

Statement by 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 2009*.

As Chief Finance Officer, I have therefore fulfilled the minimum responsibilities as required by section 77(1)(b) of the Act.

Summary of financial performance

This financial summary provides an overview of the department's financial performance for the period 1 July 2012 to 30 June 2013. A more detailed view of the department's financial performance is provided in the Financial Statements included in Part B of the Annual Report.

As at 30 June 2013, the economic entity consists of seven major departmental services, a commercialised business unit and two shared service providers. Refer to Note 1 (b) within the Financial Statements for further information in relation to the department's economic entity.

The department was formed through machinery of Government changes on 3 April 2012 with financial effect from 1 May 2012 therefore any comparison to the prior financial year's statement of comprehensive income will not be on a like for like comparison.

The financial amounts summarised below include the operations of the department (excluding administered activities).

Financial Overview	2013	2012
Revenue	\$783 million	\$193 million
Expenses	\$812 million	\$217 million
Operating surplus/(deficit)	(\$28 million)	(\$24 million)
Total assets	\$1.041 billion	\$1.193 billion
Total liabilities	\$134 million	\$157 million
Equity	\$907 million	\$1.036 billion

The department has reported an operating deficit of \$28 million for the year ended 30 June 2013. This deficit is mainly due to the impairment of finance and payroll system assets of \$23.7 million and a \$9.5 million write down of tax assets.

Total appropriated services revenue received for the period was \$322.4 million and the department operated within its appropriated budget during this period. Total user charges received for the period was \$416.9 million, primarily derived through Information, Communication and Technology services by CITEC, services by Smart Service Queensland and Corporate Services (including Finance and Payroll support) by the department's two shared services providers, Queensland Shared Services and the Corporate Administration agency.

The department maintained a sound position as at 30 June 2013 with net assets of \$907.2 million. As at 30 June 2013, the department controlled property, plant and equipment of \$771.6 million with the majority relating to the land and building holdings of Arts Queensland.

All liabilities recognised by the department are funded and no significant contingent liabilities exist as at 30 June 2013 in respect to the department's activities.

All administered activities operated within budget and administered assets were administered consistent with departmental objectives.

The department's statement of comprehensive income and statement of financial position for the 2012–13 financial year are provided with explanations of significant variances from the original published budget and previous year's results.

8. Our financial performance

The recommendations within and the Queensland Government's response to the Commission of Audit's report has implications to the future operations of the department.

While the government has accepted these recommendations it has noted that detailed implementation plans which first and foremost establish an orderly process to manage the implications of these recommendations are needed.

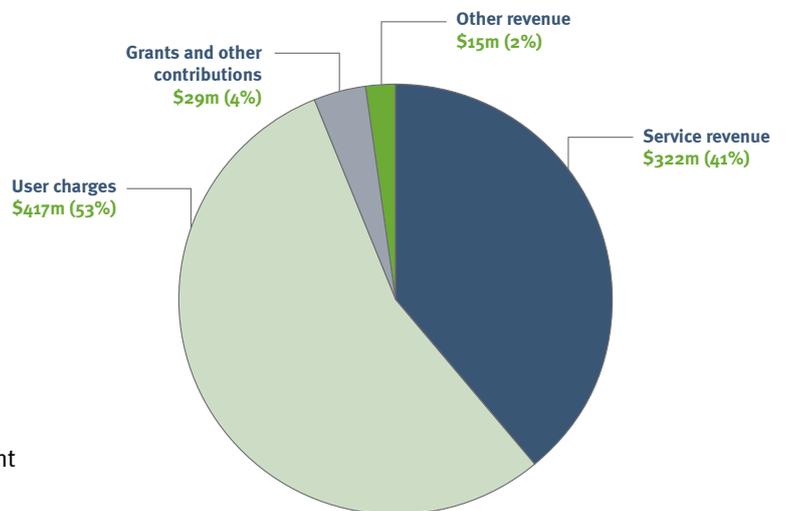
The department is currently developing detailed implementation plans to deliver upon the government's response. At the time of issuing the financial statements, the department has not yet completed all detailed implementation plans and therefore it is not possible to provide detailed information with respect to the financial impacts on the department.

Our revenue – where the funds come from

2013 Income (\$783 million)

Revenue for the department totalled \$783 million for 2012–13, an increase of \$590 million on the prior financial year which only reflected revenue for the 2 months from 1 May 2012.

User charges are the main revenue source for the department at 55% of total revenue and are generated from a variety of activities with the main clients being other Queensland Government departments.



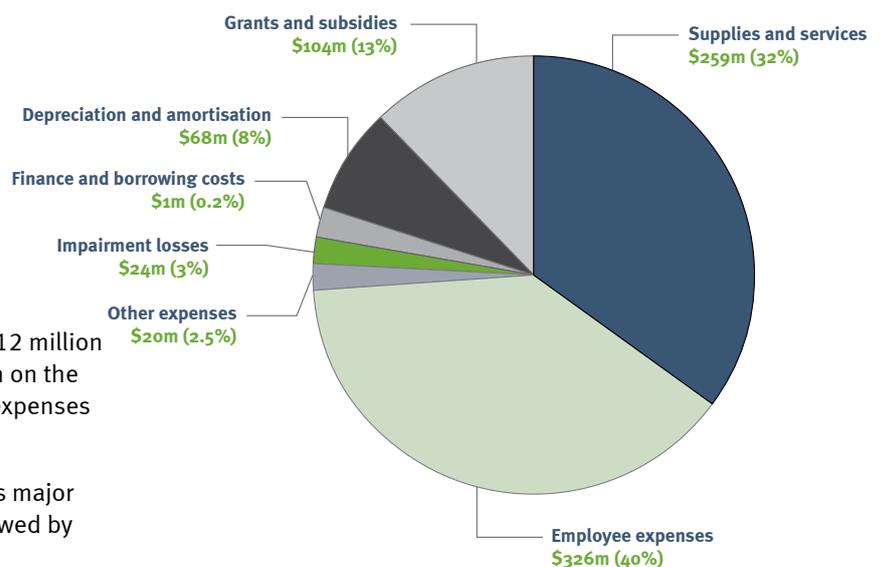
Our expenses – how the funds are spent

2013 Expenditure (\$812 million)

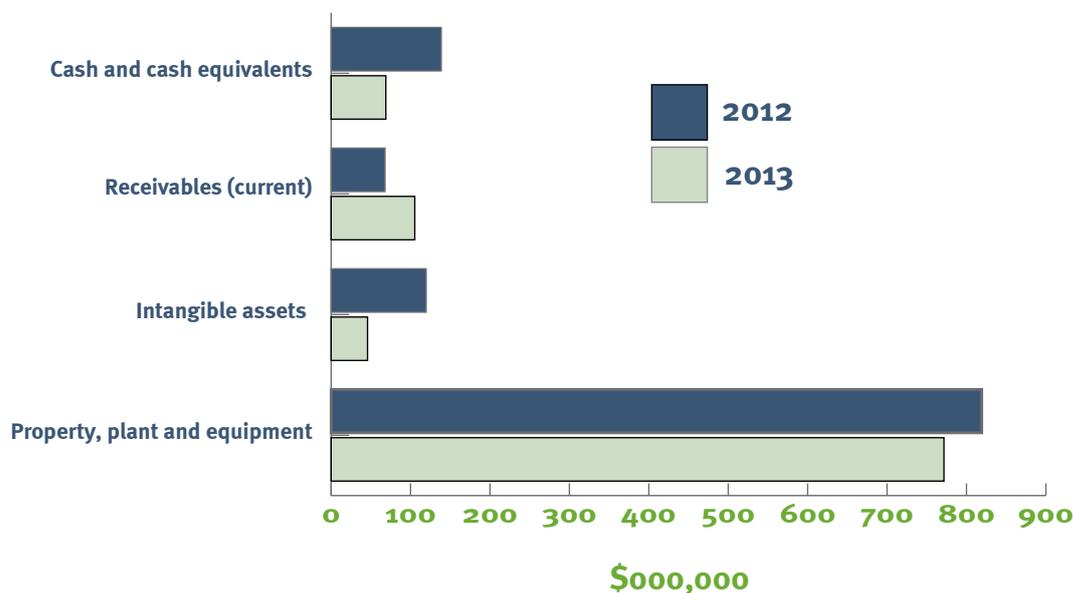
Expenses for the department totalled \$812 million for 2012–13, an increase of \$595 million on the prior financial year which only reflected expenses for the 2 months from 1 May 2012.

Employee expenses are the department's major expense component at 40% closely followed by supplies and services at 32%.

Supplies and services include service delivery expenses relating to ICT, shared service providers and Arts and Culture Services.



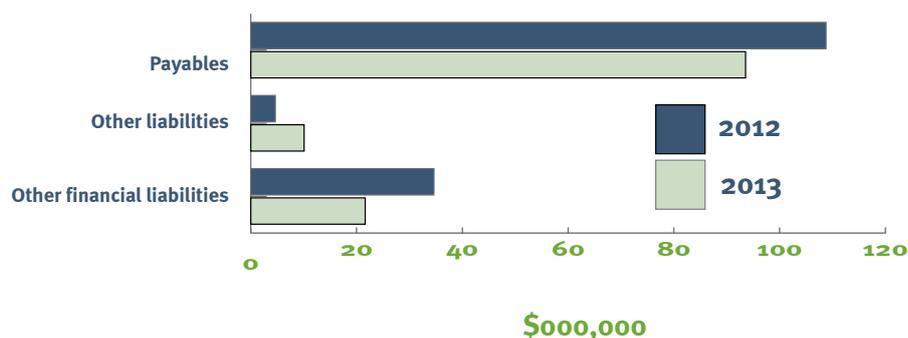
Our assets – what we own



As at 30 June 2013, the department held assets totalling \$1.041 billion with \$817 million relating to property, plant and equipment and intangible assets.

Intangible assets reduced by \$73.8 million or 62% in comparison with last financial year mainly due to the Queensland Health Services machinery-of-government payroll system transfer and impairment of finance and payroll system assets within Queensland Shared Services.

Our liabilities – what we owe



As at 30 June 2013, the department held liabilities totalling \$134 million with \$94 million relating to payables. Payables includes the reimbursements of costs to other agencies for costs incurred on behalf of the department.

The figure has reduced by \$15 million or 14% in comparison to last financial year partly as a result of consolidating a number of finance systems.

Statement of Comprehensive Income

for the year ended 30 June 2013

	Notes	Audited Actual	Original Published Budget	Audited Actual
		2013	2013	2012
Income from continuing operations				
Departmental services revenue	1,6	322,385	371,999	95,649
User charges	1,7	416,878	500,945	84,987
Grants and other contributions	1	29,115	28,789	10,914
Other revenue	1,8	15,013	4,778	1,290
Total income from continuing operations		783,391	906,511	192,840
Expenses from continuing operations				
Employee expenses	1	326,369	335,753	60,591
Supplies and services	1,9	258,835	337,638	60,387
Grants and subsidies	1,10	104,153	129,074	49,236
Depreciation and amortisation	1,	67,851	77,751	12,989
Impairment losses	2,11	23,631	0	19,643
Revaluation decrement	3	0	0	13,214
Finance/borrowing costs	1,12	1,527	22,843	297
Other expenses	1,12	19,907	3,067	10,332
Total expenses from continuing operations		802,274	906,126	226,689
Operating result from continuing operations before income tax		-18,883	385	-38,849
Income tax benefit/(expense)	4,13	-9,526	-115	0
Operating result from continuing operations after income tax		-28,409	270	-33,849
Other comprehensive income/(loss)				
Increase in asset revaluation surplus	5	0	0	10,150
Total other comprehensive income/(loss)		0	0	10,150
Total comprehensive income/(loss)		-28,409	270	-23,699

Statement of Financial Position

for the year ended 30 June 2013

	Notes	Audited Actual	Original Published Budget	Audited Actual
		2013	2013	2012
Current assets				
Cash and cash equivalents	14	68,877	83,323	138,668
Receivables	15,23	105,308	70,964	67,843
Inventories		40	0	9
Other assets		12,646	7,464	15,159
Total current assets		186,871	161,751	221,679
Non-current assets				
Receivables	16	34,643	34,952	20,722
Deferred tax assets	17,24	683	16,286	10,209
Intangible assets	18,25	45,853	120,358	119,659
Property, plant and equipment		771,623	778,848	819,260
Other assets		1,123	2,551	1,851
Total non-current assets		853,926	952,995	971,701
Total assets		1,040,796	1,114,746	1,193,380
Current liabilities				
Payables		93,555	74,802	108,777
Other financial liabilities	19	12,274	9,615	19,166
Accrued employee benefits		8,247	9,864	8,695
Other liabilities	20,26	10,079	3,772	4,675
Total current liabilities		124,155	98,053	141,313
Non-current liabilities				
Other financial liabilities	21	9,357	10,293	15,467
Deferred tax liabilities		73	15	73
Total non-current liabilities		9,430	10,308	15,540
Total liabilities		133,585	108,361	156,853
Net assets		907,212	1,006,385	1,036,527
Equity				
Contributed equity		959,320	1,095,416	1,060,226
Accumulated surplus		-62,259	-107,424	-33,849
Asset revaluation surplus	22,27	10,150	18,393	10,150
Total equity		907,211	1,006,385	1,036,527

The Original Published Budget figures are a summation of the figures of the Department of Science, Information Technology, Innovation and the Arts, business units and shared service providers as per the Service Delivery Statement and thus do not include elimination entries for transactions occurring within the department and the various machinery of government changes.

Statement of Comprehensive Income

Major variations between 2011–12 Audited Actuals and 2012–13 Audited Actuals include:

1. The increase in audited actuals mainly due to 2 months of actuals incurred in 2011–12 versus 12 months of actuals incurred in 2012–13.
2. The 2011–12 actuals was due to the discontinuation of Identity, Directory and Email Services (IDES) and impairment of the associated IDES related capital asset base within CITEC and the 2012–13 actuals is due to the impairment of finance and payroll system assets within QSS.
3. The 2011–12 actuals included a revaluation decrement on Arts Queensland's buildings.
4. The 2012–13 actual includes the write off of CITEC's tax assets.
5. The 2011–12 actual includes an adjustment to asset revaluation reserve on Arts Queensland's land.

Major variations between 2012–13 Published Budget and 2012–13 Audited Actuals include:

6. The decrease in 2012–13 actuals is mainly due to the deferral of departmental service revenue to meet contract commitments and expenses in 2013–14 and applicable out years.
7. The decrease in 2012–13 actuals in mainly due to the machinery-of-government payroll system transfer from QSS to Queensland Health Services, a reduction in the demand for services from clients due to budget measures across the public sector in QSS and the decline of government ICT expenditure with CITEC whilst awaiting the outcomes of the ICT Audit.
8. The increase in 2012–13 actuals is mainly related to the funding received for Voluntary Redundancy (VR) payments. At the time of the 2012–13 Budget, the cost of redundancies was held centrally within government.

9. The decrease in 2012–13 actuals in mainly due to the machinery-of-government payroll system transfer from QSS to Queensland Health Services, a reduction in the demand for services from clients due to budget measures across the public sector in QSS and the decline of government ICT expenditure with CITEC whilst awaiting the outcomes of the ICT Audit.
10. The decrease in 2012–13 actuals is mainly due to the deferral of grants to meet contract commitments.
11. The 2012–13 actuals includes the impairment of finance and payroll system assets within QSS.
12. The variation in finance/borrowing costs and Other expenses is mainly due to the different classification of expenditure within the Service Delivery Statements and the Financial Statements in relation to the accounting adjustments for Innovation Building Fund.
13. The increase in income tax expense against budget is due to the write off of CITEC's tax asset.

Statement of Financial Position

Major variations between 2011–12 Audited Actuals and 2012–13 Audited Actuals include:

14. The reduction in cash is due to a reduction in payables as a result of consolidating finance systems and an increase to receivables as a result of only drawing down on cash for appropriation in line with operational requirements.
15. Receivables (current) have increased mainly due to the increase in appropriation receivable.
16. Receivables (non-current) have increase mainly due to loans provided under Innovation Building Fund.
17. Deferred tax assets have reduced in line with CITEC's write down of this asset.
18. Intangible assets have reduced mainly due to the machinery-of-hovernment payroll system transfer from QSS to Queensland Health Services and the impairment of finance and payroll system assets within QSS.
19. Other financial liabilities (current) have reduced due to a reduction in CITEC's QTC borrowings.
20. Other liabilities have increased mainly due to unearned revenue within QSS and Innovation and Science Delivery relating to services.

- 21. Other financial liabilities (non-current) have reduced due to a reduction in CITEC's QTC borrowings.
- 22. Accumulated surplus has decreased as a result of to the impairment of finance and payroll system assets within QSS and CITEC's operating performance including the write off of their tax assets.

Major variations between 2012–13 Published Budget and 2012–13 Audited Actuals include:

- 23. Receivables (current) have increased mainly due to the increase in appropriation receivable.
- 24. Deferred tax assets have reduced in line with CITEC's write down of this asset.
- 25. Intangible assets have reduced mainly due to the machinery-of-government payroll system transfer from QSS to Queensland Health Services and the impairment of finance and payroll system assets within QSS.
- 26. Other liabilities have increased mainly due to unearned revenue within QSS and Innovation and Science Delivery relating to services.
- 27. Accumulated surplus has decreased as a result of to the impairment of finance and payroll system assets within QSS and CITEC's operating performance including the write off of their tax assets.

Part B

Annual Report 2012–13 Financial Statements

Department of Science, Information Technology, Innovation and the Arts

For the period 1 July 2012 to 30 June 2013