1 363 410**
Adjustment on error correction	F4	(1 088)	(2 089)	(47 551)	(50 728)
Balance as at 1 July 2018 (restated)		**(55)**	**83 125**	**1 229 612**	**1 312 682**
Operating result from continuing operations		(98 701)	-	-	(98 701)
Other comprehensive income					
Increase/(decrease) in asset revaluation surplus					
Land		-	(4 893)	-	(4 893)
Buildings		-	124 601	-	124 601
Total comprehensive income for the year		**(98 701)**	**119 708**	**-**	**21 007**
Transactions with owners as owners					
- Appropriated equity injections	C8-2	-	-	39 372	39 372
- Appropriated equity withdrawals	C8-2	-	-	(39 203)	(39 203)
Net transactions with owners as owners		**-**	**-**	**169**	**169**
Balance as at 30 June 2019		**(98 756)**	**202 833**	**1 229 781**	**1 333 858**

The above statement should be read in conjunction with accompanying notes.

Department of Employment, Small Business and Training
Statement of Cash Flows
for the year ended 30 June 2019

	Note	**2019 Actual $'000**	2019 Original Budget $'000	Budget Variance * $'000	2018 Actual ** $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Inflows:					
Service appropriation receipts		**1 035 769**	1 057 196	(21 427)	562 167
User charges and fees		**271**	1 002	(731)	(1 420)
Grants and contributions		**791**	285	506	1 201
Interest receipts		**12**	-	12	-
GST input tax credits from ATO		**13 296**	-	13 296	7 298
GST collected from customers		**2 909**	-	2 909	2 154
Other		**25 234**	16 365	8 869	11 710
Outflows:					
Employee expenses		**(62 792)**	(64 612)	1 820	(28 117)
Supplies and services		**(88 978)**	(77 602)	(11 376)	(36 477)
Grants and subsidies		**(853 926)**	(883 475)	29 549	(361 903)
Finance/borrowing costs		**(22 820)**	(22 820)	-	(11 522)
GST paid to suppliers		**(15 837)**	-	(15 837)	(8 263)
GST remitted to ATO		**(2 656)**	-	(2 656)	(1 254)
Other		**(1 642)**	(1 529)	(113)	(89)
Net cash provided by operating activities	CF-1	**29 631**	24 810	4 821	135 485
CASH FLOWS FROM INVESTING ACTIVITIES					
Outflows:					
Payments for property, plant and equipment		**(32 686)**	(47 500)	14 814	(12 881)
Net cash used in investing activities		**(32 686)**	(47 500)	14 814	(12 881)
CASH FLOWS FROM FINANCING ACTIVITIES					
Inflows:					
Equity injections		**44 195**	57 370	(13 175)	13 381
Outflows:					
Equity withdrawals		**(32 315)**	(24 802)	(7 513)	(12 131)
Repayments of borrowings/finance lease payments	CF-2	**(2 923)**	(2 923)	-	(1 120)
Net cash provided by financing activities		**8 957**	29 645	(20 688)	130
Net increase/(decrease) in cash and cash equivalents		**5 902**	6 955	(1 053)	122 734
Cash transfers from MoG restructure		**-**	-	-	114 660
Cash and cash equivalents - opening balance		**237 394**	169 049	68 345	-
Cash and cash equivalents - closing balance	C1	**243 296**	176 004	67 292	237 394

*An explanation of major variances is include at Note E1.

**Comparatives have changed due to the events disclosed in Note F4.

The above statement should be read in conjunction with accompanying notes.

NOTES TO THE STATEMENT OF CASH FLOW

CF-1 Reconciliation of operating result to net cash provided by operating activities

	2019 $'000	2018 * $'000
Operating surplus/(deficit)	**(98 701)**	(55)
Non-cash items included in operating result:		
Depreciation and amortisation expense	**34 862**	13 468
Revaluation decrement	**98 702**	-
Impairment losses	**1 111**	3 030
Change in assets/liabilities:		
(Decrease)/increase in deferred appropriation payable to Consolidation Fund	**(26 831)**	32 281
(Increase)/decrease in GST input tax credits receivable	**(2 288)**	(65)
(Increase)/decrease in net operating receivables	**(2 794)**	(4 123)
(Increase)/decrease in other current assets	**331**	(698)
Increase/(decrease) in other current liabilities	**16 776**	34 085
Increase/(decrease) in payables	**6 934**	56 636
Increase/(decrease) in accrued employee benefits	**1 529**	926
Net cash provided by operating activities	**29 631**	135 485

*Comparatives have changed due to the events disclosed in Note F4.

CF-2 Change in Liabilities Arising from Financing Activities

	Finance Liability $'000	Total $'000
Closing balance 2017	-	-
Non-Cash Changes:		
Transfers (to)/ from other Queensland Government Entities	217 135	**217 135**
Other	(229)	**(229)**
Cash Flows:		
Cash Repayment	(1 120)	**(1 120)**
Closing balance 2018	**215 786**	**215 786**

	Finance Liability $'000	Total $'000
Closing balance 2018	215 786	**215 786**
Cash Flows:		
Cash Repayment	(2 923)	**(2 923)**
Closing balance 2019	**212 863**	**212 863**

SECTION 1
ABOUT THE DEPARTMENT AND THIS FINANCIAL REPORT

A1 BASIS OF FINANCIAL STATEMENT PREPARATION

A1-1 GENERAL INFORMATION

The Department of Employment, Small Business and Training ("the department") is a Queensland Government department established under the *Public Service Act 2008* and controlled by the State of Queensland, which is the ultimate parent.

The head office and principal place of business of the department is:

1 William Street
Brisbane QLD 4000

A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS

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

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

New accounting standards early adopted and/ or applied for the first time in these financial statements are outlined in Note F5.

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 is only available for 1 January 2018 to 30 June 2018 as the department was established on 12 December 2017 and reflects the audited 2017-18 financial statements.

Comparatives have changed due to the events disclosed in Note F4

Current/ non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

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

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

A1-4 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

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

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

A1-5 BASIS OF MEASUREMENT

Historical cost is used as the measurement basis in this financial report except for the following:

- Land and buildings assets which are measured at fair value; and
- Provisions expected to be settled 12 or more months after reporting date which are measured at their present value.

Historical cost

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

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique. Fair value is determined using one of the following three approaches:

- The *market approach* uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.

- The *cost approach* reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current replacement cost methodology.

Where fair value is used, the fair value approach is disclosed.

Present value

Present value represents the present discounted value of the future net cash inflows that the item is expected to generate (in respect of assets) or the present discounted value of the future net cash outflows expected to settle (in respect of liabilities) in the normal course of business.

Net realisable value

Net realisable value represents the amount of cash or cash equivalents that could currently be obtained by selling an asset in an orderly disposal.

A1-6 THE REPORTING ENTITY

The financial statements include all income, expenses, assets, liabilities and equity of the 'economic entity' comprising only the department, as the entity it controls is not material (refer to Note A3).

A2 DEPARTMENTAL OBJECTIVES

The Department of Employment, Small Business and Training's vision is for all Queenslanders to have the skills and opportunities to participate and prosper in the economy by providing the trusted advice and support that enables both sustainable small business opportunities and a skilled workforce now and into the future.

By supporting businesses to reach their full potential and by providing individuals with training and employment opportunities aligned with Queensland's employment, skilling and economic priorities, the department is contributing to the Queensland Government's plan.

The department's strategic objectives of:

- empowering Queenslanders and small businesses to be able to take full advantage of economic prospects
- ensuring Queenslanders and small businesses have access to the skills, training and employment enablers that sustain, connect and cultivate economic participation;
- providing sector leadership in recognising and considering optimal regulatory levers, market and policy setting for small business, employment and training and skilling Queenslanders; and
- an agile organisation that delivers increased value to our customers

are the key priorities of the service areas:

Employment

Focuses on delivering employment policies and programs to support Queenslanders, in particular disadvantaged cohorts to gain employment, and has responsibility for business and skilled migration policy, in consultation with Business and Skilled Migration Queensland (a business unit of Trade and Investment Queensland).

Small Business

Focuses on products and services that are delivered to small business to better enable them to grow and make it easier to interact with Government through enhancing the capacity of business to engage with markets, attract investors, navigate the business regulatory environment, and access tools, resources and expertise to grow and succeed.

Training and Skills

Focuses on improving the skills profile of Queensland through delivery of a diverse and inclusive vocational education and training investment program that delivers on industry skills demands of today and the future, and supports publicly funded training providers to deliver high quality training.

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:

- Apprentice indenture documentation
- Hire of facilities

A3 MACHINERY-OF-GOVERNMENT CHANGES

As a result of the Public Service Departmental Arrangement Notice (No. 3) 2017 made under the *Public Services Act 2008*, the Department of Employment, Small Business and Training was established on 12 December 2017 with an effective date of 1 January 2018. The following service areas were declared to be part of the department:

- Training and Skills, including the corporate and executive services to Training and Skills, from the Department of Education (DoE)
- Office of Small Business from the Department of Innovation, Tourism, Industry Development and the Commonwealth Games (DITID)
- Employment from Queensland Treasury (QT)

	QT $'000	DITID $'000	DoE * $'000	2018 Total $'000
Total Assets	739	4 349	1 482 331	1 487 419
Total Liabilities	739	4 238	254 081	259 058
Net Assets	-	111	1 228 250	1 228 361

*DoE Property, plant and equipment has been restated due to the events disclosed in Note F4.

The increase in net assets of $1,228.4 million has been accounted for as an increase in contributed equity as disclosed in the Statement of Change in Equity.

There was nil machinery-of-government changes in the 2018-19 financial year.

A4 CONTROLLED ENTITIES

The following entity is directly controlled entity of the department:

Name:	Building Construction Industry Training Fund (Qld) Limited
Purpose and Principal Activities:	Assist in the acquisition and enhancement of the knowledge, skills, training and education of workers in the building and construction industry. BCITF (Qld) Limited does not trade.
% Interest in Entity & Basis for Control:	100% owned by the Department of Employment, Small Business and Training

The BCITF (Qld) Limited (‘the Company’) was established on 1 January 1999 to assist in the acquisition and enhancement of the knowledge, skills, training and education of workers in the building and construction industry. The Company is established as a public company, limited by guarantee, and the Minister is the sole shareholder. The Company is controlled by the department, and is audited by the Auditor-General of Queensland.

The Company does not conduct business and therefore has no assets, liabilities, revenues and expenses to be consolidated in these financial statements.

The Company is the sole trustee of the Building and Construction Industry Training Fund (‘the Trust’). The Trust is established to advance the education and skills of persons and organisations involved in the building and construction industry, and is audited by the Auditor-General of Queensland. The Trust is not controlled by the department.

SECTION 2
NOTES ABOUT OUR FINANCIAL PERFORMANCE

B1 REVENUE

B1-1 APPROPRIATION REVENUE

Reconciliation of payments from Consolidated Fund to appropriated revenue recognised in operating result

	2019 $'000	2018 $'000
Budgeted appropriation revenue	**1 057 196**	-
Transfers from/to other departments (redistribution of public business)	**-**	605 239
Lapsed appropriation revenue	**(21 427)**	(43 072)
Total appropriation receipts (Cash)	**1 035 769**	562 167
Plus: Opening balance of deferred appropriation payable to Consolidated Fund	**33 256**	975
Less : Closing balance of deferred appropriation payable to Consolidated Fund	**(6 425)**	(33 256)
Net Appropriation Revenue	**1 062 600**	**529 886**
Plus: Deferred appropriation refundable to Consolidated Fund (expense)	**6 425**	33 256
Appropriation revenue recognised in statement of comprehensive income	**1 069 025**	563 142

Accounting policy – Appropriation revenue

Appropriations provided under the *Appropriation Act 2018* are recognised as revenue when received. When an appropriation receivable or payable has been recorded in the financial statements at 30 June, this has been approved by Queensland Treasury.

B1-2 USER CHARGES AND FEES

	2019 $'000	2018 $'000
General fees	**226**	93
Hire of facilities	**1 193**	2 142
Property income	**-**	211
Total	**1 419**	2 446

Accounting policy – User charges and fees

User charges and fees revenue controlled by the department are recognised as revenues when the revenue has been earned and can be measured reliably with a sufficient degree of certainty. This involves either invoicing for related goods/services and/or the recognition of accrued revenue.

Accounting policy – Hire of facilities/ property income

Hire of facilities and property income is recognised as revenue when received.

Disclosure – Hire of facilities/ property income

The department provides TAFE Queensland access to training facilities. The income value of this right of use access has not been accounted for during 2018-19 as a reliable measurement of rent payable is unable to be determined. This is because the ongoing arrangement includes a number of sites, varying utilisation at each site, varying condition of the buildings and facilities, and the costs borne by TAFE Queensland in the management of the facilities.

B1 REVENUE (continued)

B1-3 OTHER REVENUE

	2019 $'000	2018 $'000
Contributions to finance liability	**16 239**	8 332
Recoveries from grants programs	**8 974**	3 412
Other general recoveries	**12**	-
Total	**25 225**	11 744

Accounting policy – Other revenue

Recoveries from grants programs are recognised as revenues when the revenue at completion of compliance audits can be measured reliably with a sufficient degree of certainty. This involves invoicing for the related repayment of the unearned portion of the grant.

Disclosure – Contributions to finance liability

As a result of agreements for the right of use access to the PPPI asset at Southbank Education and Training Precinct (SETP), payments are received from TAFE Queensland to partly offset the finance liability of the department.

B2 EXPENSES

B2-1 EMPLOYEE EXPENSES

	2019 $'000	2018 $'000
Employee benefits		
Salaries and allowances	**49 341**	22 947
Employer superannuation contributions	**6 524**	2 916
Annual leave expenses	**4 591**	2 329
Long service leave levy	**1 036**	500
Redundancy payments	**347**	55
Employee related expenses		
Fringe benefits tax	**130**	60
Workers' compensation	**285**	137
Staff transfer costs	**7**	-
Staff rental accommodation	**18**	7
Staff training	**301**	257
Total	**62 580**	29 208

	2019 No.	2018 No.
Full-Time Equivalent Employees	**571**	527

Accounting policy – Wages and salaries

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position 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 values.

B2 EXPENSES (continued)

B2-1 EMPLOYEE EXPENSES (continued)

Accounting policy – Sick leave

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue into future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Accounting policy – Annual leave and long service leave

Under the Queensland Government's Annual Leave Central Scheme (ALCS) and Long Service Leave Central Scheme (LSLCS) a levy is made on the department to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave and long service leave are claimed back from the scheme quarterly in arrears.

Accounting policy – Superannuation

Post-employment benefits for superannuation are provided through defined contributions (accumulations) plans or the Queensland 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 employees' total remuneration package. It is not an employee benefit and is recognised separately as employee related expenses.

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

B2-2 SUPPLIES AND SERVICES

	2019 **$'000**	2018 $'000
Building maintenance	**37 268**	23 039
Utilities	**2 702**	1 543
Equipment and building refurbishment	**5 105**	-
Consultants and contractors	**10 204**	8 075
Materials and running costs	**7 067**	1 017
Payments to shared service provider/inter-agency services	**1 766**	233
Computer costs	**4 096**	979
Travel	**808**	343
Operating lease rentals	**6 455**	2 834
Total	**75 471**	38 063

Accounting policy – Distinction between grants and procurement

For a transaction to be classified as supplies and services, 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 in Note B2-3.

B2 EXPENSES (continued)

B2-2 SUPPLIES AND SERVICES (continued)

Disclosure – Operating lease

Operating leases are entered into as a means of acquiring access to office accommodation. The department has no option to purchase the leased item at the conclusion of the lease although the lease provides for a right of renewal at which time the lease terms are renegotiated.

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

B2-3 GRANTS AND SUBSIDIES

	2019 $'000	2018 $'000
Recurrent		
VET programs	**714 704**	358 570
Skilling Queenslanders for Work program	**80 619**	36 275
Back to Work program	**80 391**	49 032
Small business programs	**6 468**	2 291
Other grants and allowances to organisations	**5 967**	3 778
Capital		
Training Centre Grant	**3 400**	-
Total	**891 549**	449 946

Accounting policy – Grants and subsidies

For the arrangement to be classified as grants or subsidies, the department does not receive equal value in consideration of the transaction. Consideration to the classification is based on the nature of the transaction and if there is any third party recipient to the payment made.

B2-4 OTHER EXPENSES

	2019 $'000	2018 $'000
Insurance premium - QGIF	**1 185**	7
Queensland Audit Office- external audit fees for the audit of the financial statements (1)	**239**	27
Special payments: (2)		
Ex-gratia payments	**28**	-
Payments to other Queensland government departments	**123**	50
Deferred appropriation payable to Consolidated Fund	**6 425**	33 256
Penalty interest payments and other expenses	**67**	11
Total	**8 067**	33 351

Audit fees

(1) Total audit fees quoted by the Queensland Audit Office relating to the 2018-19 financial statements are estimated to be $0.184 million (2018: $0.150 million).

Special payments

(2) Special Payments represent ex gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. Special payments during 2018-19 include a payment over $5,000 in connection with the settlement of termination arrangements for an employment related matter.

SECTION 3
NOTES ABOUT OUR FINANCIAL POSITION

C1 CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000
Imprest accounts	**3**	3
Cash at bank	**243 293**	237 391
Total	**243 296**	237 394

Accounting policy – Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash and cash equivalents includes cash on hand, cheques receipted but not banked at 30 June.

C2 RECEIVABLES

	2019 $'000	2018 $'000
Current		
Trade debtors	**9 501**	7 292
Less: Loss allowance	**(4 129)**	(3 022)
	5 372	4 270
GST receivable	**2 353**	65
Long service leave reimbursements	**329**	33
Annual leave reimbursements	**1 217**	(170)
Other debtors	**-**	(9)
Total	**9 271**	4 189

Accounting policy – Receivables

Receivables are measured at amortised cost which approximates their fair value at reporting date.

Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement on trade debtors is required within 30 days from invoice date.

Other debtors generally arise from transactions outside the usual operating activities of the department and are recognised at their assessed values. Terms are a maximum of three months, no interest is charged and no security is obtained.

C2 RECEIVABLES (continued)

C2-1 IMPAIRMENT OF RECEIVABLES

Accounting policy – Impairment of receivables

The loss allowance for trade and other debtors reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information. Economic changes impacting the department's debtors, and relevant industry data form part of the department's impairment assessment.

The department's other receivables are from Queensland Government agencies or Australian Government agencies. No loss allowance is recorded for these receivables on the basis of low credit risk. Refer to Note D2-3 for the department's credit risk management policies.

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. This occurs when the debt is over 120 days past due and the department has ceased enforcement activity. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss.

Disclosures – Credit risk exposure of receivables

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets. No collateral is held as security and there are no other credit enhancements relating to the department's receivables.

The department uses a provision matrix to measure the expected credit losses on trade debtors. Loss rates are calculated separately for groupings of customers with similar loss patterns. The department has determined there is two material groupings for measuring expected credit losses based the customer profile for these revenue streams. These groupings are the Registered Training Organisations (RTO) the department contracts with for the delivery of training services and Other Grant recipients.

The calculations reflect a historical observed default rate calculated using credit losses experienced on past transactions during the last year preceding 30 June 2019 for the groups.

The historical default rate is then adjusted by reasonable and supportable forward-looking information for expected material changes in macroeconomic indicators that affect the future recovery of those receivables. For the department, a change in the employment growth rate in Queensland and regional labour force participation rates were determined to be the most relevant forward-looking indicator for the group of receivables. The historical default rate will be adjusted based on expected changes to that indicator.

Set out below is the credit risk exposure on the department's trade debtors broken down by the customer grouping and by ageing band. The comparative disclosure for 2018 is made under AASB 139 impairment rules, where receivables are assessed individually for impairment.

C2-1 IMPAIRMENT OF RECEIVABLES

Impairment Group – Receivables from Trade Debtors (RTO's)

	2019			2018		
	Gross Receivable	Loss Rate	Expected Credit Loss	Gross Receivable	Allowance for Impairment	Carrying Amount
Aging	**$'000**	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Current	**1 415**			670		
1 to 30 days overdue	**-**	**0.0%**	**-**	488	-	488
31 to 60 days overdue	**113**	**0.0%**	**-**	91	-	91
61 to 120 days overdue	**285**	**0.0%**	**-**	33	-	33
> 120 days overdue	**3 582**	**73.3%**	**2 626**	3 237	(3 022)	215
Total	**5 395**		**2 626**	**4 519**	**(3 022)**	**827**

C2 RECEIVABLES (continued)

C2-1 IMPAIRMENT OF RECEIVABLES (continued)

Impairment Group – Receivables from Other Trade Debtors

	2019			2018		
	Gross Receivable	Loss Rate	Expected Credit Loss	Gross Receivable	Allowance for Impairment	Carrying Amount
Aging	**$'000**	**%**	**$'000**	**$'000**	**$'000**	**$'000**
Current	**-**					
1 to 30 days overdue	**396**	**0.0%**	**-**	-	-	-
31 to 60 days overdue	**10**	**0.0%**	**-**	-	-	-
61 to 120 days overdue	**94**	**0.0%**	**-**	-	-	-
> 120 days overdue	**1 503**	**100.0%**	**1 503**	-	-	-
Total	**2 003**		**1 503**	**-**	**-**	**-**

Disclosure – Movement in loss allowance for trade debtors

	2019 $'000	2018 $'000
Loss allowance as at 1 July	**3 022**	-
Increase/(decrease) in allowance recognised in the operating result	**1 111**	3 030
Amounts written off during the year	**-**	(8)
Loss allowance as at 30 June	**4 133**	3 022

Loss allowance for the current year relating to the department's receivables is $1.111 million. This is mainly due to recognition of training services receivables unlikely to be recovered.

Disclosures – Ageing of past due but not impaired receivables

This disclosure relates only to comparative balances at 30 June 2018. Under AASB 9, effective from 1 July 2018, a loss allowance is assessed for all receivables.

Overdue	**2018 $'000**
1 to 30 days	**-**
31 to 60 days	**129**
61 to 120 days	**85**
Greater than 120 days	**181**
Total Overdue	**395**

C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE

C3-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT

	at Fair Value		at Cost		
Property, plant and equipment	**Land**	**Buildings**	**Plant and Equipment**	**Work in Progress**	**Total**
30 June 2019	**2019**	**2019**	**2019**	**2019**	**2019**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross	432 321	1 775 497	8 828	36 090	2 252 736
Less: Accumulated depreciation	-	(784 654)	(7 711)	-	(792 365)
Carrying amount at 30 June 2019	**432 321**	**990 843**	**1 117**	**36 090**	**1 460 371**
Represented by movements in carrying amount:					
Carrying amount at 1 July 2018*	535 916	890 695	1 301	14 190	1 442 102
Acquisitions (including upgrades)	-	-	46	31 530	31 576
Transfers between classes	-	9 630	-	(9 630)	-
Net revaluation increments/(decrements) in asset revaluation surplus	(4 893)	124 601	-	-	119 708
Net revaluation increments/(decrements) in operating result	(98 702)	-	-	-	(98 702)
Depreciation expense	-	(34 083)	(230)	-	(34 313)
Carrying amount at 30 June 2019	**432 321**	**990 843**	**1 117**	**36 090**	**1 460 371**

*Comparatives have changed due to the events disclosed in Note F4.

C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE (continued)

C3-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT (continued)

	at Fair Value		at Cost		
Property, plant and equipment 30 June 2018	**Land 2018 $'000**	**Buildings 2018 $'000**	**Plant and Equipment 2018 $'000**	**Work in Progress 2018 $'000**	**Total 2018 $'000**
Gross	535 916	1 481 692	8 839	14 190	2 040 637
Less: Accumulated depreciation	-	(590 997)	(7 538)	-	(598 535)
Carrying amount at 30 June 2018*	**535 916**	**890 695**	**1 301**	**14 190**	**1 442 102**
Represented by movements in carrying amount:					
Carrying amount at 1 January 2018	-	-	-	-	-
Acquisitions (including upgrades)	-	5 109	15	7 757	12 881
Transfers in from other Queensland Government entities	531 023	820 156	1 409	6 433	1 359 021
Net revaluation increments/(decrements) in asset revaluation surplus	4 893	78 232	-	-	83 125
Depreciation expense	-	(12 802)	(123)	-	(12 925)
Carrying amount at 30 June 2018*	**535 916**	**890 695**	**1 301**	**14 190**	**1 442 102**

*Comparatives have changed due to the events disclosed in Note F4.

C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE (continued)

C3-2 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 for financial reporting purposes in the year of acquisition:

Buildings (including land improvements)	$10 000
Land	$1
Other	$ 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 the expenditure will produce future service potential for the department. Subsequent expenditure is only added to an asset's carrying amount if it increases the service potential or useful life of that asset. Maintenance expenditure that merely restores original service potential (lost through ordinary wear and tear) is expensed.

Componentisation of complex assets

The department's complex assets are special purpose TAFE buildings.

Complex assets comprise separately identifiable components (or groups of components) of significant value, that require replacement at regular intervals and at different times to other components comprising the complex asset.

On initial recognition, the asset recognition thresholds outlined above apply to the complex asset as a single item. Where the complex asset qualifies for recognition, components are then separately recorded when their value is significant relative to the total cost of the complex asset. Components whose value exceeds 10% of the complex asset's total cost are separately identified as significant value components. Components valued at less than 10% of the complex asset's total are separately recorded only where a material difference in depreciation expense would occur,

When a separately identifiable component (or group of components) of significant value is replaced, the existing component is derecognised. The replacement component is capitalised when it is probable that future economic benefits from the significant component will flow to the department in conjunction with the other components comprising the complex asset and the cost exceeds the asset recognition thresholds specified above. Replacement components that do not meet the asset recognition thresholds for capitalisation are expensed.

Components are separately recorded and valued on the same basis as the asset class to which they relate. The accounting policy for depreciation of complex assets, and estimated useful lives, is disclosed in Note C3-5.

Accounting policy – Cost of acquisition

Historical cost is used for the initial recording of all non-current physical asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland Government department (whether as a result of a machinery-of-Government change or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the other entity immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are recognised as assets and revenues at their fair value at the date of acquisition.

Where an asset is acquired by means of a finance lease, the asset is recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The lease liability is recognised at the same amount.

C3-3 MEASUREMENT USING HISTORICAL COST

Accounting policy

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

C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE (continued)

C3-4 MEASUREMENT USING FAIR VALUE

Accounting policy

Land and buildings (including residential buildings and land improvements such as sports facilities) are measured at fair value as required by Queensland Treasury's Non-Current Asset Policies 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.

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

Fair value for land is determined by establishing its market value by reference to observable prices in an active market or recent market transactions. The fair value of buildings is determined by calculating the current replacement cost of the asset.

Use of specific appraisals

Land and buildings assets are revalued by management each year to ensure that they are reported at fair value. Management's valuations incorporate the results from the independent revaluation program, and the indexation of the assets not subject to independent revaluation each year.

For the purposes of revaluation, the department by 30 June 2020 will have comprehensively revalued materially all land and building assets. This will allow a new rolling program of revaluations to be implemented based on the department's locations.

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.

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. The department ensures that the application of these indices results in a valid estimation of the asset's fair value at reporting date. The State Valuation Service (SVS) supplies the indices used for various types of assets. These indices are derived from market information available to SVS. SVS provides assurance of their robustness, validity and appropriateness for application to the relevant assets. The results of interim indexations are compared to the results of the independent revaluation performed in the year to ensure the results are reasonable. This annual process allows management to assess and confirm the relevance and suitability of indices provided by SVS 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 on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

C3-5 DEPRECIATION EXPENSE

Accounting policy

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

Property, plant and equipment are depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, progressively over its estimated useful life to the department.

Key judgement: The estimated useful lives of the assets are reviewed annually and, where necessary, are adjusted to better reflect the pattern of consumption and future service potential of the asset. In reviewing the useful life of each asset, factors such as asset usage and the rate of technical and commercial obsolescence are considered.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the department.

It has been determined that the department controls buildings that by their nature require componentisation and the assignment of separate useful lives to their component parts. The three components of these buildings are: a) Fabric; b) Fit-out; and c) Plant. The useful lives for these assets are disclosed in the table below.

C3 PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION EXPENSE (continued)

C3-5 DEPRECIATION EXPENSE (continued)

Where assets have separately identifiable components that are subject to regular replacement, these are depreciated according to useful lives of each component.

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

Assets under construction (capital work-in-progress) are not depreciated until construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes within property, plant and equipment.

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

Depreciation rates

Key estimates: For each class of depreciable asset the depreciation rates are based on the following useful lives:

Class	Current useful life (years)
Buildings - Fabric	80
Buildings - Fit Out	25
Buildings - Plant	25
Buildings - Demountable buildings, sheds and covered areas	40
Buildings - Land improvements (including sporting facilities)	15 - 80
Plant and equipment - Computer equipment	5
Plant and equipment - Office equipment	5 - 20
Plant and equipment - Artefacts and curios	50 - 100
Plant and equipment - Plant and machinery	5 - 25
Plant and equipment - Major refurbishments to leasehold administrative buildings	2 - 12
Leased plant and equipment	5 - 10

C3-6 IMPAIRMENT

Accounting policy

All non-current physical 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 under AASB 136 *Impairment of Assets*.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and the asset's value in use.

An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income.

C4 INTANGIBLES AND AMORTISATION EXPENSE

C4-1 CLOSING BALANCES AND RECONCILIATION OF CARRYING AMOUNT

Intangibles	Software Purchased: at cost		Software Internally Generated: at cost		Other Intangibles: at cost		Software Work in Progress		Total	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000	**2019 $'000**	**2018 $'000**	**2019 $'000**	2018 $'000
Gross	**11 158**	11 158	**13 180**	13 180	**164**	164	**-**	-	**24 502**	24 502
Less Accumulated amortisation	**(11 158)**	(11 158)	**(11 924)**	(11 395)	**(91)**	(73)	**-**	-	**(23 173)**	(22 626)
Carrying amount at 30 June	**-**	-	**1 256**	1 785	**73**	91	**-**	-	**1 329**	1 876
Represented by movements in carrying amount:										
Carrying amount at 1 July 2018	**-**	-	**1 785**	-	**91**	-	**-**	-	**1 876**	-
Transfers in from other Queensland Government entities	**-**	-	**-**	2 050	**-**	100	**-**	272	**-**	2 422
Transfers between classes	**-**	-	**-**	272	**-**	-	**-**	(272)	**-**	-
Amortisation	**-**	-	**(529)**	(537)	**(18)**	(9)	**-**	-	**(547)**	(546)
Carrying amount at 30 June 2019	**-**	-	**1 256**	1 785	**73**	91	**-**	-	**1 329**	1 876

C4 INTANGIBLES AND AMORTISATION EXPENSE (continued)

C4-2 RECOGNITION AND MEASUREMENT

Accounting policy

Intangible assets of the department comprise purchased software, internally generated software and right of use facilities.

Intangible assets with a historical cost, or other value, greater than $100 000 are recognised in the financial statements; items with a lesser value are expensed. Any training costs are expensed as incurred.

It has been determined that there is not an 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.

C4-3 AMORTISATION EXPENSE

Accounting policy

All intangible assets of the department have finite useful lives and are amortised on a straight-line basis over the intangible's estimated useful life. 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 zero.

Useful Life

Key Estimate: For each class of intangibles asset the following amortisation rates are used:

Class	Current useful life (years)
Intangibles - Software purchased	7 - 10
Intangibles - Software internally generated	7 - 10
Intangibles - Other (based on contract life)	5 - 25

C4-4 IMPAIRMENT

Accounting policy

Intangible assets are principally assessed for impairment annually by reference to the actual and expected continuing use of the asset by the department, including discontinuing the use of software or other intangible assets.

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.

C5 PAYABLES

	2019 $'000	2018 $'000
Current		
Trade creditors	**8 691**	33 292
Capital creditors	**13 625**	3 021
Fringe benefit tax and other taxes	**35**	35
Grants and subsidies payable	**74 108**	53 176
Deferred appropriation payable to Consolidated Fund	**6 425**	33 256
Equity payable to Consolidated Fund	**11 711**	-
Total	**114 595**	122 780

Accounting policy - Payables

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

C6 INTEREST BEARING LIABILITIES

	2019 $'000	2018 $'000
Current:		
Finance liability - SETP	**3 250**	2 923
Total	**3 250**	2 923
Non-Current:		
Finance liability - SETP	**209 613**	212 863
Total	**209 613**	212 863

Accounting policy – Finance liabilities

Finance liabilities are initially recognised at fair value, plus any transaction costs directly attributable to the liability, then subsequently held at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of a financial liability to the amortised cost of the liability.

The fair value of finance liability are subsequently measured at amortised cost is set out in Note D1-3.

Any finance liability costs are added to the carrying amount of the finance liability to the extent they are not settled in the period in which they arise. Finance liabilities are split between current and non-current liabilities using the principles set out in the foreword and preparation information section of this financial report.

The department does not enter into transactions for speculative purposes, nor for hedging. No financial liabilities are measured at fair value through profit or loss.

C6-1 BORROWINGS

Undrawn facilities

On 11 May 2018, an overdraft facility with the QTC was approved on the department's main bank account. This facility is limited to $40 million and remains in effect permanently. This facility remained fully undrawn at 30 June 2019 and is available for use in the next reporting period. The current overdraft interest rate is 4.50% (2018: 5%).

C6-2 FINANCE LIABILITY

Finance terms and conditions

The finance liability of the department relates to the PPPI Arrangement - Southbank Education and Training Precinct (SETP) for a term of 34 years. The nature of the PPPI Arrangement – has been reassessed under AASB 117 *Leases* and it has been concluded this arrangement is not a lease arrangement, but more in the nature of financing to construct and maintain the SETP. There have been no defaults or breaches of the liability agreement during the 2019 or 2018 financial years. Refer to Note F3 for details of the agreement.

Interest rates

Interest on finance liabilities are recognised as an expense as it accrues on the outstanding liability. No interest has been capitalised during the current or comparative reporting period.

The implicit interest rate for the finance liability is 10.64% (2018 10.64%).

Security

No security is held over the finance liability, however contractual agreement sets out risk and impacts to the department in event of default. Refer to Note F3 for details.

C6 INTEREST BEARING LIABILITIES (continued)

C6-3 DISCLOSURE ABOUT SENSITIVITY TO INTEREST RATE MOVEMENTS

Interest rate sensitivity analysis evaluates the outcome on profit or loss if interest rates would change by +/- 1 per cent from the year-end rates applicable to the department's financial assets and liabilities. With all other variables held constant, the department would have a surplus and equity increase/ (decrease) of $2.433 million (2018 $2.374 million).

C7 PROVISIONS

	2019	2018
	$'000	$'000
Current:		
Training Services	**50 462**	33 680
Total	**50 462**	33 680

Accounting Policy – Provisions

Provisions are recorded when the department has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period.

Key estimates and judgements – Provisions

The department enters into contractual arrangements with registered training organisations to deliver vocational education and training in Queensland. Since the introduction of the contestable market in 2014, the number of training providers accessing government funding has grown significantly. The valuation is based on the number of students enrolled in a competency at the end of the financial year but not yet completed. The value for 2018-19 has been calculated using 50% of the value of the enrolments not completed less the most current historical withdrawn without participation rate.

C8 EQUITY

C8-1 CONTRIBUTED EQUITY

Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* specifies the principles for recognising contributed equity by the department. Appropriations for equity adjustments is recognised as contributed equity by the department during the reporting and comparative year.

C8-2 APPROPRIATIONS RECOGNISED IN EQUITY

Reconciliation of payments from consolidated fund to equity adjustment

	2019	2018
	$'000	$'000
Budgeted equity adjustment appropriation	**32 568**	-
Transfers from/to other departments - Redistribution of public business	**-**	3 958
Lapsed equity adjustment	**(20 688)**	(2 708)
Equity adjustment receipts(payments)	**11 880**	1 250
Less: Closing balance equity adjustment payable	**(11 711)**	-
Equity adjustment recognised in Contributed Equity	**169**	1 250

C8-3 ASSET REVALUATION SURPLUS BY ASSET CLASS

Accounting Policy

The asset revaluation surplus represents the net effect of upwards and downwards revaluations of assets to fair value.

	Land	**Buildings**	**Total**
	$'000	**$'000**	**$'000**
Balance at 1 January 2018	-	-	-
Revaluation increments	4 893	78 232	83 125
	4 893	78 232	83 125
Balance at 30 June 2018 (restated - refer Note F4)	**4 893**	**78 232**	**83 125**

	Land	**Buildings**	**Total**
	$'000	**$'000**	**$'000**
Balance at 1 July 2018	4 893	78 232	83 125
Revaluation increments	45 103	219 269	264 372
Revaluation decrements	(148 698)	(94 668)	(243 366)
Recognised in other comprehensive income[1]	98 702	-	98 702
Balance at 30 June 2019	**-**	**202 833**	**202 833**

(1) As a result of revaluation in the 2018-19 financial year, a net decrease has been recognised in the comprehensive income of the department. Refer to Note C3-1.

SECTION 4
NOTES ABOUT RISK AND OTHER ACCOUNTING UNCERTAINTIES

D1 FAIR VALUE MEASUREMENT

D1-1 ACCOUNTING POLICIES AND INPUTS FOR FAIR VALUES

Fair Value Measure

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.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by the department include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant characteristics of the assets/liabilities being valued. Significant unobservable data takes account of the characteristics of the department assets/liabilities, and includes internal records of recent construction costs (and/or estimates of such costs) for assets' characteristics/functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair Value Measurement Hierarchy

All assets and liabilities of the department for which fair value is measured or disclosed in the financial statements are categorised with the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- 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 in 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. There were no transfers of assets between fair value hierarchy levels during the period.

D1-2 BASIS FOR FAIR VALUES OF ASSETS AND LIABILITIES

Land

Effective Date of Last Specific Appraisal:	30 June 2019 by State Valuation Services
Valuation Approach:	Market-based assessment. Fair Value Hierarchy Level 2.
Inputs:	Determining the fair value of land involved physical inspection and reference to publicly available data on recent sales of similar land in nearby localities in accordance with Industry standards.
Current Year Valuation Activity:	Approximately one third of the department's land was independently valued. In determining the values, adjustments were made to the sales data to take into account the location of the department's land, its size, street/road frontage and access, and any significant restrictions. The extent of the adjustments made varies in significance for each parcel of land. The remaining two-thirds of the land assets, have been indexed to ensure that values reflect fair value as at reporting date. State Valuation Service provided indices for each of these sites based on recent market transactions for local land sales. These indices increased the value of land by 1.55% and these have been applied.

D1 FAIR VALUE MEASUREMENT (continued)

D1-2 BASIS FOR FAIR VALUES OF ASSETS AND LIABILITIES (continued)

Buildings

Effective Date of Last Specific Appraisal:	30 June 2019 by State Valuation Services
Valuation Approach:	All purpose–built facilities are valued at current replacement cost, as there is no active market for these facilities.
Inputs:	State Valuation Services conducted physical inspections and applied construction costs based on recent tenders for typical specialised buildings supported by specialised Quantity Surveyor information. Fair Value Hierarchy Level 3.
Current Year Valuation Activity:	Approximately two-thirds of the department's buildings were independently valued. The current replacement cost was based on standard training facilities and specialised fit-out constructed by the department, adjusted for more contemporary design/construction approaches. Significant judgement was also used to assess the remaining service potential of these facilities, including the current physical condition of each facility. The remaining third were indexed using the Building Price Index provided by GRC Quantity Surveyors. The change in the Building Price Index (June 2018 to June 2019) was a 3.02% increase. State Valuation Service have certified that the Building Price Index is the most appropriate measure for reflecting price changes in the department's buildings in the years when an independent valuation is not undertaken. Management is of the opinion that the continuing investment in general and specific priority maintenance would prevent any abnormal deterioration in asset values in the period between independent valuations.

D1-3 FAIR VALUE DISCLOSURES FOR FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

The fair value of payables is assumed to approximate the value of the original transaction.

Finance liabilities relate to the Southbank Education and Training Precinct (refer to Note F3) and the fair value of the liability is calculated using discounted cash flow analysis and the effective interest rate and is disclosed below:

	2019		2018	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$'000	**$'000**	$'000	$'000
Finance liabilities at amortised cost:				
Finance liability	**212 863**	**176 675**	215 786	147 835
Total	**212 863**	**176 675**	215 786	147 835

D2 FINANCIAL RISK DISCLOSURES

D2-1 FINANCIAL INSTRUMENT CATEGORIES

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the department becomes party to the contractual provisions of the financial instrument. The department has the following categories of financial assets and financial liabilities:

	Note	2019 $'000	2018 $'000
Financial assets			
Cash and cash equivalents	C1	**243 296**	237 394
Financial assets at amortised cost:			
Receivables	C2	**9 271**	4 189
Total financial assets		**252 567**	241 583
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	C5	**114 595**	122 780
Finance liability	C6	**212 863**	215 786
Total financial liabilities at amortised cost		**327 458**	338 566

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

D2-2 FINANCIAL RISK MANAGEMENT

Risk Exposure

Financial risk management is implemented pursuant to Government policy and seeks to minimise potential adverse effects on the financial performance of the department.

The department's activities expose it to a variety of financial risks as set out in the following table:

Risk Exposure	Definition	Exposure
Credit Risk	Credit risk exposure refers to the situation where the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.	The maximum exposure to credit risk is in respect of its receivables (Note C2).
Liquidity Risk	Liquidity risk refers to the situation where the department may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.	The department is exposed to liquidity risk in payables (Note C5) and finance liability (Note C6).
Market Risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.	The department does not trade in foreign currency and is not materially exposed to commodity price changes. The department is exposed to interest rate risk through its finance liability (Note C6).

D2 FINANCIAL RISK DISCLOSURES (continued)

D2-2 FINANCIAL RISK MANAGEMENT (continued)

Risk Measurement and Management Strategies

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

Risk Exposure	Measurement Method	Risk Management Strategies
Credit Risk	Ageing analysis	The department manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the department invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.
Liquidity Risk	Sensitivity analysis	The department manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the department has minimum but sufficient funds available to meet employee and supplier obligations as they fall due.
Market Risk	Interest rate sensitivity analysis	The department does not undertake any hedging in relation to interest risk and manages its risk as per the liquidity risk management strategy articulated in the department's Financial Management Practices Manual.

D2-3 CREDIT RISK DISCLOSURES

Credit risk management practices

The departments considers financial assets that are over 30 days past due to have significantly increased credit risk, and measures the loss allowance of such assets at lifetime expected credit losses instead of 12 month expected credit losses. The exception is trade receivables (Note C2), for which the loss allowance is always measured at lifetime expected credit losses.

All financial assets with counterparties are considered to have low credit risk. This includes receivables from other Queensland Government agencies and Australian Government agencies. The department assumes that credit risk has not increased significantly for these low credit risk assets.

The department typically considers a financial asset to be in default when it becomes 120 days past due. However, a financial asset can be in default before that point if information indicates that the department is unlikely to receive the outstanding amount in full. The department's assessment of default does not take into account any collateral or other credit enhancements.

The department's write off policy is disclosed in Note C2-1

Credit risk exposure

Credit risk exposure relating to receivables is disclosed in Note C2-1.

D2 FINANCIAL RISK DISCLOSURES (continued)

D2-4 LIQUIDITY RISK – CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES

The following table sets out the liquidity risk of financial liabilities held by the department. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date. The undiscounted cash flows in this table differ from the amounts included in the statement of financial position that are based on discounted cash flows.

	2 019	**Contractual Maturity**		
	Total	**<1 year**	**1 - 5 years**	**> 5 years**
	$'000	**$'000**	**$'000**	**$'000**
Financial Liabilities				
Payables	**114 595**	**114 595**	**-**	**-**
Finance liability	**566 343**	**28 317**	**113 269**	**424 757**
Total	**680 938**	**142 912**	**113 269**	**424 757**

	2 018	Contractual Maturity		
	Total	<1 year	1 - 5 years	> 5 years
	$'000	$'000	$'000	$'000
Financial Liabilities				
Payables	122 780	122 780	-	-
Finance liability	594 660	28 317	113 269	453 074
Total	**717 440**	**151 097**	**113 269**	**453 074**

D3 CONTINGENCIES

Litigation in Progress

At 30 June 2019, there were no cases filed in the courts naming the State of Queensland acting through the Department of Employment, Small Business and Training as defendant.

The maximum exposure of the department under policies held with the Queensland Government Insurance Fund is $10 000 for each insurable event.

There are currently no cases of general liability and WorkCover common law claims being managed by the department.

Financial Guarantees and Associated Credit Risks

The department paid a total of $10.65 million to the Construction Industry Skills Centre Pty Ltd (CISC) between 1994 -1998. The amount is only recoverable in circumstances contingent upon the winding up of CISC and the related trust. The department and the Queensland Training Construction Fund (QTCF) (a trust) are equal shareholders ($1 share each) in CISC and founders of the fund.

Native Title Claims over Departmental Land

Native title claims may have the potential to impact upon properties of the department. A number of departmental properties are occupied under a “reserve” tenure, validly created prior to 23 December 1996, and therefore any development undertaken in accordance with gazetted purposes should minimise the potential of native title claims.

At 30 June 2019, one native title claim has been received in respect of departmental land covering a total area eleven (11) hectares in the North Coast region. The land has a carrying amount of $1.43 million. At reporting date, it is not possible to make an estimate of any probable outcome of these claims, or any financial effects.

D4 COMMITMENTS

Non-cancellable operating lease commitments

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

	2019 **$'000**	2018 $'000
Not later than one year	**3 868**	143
Later than one and not later than five years	**20 847**	-
Later than five years	**9 522**	-
Total non-cancellable operating lease commitments	**34 237**	143

Operating leases are entered into as a means of acquiring access to office accommodation and storage facilities. Lease payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined.

No renewal or purchase options exist in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities.

Capital expenditure commitments

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

	2019 **$'000**	2018 $'000
Buildings		
Not later than one year	**12 608**	6 066
Total Capital expenditure commitments - Buildings	**12 608**	**6 066**

D4 COMMITMENTS (continued)

Grant commitments

Commitments for grants at reporting date are payable:

	2019 $'000	2018 $'000
Not later than one year	**30 443**	22 031
Later than one and not later than five years	**1 875**	102
Total Grant commitments	**32 318**	22 133

Other commitments (Public Private Partnership, Priority Purchasing Program and other)

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

	2019 $'000	2018 $'000
Not later than one year	**20 334**	15 932
Later than one and not later than five years	**85 143**	80 844
Later than five years	**418 165**	448 691
Total Other commitments	**523 642**	545 467

Fixed operating costs for Public Provision of Private Infrastructure for Southbank Education and Training Precinct – Axiom, have been included in the estimates of “Other commitments” (refer also to Note F3).

D5 EVENTS AFTER THE BALANCE DATE

No events after the balance date have occurred for the department.

D6 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 but with future effective dates are set out below:

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

The transition date for both AASB 15 and AASB 1058 is 1 July 2019. Consequently, these standards will first apply to the department when preparing the financial statements for 2019-20. The department has reviewed the impact of AASB 15 and AASB 1058 and identified the following impacts (or estimated impact where indicated) of adopting the new standards:

Special Purpose Capital Grants

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

The department has not received grants of this nature at 30 June 2019.

Capital Appropriation Funding

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

Deferred Grant Revenue

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

Sale of Goods

The department expects no change to revenue recognition from the sale of goods comprising of application fees for documentation as the delivery of the goods to the customer represents the sole performance obligation.

The department does not currently have any revenue contracts with a material impact for the period after 1 July 2019, and will monitor the impact of any such contracts subsequently entered into before the news standards take effect.

Sale of Services

The department expects no change to revenue recognition from the hire of training facilities. The department invoices for the monthly or annually rental amounts and there is no performance obligation on behalf of the department other than the maintenance of the facilities.

AASB 16 *Leases*

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

Impact for lessees

Under AASB 16, the majority of operating leases (as defined by the current AASB 117 and shown at Note D4) will be reported on the statement of financial position as right-of-use assets and lease liabilities.

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

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

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

D6 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE (continued)

Outcome of review as lessee

The department has completed its review of the impact of adoption of AASB 16 on the statement of financial position and statement of comprehensive income and has identified the following major impacts which are outlined below.

During the 2018-19 financial year, the department held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised, commercial office accommodation through the Queensland Government Accommodation Office (QGAO) and residential accommodation through the Government Employee Housing (GEH) program. Lease payments under these arrangements totalled $5.04 million per annum. The department has been advised by Queensland Treasury and DHPW that, effective 1 July 2019, amendments to the framework agreements that govern QGAO and GEH will result in the above arrangements being exempt from lease accounting under AASB 16. This is due to DHPW having substantive substitution rights over the non-specialised, commercial office accommodation and residential premises assets used within these arrangements. From 2019-20 onwards, costs for these services will continue to be expensed as supplies and services expense when incurred.

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

The department estimates there will be no impact on the statement of financial position and statement of comprehensive income on transition to AASB 16.

Impact for Lessors

Lessor accounting under AASB 16 remains largely unchanged from AASB 117. For finance leases, the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate.

AASB 1059 *Service Concession Arrangements: Grantors*

AASB 1059 will first apply to departmental 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.

Initial analysis on the department's contractual arrangement with Axiom Education Queensland Pty Ltd for the design, construction, maintenance and finance agreement of the Southbank Education and Training Precinct (refer Note F3), indicate that this arrangement does not meet the criteria for a service concession arrangement as defined by this standard.

The department does not currently have any arrangements that would fall within the scope of AASB 1059.

All other Australian Accounting Standards and Interpretations with future commencement dates are either not applicable to the department's activities, or have no material impact on the department.

SECTION 5
NOTES ABOUT OUR PERFORMANCE COMPARED TO BUDGET

E1 BUDGETARY REPORTING DISCLOSURES

This section contains explanations of major variances between the department's actual 2018-19 financial result and the original budget presented to Parliament.

E1-1 EXPLANATION OF MAJOR VARIANCES – STATEMENT OF COMPREHENSIVE INCOME

Other revenue	The increase in Other revenue relates to higher than anticipated grant expenditure recoveries.
Depreciation and amortisation	The increase is due to the effect of the 2017-18 revaluation program, with asset values increasing and adjustments to useful lives impacting on annual depreciation expense.
Other expenses	The variance is due to unanticipated and unbudgeted $6.4 million deferred appropriation to the Consolidated Fund for various departmental programs.
Revaluation decrement	The variance arises from an unanticipated and unbudgeted revaluation decrement during the year for the department's land assets.

E1-2 EXPLANATION OF MAJOR VARIANCES – STATEMENT OF FINANCIAL POSITION

Cash and cash equivalents	The increase in cash mainly relates to increase in various payables associated with capital creditors, the training services provision (see Provisions variance note) and grants payable with registered training providers at year end.
Property, plant and equipment	The increase is due to the effect of the 2017-18 and 2018-19 revaluation programs, investment in the Training and Skills capital program adjusted for annual depreciation.
Payables	The increase is due to various payables associated with capital creditors and grants to registered training providers.
Accrued employee benefits	The increase is due to higher than anticipated accrued salaries and wages, annual leave and long service leave liabilities at year end.
Provisions	The increase is due to the demand driven nature of training services, with more than expected student enrolments that have a planned completion after 30 June 2019 reported by registered training organisations, refer to Note C7.

E1-3 EXPLANATION OF MAJOR VARIANCES – STATEMENT OF CASH FLOWS

User charges and fees	The movement mainly relates to the nature of the facility hire arrangements at State training facilities.
Other Inflows	Refer to Other revenue variance note.
PPE outflow and Equity injections	The decrease mainly relates to revised project schedules for the Pimlico and Toowoomba capital projects with $10 million of funding moving to the 2019-20 year.
Equity withdrawals	The increase relates to increased depreciation as per the Depreciation and amortisation variance note and as a result an increase in equity withdrawals to the consolidated fund.

SECTION 6
OTHER INFORMATION

F1 KEY MANAGEMENT PERSONNEL REMUNERATION

Details of Key Management Personnel (KMP)

The department's responsible Minister is identified as part of the department's KMP, consistent with additional guidance included in the revised version of AASB 124 *Related Party Disclosures*. The Minister is the Honourable Shannon Fentiman MP, Minister for Employment and Small Business and Minister for Training and Skills Development

The following details for non- Ministerial KMP personnel includes those positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2018-19 and 2017-18. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Position Responsibility
Director-General	Supports the Minister in the delivery on the government's commitment to creating jobs for Queenslanders and supporting local businesses to reach their full potential.
Deputy Director-General, Engagement[1]	Strategic oversight for leading and influencing initiatives and programs at a whole-of-government level to support new, existing and renewed engagement, customer experience, service delivery and innovation for small business, training and employment outcomes across Queensland.
Deputy Director-General, Investment[1]	Strategic oversight for leading the development of training infrastructure strategy and delivery, program design, compliance and program delivery, and contract management for a range of employment, small business and training programs.
Deputy Director-General, Strategy[1]	Strategic oversight for development of employment, small business and training related strategy, strategic policy and data insights by driving collaborative and innovative outcomes through others to achieve the department's strategic imperatives.
Deputy Director-General, Employment	Strategic oversight for increasing employment opportunities for Queenslanders, in particular disadvantaged cohorts. Also leads both policy and strategic engagement activities, as well as the delivery of key Government employment programs. The service area also has responsibility for business and skilled migration policy, in consultation with Business and Skilled Migration Queensland.
Deputy Director-General, Small Business	Strategic oversight for the efficient, effective and economic administration of the small business responsibilities for the department including the products and services that are delivered to small business.
Deputy Director-General, Training and Skills	Strategic oversight for improving the skills profile of Queensland through delivery of a diverse and inclusive vocational education and training investment program that delivers on industry skills demands of today and the future, and supports publicly funded training providers to deliver high quality training.
Head of Corporate Services[2]	Strategic leadership for the department's corporate procurement, finance, human resources, information technologies, and facilities management functions and the provision of strategic financial advice to the department's Executive.

(1) Transition date for new teams for the oneDESBT structure was 6 December 2018 with a change to Deputy Director-General titles. DDG, Employment transitioning to DDG, Strategy; DDG, Small Business transitioning to DDG, Engagement; DDG, Training and Skills transitioning to DDG, Investment.
(2) Head of Corporate Services position no longer incorporates the Chief Finance Officer role, effective as at 5 November 2018.

Key Management Personnel 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 Queensland 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 key management personnel 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.

F1 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

Key Management Personnel Remuneration Policies (continued)

Remuneration expenses for those key management personnel comprise the following components:

Short term employee expenses which include:

- salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied the specified position (including any higher duties or allowances earned during that time); and
- non-monetary benefits – consisting of provision of vehicle and car parking 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.

Key Management Personnel Remuneration Expenses

The following disclosures focus on the expenses incurred by the department attributable to non-Ministerial key management personnel during the respective reporting periods. The amounts disclosed are determined on the same basis as expenses recognised in the Statement of Comprehensive Income.

2018-19

Position (date resigned if applicable)	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses $'000	Non-Monetary Benefits $'000	$'000	$'000	$'000	$'000
Director-General(to 15/09/2018) (from 10/02/2019)	192	4	4	25	-	225
Director-General (Acting)[1] 16/09/2018 to 09/02/2019	132	3	3	13	-	151
Deputy Director-General, Engagement [2] (Acting) from 29/01/2019	117	3	2	13	-	135
Deputy Director-General, Engagement [2] (Acting) 23/07/2019 - 28/01/2019	117	3	2	11	-	133
Deputy Director-General, Investment [2] (Acting) from 07/05/2019	38	1	1	4	-	44
Deputy Director-General, Investment [2] to 24/05/2019	247	6	5	26	68	352
Deputy Director-General, Strategy [1 2] (Acting) from 18/03/2019	43	2	1	8	-	54
Deputy Director-General, Strategy [2] (Acting) to 15/12/2019	127	3	2	12	-	144
Head of Corporate Services[3]	207	8	4	20	-	239

(1) The current Acting DDG, Strategy was in the role of Acting DG from 16/09/2018 to 9/02/2019.

(2) Transition date for new teams for the oneDESBT structure was 6 December 2018 with a change to Deputy Director-General titles. DDG, Employment transitioning to DDG Strategy; DDG Small Business transitioning to DDG, Engagement; DDG Training and Skills transitioning to DDG, Investment.

(3) Head of Corporate Services no longer holds the role of Chief Finance Officer (CFO) for the department.

F1 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

Key Management Personnel Remuneration Expenses (continued)

2017-18

Position (date resigned if applicable)	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses $'000	Non-Monetary Benefits $'000	$'000	$'000	$'000	$'000
Director-General[1]	163	1	3	14	-	181
Director-General (Acting) 1/1/2018 to 28/1/2018	28	-	1	2	-	31
Deputy Director-General, Employment[1]	117	4	2	12	-	135
Deputy Director-General, Small Business[1]	116	4	2	12	-	134
Deputy Director-General, Training and Skills[1]	130	4	3	14	-	151
Head of Corporate and Chief Finance Officer	93	3	2	10	-	108

(1) Remuneration for these KMPs for the period 13 December 2017 to 31 December 2017 have been reported within the financial statements of the transferring departments.

Performance Payments

Key Management Personnel do not receive performance or bonus payments.

F2 RELATED PARTY TRANSACTIONS

Transactions with people/ entities related to KMP

The department had no related party transactions during 2018-19 with people and entities related to Key Management Personnel.

Transactions with other Queensland Government-controlled entities

The department's primary ongoing sources of funding from Government for its services are appropriation revenue (Note B1-1) and equity injections (C8-1 and C8-2), both of which are provided in cash via Queensland Treasury.

Note A3 outlines transfers of assets and liabilities arising from a machinery-of-government change during 2017-18.

Grants provided by the department to other State government entities was approximately 39%, with the majority paid to TAFE Queensland being for the state contribution grant and delivery of VET programs.

F3 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE ARRANGEMENT

F3-1 Accounting policy

There is currently no Australian Accounting Standard that specifically addresses the accounting treatment to be adopted by grantors for capital costs incurred under a public private partnership arrangement. Additional disclosures are included for each individual arrangement in accordance with AASB Interpretation 129 *Service Concession Arrangements: Disclosures* and Queensland Treasury's financial reporting requirements under FRR 5D – *Service Concession Arrangements*. Refer Note D6 for an assessment of the impact of accounting standards not yet effective.

F3-2 Private Provision of Public Infrastructure (PPPI) Agreement

The PPPI within the table below is a social infrastructure arrangement whereby the department pays for the third party use of the infrastructure asset through regular service payments to respective partners over the life of the contract.

The land and buildings are owned by the department and are recognised as Property Plant and Equipment (PPE). The Southbank Education and Training Precinct (SETP) buildings are depreciated in accordance with the department's policy for the PPE Buildings' asset class, refer Note C3.

The department recognises the future payments for the construction of the buildings as a financial liability. The monthly service payments are split between the capital component to affect the systematic write down of the liability over the term of the agreement, and the financing component which will be recognised as an expense when incurred. Other components such as facilities management, maintenance, and insurance will be expensed when incurred and are reflected Note D4 as a commitment.

PPPI Arrangement	**Southbank Education and Training Precinct (SETP) – Axiom – Public Private Partnership**
Entered Into Contract	April 2005
Partner	Axiom Education Queensland Pty Ltd
Agreement Type	Design, construct, maintain, and finance SETP
Agreement Period	34 years
Financing	Finance during the design and construction phases was provided by JEM (Southbank) Pty Ltd.
Arrangement	The department will pay abatable and undissected service payments to Axiom for the operation, maintenance, and provision of the precinct. Axiom is granted the right to enter and operate on the site, and is required to maintain the facilities to a high standard.
Construction Commencement	July 2005
Construction Completed	31 October 2008
Variable Costs	No variable costs for the life of the contract.

F3 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE ARRANGEMENT (continued)

F3-3 Private Provision of Public Infrastructure – Cash Flow

The below estimated cash flow is in respect of the specified income and payments required under the contractual agreement for Southbank Education and Training Precinct - Axiom.

	2019 $'000	2018 $'000
Estimated cash flows - Fixed costs		
Outflows		
Not later than 1 year	**(45 450)**	(40 579)
Later than 1 year but not later than 5 years	**(179 029)**	(167 251)
Later than 5 years but not later than 10 years	**(239 832)**	(221 736)
Later than 10 years	**(434 741)**	(383 865)
Estimated net cash flow - Fixed costs	**(899 052)**	(813 431)
Estimated cash flows - Variable Costs		
Inflows		
Not later than 1 year	**16 036**	15 502
Later than 1 year but not later than 5 years	**65 732**	61 323
Later than 5 years but not later than 10 years	**87 490**	76 561
Later than 10 years	**195 826**	171 649
Estimated net cash flow - Variable Costs	**365 084**	325 035
Total Estimated Net Cashflow	**(533 968)**	(488 396)

Disclosure about Private Provision of Public Infrastructure Arrangement Cash Flows

Fixed costs are based on a risk free rate of 1.38 per cent (2018: 2.70 per cent).

Southbank Education and Training Precinct PPP have no variable costs associated with the contractual agreement.

F3 PRIVATE PROVISION OF PUBLIC INFRASTRUCTURE ARRANGEMENT (continued)

F3-4 Risks during the Concession Period

During the concession period, the department will carry the following risks and rewards, which include:

Risks	Impact to the department
Site risks	Axiom have accepted site risk including existing structures with the exception of non-identified pre-existing contamination. Where non-identified pre-existing contamination is discovered investigation and remediation costs will be shared on an equal basis between PPPI party and the State.
Performance design, construction and commissioning risks (performance specification adequately describing the department's requirements and changes to performance specifications)	The department has defined its performance specifications. The department is exposed to the risk that these performance specifications fail to meet current or future requirements, however processes are in place to monitor performance and identify any issues as early as possible to minimise exposure.
Operating/maintenance risks (network and interface and changes to performance specification)	The department has specified the level of operating and maintenance performance which is linked to an abatement regime and key performance indicators. The department is exposed to the risk that operating/maintenance performance specifications fail to meet current or future requirements, however processes will be instituted to monitor performance and identify any issues as early as possible to minimise exposure.
Sponsor and financial risks	The department has entered into a fixed contract with Axiom, subject to CPI and market rates. The department is exposed to the risk that the Consortium fails to comply with the requirements of the Deed and/or fails to be a going concern. In this event the department is exposed to the risk of replacing the consortium with suitable operators to continue providing infrastructure financing, capital, maintenance and operating requirements. The department has monitoring processes in place to identify any issues as early as possible to minimise exposure.
Early termination	Should the department wish to terminate the Deed, it is expected that the department would be required to pay Consortiums compensation; however any compensation payable would be a key variable in the consideration of any decision to terminate the contracts prior to their planned completion.
Market value risk	At the end of the concession period the facilities will be handed back to the department at no additional cost. The department will receive the benefit of the receipt of the fair value of the infrastructure and any associated assets.
Rehabilitation risk	At the end of the concession period the department will be responsible for the removal of any future contamination of the sites and other ancillary land and will also be responsible for the future removal of infrastructure and any site rehabilitation. On-going monitoring of the sites is within the department's plans for managing the contract to ensure that any rehabilitation requirements are promptly identified and costs are minimised.

F4 PRIOR PERIOD ERRORS AND ADJUSTMENTS

The department reviewed the classification and values of the Southbank Education and Training Precinct (SETP) assets that were transferred from the Department of Education on 1 January 2018 as a machinery-of-Government change. This assessment resulted in a number of adjustments to the comparative numbers reported in the 2017-18 financial statements. The line items affected are as follows:

	2017-18		
Financial statement line items affected	**Published financial statements**	**Correction of error**	**Restated actuals**
	$'000	**$'000**	**$'000**
Statement of financial position			
Leased assets - at fair value	296 074	(296 074)	-
Accumulated depreciation - leased assets	(47 259)	47 259	-
Total leased assets	248 815	(248 815)	-
Buildings - at fair value	1 249 046	232 646	1 481 692
Accumulated depreciation - buildings	(555 298)	(35 699)	(590 997)
Total buildings	693 748	196 947	890 695
Plant and equipment - at cost	752	8 087	8 839
Accumulated depreciation - plant and equipment	(591)	(6 947)	(7 538)
Total plant and equipment	161	1 140	1 301
Total property, plant and equipment	1 492 830	(50 728)	1 442 102
Total non-current assets	1 494 706	(50 728)	1 443 978
Total assets	**1 736 987**	**(50 728)**	**1 686 259**
Contributed equity	1 277 163	(47 551)	1 229 612
Revaluation surplus - leased assets	9 964	(9 964)	-
Revaluation surplus - buildings	70 357	7 875	78 232
Total asset revaluation surplus	85 214	(2 089)	83 125
Total equity	**1 363 410**	**(50 728)**	**1 312 682**
Statement of comprehensive income			
Depreciation and amortisation	12 380	1 088	13 468
Total expenses from continuing operations	577 500	1 088	578 588
Operating result for the year	1 033	(1 088)	(55)
Increase/(decrease) in asset revaluation surplus	85 214	(2 089)	83 125
Total comprehensive income	**86 247**	**(3 177)**	**83 070**

Reclassification of Leased Assets

The department has a Private Provision of Public Infrastructure (PPPI) arrangement for the construction and maintenance of the SETP. The department reviewed the accounting treatment of the arrangement as part of assessing the impact of the new Accounting Standards AASB 16 *Leases* and AASB 1059 *Service Concession Arrangements: Grantors*.

It was concluded that the arrangement from its inception was not a lease but a financed construction of Property Plant and Equipment (PPE) with a service outsourcing contract. The non-current assets previously classified as Leased Assets have been reclassified to the Building and Plant and Equipment PPE classes. The PPPI liability has been reclassified from a 'Finance Lease Liability' to a 'Finance Liability'.

Restatement of transfer-in values as at 1 January 2018

As part of the specific appraisal of SETP land, leased assets, and building class assets in 2018-19 the department worked with the Department of Education to compare the results to the last specific appraisal completed in 2014-15. This identified variances in the application of the valuer's advised gross values of five buildings. The department estimates that as a result of these variances, the Leased Assets net book value that was transferred into the department was overstated by $47.551 million.

F4 PRIOR PERIOD ERRORS AND ADJUSTMENTS (continued)

Adjustments to revaluation increments and depreciation expense for the period ending 30 June 2018

The valuation increment recognised on SETP assets at 30 June 2018 was reduced to reflect the reduced net book value of assets transferred into the department. This resulted in a reduction to PPE and the Buildings Asset Revaluation Surplus of $2.089 million.

The depreciation for the period ending 30 June 2018 was recalculated in accordance with the department's policy for the PPE Buildings asset class, refer Note C3. This resulted in an increase in depreciation expense for the period ending 30 June 2018 of $1.088 million.

F5 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN POLICY

Changes in accounting policies – AASB 9 *Financial Instruments*

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

Classification and measurement

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

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

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

Equity instruments within the scope of AASB 9 are measured at FVTPL, with the exception that an equity instrument that's not held for trading can be irrevocably designated at FVOCI. Investments in subsidiaries, associates and joint ventures fall outside of the scope of AASB 9. The department holds no equity investments.

AASB 139 measurement category		AASB 9 Measurement category (Balance at 1 July 2018)		
	Balance at 30 June 2018	Amortised cost	Fair value through OCI	Fair Value through profit or loss
Loans and receivables	$'000	$'000	$'000	$'000
- Trade and other receivables*	**7 292**	4 270	-	-
	7 292	**4 270**	**-**	**-**

**The change in carrying amount is due to additional impairment allowance – see discussion on impairment below*

Impairment

AASB 9 requires the loss allowance to be measured using a forward-looking expected credit loss approach, replacing AASB 139's incurred loss approach. AASB 9 also requires a loss allowance to be recognised for all debt instruments other than those held at fair value through profit or loss.

On adoption of AASB 9's new impairment model, the department recognised no additional impairment losses on its trade receivables. This resulted in no change in opening accumulated surplus. Below is a reconciliation of the ending impairment allowance under AASB 139 to the opening loss allowance under AASB 9.

F5 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN POLICY (continued)

AASB 139 measurement category		AASB 9 Measurement category (Balance at 1 July 2018)		
	AASB 9 measurement category	Impairment allowance 30 June 2018	Remeasurement	Loss allowance 1 July 2018
Loans and receivables		**$'000**	**$'000**	**$'000**
- Trade and other receivables	Amortised cost	(3 022)	-	-
		(3 022)	**-**	**-**

Accounting Standards Early Adopted for 2018-19

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

Accounting Standards Applied for the First Time

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

F6 TAXATION

The department is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from all forms of 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 are recognised in Note C2.

Department of Employment, Small Business and Training
Management Certificate
for the year ended 30 June 2019

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 42 the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 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 the prescribed accounting standards, of the transactions of the Department of Employment, Small Business and Training for the financial year ended 30 June 2019, and of the financial position of the department at the end of that year; and

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

Paula Higham, BCom, MIPA
Chief Finance Officer
Department of Employment, Small Business and Training

Date: 30/8/19

Mary-Anne Curtis
Director-General
Department of Employment, Small Business and Training

Date: 30/8/19

Queensland Audit Office
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INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Employment, Small Business and Training

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of the Department of Employment, Small Business and Training.

In my opinion, the financial report:

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

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

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

Basis for opinion

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

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

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

Key audit matters

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

Queensland Audit Office
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Valuation of buildings ($990.8 million as at 30 June 2019)

Key audit matter	How my audit procedures addressed this key audit matter

The Department of Employment, Small Business and Training (the department) specialised buildings were measured at fair value at balance date using the current replacement cost method.
 	
The department performed a comprehensive revaluation of approximately two-thirds of its buildings using independent valuers with remaining assets being revalued using indexation. It is the department's policy to conduct revaluations on this basis annually. This is consistent with the department's intention to implement a rolling revaluation program.
 	
The current replacement cost method comprises:
• Gross replacement cost, less
• Accumulated depreciation
 	
For comprehensively revalued buildings, the department applied unit rates provided by an independent quantity surveyor to derive gross replacement cost. These unit rates require significant judgement in relation to:
• identifying the components of buildings with separately identifiable replacement costs
• specifying the unit rate categories based on building and component types with similar characteristics
• assessing the current replacement cost for each unit rate category having consideration for more contemporary design/ construction approaches.
 	
For buildings not comprehensively revalued, significant judgement was required to estimate the change in gross replacement cost from the prior year.
 	
The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense.
	My procedures for buildings comprehensively revalued included, but were not limited to:
	• assessing the adequacy of management's review of the valuation process
	• obtaining an understanding of the methodology used and assessing its design, integrity and appropriateness with reference to common industry practice
	• assessing the competence, capability and objectivity of the experts used by the department
	• on a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit cost rates including:
	  - modern substitute (including locality factors and on-costs)
	  - adjustment for excess quality or obsolescence.
	For buildings indexed, my procedures included, but were not limited to:
	• evaluating the relevance and appropriateness of the indices used for changes in Building Price Index inputs by comparing to other relevant external indices
	• reviewing the appropriate application of these indices to the remaining assets of the portfolio.
	All building's useful life estimates were reviewed for reasonableness by:
	• reviewing management's annual assessment of useful lives
	• ensuring that no component still in use has reached or exceeded its useful life
	• reviewing formal asset management plans, and enquired of management about whether these plans remain current
	• where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence
	• ensuring that management has updated accumulated depreciation this year for changes in remaining useful lives identified.

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Responsibilities of the department for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

Queensland
Audit Office
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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

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

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

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

MReardon

30 August 2019

Michelle Reardon
as delegate of the Auditor-General

Queensland Audit Office
Brisbane